

Subcontracting

Part 1: Basics for Prime Contractors

Part 2: Basics for Subcontractors

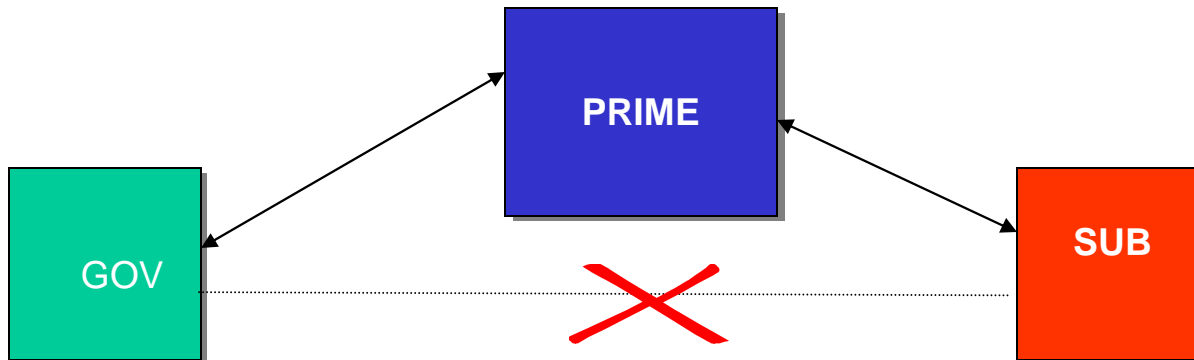


Part 1: Basics for Prime Contractors

- Seminar Objectives
 - Privity
 - Consent to Subcontract
 - Subcontract Management and Controls
 - Subcontract Administration Success
 - Payment
 - Closeout

Privity – Principle of Contract Law

A direct contractual relationship
between parties to a contract



Consent to Subcontract

- NASA FARS 1844.2--Consent to Subcontracts
- Clauses may be located in the solicitation and in contract
- Evaluates the Prime contractor's methods for selecting subcontractors and administering subcontracts
 - A common clause FAR 52.244-2 Subcontracts
- Administrative Contracting Officer (ACO) approves
 - “Permission” from your Contracting Officer

Consent to Subcontract (Cont.)

- Exceptions
 - Firm-fixed price contract
 - Contractor has an approved purchasing system in place
 - Contractor Purchasing System Review (CPSR)
 - FAR 44.3 Contractor's Purchasing System Review
 - NASA FARS 1844.3—Contractor's Purchasing Systems Reviews

Consent to Subcontract (Cont)

- Examples of Evaluation Criteria for Consent
 - Use of competitive procedures
 - Pricing techniques
 - Fair and reasonable price
 - Subcontractor responsibility
 - Business practices
 - Use of small business

Consent to Subcontract (Cont.)

- Examples of Evaluation Criteria for Consent (Cont.)
 - Subcontract management procedures
 - Prudent selection of Type of Contract
 - FAR 16
 - Internal audit procedures, management control systems, and handling of payments to subcontractors

Subcontracting Plans

- Required for Large Businesses when
 - Negotiated or Sealed Bidding acquisitions are expected to exceed \$550,000 for goods/services, or \$1,000,000 for construction
- Separate goals for each small business type
- Failure to make a good faith effort may result in a determination of “breach of contract”
- FAR 19.702(a)(1) and (a)(2)
- FAR 19.704 has complete subcontracting plan requirements

Subcontracting Plan Content

- Estimated amount of all subcontracting
 - Subcontracting to large businesses (\$ and %)
 - Subcontracting to small businesses by category (\$ and %)
- List of products and/or services to be subcontracted and the type of business used
- Description of outreach efforts
- **Caution to Primes**
 - Be sure to verify your subcontractor's size status!

Prime Contractor's Past Performance

- Past Performance related to Subcontracting (examples)
 - Success in meeting Subcontracting Plan goals
 - Business practices in management of subcontracts
 - Payment practices in management of subcontracts
 - Follow through on utilization of subcontractors listed in proposal

Subcontract Management and Controls

- Pricing Concerns
 - Selection of type of contract (risk)
 - Fixed-price
 - Cost reimbursement

Fixed
Price

Cost
Reimbursement



Low risk to Buyer
High risk to Contractor

High risk to Buyer
Low risk to Contractor

Subcontract Management and Controls (Cont.)

