

**U.S. Small Business Administration
Office of Government Contracting and Business Development**

Supplemental Workbook

Module 2

Introduction to Federal Contracting

Pre-8(a) Business Development Program

Training Series



October 2012

The 8(a) Business Development Program

--- Pre 8(a) Business Development Training Curriculum ---
October 2012

Module 2

“Introduction to Federal Contracting”



Office of Government Contracting & Business Development

This is about federal contract markets and participating in the 8(a) Business Development Program.

Welcome to Module 2, Introduction to Federal Contracting. This is the second module in a four-part, Pre 8(a) Business Development Program, training series.

NOTE: *This supplemental workbook tracks the slides and narrative contained in **Module 2, Introduction to Federal Contracting**. It is the second course in a four-part, Pre-8(a) Business Development Program training series. The online version of the training program, with audio can be accessed at: www.sba.gov/gclassroom. For the user's convenience, all hyperlinks contained in the copied slides are included as links at the end of the workbook.*

Introduction

- 8(a) Business Development Program is designed to assist socially and economically disadvantaged small businesses
- Four-module education series designed to inform, educate and engage qualified small firms in the 8(a) business development program
- Module 2 – Introduction to Federal Contracting



Module 2 – Introduction to Federal Contracting

The 8(a) program is a popular federal business development program designed to assist socially and economically disadvantaged small businesses.

The four-part series is designed to inform, educate and engage qualified small firms in the 8(a) Business Development Program. Module 2, this module, serves as an overview of federal markets and describes how the government buys goods and services. It is an important learning exercise, in that it is foundational in describing how the federal procurement system works.

Notes:

Course Contents – Module 2

Introduction to Federal Contracting

1. Scope of the Federal Buying Market
2. Prime Contract Assistance
3. Subcontracting Assistance
4. How the Government Buys
 - a. The Rules – Federal Acquisition Regulations (FAR)
5. Types of Contracts and Agreements
6. Electronic Compliant Systems
7. Resources and Assistance



Module 2 – Introduction to Federal Contracting

Module 2, Introduction to Federal Contracting.

This module provides prospective 8(a) firms – with an overview of the federal buying market, describes available assistance programs to help small firms win prime and subcontracts, explains how the government buys goods and services, describes the types of contracts and agreements used by the government, discusses necessary electronic compliant systems to communicate with the government and finally, highlights key resources available to help 8(a) firms and other small businesses.

The remaining modules, when the series is complete, include information about federal contracting procedures and rules; how to market to the government and prime contractors to win contracts; sound proposal writing and pricing; and, business planning and operational management of an 8(a) participating firm.

In addition, in this module and other modules within the series, many of the slides include highlighted boxes with specific FAR and CFR regulatory references to help users easily access more information about the content in the slides.

Notes:

**Scope of the Federal Buying Market
8(a) Business Development Program**

SBA
U.S. Small Business Administration

Module 2 – Introduction to Federal Contracting

Scope of the federal buying market.

Notes:

Federal Market

Scope of the Federal Buying Market

- U.S. government is the largest buyer in the world
- Federal agencies buy just about every category of commodity and service available



Module 2 – Introduction to Federal Contracting

The U.S. government is the world's largest buyer of products and services. Purchases by military and civilian installations amount to nearly \$500 billion a year, and include everything from complex space vehicles to janitorial services.

In short, the government buys just about every category of commodity and service available. There are significant opportunities for qualified and competitive 8(a) firms and other small businesses.

The government uses the North American Industry Classification System or NAICS codes to classify industries in which it buys goods and services. NAICS codes will be described in greater length later in the module.

Notes:

Small Firms are the Engine for Growth

Scope of the Federal Buying Market

- Small businesses are the engine for economic growth in America
- Provide jobs, innovation and competition
- Government policy provides “maximum practicable” prime and subcontracting opportunities to small firms



Module 2 – Introduction to Federal Contracting

Small businesses have always been the engine for economic growth. They provide jobs, innovation and bring competition to the marketplace.

The Government’s procurement policy – which encourages “maximum practicable” prime and subcontracting opportunities for small businesses – is a catalyst for economic growth. With a government contracting market representing more than a half trillion dollars, it makes solid economic sense for 8(a) firms and other small businesses to seek federal contract dollars.

Notes:

What is a Small Business?

Scope of the Federal Buying Market

- Certain government programs only apply to small businesses
- Small business size standards are generally determined by the number of employees or annual business receipts

Learn more:

[What is a Small Business?](#)



Module 2 – Introduction to Federal Contracting

Certain government programs apply only to small businesses. The question then becomes, what is a small business, or more specifically, how do you determine if you are a small business?

Over the years SBA has established and revised numerical definitions for all for-profit industries, and this numerical definition is called a "size standard." It is almost always stated either as the number of employees or average annual receipts of a business concern. Small business size standards are further discussed later in this module.

Notes:

8(a) Firms in the Federal Market

Scope of the Federal Buying Market

- Currently, 7,000+ firms are participating in the 8(a) program
- In 2011, 8(a) firms benefited from more than \$16.7 billion in federal contracts
- 8(a) program is a business development program, not a contracts program



Module 2 – Introduction to Federal Contracting

Currently, there are some 7,000 firms participating in the 8(a) program. In 2011, certified 8(a) firms benefited from a vast menu of business development efforts and were successful in obtaining federal contracts that exceeded \$16.7 billion.

Remember, the 8(a) program is a business development program, not a federal contracts program. However, as with any program, some participants fair better than others. Those who tend to be the most successful are those who take full advantage of available business development opportunities, learn as much as possible about federal markets, develop a strong marketing campaign, align themselves with partners and mentors, evolve and grow their competitiveness and ultimately benefit from contracts -- as well.

Notes:

**Prime Contract Assistance
8(a) Business Development Program**

SBA
U.S. Small Business Administration

Module 2 – Introduction to Federal Contracting

Prime contract assistance.

