DEPARTMENT OF THE NAVY
OFFICE OF THE ASSISTANT SECRETARY
(RESEARCH, DEVELOPMENT AND ACQUISITION)
1000 NAVY PENTAGON
WASHINGTON DC 20350-1000

AUG 10 2012

MEMORANDUM FOR DISTRIBUTION

SUBJECT: Increasing Opportunities for Small Businesses through Small Business Set-asides under the Simplified Acquisition Threshold

The attached joint Director, Defense Procurement and Acquisition Policy (DPAP)/Director, Office of Small Business Programs (OSBP) memorandum of July 11, 2012 is forwarded for your information and action, as appropriate. It reminds contracting officers of longstanding statutory requirements to set aside contracts for small businesses where the contract value is equal to or less than the simplified acquisition threshold (SAT), unless there is not a reasonable expectation of obtaining offers from two or more responsible small business concerns that are competitive in terms of market prices, quality, and delivery.

To help DoD increase its contracting with small businesses, DPAP and OSBP are urging contracting officers to automatically set aside contracts for small businesses for every new contract award that has an anticipated dollar value exceeding $3000 but not exceeding the SAT. If the work is not set aside for small businesses, the contract file shall be documented with the reason for acquiring the service or product on an unrestricted basis. Such documentation shall be completed using the DD 2579, which must be coordinated with the contracting activity small business specialist in accordance with Defense Federal Acquisition Regulation Supplement subpart 219.201(d)(10).

Please ensure appropriate internal controls are used to monitor compliance and that these requirements are followed consistently. Further details are provided within the memorandum. My point of contact is Gabrielle Trickett, gabrielle.trickett@navy.mil, 703-614-9641.

Althea H. Coetzee
RDML, SC, USN
Executive Director
DASN (AP)

Attachment:
As stated

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SUBJECT: Increasing Opportunities for Small Businesses through Small Business Set-asides under the Simplified Acquisition Threshold

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OFFICE OF THE UNDER SECRETARY OF DEFENSE
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WASHINGTON, DC 20301-3000

ACQUISITION,
TECHNOLOGY
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JUL 11 2012

MEMORANDUM FOR COMMANDER, UNITED STATES SPECIAL OPERATIONS COMMAND (ATTN: ACQUISITION EXECUTIVE)
COMMANDER, UNITED STATES TRANSPORTATION COMMAND (ATTN: ACQUISITION EXECUTIVE)
DEPUTY ASSISTANT SECRETARY OF THE ARMY (PROCUREMENT), DASA(P)
DEPUTY ASSISTANT SECRETARY OF THE NAVY (ACQUISITION & LOGISTICS MANAGEMENT), DASN(A&LM)
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE (CONTRACTING), SAF/AQC
DIRECTORS, DEFENSE AGENCIES
DIRECTORS, DOD FIELD ACTIVITIES

SUBJECT: Increasing Opportunities for Small Businesses through Small Business Set-asides under the Simplified Acquisition Threshold

Small businesses play a vital role in their contribution to the defense industrial base and the Department of Defense (DoD) is committed to increasing contracting opportunities for these entities. The purpose of this memorandum is to remind you of longstanding statutory requirements to set aside contracts for small businesses where the contract value is equal to or less than the simplified acquisition threshold (SAT) unless the "rule of two" is not met, and request that you redouble efforts to ensure these requirements are followed consistently. Set-aside requirements help to maximize small business contracting opportunities in the Federal marketplace. Greater management attention to the use of set-asides below the SAT can help the department meet our small business goals.

Section 15(j) of the Small Business Act and the Federal Acquisition Regulation (FAR) at FAR 13.003(b)(1), require contracting officers to set aside contracts above the $3,000 micro-purchase threshold and below the $150,000 SAT for small business, unless the contracting officer determines there is not a reasonable expectation of obtaining offers from two or more responsible small business concerns that are competitive in terms of market prices, quality and delivery. This is known as the "rule of two." FAR 19.502-2(a) requires the contracting officer to document the file if a set-aside is not used in connection with the award of a contract in this dollar range.

As a department, DoD has awarded 71% of contracts with dollar values equal to or less than the SAT to small business from 1 October 12 through 21 June 12, which accounted for 68% of total dollars eligible for small business. Also, only 47% of actions and 52% of the dollars awarded to small business resulted from small business set-asides.

This indicates that the "rule of two" is not used to the maximum extent practicable under SAT as required by statute.

To help DoD increase its contracting with small businesses, please take the following steps in conjunction with every new contract award that has an anticipated dollar value exceeding $3,000 but not exceeding the SAT:

- Automatically reserve the work for small business concerns and set aside the contract for small business, unless there is not a reasonable expectation of obtaining offers from two or more responsible small business concerns that are competitive in terms of market prices, quality, and delivery.

- If the work is not set aside for small business, document in the contract file the reason for acquiring the service or product on an unrestricted basis. Such documentation shall be completed using the DD 2579, which must be coordinated with the contracting activity small business specialist in accordance with Defense Federal Acquisition Regulation Supplement Subpart 219.201(d)(10).

Please ensure appropriate internal controls are used to monitor compliance with the steps described above. For example, contracting activities may decide to sample contract files to review market research and other documents explaining why your respective component or agency purchased the product or service on an unrestricted basis.

Your commitment and efforts to ensure that DoD meets and hopefully exceeds its small business contracting goals are greatly appreciated.

The staff points of contact are Ms. Cassandra R. Freeman, 703-693-7062 or cassandra.freeman@osd.mil, for procurement policy; and Ms. Wendy Despres, 571-372-6310 or wendy.despres@osd.mil, for small business policy.

Richard Ginman
Director, Defense Procurement
and Acquisition Policy

André J. Gudger, Director
Office of Small Business Programs

cc:
Directors, DoD Office of Small Business
Programs