Frequently Asked Questions About
Federal Procurement

1. What is a small business?

A small business is a concern that is organized for profit, with a place of business in the United States, and which operates primarily within the United States or makes a significant contribution to the U.S. economy through payment of taxes or use of American products, materials or labor. Further, the concern cannot be dominant in its field, on a national basis. Finally, the concern must meet the numerical small business size standard for its industry. SBA has established a size standard for most industries in the U.S. economy. The most common size standards are as follow:

- 500 employees for most manufacturing and mining industries
- 100 employees for all wholesale trade industries;
    - except for Federal prime contracts and subcontracts where the maximum number of employees is 500;
- $7 million for most retail and service industries
- $33.5 million for most general & heavy construction industries
- $14 million for all special trade contractors
- $0.75 million for most agricultural industries

About one-fourth of industries have a size standard that is different from these levels. They vary from $0.75 million to $34.5 million for size standards based on average annual revenues and from 100 to 1,500 employees for size standards based on number of employees. Several SBA programs have either alternative or unique size standards, such as the **Small Business Investment Company Program.**

SBA has also established a **table** of size standards, matched to North American Industry Classification System (NAICS) industries. The table is available at www.sba.gov/size.

In addition to establishing eligibility for SBA programs, all federal agencies must use SBA's size standards for its Federal Government contracts it identifies as a small business. Agencies must also use SBA's size standards for their other programs and regulations, unless they are authorized by Federal statute to use something else.

For further information, you may write or call the Office of Size Standards:

Office of Size Standards
U.S. Small Business Administration
409 3rd St., SW, Washington, DC 20416
Phone: (202) 205-6618
Fax: (202) 205-6390
E-mail: **sizestandards@sba.gov**

2. What is a Standard North American Industry Classification System (NAICS)?

An NAICS code is the Standard Industrial Classification number listed in the Standard Industrial Classification Manual which is published by the Office of Management and Budget. The NAICS Manual is available at your local library or on the Internet site **http://www.osha.gov/oshstats**. NAICS codes are used by the Federal Government to identify and classify specific categories of business activity that represent the primary line of business of a firm. SBA size standards are based on NAICS codes

3. What is CCR?

Central Contractor Registration (CCR) is the primary registrant database for the U.S. Federal Government. CCR collects, validates, stores, and disseminates data in support of agency acquisition missions, including Federal agency contract and assistance awards. Please note that the term "assistance awards" includes grants, cooperative agreements and other forms of federal assistance. Whether applying for assistance awards, contracts, or other business opportunities, all entities are considered "registrants".

Both current and potential federal government registrants are required to register in CCR in order to be awarded contracts by the federal government. Registrants are required to complete a one-time registration to provide basic information relevant to procurement and financial transactions. Registrants must update or renew their registration at least once per year to maintain an active status. In addition, entities (private non-profits, educational organizations, state and regional agencies, etc.) that apply for assistance awards from the Federal Government through Grants.gov must now register with CCR as well. However, registration in no way guarantees that a contract or assistance award will be awarded.

CCR validates the registrant information and electronically shares the secure and encrypted data with the federal agencies finance offices to facilitate paperless payments through electronic funds transfer (EFT). Additionally, CCR shares the data with federal government procurement and electronic business systems.

Please note that any information provided in your registration may be shared with authorized federal government offices. However, registration does not guarantee business with the federal government.

4. How do I obtain a DUNS #?

Dun & Bradstreet (D&B) provides a D-U-N-S Number, a unique nine digit identification number, for each physical location of your business.

D-U-N-S Number assignment is FREE for all businesses required to register with the US Federal government for contracts or grants.

Click here to request your D-U-N-S Number via the Web. If one does not exist for your business location, it can be created within 1 business day.

Click here to request your D-U-N-S Number by phone, (for U.S., Puerto Rico, and U.S. Virgin Islands Only).