Notes:

Helping Small Firms Win Prime Contracts

Prime Contract Assistance

- Government-wide Contracting Goals
- Small Business Set-asides
 - Rule of Two
 - Non-manufacturer Rule
 - Subcontracting Limitations
 - Service-disabled Veteran Owned Small Business
 - HUBZone
 - Woman-Owned Small Business Program
 - 8(a) Business Development Program
- Small Business Size Standards
- Certificate of Competency (COC) Program



Module 2 – Introduction to Federal Contracting

Helping small businesses benefit from federal prime contracts is an obligation of all federal agencies and a key responsibility of SBA and its staff.

Multiple programs and initiatives are available to support this effort. They include, government-wide contracting goals, small business set-asides – including those that benefit 8(a) firms, small business size standards and SBA's Certificate of Competency program. Each of these programs is discussed.

Notes:

Government Wide Contracting Goals

Prime Contract Assistance

Small Business	- Goal	23%
Women Owned Small Businesses	- Goal	5%
Small Disadvantaged Businesses	- Goal	5%
Service Disabled Veteran Owned Small Businesses	- Goal	3%
HUBZone Certified Small Businesses	- Goal	3%



Module 2 – Introduction to Federal Contracting

Federal statute defines government-wide prime contracting goals. Such goals represent a primary tool in helping small firms be considered for government contracts. SBA plays a pivotal role in administering the government-wide goals initiative and works with individual agencies.

The current, government-wide procurement goal is that at least 23% of all federal government contracting dollars should be awarded to small businesses.

In addition, targeted sub-goals are established for women-owned small businesses, small disadvantaged businesses, certified small firms located in HUBZones and service disabled veteran-owned small businesses. These targeted goals are 5%, 5%, 3% and 3%, respectively, and are meant to be subsets of the overall small business goal of 23 percent.

It is important to note, all 8(a) certified firms are considered to be small disadvantaged businesses, but not all SDBs are 8(a) firms.

These goals are important because federal agencies have an obligation to reach-out and consider different types of small businesses for procurement opportunities. As such, the 5 percent small disadvantaged business goal is very beneficial to 8(a) firms.

Small Business Set-asides

Prime Contract Assistance

- Small business set-asides are a critical tool
- Powerful vehicle for helping small firms win prime contracts
- **Fundamental:** Acquisitions that have an anticipated dollar value exceeding \$3,000, but not over \$150,000 are automatically reserved for small businesses

FAR 19.5



Module 2 – Introduction to Federal Contracting

Small business set-asides are a powerful tool for helping small firms win federal prime contracts. In 2011, small businesses were awarded some \$91.5 billion in federal prime contracts.

Fundamentally, government buys that have an anticipated dollar value exceeding \$3,000, but not over \$150,000 are automatically reserved or set-aside for small businesses. This is required unless the contracting officer determines there is not a reasonable expectation of obtaining offers from two or more responsible small businesses.

Notes:

Small Business Set-asides (cont)

Prime Contract Assistance

- Influenced by:
 - Rule of Two
 - Non-manufacture Rule
 - Subcontracting Limitations
- Can apply to:
 - 8(a) Business Development Program
 - HUBZone Program
 - Women Owned Small Business Program
 - Service Disabled Veteran Owned Small Business Program



Module 2 – Introduction to Federal Contracting

Small business set-asides are influenced by the Rule of Two, the Non-manufacture Rule and Subcontracting Limitations. Further, contracts can be set-aside for small businesses certified in the 8(a) Business Development Program or the HUBZone Program. Or, they can be set-aside for qualified women owned small businesses or service disabled veteran owned small businesses.

Notes:

Rule of Two

Set-asides -- Prime Contract Assistance

- Acquisitions over \$150,000 are to be set-aside for small businesses when there is a reasonable expectation that offers will be obtained from at least two responsible small businesses

FAR 19.502.2



Module 2 – Introduction to Federal Contracting

For acquisitions over \$150K – they too are to be set-aside for small business, when there is a reasonable expectation that offers will be obtained from at least two responsible small business concerns, and the award can be made at a fair market price.

It is important to note, consideration is first for a set-aside or sole source award under the 8(a), HUBZone, Service Disabled Veteran Owned Small Business or Woman Owned Small Business programs **before** a general small business set-aside. However, there is no order of precedence among 8(a), HUBZone, SDVOSB or WOSB programs.

Notes:

Non-Manufacture Rule

Set-asides -- Prime Contract Assistances

- Set-aside small business acquisitions that are not for construction or service related contracts – must utilize a small business manufacturer
- SBA may issue individual or class waivers to the non-manufacturer rule, if no small manufacturer exists
- Rule does not apply for contracts under \$25,000

FAR 19.001; FAR 19.1



Module 2 – Introduction to Federal Contracting

The non-manufacturer rule is an important provision impacting small business set-asides.

For small business set-asides, other than for construction or service contracts, the prime contractor must utilize a small business manufacturer – if the firm itself, is not doing the manufacturing to complete the work. In industries where the SBA determines there are no or very limited small business manufacturers, it may issue individual or class waivers to the non-manufacture rule.

It is important to note, for small business set-asides for supplies, the prime contractor must either qualify as a manufacturer or supply the product of a domestic small business manufacturer.

For acquisitions that are under \$25,000, the rule does not apply. Use the FAR references to learn more about the specifics surrounding the Non-manufacture Rule.

Notes:

Subcontracting Limitations

Set-asides -- Prime Contract Assistances

- Applies to contracts set-aside for small businesses when the contract amount exceeds \$150,000
 - Service – At least 50% of the contract cost for personnel must be expended for employees of the small business
 - Supply - Business must perform work for at least 50% of the cost of manufacturing the supplies, not including the cost of materials
 - General construction – Business must perform at least 15% of the cost of the contract, not including the cost of the materials, with its own employees.

FAR 19.508-e; FAR 19.811-3e



Module 2 – Introduction to Federal Contracting

Limitations on subcontracting apply to solicitations and contracts for supplies, services and construction, if any portion of the requirement is set-aside for small business and the contract amount exceeds \$150,000.

