

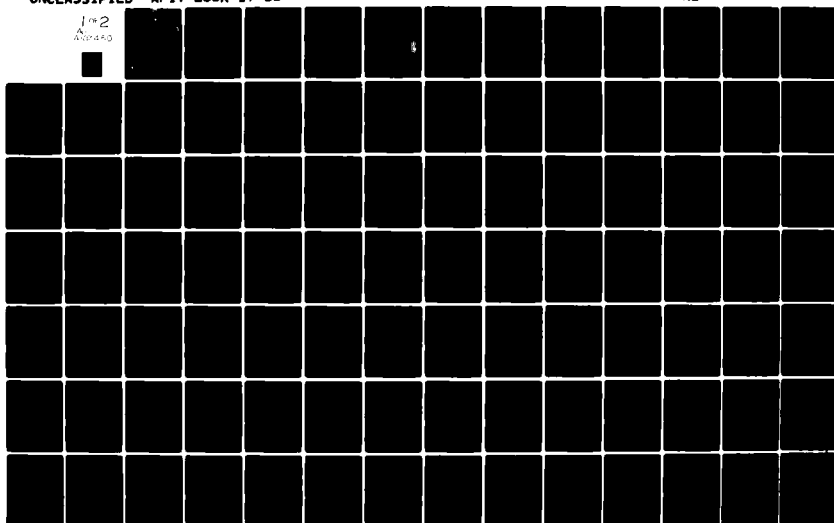
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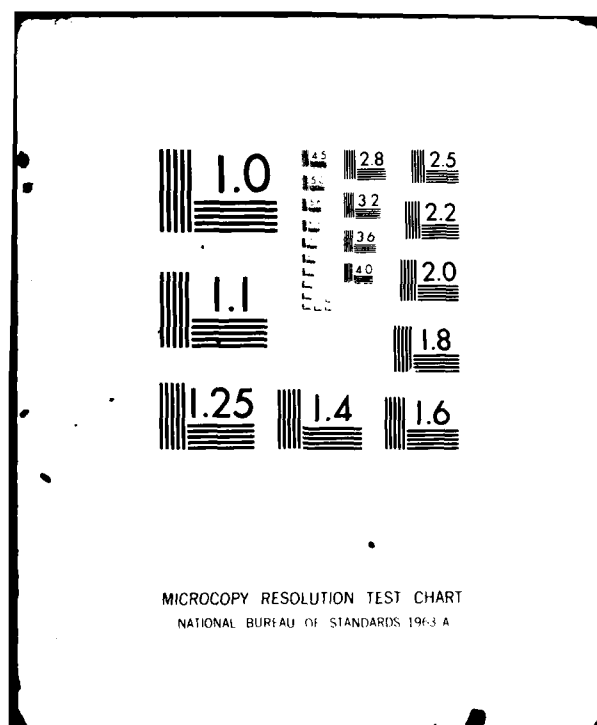
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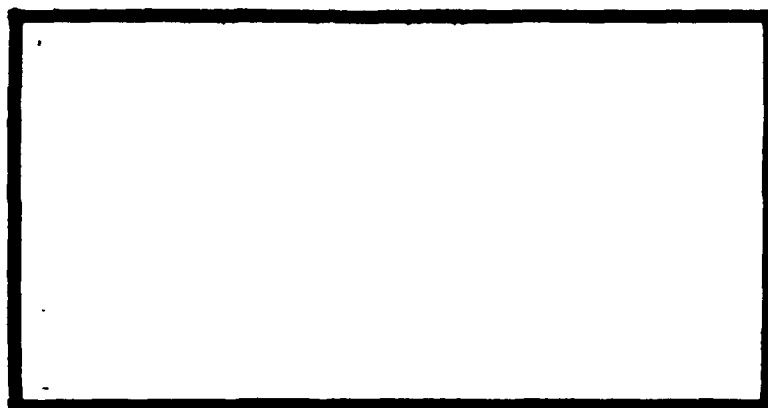
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IMPLEMENTATION OF SUBCONTRACTING
PROVISIONS OF PUBLIC LAW 95-507
WITHIN AIR FORCE LOGISTICS COMMAND
AND AIR FORCE SYSTEMS COMMAND

Captain Shawn F. Graves, USA
Captain William D. Ritchie, USA

LSSR 17-86

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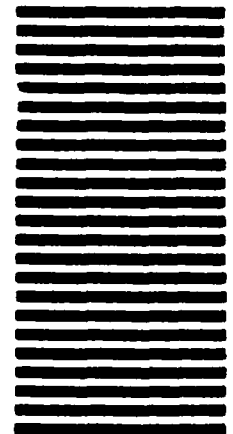
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Following the passage of PL 95-507 in October, 1978, there has been continued controversy among the lawmakers, DOD, SBA and industry as to the overall support of the program. Especially noteworthy is the effect and utilization of the subcontracting plans required by law. This study narrows the scope of the problem to the implementation of the law through the use of the current Air Force Guidelines. The objectives are to validate the guidelines and analyze any weaknesses discovered. The researchers conclude that the current guidelines do effectively implement the law. However, it is recommended that better communication be established between contracting officials and SBA and a clarification of ambiguous and redundant wording in the guidelines be made. Additionally, both reporting and records requirements need to be standardized and new policy statements need to be incorporated into the guidelines. Specifically, guidelines 6, 7, 8, 9, 16 and 23 need to be rewritten/expanded for ease of user interpretation and litigation. Lastly, the authors recommend potentially productive topics for future research directed towards assisting Procurement Contracting Officers in their duties and improving the implementation of PL 95-507.

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IMPLEMENTATION OF SUBCONTRACTING PROVISIONS OF
PUBLIC LAW 95-507 WITHIN AIR FORCE LOGISTICS
COMMAND AND AIR FORCE SYSTEMS COMMAND

A Thesis

Presented to the Faculty of the School of Systems and Logistics
of the Air Force Institute of Technology
Air University

In Partial Fulfillment of the Requirements for the
Degree of Master of Science in Logistics Management

By

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June 1981

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Captain Shawn F. Graves

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has been accepted by the undersigned on behalf of the
faculty of the School of Systems and Logistics in partial
fulfillment of the requirements for the degree of

MASTER OF SCIENCE IN LOGISTICS MANAGEMENT
(CONTRACTING AND ACQUISITION MANAGEMENT MAJOR)

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CHAPTER I

INTRODUCTION

Overview

In March 1977, in his Urban Policy Statement, President Carter pledged that federal purchases from minority-owned firms would be doubled by 1979 (11:134). This ambitious proposal spearheaded the drive for legislative aid to small business and minority business. The following year, during the 95th Congress, legislation was passed in the form of Public Law 95-507 which provided a series of amendments to the Small Business Act and the Small Business Investment Act of 1958. The new law mandates several changes to government contracting procedures which focus upon a new requirement for contractors to develop comprehensive subcontracting plans for the use of small and small disadvantaged business concerns when the prime contract is in excess of \$500,000 (\$1,000,000 for construction contracts). The intent of the requirement for such plans is to increase the proportion of government contract dollars going to small business.

Problem Statement

Congress, the present administration, and small business are particularly concerned with the manner in which

the Department of Defense (DOD) implements and supports the law since this is where the lion's share of government contract awards lie. Through several congressional hearings on the subject it has been found that DOD actions have had serious shortcomings (4:4; 11:188-203; 12:11). It is deserving of review as to whether or not current implementation of Public Law 95-507 directives within DOD is adequate.

Definitions

In order to establish a consistent framework of terms without unduly cluttering the narrative for the more experienced readers on the subject of subcontracting, the characteristic terms of this subject are to be found defined in Appendix A, "Definitions of Terms."

Background

Congressional and small business sentiment that there is a problem in implementing the law was aptly expressed by the Honorable Joseph P. Addabbo, Congressman from New York, when he stated in April 1979, that there exists:

. . . the Sleepy Hollow attitude of all the agencies in developing programs in accordance to what was supposed to be and was declared landmark legislation in the hope of small business and minority business [12:36].

It is claimed that this so-called "landmark legislation" did not prove to be the windfall for small business that some expected. To the dissatisfaction of many, small

business' share of DOD contract dollars increased only 14 percent in the year following the law's passage which was far short of the President's stated goal of 200 percent in two years (10:190; 19:21). As a consequence, small business interest groups voiced extreme concern about the efforts taken thus far by DOD to implement PL 95-507.

As a guest witness before the law's oversight committee, Mr. Eugene Baker, President of the National Association of Black Manufacturers, made the following statement which was to be echoed by other witnesses throughout the hearings:

We have been requested by this committee to discuss the sufficiency of Federal efforts designed to implement Public Law 95-507. We conclude that the implementation to date has been weak at best [12:20].

Zeroing in on dissatisfaction with DOD in particular he stated that from persons within DOD there appeared to be an effort of "trying to stonewall this committee's efforts in trying to achieve a meaningful, equitable minority business program within DOD [12:22]."

Obviously, there exists problems within DOD in PL 95-507 implementation as perceived by external elements. This could be caused by: (1) failure to communicate adequately on the subject with external interest groups so that DOD's position is distorted, (2) responsibility for implementing an ineffective law, or (3) a need for better internal implementation. Of these three possible sources

of problem generation the need for better internal implementation is viewed as more worthy of research. The written law itself is controlled by Congress and the communication problem is one which is not considered as crucial as the last two causes since it is dependent upon the others for resolution. Therefore, it is felt that within DOD, that it is most appropriate to investigate the possible need for better implementation of the law. In this context, this thesis is most concerned with programs, plans, directives and other implementing methods used by DOD and how they contribute to achieving the goal of the law.

The goal is to assist small business head toward a parity position in contracting throughout the industry. In order to offer small business more opportunities, the law has laid out many requirements for prime contractors. These requirements were to be incorporated into subcontracting plans by prime contractors and submitted to government contracting officers for review and inclusion in the contract plan when formally advertised. The plan is included with all offers in the case of negotiated contracts. The six key points of the law are:

1. Separate percentage goals for small business, and small disadvantaged business expressed as a percentage of total planned subcontract dollars;

2. Name of an individual who will administer the plan and a listing of his specific duties;

3. A description of the efforts that the offeror will take to ensure that small and small disadvantaged business will get an equitable opportunity to compete for subcontracts;

4. Assurance that offeror will in turn require the adoption of a similar subcontract plan by any of the offeror's contractors who receive a subcontract in excess of \$500,000 for supplies and services and \$1 million in the case of construction. This is more commonly known as a "flow down" provision;

5. Assurance that offeror will cooperate with SBA and contracting agency and submit such periodic reports as may be required to determine extent of compliance with the subcontracting plan; and

6. Provision of the types of records maintained to demonstrate procedures which have been adopted to comply with requirements and goals set forth in the plan, including establishment of source lists (6:8).

These few basic requirements apparently have proved to be deceptively difficult to implement when viewed in the light of the intent of the law rather than the letter of the law. Embedded in the law were many nondescriptive clauses like: "fullest extent," "consistent with efficient performance," "percentage goals," "description of efforts."

The requirements therefore have become ambiguous to many parties and lacked substance for the implementor. At this point it is clear that there are two problems to pursue within DOD: (1) the legal adequacy of the law, and (2) the resulting guidance and requirements generated from interpretation of the intent of the law. It is felt that point one would not be as productive as point two; it implies a discussion of legality or legal sufficiency which is not DOD's primary problem. The more pressing issue is the mandated requirement to implement the law as written (problem 2).

The importance of guidance at user level was recognized by DOD when they formulated Defense Acquisition Circular (DAC) 76-19 which incorporates the provisions of PL 95-507 into DOD contracting regulations. The Air Force Director of Small and Small Disadvantaged Business Utilization (SADBU) in turn developed a set of guidelines which includes a checklist for use by contracting officers under the title "Small and Small Disadvantaged Business Subcontracting Plan Evaluation Guidelines" (Appendix B; 14:18-31). SADBU executives from all Air Force major commands received this guidance which to date is the principle guidance of the Air Force. Executives for SADBU at AFLC and AFSC provided the checklist of twenty-four guidelines directly to contracting officers (11:136-137). It is at this bottom level where a contracting officer, armed with a copy of

SADBU guidelines, is charged with implementing PL 95-507 that the research objectives are found.

Research Objectives

Narrowing the scope and range of the research to AFLC and AFSC, the research focused on the subject of PL 95-507 implementation within these two organizations. AFLC and AFSC represent the greatest portion of Air Force contracting in both dollars and quantity making them an appropriate study group from which valid generalizations can be made.

As reflected in the background provided, it is known that the organizations rely upon a set of published guidelines to satisfy implementation requirements. The requirements explained to contracting officers in that document provide the official interpretation of the law at user level. Therefore, it is of concern that not only are guidelines provided, but that they do in fact agree with the law which they must implement, and that they were designed to achieve the intended goals of the law. For this reason the following primary objectives are found to be appropriate:

1. Determine the validity of the present subcontracting plan guidelines being used by AFLC and AFSC.

2. Group and analyze precipited problems, shortcomings or weaknesses, if any, of the current guidelines and develop proposals for amended guidelines.

Research Hypothesis

For examining, testing, and evaluating the objectives, the hypothesis is:

Hypothesis: Implementation of PL 95-507 as expressed in the guidelines used by AFLC and AFSC does meet the intent of the law.

The resulting acceptance or rejection of this hypothesis in the findings will lead directly to the accomplishment of Objective 1 which in turn provides the input to satisfy the requirements of Objective 2.

Assumptions

It has been accepted practice in the past to provide contracting officers with implementing instructions of laws in the form of guidelines and checklists. These aid the contracting officer by explaining in layman terms the specified or implied requirements of the law as it pertains to the officer's duty performance. Guidelines and checklists also clarify the position taken by higher headquarters as to the interpretation of the law and provide a convenient, documented method for evaluating one's compliance with the law. Therefore, this study assumes that a published guideline is necessary and looks for ways to

increase the effectiveness and quality of this management tool.

Scope and Limitations

This study is limited to an evaluation of the DOD guidelines as used within the Air Force Systems Command (AFSC) and the Air Force Logistics Command (AFLC). This is considered to be a reasonable limitation since between these two commands the vast majority of major contracts are awarded. In consideration of the time and financial restrictions imposed upon the research it is not adequately beneficial nor efficient to expand the scope of research. However, because of the homogeneous nature of other contracting organizations the findings should be found relevant and beneficial to commands other than AFLC and AFSC.