- Pricing Concerns
 - Competition and evaluation
 - Locating sources and ensuring availability
 - Considering exclusive agreements
 - Submitting timely proposals
 - Evaluating price and cost, past performance, understanding of the work, responsibility
 - Consent to subcontract
 - In writing – ensure you have this!

Subcontract Management and Controls (Cont.)

- Managing administrative matters
 - Know your contract
 - What does the contract state?
 - Create subcontracts consistently
 - Know contract clause “flow-down” requirements
 - Document everything!
 - Be proactive

Subcontract Management and Controls (Cont.)

- Managing the subcontract
 - Hold a post-award conference
 - Create contract plans and schedules
 - Coordinate work of multiple subcontractors and establish rules
 - Discuss quality, safety, schedule, documentation and other issues of importance
 - Be proactive

Subcontract Administration Success

- Know your contract
 - Know what it states and requires
 - You are responsible for
 - Your employees
 - Your subcontractor(s)
 - All required supplies
 - Cost, schedule, and performance
 - Legal and financial aspects of your contract
 - Maintaining records

Subcontract Administration Success (Cont.)

- Know your subcontracts
 - Verify proper “flow-down” clauses
 - Collect subcontractor’s “Representations & Certifications”
 - Establish consistent procedures for
 - Submittals
 - Certified payroll records
 - Obtaining permits
 - Distribution of documents
 - Processing change orders, Stop Work orders, others
 - Proof of insurance, bonds, licenses, OSHA training
 - Anything else that is needed!
 - Remember that your sub is responsible for its subcontractor(s)!

Subcontract Administration Success (Cont.)

- Be proactive and communicate
 - Plan your activities
 - Coordinate schedules and other requirements
 - Establish your Point of Contacts with your subcontractors
 - Ensure subs understand who is authorized to direct them
 - Process payments in a timely manner
- Document Everything

Subcontract Administration Success (Cont.)

- Perform and deliver
 - Use your schedule as a planning and control tool
 - Do not forget about your subcontractors' deliverables
 - Track ALL costs as you go
 - If your contract has a funds/cost limitation or ceiling provision, communicate to the buyer as indicated in the clause
 - Remember satisfactory past performance results in future business opportunities

Payments

- Accept supplies or services per your subcontract requirements
- Verify invoices are submitted properly
- Verify you accomplished your subcontracting goals
- Pay invoice(s) promptly
 - Take advantage of discounts
- Document payments in your contract folder

Contract Closeout

- Settle closeout issues promptly
- Verify all release documents are signed
- Pay subcontractor final invoices promptly
- Pay retention (if any)
- Expedite settlement of any claims or disputes
 - Include clauses in your subcontract
 - Consider Alternative Dispute Resolution (ADR) procedures
- Retain records as required by contract
 - Usually 3 years from closeout

END OF PART 1

Basics for Prime Contractors

Questions or Comments

Part 2: Basics for Subcontractors

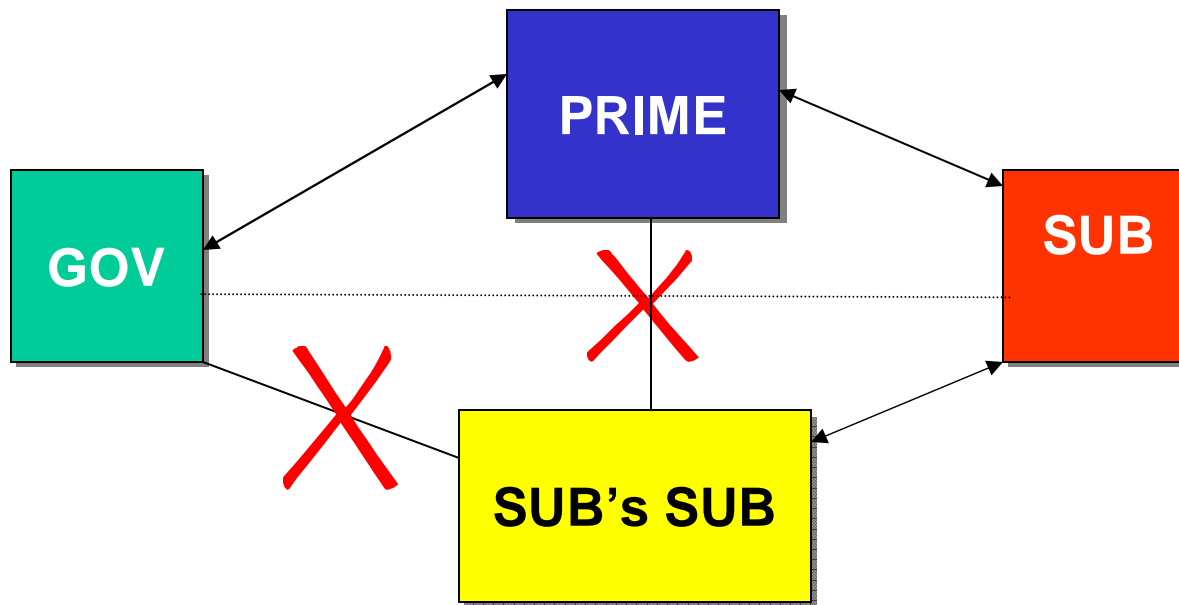
- Seminar Objectives
 - Prime or Sub?
 - Privity
 - Subcontracts
 - Marketing to the Primes
 - Common Errors
 - Subcontract Issues – Be Aware!
 - Getting Paid
 - If Things Go Wrong
 - When the Contract is Over