This limitation applies to service contracts, such that at least 50% of the contract cost for personnel must be expended for employees of the small business. For supply contracts, the business must perform work for at least 50% of the cost of manufacturing the supplies, not including the cost of materials.

And finally for general construction contracts, the business must perform at least 15% of the cost of the contract, not including the cost of the materials, with its own employees. For construction by special trade contractors, the business must perform at least 25% of the cost of the contract, not including the cost of the materials, with its own employees.

Notes:

8(a) Business Development Program

Set-asides -- Prime Contract Assistances

- 8(a) set-asides are a very popular vehicle for achieving agency small business and SDB contracting goals
 - Sole source
 - Competitive
- 8(a) firms are formally certified by SBA

FAR 19.8; FAR 19.203



Module 2 – Introduction to Federal Contracting

The purpose of this training series is to help prospective 8(a) firms understand and engage in the 8(a) Business Development Program. The fact that contracting officers can set-aside purchases for small firms certified in the 8(a) program is a huge advantage and key aspect of the program.

In addition, 8(a) set-asides are a powerful tool for agencies to achieve small business and small disadvantaged business contracting goals. Importantly, an 8(a) set-aside can be facilitated as a sole source or competitive acquisition.

Notes:

HUBZone Program

Set-asides -- Prime Contract Assistances

- Small business must have its principal office located in a HUBZone
- 35% of the firm's employees must reside within a HUBZone, or certify that at least 35% of employees engaged in a HUBZone contract will reside in a HUBZone or Indian reservation
- Firm must be at least 51% owned and controlled by a US citizen

FAR 19.13



Module 2 – Introduction to Federal Contracting

Contracting officers can also set-aside purchases for small businesses located in designated HUBZones.

To participate in this type of set-aside, a small firm's principal office must be located in a HUBZone and at least 35% of the firm's employees must reside within a HUBZone, or certify that at least 35% of its employees engaged in a HUBZone contract will reside in a HUBZone or Indian reservation

Certified 8(a) firms, if qualified can also be certified as HUBZone firms.

Notes:

Women Owned Small Business Program

Set-asides -- Prime Contract Assistances

- Small Business Act authorizes contract set-asides -- for certain NAICS codes -- for WOSBs and/or EDWOSBs
- Creates significant opportunities for women entrepreneurs
- Program helps agencies meet government-wide contracting goals

FAR 19.15



Module 2 – Introduction to Federal Contracting

Changes to the Small Business Act now authorize contract set-asides – for certain industries or NAICS codes - for women owned small businesses and/or economically disadvantaged women owned small businesses. It's important to emphasize that only certain industries or NAICS codes are eligible for set-asides in the WOSB program.

This change creates significant opportunities for women entrepreneurs and will help agencies to meet government-wide contracting goals.

Again, an 8(a) firm, if qualified can also self-certify as a Women Owned Small Business.

Notes:

Service Disabled Veteran Owned SB Program

Set-asides -- Prime Contract Assistances

- Tool to help achieve an agency's SDVOSB contracting goal
- At least 51% owned and controlled by a service-disabled veteran
- Daily operations are controlled by a service-disabled veteran or care giver

FAR 19.14



Module 2 – Introduction to Federal Contracting

A contracting officer can also set-aside acquisitions for Service Disabled Veteran Owned Small Businesses.

To participate in this type of set-aside, such businesses must be at least 51% owned and controlled by a service disabled veteran and the daily management operations of the concern must be controlled by a service-disabled veteran or caregiver. And, they must be a small business.

Notes:

Small Business Size Standards

Prime Contract Assistances

- Size standards are established by the SBA and represent numerical definitions for specific NAICS codes
- Based on average annual sales or the number of employees
- Used to determine eligibility for government preferences and reservations for small businesses

Learn more...

[Guide to Size Standards](#)
[Table of Small Business Size Standards](#)
[North American Industry Classification System](#)



Module 2 – Introduction to Federal Contracting

SBA has established and continually updates numerical definitions for all industries or NAICS codes. This numerical definition is called a small business size standard. It is almost always stated either as the number of employees or the average annual sales of the business concern. The government uses NAICS codes to classify industries in which it buys goods and services.

All federal agencies must apply SBA's size standards for contracts to be awarded to small firms. It is also important to note, only SBA can reconcile size protests.

Use the hyperlinks to learn more about size standards, determine the applicable size standard for a specific NAICS code and/or learn more about NAICS codes.

Certificate of Competency (COC)

Prime Contract Assistances

- If a prospective contractor is determined to be “non-responsible” by a contracting officer -- the small business is entitled to an independent review by the SBA
- SBA may issue a COC to the contracting officer requiring the award of that specific contract to the small business