Justification

In the past year, much criticism concerning Public Law 95-507 implementation has been directed towards government agencies and in particular the Department of Defense since it is responsible for the largest dollar proportion of major contracts. Much of this criticism is generated by the Small Business Administration (SBA) who represents the interest of small business and by the Subcommittee on General Oversight and Minority Enterprise. Both interest groups are dissatisfied with the progress that has been made which dictates the need for all DOD agencies to review

and reevaluate their programs in this area. The threat exists that contractors will be straddled with a far more restrictive law if small business cannot be assured that the intent of DOD is to support the thrust of PL 95-507 which is "directed toward assuring a growth of small business participation in government subcontracting [12:11]." A review of these guidelines in an effort to police our own ranks would prove wise in the light of increasing criticism of the program and also in the light of more explicit and voluminous interpretations of the law in recent months. Gene F. Van Arsdale, speaking as a public relations consultant for the SBA, stated in January 1980 that,

In our view [SBA] a failure of the government business community to achieve an increase in the position of small and small disadvantaged business under subcontracts would result in further legislation which would mandate percentages. . . [12:11].

With this track record it is imperative that all agencies bend over backward to make the law work if DOD is to demonstrate convincingly that there is truth in the words of Dale W. Church, the department's Director of Small and Disadvantage Business Utilization. On behalf of DOD he stated:

. . . that within the context of our primary mission of national security the Department of Defense is fully committed to the socioeconomic programs of this nation. Having provided for our primary mission, we support the socioeconomic programs to the maximum extent possible [12:354].

Support of the programs boils down to the work of contracting officers in the field. Throughout the echelons of DOD, guidance can be disseminated but that guidance is implemented only in the one-on-one confrontation between business contractors and government contracting officers. Herein lies the key to success within DOD--the contracting officer. However, contracting officers have voiced concern about problems in correctly interpreting the law. This comes as no surprise based upon the comments of other experts in the field and in particular comments of a similar nature from the very officials who are responsible for fielding guidance to contracting officers. Thomas Williamson, OFPP Associate Administrator, stated in October 1979 that the Act "is a complex and in many ways flawed law [4:4]." Similarly, Dale W. Church stated in December 1979, that "because of its [PL 95-507] comprehensive and far-reaching implications, it was and still is a most difficult law to implement [11:188]."

Expert testimony and the extent of complaints from the field also lend strong support to the proposal that this is an area in need of additional research (Appendix C, 19:7). Problems cited have resulted in a need for explicit and uniform interpretation of the law. The "Small and Small Disadvantaged Business Subcontracting Plan Evaluation Guidelines" in the hands of the contracting officer is currently the primary source of information and therefore

worthy of study. For these reasons it is felt that the research is of significant potential value and justifies its conduct.

CHAPTER II

RESEARCH METHODOLOGY

Overview

This chapter takes the initial objectives and hypothesis presented in Chapter I and describes how they are to be resolved by developing the research design. In doing so, the design's logic and strategy are explained; the population and samples of interest are defined; the instrumentation is described; and the data collection, recording, processing, and analysis are presented. At each stage in the design's development, the significant assumptions to be made and the limitations that result from the choice of methodology are presented.

In Chapter I it is explained that the first research objective is accomplished by evaluating the research hypothesis:

H₀: Implementation of PL 95-507 as expressed in the guidelines used by AFLC and AFSC does meet the intent of the law.

The second objective, that of developing proposals for amended guidelines, is also dependent upon analysis of the research hypothesis in that the sustenance and warranty for any amendments flow from problems identified in the evaluated guidelines. It is apparent that a design must be

developed that not only confirms or refutes the hypothesis, but also provides insight into the reasons for these conclusions. In summary, the design must first evaluate the current guidelines and secondly must identify any needed changes.

Intrinsic Design Characteristics

Keeping in mind the two primary design requirements of the previous paragraph it is appropriate at this time to review the inherent restrictions and characteristics associated with tailoring a design problem. The methodology must make allowances for these special factors in order to obtain reliability, validity and generality:

1. Exploratory nature of study. Impacting on the strength of a design is the fact that the data collection is mostly exploratory in nature. No published works on the subject have been identified that might assist in defining parameters. Therefore, it is necessary at this stage of the problem study to be conservative in the assumptions made about population parameters. It is recognized that conservative assumptions will in turn weaken the power and efficiency of test instruments chosen; however, as a consequence, generalizations will carry more validity in the final analysis.

2. Attitude and opinion measurement. The nature of this research is not conducive to experimental techniques.

Conclusions must be made concerning a judgemental or attitude-type hypothesis (i.e., "implementation" does meet the "intent" of the law). The type of variables that will require measurement are typically attitude and opinion. This indicates that psychometric methods are most applicable. Data for this type of research is rarely interval or ratio. Particularly in this case, with no previous development of the problem, nonparametric type hypothesis testing surfaces as most suitable.

3. Descriptive data collection. Evaluating the research hypothesis can be reduced to quantitative, statistical type analysis from which significance can be inferred. However, the second research objective tends to be more subjective and qualitative in nature (i.e., propose amendments for "improvement" of present guidelines). For this purpose there is a need to obtain descriptive type data that give insight or explanation as to the cause for rejection or acceptance of the hypothesis. Conventional research designs for collecting such data center on questionnaire and interview type instrumentation.

In summary, these intrinsic characteristics of the problem play a major role in determining what research methods are suitable. Generated from their consideration is the logic for developing a design that incorporates the following methods: (1) use of conservative assumptions and decision rules to allow for the "exploratory nature,"

(2) use of psychometric designs to gather opinion and attitude type data, and (3) use of questionnaire and survey type instrumentation to provide insight data. At this point, the research design can be focused on defining a method.

Development of Design Strategy

The design parameters addressed in the preceding section establish the boundaries of the problem. It is in recognition of these limiting characteristics that this section develops a conceptual framework or strategy from which the problem is analyzed.

First, it is recognized that an unbiased evaluation of the guidelines needs to be performed to answer the research hypothesis. To do this, all the different interest groups served and affected by the law must be considered and allowed to contribute their proportionate share in the evaluation. To identify the different interest groups of concern it is first appropriate to define the universe. The universe consists of

All Air Force personnel and small business interest groups who are involved in government contracting that qualifies for the subcontracting requirements of PL-95-507 [10:12].

Ideally, the universe should be used to evaluate the guidelines; however, an evaluation must be done using samples of representative populations within the universe because of time and cost constraints. Therefore, a major

design consideration in question is, "What populations should be sampled to provide a reasonably unbiased evaluation of the guidelines?" The answer lies in identifying the primary purpose of each interest group. In doing so, two salient purposes surface. The vast majority of interest groups in the universe serve one of these two purposes: (1) to see that small business concerns have the maximum opportunity to participate in the performance of contracts requested by any federal agency, and (2) to see to the business of contracting which generates member interest in the law from an administration and compliance viewpoint. Therefore, it is observed that the two primary interest groups which must be included in an evaluation of the guidelines are small business and Air Force contracting officials (Figure 2-1).

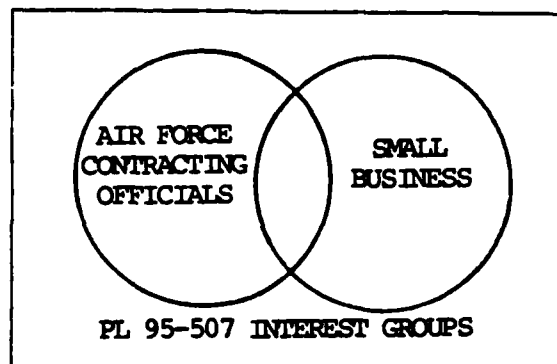


Fig. 2-1. Populations of the Universe

It is recognized that these two groups are not all-encompassing; but it is considered reasonable from the standpoint of both external validity and efficiency to say that from these two populations a comprehensive study of the guidelines and law can be conducted. The two populations are defined as:

Population One. Air Force contracting officials represent the government's procurement needs on major acquisitions (Figure 2-1). This population consists of: Procurement Contracting Officers (PCOs) at Wright-Patterson Air Force Base (WPAFB), Administrative Contracting Officers (ACOs) at the Defense Contracting Administration Service Management Area-Dayton (DCASMA-Dayton), and Small and Disadvantaged Business Utilization Specialists (SADBUS) from both WPAFB and DCASMA-Dayton. It is felt that the composition of Population One will permit the valid generalization of findings to the universe. The justification is that located at WPAFB are the two principle Air Force buying activities; Air Force Logistics Command and Aeronautical Systems Division. These two acquisition nodals are responsible for the majority of qualifying Air Force contracts and their PCOs are the responsible agents within those organizations. In this role, the PCO is assisted by ACOs and SADBUS. Therefore, the group consists of all the key Air Force players from the major requirements generators.

Population Two. This population is defined as Small Business Administration (SBA) officials representing small business interest (Figure 2-1). Generalization from this population to the universe is considered rational for reasons that follow. SBA officials are full-time employed experts in the field of government contracting whose primary job is to assist small business (11:458). They can be expected to be well informed on contracting, PL 95-507, and small business interests.

The next step of design is to decide what questions need to be answered by the subjects in order to evaluate the guidelines. This is done by looking at the component parts of the research hypothesis. By analyzing the current twenty-four guidelines (11:152-157) and the six points of the law (10:13), it is observed that each guideline's origin is from one of the points of law. In a few instances the guidelines are not specifically generated from one point of law but originate from the law as a whole. This pairing of each guideline with its respective point of law results in the model in Figure 2-2.

Observe from Figure 2-2 that the research hypothesis is shown as the core of the problem, surrounded by seven subproblems. These subproblems are the six points of the law that require implementation and a seventh subproblem that looks at the law as a whole. Each subproblem is also shown to have several component parts. To get to

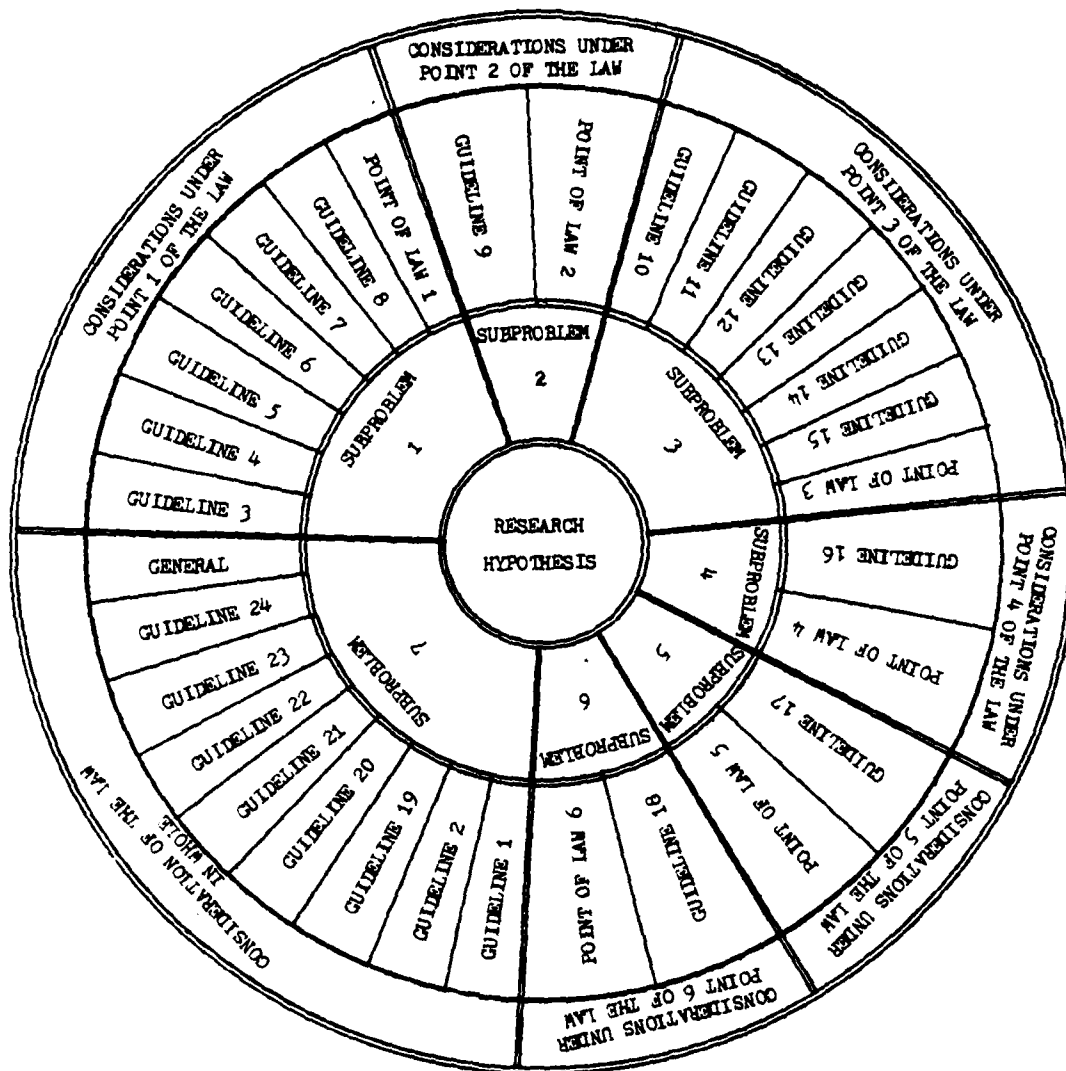


Fig. 2-2. Component Parts of the Research Hypothesis

the core, which is to analyze the research hypothesis, each successive outer layer must first be evaluated. Therefore, under each subproblem, it is proposed to evaluate each component guideline based on the subject's consideration of whether the guideline contributes to implementing the corresponding point of law. These then are the basis for the "Interview Guide," Appendix D.