Prime or Sub?

- Advantages of being a subcontractor
 - Prime manages interface with the government
 - Prime has total responsibility
 - Some government work is available to small business only through prime contractors
 - Subcontracting builds a record of past performance
 - Subcontracting provides experience

Privity – Principle of Contract Law

A direct contractual relationship between parties to a contract



Marketing to Primes

- Do your homework!
 - What does the prime do?
 - What products or services do they need?
 - How can you specifically support those needs?
 - Do they have subcontractors in place that you could sub to? (“second-tier” subcontractor)
- Market to your capabilities and be focused
- *Then* discuss your small business status and any certifications you may have

Common Errors Made by Subs

- Following verbal directions given by those without privity (authority)
- Ignoring contractual time limits or requested time limits
- Blaming other subs, suppliers, and prime contractor
- Failure to manage lower tier subs
 - Subcontractor's subs
- Inadequate documentation

Subcontract Issues – Be Aware!

- Your prime contractor's requirements usually “flow down” to you
 - Clauses
 - Certified payroll
 - Quality control and other inspections
 - Certifications
- Your prime contractor will need you to comply well in advance of their contractual deadline, in order to incorporate your information in their reports

Getting Paid

- Submit all invoices promptly with attention to detail
 - Provide any required supporting documentation
 - Include your sub's invoices
- If prime has kept “retention” money, sign off on necessary documents to release future claims and allow release of retained funds
- Assist prime with any requested documentation to facilitate contract close-out and final payment by the government

If Things Go Wrong...

- Attempt to resolve issues at the lowest contracting level possible
- Non-payment
- Prime's payment bonds
 - Especially on construction projects
 - Ensure payment for work done >\$100,000 (Miller Act)
- Does your company retain an attorney for business advice?

When the Contract is Over


- Ensure documents are dated, signed, and legible
 - No post-its
- File all contract documents together
 - Remember record retention requirements
- Create a “lessons learned” document with your team
 - What went well?
 - What went wrong?
 - What can be improved?


Some Helpful Websites

- Central Contractor Registration
 - <http://www.ccr.gov>
 - Go to “Small Business“
 - On dropdown menu go to “SBA Dynamic Small Business Search”
 - Use search engine to find sources by keywords
 - Small businesses make sure you have keywords that identify your business
 - Go to CCR to gain access to your small business profile

Some Helpful Websites (Cont.)



Address  <http://www.ccr.gov/>

 **CENTRAL
CONTRACTOR
REGISTRATION**

CCR Home **Search CCR** **Register in CCR**
Vendor Corner Government Corner Small Business Access CCR Data Handbook FAQ

CCR Upgrade Notice: On Sunday, February 11, 2007 the Central Contractor Registration (CCR) w the newest release v4.07.1. Release Notes are on-line to fill you in on the upgrade at [Release Notes](#)

CCR's Size Validation will now include SBA's segmented Small Business Size Standard Exceptions codes. For detailed information see CCR News, [Small Business Size Standard Exceptions](#).

CCR Extract Changes implemented with this CCR release. For detailed information, please see [CC](#)

CCR Support Call Center Hours have changed. Please see [news item ...](#)




Warning of New Fraudulent or misleading notices

- A new version of the fraudulent Department of Transportation (DoT) letter that requests a CCR Re
- A misleading phone solicitation offering to update a Registrants record for a fee has been reported

Please see the [CCR/DoT Security Note](#) for more information.