5. How do I identify federal procurement opportunities?

Federal Business Opportunities (FEDBIZOPPS) **http://www.fbo.gov/** – the designated government-wide point of entry – is the exclusive official source for public access to notices of Federal contracting actions over $25,000. (Agencies are encouraged to use FEDBIZOPPS to provide notices for actions of $25,000 or less). Notices of proposed procurements were formerly publicized in the Commerce Business Daily (CBD). However, with FEDBIZOPPS designation as the one-stop Internet gateway to procurement opportunities, the CBD has ceased publication. Once you identify those Agencies and buying offices that purchase your products and services, it's a good idea to contact them directly to learn more about upcoming procurements (i.e., procurement forecasts) posted on websites or electronic bulletin boards.

6. What is the SBA 8(a) Business Development Program?

SBA's **8(a) Business Development** Program is intended to assist eligible small disadvantaged business concerns grow and become competitively viable in the economic mainstream. The Program provides qualified small businesses access to capital and credit, business counseling and training, and Federal and non-Federal procurement opportunities. Through award of sole source and limited-competition contracts, the 8(a) Program provides a logical, systematic approach to market access and enterprise growth for small disadvantaged businesses. Companies like yours that are just starting; or that are in a growth stage, can benefit from the wide-range of services that offer support for government contractors, some of which include management and technical assistance, procurement assistance and export assistance.

7. What is the SBA HUBZone Program?

The HUBZone Program stimulates economic development and creates jobs in distressed urban and rural communities by providing Federal contracting preferences to small businesses. These preferences go to small businesses that obtain HUBZone (Historically Underutilized Business Zone) certification in part by employing staff who live in a HUBZone. The company must also maintain a "principal office" in one of these specially designated areas. The program resulted from provisions contained in the Small Business Reauthorization Act of 1997.

To find out if your firms is located in a HUBZone or to find the location of a HUBZone in your area simply log onto the web at **http://www.sba.gov/hubzone.**

To qualify for the program, a business (except tribally-owned concerns) must meet the following criteria:

- It must be a small business by SBA standards;
- It must owned and controlled at least 51% by U.S. citizens, or a Community Development Corporation, or an agricultural cooperative or an Indian tribe;
- Its principal office must be located within a 'Historically Underutilized Business Zone,' which includes lands considered Indian Country and military facilities closed by the Base Realignment and Closure Act; and
- At least 35% of its employees must reside in a HUBZone.

Existing businesses that choose to move to qualified areas are eligible. To fulfill the requirement that 35% of a HUBZone firm's employees reside in the HUBZone, employees must live in a primary residence within that area for at least 180 days or be a currently registered voter in that area.

There are three types of HUBZone Prime Contract Benefits

- Competitive: HUBZone contracts can be awarded if the contracting officer has a reasonable expectation that at least two qualified HUBZone small business concerns (SBCs) will submit offers and that the contract will be awarded at a fair market price.
- Sole-source: HUBZone contracts can be awarded if the contracting officer determines that: one qualified HUBZone SBC is responsible to perform the contract, two or more qualified HUBZone SBCs are not likely to submit offers and the anticipated award price of the proposed contract, including options, will not exceed: $5,500,000 for a requirement within the North

American Industry Classification System (NAICS) code for manufacturing or $3,500,000 for a requirement within all other NAICS codes
- Full and open: Competitive contracts can be awarded with a price evaluation preference. The offer of the HUBZone small business must not be 10 percent higher than the offer of a non-small business.

To apply, companies use the electronic application on the HUBZone web site **http://www.sba.gov/hubzone.**

For additional information:
U.S. Small Business Administration
HUBZone Program
409 Third Street, SW, 8th Floor
Washington, D.C. 20416
Phone: 202-205-8885 - Fax: 202-205-7167
Website: www.sba.gov/hubzone
e-mail: HUBZone@sba.gov

8. What is the SBA Service-Disabled Veteran-Owned Small Business Program?

The Veterans Benefit Act of 2003 created the procurement program for small business concerns owned and controlled by service-disabled veterans (commonly referred to as the "Service-Disabled Veteran-Owned Small Business (SDVOSB) Procurement Program"). The purpose of the Service-Disabled Veteran-Owned Small Business Program is to provide Federal contracting assistance to service-disabled veteran-owned small business concerns.

