



DEFENSE LOGISTICS AGENCY  
HEADQUARTERS  
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FORT BELVOIR, VIRGINIA 22060-6221

IN REPLY  
REFER TO J-7/DB

JUL 12 2010

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: Service-Disabled Veteran-Owned Small Business (SDVOSB) Procurement Program

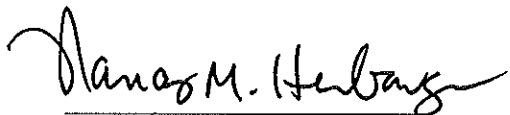
The purpose of the SDVOSB Program is to provide increased Federal contracting opportunities to SDVOSBs, enabling veterans to realize the American dream they fought to protect during their service to our country. Each of you supports these same people every time you procure a military spare part, uniform, medical supply, ration, fuel, or any type of enterprise support. Likewise, once these wounded warriors return home, Federal law and policy, as well as the gratitude of the American people, call for their being given the opportunity to supply goods and services to current Service members. The Defense Logistics Agency is fully committed to this program, and we expect contracting activities to use every available tool that will enable us to achieve the statutory three percent goal for awarding prime and subcontracts to SDVOSBs.

The Federal Acquisition Regulation (FAR), subpart 19.14, as supplemented by Defense Logistics Acquisition Directive (DLAD) Subpart 19.14, implements this statutory program. FAR 19.1405 states that a contracting officer may set aside acquisitions exceeding the micro-purchase threshold for competition restricted to SDVOSB concerns when there is a reasonable expectation that two or more SDVOSBs will submit an offer, and that the award will be made at a fair market price. Market research should enable you to determine whether such a "reasonable expectation" exists; the activity's Office of Small Business Programs and (for larger activities) the SBA Procurement Center Representative are available to assist the contracting officer in identifying SDVOSB firms that could participate in particular acquisitions. Specific policy guidance pertaining to contracting with SDVOSBs is contained in the Attachment to this memorandum.

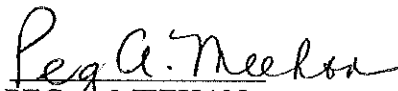
While DLA has increased the number of awards made to SDVOSB concerns since the establishment of the three-percent statutory participation goal, we have not achieved the goal on an Enterprise basis. Our actual Enterprise-wide SDVOSB numbers continue to fall below one percent of eligible dollars. The Attachment is provided as a reference and contains specific SDVOSB policy and tools. Also, we are directing that all DLA contracting and small business personnel take CLC 009, the Service Disabled Veteran-Owned Small Business Program, a course recently added to the Defense Acquisition University curriculum. You will be expected to complete this instruction within the next year as part of the mandatory 80 hours of acquisition-related training required biannually for DAWIA certification maintenance. To recap, we ask that you reinvigorate your efforts to increase business opportunities for SDVOSB concerns; make maximum use of the set-aside and sole-source authorities provided under law; and assist DLA in meeting the three percent prime and subcontracting SDVOSB goals. Our wounded warrior entrepreneurs deserve nothing less.



If you have any questions regarding contracting policy on this subject, contact Ms. Susan Williams, J-71, (703) 767-1439, or email: susan.williams@dla.mil. Questions pertaining to DLA's SDVOSB program should be addressed to Ms. Peggy Glasheen, DLA-DB, (703) 767-1657, or email: peggy.glasheen@dla.mil.



NANCY M. HEIMBAUGH  
Director, Acquisition Management



PEG A. MEEHAN  
Director, Office of Small Business Programs

Attachment

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cc: DG/J7/DB

## ATTACHMENT – POLICIES AND TOOLS REGARDING CONTRACTING WITH SERVICE-DISABLED VETERAN-OWNED SMALL BUSINESS (SDVOSB)

Set-asides for SDVOSBs call for award to be made at a fair market price, which is defined at FAR 19.001 as “a price based on reasonable costs under normal competitive conditions and not on lowest possible cost.” See FAR 19.202-6 and 15.404-1 for a discussion of fair market pricing.

If there is only one acceptable offer from an SDVOSB firm in response to a set-aside, the contracting officer should make award to that concern. FAR 19.406 provides that an SDVOSB sole-source award may be used if: there is only one SDVOSB that can satisfy the requirement; the contract award price will not exceed \$5.5M for manufacturing requirements and \$3M for other acquisitions; and award can be made at a fair market price. However, service-disabled veteran-owned small business set-asides must be considered first, before SDVOSB sole-source authority can be used. If the contracting officer receives no acceptable offers from SDVOSB concerns in response to a set-aside, it shall be withdrawn and the requirement re-competed as a small business set-aside in accordance with FAR Subpart 19.5. Only a firm specifically identified as an SDVOSB can participate in an SDVOSB set-aside or sole-source procurement.

With regard to automated procurements, DLAD paragraph 19.590 (b) states that if an acquisition is valued between the micro-purchase and the simplified acquisition thresholds, and there is a reasonable expectation of receiving competitive offers from two or more SDVOSB [or HUBZone] small business concerns, set-asides will be applied in a particular order of precedence that gives first priority to SDVOSB concerns. (Recent GAO decisions and SBA regulations regarding parity or a different order of precedence among small business programs do not change this.) Also note that DLAD paragraph 19.1405(92) provides that “it may be appropriate for the contracting officer to remove...buys from automated processing (at the solicitation, as well as the evaluation, phase)” if market research shows only one SDVOSB firm can meet the requirement. This approach allows a sole-source award and avoids the unintended consequence of eliminating an otherwise eligible SDVOSB firm from consideration due to the automated cascading small business award logic.

Local supplementation of FAR and DLAD policies on contracting with SDVOSBs, if deemed necessary, should address the following two points. First, once a set-aside is established, award must be made in accordance with that set-aside, unless it is formally dissolved (or unless it “cascades” to the next set-aside in automated processing). Furthermore, dissolution of a set-aside, once established, should only be done for the following reasons: no SDVOSB responded to the solicitation; SDVOSBs submitting offers were found not to be responsible or responsive; or, the responding SDVOSBs did not submit offers at fair market prices. A set-aside may not be dissolved merely because the otherwise successful SDVOSB’s fair market price is slightly higher than a price that could be gotten if the acquisition were not set aside, or were set aside for all small businesses. Second, despite the fact that non-profit agencies associated with the AbilityOne Program employ the disabled, including returning servicemen and women, and are,

in their own right, excellent contracting partners to DLA, they cannot be considered SDVOSB firms. That is, prime awards to them may not be included in the calculation of how we are doing in reference to the SDVOSB statutory target. We will be contacting you in the near future to establish a "tiger team" to conduct a top-down, bottom-up review of policies and procedures pertaining to contracting with small businesses, with special emphasis on SDVOSB coverage. This is an opportunity to standardize local supplementation and establish procedures for contracting officers to obtain higher-level approval and small business office concurrence for dissolving SDVOSB set-asides.