CCR using D&B data for Registrant identification in CCR. ... [Read more](#)

Some Helpful Websites (Cont.)

Address  http://dsbs.sba.gov/dsbs/search/dsp_dsbs.cfm  

Dynamic Small Business Search

Most hotlinks on this page will open a new browser window.
(This [Return to CCR Home Page](#) hotlink does not.)

This is generally a self-certifying database. The SBA does not make any representation as to the accuracy of any of the data included, other than certifications relating to 8(a) Business Development, HUBZone or Small Disadvantaged Business status. The SBA strongly recommends that contracting officers diligently review a bidder's small business self-certification before awarding a contract.

[Privacy Statement](#)

[Help](#)

State(s):
[\(How to make multiple selections.\)](#)


AL - Alabama
AK - Alaska
AA - American Atlantic (APO/FPO)
AE - American Europe (APO/FPO)
AP - American Pacific (APO/FPO)
AS - American Samoa
AZ - Arizona
AR - Arkansas
CA - California

Congressional District:
(Requires exactly one state from the list at left.)
2-digit numeric (leading 0 if 1 digit),
or AL for At Large

County Code:
(Requires exactly one state from the list at left.)
3-digit numeric (leading zeroes if 1 or 2 digits)

Area Code or Phone Number Initial Fragment, (1 to 12 characters, 999-999-9999 format)

Some Helpful Websites (Cont.)

Address  http://dsbs.sba.gov/dsbs/search/dsp_dsbs.cfm

<p>SBA 8(a) Certification:</p> <p><input type="radio"/> Required (Active Certifications only)</p> <p><input type="radio"/> Required (Active Certifications and Previously Certified)</p> <p><input type="radio"/> Required (Previously Certified only)</p> <p><input checked="" type="radio"/> Not Required</p>	<p>Small Disadvantaged Business:</p> <p><input type="radio"/> Required (Active Certifications only)</p> <p><input type="radio"/> Required (Active Certifications and Previously Certified)</p> <p><input type="radio"/> Required (Previously Certified only)</p> <p><input checked="" type="radio"/> Not Required</p>
<p>Disadvantaged Business Enterprise, Certification States:</p> <p>Not Required</p> <p>AL - Alabama</p> <p>AK - Alaska</p> <p>AA - American Atlantic (APO/FPO)</p> <p>AE - American Europe (APO/FPO)</p>	<p>HUBZone Certification:</p> <p><input type="radio"/> Required (Active Certifications only)</p> <p><input type="radio"/> Required (Active Certifications and Previously Certified)</p> <p><input type="radio"/> Required (Previously Certified only)</p> <p><input checked="" type="radio"/> Not Required</p>

The SBA's 8(a), HUBZone and SDB certifications are also made available to external software via: [SBSS Public Web Services](#)
For more information, see also [SBA Certifications](#) in the search help page.

Other Ownership Data:

Minority Native American [Woman/Women](#)

Veteran Service Disabled Veteran

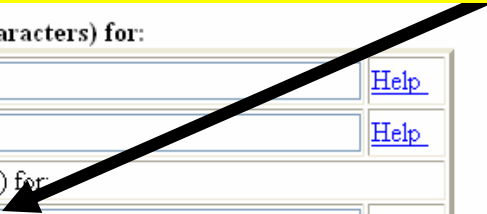
Nature of Business (comma separated, up to 5 entries or 40 characters) for:

NAICS Code(s):	<input checked="" type="radio"/> Any <input type="radio"/> All (slower)	<input type="text"/>	Help
"Buy Green" NAICS Code(s):	<input checked="" type="radio"/> Any <input type="radio"/> All (slower)	<input type="text"/>	Help

Or keywords (comma separated, up to 25 entries or 125 characters) for:

Keywords:	<input checked="" type="radio"/> Any <input type="radio"/> All (slower)	<input type="text"/>	Help
---------------------------	---	----------------------	----------------------

Use key words to find sources



Some Helpful Websites (Cont.)

http://dsbs.sba.gov/dsbs/search/dsp_dsbs.cfm

Searching for a specific firm (use ONE of the following):

