

Government Contracting

**A SMALL BUSINESS GUIDE TO
GOVERNMENT CONTRACTING**

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PURPOSE: This document is written as a guide to assist small businesses (including minority owned, women owned, and disabled veteran owned businesses). It is aimed toward those personnel who identify, quantify, and pursue new business opportunities for their respective companies. These are the individuals establishing customer contact, forming teaming relationships (where appropriate) with other companies, the win strategies, and sometimes the budgets necessary to win contracts. This may be a New Business Development Manager, a Marketing Manager, a Program Manager, or a business owner.

OBJECTIVE: The contents of this document provide an insight to the federal government contracting process thereby enabling the reader to pursue government contracts.

INTRODUCTION TO GOVERNMENT CONTRACTING: Federal Acquisition Regulations specify that 3.5% of the federal budget must be awarded to disabled veterans. Federal law also specifies that 10% of the federal budget be allocated to small businesses and minority owned businesses. Many contracts are "set-asides" just to fulfill the quotas. That means only small, minority owned, or disabled veteran businesses may bid on these contracts.

Most military installations and federal government agencies have contracting offices. The scope and nature of the contracts awarded from each office are commensurate with the major activity of the installation/agency. For example, most contracting offices will award contracts for maintenance functions such as landscaping, janitorial services, and building maintenance for the local base/office/installation.

Other awards may be for "standard" systems and would be awarded from an agency's (or military command's) headquarters. This usually involves an award to a contractor for installing a specific system into all offices of a particular agency or all military installations within a command. Examples of these include payroll, telephone, and logistics systems. The government prefers, where appropriate, to proliferate these standard systems to realize cost savings by maintaining only one functional proponent and one technical office responsible for the system(s) rather than have each office or installation repeating the work of other offices.

Still other contracts are awarded locally and are related to the unique requirements of the agencies supported by the local contracting offices. These may include technical and/or managerial consulting, technical services such as studies, evaluations of products and services, computer programming, systems engineering services, communications, functional documentation, technical documentation, and many other services.

In all cases the requirements to be satisfied by the contract are provided to the contracting office by the organizations requiring the services. For example, when a military installation requires the services of a contractor to perform building maintenance, the base engineering office provides the specific requirements to the contracting office. The base engineer may require, for one year, 6,000 hours of electrical work, 2,000 of electrical supervision, 4,000 hours of plumbing support, 10,000 hours of painting, and 2,000 hours of painter supervision.

Upon receipt of the technical requirements from the requesting agency, the contracting office will add all of the legal clauses to which a contractor must adhere, and either a Request for Quote or a Request for Proposal (RFP) is prepared. The evaluation criteria for selecting a winning bidder is always specified in the RFP/RFQ.

The RFQ is used in the simplest form of evaluation where a bidder only submits a dollar amount. Usually, the only criteria for selecting the winning bid made in response to an RFQ is the lowest price

More complex contracts require an RFP and, in response, each bidder must prepare a proposal. When a proposal is required (in

response to an RFP) the RFP specifies what must be contained within the proposal. Depending on the nature and extent of the contract, multiple volumes may be required in response to the RFP. These may include, among others, a Management Volume, a Technical Volume, and a Cost Volume. In smaller contractual efforts, a single volume is specified, but will require, at a minimum, the same information.

To allow a fair and unbiased evaluation, the cost volume, or page(s), is not opened until all of the technical proposals have been evaluated and rated. Only those bidders who are deemed qualified to perform the work will have their cost volume opened by the government officials.

At the government's option, and usually specified in the RFP, clarification questions may be submitted by the government to the bidders. When responding to clarifications the bidder may alter the cost of the proposal based on the changes necessitated by the clarifications.

At all phases of the RFQ/RFP process, strict deadlines are mandated. As an example, an RFQ/RFP will always specify how many days bidders have to respond, and where the resultant bid/proposal is to be submitted.

WHERE TO BEGIN: Each agency or military installation has a contracting office. In addition, most government organizations have a Small Business office that may be part of the contracting office or may be a separate office. You can call a base or agency operator and get the phone numbers for these offices.