Using a 5-point Likert scale, the subject, in consideration of whether the law is implemented by the guideline, registers his or her opinion as strongly agree, agree, undecided, disagree, or strongly disagree (Appendix E). This is considered the best attitude scale to use considering the ordinal nature of the data; however, it is noted that such scaling is vulnerable to biasing responses (2:100). Through the use of structured interview techniques, the underlying causes for the subject's response are also recorded. Particularly in the cases of "disagreement," the subject's rationale is sought since such responses indicate areas where amendments may be needed.

Description of Instrumentation and Analytical Model

To complete the research design, the method to be used in analyzing the collected data is described. In essence, it consists of classifying population 1 and 2 as in "agreement" with or in "disagreement" with a guideline by making statistical inferences from the responses of

surveyed subjects in each population. In doing this, Figure 2-3 shows that there are four possible states that can result which must be analyzed. For example, State 1 is a condition where it has been found that both government contracting and SBA officials agree that the guideline implements the law. It is seen then that the following results would be possible:

<u>STATE</u>	<u>PCO's OPINIONS</u>	<u>SBA OPINIONS</u>
1	Agrees with guideline	Agrees with guideline
2	Disagrees with guideline	Disagrees with guideline
3	Disagrees with guideline	Agrees with guideline
4	Agrees with guideline	Disagrees with guideline

SBA OFFICIALS	Agree with Guideline	State 2	State 1
	Disagree with Guideline	State 3	State 4
		Disagree with Guideline	Agree with Guideline
GOVERNMENT CONTRACTING OFFICIALS			

Fig. 2-3. Probable Responses to Consideration of a Guideline

Depending upon the state, inferences can be made about the guidelines. These states will dictate the findings in this study concerning the evaluation of each guideline. They are summarized as follows:

State 1. Both groups agree with the guideline, indicating that the intent of the law is being served since both interest groups are being satisfied.

State 3. Both groups disagree with the guidelines which is strong evidence that the law is in fact not implemented correctly by the guideline. From the interviewees' comments collected for each group, specific problem areas should surface.

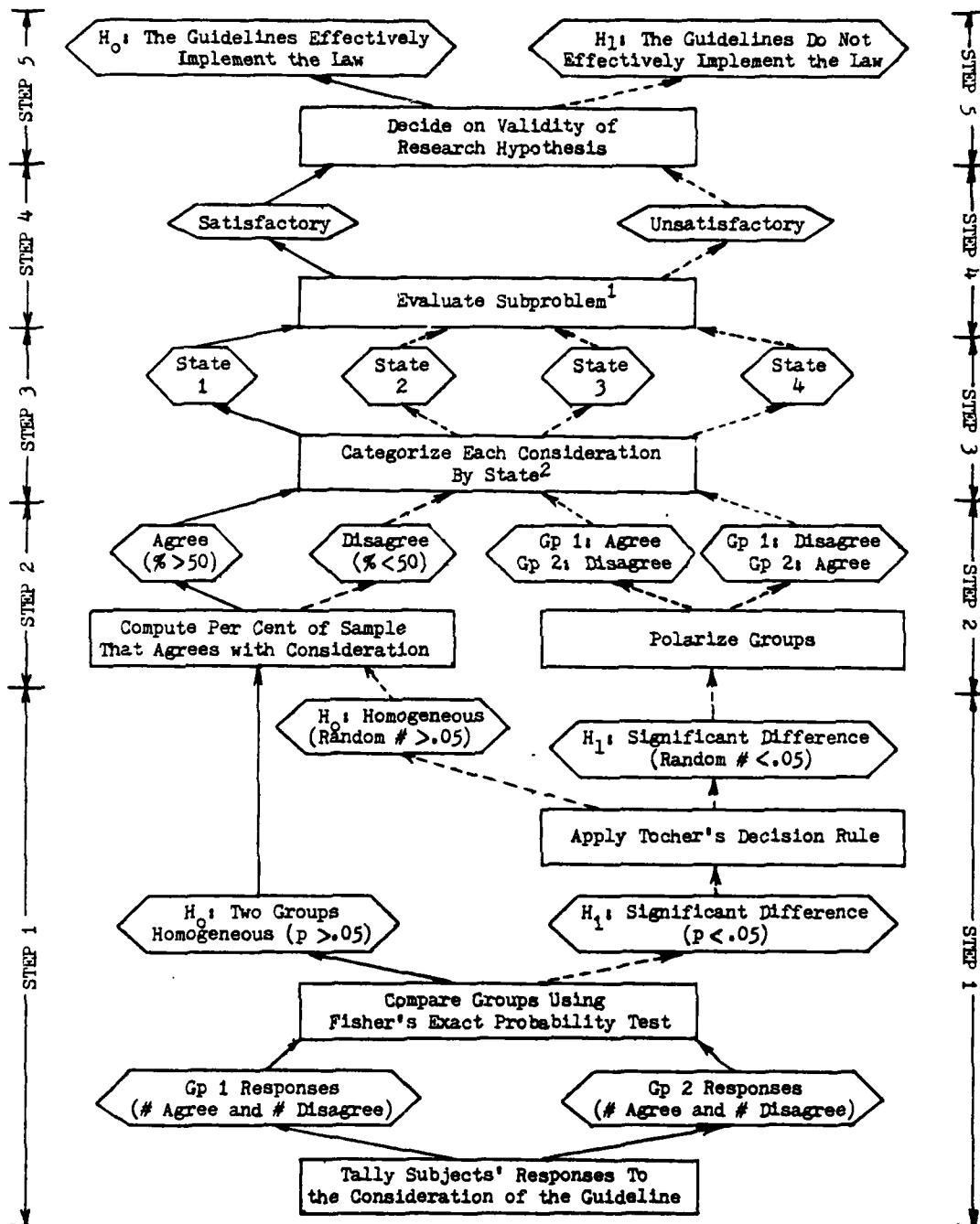
States 2 and 4. In these states the two groups are dichotomous which infers a dilemma not the objective of this study. No conclusion can be reached about the guidelines because there is an obvious disagreement between the groups. The source of this disagreement must come from differing interpretations of the law since the set of guidelines evaluated are a constant. This implies that the law is ambiguous. Under the circumstance it is premature to write or evaluate guidelines. This is an important potential problem area identified in Chapter I but beyond the scope of this research. It is a valuable conclusion, however, to recognize these flaws and to have collected data that offer explanations of the problems.

No standards for acceptable guidelines have been specified by DOD; however, it is assumed for this research that if there are any State 3 conditions, then the null hypothesis will be rejected. This is to say that the guideline does not implement the intent of the law. Having evaluated the guidelines under a subproblem, the question can then be answered as to whether or not the point of the law analyzed by that subproblem is implemented by the component guidelines. Likewise, by reviewing the evaluations of all the subproblems which correspond to points of the law, the research hypothesis can be accepted or rejected. To do this a five-step analytical process is developed.

Statistical Procedures of Data Analysis

Figure 2-4 is a decision flow diagram of the data analysis. In summary, it consists of the following five-step process:

1. For each consideration determine if the two sample groups differ significantly (H_1 : Group 1 $\neq$ Group 2, $\alpha = .05$). The null hypothesis (H_0) indicates that the two groups can be considered homogeneous.
2. When two groups are found to be in agreement on their responses (H_0), then determine what the opinion of the majority tends to be. When the two groups differ significantly (H_1), determine the direction in which the groups tend to be polarized.



¹Must be performed on each of the seven subproblems.

²This step and all lower tier steps must be performed on each component consideration of the subproblem.

Fig. 2-4. Decision Flow Diagram

3. Using the four possible states described, categorize each consideration based upon agreement between groups and the majority response.

4. Based upon the resultant categories of all considerations under each subproblem, evaluate that subproblem for implementation of the law (H_1 : This portion of the law is not implemented).

5. Based upon the evaluation of each subproblem, determine if the research hypothesis is supported.

It should be noted that in this model, the key determinant of the state into which two populations fall and from which inferences are made is the performance of a comparative or composite evaluation of the two groups (Step 1). A study of several psychological research texts for appropriate tests and measures reveals that Fisher's Exact Probability Test with Tocher's modification is best for this purpose. The test computes the significance of differences in two populations using nonparametric, discrete or ordinal data. It is the most powerful of one-tailed tests when the combined sample size is less than 20 or when the smallest expected frequency of one response is less than five which is very probable in this study. With the problem of no history of expected response, it is felt that the sample sizes required to insure an adequate distribution for the more powerful tests are unreasonable (7:96-104). However, given more resources, it is possible

to use stronger tests (i.e., Chi Square). For an in-depth explanation of the Fisher Exact Probability Test with Tocher's modification see Appendix G.

Data Collection

Having reduced the design strategy to well defined statistical treatments, populations of interest, and survey instruments, a description of the field procedures that followed are in order.

Survey Instrument Pretest

The interview guide and questionnaire (Appendices D and E) were subjected to a pilot test at the Air Force Institute of Technology (AFIT) in January of 1981. Such a test helps to ensure that:

. . . the questions meet the objectives of the survey; all important phases of the survey have been adequately covered; the questions stimulate respondent cooperation; the questions are in satisfactory order; and the questions are completely understood by the respondents [9:2-3].

Instructors from both the graduate program and the continuing education program in contracting were interviewed both for their answers to the questionnaire and their comments as to the content, question structure, organization and sequence of the guide. Even though the instructors solicited are not active members of the population under study, their responses and comments are deemed applicable by virtue of their previous job experience, present job

responsibilities and current contact with the population of interest.

Population Sampling

When sampling the population for interviewee subjects, the following techniques were employed. Stratified random sampling was used such that the population was divided into a number of mutually exclusive subpopulations or strata, and independent simple random samples were selected from each strata (in some instances because of extremely small strata, a census was taken). This method is more efficient than simple random sampling, provides accurate estimates of each strata, and at the same time contributes to the population (5:340). AFLC, ASD, and DCASMA-Dayton rosters were used to identify the population of government contracting officials and the current SBA directory was used to identify eligible SBA officials (17:59-67). The sample from each population was then selected with the use of a table of random numbers.

Because of time and cost constraints, the number of SBA officials interviewed by the preferred face-to-face basis was limited to District and Branch Office representatives within a 100 mile radius of WPAFB and Region V representatives (Chicago). Region V geographically encompasses Ohio, Illinois, Indiana, Wisconsin, Michigan, and Minnesota. A census of this sample group resulted in

six subjects. With a minimum sample size of 10 needed to allow for adequate statistical significance, it was necessary to identify four additional small business subjects. Therefore, a random sample of the nine other regional offices was taken for the purpose of interviewing telephonically. From the sampling procedure the following regions were selected: Region 6 (Dallas); Region 7 (Kansas City); Region 8 (Denver); and Region 10 (Seattle).

In constructing the stratified sample of contracting officials, the primary concern was that each major buying activity be represented. Therefore, randomly selected were two PCOs from each ASD Special Program Office and two PCOs from AFLC (a census of PCOs with former PL 95-507 administration experience). Additionally, to voice contract management's viewpoint on PL 95-507's implementation, ACOs were selected (two from DCASMA-Dayton). Finally, important in a stratified sample of contracting officials are the SADBUs specialists who review every sub-contracting plan received in a command. Because only one SADBUs was assigned to each of the three commands in this group, a census was taken. The Air Force contracting officials survey group included 22 subjects.

Conduct of Interviews

In this phase the actual data collection takes place with the interviewer conducting personal interviews

with all members of the sample. The greatest value of the survey method using personal interviews is the depth and detail of information that can be secured (1:294). The interview technique used to supplement a questionnaire is extremely useful in this study since there are open-ended questions associated with each fixed consideration. This becomes extremely important when the interviewee responds with a "disagree." In an interview, the interviewer can probe in greater depth for an accounting of the respondent's disagreement. Additionally, if a question as stated is unclear or if any of the respondents are reluctant to talk, the interviewer can clarify or quell their misconceptions.

The first step in getting to the field was to contact AFLC, AFSC, DCASMA-Dayton and the respective SBA offices that were to be sampled, for permission to interview selected personnel. This was accomplished in February of 1981. Had any office not been receptive, another office would have been selected by the earlier-mentioned sampling procedure. This was not necessary since all responded positively. After initial contact was established a cover letter explaining the purpose of the interview and the six main topical areas to be discussed was sent to each person (Appendix D). The actual questions to be asked were not sent in order to prevent the interviewee from forming predetermined answers prior to the interview.

Having completed all preparations and coordination, structured interviews using the format of the questionnaire were conducted in February, March, and April of 1981. These interviews ranged in time from 45 to 90 minutes each. By using well defined objectives, a pretested questionnaire, practiced interview techniques, and a structured interview format, every effort was made to strengthen the validity and reliability as well as reduce bias. However it is recognized that interviewing has the inherent weakness of introducing interviewer/ee bias, errors in communication translation, loss of information because of recording instruments weaknesses, and memory errors that increase with time. The survey's raw data is to be found in Appendix F, "Tabulation of Questionnaire Responses;" the statistical analysis of the data using the 5-step processing model is shown in Appendix G, "Statistical Methods and Analysis;" and the resultant findings will be presented in Chapter III.

Assumptions/Limitations

Assumptions

1. The samples of PCOs and SBA officials are representative of their respective population.
2. The statistical tests used are appropriate to the nature of the thesis.

3. All interviewees answer all questions honestly and conscientiously.

4. All interviewees have the prerequisite knowledge and background to answer the questions.

5. Interviewees interpret all questions in the same manner and are not biased by the interviewer.

6. Criteria omitted has no significant impact on the data or the corresponding results.

Limitations

1. TDY funds for travel outside the WPAFB area.
2. Time and resources available to the thesis team.
3. Time provided by the interviewees.

CHAPTER III

FINDINGS AND INTERPRETATION

Introduction

This chapter is a presentation and analysis of the collected data using the design and methodology of Chapter II. The findings presented are logically ordered in sequential response to the seven subproblems. Within this framework, the reader will find for each subproblem: first, an overall decision finding for the subproblem and second, a detailed analysis of each surveyed consideration (guideline; Gd) associated with that subproblem. Tables are presented with each subproblem to summarize the calculated significance of difference between the two sample groups and the polarity of responses (i.e., agree or disagree with responses).

Interviews of those personnel identified in Chapters I and II were conducted to obtain the specific responses tabulated under each consideration. The interviews were completed in accordance with the structured interview contained in Appendix D. For a more detailed examination of the statistical analysis, see Appendix G "Statistical Methods and Analysis."

