



# DOD SUBCONTRACTING PROGRAM: *THE BASICS*

## August 2007

### Regulatory Requirements

Authority:	<ul style="list-style-type: none"> <li>Section 8(d) Small Business Act – 15 USC 637(d)</li> <li>Section 15(g) Small Business Act – 15 USC 644(g)</li> </ul>	<p>Specifies that small businesses will have maximum practicable opportunity to participate in contract performance consistent with efficient performance</p> <p>Specifies government-wide goals for contracts and subcontracts awarded to small business concerns</p>		
Regulations:	<ul style="list-style-type: none"> <li>FAR 19.7 / DFARS 219.7, Small Business Subcontracting Program</li> <li>FAR 52.219-8, Utilization of Small Business Concerns</li> <li>FAR 52.219-9, Subcontracting Plan</li> </ul>	<ul style="list-style-type: none"> <li>Small businesses will have maximum practicable opportunity to participate in contract performance consistent with efficient performance</li> <li>Subcontracting Plan requirement</li> <li>Comply in good faith with subcontract plan requirements</li> <li>Imposition of liquidated damages</li> </ul>		
	Utilization of SBs (FAR 19.7 / 52.219-8)	Subcontracting Plan (FAR 19.7 / 52.219-9)		
When?	<ul style="list-style-type: none"> <li>Contracts &gt; Simplified Acquisition Threshold (SAT) (\$100K) AND</li> <li>Subcontract opportunities exist</li> </ul>	<ul style="list-style-type: none"> <li>Contracts &gt; \$550K (\$1M construction) AND subcontract opportunities exist</li> <li>Modifications &gt; \$550K (\$1M construction) with new work AND subcontract opportunities exist</li> <li>Multi-year contracts / contracts with options                             <ul style="list-style-type: none"> <li>Cumulative value of base contract &amp; all options</li> <li>SEPARATE goals for base &amp; each option</li> </ul> </li> </ul>		
Who?	<ul style="list-style-type: none"> <li>ALL business concerns <b>(including small businesses)</b></li> </ul>	<table style="width: 100%; border: none;"> <tr> <td style="width: 50%; vertical-align: top;"> <b>ALL</b> other than small business:                             <ul style="list-style-type: none"> <li>Large business</li> <li>State &amp; local government</li> <li>Non-profit organizations</li> </ul> </td> <td style="width: 50%; vertical-align: top;"> <b>May also include:</b> <ul style="list-style-type: none"> <li>Public utilities</li> <li>Educational institutions</li> <li>Foreign-owned firms</li> </ul> </td> </tr> </table>	<b>ALL</b> other than small business: <ul style="list-style-type: none"> <li>Large business</li> <li>State &amp; local government</li> <li>Non-profit organizations</li> </ul>	<b>May also include:</b> <ul style="list-style-type: none"> <li>Public utilities</li> <li>Educational institutions</li> <li>Foreign-owned firms</li> </ul>
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When not required?	<ul style="list-style-type: none"> <li>For personal services contracts</li> <li>For contracts / modifications performed entirely outside US &amp; outlying areas</li> </ul>	<ul style="list-style-type: none"> <li>From small businesses</li> <li>For personal services contracts</li> <li>For contracts / modifications performed entirely outside US &amp; outlying areas</li> <li>For modifications to contracts within general scope of the contract that do not contain FAR 52.219-8 (or equivalent prior clauses, e.g., contracts awarded before enactment of PL 95-507)</li> </ul>		

### Types of Subcontracting Plans (FAR 19.7 / 52.219-9)

Individual	Master	Commercial	Comprehensive
<ul style="list-style-type: none"> <li>1 contract – 1 plan</li> <li>Goals support planned subcontracting for 1 contract</li> <li>Covers entire contract period (including options)</li> <li>Contains mandatory elements</li> <li>Submit Subcontracting Reports                             <ul style="list-style-type: none"> <li>ISR* or SF 294 (semiannually)</li> <li>SSR** or SF 295 (semiannually)</li> </ul> </li> </ul> <p>* <i>Individual Subcontracting Report (electronic version)</i>                      ** <i>Summary Subcontracting Report (electronic version)</i></p>	<ul style="list-style-type: none"> <li>Boilerplate info – contains same elements as individual plan minus goals</li> <li>Goals negotiated for each applicable contract</li> <li>Effective for 3 years after approval of Contracting Officer</li> <li>May be developed on a Plant / Division basis</li> <li>Submit Subcontracting Reports                             <ul style="list-style-type: none"> <li>ISR or SF 294 (semiannually)</li> <li>SSR or SF 295 (semiannually)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Preferred for commercial items</li> <li>Based on Contractor's FY</li> <li>Annual plan (applies to all government contracts in effect during that period)</li> <li>May be on a Plant / Division basis</li> <li>Submit Subcontracting Reports                             <ul style="list-style-type: none"> <li>SSR or SF 295 (Annually)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>DoD Test Program for Negotiation of Comprehensive SB Subcontracting Plans</li> <li>Similar to a commercial plan                             <ul style="list-style-type: none"> <li>May be on a Plant / Division / Corporate basis</li> <li>Annual plan (applies to all DoD contracts in effect during the period)</li> </ul> </li> <li><b>ONLY</b> DCMA is delegated authority to negotiate Plan &amp; perform surveillance review functions (with input from MILDEPS / Defense Agencies)</li> <li>Submit Subcontracting Reports                             <ul style="list-style-type: none"> <li>SSR or SF 295 (semiannually)</li> </ul> </li> </ul>