Additionally, many states support an office with a name such as "Procurement Technical Assistance Program". These state offices are established exclusively to assist small businesses in finding and bidding on both state and federal contracts. The purpose of the small business office, be it federal or state, is to attract small businesses to bid on contracts. In other words, they work for you.

Most federal government contracting activities are conducted online. Each contracting office has an internet web site where potential bidders may see what contracts are upcoming, who the potential

bidders are for these contracts (with their points of contact), and all documentation for the program including specifications and requirements.

Another method of finding contracts is through the Federal Business Opportunities (FedBizOps) publication. You can find this online. FedBizOps announces the release of the RFQ/FRP for every government contract with a value of \$25,000.00 or more. Also, FedBizOps announces the winners of every contract award.

The problem with finding business opportunities in FedBizOps is that you are in the position of being reactive rather than proactive. In the case of responding to an RFQ, this may be acceptable. It is rare, however, that you will find yourself in the position to write a proposal in response to an RFP if your first knowledge of the contract is the announcement in FedBizOps about the release of the RFP. See TRACKING REQUIREMENTS and INFLUENCING REQUIREMENTS below for more information on being proactive.

FedBizOps, as of this writing, costs \$300.00 per year for an individual subscription and \$1,500.00 a year for a company to subscribe.

In some cases a company must be pre-qualified to bid on certain types of contracts. It is best to check with your government officials who will tell you what you need to qualify. It is quite feasible that you may want to qualify for more than one list.

You would be well served to investigate a contracting offices web site prior to getting an appointment to visit them. The staff at the contracting offices will be able to tell you what is already on their site: what contracts are planned and when they expect an RFQ/RFP to be released, who are the pre-qualified companies on specific lists, and who they expect to bid on certain contracts. By researching their web site prior to a visit, you will be able to ask pertinent questions about only those programs that are of interest to you.

Since there usually is a register to sign when visiting these offices, you can see for yourself who among your competitors has been visiting the offices.

YOUR ROLE: Many types of contracts are awarded by the government. For a Firm Fixed Price contract bidders submit a fixed price to provide the services or products specified in the RFQ/RFP. In a Time & Material (T&M) contract the government is requesting a bid for a specific amount of time for certain labor categories and/or equipment required. There is also an Indefinite Delivery/Indefinite Quantity (ID/IQ) contract where the government specifies its' best guess as to the amount of labor and/or products that may be required through the life of the contract. In the latter two contract types, winning a contract merely provides a contract vehicle to do business with the government. All work actually performed under the scope of the contracts are accomplished my means of Delivery Orders (DO) provided by the contracting office.

Your contracting office can provide you with specific information to the many types of contracts awarded by their office.

You must first determine which type(s) of contract are best suited for your company. Next, you must establish which upcoming contract(s) your company is best qualified to pursue. Even if you meet the technical criteria, it can be difficult to qualify since some government agencies require you to have prior experience with the government (a catch-22 situation). Therefore, it may be to your advantage to be a subcontractor to another company who already has an established track record with the particular contracting office.

You may be in a position to "provide bodies" as common laborers. Perhaps you have excellent electrical experience within your company, which would allow you to team with another company possessing excellent carpentry skills to fulfill the requirements for a facilities maintenance contract.

You may want to consider a "flip flop" where you agree to bid the same contract twice where the other company is the prime contractor on the first award of the contract and you are the subcontractor. For the re-compete of the contract (one or more years later), you become the prime contractor and the former prime contractor becomes the subcontractor. In this manner you'll be able to establish your credentials as a viable contractor.

Another method of establishing yourself is by bidding on specific tasks (as a pre-qualified subcontractor) to a prime contractor on an ID/IQ contract where DOs are issued on a per-task basis. The prime contractor in this case may be acting as an agent for the government. In such a situation the prime contractor will have many pre-qualified subcontractors in place and when the government requires a task, several of the subcontractors provide a bid to the prime contractor. The prime contractor selects the winner, based on the lowest bid, and the prime contractor issues a delivery order to the winning subcontractor. Usually, a subcontractor may be qualified to perform work on this type of contract at any time during the life of the contract.