Status as a service-disabled veteran-owned small business concern is determined in accordance with 13 CFR Parts 125.8 through 125.13; also see **19.307**. There is no formal certification process for this program. Eligible firms should self certify their business as a service disabled veteran owned business in CCR.

At the time that a service-disabled veteran-owned small business concern submits its offer, it must represent to the contracting officer that it is a service-disabled veteran-owned small business concern; and a small business concern under the North American Industry Classification System (NAICS) code assigned to the procurement.

A contracting officer may set-aside acquisitions for competition restricted to service-disabled veteran-owned small business concerns. To set aside an acquisition for competition restricted to service-disabled veteran-owned small business concerns, the contracting officer must have a reasonable expectation that offers will be received from two or more service-disabled veteran-owned small business concerns; and award will be made at a fair market price.

A contracting officer may award contracts to service-disabled veteran-owned small business concerns on a sole source basis (see **19.501(d)** and **6.302-5)**, provided - only one service-disabled veteran-owned small business concern can satisfy the requirement; the anticipated award price of the contract (including options) will not exceed $5.5 million for a requirement within the NAICS codes for manufacturing; or $3 million for a requirement within any other NAICS code; the service-disabled veteran-owned small business concern has been determined to be a responsible contractor with respect to performance; and award can be made at a fair and reasonable price.

The SBA has the right to appeal the contracting officer's decision not to make a service-disabled veteran-owned small business sole source award.

9. What is the Certificate of Competency (COC) Program?

The Certificate of Competency (COC) program allows a small business to appeal a contracting officer's determination that it is unable to fulfill the requirements of a specific government contract on which it is the apparent low bidder. When the small business applies for a COC, SBA industrial and financial specialists conduct a detailed review of the firm's capabilities to perform on the contract. If the business demonstrates the ability to perform, the SBA issues a COC to the contracting officer requiring the award of that specific contract to the small business.

SBA's procurement assistance effort is greatly strengthened by the Certificate of Competency (COC) program. The Certificate of Competency (COC) program helps ensure that small businesses, especially those which are newly entering into the federal procurement arena, are given a fair opportunity to compete for and receive government contracts.

SBA is authorized by the Congress to certify as to a small company's "capability, competency, credit, integrity, perseverance and tenacity" to perform a specific government contract. If a contracting officer proposes to reject the offer of a small business firm which is a low offeror because of questions related to the firm's ability to perform the contract on any of the above grounds, the case is referred to SBA.

SBA personnel then contact the company to inform it of the impending decision, and to offer the firm an opportunity to apply to SBA for a COC, which, if granted, would require award of the contract to the firm in accordance with the Small Business Act. SBA may also, at its discretion, issue a COC in connection with the sale of federal property if the responsibility (capacity, credit, integrity, tenacity and perseverance) of the purchaser is questioned.

The COC program is carried out by a specialized SBA field staff of individuals with technical, engineering, and government procurement back grounds in cooperation with financial specialists, also of the field organization. Upon receipt of a COC application, the SBA notifies the contracting officer of the purchasing agency that the prospective contractor has applied, and a team of financial and technical personnel surveys the firm's potential for the specific acquisition in question. During the evaluation, SBA considers credit ratings, past performance, management capabilities, management schedules, and the prospects for obtaining needed financial help or equipment.

