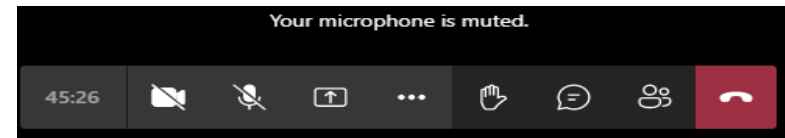


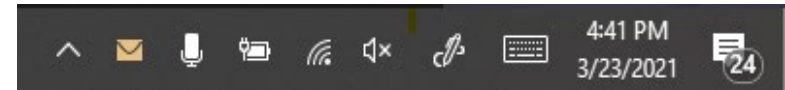
## WELCOME!

Mute ALL Phones & Computers



↑ MUTE

Turn Cameras Off



↑ MUTE

Questions will be selected for speaker response [to keep us on schedule].

- Email questions to [laura.a.robello.civ@mail.mil](mailto:laura.a.robello.civ@mail.mil) or put in chat box
- Questions not addressed during Q&A will be shared with presenters and responses sent out from Dr. Sonny Hatcher as a follow-up.



**DEFENSE CONTRACT MANAGEMENT AGENCY**

## **SBLO Training**

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Presented By:

**Dr. Sonny Hatcher and Mrs. Jaime Como**

DCMA Small Business Center

25 March 2021

Unclassified

*One team, one voice delivering global acquisition insight.*



- 1) DCMA Small Business Subcontracting Program Compliance Review, (DCMA Form 640) Review Process
- 2) DCMA Form 640 Review Cycle
- 3) DCMA Form 640 Ratings
- 4) DCMA 640 Review Notification Letter
- 5) Significant Changes to FAR 52.219-9
- 6) Subcontracting Plans Changes FAR 52.219-9(d)
- 7) Reporting Affiliates
- 8) Summary Subcontract Report (SSR) Reminder
- 9) Individual Subcontract Report (ISR) Reminder
- 10) Contact Information
- 11) Questions



- Review entrance meeting at the beginning of the review with Contractor's Leadership and SBLO
  - After the entrance meeting, the DCMA Small Business Professional (SBP) will work with the SBLO
    - Expect the review to take the entire day at a minimum. Based on the size of the program the review may take two or three days. Plan accordingly.
    - Be prepared to provide the all documentation and discuss as outlined in the Notification Letter.
  - At the conclusion of the review the SBP will discuss the non-compliances and preliminary rating with SBLO before official exit briefing.
- Exit Briefing
  - May be the day of the review or within a week
  - SBP briefs the anticipated non-compliances, recommendations, and rating
    - These may slightly differ from the final report
    - Assistant Director reviews and signs all DCMA Form 640s before distribution
    - Expect final report within thirty (30) days of review date



- We cannot expect Industry to adhere to the process if DCMA Small Business does not abide by the process.
  - If this process is not followed then contact Dr. Sonny Hatcher, (Acting) Assistant Director of Small Business, DCMA East/West Compliance Center
    - This includes receiving the standard notification letter sixty (60) days before the scheduled review date, with the exception of April 2021
    - Not having a entrance meeting with the Contractor's Leadership and the SBLO
    - Not having direct communication (not solely email) on the day of the review to include reviewing the submitted documentation, the DCMA SBP asking questions regarding the 640 and submitted documentation, and providing the SBLO an opportunity to verify and answer all questions on the DCMA Form 640.
    - Not briefing the SBLO of preliminary non-compliances and preliminary rating before the Exit Briefing
    - Not having an Exit Briefing with Contractor's Leadership and SBLO
  - If you receive a questionnaire other than the notification letter, contact Assistant Director of Small Business, Dr. Sonny Hatcher. Do not complete it.

- DCMA Small Business is to review all large business prime contractors with DCMA administered contracts with subcontracting plans
  - If there is one (1) DCMA administered contract with a subcontracting plan, there may be a 640 review
- If a contractor receives an Exceptional Rating
  - Two (2) years without a 640 review
- If a contractor receives a Satisfactory Rating
  - One (1) year without a 640 review
- If a contractor receives Satisfactory/Marginal/Unsatisfactory
  - Expect an annual 640 review



- Ratings for a DCMA Form 640 Review
  - Exceptional Rating
  - Very Good Rating
  - Satisfactory
  - Marginal
  - Unsatisfactory
- Rating criteria/definitions changed on 1 October 2020
  - New rating criteria/definitions are derived from FAR 42.1503(h) Table 42-2
  - No longer is it a requirement to have “No Weaknesses” to receive a Satisfactory rating.
  - Table 42-2 Evaluation ratings are for each contract, the slightly modified rating criteria definitions are for an entire small business subcontracting program.