One final method of establishing credentials is through a program named Technology Insertion. If you have a product, software package, methodology (in other words, anything that is newer and better) that offers the government “significant savings” on an ongoing/existing contract, the government will be very receptive to adopting your technology. Your local contracting office can provide you with more information on how to use the Technology Insertion program. This is a very significant method of establishing your credentials with the government without having to first win a contract. It also provides the opportunity to work with other companies to establish contacts which may lead to possible teaming relationships.

TRACKING REQUIREMENTS: It is essential that a company know about a contract prior to the release of the RFQ/RFP. When bidding on larger government contracts, there may be as many as three levels of contact. Requirements always originate from users. For standard systems, there will be a proponent organization collecting and documenting requirements on behalf of the user community. Finally, a contracting office will be the agency releasing the RFQ/RFP.

It may take many months or years to track a particular contract. For example, if your business is providing systems integration expertise to the defense intelligence community, you would have to be familiar with the activities of the various intelligence centers. You would also know how changing technology might impact the manner in which their business is conducted.

Each component service (Army, Air Force, and Navy) may have its own proponent organization to document the user community requirements. Ultimately however, these requirements will find their way to the Defense Intelligence Agency (DIA), who may be the contracting agency. DIA may choose, however, to let one of the services award and manage the contract. For standard systems this process takes many months or years due to the coordination required among and between the services and the three levels involved in the process.

Larger companies have dedicated business development assets in place where they do considerable business. At the least they would have a business development individual make frequent visits to the location to "wave the company flag". This generally is not feasible for a smaller company, especially if the location is distant from their offices. As an alternative, you may consider hiring an "independent marketing representative". This is an individual living in the area representing several companies. Following each meeting with the government personnel, the representative prepares a memo documenting the meeting and any disclosures. The memo then is forwarded to each of his clients.

An independent marketing representative also can be used to get your company executives appointments to visit the key government personnel, can inform you of upcoming social and professional events where it may be to your advantage to be present, and provide capability briefings on your behalf. He can also keep you informed of the marketing efforts of other companies.

INFLUENCING REQUIREMENTS: It is to your advantage to influence the requirements of a RFQ/RFP. Perhaps you have an invention that gives you an edge over the competition. Maybe you have a Research and Development (R&D) project that is already doing what the government wishes to develop.

Doing your job effectively ensures that the government personnel will know about your company and its capabilities throughout the entire contract process from conception to award. One effective method is to provide capability briefings. Another effective method is to invite the appropriate government personnel to your facility.

This helps to solidify the impression of your company as a viable organization.

You need to arrange to demonstrate the invention or capabilities to the appropriate personnel. This may include *all three levels* of the contracting process. In so doing, you can ask that the technical requirements of the RFQ/RFP include wording that would require your product or capabilities (or something generically similar).

Another method to influence the requirements of an RFP is to respond to a Draft RFP (DRFP). On programs with many requirements it is very common for the government to release a DRFP to solicit comments from industry. This provides the government the opportunity to hear from vendors about what is "state-of-the-art", and it provides the potential bidders the opportunity to suggest changes to the requirements that, based on that which we have discussed above, would provide an advantage to your company.

When responding to a DRFP, don't just tell the government what you don't like. Your response should explain why a requirement is inappropriate, and should include, where appropriate, suggested replacement text for the requirement. In other words, do their work for them. They may change the wording but it will be closer to what you want than in they wrote in themselves.

By tracking the requirements early you enable your company the time it needs to focus R&D projects such that they are tailored specifically towards an upcoming government contract.

TRACKING FUNDING: All government programs are subject to the availability of funds. It is important to know where the funds originate. Perhaps the most difficult aspect of a business development professional is the ability to determine who are the rising stars (within the government), having the best probability of getting their "pet" programs funded. It is quite common for a business development professional to be tracking several programs simultaneously.

There are costs, however, associated with each program. For example travel expenses may accumulate. Having engineering

support to respond to a DRFP is another cost. Preparing a proposal can be very costly because it may involve legal, project management, technical, and budgeting (pricing and/or cost estimating) assistance.

Smaller companies cannot afford to simultaneously pursue multiple contracts because of the associated costs. Thus, decisions have to be made about which projects are the best "fit" for your company. Among those potential contracts you still wish to pursue, you must determine which appear to have the best chance of being funded. The results of your analysis will guide you to the projects that should be your highest priority.