Note: Plan and Goals must be approved *PRIOR* to contract award

## Mandatory Elements Included in Subcontracting Plan (FAR 19.7/52.219-9)

- Goals (% based on total planned subcontracting \$ for each SB category)
- Total \$ to be subcontracted (overall & by category)
- Description of principal types of supplies/services to be subcontracted (total & by category)
- Description of method used to develop subcontract goals
- Description of method used to identify potential SB sources
- Indirect Costs (included/not included) & methodology used to determine proportionate share of indirect costs for each category
- Name of individual administering subcontracting program & description of duties. (*Where are they located organizationally?*)
- Description of efforts to ensure SB has an equitable opportunity to compete for subcontracts
- Assurances
  - Cooperate in studies / surveys
  - Submit reports, as required
  - Submit SF 294 / SF 295 (or ISR / SSR) as required
- Record-keeping: description / procedures / process
- “Flow down” clauses & reporting requirements
  - 52.219-8 (Utilization of SB Concerns)
  - 52.219-9 (Subcontracting Plan)
  - SF 294 / 295 (or ISR / SSR)

## Categories Included in Goals of a Subcontracting Plan (as defined in FAR 19/26 and DFARS 252.219-7003)

**Small business (SB)** – located in U.S., organized for profit, including affiliates is independently owned & operated, not dominant in field of operations in which it is bidding on Government contracts, AND meets Small Business Administration (SBA) size standards included in solicitation. The size standard is based upon the North American Industrial Classification System (NAICS) assigned to the specific procurement dependent upon product/service purchased. **Self-certify** DFARS 252.219-7003 also includes subcontracts awarded to workshops approved by the Committee for Purchase from People Who Are Blind or Severely Disabled under Javits-Wagner-O’Day Act (JWOD) (41 USC 46-48) and 10 U.S.C 241d and Section 9077 of P.L. 102-396.

**Woman-owned Small Business (WOSB)** – Small Business, at least 51% owned by ≥ 1 women, AND management & daily business operations controlled by ≥ 1 women. **Self-certify**

**Historically Underutilized Business Zone (HUBZone)** – Small Business, owned & controlled 51% or more by ≥ 1 United States citizens, **AND SBA-certified** as a HUBZone concern (principal office located in an economically-distressed HUBZone area AND ≥ 35% of employees live in any designated HUBZone).

**Veteran-Owned Small Business (VOSB)** – Small Business, veteran-owned as defined in 38 USC 101(2), ≥ 51% owned by ≥ 1 veterans, AND management & daily business operations controlled by ≥ 1 veterans. **Self-certify**

**Service-Disabled Veteran-Owned Small Business (SD-VOSB)** – Small Business, veteran-owned, ≥ 51% owned by ≥ 1 service-disabled veterans, AND management & daily business operations controlled by ≥ 1 service-disabled veterans OR in the case of veteran with permanent & severe disability, the spouse or permanent caregiver of such veteran, AND with 0% - 100% service-connected disability as defined in 38 USC 101(16) & documented on DD 214 or equivalent. **Self-certify**

**Small Disadvantaged Business (SDB)** – Small Business unconditionally owned & controlled by ≥ 1 socially & economically disadvantaged individuals who are in good character & citizens of the U.S. **AND SBA-certified.**

DFARS 252.219-7003, SDB includes:

- **Historically Black Colleges & Universities / Minority Institutions (HBCI/MI)** – (except for a Commercial Subcontracting Plan) HBCU is an accredited institution established before 1964 whose principal mission is education of black Americans. MIs are institutions meeting requirements of Higher Education Act of 1965 and Hispanic-serving institutions defined at 20 USC 1059. Includes any nonprofit research institution that was an integral part of such a college or university before 11/14/1986. The Secretary of Education must designate HBCUs/MIs. A list can be located at <http://www.ed.gov/about/offices/list/ocr/edlite-minorityinst.html>
- Work performed on Indian lands or joint venture with Indian tribe / tribally-owned corporation & meets requirements of 10 USC 2323a.
- Subcontracts awarded by a mentor firm, under the DoD Pilot Mentor-Protégé Program, to (1) protégé firms which are qualified organizations employing severely handicapped and (2) former protégé firms that meet the criteria in Section 831(g)(4) of P.L 101-510 (not more than 2 times SBA-specified maximum size & previous mentor-protégé agreement was not terminated for cause).

## Subcontracting Resources

- Procurement Technical Assistance Centers (PTAC) <http://www.dla.mil/db/procurem.htm>
- DefenseLink ≥ \$5M award notices <http://www.defenselink.mil/contracts>
- Electronic Subcontracting Reporting System (eSRS) <http://www.esrs.gov/>
- SBA Subnet <http://web.sba.gov/subnet>
- Companies Participating in DoD Subcontracting Program Report (P14) [http://siadapp.dmdc.osd.mil/procurement/historical\\_reports/statistics/procstat.html](http://siadapp.dmdc.osd.mil/procurement/historical_reports/statistics/procstat.html)
- DAU Small Business Community of Practice (SB COP) <https://acc.dau.mil/smallbusiness>
- FEDBIZOPPS <http://www.fedbizopps.gov/>
- SBA Subcontracting Opportunities Directory <http://www.sba.gov/aboutsba/sbaprograms/gc/contacts/index.html>