SMALL BUSINESS SUBCONTRACTING PLAN GUIDE

CONCEPT AND DEFINITIONS

A Small Business Subcontracting Plan (SBSP or Plan) is required for **federal** contract and subcontract awards over $750,000 total costs, inclusive of all budget years, in accordance with FAR 52.219-9 (Jan 2017). Federal law requires recipients of federal funding over the threshold to commit to spend a percentage of the project costs with specific vendors that qualify under small business categories determined by the Small Business Administration. The SBA approved categories include: *small business (SB), veteran-owned small business (VOSB), service-disabled veteran-owned small business (SVOSB), Historically Underutilized Business Zones (HUBZone), small disadvantaged business (SDB) and women-owned small business (WOSB)* entities (collectively, such eligible business will be referred to as "Small Businesses"). The goal of this requirement is to ensure that Small Businesses have the maximum practicable opportunity to participate in federal contract performance.

The Small Business Subcontracting Plan (SBSP or Plan) is a purchasing plan that projects the percentage of costs allocated under an award to small/disadvantaged businesses. Once a Plan is submitted, the university reports on its compliance with the Plan on a semi-annual basis. Penalties for failure to meet the Plan commitment can match the contract value.

PREPARING A PLAN

The Department Administrator, PI, Office of Sponsored Research Services, and Purchasing will work together to complete the steps needed to finalize and submit a Plan. A summary of roles and responsibilities can be found on page 7 of this guide. The steps to complete a Plan are set forth in detail below. These steps are summarized in a Quick Guide that can be found on page 8 of this guide.

Generally, the steps to complete a Plan include completing the following documents:
- SBSP Budget Template spreadsheet (Exhibit 1)
  - All proposed budget option years are included when preparing the Plan.
  - Include Vendor name & catalog # in Supplies & Other Direct Costs tabs
  - Budget must match the Final, OSRS Approved RMS Budget)
- Summary of Supplies & Other Direct Costs Detail (Exhibit 2)
- Completed Plan document for submission to federal agency (WU Template-Exhibit 3)
- PI Acceptance Memo (WU Template-Exhibit 4)

The exhibits can currently be found on the WUSTL JROC website under Federal Contracts – Award Stage and the Small Business Subcontracting Plan website at:
https://research.wustl.edu/small-business-subcontracting-plan/

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PRE-AWARD PROCEDURES

STEP 1 – REVIEW AND NOTIFICATION

<u>Department & OSRS Grant Analyst</u>. The ideal time to identify qualified Small Business vendors and the costs associated with potential Plan purchases is at the **proposal stage**. The Department and OSRS Grant Analyst should read the Solicitation / Request for Proposal (RFP) fully and carefully for award type information, deadlines and required items, and references to a Small Business Subcontracting Plan requirement. Federal proposal solicitations will identify a pending award as a grant, cooperative agreement, or contract.

The Small Business Subcontracting Plan requirement is ONLY required on federal contracts or subcontracts exceeding $750,000. **SBSPs are not required when the award will be issued as a grant or cooperative agreement.**

Therefore the answer to <u>both</u> questions below must be YES to activate the SBSP requirement:

1. Will the award be issued as a contract (as opposed to a grant or cooperative agreement)?
2. Does WU's budget, over the project's multiple years exceed $750,000 in total cost?

If the answer is yes to both questions, a small Business Subcontracting Plan is required[1].

STEP 2 – PREPARE INITIAL BUDGET SPREADSHEETS

The Department should establish an application team with due dates for specific responsibilities as far in advance as possible. A contract proposal with a SBSP cannot be prepared on the fly. The Budget must be final at least 3 days prior to submission date to enable the SBSP preparation.

Exhibit 1 – Budget Summary

<u>Department Administrators</u>:

Exhibit 1 must be completed first and is a duplication of the RMS budget, with greater expense category detail. All expenses in each category must be set forth in detail.

The cost detail required to evaluate eligible costs for qualified minority vendors includes the line item name, vendor, catalog number, and price for all items through all project years.

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[1] OSRS Grants and JROC will also look for these elements and will notify the department and purchasing when a SBSP requirement has been identified.