- Exceptional Rating

- Exceeded all statutory goals or goals as negotiated or had exceptional success with initiatives to assist, promote, and utilize small businesses. Complied with FAR 52.219-8, Utilization of Small Business Concerns. Exceeded any other small business participation requirements incorporated in the contracts/orders, including the use of small businesses in mission critical aspects of the program. Went above and beyond the required elements of the subcontracting plans and other small business requirements of the contracts/orders. Completed and submitted Individual Subcontract Reports and/or Summary Subcontract Reports in an accurate and timely manner. Did not have a history of three or more unjustified reduced or untimely payments to small business subcontractors within a 12-month period.

- Very Good Rating

- Met all of the statutory goals or goals as negotiated or had significant success with initiatives to assist, promote and utilize small businesses. Complied with FAR 52.219-8, Utilization of Small Business Concerns. Met or exceeded any other small business participation requirements incorporated in the contracts/orders, including the use of small businesses in mission critical aspects of the program. Endeavored to go above and beyond the required elements of the subcontracting plans. Completed and submitted Individual Subcontract Reports and/or Summary Subcontract Reports in an accurate and timely manner. Did not have a history of three or more unjustified reduced or untimely payments to small business subcontractors within a 12-month period.





- Satisfactory

- Demonstrated a good faith effort to meet all of the negotiated subcontracting goals in the various socio-economic categories for the current period. Complied with FAR 52.219-8, Utilization of Small Business Concerns. Met any other small business participation requirements included in the contracts/orders. Fulfilled the requirements of the subcontracting plans included in the contracts/orders. Completed and submitted Individual Subcontract Reports and/or Summary Subcontract Reports in an accurate and timely manner. Did not have a history of three or more unjustified reduced or untimely payments to small business subcontractors within a 12-month period.

- Marginal

- Deficient in meeting key subcontracting plan elements. Deficient in complying with FAR 52.219-8, Utilization of Small Business Concerns, and any other small business participation requirements in the contracts/orders. Did not submit Individual Subcontract Reports and/or Summary Subcontract Reports in an accurate or timely manner. Failed to satisfy one or more requirements of a corrective action plan currently in place; however, does show an interest in bringing performance to a satisfactory level and has demonstrated a commitment to apply the necessary resources to do so. Required a corrective action plan. Did not have a history of three or more unjustified reduced or untimely payments to small business subcontractors within a 12-month period.

- Unsatisfactory
  - Noncompliant with FAR 52.219-8 and 52.219-9, and any other small business participation requirements in the contracts/orders. Did not submit Individual Subcontract Reports and/or Summary Subcontract Reports in an accurate or timely manner. Showed little interest in bringing performance to a satisfactory level or is generally uncooperative. Required a corrective action plan. Had a history of three or more unjustified reduced or untimely payments to small business subcontractors within a 12-month period.

- Standard Notification Letter will be sent sixty (60) days prior to the 640 review.
  - Notification Letters for April 2021 will be sent at least thirty (30) days prior to the 640 review.
- Notification Letter contains thirty-nine (39) elements to prepare for the review.
  - All of items are all required by regulation
  - The items address every question of the 640 form including the requirements of FAR 52.219-9(e)
    - FAR 52.219-9(e) was always included in the 640 review, but the notification letter did not include the requirements of FAR 52.219-9(e)
    - Each question on Notification letter addresses with a different FAR or DFARS requirement
      - Contact the SBP if it appears that there are repetitive questions
      - The question is being misinterpreted if it seems like it is asking for the same documentation
  - Do not use previous Notification Letters in preparing for the review
- Thirty (30) days prior to the review the contractor shall provide Item 30 of the notification letter: A list of all purchase orders/subcontracts in support of DoD prime and subcontracts to include date, amount, name of subcontractor, and size of subcontractor.
- The SBP will select a sampling of the subcontracts for review. In that sampling the SBP will state exactly what documentation has to be provided for each subcontract selected.
  - The SBP will provide the sampling to the contractor as soon as possible, but before the review
  - The sooner the SBP receives the list of subcontracts, the more time the contractor will have to gather the documentation.