Subproblem 1

Establish percentage goals for the utilization as subcontractors of small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals.¹

Overall Finding

Based on the responses received from Contracting Officials (COs) and SBA representatives, it is determined that both groups agree that the particular Air Force Guidelines do effectively implement this particular point of the law. The percentage of agreement is 71.4 percent (Table 3-1).

The general comments are:

1. The guidelines are good as a checklist as long as they do not become an inflexible list of requirements.
2. We (PCOs) do not need a set of goals; what we need is more latitude to deal with the contractors.
3. I disagree with this portion of the guide because of guidelines number 6 and 7. Why do I need the names and locations of SB/SDB from the prime and who needs to know the details of how goals were developed if satisfactory?

¹Each of the first six subproblem statements is a separate evaluation of the individual point of law. For ease of reference, the point of law which correlates to the subproblem is restated (6:8).

TABLE 3-1
ANALYSIS OF SUBPROBLEM 1

Consideration	Significance (H_1 : GP1 $\neq$ GP2)	% Agree
Guideline 3	.6317	87.5
Guideline 4	.3105	90.6
Guideline 5	.2040	86.2
Guideline 6	.4488	59.3
Guideline 7	.1456	79.2
Guideline 8	.5428	51.7
Pt. 1 Overall	.4845	71.4

4. This law is like motherhood--it cannot be disputed, but neither can it be implemented.

5. The law only requires guidelines 3 and 6.

6. Under the goals, both the percent and dollar value should be stated as well as the total dollar value of planned subcontracting.

7. Guidelines have been superseded by OFPP 80-2 and DAC 76-24.

Guideline 3

Did the contractor propose separate percentage goals?

Analysis. From Table 3-1 it can be seen that on this guideline there is 87.5 percent agreement that it is

needed to implement the law. This point is clearly stated within the law and the guideline is clear and sufficient.

Some interviewees felt that:

1. The contractor needs to state the particular SB/SDB goals.
2. The definition of the word "separate" should be more clearly explained (i.e., SB vs. SDB).
3. There must be a means to ensure that the SDB goal is not also included in the SB goal (prevents double counting).

Guideline 4

Did the contractor base the goals on total volume of planned subcontracting and that planned to be awarded to small and small disadvantaged firms?

Analysis. Of those interviewed, 90.6 percent agree that this is a necessary guideline and that goals must be based and/or dependent on total volume of planned subcontracting. By stating the total dollar volume, the base used by the contractor is known. From this data any reports indicating SB/SDB utilization can be traced for the SBA or any other agency.

General comments stated:

1. The contractor must state the total dollar value of planned subcontracting.

2. The law does not require a standard base, but without it what the contractor uses is not known. Additionally, comparison across an industry or in time is difficult and impracticable.

3. Without the base being stated, the guideline is ambiguous and easily manipulated to the prime's advantage.

Guideline 5

Did the contractor describe the areas where it is planned to subcontract to small and small disadvantaged business firms?

Analysis. Eighty-six percent of the people agree with this guideline, but the COs require further clarification as to what is involved/required here; whereas, the SBA representatives had no comments on the interpretation.

The comments were:

1. What is really addressed here is not thoroughly stated (i.e., labor-surplus areas).

2. The guideline should be expanded to delineate what is meant and what information is required (i.e., "describe" encompasses greatly varying standards).

3. The law and the program are too new to require this detail of feedback.

4. Does the term "area" refer to a functional or geographical area?

Guideline 6

Did the contractor furnish the names and locations by principal small and small disadvantaged firms to be awarded subcontracts?

Analysis. This particular guideline is generally agreed upon, but only by a narrow margin of 59.3 percent. All but a couple of those interviewed felt that this became just a laundry list of names that really did not indicate any thorough or deliberate thought. This guideline is not required by the law, and when used is paid only lip service.

The comments are:

1. Too much detail is being required.
2. This only indicates that the prime has shopped around for a listing of potential subcontractors.
3. Such a guideline is unnecessary because under an advertised contract the prime already knows the subs he will use and under a negotiated contract the prime does not need to have his subs selected yet.
4. This is just a potential shopping list that can be pulled out of anywhere. Does not mean much or carry any weight.
5. Instead of a list of names the contractor should state the areas that subs will be used.
6. This is not required by law and should be eliminated.

7. The law wants only a plan, not a contract where each item or point must be etched in stone.

8. For what is this information to be used?
It is useless.

Guideline 7

What was the method used to develop goals?

Analysis. Of surveyed interviewees, 79.2 percent agree that this guideline is needed; mainly because the contractor should have a systematic procedure for determining the goals. Criticisms arise from the fact that many COs and SBA personnel believe that the percentages are arbitrarily stated with no supporting rationale.

The comments reflect these thoughts:

1. There is no statistical method used; normally the percentages are just a number pulled out of the air.
2. The guideline needs to be expanded so that the contractor's methodology can be explained.
3. The method per se is not critical; but the fact that one is defined and used is.
4. The goals should be based on historical information regarding SB/SDB utilization by the contractor.
5. This goes beyond the law and serves no constructive purpose.

Guideline 8

How was indirect or overhead costs allocated in developing the goals?

Analysis. The amount of agreement on this guideline, 51.7 percent, was the smallest majority attained in subproblem 1. This value is close to indicating that this guideline is unsatisfactory and in light of this closeness the comments received pose some interesting ideas. Many interviewees agree that overhead allocation is an important and costly consideration, but it is not material in actually developing the goals.

The comments were:

1. On a subcontracting plan only direct costs should be considered.
2. Most contractors do not consider these costs in developing the goals because they are not easy to track and when they do it does not help.
3. This is a cop-out; not a realistic baseline for percentage goals.
4. Not used because the overhead rates are already worked out and there are no special rates for SB/SDB.
5. This is irrelevant because the prime's overhead has nothing to do with it.

6. This is more of a macro goal; not a goal that one should be concerned with on a single subcontracting plan.

7. This goes beyond the law requirement or intent.

8. Overhead is often a number based on poorly related experience or sketchy forecasts and, therefore, should not be used in developing the goals.

9. For what specifically is the guideline asking?

Subproblem 2

Select the name of an individual within the employ of the offeror or bidder who will administer the subcontracting program of the offeror or bidder and a description of the duties of such individual.

Overall Finding

Both PCOs and the SBA representatives agree that the guideline effectively implements the point of law (77.4 percent) (Table 3-2), but there was indeed a contention that more detailed information is desirable. This finding is further amplified by the following comments:

1. Not only the name and description of duties are needed, but also the individual's qualifications and position of authority within the organization.

2. The individual should be physically located in the area of contract performance, not at some distant

TABLE 3-2
ANALYSIS OF SUBPROBLEM 2

Consideration	Significance (H_1 : GP1 $\neq$ GP2)	% Agree
Guideline 9	.4657	93.8
Pt. 2 Overall	.8719	77.4

home office. If removed from the area, his/her interests may also be removed.

3. The administrator must be in a position to provide data on compliance with the entire plan.

Guideline 9

What is the name of the individual who will administer the subcontracting plan? Were his or her duties described?

Analysis. Of the contracting officials and SBA personnel interviewed, 93.8 percent agree with this guideline, but most mentioned that the name and duties were not sufficient. These two items tell neither the CO or SBA representative if this person has any decision-making authority or if he really does the work in this area.

Comments are:

1. There is a need to know where this person fits into the organization and what is his level of authority.

2. The name says nothing of his or her qualifications.

3. One needs the name of the person who really does the work.

Subproblem 3

Describe a description of the efforts the offeror or bidder will take to assure that small business concerns and small business concerns owned and controlled by the socially and economically disadvantaged individuals will have an equitable opportunity to compete for subcontracts.

Overall Finding

Overall, 69 percent (Table 3-3) of those interviewed agreed that these guidelines do effectively implement the law. However, there were questions concerning the wording of the guidelines; the vagueness in the semantics used; and common difficulty in deciding how to evaluate or quantify terms like acceptable, sufficient management interest and training programs.

Other points mentioned are:

1. Contractors need to participate in local SB/SDB workshops.

2. Many times there are policy statements, but there are no procedures to implement these policies.

TABLE 3-3
ANALYSIS OF SUBPROBLEM 3

Consideration	Significance (H_1 : GP1 $\neq$ GP2)	% Agree
Guideline 10	.2184	86.7
Guideline 11	.1165	64.3
Guideline 12	.3986	82.1
Guideline 13	.3019	79.3
Guideline 14	.4212	93.1
Guideline 15	.0979	82.8
Pt. 3 Overall	.8708	69.0

3. Each contractor should have his source list coded by: SB/SDS, large business, reliability and type of work they do.

4. It is extremely difficult to answer these guidelines, because the law and its guidance are so new that there is no historical data on which to base evaluations.

5. The guidelines are too general and do not adequately cover each different type of contract and its particular peculiarities.

6. The questions make it a guessing game as to what is or is not acceptable or sufficient. There should be standards established and a list of criteria necessary to produce a satisfactory plan.

Guideline 10

Does the contractor have acceptable company-wide small and small disadvantaged business policy statements?

Analysis. At the completion of the interviews it was found that 86.7 percent agree with the need for this guideline. The consensus was that the contractor needs policy statements; but what determines acceptability is questionable.

Comments were:

1. The word acceptable is a judgement call. If it is to be used it must be defined clearly for all and not left up to COs which creates many different standards or none.
2. Policy statements are of no use to the CO in evaluating a single subcontracting plan. This is a "program" evaluation.
3. This is "motherhood" and not needed at a micro contract level.

Guideline 11

Did the contractor demonstrate sufficient management interest and involvement?

Analysis. Even though there is a 64.3 percent agreement on this guidance, there is criticism by both groups as to the definition of "sufficient management interest and involvement." Additionally, even if strong

support is claimed by the contractor, is there any truth behind it? It is questionable whether the CO is in a position to use such criteria effectively in evaluating one's plan.

The comments are often extremely similar and center around the theme of "vagueness." They are:

1. This guideline is not measurable and serves no purpose.
2. There is no comprehensive way to define what is meant here.
3. It is extremely vague.
4. I am never convinced of the contractor's interest or involvement even if he states it.
5. This is not necessary; it is a moot point.

Guideline 12

Does the contractor have a program to train and motivate personnel to support subcontracting with small and small disadvantaged firms?

Analysis. Again, there is agreement (82.1 percent) on this point, but interviewees often question the need or purpose for knowing this. The contractor needs a program to make his people aware of the law but it is an internal company matter.

Their comments are:

1. This is not necessary to comply with the law.

2. Most contractors only pay this lip service.
3. This guideline is in basic opposition to "the business of business."
4. The contractor does not need to develop and list a training schedule for the CO or SBA.

Guideline 13

Does the contractor provide special assistance to small and small disadvantaged firms?

Analysis. Seventy-nine percent of interviewees agree here. The primary question asked is: What are the limits placed on special assistance before the contractor interferes with the competitive marketplace and with what frequency can this be done?

The comments are varied:

1. This is not necessary.
2. The SBA and SADBUE are being paid to do this so do not burden the contractor with anymore assistance.
3. The contractor must have a good reason for this, because once aid is provided it will always be expected.
4. The guideline is sufficient, but only needs to be used in special cases.
5. This assistance is not required by the law.

Guideline 14

Does the contractor consider the potential of small and small disadvantaged firms in make-or-buy decisions?

Analysis. Of the entire subproblem this particular guideline has the most support--93.1 percent. It was agreed that this guideline should help implement the law and further aid in the development of a widespread SB/SDB base in our economy.

The only comments are:

1. The word "potential" needs to be clarified so that it is not so subjective.
2. A yardstick against which potential can be measured must be developed.

Guideline 15

Does the contractor counsel small and small disadvantaged firms and discuss subcontracting opportunities with them?

Analysis. Of the 82.8 percent that agree it is felt that this is another step in developing the SB/SDB base. But the remaining personnel feel that it is not required by law and not necessary in any case. They believe that this is taking assistance too far.

The range of comments:

1. There are already SBA and SADBUs officials being paid to do this, so do not further burden the contractor in this area.
2. The counseling on SB/SDB information is not necessary.

3. The guideline is adequate, but the contractor should be checked to see if he has established an outreach technique for locating new SB/SDB vendors.

4. This is not required by law.

Subproblem 4

Describe assurances that the offeror or bidder will include the clause required by paragraph (2) of this subsection in all subcontracts which offer further subcontracting opportunities, that the offeror or bidder will require all subcontractors (except small business concerns) who receive subcontracts in excess of \$1,000,000 in the case of a contract for the construction of any public facility, or in excess of \$500,000 in the case of all other contracts, to adopt a plan similar to the plan required under paragraph (4) or (5).

Overall Finding

Based on all the responses received, it is determined that 71 percent (Table 3-4) of those interviewed believe that the guideline does effectively implement this point of the law. Those personnel that did not agree believe that the guideline should encompass more. It is not enough for the PCO or SBA representative to be concerned with the prime's flow-down, but the subcontractors should also be required to submit the same information to

TABLE 3-4
ANALYSIS OF SUBPROBLEM 4

Consideration	Significance (H_1 : GP1 $\neq$ GP2)	% Agree
Guideline 16	.2238	90.6
Pt. 4 Overall	.1800	71.0

the prime. This added information would assist the PCO, SBA, and the prime in determining compliance with the law.

The comments were:

1. Subcontractors should also be required to submit a copy of their subcontracting plan to the prime.
2. The plan of the subcontractors should be tied in with the prime's when initial approval of his plan is given.
3. There must be further guidance given so that flow-down is actually being accomplished.

Guideline 16

Does the contractor provide the flow-down of the subcontracting plan clause to appropriate subcontracts?

Analysis. There is a 90.6 percent agreement on this particular guideline and both groups point out that more detail in the control aspect of this is necessary. Furthermore, it is stated that a means to ensure compliance would be helpful.

The responses were:

1. There must be assurances within each company that there is a continual monitoring and periodic review of the subcontractor plans by the prime. Presently this is not well implemented.

2. The contractor must ensure that his subcontractors have adopted an acceptable and appropriate plan.

Subproblem 5

Describe assurances that the offeror or bidder will submit such periodic reports and cooperate in any studies or surveys as may be required by the Federal agency or the Administration in order to determine the extent of compliance by the offeror or bidder with the subcontracting plan.