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Exhibit 2 – Summary of Supplies & Other Direct Costs Detail

Department Administrators: Exhibit 2 should be completed next and must reflect the budgetary detail in Exhibit 1. **Anything in blue in this spreadsheet is a direct input.** The multiple sections in this spreadsheet must match the Budget Cost category totals in Exhibit 1. The Exhibit 2 document currently has items and dollar amounts included by way of example, and these must be replaced with the actual relevant purchases for each project budget.

General Information - Start with the upper right hand corner of the spreadsheet. Input Total Direct Labor & Fringe costs into cell O2 and Total Other Direct Costs into cell O1. Input the Indirect costs in cell L2. Confirm the totals match the Exhibit 1 Budget Summary figures. If you have multiple labs or subproject budgets, please combine them.

Review all tabs in Exhibit 1 and transcribe all categories of non-salary Direct Costs into Exhibit 2 listing the items and amount **for each year**.

Section A - Materials & Supplies: The first section is the list (combine as applicable) of all the Materials and Supplies project costs per line item with typical vendor and pricing included.[2] Cut and paste from the Supplies and Materials tab the items and the associated costs per project period. The total listed in this category must match the Budget Summary Materials & Supplies category in Exhibit 1.

Section B - Other Direct Costs:
The next section in Exhibit 2 consolidates Direct costs not listed in the Materials and Supplies, Consultants, Travel, Equipment, Patient Care, or Subcontractors. This spreadsheet contains some pre-existing formulas to assist in adding the costs.

Section C-G
Additional Sections of Direct Cost Categories include the following:
  C. Consultants
  D. Travel (Airfare): Travel costs must be detailed to isolate airfare from other travel expenses such as hotel, food, conference fees, etc. since domestic **airfare** is a cost eligible to be purchased from a Women Owned Business.
  E. Equipment: Identify potential vendors. Equipment may only be available from specific vendors.
  F. Patient Care Costs-ineligible for the SBSP
  G. Subcontractors/Collaborators: Subcontractors must be listed by name. If any subcontractor budget exceeds $750,000, they **also** must prepare and submit their institutional SBSP to include with our application.

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[2] If there are multiple WUSTL labs or other WUSTL allocations planned under the project, then consolidating all the Materials and Supplies categories is required to obtain the maximum cost detail to review for eligible minority purchases.

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After inputting all line item costs, double check all formulas for accuracy. By checking the full budget and category totals against the totals in Exhibit 1, you should be able to quickly identify any incorrectly entered amounts.

STEP 3 – IDENTIFY VENDORS & PRICING

Department Administrators & Purchasing.

Eligibility Determination. The Department will submit Exhibit 1 and Exhibit 2 to Purchasing for their review. Department and Purchasing should review each line item together using process of elimination to determine which expenses are eligible for purchase from minority vendors.[3] The expenses that can be eliminated from eligibility will include expenses that are internal to WUSTL, items that can only be purchased from select vendors, items that are covered by a preferred purchasing agreement, or items that can be eliminated for other reasons as determined by Purchasing. Once eligible expenses have been identified, the total of those eligible expenses will be considered the "Plan Pool" under Step 5.

> Examples of often excluded costs include:
> - Equipment which is specialized and only available from specific vendors.
> - Consultants
> - Travel costs other than airfare such as lodging, meals, conference fees
> - Animals
> - Subcontractors/Collaborators are often other academic institutions and will be excluded from the Plan Pool.
> - Other direct costs often include items such as WU IT support, phones, publication, and shipping services which are normally excluded.
> - Internal services from recharge centers, i.e. sequencing, etc.

Identification of Minority/Disadvantaged Small Businesses. Once the potential purchases constituting the Plan Pool have been identified, Purchasing will identify minority vendors that can be used for such purchases. Dept. and Purchasing will then work with the specific vendors to determine the costs for the proposed budget.[4]

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[3] Some large vendors may have some of their items available from an alternate minority vendor; Purchasing will identify these items and the alternate vendor. Please note that purchasing from an alternate vendor could be at an increased price. The department should confirm with the PI whether to accept the higher cost with the alternate vendor.

[4] Washington University's Purchasing Department works with the Office of Supplier Diversity to identify qualified minority vendors. There may be a cost increase in utilizing minority vendors. It is up to the Principal Investigator and their department staff (may include the DA, Lab Manager, Project Coordinator, Research Administrator) involved in purchasing project supplies, material and services to select vendors and to determine appropriate purchases based upon scientific integrity, reliability and cost factors.