1. Provide a list of all CAGE Codes and DUNS that are included in your Summary Subcontract Report (SSR).
2. Provide Name of Small Business Liaison Officer (SBLO), phone, and email.
3. Provide Name of Alternate Small Business Liaison Officer (SBLO), phone, and email.
4. Provide date of last review.
5. Provide rating of last review.
6. Provide the total company annual sales within the specified review period.
7. Provide the total sales to DoD within the specified review period, including those without subcontracting plans.
8. How many mentor-protégé agreements do you have?
  - a. Provide the agreement numbers.
  - b. Provide the names of the protégés.
  - c. Period of Performance
  - d. Type of agreement – reimbursable or credit.
9. Provide supporting documentation and an explanation of how dollars reported on the individual Summary Subcontract Report (SSR) and/or Commercial SSR (if applicable) were reported including credit card purchases. Include documentation and an explanation of how purchase orders/subcontracts issued by your affiliates in support of your DoD prime and subcontracts are reported on your SSR. Also provide a copy of the SSR signed by the CEO.
10. Are indirect costs, on a prorated basis, included in your SSRs in accordance with FAR 52.219-9(l)(2)(i)(A)? How are the reported dollars calculated? If a commercial SSR is submitted are all indirect costs included?
11. Provide supporting documentation and an explanation of how dollars reported Individual Subcontracting Reports (ISRs) including credit card purchases. Include documentation and an explanation of how purchase orders/subcontracts issued by your affiliates in support of your DoD prime and subcontracts are reported on your ISR.
12. Provide SF 294s for all active and closed contracts for the review period.
13. Provide a list of all current Department of Defense (DoD) prime contracts requiring subcontracting plans. All current Department of Defense (DoD) prime subcontracting plans. Include all copies of any updated plans to the prime contract.
14. Records of source lists or database identifying all categories of small businesses.
15. Provide a description of organizations that are contacted in an attempt to locate sources that are small businesses.



16. A copy of your standard terms and conditions for purchase orders/subcontracts.
17. If the contractor has any indefinite-delivery, indefinite-quantity contracts intended for use by multiple agencies, is subcontracting data for each order included when reporting subcontracting achievements? If so, provide contract numbers.
18. Records on each subcontract solicitations resulting in award of more than the Simplified Acquisition Threshold, indicating on each solicitation whether each category of small business was solicited and if not, why not. If applicable, the reason award was not made to a small business concern.
19. Provide the records of outreach efforts with trade associations, business development organizations, conferences, trade fairs, and veteran service organizations, to locate small businesses.
20. Provide the records of internal guidance and encouragement to buyers through (A) workshops, seminars, training, etc. and (B) monitoring performance to evaluate compliance with program requirements.
21. Provide the records used on a contract-by-contract basis, records to support award data submitted by the offeror to the Government, including the name, address, and business size of each subcontractor.
22. Provide records utilized to provide notice to subcontractors concerning penalties and remedies for misrepresentations of business status as a small business for the purpose of obtaining a subcontract.
23. Do you have any contracts that include FAR 52.232-40 Providing Accelerated Payments to Small Business Subcontractors, and the government is issuing accelerated payments? If so, provide prime contract number(s) and evidence of accelerated payments made to small business subcontractors.
24. If applicable, any previous Corrective Action Plans (CAP) proposed and implemented.
25. Explain where you had success with initiatives to assist, promote, and utilize small business (SB), small disadvantaged business (SDB), women-owned small business (WOSB), HUBZone small business, veteran-owned small business (VOSB) and service disabled veteran owned small business (SDVOSB).
26. Provide procedures/process to ensure timely payments to subcontractors in accordance with FAR 52.219-8(b). Also, be prepared to provide invoices and evidence of date paid for the sampling of purchase orders/subcontracts requested by the Small Business Professional (See 30.)

