



THE UNDER SECRETARY OF DEFENSE

3010 DEFENSE PENTAGON
WASHINGTON, DC 20301-3010

AUG 24 2011

ACQUISITION,
TECHNOLOGY
AND LOGISTICS

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN OF THE JOINT CHIEFS OF STAFF
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTORS OF THE DOD FIELD ACTIVITIES

SUBJECT: Increasing Small Business Procurement in Critical 4th Quarter

Increasing contracting opportunities for small businesses remains a top priority for the Administration. **We are falling short of meeting our Department-wide small business contracting goal** of 22.3 percent for FY 2011. **and I need your help** to ensure that as we enter the last 6 weeks of this fiscal year, small businesses are given the maximum practicable opportunity to receive unobligated contract dollars.

The Department is committed to meeting its small business contracting goals for FY 2011 and beyond. Attached is information that may assist your organization in improving its small business contract performance. Please share this information with everyone in your organization that is involved in the acquisition process to include planning, requirements definition, and market research. Ask them to be personally engaged in improving our performance in this important area. It is not the sole responsibility of contracting officers to achieve this goal but the collective responsibility of every leader in your organization who manages a budget and allocates funds that will go on contract. They should all work closely with your small business directors to identify opportunities to, and maximize efforts toward, achieving the Department's small business goals.

Thank you in advance for your hard work to increase opportunities for small businesses in the final weeks of this fiscal year and to lay the foundation for continued small business success in FY 2012. My point of contact is Andre Gudger, OSD Director of Small Business Programs, at 703-604-0157. Extension 140 or andre.gudger@osd.mil.

Ashton B. Carter

Attachment:
As stated

cc:
CAEs
SPEs
Directors, OSBPs

ATTACHMENT

Meeting Department-Wide Small Business Contracting Goals

Below is information that can be used to help increase the percentage of prime contracts that can be awarded by the Department to small businesses. All referenced Appendices with the exception of Appendix D were prepared by the Office of Federal Procurement Policy.

- **Use Socio-Economic Parity:** Provisions of the Small Business Jobs Act of 2010, as implemented under interim FAR rules published on March 16, 2011, and April 1, 2011, now allow for parity among small business contracting programs, enabling contracting officers to choose among a HUBZone, service-disabled veteran-owned small businesses, 8(a), or women-owned set asides for contracts over the Simplified Acquisition Threshold (generally \$150,000). Contracting officers should take advantage of this flexibility as they monitor their overall small business goals and socio-economic goals.
- **Be Rigorous in Evaluating Opportunities:** Every remaining contract to be awarded in FY 2011 should be evaluated for possible small business utilization.
- **Focus on Industries Where Small Businesses Excel:** Small business set-asides are particularly effective and popular in certain fields and industries. (See **Appendix A** for list of top 25 NAICS codes for small businesses in FY 2010, which represented more than 60 percent of small business dollars.)
- **Conduct Robust Market Research:**
 - Work with your small business director to identify small business opportunities. If you need contact information, please call the DoD Office of Small Business Programs (OSBP) at 703-604-0157, ext. 138.
 - Direct contracting officers and other acquisition officials to conduct market research by using the Maximum Practicable Opportunity (MaxPrac) analysis model to assist in the identification of areas of potential opportunity for small business participation. MaxPrac is available at <https://extranet.acq.osd.mil/osbp>. You may contact Carol Brown at Carol.A.Brown@osd.mil or 703-604-0157, ext. 147, for more information or training on MaxPrac.
 - Reach out to agencies that buy similar products/services to identify potential new vendors. (See **Appendix B** for instructions on how to conduct this search in the Federal Procurement Database System-New Generation.)
 - Use the Dynamic Small Business Search to identify all small businesses capable of performing a contract. (See **Appendix C** for instructions on how to use Dynamic Small Business Search.)