Overall Finding

Agreement in this area was 78.6 percent (Table 3-5) with the majority of interviewees indicating that reports are necessary to track and aid in the development of the program. The critical point is that this accounts for an added workload on the contractor; hence, it should be specifically defined.

Comments were:

1. This involves a mound of paperwork and separate accounting by the contractor; therefore, it must be defined.

TABLE 3-5
ANALYSIS OF SUBPROBLEM 5

Consideration	Significance (H_1 : GP1 $\neq$ GP2)	% Agree
Guideline 17	.4219	93.1
Pt. 5 Overall	.6422	78.6

2. The reports must be standardized.

3. The guideline indicates an unknown number of reports that the contractor can be committed to; hence, they must be described.

4. There should be another guideline that questions the subs compliance and support of the program.

Guideline 17

Does the contractor assure in the plan that he will submit periodic reports and cooperate in any studies or surveys as may be required to determine compliance with the plan?

Analysis. The 93.1 percent agreement on this indicates the strength of support for this point. The reports are required and assurance on this is necessary to be in compliance. The confusion inherent here is the actual delineation of the type and amounts of reports that can/will be required.

Interview comments:

1. The reports must be defined.
2. There is a need to set up a minimum reporting requirement.
3. The guideline is ambiguous. The quantity and frequency of reports is needed.
4. Without further definition this type of compliance could become costly enough to cause the prime to be non-competitive.

Subproblem 6

Determine a recitation of the types of records the successful offeror or bidder will maintain to demonstrate procedures which have been adopted to comply with the requirements and goals set forth in this plan, including the establishment of source lists of small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals; and efforts to identify and award subcontracts to such small business concerns.

Overall Finding

This particular point of the law and the applicable guideline is the most controversial. There are only 51.7 percent (Table 3-6) in agreement and the low value is attributed to the lack of specificity in the law and the publication of OFPP 80-2 and DAC 76-24. Both these

TABLE 3-6
ANALYSIS OF SUBPROBLEM 6

Consideration	Significance ($H_1: GP1 \neq GP2$)	% Agree
Guideline 18	.0791	54.8
Pt. 6 Overall	.2999	51.7

documents further stipulate the actions necessary here. It is felt by interviewees that the guideline should incorporate the applicable points from these documents.

The comments were:

1. Records are fine, but the contractor needs the flexibility to set up what they need.
2. There should be a standard set by industry as to the particular records required.
3. Use the OFPP 80-2 and DAC 76-24 publications instead of the guideline.
4. The required records must be explained.
5. Records should be a guide for the contractor, not a rule which has limited flexibility.

Guideline 18

Will adequate records be maintained?

Analysis. The low percentage in agreement, 54.8 percent, stems from the subjective and ambiguous wording of the guideline. The records need to be maintained, but

there must be more guidance as to what and how this will be done. As currently stated, each contractor can interpret the guidance differently and agreement between the government, SBA and the contractor will be achieved by coincidence.

The respondents' comments were:

1. First the contractor must be told what is expected and then he can price it.
2. Often a special report requires reprogramming of the contractor's computer. To alleviate this inconvenience and cost, the desired reports should be stipulated in advance of contract closing.
3. Use the OFPP 80-2 and DAC 76-24 guidance instead of this guideline.
4. In its present form the guideline is too subjective.
5. The guideline is ambiguous and the word "adequate" is vague and hinders a standard compliance.
6. There must be a description of the reports and how they are to be maintained.
7. The standard for compliance must be given.
8. This guideline does not assure a recitation of the types of records will be stated.

Subproblem 7

In addition to the previous guidelines covered that are tied to a particular point of law, the Air Force has annotated eight general guidelines. These guidelines are not keyed to any one point of the law, but have been included to assist the PCO in the overall evaluation of the subcontracting plans.

Overall Finding

In general, 75 percent (Table 3-7) agree with the need for these additional guidelines. But the feelings and attitudes are mixed as to their inherent ambiguities and the fact that much of what is asked is covered in other guidelines.

Comments are:

1. The guidelines are too ambiguous and not measurable.
2. These are overkill and only increase the workload of the ACO.
3. The guidelines are speculative in nature and do not provide enough detail.

Guideline 1

Were ACO comments requested and used?

Analysis. Agreement is high, 87.5 percent, on this point because both COs and SBA representatives are aware of the duties of the ACO and his or her proximity to the

TABLE 3-7
ANALYSIS OF SUBPROBLEM 7

Consideration	Significance ($H_1: GP1 \neq GP2$)	% Agree
Guideline 1	.6317	87.5
Guideline 2	.3105	90.6
Guideline 19	.2082	73.9
Guideline 20	.1198	83.9
Guideline 21	.4368	93.3
Guideline 22	.1410	71.4
Guideline 23	.7374	58.6
Guideline 24	.2707	67.8
General Overall	.7398	75.0

contractor. The only divergent point is that the PCO's relationship with the ACO is different depending upon the number of contractors dealt with. When only dealing with one contractor a pattern of operation is established and procedures can become routine.

Comments are:

1. The use of ACO comments is dependent upon the number of contractors with whom the PCO works.
2. ACO comments are needed less frequently if the contractor falls under the Commercial Product Concept which allows for a single corporate-wide plan for the entire year.

Guideline 2

Were activity Small and Disadvantaged Business Utilization Specialist comments requested and used?

Analysis. From talking with both groups it is determined that 90.6 percent agree with this guideline as written. The SADBU is the command's resident expert in the area of SB/SDB utilization. By virtue of position, duty, and location, this specialist can aid the PCO in improving SB/SDB.

Comments:

1. The SADBU must be used as an advisor to the PCO. Additionally, if the procurement center representative (PCR) is collocated in your area his comments should be solicited.

2. The SADBU is not needed if the PCO only deals with a few contractors in an extremely limited field of business.

Guideline 19

Did the initial plan as submitted provide the maximum practicable opportunity for small and small disadvantaged business participation?

Analysis. In the spirit of intent of the guideline and in what it implies, 73.9 percent agree with it. The primary criticism is that the wording is ambiguous.

Comments received are:

1. The words "maximum practicable opportunity" are unclear and require further clarification.
2. This guideline is redundant in light of the other guidelines.
3. It should read, did the final plan submitted provide the maximum practicable opportunity; not the initial plan.
4. The word maximum is too subjective to be used in guidance of this type.

Guideline 20

If the plan was unacceptable, what were the deficiencies?

Analysis. Almost 84 percent (83.9 percent) agree on this point because if a plan is unacceptable then the deficiencies must be known and explained to the contractor in order for them to be corrected. However, there are a number of people who feel this question is repetitive and would have already been considered in the accomplishment of the other guidelines.

Comments were:

1. If the plan is acceptable the PCO must ensure that the contractor is informed of this.
2. The word deficiencies is ambiguous.

3. These deficiencies would have been discovered earlier in the negotiations.

Guideline 21

Was the contractor notified of these in writing?

Analysis. This guideline is the most agreed-to of any under this subproblem--93.3 percent. It is agreed that the deficiencies should be in writing, except for a case where the PCO has worked with a contractor for a long period of time. This then limited the area of misunderstanding or misinterpretation. Only in one case is it stated that this is not necessary.

Guideline 22

Were you able to establish and negotiate acceptable goals?

Analysis. Both COs and SBA representatives agree (71.4 percent) that this must be achieved in order for the plan to be passed and the contract completed. Again in their critiques, semantics is mentioned.

The comments by both groups were:

1. Of course the goals are acceptable, or it would not be a successful negotiation.
2. The word acceptable is not definable and needs to be clarified so that all personnel interpret it the same.
3. It is too early to be doing this. We need to wait and see how the contract progresses.

4. The contractor does this and there is nothing the PCO can do.

Guideline 23

Should an incentive clause be included? If not, why?

Analysis. This is the point of least agreement (58.6 percent) for this subproblem. The agreement and disagreement both stem from each individual's interpretation of what incentives accomplish and when incentives should be used. Some respondents feel that to enhance performance or support of a program the contractor must be incentivized. The other side of the argument sees no need to incentivize someone to do that which is already their job.

Remarks are as follows:

1. Incentives are not required, only permitted; therefore, there is no need to justify rationale.
2. Incentives will not reward a company that already supports the program.
3. The law is clear in its statement of compliance, why pay someone to abide by the law?
4. If your goals and plans are already acceptable we do not need an incentive.
5. If the program is to be other than lip-service use an incentive. The contractor can meet the goals by just doing business, so to make it worth spending the extra money, incentivize him.

6. The guideline is worded as though there must be an incentive to comply with the law. This is not true.

Guideline 24

After completion of all negotiations, does the plan, in your judgement, now offer the maximum practicable subcontracting opportunity for small and small disadvantaged firms?

Analysis. Agreement on this point is a low 67.8 percent primarily because both groups agree that this is the overall objective of the law, but the guideline itself is redundant. The definition of "maximum practicable subcontracting opportunity" is unclear. As was stated by one respondent, "This is a dumb question--if I just negotiated it, then sure I feel it is good."

CHAPTER IV

CONCLUSIONS AND RECOMMENDATIONS

This chapter contains the conclusions drawn from the findings presented in Chapter III as well as recommendations concerning both how the Air Force's guidelines might be improved and where potentially productive areas for future research lie.

Overview

Before presenting the conclusions, a brief review of the study up to this point is in order. In Chapter I, the history of Public Law 95-507 is examined with emphasis on studying the Air Force's implementation problems. In doing so, the salient problem of "questionable" implementing guidance surfaces. A resolution of this problem becomes the twofold research objective of this study:

Research Objective 1. Determine the validity of the present subcontracting plan guidelines being used by AFLC and AFSC.

Research Objective 2. Group and analyze precipitated problems, shortcomings or weaknesses, if any, of the current guidelines and develop proposals for amended guidelines.

To accomplish the objectives, a research methodology is designed around (1) testing the research hypothesis from which statistical inferences can be made (correlates to the first research objective), and (2) examining the reasons for guideline dissatisfaction in an effort to discover areas where the guidelines need to be amended (correlates to the second research objective). The hypothesis testing is done by having two populations, representing interest groups from small business and the Air Force contracting community, evaluate the merit of each guideline based on the law. These two interest groups are tested to determine if there is agreement or disagreement between populations and if their evaluation of the guidelines support or refute the hypothesis. The second design feature, that of developing possible guideline amendments, is achieved by conducting structured interviews with each subject which probe into the rationale for rejecting a guideline. Sampling a significant number of subjects from each population, sufficient data is collected to evaluate the guidelines based on the selected design. Analysis of this data is presented in "Findings," Chapter IV.

Conclusions

Having completed the process described in the preceding "Overview," the following conclusions are offered.

Research Objective 1

Research Hypothesis Conclusion. The data collected warrants acceptance of the null hypothesis which is to conclude that, "Implementation of Public Law 95-507 as expressed in the guidelines used by AFSC and AFLC does meet the intent of the law." Acceptance of the research hypothesis indicates that the current guidelines are functionally sound. A statistical, comparative analysis of all the guidelines indicates that there are only "State 1" conditions. This is the required outcome to support H_0 . However, since no "State 2" or "State 4" conditions exist (see page 23 for explanations of "States") the following corollary conclusion can be inferred:

Corollary Conclusion. There is no significant ambiguity problem in interpreting the law.

The law is interpreted the same by both populations. For ambiguity to exist there must be significant differences of opinion between interest groups; however, no such evidence was found. Therefore, the pre-survey complaints received from the field (Appendix C) appear to be groundless, after using this research design and accepting its conservative decision rules and level of significance.

This point concerning the criteria used for decision making deserves further discussion. For example, using $\alpha = .1$, the research hypothesis is rejected with 90 percent confidence because of guidelines 15 and 18.

Likewise, if the decision rule for evaluating a guideline as effective requires a two-thirds majority rule, the research hypothesis is rejected because of guidelines 6, 8, 11, 18, and 23. One might very well rationalize slightly modified criteria for reaching decisions in which case the alternative hypothesis is accepted; that, "the guidelines do not implement the law."

Research Objective 2

Based on strict adherence to the original decision rules, the guidelines are accepted as satisfactory; consequently, Research Objective 2 which is to recommend amendments, is no longer viewed as critical to the research problem's resolution. However, it is felt that potential amendments should be cited for researchers who choose to use modified criteria that result in the rejection of guidelines. Additionally, it is felt, that if the ideas of some subjects could be shared with the population(s), that the overall evaluations would differ. For fear of biasing the data, the structured interview does not allow such prompting or leading questions. Each subject must evaluate and justify his/her response independently. Admittedly, this is a design weakness which is felt to be unavoidable because of the exploratory nature of the study.

In response to Research Objective 2, a critique of the guidelines is tendered based on weaknesses frequently

cited during interviews. This critique is organized by subproblems (points of the law); wherein, the statistical significance is first reiterated, followed by conclusions and discussion in regards to needed guideline changes.

Subproblem 1. The law requires that prime contractors establish percentage goals for the utilization of SB/SDB subcontractors. At question then is whether the correlated guidelines (guidelines 3, 4, 5, 6, 7, and 8) implement the legal intent and implications.

There is mutual agreement between small business and the government's contracting community that these guidelines are adequate. A majority of 71.4 percent come to this conclusion. However, there is considerable apprehension that the method used to calculate such percentages is left to the prime contractor's discretion. The conclusion is that in order to establish "good" goals, all contractors must use a standard base. This affords the opportunity for PCOs to make comparative studies of goals across industries and over periods of time. With the presently undefined bases for percentage goal calculations this is not feasible. Further support for defining standard bases and requiring the contractor's methodology is evidenced by the general feeling of interviewees that the percentage goals being submitted in subcontract plans are often arbitrary administrative responses in which

little or no effort is made to improve the lot of small business.

There is very weak support for guideline 6, which requires prime contractors to furnish the names and locations of the SB/SDB firms to be used (59.3 percent). Even weaker support is voiced for guideline 8 which requires that overhead and indirect costs be considered in deriving goals. Criticisms are centered on the fact that these guidelines are unduly restrictive and that such information cannot be relied on in the early stages of the contract plan. It is recognized that in theory these guidelines are beneficial; however, at the time of a subcontract plan's writing, they are not practicable. It is proposed that these two guidelines be implemented by the ACO during later contract management stages so that verifiable data is obtained which will be useful on future plans.

