



U.S. Small Business
Administration



Subcontracting Plans (Pre-Award)

First Wednesday Virtual Learning Series 2020

Hosts

**Christopher Eischen, Procurement Center Representative
SBA Office of Government Contracting, Area IV,
Kansas City, MO**

**Gwen Davis, Procurement Center Representative
SBA Office of Government Contracting, Area IV,
Minneapolis, MN**

Welcome to “SBA Virtual Learning 2020”

1. Questions answered during the final 10 minutes.
2. Technical problems: Contact the moderator with a note or call AT&T Support Desk at 301-250-7202.
3. Page numbers stated for those working off hard copies of the program.
4. We cover the “**SBA Quick Reference**” as time allows.
5. For more SBA training visit the SBA Learning Center website <https://www.sba.gov/tools/sba-learning-center/search/training>

Association of Procurement Technical Assistance Centers (APTAC)

Procurement Technical Assistance Centers are a vital resource partner.

- APTAC posts past “First Wednesday” programming at this link: <http://www.aptac-us.org/for-contracting-officers-sba-webinar-library/>
- Contracting officer resources: “How PTACs partner with federal agencies”: <http://www.aptac-us.org/federal-partners/>
- Find your nearest Procurement Technical Assistance Center at <http://www.aptac-us.org>

FIRST WEDNESDAY VIRTUAL LEARNING SERIES

FY 2020 SCHEDULE

1:00 to 2:00 PM Central Time

FY 2020	Date	Topic
1	October 2, 2019	Size & Affiliation
2	November 6, 2019	Understanding the Non-Manufacturer Rule
3	December 4, 2019	Subcontracting Plans
4	January 8, 2020	Surveillance Reviews
5	February 5, 2020	Historically Underutilized Business Zone (HUBZone) Program
6	March 4, 2020	Certificate of Competency (COC)
7	April 1, 2020	Procurement Center Representative (PCR) functions
8	May 6, 2020	Market Research
9	June 3, 2020	Regulation Updates
10	July 1, 2020	Woman Owned Small Business (WOSB) Program
11	August 5, 2020	All Small Mentor Protégé Program

The program schedule is for information only and is subject to change.

One Continuous Learning Point

- Self-service: Using the PowerPoint that was sent with your invitation for this training event, fill in your name on the certificate slide and save. Download the certificate and print for your records. You submit your request for training credit IAW your agency policy, i.e. FAITAS.
- Phoning in only: If you listen in groups and you want all attendees to be included on the future mailing list, send email addresses of participants in an excel document to sbalearning@sba.gov.

“SBA 1st Wednesday Virtual Learning 2020”

This Certificate is awarded to

Insert Your Name Here

For completion of

Subcontracting Plans (Pre-Award)

This training seminar may be credited towards “Continuous Learning Points” as described in OFPP Policy Letter 05-01. Recommendation of One CLP.



Pamela J. Beavers
Director, Area IV
SBA Office of Government Contracting

12/04/2019

DATE

Today's Speaker

Valerie Coleman
Program Manager, Prime Contracts
SBA Office of Government Contracting



**A goal without a
plan is just a wish**

Antoine de Saint-Exupery

Some Basics

➤ **FAR 19.7**

- “Other than Small” Business
 - Includes Non-profits & universities
- Contract or modification over \$700,000 (\$1.5m for construction)

➤ **FAR 52.219-9**

➤ **Gives “maximum practicable opportunity”**

Subcontracting Plan Not Required?

- **Small Businesses**
- **No Subcontracting Opportunities Exist**
 - Approved one level above the Contracting Officer
 - Placed document in contract file
- **Performed Exclusively Outside the United States**

Types of Plans

- **Commercial plan**
- **Master subcontracting plan**
- **Individual subcontracting plan**
- **DOD comprehensive plan**

Commercial Plan

- Preferred type for “commercial items” – FAR 2.101
- Annual plan based on Contractor’s fiscal year
- Applies to the entire production of commercial items on a corporate, plant, division, or product line basis
- Covers all subcontracting (government and commercial)
- Contains required elements – FAR 19.704
- Remains in effect during the contractor’s fiscal year for all Federal government contracts in effect during that period.
- Once a contractor’s commercial plan has been approved, the Government shall not require another subcontracting plan from the same contractor while the plan remains in effect
 - As long as providing a commercial item

Master Plan

- Plant or division wide basis
- Boiler plate – Required elements 19.704
- Effective for 3 years after approved
- Goals negotiated for each contract
- Master plan + goals are married and become an individual plan effective for the life of the contract

Individual Subcontracting Plan

- Specific contract
- 1 contract = 1 plan
- Covers entire contract period, including separate goals for each option period
- Contains required plan elements – FAR 19.704

Comprehensive Subcontracting Plan (DOD Contracts only)

- DFARS 219.702
- Annual plan for all DOD subcontracting
- Government fiscal year
- Corporate, plant, or division basis
- DCMA administers program
- Contains required elements - FAR 19.704
- Has additional elements

Who reviews plans?

➤ Individual & Master Plans

- Contracting Officer
- Small Business Specialist (SBS)
- Procurement Center Representative (PCR) – Advisory comments only
- FAR 19.705-4d(7) - **Obtain advice and recommendations from the SBA procurement center representative (or, if a procurement center representative is not assigned, see [19.402\(a\)](#)) and the agency small business specialist.**

➤ Commercial Subcontracting Plan

- First Approval – CO for first federal contract and SBS & PCR
- Subsequent Annual Approvals – CO responsible for the uncompleted contract with the latest completion date
- Contractor provides a copy of the approved plan to each CO responsible for an ongoing contract that is subject to the plan

➤ DOD Comprehensive Subcontracting Plans

- Negotiate with DCMA annually

FAR 19.704a and 52.219-9

The Offeror's plan shall include the following:

Separate goals, expressed in terms of total dollars subcontracted, and as a percentage of total planned subcontracting dollars, for the use of small business, veteran-owned small business, service-disabled veteran-owned small business, HUBZone small business, small disadvantaged business, and women-owned small business concerns as subcontractors.