FAR 19.16

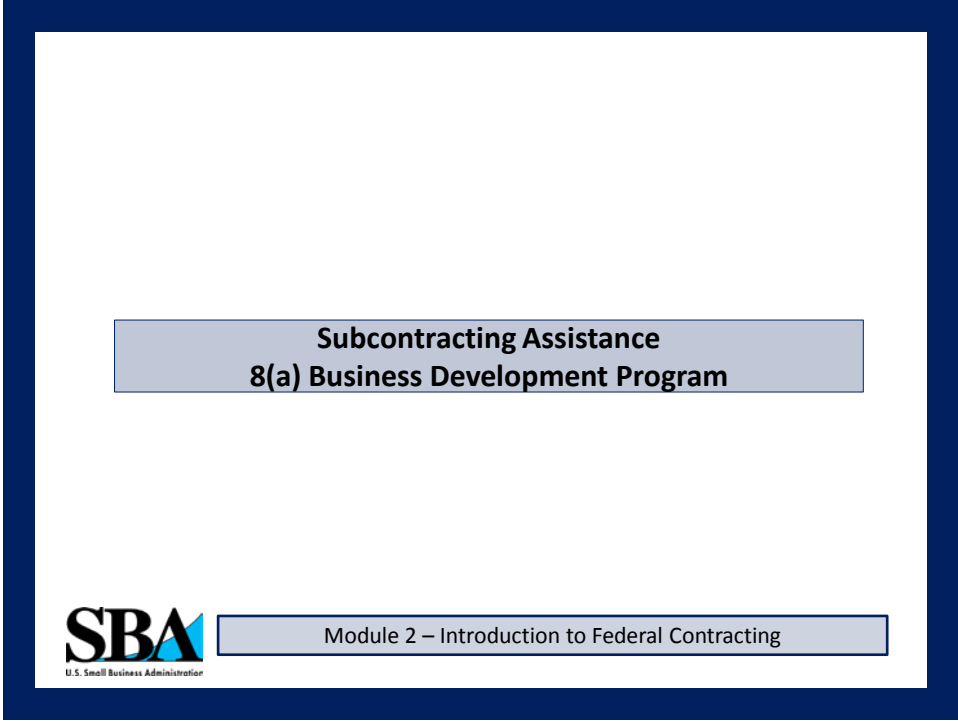


Module 2 – Introduction to Federal Contracting

The COC program is helpful to many small businesses, including 8(a) certified firms.

If a prospective small business contractor is determined to be “non-responsible” by the contracting officer, the contracting officer is required to refer the matter to the SBA for a Certificate of Competency or COC review. Based on the review, the SBA may issue a certificate of competency declaring the “referred company” – as sufficiently responsible for the purposes of receiving and performing the specific contract.

Notes:



Subcontracting assistance.

Notes:

Find Subcontracting Assistance

Subcontracting Assistance

- Subcontracting can be a profitable alternative for small firms
- Performing as a subcontractor can prepare a firm to be a prime contractor in the future
- SBA maintains a database of subcontracting opportunities. This searchable database is called [SUB-Net](#)



Module 2 – Introduction to Federal Contracting

An alternative to seeking prime contracts is to explore subcontracting opportunities.

Subcontracting with a prime contractor can be a profitable experience as well as a growth opportunity for a small business. If a small business is not ready or lacks the capabilities to bid competitively for prime contracts, it should consider opportunities available through subcontracting. SBA maintains a database of subcontracting opportunities. This searchable database is called SUB-Net.

Notes:

Subcontracting Assistance Program

Subcontracting Assistance

- Prime contractors receiving contracts greater than the simplified acquisition threshold must agree to provide small businesses with the maximum practical opportunity to participate as subcontractors

FAR 19.7



Module 2 – Introduction to Federal Contracting

Prime contractors receiving contracts greater than the simplified acquisition threshold must agree in the contract that small businesses, specifically veteran-owned small businesses, service disabled veteran owned small businesses, women-owned small businesses, HUBZone small businesses, and small disadvantaged businesses, including 8(a) firms – will have the maximum practical opportunity to participate as subcontractors.

As such, prime contractors are required to establish subcontracting plans describing who and how small businesses will participate as subcontractors.

Notes:

Subcontracting Plans

Subcontracting Assistance

- Subcontracting plans are for contracts over:
 - \$ 1.5 Million for construction
 - \$ 6.5 Million for all others
- Types of Subcontracting plans:
 - Individual subcontracting plan
 - Master subcontracting plan
 - Commercial subcontracting plan

FAR 19.701



Module 2 – Introduction to Federal Contracting

Subcontracting plans are required for contracts over \$1.5 million for construction and \$6.5 million for all others. There are three types of subcontracting plans: individual, master and commercial subcontracting plans.

These written plans – which become part of the contracting file – are designed to describe specific efforts by a prime contractor to ensure that small businesses have an equitable opportunity to compete and participate as “subs” in specific contracts. The subcontracting plans may include specific goals and will define requirements for reports and documentation to be maintained.

Notes:

Subcontracting Goals

Subcontracting Assistance

Government-wide Subcontracting Goals

Small Disadvantaged Businesses

– Goal 5%

Women-Owned Small Businesses (WOSB)

– Goal 5%

Service Disabled Veteran Owned Small Businesses (SDVOSB)

– Goal 3%

HUBZone Certified Small Businesses

– Goal 3%



Module 2 – Introduction to Federal Contracting

Government-wide numerical subcontracting goals are established by statute for small disadvantaged businesses, women-owned small businesses, service disabled veteran owned small businesses and HUBZone certified small businesses.

All other subcontracting goals are negotiated between the respective government agency and the prime contractor.

Again, and importantly, all 8(a) certified firms are small disadvantaged businesses, but not all SDBs are certified 8(a) firms. As such, subcontracting goals can benefit competitive 8(a) firms.

Notes:

**How the Government Buys
8(a) Business Development Program**

SBA
U.S. Small Business Administration

Module 2 – Introduction to Federal Contracting

How the government buys.

Notes:

How the Government Buys

How the Government Buys

- Government buys from suppliers who meet certain qualifications
- Standardized buying procedures and rules outlined in the FAR are used
- Several contracting methods are employed:
 - Credit card / micro-purchases
 - Simplified procedures
 - Sealed bidding
 - Contract negotiations
 - Consolidated purchasing programs



Module 2 – Introduction to Federal Contracting

The government applies standardized procedures to buy products and services it needs from suppliers who meet certain qualifications.

Contracting officials use procedures outlined in the Federal Acquisition Regulation, commonly known as the FAR, to guide government purchases.

The primary contracting methods used by the government are: Micro-purchases; Simplified Procedures; Sealed Bidding; Contract Negotiations; and, Consolidated Purchasing.

Each of these contracting methods is discussed in the following.

Notes:

The Rules – Federal Acquisition Regulations (FAR)

How the Government Buys

- You have to know the rules, to play in the game
- [Federal Acquisition Regulation \(FAR\)](#) outlines the rules
- Key small business parts of the FAR include:
 - Subpart 8.4 – Federal Supply Schedules
 - Part 13 – Simplified Acquisitions
 - Part 14 – Sealed Bidding
 - Part 15 – Contracting by Negotiation
 - Part 16 – Types of Contracts
 - Part 19 – Small Business Programs



Module 2 – Introduction to Federal Contracting

Understanding the government’s procurement rules is critical to the success of a small business wanting to participate as a government contractor. The FAR is the roadmap for doing business with the government. It outlines all of the rules.

