



Overview of Small Business Program Compliance Reviews





Small Business Program Compliance Review (SBPCR)

A Small Business Program Compliance Review or Subcontracting Compliance Review is an objective and comprehensive formal evaluation of a Large Prime Contractor's (LPC's) compliance with its subcontracting plans and program requirements.

Purpose of Review:

- Evaluate Effectiveness of the LPC's Overall Program
- Assess LPC's Compliance with Statutes and Regulations
- Provide Recommendations for Improvement
- Recognize Effective Program/Learn Best Practices
- Identify LPC's Product/Service and Small Business Socioeconomic Needs
- Window Into How Contractor Spends Government Funds (CO Buy In)

Planning Review:

- Factors to Consider When Determining LPC Sources for SBPC
- Identify Government Review Team
- Preparation and Documents for Review

Factors to consider when prioritizing a SBPCR:

- Number and Size of the Company's Government Contracts
- Length of Time Since the Last Review
- Reporting Compliance in the Electronic Subcontracting Reporting System (eSRS)
- Sensitivity of Project –Congressional Visibility
- Stage of Contract Performance

Participants of the review can include:

- Small Business Technical Advisor
- SBA Commercial Marketing Representative (CMR)
- Contracting Officer
- Government Technical Representative
- LPC Corporate Official
- Director of Purchasing
- Small Business Liaison Officer
- LPC Staff who impacts subcontracting

Preparation and Documentation for a SBPCR:

- Possess an Approved Subcontracting Plan
- Review General Background of the LPC's, history, size, major product line
- Most Recent Individual Subcontracting Report (ISR) for Agency Contracts
- Current Year and Historical Summary Subcontracting Data for Five Years
- List of Sources Referred to LPC

Preparation and Documentation for a SBPCR continued:

- Contact LPC's Small Business Liaison Officer (SBLO) to Determine LPC Lead/Contact for Review
- Coordinate and Confirm a Mutually Agreeable Review Period Date, Time and Location
- Issue a Notification Letter and Preparation Checklist to the LPC 45/30 Days Prior to the Review
 - Request Information be Submitted Two Weeks in Advance
 - Address Correspondence to CEO/President
- Coordinate Team Analysis Roles
- Determine Pre-Review Meeting Date and Time

The Seven Elements of a SBPCR:

- Sourcing
- Validation of the Subcontracting Report for Individual Contracts and Summary Subcontract Reports
- Five Year Trend Analysis
- Overall Evaluation of Small Business Program
- Subcontracting Plan Goal Analysis
- Sampling of Subcontracts Issued to Large Business
- Follow-up On Agency/SBA's Prior Recommendations

Sourcing:

- Current contracts for which the LPC is not meeting its goals
 - Commodity and Category
- Resources LPC uses to locate Small Business Concerns
 - CCR and Dynamic Small Business Search
 - SUB-Net
 - Chambers of Commerce/PTAC's/MBDA's
 - Local and National Trade Organization
- Train the LPC to use available tools

Validation of the Subcontracting Report for Individual Contracts and Summary Subcontract Reports:

- Identify subcontracts to any SB, SDB, WOSB, HUBZone, VOSB, & SDVOSB
- Review size self-certifications
- Ensure subcontractors are counted in all the categories it qualifies for
- Verify dollars and percentages reported on the ISR and SSR's
- Verify that the CEO is signing the SSR's

Five Year Trend Analysis:

- Analysis of the Summary Subcontract Report data for the LPC's past five years
 - Use percentages rather than dollars to formulate conclusion about trends
- Identify negative or decreasing trends
- Assess whether the LPC has provided maximum practicable opportunity???

Overall Evaluation of Small Business Program:

- Management's support of the program
 - Policy Letter from CEO dated and signed
 - Written Policies and Procedures providing guidance on small business subcontracting
- Training
 - Company Staff
 - Small Businesses
- Outreach
 - Trade Fairs and Conferences
 - Local Organizations

Overall Evaluation of Small Business Program (cont.):

- Assistance to small businesses
 - Technical or quality assistance
 - Obstacles removed or waived for small business
- Success Stories
 - Awards of contracts to firms met at outreach events
 - Redirecting subcontract from large business to small business

Subcontracting Plan Goal Analysis:

- Assess whether the LPC has achieved its subcontracting goals
 - Percentage goals, rather than dollar goals
- Examine the LPC's methodology for preparing reports
 - Subcontract payments
 - Subcontracts issued
- Ensure dollars and goals stated on ISR's agree with dollar and goals on the subcontracting plan

Subcontract Issued to Small Business:

- Recognize major components of the LPC's subcontracts
- Determine that the LPC is considering small business
- Ensure the LPC is documenting its files where it does not solicit or make award to small business concern
- Ensure that FAR 52.219-8 "Flow Down Clause" is included in subcontract to large business

Follow-up on Prior Recommendations:

- Determine if a review was previously conducted
- Verify if prior recommendations have been implemented.

Recommendations and Rating :

- Major Findings (general and specific)
- Recommendations
- *Rating
 - Highly Successful
 - Acceptable
 - Marginal
 - Unacceptable
- Rationale for Rating
- Corrective Action Plan

***A corrective action plan is required and the Administrative Contracting Officer(s) must be notified for ratings marginal and below**

Day of Review Agenda:

- Conduct Entrance Briefing
 - Introduction of Team and LPC Personnel
- Brief Statement of Agency Mission
- Purpose of the Review
- Scope of Review
- Coordination and Logistics

Day of Review Agenda continued:

- Annotate Relevant Information
- Review Material Provided By LPC
- Seek Clarification on Information and Provide Tips to Improve the Process
- Determine a Submission Date for Supplemental Information
- Discuss Potential Rating and Summarize Recommendations
- Next Steps

Common Compliance Mistakes:

- Size Certification Form Does not contain all small business and subset categories.
 - If it contains definitions, they are incorrect.
 - Does not contain the required “Penalty for False Misrepresentation” statement.
- The company doesn’t verify firms in CCR.
- The company is not counting a subcontractor in all the categories it qualifies for.

Common Compliance Mistakes continued:

- The CEO is not signing the *Summary Subcontract Reports*.
- Company is not including all transactions: purchase orders, subcontracts, agreements, or another term, on its reports.
- Inconsistent methodology for preparing the eSRS *Reports*.
 - Company can count subcontract payments OR subcontracts issued as long as this ***method is used uniformly throughout the contract.***

- **Resources to assist in the review**
- **Subcontracting Assistance Program Manual**
<http://www.sba.gov/sops/6003/sop60036.pdf>
- **eSRS**
www.esrs.gov
- **Federal Procurement Data System –NG**
<http://www.fpds.gov>

Conducted properly, a SBPCR review can have a significant impact on the way a LPC administers its small business program. Follow up is key!!!