Subproblem 2. The law reads, "Select the name of an individual within the employ of the offeror or bidder who will administer the subcontracting program of the offeror or bidder and a description of the duties of such individual." Acceptance by both groups is very high (93.8 percent), making guideline 9 the most strongly supported of all Air Force guidelines. Several interviewees proposed supplementary guidelines to the existing one:

Proposed Guideline: What are the personal qualifications of this person; is this function one's primary job or an extra duty; how can he or she be reached; and lastly, where is the person physically located (i.e., corporate headquarters or at the contractors' plant)?

These questions provide clarification requested by both sample groups and amplify a firm's commitment to the program.

Subproblem 3. Point three of the law states that the prime contractor must describe the efforts that will be taken to assure that SB/SDB will have an equitable opportunity to compete for subcontracts. Evaluated on their individual merit, most guidelines receive strong support (GD 10, 86.7 percent; GD 12, 82.1 percent; GD 13, 79.3 percent; GD 14, 93.1 percent and GD 15, 82.8 percent). However, there is much less support for the proposition that the guidelines in their entirety implement this point of law (69 percent).

The weakness in the overall evaluation is seen to be a result of the same cause for concern with guideline 11 (64.3 percent). That cause is identified as the "lack of standards" being provided upon which to base one's evaluation of a subcontracting plan. In guideline 11, it is not clear what is necessary to "demonstrate sufficient management interest." Similarly, in evaluating a subcontracting plan's compliance with the point of law as a whole, there is no guidance provided as to what constitutes acceptable standards (i.e., what is the level of effort

required?). To be evenhanded in dealing with contractors, PCOs believe that contracting agencies should provide offerors or bidders with established standards. SBA officials view this point of law as crucial because of its policy-setting nature and reflection of the company's true support for the law. However, they also recognize inherent subjectiveness problems. Therefore, it is concluded that the current guidelines under this point of law be supplemented with what is considered an acceptable effort (i.e., a sample subcontracting affirmative action program).

Subproblem 4. According to law, the prime contractor must assure the PCO that subcontractors will adopt a similar subcontracting plan when the subcontracts are in excess of \$500,000 (\$1,000,000 in the case of construction). The flow-down guideline (GD 16) is overwhelmingly agreed to (90.6 percent) by both sample groups. The law and guideline are seen as clear, concise and effective. In conclusion, the guideline stands as written.

Subproblem 5. Point 5 of the law requires that the prime contractor agree to provide periodic reports and cooperate in federal agency or administration studies as might be required to determine the contractor's compliance with the subcontracting plan. The law's implementing guideline (GD 17) is rigidly supported (93.1 percent) because of the recognized need to evaluate a program if compliance is to be expected. However, there is a

considerable drop in strength of support for the consideration that this guideline in itself implements the complete intent of the law. Both populations feel that if prime contractors must agree to provide reports, the government should be required to specify what those reports are. At present, these reports are not identified or standardized. In effect, the requirement is left open-ended. Therefore, it is concluded that supplemental guidance is necessary that delineates the reporting requirements by type, frequency and the minimum standards of acceptance. This allows the contractor to accurately forecast a valid cost of doing business. Additionally, it will allow for easy comparison of data in the future by collecting it in similar categories and in a standard format.

Subproblem 6. Under this final point of the law, the PCO is required to evaluate the adequacy of the prime contractor's plan for documenting the subcontracting plan efforts and compliance. Specifically:

Determine a recitation of the types of records the successful offeror or bidder will maintain to demonstrate procedures which have been adopted to comply with the requirements and goals set forth in this plan, including the establishment of source lists of small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals; and efforts to identify and award subcontracts to such small business concerns [6:8].

Of all the implementing guidelines evaluated, number 18, "will adequate records be maintained?", received the weakest support (54.8 percent). The controversy parallels

that of the preceding subproblem, number five. The guidance is that judgement should be passed on the adequacy of documentation but the PCOs are provided no indication or model of what might be an acceptable standard or baseline. Contractors hedge on this point since it is impossible to attach a cost to an undefined requirement.

Two recent publications, OFPP Policy Letter 80-2 and DAC 76-24, expound on what minimal documentation is appropriate but these clarifications are not incorporated into the guidelines. It is concluded that the law can be better implemented by additional guidelines that include the requirements of OFPP Policy Letter 80-2.

Subproblem 7. In addition to the previous guidelines that implement the requirements of particular points of law, there are eight general guidelines. These guidelines are not keyed to any one point of the law, but have been included to assist the PCO in the overall evaluation of subcontracting plans. This "catch-all" group of helpful hints for the PCO meets with overall approval (75 percent), but by way of some controversial comments. Evidence of strong support was found for guidelines 1, 2, 20, and 21 (75 percent or better). The remaining guidelines encountered tapering degrees of acceptance. In guidelines 19, 22, and 24 respectively:

[GD 19]: Did the initial plan as submitted provide the maximum practicable opportunity for small and small disadvantaged business participation?

[GD 22]: Were you able to establish and negotiate acceptable goals?

[GD 24]: After completion of all negotiations, does the plan, in your judgement, now offer the maximum practicable subcontracting opportunity for small and small disadvantaged firms [14:28-29]?

The interviewees feel that the wording/questioning is ambiguous. What is meant by "maximum practicable" and "acceptable?" Again the question of standards enters the picture, confounding a fair evaluation. Respondents agree that if such guidelines are to be useful, they must be clarified by example and standardized.

The most contested guideline in the subproblem is number 23: "Should an incentive clause be included? If not, why?" Only a small majority (58.6 percent) supports the guideline as written. Considerable opposition exists against the use of monetary incentives to promote the program. In general, the opponents to such a practice feel that those contractors who have a history of strong support will be penalized while those with poor track records stand to gain more because they have a lot of room for improvement. Most feel that this is paying contractors to comply with the law rather than penalizing offenders. Considering the controversy that exists over this guideline combined with its present test status, it is concluded that

the guideline is premature in design and should not be utilized at this time.

Casual Observations by the Researchers

In the process of conducting interviews and reading related literature, several casual observations were made which should be noted. These observations are not directly related to the research objectives but may be of interest in future related studies.

Observation 1. There is a communication problem between contracting officers and SBA representatives. The interviews reveal that a large majority of contracting officers harbor a great deal of distrust for the SBA and view their officials as opponents or at least hostile to the contracting officer's aims. PL 95-507 is often seen as a socioeconomic program fostered beyond reason by the SBA, who is willing to sacrifice the nation's security by compromising defense contracting for a bigger "piece-of-the pie." However, the PCO's fears and distain of the SBA appear groundless based on the interviews of SBA officials. The SBA representatives recognize the same difficulties encountered with implementing the law. In fact, the SBA officials do not differ significantly from the PCOs on evaluating any of the guidelines. Having more of an invested interest since their primary task is to improve the long-term status of small business, it is found that the SBA

is even more concerned than the PCOs with the satisfactory performance of small businesses. Because of misconceptions about one another's role, there exists unnecessary tensions between parties who must work closely together.

Observation 2. In practice, PCOs are not the ones applying the guidelines for subcontracting plan evaluation. It is the SADBUs or in some instances the ACO who actually performs this responsibility. There is evidence that PCOs feel that their time is better spent on other priority matters since the commander has a full-time employee, the SADBUs specialist, dedicated to reviewing the subcontracting plans anyway. It is believed that the SADBUs evaluation takes precedence over the PCOs evaluation in the event that the two differ. As a result, the PCOs relegate the function in its entirety to the SADBUs. Many PCOs feel that the ACO, being proximate to the contractor, should be the person responsible for evaluating the subcontracting plan. At any rate, in practice, it is not uncommon to find the hierarchy of responsibility to be different from that mandated in law.

Observation 3. Even though both populations find that the guidelines do correctly interpret and implement the law, most subjects feel that for the law to rely on an administrative tool (the subcontracting plan) to accomplish its intended goal is naive and misdirected. As one subject stated, "The greatest sinners in the world probably go to

church on Sunday." Making prime contractors publish a plan is not viewed as a very strong implementing program. There is a common feeling that the law provides the PCO with no "bite" and that the ambiguous language used in its construction cannot be successfully litigated by the government if need be. The law gives such superficial treatment to promoting its professed goal of opening more doors to small business, that the PCOs feel like political scapegoats. As such, there appears to be little impetus to change prime contractors' past record of support for small business. The subcontracting plan has come to be accepted as just another bureaucratic requirement for doing government business.

Recommendations for Guideline Improvements

Based on the research conducted, the findings developed, and the general and specific conclusions inferred, the following recommendations are made:

Recommendation 1. Communications between contracting officials and SBA representatives need to be improved. Through the use of joint workshops, seminars, et cetera, a working interface can be developed that will be more conducive to the successful implementation of PL 95-507.

Recommendation 2. Clarification of the ambiguous and redundant wording in the guidelines is necessary. By establishing standards, providing models, and using words

open to fewer interpretations, the guidelines can be enhanced as a working tool for the PCO.

Recommendation 3. To allow for clarity and industry-wide comparisons, both the reporting and records requirements must be standardized by type, quantity and frequency. A good means of doing this is to have standard records and reports detailed in the guidelines.

Recommendation 4. OFPP Policy Letter 80-2 and DAC 76-24 should be incorporated into the guidelines.

Recommendation 5. Guideline 7 should be expanded to state specifically what is required in explaining the methodology used by the contractor to develop the goals.

Recommendation 6. Guideline 9 should not only ask for the name and duties of the plan administrator, but include the following as well:

- a. personal qualifications
- b. job level within the company and his/her decision-making authority
- c. the geographic location of the administrator
- d. the telephone number
- e. a statement indicating that subcontracting plan administration is either a primary duty or an extra duty.

Recommendation 7. Guideline 16 asks if the contractor provides flow-down to subcontractors. As a

follow-on to this question, the contractor should be questioned as to what his procedures are for monitoring the accomplishment of this on a continuing basis.

Recommendation 8. Guideline 23, concerning incentive clauses, should be deleted until the results of current test cases have been analyzed and further guidance fielded.

Recommendations for Further Study

The following are offered as areas for further study:

Recommendation 1. Determine if the requirement for subcontracting plans on major contract awards has been effective in increasing the percentage of revenue dollars going to small business.

Recommendation 2. Determine what the true percentage of government dollars being funneled into small business is. Present figures only report the total number of dollars that have to go through small business hands; in many instances on their way to large business (i.e., supplies, labor, material, equipment, etc.).

Recommendation 3. Develop standard data bases and subject categories for reporting purposes so that a useful data base can be established. Presently, PCOs lack industrial standards and past history of performance in this area that are needed to evaluate the subcontracting plans objectively.

APPENDICES

APPENDIX A
DEFINITION OF TERMS

AD-A107 450 AIR FORCE INST OF TECH WRIGHT-PATTERSON AFB OH SCHOOL--ETC F/6 15/5
IMPLEMENTATION OF SUBCONTRACTING PROVISIONS OF PUBLIC LAW 95-50--ETC(U)
JUN 81 S F GRAVES, W D RITCHIE

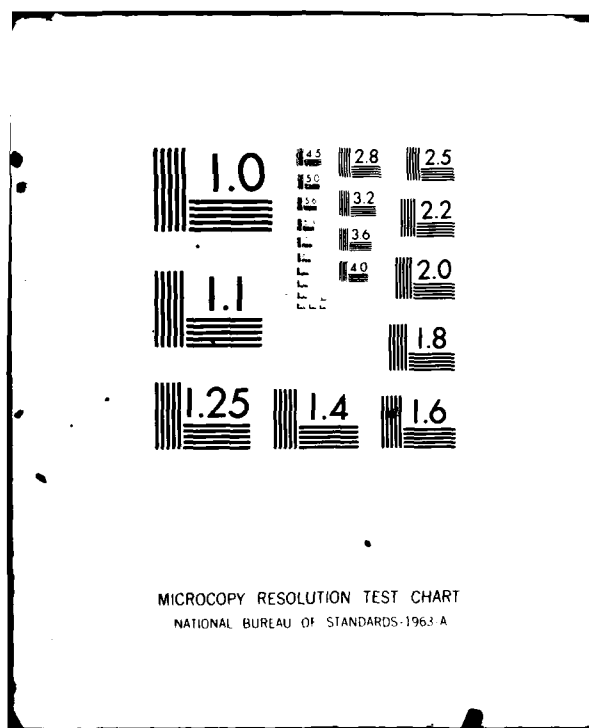
AIR FORCE INST OF TECH WRIGHT-PATTERSON AFB OH SCHOOL--ETC F/G 15/5
IMPLEMENTATION OF SUBCONTRACTING PROVISIONS OF PUBLIC LAW 95-50--ETC(U)
JUN 81 S F GRAVES, W D RITCHIE

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Economically Disadvantaged Individuals--those socially disadvantaged individuals whose ability to compete in the free enterprise system has been impaired due to diminished capital and credit opportunities as compared to others in the same business area who are not socially disadvantaged.

8(A) Program--a socioeconomic program set up by government to assist and lend some protection to minorities to start businesses and stay afloat through government contracts for a period of time (8:53).

Prime Contractor--a nongovernmental business firm awarded a federal contract which exceeds \$1,000,000 in the case of a contract for the construction of any public facility or \$500,000 in all other contracts (10:29).

Small Business (SB)--a firm independently owned and operated, not dominant in the field in which it is bidding, and having total dollar receipts, depending on the industry, below an amount specified by the Small Business Administration (3:565).

Small Disadvantaged Business (SDB)--any small business concern which is at least 51 percent owned by one or more socially and economically disadvantaged individuals, or in the case of any publically-owned business, at least 51 percent of the stock of which is owned by one or more

socially and economically disadvantaged individuals; and whose management and daily business operations are controlled by one or more of such individuals (13:6).

Small and Disadvantaged Business Utilization (SADBU)

Executive--DOD specialist assigned to each major Defense Procurement Center to assist businessmen in obtaining information and guidance on Defense procurement procedures and to provide guidance as the cognizant authority to Defense contracting personnel and commanders concerning SB utilization (18:i).

