DEPARTMENT OF THE NAVY
OFFICE OF THE ASSISTANT SECRETARY
(RESEARCH, DEVELOPMENT AND ACQUISITION)
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WASHINGTON DC 20350-1000

JUL 19 2011

MEMORANDUM FOR DISTRIBUTION

SUBJECT: Increased Use of Small Business Concerns

The Department of Defense (DOD) has placed special attention on increasing the use of small business in Fiscal Year 2011, consistent with the Better Buying Power initiatives, and to support the White House's 23% small business goal. In FY 2010, DOD attained 22.7%.

In light of delays caused by the continuing resolution, achieving the FY11 goal will require significant effort. Because a significant percentage of the Department of the Navy's procurement dollars purchase goods and services that cannot be provided by small business, DOD determined the Department of the Navy (DON) share of the 23% goal to be 18.9%. To meet this challenge, the DON must increase our awards to small business by an estimated $1-2 billion over what was achieved in FY2010. Therefore, DoN acquisition and contracting activities are directed to 1) take immediate short term steps to measurably increase small business performance, 2) re-emphasize sound acquisition business practices to promote small business opportunity and 3) make long term process improvements for small business engagement. All of these align directly with the initiatives to improve acquisition excellence published in November 2009 and in Under Secretary of Defense, Acquisition, Technology, and Logistics, Better Buying Power Initiatives established by memorandum on September 24, 2010.

1) <u>Immediate short term steps to measurably increase small business performance</u>.

- Federal Supply Schedules (FSS): When using FSS to satisfy procurements between the micro-purchase and simplified acquisition threshold, ordering activities should consider socio-economic status when identifying contractor(s) for consideration or competition for award of an order (FAR 8.405-5(b)). Quotes should not be requested from large business concerns unless there is a determination that there are less than three small businesses on the schedule that will satisfy the government's requirements. The ordering activity contracting officer will document by memorandum when large business quotes are necessary, except when an ordering activity has approved justification limiting sources in accordance with 8.405-6.

- Indefinite Delivery/Quantity (IDIQ) Multiple Award Contracts (MAC): When using IDIQ MACs and where there are at least two small businesses on the award, task and delivery orders set-aside for competition by small business award holders are encouraged. Where only one small business exists on the contract, task and delivery order requirements should be developed to promote maximum opportunity for small

business to compete amongst other award holders. Seaport-e has a successful history of identifying key small business concerns that have capability to provide program solutions and should be maximized.

- Authorized Socio-economic Sole Source Authority Use: The use of sole source authority found under the 8(a) program will be used to the greatest extent possible. Additionally for procurements greater than $1M, requests for competition among 8(a) participants from the U.S. SBA is likewise encouraged.

2) Re-emphasis of sound acquisition business practices to promote small business opportunity.

- Forecasting: In 2008, DASN A&P (formerly Acquisition & Logistics Management) and DON Office of Small Business Practices (OSBP) directed all HCAs to promulgate a three year forecast of anticipated future procurements based upon acquisition planning and reoccurring requirements. As lead time is particularly critical to small businesses ability to compete, within 30 days of this memorandum all System Commands (SYSCOMs) will report to ASN (RD&A) that their forecast web access is complete, current and will provide a plan for annual updating.

- Acquisition Strategy and Planning: Small business consideration is to be fully documented in all acquisition strategies. If market analysis demonstrates that small business does not possess the required capability or capacity to perform as the prime contractor, clear and defined roles and expectations for small business participation as *subcontractors* will be identified and documented, including evidence that the OSBP is engaged in acquisition strategy and planning development. DOD's "Maxprac" tool is available to assist in identifying opportunities where small business has successfully supported other components of DOD in specific systems, commodities, and services. All commands are encouraged to work with OSBP to fully implement its use. The tool can be downloaded at (https://extranet.acq.osd.mil/osbp/).

- Consolidation/Bundling: Consolidation and/or bundling of requirements creates obstacles to small business competition and are to be avoided unless specifically identified and documented by memorandum as mission essential.

3) Long term process improvements for small business engagement in line with the initiatives to improve acquisition excellence.

- Subcontracting: Acquisition strategies for all ACAT I and ACAT II programs must address Small Business and SBIR/STTR engagement through the next milestone decision or during program sustainment, as applicable. The Technology Insertion Plan should identify specific SBIR/STTR technologies to be transitioned to meet program capability gaps and a schedule to deploy these capabilities.

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Program managers and contracting officers should include a Small Business Incentive Fee for meeting specific small business and SBIR subcontracting levels in contracts where incentives are used.

- Accountability: Senior leadership at the Flag, General Officer and SES level that influence acquisitions will have performance standards established to demonstrate support for the DON small business mission.

Adopting a practical approach where small business is considered as the first option, not only supports DoD goals, but supports the DON mission to increase competition, reduce costs, and provide quality products, services and solutions that support our Sailors and Marines.

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