- Option years are broken out separately
- On Individual Plans only, a Contracting Officer can also establish goals as a percentage of total contract value

Goals – Let's Talk

- **Are they acceptable?**
 - Minimum goals/floors
 - Statutory goals
 - Agency subcontracting goals
 - Realistic goals –
 - What's realistic?

Realistic Goals

- Reasonable level
- Shouldn't low ball goals
- Shouldn't negotiate upward
- No standard
- Should be attainable
- Consider circumstances

Test Yourself

Total Subcontracting	\$100,000	
Small Business	\$ 30,000	30.0%
SDB	\$ 8,000	26.7%
8(a)	\$ 3,000	10.0%
WOSB	\$ -0-	00.0%
EDWOSB	\$ 1,500	5.0%
Other	\$ 9,000	30.0%
HUBZone	\$ 3,500	11.7%
VOSB	\$ 2,000	6.7%
SDVOSB	\$ 3,000	10.0%

Correct Method

Total Subcontracting	\$100,000	100.0%
Small Business	\$ 30,000	30.0%
SDB	\$ 11,000	11.0%
WOSB	\$ 1,500	1.5%
HUBZone	\$ 3,500	3.5%
VOSB	\$ 5,000	5.0%
SDVOSB	\$ 3,000	3.0%

Can you spot the other mistakes?

Total Subcontracting	\$100,000	
Small Business	\$ 30,000	30.0%
SDB	\$ 16,000	16.0%
WOSB	\$ 4,000	4.0%
HUBZone	\$ 5,000	5.0%
VOSB	\$ 0,000	0.0%
SDVOSB	\$ 5,000	5.0%

Can you spot the other mistakes?

Total Subcontracting \$100,000

Small Business	\$ 30,000	30.0%
SDB	\$ 16,000	16.0%
WOSB	\$ 4,000	4.0%
HUBZone	\$ 5,000	5.0%
VOSB	\$ 0,000	0.0%
SDVOSB	\$ 5,000	5.0%

Socio economic \$ and % add up to the small business \$ and %

Can you spot the other mistakes?

Total Subcontracting	\$100,000	
Small Business	\$ 30,000	30.0%
SDB	\$ 16,000	16.0%
WOSB	\$ 4,000	4.0%
HUBZone	\$ 5,000	5.0%
VOSB	\$ 0,000	0.0%
SDVOSB	\$ 5,000	5.0%

All SDVOSBs are also VOSBs. VOSB \$ and % should be higher than SDVOSB

Can you spot the other mistakes?

Total Subcontracting	\$100,000	
Small Business	\$ 30,000	30.0%
SDB	\$ 16,000	16.0%
WOSB	\$ 4,000	4.0%
HUBZone	\$ 5,000	5.0%
VOSB	\$ 0,000	0.0%
SDVOSB	\$ 5,000	5.0%

Zero is not a goal.

Example - Subcontracting & Total \$300,000 Contract Value (Figures rounded off)

		Subcontracted % Value	Total % Value
\$70,000	Large	70%	23%
\$30,000	Small	30%	10%
\$100,000	Total	100%	33%
\$11,000	SDB	11%	3.6%
\$1,500	WOSB	1.5%	.005%
\$3,500	HUBZone	3.5%	.11%
\$5,000	VOSB	5.0%	.16%
\$3,000	SDVOSB	3.0%	.1%

What is a Subcontract?

Any agreement (other than one involving an employer-employee relationship) entered into by a Federal Government prime Contractor or subcontractor calling for supplies or services required for performance of the contract or subcontract.

FAR 19.704a and 52.219-9

- Total \$ to be subcontracted
- Types of supplies/services to be subcontracted
 - **What is excluded from subcontracting?**
 - Internal generated costs such as salaries and wages
 - Employee insurance; other employee benefits
 - Payments for petty cash
 - Depreciation, interest
 - Income taxes, property taxes
 - Lease payments
 - Bank fees, fines, claims and dues
 - OEM relationships during warranty periods
 - Utilities such as electricity, water, sewer and other services purchased from a municipality
 - Philanthropic contributions

FAR 19.704a and 52.219-9

- Method used to develop goals
- Method used to identify potential sources
- Indirect costs included/not included
- Name of individual administering the plan
- Efforts to ensure small businesses have equitable opportunity to compete
- Assurances that required clauses and provisions will flow down to subs
- Assurances that reporting will be done
- Recordkeeping procedures
- **Assurances that a good faith effort will be made to utilize small businesses used to prepare proposal/bid**
- **Assurances that an explanation will be made to the contracting officer if those small businesses are not used**
- **Assurances that a small business will not be prohibited from discussing payment with the contracting officer**
- **Assurances that the small business will be paid on time.**

PCR & Surveillance Review Issues

- **Almost 100% of all Surveillance Reviews had a problem with subcontracting**
 - No Plan in file
 - Plan not made a material part of the contract
 - Goals not figured correctly
 - Plan not sent to SBA – FAR 19.705-6

Additional Assistance

If you need additional assistance and/or training, you can contact your local PCR.

**[https://www.sba.gov/contracting/
resources-small-businesses/pcr-
directory](https://www.sba.gov/contracting/resources-small-businesses/pcr-directory)**

Questions??

Valerie Coleman
Program Manager, Prime Contracts
Program

Valerie.coleman@sba.gov

281-245-4777