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STEP 4 – REVISE AND FINALIZE BUDGET

Department Administrators. Exhibit 1 and Exhibit 2 must be updated with the final budget that OSRS approved in RMS. Ensure that all budget categories from Exhibit 1 and Exhibit 2 match the RMS.

STEP 5 – CALCULATING PURCHASING PERCENTAGES

ACTION: Department Administrators. Exhibit 2: Calculate the following three items: (1) Non-Salary Direct Costs TOTAL (line 62), (2) Noneligible (excluded from Plan Pool) (line 63), (3) Subcontractable expenses TOTAL (i.e. the "Plan Pool") (line 64). The Plan Pool will be used as your denominator in each SBA category percentage. The numerator will be the dollar amount allocated to that SBA category per year.

Section H - Percentages Support: Insert the formulas for the calculations of the Plan reportable costs and the calculations of the goal percentages that will accompany the Plan document to the sponsoring agency with the proposal.

IMPORTANT: Verify your inputs and cell formulas are correct, and that all figures are consistent across all Exhibits before moving on to Step 6.

STEP 6 – ASSEMBLE PLAN AND OBTAIN PI APPROVAL

Department.
Exhibit 3 - Small Business Subcontracting Plan. Transfer the dollar and percentage information calculated in Exhibit 2 into the subcontracting plan document. If you have any questions, OSRS is available to review. The Subcontracting Plan is the document that will be signed by OSRS and submitted to the awarding agency with the application. Send the Plan document to the PI for approval; PI acknowledgement must be in writing.

Optional: Exhibit 4 - PI Acknowledgement Memo. Prepare the subcontracting memo to the PI explaining the importance of meeting the established goals in the subcontracting plan. Send the Memo to the PI with the Plan document.

STEP 7 - SUBMIT

OSRS. Provide OSRS with the PI acknowledgement of the Plan email with the Plan document for institutional signature. OSRS shall review and **Sign** the Small Business Subcontracting Plan document, and shall return to Dept. to include in the proposal package to the sponsoring agency.

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POST AWARD PROCEDURES

JUST IN TIME REQUESTS
The Federal agency may request changes to the budget and Small Business Subcontracting Plan prior to making an award.

STEP 8 – GRANT TAG NUMBER

SPA: In the event of an awarded contract or subcontract, SPA will notify the PI, Purchasing and the Dept. Administrator of the **WU grant tag number and of every new grant tag account thereafter**.

NOTE: The <u>Base period of the contract (initial year)</u> is <mark>not typically cumulative</mark> with the Option periods of subsequent years.

STEP 9 – REPORTING

<u>Purchasing.</u> Purchasing has the responsibility of reporting to the government on progress towards meeting the goals established in the Plan.[5] OSRS provides the workday Reportable Contracts report. Plan reporting occurs twice a year, in April and October. (Exhibit X) Purchasing will send a copy of the report detailing all purchases on that fund to the Department Administrator and PI.

STEP 10 – MONITORING

<u>Department Administrator & PI</u>. The Department monitors these reports and compares the percentages to the Plan to ensure the Plan goals are being met. If goals are not being met the Department will work with Purchasing to investigate further opportunities for meeting the goals prior to the end of the contract. The Department should follow up bi-annually with Purchasing regarding applicable funds for reporting.

<u>LOWER TIER SUBCONTRACTORS</u>

If our PI's project includes any proposed subcontractor collaborators, **and** if any collaborator's budget exceeds $750,000 over the full project period, that subcontractor must submit to the DA a Small Business Subcontracting Plan as part of our application. In the event of an awarded contract to WU, it is the department responsibility to monitor the costs paid to the Subcontractor and to ensure they are in compliance with their Plan. The DA should request a copy of the bi-annual ISR (Individual Subcontracting Report) from the subcontractor (The reports are due into esrs.gov April 1 and October 1.)

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[5] JROC is the Point of Contact from the federal agency to receive correspondence regarding SBSP Reports of performance towards achieving the stated Plan goals. If such an inquiry is received asking WUSTL to respond regarding our ability to meet the subcontracting plan's stated goals, the Dept. takes the lead in coordinating the response back to the awarding agency. The response is coordinated with the PI, and Purchasing to ensure the goals will be met or to request to revise the stated goals.