Besides tracking requirements at the user and proponent level, continued tracking of the funding is essential because it allow you to eliminate your expenditures associated with a program if it has lost its funding.

YOUR BID IN RESPONSE TO AN RFQ: Your response to an RFQ is primarily a quote containing little more than a dollar amount. The RFQ specifies exactly what must be done and how it must be done. Any questions can be directed to the contracting office. Responses to questions from bidders will result in the answer being sent to all bidders.

YOUR PROPOSAL IN RESPONSE TO AN RFP: Preparing a proposal submitted in response to an RFP can be a costly experience, frequently as much as two or three percent (2-3%) of the total contract value. The more technical the contract, the more expensive will be your effort to prepare the proposal.

The RFP will be very explicit about how a proposal is to be prepared and what it must contain. You *must address each requirement* in the RFP or your proposal could be deemed as non-responsive and discarded. There are usually questions from bidders. These you direct to the contracting office that released the RFP. The government will assemble all questions and answers and provide the resulting package to all bidders.

Writing the proposal is no time to be modest. This is your one chance to convince the government that your company is the best

qualified. Use every means, within the scope of the RFP, to praise your company. Writing proposals is an art. Many companies hire consultants to assist in the preparation of proposals.

Your proposal cannot simply say, "We meet the requirement of having project management software". It must say "Through the use of our project management software we have repeatedly demonstrated our ability to successfully perform contracts on schedule and within budget as shown in our performance of Contract A, Contract B, and Contract C."

You will be required to provide a past history of similar work performed. You also will be required to identify your key personnel such as foreman, project manager, lead engineer, etc. When identifying these individuals, include resumes for them that don't just give their job history; rather, point out what were the positive results of their leadership.

Your proposal must specify what automated tools you use and how they make you more effective. Don't just say we use a software tool for configuration management. State that "Since using this tool our incidents of configuration errors is less than half of what is common within the industry." Specify all accounting, payroll, project management, quality assurance, inventory and configuration management tools you use and how they interact. In other words, promote all your control systems that make your company better than the competition. Document all such claims.

In addition to the technical requirements, there will be considerable "boilerplate" requirements. This usually consists of all the laws with which the bidder must comply. These sections contain references to dozens (or even hundreds) of laws, that, by inclusion, become part of the contract. These include the requirement to pay certain amounts to your employees and the benefits, which you must provide to your employees.

The boilerplate portion of a RFP usually can be gotten prior to the release of the final RFP. This would give you sufficient advance time to respond to these items and should be done by legal and/or contractual professionals.

Most government contracts are broken into a Work Breakdown Structure (WBS) that identifies, to the smallest possible item, each task to be performed and each piece of equipment to be purchased. In the cost portion of your proposal you will be required to justify all planned expenses associated with each WBS item such as cost of equipment, required travel, labor, production costs, etc. Therefore, for each item a "Basis of Estimate" (BOE) is required. A Labor Basis of Estimate (LBOE) will be required for each WBS item requiring personnel activity (janitorial, programming, project management, etc.).

Each piece of equipment required in response to a WBS item will also be priced based on an Equipment Basis of Estimate (EBOE). The LBOEs and the EBOEs are the basis for your cost and are the justification of how you arrive at your final cost.

The personnel required to write a proposal is dependent upon the content. As a minimum, you will have to address legal and contractual issues (legal expertise), company background and personnel information (administrative expertise), technical personnel to address the technical requirements, editorial expertise (since many technical personnel could improve their writing skills!), pricing, quality assurance, configuration management, and program management.

Perhaps the most difficult aspect of writing a proposal is the fact that page limits are sometimes imposed for each section. Effectively telling your story within a few pages can be frustrating to the authors and takes expertise and planning.

EVALUATION TEAM MEMBERS: When a bid is submitted in response to an RFQ/RFP, there is an evaluation of the bids. In the case of a bid submitted in response to an RFQ, it is a simple matter of determining which bidder has the lowest bid and may be done by a committee of several evaluators.