- **Maximize Use of Existing Contracts:** GSA Schedules, Government-Wide Acquisition Contracts (GWACs), and agency-wide contracts hold huge potential to increase small business utilization. The schedules provide access to a large number of small businesses offering a wide range of commercial products and services. Agencies are authorized to give maximum consideration to the socio-economic status of the firm if it meets their needs when using the Schedules. (See **Appendix D** for DoD guidance on use of Federal supply schedules and Government-wide acquisition certification.)
 - GSA has created a new section of its GSA Schedules website focused on small business contracting at <http://www.gsa.gov/portal/content/202261>. The new section includes information on practices to facilitate awards to small businesses as prime contractors or subcontractors and sample language from statements of work that have been used to successfully implement these practices.
 - GSA Advantage, the Schedules' online shopping and ordering system, and the GSA e-Library at <http://www.gsa.gov/fss> contain information on the small business representations of Schedule contractors and allow customers to tailor their searches specifically for products and services provided by disadvantaged, service-disabled veteran, woman-owned, HUBZone and other small businesses
- **Use the 8(a) Program:** Consider sole-source awards to 8(a) firms for acquisitions at or below the established thresholds (\$6.5 million for manufacturing contracts and \$4 million for non-manufacturing contracts). For acquisitions above the thresholds, existing vehicles, such as the 8(a) Streamlined Technology Acquisition Resources for Services GWAC, offer an efficient way to make competitive 8(a) awards. Moreover, 8(a) firms (or other small businesses) that are also women-owned, service-disabled veteran-owned, or HUBZone will provide agencies the chance to count these firms for additional socio-economic credit for multiple socio-economic categories.
- **Use the New Women-Owned Small-Business Program Where Practicable:** This new program implemented on April 1, 2011, as an interim rule and published at FAR Subpart 19.15 allows set-asides in select NAICS codes (visit www.sba.gov/wosb for a list of eligible NAICS codes) and below a \$6.5 million threshold for manufacturing contracts and \$4 million threshold for non-manufacturing contracts.
- **Repeal of the Competition Demonstration Program:** The repeal of the Comp Demo Program formerly at FAR 19.10 now provides additional opportunities in 11 industries where small businesses have traditionally excelled (see **Appendix E** for a list of industries).

APPENDICES

Appendix A - Top 25 NAICS codes for Small Businesses in FY 2010

Rank	NAICS Code	NAICS Description	Dollars obligated in FY 2010
1	236220	Commercial And Institutional Building Construction	\$10,620,087,697
2	541519	Other Computer Related Services	\$5,637,643,071
3	541330	Engineering Services	\$5,319,396,679
4	541712	Research And Development In The Physical, Engineering, And Life Sciences (Except Biotechnology)	\$4,515,793,509
5	237990	Other Heavy And Civil Engineering Construction	\$2,981,847,361
6	541611	Administrative Management And General Management Consulting Services	\$2,738,439,374
7	561210	Facilities Support Services	\$2,738,127,685
8	541710	Research And Development In The Physical, Engineering, And Life Sciences	\$2,392,756,418
9	541511	Custom Computer Programming Services	\$2,097,261,546
10	541512	Computer Systems Design Services	\$2,055,145,963
11	562910	Remediation Services	\$2,038,197,467
12	336413	Other Aircraft Parts And Auxiliary Equipment Manufacturing	\$2,025,692,200
13	531120	Lessors Of Nonresidential Buildings (Except Miniwarehouses)	\$2,014,779,208
14	336611	Ship Building And Repairing	\$1,564,475,249
15	517110	Wired Telecommunications Carriers	\$1,333,262,084
16	237310	Highway, Street, And Bridge Construction	\$1,328,728,238
17	334111	Electronic Computer Manufacturing	\$1,224,384,741
18	424720	Petroleum And Petroleum Products Merchant Wholesalers (Except Bulk Stations And Terminals)	\$1,189,771,939
19	541513	Computer Facilities Management Services	\$1,154,804,550
20	236210	Industrial Building Construction	\$1,034,794,513
21	315999	Other Apparel Accessories And Other Apparel Manufacturing	\$1,002,839,168
22	334220	Radio And Television Broadcasting And Wireless Communications Equipment Manufacturing	\$1,000,090,221
23	561612	Security Guards And Patrol Services	\$939,188,085
24	541990	All Other Professional, Scientific, And Technical Services	\$890,585,058
25	541930	Translation And Interpretation Services	\$888,897,448