It is a comprehensive guide indexed by topic. It is an excellent resource tool. The most common FAR sections used by small business are: Subpart 8.4 – Federal Supply Schedules; Part 13 – Simplified Acquisitions; Part 14 – Sealed Bidding; Part 15 – Contracting by Negotiation; Part 16 – Types of Contracts; and, Part 19 – Small Business Programs.

Notes:

Credit Card Opportunities

How the Government Buys

- Individual government purchases under \$3,000
- Competition not required
- Government credit cards are often used
- Micro-purchases are not reserved for small businesses
- **70% of all government procurement transactions** are facilitated with a credit card

FAR 13.301



Module 2 – Introduction to Federal Contracting

Generally speaking, government purchases of individual items under \$3,000.00 are considered micro-purchases.

Such government buys do not require competitive bids or quotes and agencies can simply pay using a Government Purchase Card or credit card, without the involvement of a procurement officer.

It is important to note, about 70 percent of all government procurement transactions are for micro-purchases under \$3,000 and are facilitated with a credit card. In fiscal year 2010, this represented over \$19 billion.

Credit card opportunities in the government buying space are huge. All small businesses wanting to participate in federal contract markets, including 8(a) firms should make their firms available for credit card purchases.

Notes:

Simplified Acquisition Procedures

How the Government Buys

- Federal law streamlines government purchasing for buys under \$150,000
- Instead of full and open competition, simplified procedures can be used
- Government purchases above \$3,000, but under \$150,000 are reserved for small businesses
- Federal Business Opportunities – www.fbo.gov

FAR 13.000-13.501



Module 2 – Introduction to Federal Contracting

The Federal Acquisition Streamlining Act and other statutory amendments removed many competition restrictions on government purchases under \$150,000.

Instead of full and open competition, agencies can use simplified procedures for soliciting and evaluating bids up to \$150,000. Government agencies, however, are still required to advertise all planned purchases over \$25,000 in Federal Business Opportunities or the FBO (www.fbo.gov), the government's online listing and database of available procurement opportunities.

Simplified procedures require fewer administrative details, fewer approval levels, and less documentation. The procedures require all federal purchases above \$3,000, but under \$150,000, to be reserved for small businesses, an important point. This small business set-aside applies, unless the contracting official cannot obtain offers from two or more small firms who are competitive on price, quality and delivery.

Notes:

Sealed Bidding

How the Government Buys

- Competitive buying method for specific and clear government requirements
- IFB “Invitation for Bid” is the method used for the sealed bid process
- Contract is awarded to the lowest bidder who is fully responsive
- IFBs are available online for review at: www.fbo.gov

FAR 14.101-14.105



Module 2 – Introduction to Federal Contracting

Sealed bidding is how the government buys competitively when its requirements are very specific, clear and complete.

An IFB or “Invitation For Bid” is the method used for the sealed bid process. Typically, an IFB includes a description of the product or service to be acquired, instructions for preparing a bid, the conditions for purchase, delivery, payment and other requirements associated with the bid, including a deadline for bid submissions.

Each sealed bid is opened in a public setting by a government contracting officer, at the time designated in the invitation. All bids are read aloud and recorded. A contract is then awarded by the agency to the lowest bidder who is determined to be fully responsive to the needs of the government.

Government-wide IFBs are available daily for review in the government’s online listing service, Federal Business Opportunities.

Contracting by Negotiation

How the Government Buys

- Preferred method in many federal procurement actions
- Typically used for contracts that will exceed \$150,000 and when highly technical products and services are being sought
- RFPs & RFQs are primary government request vehicles



Module 2 – Introduction to Federal Contracting

Contract negotiations are used in many federal procurement actions. This is typically a more complicated process for companies wanting to sell to the government. It is also a method that is more time consuming for buying agencies.

This is how it works..... In certain cases, when the value of a government contract exceeds \$150,000 and when it necessitates a highly technical product or service, the government may issue a Request for Proposal. In a typical RFP, the government will request a product or service it needs, and solicit proposals from prospective contractors on how they intend to carry out that request, and at what price.

Proposals in response to an RFP can be subject to negotiation after they have been submitted. When the government is merely checking into the possibility of acquiring a product or service, it may issue a Request for Quotation (RFQ). A response to an RFQ by a prospective contractor is not considered an offer, and consequently, cannot be accepted by the government to form a binding contract.

Government-wide RFPs and RFQs are also available daily for review in the FBO.

Consolidated Purchasing Vehicles

How the Government Buys

- Most government agencies have common purchasing needs.
- Centralized purchasing or procurement vehicles are used to realize economies of scale
- Multiple Award Schedules, such as GSA Schedules, Agency Wide Multiple Award Schedules or Government Wide Acquisition Contracts (GWACs) are important contracting vehicles

FAR 2.101(b)

DFARS 207.170



Module 2 – Introduction to Federal Contracting

Most government agencies have common purchasing needs.

Sometimes the government can realize economies of scale by centralizing the purchasing of certain types of products or services. This is called consolidated purchasing and multiple award, acquisition vehicles are typically used.

The most common multiple award schedules are GSA Schedules or Government Wide Acquisition Contracts, called G-WACs. These centralized buying vehicles are negotiated by the government with awards to many potential vendors and are used by multiple agencies buying goods and services.

Most recently and importantly, under the Jobs Act of 2010, contracting officers can reserve orders of participation on contracts with multiple awards, including GSA multiple award schedules. This change in the law is a big advantage for 8(a) firms and other small businesses.

Notes:

Types of Contracts & Agreements
8(a) Business Development Program

SBA
U.S. Small Business Administration

Module 2 – Introduction to Federal Contracting

Types of contracts and agreements.

Notes:

Contracts and Agreements

Types of Contracts and Agreements

- Fixed Price
- Cost-Reimbursement
- Incentive Contracts
- Indefinite Delivery Contracts
- Time-and-Materials & Labor-Hour Contracts
- Agreements



Module 2 – Introduction to Federal Contracting

OK – so we have discussed the primary buying methods used by the government.