The team's findings are presented to a COC Review Committee composed of legal, technical and financial representatives, which makes a detailed review of the case and recommends approval or disapproval. If the decision is negative, the firm and the purchasing agency are so informed; if affirmative, a letter certifying the responsibility of the firm to perform the contract (the Certificate of Competency) is sent to the purchasing agency. By the terms of the Small Business Act, the COC is conclusive on questions of responsibility, and the contract is awarded.

A COC is valid only for the specific contract for which it is issued. A business concern which is capable of handling one contract may not be qualified to handle another. Each case is considered separately, and each case is considered only if and after the contracting officer has made a negative determination of responsibility or eligibility. Firms may not apply for a COC until a contracting officer makes a non-responsibility determination and refers the matter to the SBA.

Government Contracting Officers must make all COC referrals in writing and submit them to the SBA Government Contracting Area Office serving the area in which the headquarters of the offeror is located.

10. What is the 7(j) program?

Section 7(j) of the Small Business Act authorizes SBA to enter into grants, cooperative agreements or contracts, with public or private organizations that can deliver management or technical assistance to eligible individuals and enterprises. Funding for 7(j) Management and Technical Assistance Program initiatives may be awarded to entities with the capability of providing business development assistance and business related services to the 7(j) eligible community. The business development assistance is delivered to 8(a) certified firms, small disadvantaged businesses, businesses operating in areas of high unemployment or low-income or firms owned by low-income individuals.

11. What is the SBIR program?

The Small Business Innovation Research (SBIR) Program is a highly competitive three-phase award system which provides qualified small business concerns with opportunities to propose innovative ideas that meet the specific research and research and development needs of the Federal Government.

- Phase I is a feasibility study to evaluate the scientific and technical merit of an idea. Awards are for periods of up to six months in amounts up to $100,000.
- Phase II is to expand on the results of and further pursue the development of Phase I. Awards are for periods of up to two years in amounts up to $750,000.
- Phase III is for the commercialization of the results of Phase II and requires the use of private sector or non-SBIR Federal funding.

12. What is the difference between responsiveness and responsibility?

Responsiveness – Bids submitted in a sealed bid procedure will be considered only of they comply in all material aspects with the invitation for bids. Such compliance is called “responsiveness” and is not a concept directly applicable to negotiated procurements. The fairly strict requirements of responsiveness represent an effort that all bidders stand on an equal footing and that the integrity of the sealed bidding system is maintained. A bid is an offer submitted at the invitation of the government but the invitation tells bidders, in terms as precise as possible, what they may offer. Any offer (bid) that deviated in a material respect from what the government wants, according to the invitation, will be rejected as son-responsive.

Responsibility – Awarding contracts on the basis of price alone can be false economy if unsatisfactory performance results. Prospective contractors are required to demonstrate affirmatively their ability to perform in a satisfactory manner. Before making an award, the contracting officer must have information that indicates clearly that the awardee meets all applicable standards of responsibility.

Minimum standards require adequate financial resources or the ability to obtain them, ability to meet the delivery or performance schedule, a satisfactory record of performance and a satisfactory record of integrity. A prospective contractor must also be otherwise qualified and eligible for award.

13. How do I explore subcontracting opportunities?

Subcontracting or teaming with a prime contractor can be a profitable experience as well as a growth opportunity for your business. If, after assessing the capabilities and capacity of your business, you conclude that you are not ready to bid competitively for prime contracts, consider the opportunities available through subcontracting. The experience gained from performing as a subcontractor can assist you in responding to solicitations as a prime contractor. Subcontracting, however, should not be viewed only as an opportunity for less-experienced business, but also as a vehicle to enhance your qualifications to become more competitive to perform as a prime contractor.

Over the years, several laws have been passed regarding subcontracting to small business. All of these are now incorporated into Section 8(d) of the Small Business Act and, in most cases, FAR 19.7. These laws require prime contractors having contracts that exceed the simplified acquisition threshold (SAT) to provide maximum practicable subcontracting opportunities to small business, HUBZone small business, small disadvantaged business, women-owned small business, veteran-owned small business (VOSB), and service-disabled VOSB. The clause "Utilization of Small Business Concerns," must be included in all federal contracts exceeding the SAT.