27. Explain if you exceeded any other small business participation requirements incorporated in the small business subcontracting plan or contract/order, including the use of small businesses in mission critical aspects of the program.
28. Provide a description of event(s) and how they were a benefit to small business utilization.
29. Provide subcontracts to large businesses in excess of the threshold in accordance with FAR 19.702(a) (currently, over \$700,000 (\$1.5 million for construction of any public facility) with further subcontracting possibilities). Also, provide the subcontracting plans and ISRs associated with those subcontracts and the notification required by FAR 52.219-9(d)(10)(vi) and (vii).
- 30. Provide a list (preferably in Excel) of all purchase orders/subcontracts in support of DoD prime and subcontracts thirty (30) days before the review date to include date, amount, name of subcontractor, and size of subcontractor (LG, SB, SDB, WOSB, HUBZone, VOSB, SDVOSB). The Small Business Professional will select a sampling for review. For the sampling selected all purchase orders/subcontracts with corresponding supplier representations and certifications in accordance FAR 52.219-9(c)(2)(i) and/or the subcontractors representations in accordance with FAR 52.219-9(c)(2)(ii) if SAM is utilized for size certifications, and assignment in accordance with FAR 52.219-9(e)(7) will have to provided.**
31. Explain how you assign NAICS Codes and corresponding size standards to each subcontract.
32. Provide example(s) of documented successes/success stories that exceed the subcontracting plan requirements and how they were a benefit to small business utilization.
33. Provide examples of how you provided the maximum practicable opportunity for small businesses to participate in performing contracts let by any Federal agency, including contracts and subcontracts for subsystems, assemblies, components, and related services for major systems.
34. Provide examples of assistance provided to small businesses relative to arranging solicitations, time for the preparation of bids, quantities, specifications and delivery schedules to facilitate the participation by small businesses.
35. Describe, when the list of potential small business subcontractors is excessively long, the effort made to give all small business concerns an opportunity to compete over a period of time.



36. Describe and provide documentation including policies/procedures of how small businesses are provided adequate and timely consideration in all “make-or-buy” decisions.
37. Describe how the counseling and discussing of subcontracting opportunities with small businesses is accomplished.
38. Did you make a good faith effort to purchase goods and services from small business concerns used in preparing your bid or proposal? If not, which contacts? Provide the written explanation that was provided to the contracting officer within 30 days of contract completion. For contracts open during the review period provide the participation plan(s) submitted. Also, provide evidence a subcontract has been issued to each small businesses identified in the subcontracting plan and/or participation plan.
39. Other significant data which may affect overall compliance with FAR 52.219-8 and FAR 52.219-9.

- FAR 52.219-9(c)(2)(i)- Utilizing Subcontractor's Written Representations for Size and Socioeconomic Status
  - Subcontractor's shall verify that the size and socioeconomic status representations are "Current, Accurate, and Complete" as of the date of the offer for subcontract.
- FAR 52.219-9(c)(2)(ii)(B)- Utilizing System for Award Management (SAM) for Subcontractor's size status
  - Subcontractor's shall verify the size and socioeconomic status representations in SAM are "Current, Accurate, and Complete" as of the date of the offer for subcontract.
- FAR 52.219-9(e)- Assignment of NAICS code and **Corresponding Size Standard** to Each Subcontract
  - Each subcontract shall be assigned a NAICS and Corresponding Size standard that best describes the principle purpose of the subcontract by the PRIME contractor.
  - Size Standards are number of employees or dollar value associated with each NAICS assigned.





- FAR 52.219-9(d)(9) The Offeror will require all subcontractors (except small business concerns) that receive **subcontracts in excess of the applicable threshold specified in FAR [19.702\(a\)](#) on the date of subcontract award**, with further subcontracting possibilities to adopt a subcontracting plan that complies with the requirements of this clause.
  - Recommend not putting the actual current threshold. If the actual threshold is stated then the contractor is tied into that value for life of contract.
  - Recommend not putting the dollar value in master subcontracting plans. FAR 52.219-9(f)(2) requires the master plan to be updated as thresholds change.
  - Required to include “date of subcontract award.”