Let's now take a look at the types of contracts and agreements that are typically used. Specifically, fixed price, cost-reimbursement, incentive contracts, indefinite delivery contracts, time and materials and labor hour contracts and agreements.

Notes:

Fixed Price Contracts

Types of Contracts and Agreements

- Most common type of contracts that small businesses are involved with
- Final price is determined before the work is performed
 - Firm fixed price
 - Fixed price with economic adjustment
 - Fixed price incentive

FAR 16.202-16.204



Module 2 – Introduction to Federal Contracting

Fixed-price contracts are the most common types of contracts that small businesses are involved with.

They provide for a firm price or, in appropriate cases, an adjustable price.

A firm-fixed-price contract provides for a price that is not subject to any adjustment on the basis of the contractor's cost experience in performing the contract.

A fixed-price contract with economic price adjustment provides for upward and downward revision of the stated contract price upon the occurrence of specified contingencies.

And finally, a fixed-price incentive contract is a contract that provides for adjusting profit and establishing the final contract price by a formula based on the relationship of the final negotiated total cost to the total target cost.

Notes:

Cost-Reimbursement Contracts

Types of Contracts and Agreements

- Cost
- Cost sharing
- Cost plus fixed fee
- Cost plus incentive fee
- Cost plus award fee

FAR 16.302-16.306



Module 2 – Introduction to Federal Contracting

Cost-reimbursement contracts provide for payment of allowable incurred costs, to the extent prescribed in the contract. These contracts establish an estimate of total cost for the purpose of obligating funds and establishing a ceiling that the contractor may not exceed without the approval of the contracting officer.

This type of contract is used when — circumstances do not allow the agency to define its requirements sufficiently to allow for a fixed-price type contract, or uncertainties involved in contract performance do not permit costs to be estimated with sufficient accuracy to use any type of fixed-price contract.

A cost contract is a contract in which the contractor receives no fee. A cost-sharing contract is a contract in which the contractor receives no fee and is reimbursed only for an agreed-upon portion of its allowable costs.

A cost-plus-fixed-fee contract is a contract that provides for payment to the contractor of a negotiated fee that is fixed at the inception of the contract.

A cost-plus-incentive-fee contract is a contract that provides for an initially negotiated fee to be adjusted later by a formula based on the relationship of total allowable costs to total target costs.

A cost-plus-award-fee contract is a contract that provides for a fee consisting of a base amount, fixed at inception of the contract and an award amount, based upon a judgmental evaluation by the Government.

Incentive Contracts

Types of Contracts and Agreements

- Appropriate when firm fixed price contracts are not appropriate and goods can be acquired at a lower cost
- Most incentive contracts only include cost incentives

FAR 16.401-16.406



Module 2 – Introduction to Federal Contracting

Incentive contracts are appropriate when a firm-fixed-price contract is not appropriate and the required supplies or services can be acquired at lower costs and, in certain instances, with improved delivery or technical performance, by relating the amount of profit or fee payable under the contract to the contractor's performance.

Incentive contracts are designed to obtain specific acquisition objectives by establishing reasonable and attainable targets that are clearly communicated to the contractor, and by including appropriate incentive arrangements designed to motivate contractor efforts and discourage contractor inefficiency.

Notes:

Indefinite Delivery Contracts

Types of Contracts and Agreements

- Definite quantity contracts
- Requirements contracts
- Indefinite delivery contracts

FAR 16.500-16.506



Module 2 – Introduction to Federal Contracting

There are three types of indefinite-delivery contracts: definite-quantity contracts, requirements contracts, and indefinite-quantity contracts. The appropriate type of indefinite-delivery contract may be used to acquire supplies or services when the exact times or exact quantities of future deliveries are not known at the time of contract award.

Indefinite-quantity contracts are also known as delivery-order contracts or task-order contracts.

A definite-quantity contract provides for delivery of a definite quantity of specific supplies or services for a fixed period, with deliveries or performance at designated locations.

A requirements contract provides for filling actual purchase requirements for supplies or services during a specified contract period - from one contractor.

An indefinite-quantity contract provides for an indefinite quantity of supplies or services during a fixed period. Quantity limits may be stated as number of units or as dollar values.

Indefinite Delivery / Indefinite Quantity

Indefinite Delivery Contracts - Types of Contracts and Agreements

- Most common definite quantity contracts are known as IDIQs
- Commonly used for service contracts and A&E services
- IDIQ contracts often issued as Government-Wide Acquisition Contracts

FAR 16.5001(a)



Module 2 – Introduction to Federal Contracting

The most common type of indefinite delivery contracts is known as IDIQs or Indefinite delivery / indefinite quantity contracts.

IDIQ contracts are most often used for service contracts and Architect-Engineering services. Awards are usually for base years as well as option years. Agencies place delivery orders - for supplies - or task orders - for services - against a basic contract for individual requirements. An IDIQ contract is typically used when a buying facility cannot predetermine the precise quantities of supplies or services that will be required during the contract period.

IDIQ contracts are often multi-agency contracts issued as Government-Wide Acquisition Contracts or GWACs. Or, they may be government agency-specific contracts. GSA and DOD use IDIQ contracts frequently.

Notes:

Time and Materials – Labor Hour Contracts

Types of Contracts and Agreements

- Such contracts provide for acquiring supplies and services on the basis of direct labor hours and fixed hourly rates

FAR 16.601-16.603



Module 2 – Introduction to Federal Contracting

A time-and-materials contract is designed for acquiring supplies or services on the basis of direct labor hours at specified fixed hourly rates that include wages, overhead, general and administrative expenses, and profit; and actual cost for materials.

A time-and-materials contract is typically only used when it is not possible -- at the time of placing the contract -- to estimate accurately the extent or duration of the work or to anticipate costs with any reasonable degree of confidence.

A labor-hour contract is a variation of the time-and-materials contract, differing only in that materials are not supplied by the contractor.