Socially Disadvantaged Individuals--those persons who have been subjected to racial or ethnic prejudice or cultural bias because of their identity as a member of a group without regard to their individual qualities (13:6).

Subcontractor--a nongovernmental business firm awarded a contract from a prime contractor.

APPENDIX B

**SMALL AND SMALL DISADVANTAGED BUSINESS SUBCONTRACTING
PLAN EVALUATION GUIDELINES**

Small and Small Disadvantaged Business
Subcontracting Plan Evaluation
Guidelines

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V. <u>Summary Documentation Checklist</u>	7-13

There are no detailed standards which are applicable to every situation. However, the following should be helpful in evaluating small and small disadvantaged business subcontracting plans.

I. GENERAL

The purpose of this paper is to provide guidance to principal contracting officers on what type of assistance should be requested, what to look for, and what to do in meeting his or her responsibilities under PL 95-507 concerning the submission and evaluation of subcontracting plans. The PCO has the key responsibility and must make a determination as to the acceptability of a small and small disadvantaged business subcontract plan. It must, in his/her judgment, provide the maximum practicable opportunity for small and small disadvantaged business concerns to participate in the performance of the contract (7-104.14(b)(d)(1)).

II. ASSISTANCE AVAILABLE TO PCO

A. The ACO should as a general rule be requested to comment on the acceptability of the plan and on the contractor's past performance and compliance with the 7-104.14(a) clause, "Utilization of Small Business and Small Disadvantaged Business Concerns," and past plans. Such past compliance is to be a factor in determining the contractor's responsibility (DAR 1-707.2(b)(iii)).

B. The contracting activity Small and Disadvantaged Business Utilization Specialist's assistance should be requested in evaluating the contractor's subcontract plan (1-704.3(b)(viii) and (xix)). The Small and Disadvantaged Business Utilization Specialist will have the benefit of seeing all the subcontract plans received at the activity whereas an individual PCO may only see a few. Therefore, the Small and Disadvantaged Business Utilization Specialist should have a special expertise in assisting the PCO.

III. PLAN ELEMENTS

A. Goals

There must be separate percentage goals expressed in terms of percentage of total planned subcontract dollars for small business and awards to small firms controlled by socially and economically disadvantaged persons (7-104.14(b)(a)(1)). The contractor should include all first tier subcontracts to be awarded in performance of the contract, including a proportionate share of products, services, etc. whose costs are normally allocated as indirect or overhead costs when reasonably determined to be attributable to the contract. Practical judgment needs to be exercised regarding allocation of indirect or overhead costs. A contractor's accounting system should be accepted whenever possible. Obviously, consistency in a particular accounting system is essential in establishing goals and in evaluation of performance against the established goals. Establishment of goals will require much care in order that negotiated percentage goals are realistic

and motivate the contractor to achieve. Percentage goals that are unrealistically low will only create a false sense of success and should be avoided. Likewise, goals that are too high can be counter productive. In the negotiation of goals the following information should be considered:

1. Total dollar volume of planned subcontracting, total dollar volume of expected awards to small business concerns, and total dollar volume of expected awards to small disadvantaged business subcontractors.

2. A description of the principal product and service areas to be subcontracted and an identification of those areas where it is planned to use small business and small disadvantaged business subcontractors.

3. To the extent available, the contracting officer should be furnished the names and locations of principal proposed small business and small disadvantaged business subcontractors including the type of product or service and the dollar value thereof to be awarded to each principal subcontractor. This information is to be used only to assist the contracting officer in making a determination as to the acceptability of the proposed percentage and dollar subcontract goals. The contractor is not contractually bound to make subcontract awards to the designated contractors.

4. Method used in developing proposed subcontracting goals for small business and small disadvantaged business concerns. For example, did the contractor use for subcontract solicitation purposes company source lists, the small business and disadvantaged small business source identification system provided by the Small Business Administration's Procurement Automated Source System, the National Minority Purchasing Council Vendor Information Service, and the facilities of local minority associations?

5. Method used in determining the proportionate share of indirect and overhead costs incurred with small business and small disadvantaged business subcontractors to be allocated to the specific acquisition.

B. Name of Individual

The contractor must name an employee who will administer the subcontracting plan and furnish a description of his or her duties (7-104.14 (b)(a)(2)). It is preferable that the individual be placed in the organization structure where reporting can be done directly to the chief executive or vice presidential level.

C. Description of Efforts

A description must be furnished of the efforts to assure that small and small disadvantaged concerns will have an equitable opportunity to compete (7-104.14(b)(a)(3)). This should include information concerning:

1. Company Wide Policy Statements (7-104.14(b)(b)(1)). It is very important that top management (preferably the chief executive) of the company issue a policy statement to delineate the proper levels of responsibility and that it be directed to all personnel who are able to implement the policy, including technical personnel. A policy statement which places the total responsibility with the individual named to administer subcontract plans is not adequate.

2. Management Interest and Involvement (7-104.14(b)(b)(2)). How does top management monitor progress towards meeting goals? Are there regular "feedback" briefings? Are there corporate wide and divisional goals? The involvement of top management in the achievement of the plan and company programs to assist small and small disadvantaged business should be visible and apparent to all personnel in the organization.

3. Personnel Motivation and Training (7-104.14(b)(b)(3)). A procedure should be established for a specific program for training of personnel involved in the acquisition process. Additionally, a procedure should be established for a program of special recognition or reward for outstanding performance in the implementation of the programs. An innovative performance awards program will eliminate the status quo by acting as an incentive to personnel to support small and small disadvantaged business efforts.

4. Special Assistance (7-104.14(b)(b)(4)). Special assistance should be given small and small disadvantaged firms by arranging solicitations, time for preparation of bids, quantities, specifications, and delivery schedules to facilitate participation by such firms. It is particularly significant when a contractor provides opportunities for small and small disadvantaged business firms to compete for developmental work which will likely result in later production opportunities. Examples of special assistance to look for, which have been proven to be extremely effective in increasing subcontract awards to small and small disadvantaged firms, include outreach efforts to locate and qualify sources, follow-up efforts to determine why small and small disadvantaged firms did not respond to solicitations or were not successful and the establishment of organizational elements to provide special management, technical and financial assistance.

5. Make-Or-Buy Consideration (7-104.14(b)(b)(5)). Adequate and timely consideration of the potential of small and small disadvantaged firms must be provided in all make-or-buy decisions. The contractor should describe how he does this. Small and small disadvantaged

business should be considered as early as possible and at all levels of the make-or-buy decision making process. Lower level breakout by engineering and manufacturing production planners creates in a timely manner increased opportunities for small and small disadvantaged business participation. It is advisable that the company individual named to administer the small and small disadvantaged business subcontract plans be a member of make-or-buy committees.

6. Counsel and Discuss Subcontracting Opportunities (7-104.14(b)(b)(6)). In addition to responding to inquiries as they occur, contractors can actively participate in counselling activities sponsored by business and governmental groups and take part in various organizations dedicated to increasing small and small disadvantaged business firm participation in governmental contracting, e.g., local minority business opportunity councils. The contractor should describe his activities.

D. Clause Flow Down

The prime contractor has an obligation to flow down the subcontracting plan requirement to its subcontractors (7-104.14(b)(a)(4)). The plan should indicate that he will do this. The ACO, in accordance with 1-707.2(c)(3), is required to monitor such performance.

E. Reports

The contractor must assure in his plan that he will submit such periodic reports and cooperate in any studies or surveys as may be required by the contracting agency or SBA in order to determine the extent of compliance with the subcontracting plan (7-104.14(b)(a)(5)).

F. Records

The contractor must maintain the type of records necessary to demonstrate the methods by which it is intended that goals will be met and the requirements of the plan carried out (1-707(d)(iii)). The contractor's records must be maintained in a manner that permits extraction of the data which must be made available to support the percentage goals which are proposed in the subcontracting plan. Records must also be maintained to show the extent of achievement related to the goals. In addition, records must be capable of identifying subcontractor business size, solicitations and awards made to small and disadvantaged business concerns and the reason for nonaward to these firms. Also, the contractor should keep records concerning his actions which demonstrate his good faith compliance with the plan. Examples of such records are source lists used, organizations contacted for sources, outreach efforts, training, and awards made. Advice and assistance regarding the development and maintenance of records and reports that reflect compliance or noncompliance with plans can be requested from the contract administration Small and Disadvantaged Business Utilization Specialist (1-704.3(b)(xxiv)).

IV. PCO ACTIONS

- A. Review the plan submitted for conformance with III above.
- B. Obtain advice and recommendations as necessary concerning the acceptability of the plan and proposed goals from those cited in II above.
- C. Evaluate the potential for small and small disadvantaged business subcontracting based on all available information, including the apparent successful offerors historical achievements. Previous involvement of small and small disadvantaged concerns as prime or subcontractors in similar acquisitions should be considered (1-707(d)(1)). The contractor can be requested to provide such data regarding his small and small disadvantaged business subcontracting on similar acquisitions. If a follow-on acquisition is involved, good data can be expected to be available. Any previous data on similar prime contract acquisitions should be considered.
- D. Negotiate, in the case of negotiated contracts, subcontract goals which represent good faith, aggressive and comprehensive effort on the part of the apparent successful offeror.
- E. Determine whether the plan provides the maximum practicable opportunity for small business and small disadvantaged business concerns to participate in the performance of the contract.
- F. In the case of unacceptable plans for negotiated contracts, advise the contractor in writing of the reasons for determining a subcontracting plan to be unacceptable (7-104.14(b)(d)(2)). Do this as soon as possible so the contractor can modify the plan within the time limits prescribed. Tell the contractor how he can make his plan acceptable, e.g., by the use of additional source systems or by establishing higher goals.
- G. In the case of advertised contracts, determine whether the apparent successful bidder has submitted a plan as specified in the contract clause in 7-104.14(c). If the plan does not contain the minimum specified requirements as set forth in 7-104.14(c)(a), consult with legal counsel to determine whether the bid should be rejected as nonresponsive.
- H. Determine, in the case of advertised contracts where the apparent successful bidder is responsive, whether the plan reflects the best effort by the bidder to award subcontracts to small and small disadvantaged firms to the fullest extent consistent with the efficient performance of the contract. If it does not, follow the procedures in 1-707(b)(2).
- I. In the case of negotiated contracts, determine whether an incentive provision as set forth in 7-104.14(d) should be used in accordance with 1-707.3(d). If so, structure an appropriate clause. If not, a written determination setting forth the reasons must be made.

J. The ACO should be requested to submit upon contract completion a report documenting, evaluating, and advising the PCO as to the contractor's performance under the subcontracting plan including (1) the extent to which the goals were met, (2) whether the contractor's efforts were in accordance with the efforts set forth in the plan, and (3) whether the contractor required its subcontractors to submit and carry out similar subcontract plans (1-707.2(c)(1)(2) and (3)). If the contractor did not comply in good faith with the subcontract plan, the PCO shall formally document the noncompliance in writing and include the reasons (The PCO may write a short note attaching the ACO's report). A copy of the official file documentation shall be furnished the ACO (1-707.2(b)(3)).

V. SUMMARY DOCUMENTATION CHECKLIST

Documentation of actions taken by the PCO is important as subcontract plans and their effectiveness will be reviewed after the fact by such agencies of the Government as the Small Business Administration. Accordingly, the attached summary checklist is provided. Answers to the questions should be in brief narrative form. Yes or no answers without any explanation should be avoided wherever possible. The checklist if answered properly, can serve as the necessary documentation of the rationale for actions taken as well as serving the PCO as a reminder of the actions to be taken.

1. Were ACO comments requested and used?

2. Were activity Small and Disadvantaged Business Utilization Specialist comments requested and used?

3. Did the contractor propose separate percentage goals?

4. Did the contractor base the goals on total volume of planned subcontracting and that planned to be awarded to small and small disadvantaged firms?

5. Did the contractor describe the areas where it is planned to subcontract to small and small disadvantaged business firms?

6. Did the contractor furnish the names and locations by principal small and small disadvantaged firms to be awarded subcontracts?

7. What was the method used to develop goals?

8. How was indirect or overhead costs allocated in developing the goals?

9. What is the name of the individual who will administer the sub-contracting plan? Were his or her duties described?

10. Does the contractor have acceptable company wide small and small disadvantaged business policy statements?

11. Did the contractor demonstrate sufficient management interest and involvement?

12. Does the contractor have a program to train and motivate personnel to support subcontracting with small and small disadvantaged firms?

13. Does the contractor provide special assistance to small and small disadvantaged firms?

14. Does the contractor consider the potential of small and small disadvantaged firms in make-or-buy decisions?

15. Does the contractor counsel small and small disadvantaged firms and discuss subcontracting opportunities with them?

16. Does the contractor provide for flow down of the subcontracting plan clause to appropriate subcontracts?

17. Does the contractor assure in the plan that he will submit periodic reports and cooperate in any studies or surveys as may be required to determine compliance with the plan?

18. Will adequate records be maintained?

19. Did the initial plan as submitted provide the maximum practicable opportunity for small and small disadvantaged business participation?

20. If the plan was unacceptable, what were the deficiencies?

21. Was the contractor notified of these in writing?

22. Were you able to establish and negotiate acceptable goals?

23. Should an incentive clause be included? If not, why?

24. After completion, of all negotiations, does the plan, in your judgment, now offer the maximum practicable subcontracting opportunity for small and small disadvantaged firms?

APPENDIX C
FIELD PROBLEMS RELATED TO PL 95-507

STRUCTURING OF INCENTIVE CLAUSE ARRANGEMENTS FOR
SUBCONTRACTING TO SMALL BUSINESS AND SMALL DISADVANTAGED BUSINESSES

Research Need: Public Law 95-507 encourages federal agencies to provide incentives to increase subcontracting opportunities to small and small disadvantaged businesses. Defense Acquisition Regulation implementation of the law recognizes that various approaches may be used in the development of incentives ranging from a milestone payment structure to an award fee arrangement based upon subjective criteria. Any incentives are to be based upon the goals set forth in the required small business subcontracting plan and will normally be negotiated after agreement on the subcontract plan by the Government and the contractor.

