

# GUIDE TO THE PREPARATION OF SMALL/DISADVANTAGED BUSINESS SUBCONTRACTING PLANS

Federal Acquisition Regulations (Subchapter D - Socioeconomic Programs, Part 19.702 - Statutory Requirements) require the submission of subcontracting plans whenever the aggregate amount of a government contract exceeds \$500,000. More recently, legislation enacted in 1989 entails financial penalties for the prime contractor in the amount of the actual cash value for any shortfall not realized per stated small/disadvantaged business plan goals. Consequently, it is the responsibility of all parties involved in the conducting of research under such contracts to coordinate the preparation of subcontracting budget plans and the post-award administration of such plans. This must involve the cooperation of the originating department staff and project Principal Investigator (PI), the Office of Research (OR) and the Director of Disadvantaged Business Enterprise (DBE) Development.

## Concept and Definitions

In the context of the preparation of government research project budgets, PIs need to consider third party supplier opportunities (i.e., subcontractors) in terms of **what resources** are needed to accomplish the prescribed work. Typical budget categories applicable to small/disadvantaged suppliers are **expendable supplies (laboratory, office, photographic), electronic components, travel services, other purchased equipment, services, and consultants**. This list is not exhaustive.

Operations may dictate the use of certain sole or single source suppliers because of the specialized nature of research. Such suppliers may or may not qualify as small/disadvantaged. A small business is generally defined (ref: 13 Code of Federal Regulations, Part 121) as one having 500 or fewer employees. A disadvantaged business is defined by the federal government as one having at least 51% controlling ownership by members of the following gender or ethnic groups: Females, Black Americans, Native Americans (American Indians, Eskimos, Aleuts and Native Hawaiians), Asian Pacific Americans or Subcontinent Asian Americans, or Hispanic Americans. Purchasing maintains a list of current University suppliers that qualify under the above definitions.

## Preparing a Plan

Proposals for any government contract expected to exceed \$500,000 require the submission of a subcontracting plan, regardless of whether such project submission is in response to an unsolicited proposal opportunity, Broad Agency Announcement (BAA), or Request for Proposal (RFP). Preparing a small/disadvantaged business subcontracting plan involves a) integrating plan opportunities in the line item preparation of the proposal and b) filling out the appropriate subcontracting plan form. The **PI and departmental**

**staff** preparing the proposal need to coordinate with OR in addressing the details of the process. Particularly in the case of **new proposals**, **OR** may convene a strategy/planning meeting to consider applicable cost factors in the preparation of a plan. This meeting may involve representatives of the **PI, OR, and the Director of DBE Development**.

## Preparing the Budget

Experienced PIs have well-established cost regimes they utilize in the development of multi-year project budgets. Keeping in mind the overall requirements for small/disadvantaged business participation involves additional planning. Some factors to consider:

### **What types of resources can be supplied by small/disadvantaged businesses?**

Traditional, non-qualifying (i.e., "Big Business") suppliers may be replaced by other qualifying suppliers. Overlooked areas might include engineering design, drafting, photographic supply, conference supplies, etc.

### **What about consulting or personal services?**

Small, minority and female suppliers may be available in technical, as well as non-technical, areas.

### **How much time is required to prepare and finalize a subcontracting plan?**

## Completing a Form

A sample Small Business and Small Disadvantaged Business Subcontracting Plan form is found in the resources section of the Information for Researchers page. Some sponsoring agencies have specific forms that may vary from this format. Please contact OR for further guidance.

The following series of form explanations may be assistance in helping gather the required information in most situations:

Item 2 (a) The total dollar amount for subcontracting is all dollars that will be paid to outside (non-University) parties. This number includes large business dollars. This number serves as the baseline for the calculation of all other percentages that follow.

Item 2 (b) Small business percentage. Calculate this as the fraction of applicable line item costs actually intended for small business suppliers, divided by the total in 2 (a).