Notes:

Agreements

Types of Contracts and Agreements

- Basic Order Agreements (BOA)
- Blanket Purchase Agreements (BPA)

FAR 16.701-16.703



Module 2 – Introduction to Federal Contracting

A basic agreement is a written instrument of understanding, negotiated between an agency or contracting activity and a contractor, that contains contract clauses applying to future contracts.

It anticipates separate future contracts that will incorporate – by reference or attachment -- the required and applicable clauses agreed upon in the basic agreement. A basic agreement is not a contract.

Let's take a look at Basic Order Agreements and Blanket Purchase Agreements

Notes:

Basic Order Agreement (BOA)

Types of Contracts and Agreements

- BOA is a written instrument of understanding that contains:
 - Terms for future orders
 - Description of supplies or services to be ordered
 - Methods of pricing, issuing and delivering
- Not a contract



Module 2 – Introduction to Federal Contracting

A basic ordering agreement is a written instrument of understanding, negotiated between an agency or contracting office and a contractor that contains: (1) terms and clauses applying to future contracts, (2) a description of supplies or services to be provided, and (3) methods for pricing, issuing, and delivering future orders under the basic ordering agreement. Again, a basic ordering agreement is not a contract.

A basic ordering agreement may be used to expedite contracting for uncertain requirements for supplies or services when specific items, quantities, and prices are not known at the time the agreement is executed, but a substantial number of requirements -- for the type of supplies or services covered by the agreement -- are anticipated to be purchased from the contractor.

Notes:

Blanket Purchase Agreements

Types of Contracts and Agreements

- BPA is a simplified method of filling anticipated repetitive needs for supplies or services by establishing “charge accounts” with qualified sources of supply
- May be established when:
 - Broad class of supplies or services are needed but exact items, quantities and delivery requirements are not known
 - Need to provide commercial sources of supply
 - BPA would avoid writing numerous purchase orders
 - No existing requirements contract

FAR 13.303-1-7



Module 2 – Introduction to Federal Contracting

A blanket purchase agreement is a simplified method of filling anticipated repetitive needs for supplies or services by establishing “charge accounts” with qualified sources of supply. BPAs are typically established for use by an organization or agency responsible for providing supplies for its own operations or for other offices, installations, or functions.

The following are circumstances under which BPAs are established:

There is a wide variety of items in a broad class of supplies or services that are generally purchased, but the exact items, quantities, and delivery requirements are not known in advance and may vary considerably. Or, the use of this procedure would avoid the writing of numerous purchase orders. And, there is no existing contract vehicle for the same supply or service that the contracting activity is required to use.

Notes:

8(a) STARS II -- GWAC

Types of Contracts and Agreements

- Awarded by the GSA on July 29, 2011 as an 8(a) small business set-aside
- Second generation – Streamlined Technology Acquisition Resources for Services (STARS)
- Promotes small business utilization for agencies acquiring IT services
- Reserved exclusively for qualified 8(a) certified small businesses



Module 2 – Introduction to Federal Contracting

So, we have discussed contracting methods and types of contracts and agreements used by the government. Let's look at an example.

Recently, the GSA awarded the 8(a) STARS II – GWAC, set-aside for 8(a) certified small businesses. This is the second generation Streamlined Technology Acquisition Resources for Services contract.

This GWAC was awarded on July 29, 2011 and is designed to promote small business utilization when agencies are purchasing information technology services or IT-based solutions. The STARS II program is reserved exclusively for qualified 8(a) certified small businesses.

Through provisions in the Jobs Act of 2010, contracting officers can now set-aside multiple award schedules for small businesses. This is a big advantage for 8(a) firms and other small businesses.

Notes:

Electronic Compliant Systems
8(a) Business Development Program

SBA
U.S. Small Business Administration

Module 2 – Introduction to Federal Contracting

Electronic compliant systems.

Notes:

Technology and Systems Matter

Electronic Compliant Systems

- Participation as a government contractor requires a firm to have the right tools – specifically the right training, technology and systems
- Government is focused on efficiency
- Contractors are greatly encouraged to be grounded in aspects of electronic procurement



Module 2 – Introduction to Federal Contracting

To participate as a government contractor, as a participating 8(a) firm, you need the right tools – specifically the right training, technology and systems. The government is focused on efficiency and greatly encourages its contractors to be grounded in aspects of electronic procurement.

Notes:

Electronic Procurement

Electronic Compliant Systems

- Electronic procurement used to describe e-commerce web sites or Electronic Data Interchange
- Government e-commerce web sites established to perform various procurement transactions
 - [System for Award Management \(SAM\)](#)
 - [FedBizOpps](#)
 - Business Development Management Information System (BDMIS) – [see guide](#)
- Electronic Data Interchange (EDI)



Module 2 – Introduction to Federal Contracting

Electronic procurement implies many things to many people. However, electronic procurement is typically used to describe e-commerce web sites and /or Electronic Data Interchange (EDI).

Electronic government web sites are sites established for performing various procurement transactions, such as displaying requests for proposals, submitting bids, delivering invoices, exchanging information, etc. There are many such sites. Examples, include: the System for Award Management (SAM), FedBizOpps, BDMIS and many others.

Electronic Data Interchange or EDI is a set of standards that define how data or information is presented in electronic form, thereby allowing the electronic equivalents of common business documents, such as invoices, forms, bids, requests for quotes, purchase orders, financial data, etc. to be transmitted between the federal government, prime contractors and/or other commercial businesses.

Notes:

Prompt Payment

Electronic Compliant Systems

- Prompt Payment Act requires small business contractors to be paid within 30-days from date a proper invoice is submitted
- Firm must understand the billing requirements of the agency and must provide current and accurate information
- EFT information provided in SAM database must be current and correct
- Quick Pay....



Module 2 – Introduction to Federal Contracting

Everybody wants to be paid on time. The Prompt Payment Act, which was enacted in the mid-1980's requires government agencies to pay small business contractors within thirty days after the receipt of the invoice. However, for the thirty day clock to start the invoice, as received, must be deemed "proper" under the law. If it is not deemed proper it will be sent back to the requesting contractor.