These laws, among other things, require that:

a. on contracts more than $550,000 (or $1,000,000 for construction of a public facility) large prime contractors and other-than-small subcontractors submit subcontracting plans containing specific percentage goals for small business, HUBZone small business, small disadvantaged business, women-owned small business, VOSB, and service-disabled VOSB.
b. Subcontracting plans must contain a description of the methods and efforts used to assure that small business enterprises have an equitable opportunity to compete for subcontracts.
c. Subcontracting plans must be submitted by contractors for review prior to the award of any contract; failure to comply in good faith with its approved plan may subject the contractor to liquidated damages or termination for default.

The requirement to submit a subcontracting plan does not apply to:

- small businesses,
- contracts under the prescribed dollar amounts,
- prime contracts not offering subcontracting possibilities, or
- contracts to be performed entirely outside the United States

Recommendations:

As a small business engaged in subcontracting, be sure you understand the terms and conditions of your contract with the prime contractor before agreeing to serve as a subcontractor. Ask:

- How and when will I receive compensation from the prime contractor?
- How much can I rely on the prime contractor for special tools, engineering advice, information on manufacturing methods, etc.?

- How will quality control and inspection procedures be applied to my subcontract?

Find Subcontracting Opportunities at http://web.sba.gov/subnet/

14. What are Federal Supply Schedule (FSS) contracts?

Under the **GSA Schedules Program,** GSA establishes long-term government wide contracts that allow customers to acquire a vast array of supplies (products) and services directly from commercial suppliers.

To become a GSA Schedule contractor, a vendor must first submit an offer in response to the applicable GSA Schedule solicitation.

GSA awards contracts to responsible companies offering commercial items, at fair and reasonable prices, that fall within the generic descriptions in the **GSA Schedule solicitations**. Contracting Officers determine whether prices are fair and reasonable by comparing the prices/discounts that a company offers the government with the prices/discounts that the company offers to commercial customers. This negotiation objective is commonly known as "most favored customer" pricing. In order to make this comparison, GSA requires offerors to furnish commercial pricelists and disclose information regarding their pricing/discounting practices.

In order to fully understand the process involved in "Getting on Schedule," GSA recommends that all vendors take the **Center for Acquisition Excellence** online, self-paced training course, "How to Become a Contractor—GSA Schedules Program." The course describes—

- Various features of the GSA Schedules Program;
- How to submit an offer;
- The evaluation and contract award process;
- How to successfully market supplies and services; and
- Sources of information related to Schedule contract administration.

15. What are small business set-asides?

A small business set-aside is a method of acquiring goods and services for use by the federal government whereby participation in the acquisition is restricted exclusively to small business concerns. Large businesses can not participate; thus small businesses are assured of receiving a contract. The criterion for a small business set-aside is, essentially, reasonable expectation that sufficient (two or more companies) small business competition exists to meet the requirement to obtain the goods or services at fair and reasonable prices. A small business set-aside is not appropriate where only one small business is expected to participate (bid). Usually the contracting officer of the procuring activity determines of the criterion for a set-aside is met. SBA can intercede and assist the contracting officer in making a determination to initiate a set-aside.

16. What other set-aside programs exist for small businesses?

The set-aside programs available for small businesses are the small business set-aside program, HUBZone set-aside program and the Service-Disabled Veteran-Owned (SDVOSB) set-aside program.

The 8(a) program provides a mechanism for contracts to be reserved for the 8(a) program.

SBA's set-aside program for women owned small business (WOSB) concerns is currently being finalized. Check our websites for more in formation as it becomes available.

17. Where do I find additional information?

You can get additional information on SBA's website **www.sba.gov** and at your local SBA District Office www.sba.gov/nj or 973-645-2534