- FAR 52.219-9(d)(11)(iii) Records on each subcontract solicitation resulting in an award of more than **the simplified acquisition threshold (SAT), as defined in FAR [2.101](#)** on the date of subcontract award indicating- (A) Whether small business concerns were solicited and, if not, why not; (B) Whether veteran-owned small business concerns were solicited and, if not, why not; (C) Whether service-disabled veteran-owned small business concerns were solicited and, if not, why not; (D) Whether HUBZone small business concerns were solicited and, if not, why not; (E) Whether small disadvantaged business concerns were solicited and, if not, why not; (F) Whether women-owned small business concerns were solicited and, if not, why not; and (G) If applicable, the reason award was not made to a small business concern.
  - Recommend not stating the actual current SAT threshold. If the actual threshold is stated then the contractor is tied into that value for life of contract.
  - Recommend not stating the dollar value in master subcontracting plans. FAR 52.219-9(f)(2) requires the master plan to be updated if SAT changes.
  - In maintaining the records, there is no exception all categories have to be addressed for every subcontract award over SAT
    - Appendix D of 2010 SBA SBLO handbook is a good starting point.

- Affiliate reporting applies to both ISRs and SSRs
- FAR 52.219-9(b) *Subcontract* means 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.
  - So any supplies or services purchased by prime contractor and all divisions for in support of a contract are included on ISRs and SSRs
  - Regardless of different divisions/sectors if you are an affiliate consider yourself one (1) company
- FAR 52.219-9(l) Purchases from a corporation, company, or subdivision that is an affiliate of the Contractor or subcontractor are not included in these reports.
  - **DON NOT** include \$\$\$/work sent to another division in ISRs and SSRs as a subcontract to a large business
  - Do not obtain a subcontracting plan if it is over \$750K
  - Comparable to subcontracting with foreign firms with no subcontracting in US
    - Leave it out of subcontracting base
    - Possibly increase subcontracting achievement percentages
- FAR 52.219-9(l) Subcontract awards by affiliates shall be treated as subcontract awards by the Contractor.
  - **ALL** supplies or services the other division (NOT the prime contractor for that contract) subcontracts for that specific contract has to be included in the ISR and SSR of the prime contract holder
  - Think of all the divisions that support the prime contract as one (1) contractor
  - The prime contractor for that contract reports all the subcontracting in support of that effort

- Summary Subcontract Report (SSR) includes indirect costs on a prorated basis when the indirect costs are excluded from the subcontracting goals in accordance with FAR 52.219-9(l)(2)(i)(A).
  - Indirect costs are include on a prorated basis in ALL SSRs
  - Indirect costs is indirect subcontracting NOT overhead
  - See in 13 CFR 125.3(a)(1)(iii) The following should not be included in the subcontracting base: internally 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; Original Equipment Manufacturer relationships during warranty periods (negotiated up front with product); utilities such as electricity, water, sewer, and other services purchased from a municipality or solely authorized by the municipality to provide those services in a particular geographical region; and philanthropic contributions. Utility companies may be eligible for additional exclusions unique to their industry, which may be approved by the contracting officer on a case-by-case basis. Exclusions from the subcontracting base include but are not limited to those listed above.

- Individual Subcontract Reports (ISRs) are required when due, regardless of whether there has been any subcontracting activity since the inception of the contract or the previous reporting period in accordance with FAR 52.219-9(I)(1)(i).
  - This includes Indefinite Delivery, Indefinite Quantity (IDIQ) Contracts
    - “D” Type Contracts
    - ISRs are due every reporting period even if NO tasks orders have been issued
    - This includes Seaport-e contracts
  - This includes any contract even if there has been no subcontracting to date
    - If a contract is awarded on 29 September 2021 an ISR is due within 30 days of September 30 in accordance with FAR 52.219(I)(1)(i)(A). So, an ISR is due on 30 October 2020.
- Final ISRs are due with thirty (30) days of contract completion in accordance with FAR 52.219-9(I)(1)(i).

- June 24, 2021: In-depth Training on Small Business Subcontracting Program Compliance Review, DCMA Form 640
- September 23, 2021: Subcontracting Plan Training
- TENTATIVELY December 16, 2021-TBD

**SEND TRAINING TOPIC REQUESTS TO  
DR. HATCHER**

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(Acting) Assistant Director  
DCMA East/West Compliance Center  
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# Questions???