Appendix B – Instructions on how to search for agencies that procure similar products/services in the Federal Procurement Database System-New Generation (FPDS)

- Log into FPDS at: <https://www.fpds.gov>.
- Click “Adhoc Reports”, then click “New.”
- “1 Select metrics” will be automatically highlighted, and in the left-hand side column you will see the “Metrics” folder opened.
- Click on the + sign next to “Award – IDV Information.”
- Click on the “Dollar Values” folder.
- In the main pane look for “Action Obligation,” then click “Add” on the far right-hand side.
- To open the second section, click “2 Select attributes” at the top of the screen. In the left-hand side column, the “Attributes” folder will be open.
- Click the + sign next to the “Award – IDV Information” folder.
- Next, select “Product or Service Information.” In the main pane, click the “Add” button next to “NAICS Code.” Then, in the left-hand side column, select “Business Size Selection.” In the main pane, click the “Add” button next to “Contracting Officers Business Size Selection.”
- Finally, in the left-hand side column, select “Department and Agency Information.” In the main pane, click the “Add” button next to “Contracting Department Name.”
- Now, click “3 Select time, filters, and rankings” towards the top of the screen.
- Under the “Add Filter” section, it will have a “Select an attribute” drop-down menu. Find and select “Contracting Officers Business Size Selection.” For the adjacent drop-down menu keep the value at “Show Only” and in the third scroll down menu click the blue “Select attribute values...” link.
- A window titled “Choose Attribute Values” will appear. In the window, select “Small Business,” then click “OK.” The window will then close.
- Return to the “Add Filter” section on the original page, click “Add.” This filter will then be added to your report, and the “Add Filter” section will once again be reset.
- You can add another filter based on the NAICS code you are searching for. Under the “Select an attribute” drop down menu, select “NAICS Code.” Keep the next menu as “show only,” and in the third menu click the “Manually enter a value...” link. A new window titled “Enter Attribute Value” will appear. Enter the 6-digit NAICS code you are searching for. Then click “OK.” The window will close and you will be brought back to the main page.

- Then on the main page in the “Add Filter” section, click “Add.”
- To complete the fourth step of the process, click “4 Layout and setup.” Verify that the layout is what you desire. Then click “Execute” in the top right-hand corner of the page.
- Next, you will be asked to enter the dates you choose to see data from. Enter the dates where it says, “For Date Signed,” and only show values between. We suggest entering from “10/01/2009” to “09/30/2010” to see the FY 2010 data.
- Finally, in the top right-hand side corner, click “Display Report.”

Once you have gathered the names of other agencies/departments who purchased the same NAICS code good or service from a small business, you may contact the agency’s Office of Small and Disadvantaged Business Utilization (OSDBU) for recommendations on small business vendors. You can find a list of OSDBU contacts at: www.osdbu.gov.

Appendix C – Instructions on how to use Dynamic Small Business Search

- Go to the following website: <http://dsbs.sba.gov>.
- Under “Location of Profile,” you can select the state that you’d like to search for firms in or you can input an area code or zip code.
- To find certified 8(a) or HUBZone firms, in the “Government Certifications” section, select the radio button that says “Required (Active Certifications Only)” under “8(a) certified or 8(a) Joint Venture” or “HUBZone Certification.”
- To find Service-Disabled Veteran-Owned or Women-Owned Small Businesses, in the “Ownership and Self-Certifications” section, select the box that says “Service Disabled Veteran Owned” or the appropriate box under “Any Women-Owned Small Business.”

Note: To see all small businesses regardless of type, do not select any type of Certification or Ownership and all small businesses that meet the criteria you selected will be shown.

- In the next section called “Specific Nature of Business,” you can enter a specific NAICS code(s) to find small businesses that operate in those industries.
- There are other criteria you may select throughout the page to tailor your search.
- When you are finished selecting criteria, go to the bottom of the page and press “Search Using These Criteria.”
- A screen will appear with a list of all small businesses that meet the criteria selected.

Appendix D – DoD guidance on use of Federal supply schedules and Government-wide acquisition certification