Item 2 (c) Small disadvantaged business percentage. Calculate this as above. **Caution: This is a difficult goal to fulfill. In most cases, federal agencies will not accept zero goals.**

Item 2 (d) Woman-owned small business percentage. Calculate this as above.

Item 2 (e) HUBZone small business percentage. Calculate this as above.

Item 2 (f) Veteran-owned small business percentage. Calculate this as above.

Item 2 (g) Service-disabled veteran-owned small business percentage. Calculate this as above.

Item 2 (h) Other than small (Large Business) percentage. Calculate this as above.

Note:

- Federal prime contract goals are:
  - SB equals 23%; SDB equals 5%; WOSB equals 5%; HUBZone equals 3%; VOSB equals 3%; and, SDVOB equals 3%.
- SDB, WOSB, HUBZone, VOSB, and SDVOB goals are subsets of SB and should be counted and reported in multiple categories, as appropriate.
- If any contract has more than four options, please attach additional sheets showing dollar amounts and percentages.

Item 2 (i) List the type of products/services entailed in your budget by category of supplier, keeping in mind the applicable definitions; small business, small disadvantaged business, women-owned business, HUBZone business, and large business.

Item 2 (j) Explain briefly your **rationale** for classifying product/service areas for subcontracting opportunities. If applicable, include source lists supplied by **DBE Development**. It is vitally important that consistent treatment be applied. Reference can be made here to the general University subcontracting plan ("The Plan"), which may be incorporated as an appendix.

Item 2 (k) Indirect costs are typically not reflected in the calculations. Such costs are internal and not applicable for outside suppliers.

Item 3 Overall government administration of **Pitt's** small/disadvantaged business subcontracting efforts is the responsibility of:

**Renee Galloway**  
**Supplier Diversity Administrator**

**University of Pittsburgh**  
**3301 Cathedral of Learning**  
**Pittsburgh PA 15260**

**Phone (412) 624-5261**  
**Fax (412) 624-9339**

Item 3 (a) List **Pittsburgh-SBA**

Item 3 (a) List **Pittsburgh Area Trade and Industry**

Item 3 (a) List **Pittsburgh Regional Minority Purchasing Council**

Last Page of Form: The Director of DBE Development for the University of Pittsburgh, or his/her designee, is responsible for administering Subcontract Plans. Signature: James R. Herring, Jr.

## **Continuation Year Plans**

Please be cautioned that percentage goals and absolute dollar figures for successive year plans must meet or exceed prior year plans. Failure to consider this may result in delay of the entire proposal review process. Please consult with **OR** regarding further details.

## **Exceptions to Filing a Subcontracting Plan**

The specialized nature of research programs pose difficulties for the large-scale involvement of "qualified" suppliers. In certain cases, the opportunities for real attainment of even minimal goals for small/disadvantaged business concerns may be unlikely. **Departments/responsibility centers** need to confer with **OR** early in the proposal development process. In extreme circumstances, a justification for a waiver of subcontracting plan filing may be considered. Reconciling the federal regulatory requirements to the research operating environment is in everyone's best interests.

## **After Submission**

Submitting your plan as part of your proposal materials is only the beginning. Once a project is awarded a number of activities are involved. The office of **DBE Development** has oversight responsibility for preparing and submitting the federal report forms that document actual performance in terms of dollars paid to small/disadvantaged business concerns. (See Standard Forms 295 and 295 on the Information for Researchers page.) Since progress reports on small/disadvantaged business goals must be submitted to the federal government, information concerning these subcontracting plan expenditures will be available on a semi-annual/annual basis from the PRISM financial system by sponsored project numbers. The Purchasing Department will be involved in terms of normal University approval procedures for disbursement requests, particularly where **equipment** is involved. Communication is essential to assure that goals can be attained. If, in the course of a research project, **budget reallocations** occur that may affect the attainment of intended subcontracting plan goals, the **OR** or the office of **DBE Development** must be notified. In extreme cases, modifications or waivers to an existing plan may have to be filed.