<u>CAGE Code:</u>	<input type="text"/>	(up to 5 characters)
<u>DUNS Number(s):</u>	<input type="text"/>	(comma separated, up to 25 DUNS numbers or 125 characters)
8(a) Case Number:	<input type="text"/>	(6-digit number)
EIN:	<input type="text"/>	(99-9999999 format)
Company Name or Trade Name: (slow) (up to 120 characters)	<input type="text"/>	<input type="radio"/> Do "sounds like" matching <input checked="" type="radio"/> Do "first letters" matching <input type="radio"/> Do "contains" matching

Maximum number of firms to be returned at a time:

Show the following fields in the firm list:

Name and Trade Name of Firm; Contact; Address and City, State Zip; Capabilities Narrative

Show those fields in:

<input checked="" type="radio"/> Table format	font size (*): <input type="radio"/> Tiny <input checked="" type="radio"/> Normal <input type="radio"/> Large
<input type="radio"/> Mail-merge format	Delimited by: <input checked="" type="radio"/> comma <input type="radio"/> comma and blank <input type="radio"/> tab

(* On some browsers, the font size options will also affect mail-merge format.

NOTE: Search results will be randomized by the time of day you press the "Search Using These Criteria" button.

Some Helpful Websites (Cont.)

- Subcontracting Opportunities Directory
 - SBA SUB-Net
 - Has a list of large businesses with their small businesses liaisons listed
 - <http://www.sba.gov/GC/indexcontacts-sbsd.html>
 - Send your marketing brochures or make contact with these liaisons

Some Helpful Websites (Cont.)

http://www.sba.gov/GC/indexcontacts-sbsd.html

SBA
search this site
En Español

Select a Custom View: [Starting](#) [Financing](#) [Managing](#) [Business Opportunities](#) [Disaster Recovery](#)

SBA.gov // [Business Opportunities](#) // The Basics

Starting Your Business

[The Basics](#)
[Defining the Market](#)
[How the Government Buys](#)
[Contractor Responsibilities](#)
[Identifying Your Business](#)
[Subcontracting Opportunities](#)
[Procurement Goaling](#)
[Specific Training](#)
[Understanding the Rules](#)
[Find Opportunities](#)
[What is a Small Business](#)
[Marketing Your Business](#)
[Contract Proposals](#)
[Small Business Programs](#)
[Special Interests](#)

Additional Resources
 More Information About Starting Your Small Business

[FAQ](#)
[Glossary](#)

Subcontracting Opportunities Directory

Disclaimer

SBA obtains the names and addresses for this listing from subcontracting plans that are submitted to the Government when a large business receives a Federal contract over \$500,000 (over \$1 million in construction). In some cases, the point-of-contact listed in the subcontracting plan changes after SBA adds the company to the directory. SBA is not automatically notified of such changes; and therefore, at any point in time, some of the information in this directory may be incorrect. SBA updates the directory on a regular basis and makes necessary changes when an incorrect listing is brought to its attention.

If you are a contractor that is listed in this directory, please verify that the company name, point-of-contact, phone number, and other information are all correct. If anything is incorrect, please contact your nearest Commercial Market Representative (CMR) using the hyperlink in the next paragraph and request the necessary changes.

Please note that SBA does not have the authority to require a prime contractor to use a particular small business. However, SBA's CMRs counsel small businesses on how to market their products and services to the prime contractors in this directory. To find your nearest CMR, go to <http://www.sba.gov/GC/contacts.html> and click on the fourth menu selection.

Alabama	Kentucky	Ohio
Alaska	Louisiana	Oklahoma
Arizona	Maine	Oregon
Arkansas	Maryland	Pennsylvania
California	Massachusetts	Puerto Rico

Some Helpful Websites (Cont.)

Address  <http://www.sba.gov/GC/cmr/casubs.html>

120 Jet Propulsion Laboratory
4800 Oak Grove Drive, MS 249-113
Pasadena, CA 91109
Fax: (818) 393-4591
<http://www.jpl.nasa.gov>

NASA's lead center for the robotic exploration of space

Mr Thomas May
Manager, Contractor Capabilities Office
(818) 354-2121
thomas.h.may@jpl.nasa.gov
<http://www.jpl.nasa.gov>



121 Johnson Controls
P.O. Box 105123
Fort Irwin, CA 92310
www.jci.com

Base Services/Operations and Maintenance

Ms Michelle Brooks
Small Business Liaison Officer
(760) 380-4659
michelle.d.brooks@jci.com
www.jci.com

Questions?

Comments?

www.TheFTC.org