

A large, black, jagged starburst graphic is centered on the page. Inside the starburst, the text "HEADQUARTERS POLICY FLASH" is written in a bold, black, sans-serif font. Below the starburst, the text "POLICY FLASH 2005-18" is written in a smaller, bold, black, sans-serif font.

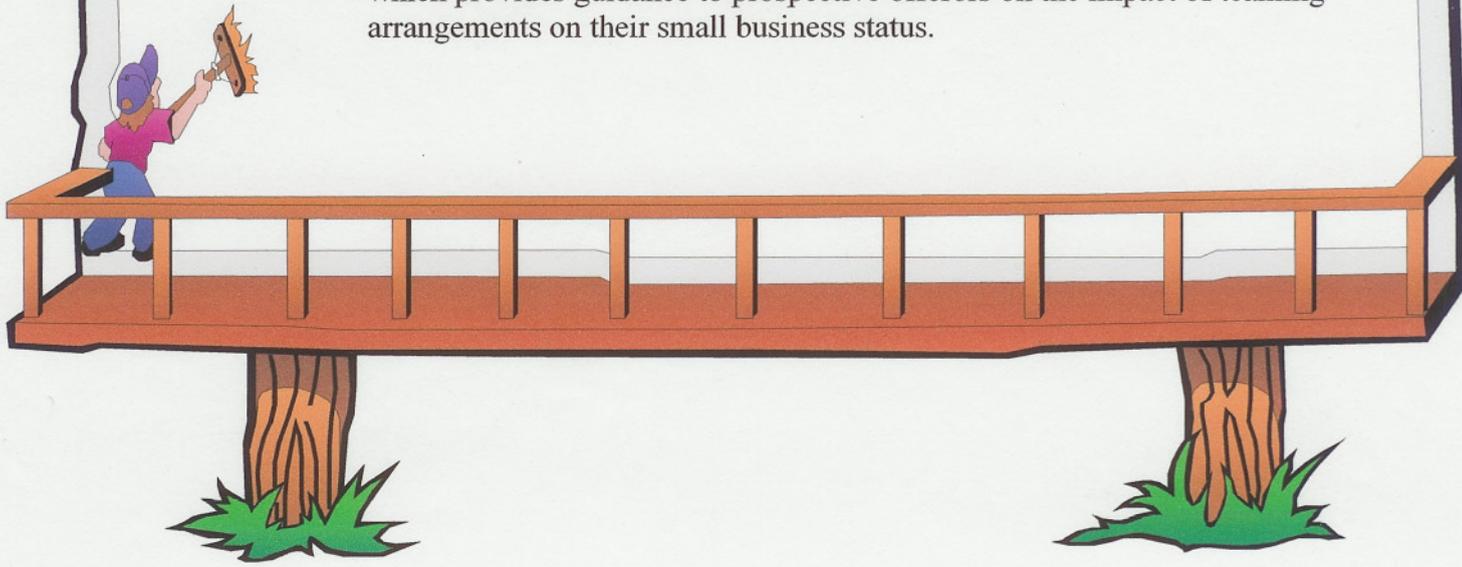
**HEADQUARTERS  
POLICY FLASH**

**POLICY FLASH 2005-18**

DATE: February 14, 2005  
TO: Procurement Directors  
FROM: Office of Procurement and Assistance Policy, ME-61  
Office of Procurement and Assistance Management

SUBJECT: **Small Business Contracting Policy Update**

SUMMARY: This Policy Flash forwards (1) information on locating Service-Disabled Veteran-Owned Small Business (SDVOSBs) and (2) a solicitation provision which provides guidance to prospective offerors on the impact of teaming arrangements on their small business status.



1. To locate SDVOSBs, you can go to the Department of Veteran Affairs' website for the Center for Veterans Enterprise site at <http://www.vetbiz.gov/default2.htm>. From that site you can link to the "Search for a Business" at <http://vip.vetbiz.gov/search/default.asp> to find SDVOSBs.
2. The following provision is recommended for solicitations where teaming arrangements are contemplated, to advise prospective offerors on the impact of those arrangements on their small business status. It advises offerors of the Small Business Administration's (SBA's) affiliation rules and suggests they seek legal counsel when proposing a joint venture, subcontracting, or another form of teaming arrangement:

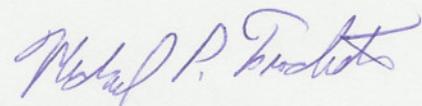
L.## GUIDANCE FOR PROSPECTIVE OFFERORS – IMPACT OF TEAMING ARRANGEMENTS ON SMALL BUSINESS STATUS

- (a) This procurement has been set aside for small business. In order to ensure that award is made to an eligible small business, prospective Offerors, in consultation with legal counsel, are encouraged to review the Small Business Administration's (SBA's) size eligibility standards found at Title 13 of the Code of Federal Regulations, Section 121 (13 C.F.R. § 121). In particular, Offerors proposing a joint venture, subcontracting, or another form of teaming arrangement should review 13 C.F.R. § 121.103, How does SBA determine affiliation?, prior to submitting a proposal.
- (b) The SBA is the sole authority for making determinations of small business status for small business programs. Such determinations are binding on the Offeror and the Contracting Officer. Accordingly, a finding by the SBA of affiliation between an Offeror and its proposed team member(s) or subcontractor(s) may result in the Offeror being found to be other than a small business and therefore ineligible for contract award.
- (c) Business concerns are considered to be affiliates of each other if either one directly or indirectly controls or has the power to control the other, or if another concern controls both. In determining whether affiliation exists, factors such as common ownership (stock ownership or options, convertible securities and agreements to merge), common management, and contractual relationships are considered. An Offeror will also be found to be affiliated with its subcontractor(s) if the Offeror is unusually reliant upon its subcontractors or if the subcontractor(s) will perform primary and vital requirements of a contract.
- (d) The SBA has issued extensive decisions concerning its evaluation of affiliation of an Offeror and its proposed subcontractor(s). The following examples set forth characteristics that the SBA has reviewed in considering the question of affiliation and may assist prospective Offerors in developing any teaming arrangements and their proposals.
  - (1) The SBA considers whether proposed subcontracting, partnership, joint venture, or other teaming arrangements contain discrete descriptions of the tasks or work to be performed by each party. The SBA considers whether the Offeror or, if the Offeror is a joint venture or partnership, the joint venture participants or partners, perform

the primary or vital portions of the Statement of Work. The SBA considers whether teaming arrangements clearly set forth the relationship between the parties, as well as the individual roles and responsibilities assigned.

- (2) The SBA considers whether there is a clear separation of facilities, employees, and management (decision-making authority) between the Offeror and any entities with which it has teaming arrangements.
- (3) The SBA considers the extent to which the Offeror directly employs Key Personnel (Program Manager, Project Manager, etc.).
- (4) If the Offeror is an eligible small business prime contractor, the SBA considers whether the majority of the technical expertise resides with the Offeror. If the Offeror is an eligible joint venture the SBA considers whether the majority of the technical expertise resides among the joint venture members.
- (5) The SBA considers the Offeror's profit sharing arrangements with its proposed subcontractor or other entities.
- (6) In reviewing affiliation between the Offeror and its proposed subcontractors or entities with which the Offeror has a teaming arrangement, SBA considers the previous contractual or business relationships between the Offeror and that entity.

Any questions regarding this information may be directed to Stephen Zvolensky at  
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