It is important that a business submitting an invoice fully understand the requirements of the agency it is dealing with, provide current and accurate information to the agency concerning the invoice and make certain that the Electronic Funds Transfer information, provided by the firm in the System for Award Management database, is current and correct.

It is also important to note that President Obama introduced a temporary, transitional policy – Quick Pay -- directing agencies to make contract payments faster to all of their prime contractors, with the understanding that those contractors will pass along accelerated payments to their subcontractors. This policy is an extension of provisions in the Jobs Act to make federal contracting more efficient. Quick Pay will cut processing time in half, from 30 days to 15 days, so cash will flow to small businesses and other firms serving as prime and subcontractors quicker.

Electronic Funds Transfer

Electronic Compliant Systems

- Government policy requires that all contractors be paid by ETF
- In making ETF payments government uses data in the System for Award Management
- 8(a) firms must be registered in SAM and keep information in the SAM database current and correct



Module 2 – Introduction to Federal Contracting

Current government policy requires that all contractors be paid by Electronic Funds Transfer. Again, as was just mentioned in the previous slide, in making EFT payments the government uses the information contained in the System for Award Management database. To be paid, a firm must be registered in SAM.

This policy underscores the need for 8(a) firms and all businesses wanting to do business with the government to register in the System for Award Management and to make sure that information entered is always current and correct.

Notes:

Resources and Assistance
8(a) Business Development Program

SBA
U.S. Small Business Administration

Module 2 – Introduction to Federal Contracting

Resources and assistance.

Notes:

Resources & Tools

Resources and Assistance

- Federal Acquisition Regulations
 - <https://www.acquisition.gov/far>
- Acquisition Central
 - <https://www.acquisition.gov/>
- FAR Part 19 – Small Business Programs
 - <http://www.acquisition.gov/far>
- Code of Federal Regulations (13CFR)
 - <http://www.gpoaccess.gov/cfr/index.html>
- Federal Business Opportunities
 - <http://www.fbo.gov>
- SBA-Government Contracting
 - <http://www.sba.gov/aboutsba/sbaprograms/gc/index.html>



Module 2 – Introduction to Federal Contracting

Numerous resources are available to assist individuals who are interested in learning more about and participating in the 8(a) Business Development Program.

Notes:

Resources & Tools

Resources and Assistance

- Learn more about:
 - [8\(a\) Program Certification FAQs](#)
 - [SAM Registration](#)
 - [SBA Size Standards](#)
 - [8\(a\) Business Development Program](#)
 - [WOSB Program](#)
 - [HUB Zone Program](#)
- Local (client) resources:
 - [SBA district office](#) (Business Opportunity Specialists)
 - [Procurement Technical Assistance Center \(PTAC\)](#)
 - [Government Contracting Classroom](#) (free online courses)
 - [SCORE chapter](#)
 - [Small Business Development Center](#)
 - [SBA/SBDC Program Office](#)
 - [Women's Business Center](#)
 - [SBA/WBC Program](#)



Module 2 – Introduction to Federal Contracting

Use these resources to become better informed and improve your chances of being a successful participant in the 8(a) program.

Notes:

Contact Us...

Resources and Assistance

- Thank you for taking the time to learn about the 8(a) Business Development Program
- Please contact us with any questions you may have
- This is the second module in a four-part Pre-8(a) Business Development Program, training series

U.S. Small Business Administration
Office of Government Contracting and Business Development
800 U-ASK SBA



Module 2 – Introduction to Federal Contracting

Thank you for taking the time to learn about the 8(a) Business Development Program.

Much information has been discussed and we hope it is helpful. Please contact us with any additional questions you may have. In addition, this is the second module in a four-part, Pre 8(a) Business Development Program, training series. Consider viewing all of the modules in SBA's online **Government Contracting Classroom**, as they become available.

Thank you.

Notes:

Hyperlinks Contained in the Workbook

- Checklist for Preparing the 8(a) Application
 - [http://www.sba.gov/sites/default/files/files/supplemental%208\(a\)%20program%20application%20checklist.pdf](http://www.sba.gov/sites/default/files/files/supplemental%208(a)%20program%20application%20checklist.pdf)
- User Guide for Initial 8(a) Program Applicants
 - https://sba8asdb.symlicity.com/downloads/BDMIS_UserGuide.pdf
- Federal Acquisition Regulations
 - <https://www.acquisition.gov/far>
- 13 CFR 124
 - <http://www.gpo.gov/fdsys/pkg/CFR-2006-title13-vol1/content-detail.html>
- 8(a) Program Certification FAQs
 - <https://sba8a.symlicity.com/applicants/faqs>
- Acquire Surplus Property
 - <http://www.sba.gov/sites/default/files/files/qa%20surplus%20property.pdf>
- Acquisition Central
 - <https://www.acquisition.gov/>
- System for Award Management
 - <http://www.sam.gov>
- FAR Part 19 – Small Business Programs
 - <http://www.acquisition.gov/far>
- Access & Register in GLS
 - https://eweb.sba.gov/gls/dsp_addcustomer.cfm?IMAppSysTypNm=8ASDB
- Code of Federal Regulations (13CFR)
 - <http://www.gpoaccess.gov/cfr/index.html>
- Federal Business Opportunities

- <http://www.fbo.gov>
- SBA-Government Contracting
 - <http://www.sba.gov/aboutsba/sbaprograms/gc/index.html>
- Learn more about:
 - [Non-manufacturer waivers](#) (SBA information)
 - [SBA Size Standards](#)
 - [8\(a\) Business Development Program](#)
 - [WOSB Program](#)
 - [HUB Zone Program](#)
- Local (client) resources:
 - [SBA district office](#)
 - [Government Contracting Classroom](#) (Online)
 - [Procurement Technical Assistance Center \(PTAC\)](#)
 - [SCORE chapter](#)
 - [Small Business Development Center](#)
 - [SBA/SBDC Program Office](#)
 - [Women's Business Center](#)
 - [SBA/WBC Program](#)

joconnor/september/2012