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Small Business Subcontracting Plans – Roles and Responsibilities

Departmental Responsibilities

AT APPLICATION TIME
- Designate departmental team, assign responsibilities, establish due dates for tasks.
- Prepare budgetary spreadsheets, identifying expenses that may be eligible for purchase from a small/disadvantaged business.
- Consult with purchasing for identification of suppliers as needed. Revise budgetary spreadsheets and RMS with final budget numbers.
- Assemble and submit the final plan document to OSRS GA.
- Request, review and approve any Subcontractor Plan (at proposal stage)

IN THE EVENT OF AN AWARD
- Monitor plan purchasing performance and make adjustments as necessary to achieve the plan goals, including any Subcontractor Plans. In the event adjustment is anticipated, contact the federal contracting officer for guidance.
- Cooperate in compliance reviews or audit situations.
- Biannual follow-up with Purchasing regarding applicable funds for reporting. Notify Purchasing and Department when a contract is awarded that has a Plan and identify fund number.

OSRS Responsibilities
- Notify Purchasing, JROC and Department when a Plan is required for a proposal.
- Compare Plan document to RMS to ensure it matches. Sign plan document to be included in proposal package.

Purchasing
- Consult and assist in the identification of eligible expenses in the Department's budget, and assist in the identification of small business suppliers for inclusion and use under the Plan. Obtain price quotes as needed.
- Develop and maintain a list of approved/recommended vendors to satisfy the small business subcontracting plan requirements.
- Submit biannual reports into eSRS.gov. (April and October) Provide report copies to Dept.
- Maintain list of current reportable funds (changes as new reportable contracts with SBSPs are awarded).

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Small Business Subcontracting Plan – Quick Guide

Pre-award Steps:

Step 1 – Review and Notification. OSRS GA and Department will review the solicitation to determine if a procurement contract is anticipated. If so, GA will notify JROC to draft exception letter to solicitation, which will identify any items in the solicitation that WU cannot agree to. DA should notify JROC if the award is expected to be over $750,000 total costs for all budget years. JROC will alert Dept. and GA in the event a small business subcontracting plan must be developed.

Step 2 – Prepare Initial Budget Spreadsheets. DA prepares detailed budget spreadsheets (see Exhibit 1 – Budget Template Spreadsheet, and Exhibit 2 - Supplies & Other Direct Costs Summary).   DA will submit both Exhibits 1 and 2 upon completion to Purchasing for review.

Step 3 – Identify Vendors and Pricing. DA and Purchasing work together to determine which line item expenses are eligible for purchase from a small or minority owned business. Many items will be excluded from eligibility for various reasons including because they are covered by preferred vendor contracts, they are an internal expense, or they are only available from specific vendors (none of which are eligible).   Purchasing will seek pricing information as needed. It may be necessary for the DA to involve their Lab Manager and/or PI to determine if the products and prices identified by Purchasing are acceptable.

Step 4 – Revise and Finalize Budget. DA will update the budget spreadsheets (Exhibit 1 and Exhibit 2) and RMS to reflect the new pricing. Specifically, Exhibit 2 will be updated to add the new vendor information along with their SBA designation. RMS will also be updated to match Exhibit 1 and 2.

Step 5 – Calculate Purchasing Percentages. Using the final budget information in Exhibit 2, Department will calculate the percent of eligible costs being purchased from businesses meeting SBA requirements. These calculations shall be made in the bottom of Exhibit 2.

Step 6 – Assemble Plan and Obtain PI Approval. Department assembles Small Business Subcontracting Plan document using Exhibit 2 and the calculations contained therein. Department will submit the plan to OSRS for final review, then to the PI along with the PI acknowledgment memo for PI's approval.

Step 7 - Submit. Once approved, OSRS will sign and return the Small Business Subcontracting Plan document to the Department and GA for inclusion in the proposal package to the sponsoring agency.

Post-award Steps:

Step 8 – Grant tag Number. In the event a contract is awarded, SPA will notify PI, Purchasing, and DA of the WU grant tag number.

Step 9 – Reporting. Purchasing will track and report on department's compliance with the plan.

Step 10 – Monitoring. Department will monitor expense progress internally.

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