In the case of a bid submitted in response to an RFP, there will be many evaluators on the team. There will be technical, financial, and management evaluators. Although usually known only to those involved in the proposal evaluation, knowing who these evaluators are can be useful.

The evaluation team is comprised of personnel from the three levels of the contracting process: the user community, the proponent agency, and the contracting agency. Since you will have already done your marketing at all three levels, you will know the key personnel as well as their likes and dislikes. Everyone has his or her "hot buttons". If you can determine who the evaluators will be, you can include text in your proposal that will appeal to them, resulting in a better evaluation.

One effective method of guessing who may be on the evaluation team is to try and schedule an appointment with the key personnel at the time the proposals are being evaluated. Frequently the secretary will inform you that "Colonel Smith will be out of town that week. What about the following week?" Unless there is another event taking place (conference, vacation, etc.) you might assume that the individual is an evaluator. Just keep in mind that it is against the law to solicit or receive information that is not available to all bidders.

PRICING: As part of its planning for a contract the government performs a cost analysis of the project. Bids that include costs significantly higher or lower than the government estimate will be questioned. This may or may not be to your advantage. If your costs are too low the government may feel that you've underestimated the problem unless you can effectively demonstrate in your proposal (or resultant questions) why it is less than the government estimate. Substantiation is best achieved by such responses as

- equipment required to perform the job is already in our inventory.
- the results of our R&D resulted in savings of 7,428 hours of programming effort.
- our invention saves 3,000 man-hours.
- we were able to find an off-the-shelf software package that will save us 1,800 man-hours of programming effort.

If all bidders submit bids that grossly exceed the government estimate the project will likely be put on hold until the government

can provide the necessary funding. Delays in government contracting are very common.

TRACKING YOUR BIDS: When a winner is announced, the dollar value of the winner is disclosed. This provides you the opportunity to reevaluate your bid. How much did you lose by? What could have been eliminated or reduced to get your bid equal to or less than that of the bidder. Maybe your General and Administrative (G&A) rate is too high and creating a subsidiary organization would resolve the issue. Perhaps a smaller profit would have made the difference.

By tracking your wins and loses, and the wins of your competition, your company can get a good idea of what to expect each time a bid is submitted.

POST PROPOSAL EVALUATION DEBRIEFING: Following the evaluation process the government, upon receiving a request from a bidder, is required to provide a debrief. You should always request a debrief because it demonstrates to the government that you are sincere about doing better in the next effort. Further, the debrief gives you an opportunity to better know the key government personnel.

The debrief consists of a formal session during which the government's evaluation personnel will explain the strengths and weaknesses of your proposal and show you where you ranked in each evaluation category in relation to the other bidders. They will not tell you by name who the other bidders were or how they scored, but will only show you how you were evaluated compared to them. For example the government may have ranked your company as a 93 (out of a possible 100) on technical merit, while company A received a 91, company B received a 96, and company C received an 87.

The debrief is a very formal briefing, most likely with personnel from the government contracts office in attendance. This is because there is always the possibility of you feeling that your company was not evaluated fairly, thus leading to a protest, which is a costly and time consuming process resulting in the delay of the contract award.

Once the period has passed where a losing bidder has the opportunity to file a protest, it is easier to get more information on an informal basis.

PROTESTS: If you feel that your company has received unfair treatment in the evaluation process, you have the right to file a protest. The odds of winning a protest are less than twenty percent and usually only serve to delay the program and annoy all those agencies on the government side of this legal action. If you are considering doing future business with the contracting office you feel has treated you unfairly, it may be in your best interest to swallow your pride and ignore the matter.

CONTRACT MODIFICATIONS: Once awarded it is in your best interest to find out how to have additional work added to your contract rather than competing or re-competing for more work. There are many ways this can be done. You would be best served by consulting an attorney who can provide you with information on this subject.

A common vehicle for modifying a contract is an Engineering Change Proposal (ECP). The government may ask for an ECP based on new requirement relating to the original contract, or the contractor may send an unsolicited ECP to the government based on new technology, an opportunity to combine several contractual efforts thereby saving the government money, or to extend an existing contract because the government is not prepared to release an RFP as a follow-on contract.

It is not uncommon for the dollar value of ECPs to exceed the original contract value.

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