At present, it is unknown how to adequately evaluate the subcontract goal and the means for achieving it. What is an adequate subcontracting goal for the small or small disadvantaged business market? How extensive is this type of market for the services or commodities required? What factors in the subcontracting plan will determine the probability of success of meeting the prime contractor's goals? How does the contracting officer determine the probability associated with specific goals? How should the new program requirements interact with make-or-buy requirements? What expertise is available to assist the contracting officer in evaluating the subcontract plan and incentive goals? What are reasonable "implementation" cost factors the prime contractor needs to bear when "implementing" the new program? How does the consideration for "dual sourcing" enter into the structure of the incentives?

Based upon the characteristics of the instant contract, the contracting officer must determine the type of incentive arrangement to maximize the contractor's performance, and the structure of the incentive. A model for evaluation of the subcontracting goals and means of achievement leading to selection of the most effective type of incentive arrangement could facilitate the learning in the use of this new policy initiative.

Objective: To determine the factors which influence the effectiveness of a small business subcontracting plan and to assess the probability of achieving the small business subcontracting goals under varying acquisition environments. Develop a model for selecting the most effective incentive arrangement. Develop a plan to evaluate the effectiveness of the model in an actual service test.

Source: AFBRMC/RDCB and AFLC/PM

Researcher: Competitive

AFBRMC/RDCB Point of Contact: Major Robert F. Golden, Autovon 785-6221

Funds Estimate: \$20,000

DEVELOPING THE CAPABILITY OF SOCIALLY AND ECONOMICALLY
DISADVANTAGED SMALL BUSINESSES

Research Need: The Federal Government supports the use of small businesses in the acquisition of goods and services. Public law requires that a specific type of small business, the socially and economically disadvantaged business, be awarded Government contracts on a non-competitive basis. This program supports the socio-economic programs legislated by the Congress. It is a constant challenge for DOD buying activities to find a sufficient number of capable disadvantaged firms who can provide the required goods and services. In the field of high technology research and development, it has been an especially acute problem. The Small Business Administration has been charged with providing business development costs which can be used to develop the existing firms into viable contractors for the Government's needs, but is often unable to provide funds, thus preventing the award to the small business firm.

A great deal of work has been done at the state level to develop small businesses into viable competitors through assistance from the state agencies. Research needs to be done to investigate methods for small business development which have been developed by various state governments, and to assess the feasibility of adopting such methods in the Department of Defense.

Objective: Identify small business development methods at the state level and determine the usefulness of similar methods for use by the Department of Defense in developing sources for high technology research and development firms from economically and socially disadvantaged small businesses.

Source: AFBRMC/RDCB

Researcher: Competitive

AFBRMC/RDCB Point of Contact: Major Robert F. Golden, Autovon 785-6221

Funds Estimate: \$25,000

MARKET IDENTIFICATION OF SMALL BUSINESS FIRMS

Research Need: The United States long has had a national objective and policy fostering small business activity, e.g., portions of military acquisitions are "set-aside" for the express purpose of awarding contracts to small businesses. Recently, the President has reaffirmed his commitment to the small business community. It is likely that continued and perhaps increased efforts will be made by the Air Force to insure that small business receives its fair share of Government contracts. An evaluation needs to be conducted to determine patterns and movements of the small business industrial base for research and development. Is the base stable, expanding, or contracting? What are the reasons for current movements and patterns? Can the small business industrial base be further expanded to meet potential needs of the Air Force? What do small business persons perceive as major problems with Government procurement and what impact does this have on the small business industrial base (both current and for the future)? What recommended actions would solve existing problems?

Objective: To determine the relative size of the current small business industrial base for research and development, to determine movements and patterns of the small business industrial base, and to project the potential for increasing the size of the base.

Source: AFBRMC/RDCB

Researcher: Competitive

AFBRMC/RDCB Point of Contact: Major Robert F. Golden, Autovon 785-6221

Funds Estimate: \$25,000

**EVALUATING SUBCONTRACTING MANAGEMENT PLANS FOR
SMALL BUSINESS AND DISADVANTAGED CONTRACTORS**

Research Need: Public Law 95-507 requires that large businesses receiving a prime contract greater than \$500,000 submit a small business subcontracting plan in order to be responsive. The Defense Acquisition Regulation requires that the prime contractor include several key elements in the plan:

- a. Percentage goals for small businesses and economically and socially disadvantaged small businesses,
- b. Detailed plan for meeting the goals,
- c. Records which will reflect their attempts to meet the goals, and
- d. Flowdown provisions for subcontractors.

The Services are faced with the problem of effectively evaluating these subcontracting plans to assure that the prime contractor adequately supports national social and economic programs. Problems exist in determining the adequacy of each of the plans. What is an adequate subcontracting goal for a small or a disadvantaged small business, depending on the industrial capability of those firms? What factors in the subcontracting plan will determine the probability of success of meeting the contractor's goal? Are there actions that the buying activity can take to assist the contractor in meeting the goals?

Objective: To determine the factors which influence the effectiveness of a small business subcontracting plan, and to assess the feasibility of achieving small business goals in different industries. Identify Government actions which can be taken to increase use of small and disadvantaged businesses by prime contractors.

Source: AFBRMC/RDCB

Researcher: Competitive

AFBRMC/RDCB Point of Contact: Major Robert F. Golden, Autovon 785-6221

Funds Estimate: \$20,000

APPENDIX D
INTERVIEW GUIDE

DEPARTMENT OF THE AIR FORCE
AIR FORCE INSTITUTE OF TECHNOLOGY
Wright-Patterson Air Force Base, Ohio 45433

Dear Sir:

On 24 October 1978, legislation was passed in the form of Public Law 95-507 which provides a series of amendments to the Small Business Investment Act of 1958. Among the changes that the law mandates is the requirement for prime contractors to develop subcontracting plans for the use of small businesses and the requirement that contracting officers evaluate these plans for conformity to the law. Subsequently, there has been considerable guidance fielded to contracting officers but at the same time many implementation problems remain unresolved.

A thesis team at the Air Force Institute of Technology is working on a part of this problem specifically concerned with review of the Air Force Subcontracting Plan Evaluation Guidelines in an effort to develop an improved set of guidelines. In their research a number of interviews are required. You have been identified as being able to provide key input for one of these surveys. Within the next two weeks you will be contacted by Captain William Ritchie or Captain Shawn Graves to set up an interview time at your convenience. The interview will last approximately one hour and will cover the attached six points of PL 95-507. During the interview you will be asked to compare particular points of the Air Force guidelines to one of the six points of the law. Your evaluation as to the guidelines adequacy will be sought. Your thoughtful advanced consideration to this topic is solicited.

The output of this research has the potential of contributing significantly to improving Department of Defense small business contracting procedures in the years to come. Responses will be privileged information and names will not be used in data analysis or conclusions. Your cooperation will be greatly appreciated by the survey team, the staff here at the School of Systems and Logistics AFIT, and the Air Force Business Research Management Center.

Sincerely,

WILLIAM C. PURSCH, Lt Col, USA
School of Systems and Logistics

1 ATCH

THE SIX POINTS OF PL 95-507

(Chapter 2; Sec 211, Section 8(d)(6))

1. Establish percentage goals for the utilization as subcontractors of small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals.

2. Select the name of an individual within the employ of the offeror or bidder who will administer the subcontracting program of the offeror or bidder and a description of the duties of such individual.

3. Describe a description of the efforts the offeror or bidder will take to assure that small business concerns and small business concerns owned and controlled by the socially and economically disadvantaged individuals will have an equitable opportunity to compete for subcontracts.

4. Describe assurances that the offeror or bidder will include the clause required by paragraph (2) of this subsection in all subcontracts which offer further subcontracting opportunities, that the offeror or bidder will require all subcontractors (except small business concerns) who receive subcontracts in excess of \$1,000,000 in the case of a contract for the construction of any public facility, or in excess of \$500,000 in the case of all other contracts, to adopt a plan similar to the plan required under paragraph (4) or (5).

5. Describe assurances that the offeror or bidder will submit such periodic reports and cooperate in any studies or surveys as may be required by the Federal agency or the Administration in order to determine the extent of compliance by the offeror or bidder with the subcontracting plan.

6. Determine a recitation of the types of records the successful offeror or bidder will maintain to demonstrate procedures which have been adopted to comply with the requirements and goals set forth in this plan, including the establishment of source lists of small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals; and efforts to identify and avoid subcontracts to such small business concerns.

INTERVIEW INTRODUCTION

1. Good morning (afternoon), Mr. _____. My name is
(short introduction of the interviewer). I appreciate
your time and consideration in helping my thesis team in
our research. As mentioned in our introductory letter,
the purpose of our research is to determine if the
Guidelines published by the Air Force do meet the intent
of PL 95-507. By doing this we hope to develop a better
set of guidelines for PCO use.
 - A. How often are you involved with a contract that
requires a subcontracting plan and or utiliza-
tion of PL 95-507?
 - B. What have you encountered as positive; and what
as negative with the law?
 - C. (Ice-breaker discussion to generate interest and
confidence of interviewee).
2. You were provided with an initial copy of the six points
of PL 95-507 that we are studying. Now I would like to
have your comments on and comparison of the applicable
guidelines by the Air Force that correspond to the par-
ticular point of the law. Your comments/comparisons
will be through a two-step process: (1) use of a Likert
Scale evaluation, and (2) specific comments at the end
of each particular point of the law.

A. Likert Scale:

- (1) Are you familiar with the use of a Likert Scale? If no, read on. If yes, skip to 2B.
- (2) The purpose of a Likert Scale is to capture the respondent's attitude, in degrees of agreement or disagreement to a group of questions. You will simply circle your rating below the question (see questionnaire). We later can use statistical analysis to evaluate the responses by assigning values to your ratings. The Likert Scale enables you to weight your response to questions as opposed to requiring you to restrict your response to two absolutes.

- B. Comments: For any response that you choose to disagree or strongly disagree, I would like an explanation of your reasoning. In these areas it is likely that we can find ways to improve the guidelines.

3. Procedure:

- A. Re-read the point of the law.
- B. Read each guideline listed (keep in mind the consideration).
- C. Evaluate each guideline on the scale below each guideline.

D. An overall evaluation is also requested at the end of each point of the law.

E. If you are unclear as to the meaning of a point of law or guideline, please request clarification.

4. Do you have any questions before we proceed?

If yes, answer. If no, proceed with the interview.

POINT 1 of PL 95-507

The law states: "Each subcontracting plan shall include percentage goals for the utilization as subcontractors of small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals."

CONSIDERATION: The detail and clarity of the guideline below is sufficient to aid in the effective implementation of the law.

GUIDELINE 3: Did the contractor propose separate percentage goals?

Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree

GUIDELINE 4: Did the contractor base the goals on total volume of planned subcontracting and that planned to be awarded to small and small disadvantaged firms?

Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree

GUIDELINE 5: Did the contractor describe the areas where it is planned to subcontract to small and small disadvantaged business firms?

Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree

GUIDELINE 6: Did the contractor furnish the names and locations by principal small and small disadvantaged firms to be awarded subcontracts?

Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree

GUIDELINE 7: What was the method used to develop goals?

Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree

GUIDELINE 8: How was indirect or overhead costs allocated in developing the goals?

Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree

CONSIDERATION: The above guidelines under this point of the law do provide all-inclusive coverage. All implicit requirements in this point of the law are covered by the guidelines.

Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree

The SADBUs shall:

- # 4,5 (iv) when small business concerns cannot be given an opportunity to compete because adequate specifications or drawings are not available, unless there are sufficient and valid reasons to the contrary, initiate action, in writing, with appropriate technical and contracting personnel to insure that necessary specifications or drawings for the current or future acquisitions, as appropriate, are available: [Reference DAR 1-704.3]

The SADBUs shall:

- #6 (x) assure that participation of small business concerns is accurately reported; [Reference DAR 1-704.3]
- #7 (c) The value of options and similar provisions shall be included in determining whether the contract may exceed the dollar threshold for subcontract plans. Such options shall be included in the subcontracting plan. [Reference DAR 1-707]
- #5 (d) Letter contracts and similar undefinitized instruments, which would otherwise meet the requirements of 1-707.3(a) and (b), should contain a preliminary basic plan addressing the requirements of 7-104.14(b) wherever practicable and require the negotiation of final details within 90 days after award or before definitization, whichever occurs first. [Reference DAR 1-707]
- #3,5 (d) Evaluation of Plans and Performance. The clauses specified in 1-707.3(b) and (c) require the minimum information goals and assurances that each subcontracting plan shall include. There are no detailed standards which apply to every situation. The PCO's consideration of a plan must reflect the circumstances of the particular acquisition. Factors to consider include—
- (i) previous involvement of small business concerns as prime or subcontractors in similar acquisitions;
 - (ii) methods of involving small business concerns as subcontractors in such acquisitions; and
 - (iii) the type of records which contractors have maintained to demonstrate the methods by which they intend to meet the goals and requirements of the plan. [Reference DAR 1-707.2]

1-707.3 Required Clauses. In compliance with the requirements of the Small Business Act, the following clauses, as appropriate, shall be included in prime contracts. [Reference DAR 1-707.3]

(a) The utilization of Small Business and Small Disadvantaged Business Concerns clause in 7-104.14(a) shall be included in all contracts exceeding \$10,000 except those which including all subcontracts, will be performed entirely outside any State, territory, or possession of the United States, the District of Columbia, or the Commonwealth of Puerto Rico or those which are for services personal in nature.

(b) The Subcontracting Plan for Small Business and Small Disadvantaged Business Concerns (negotiated) clause in 7-104.14(b) shall be included in all solicitations for negotiated contracts or modifications (including contracts and modifications placed on a sole source basis) which (i) offer subcontracting possibilities; (ii) are expected to exceed \$500,000 or, in the case of contracts for the construction of any public facility, \$1 million; and (iii) are required to include the clause in 7-104.14(a). However, the clause at 7-104.14(b) shall not be included in any solicitation which has been set aside for small business concerns or which requirement is to be procured through the Section 8(a) program.

(c) The Subcontracting Plan for Small Business and Small Disadvantaged Business Concerns (Advertised) clause in 7-104.14(c) shall be included in all solicitations for formally advertised contracts or modifications which (i) offer subcontracting possibilities; (ii) are expected to exceed \$500,000 or, in the case of contracts for the construction of any public facility, \$1 million; and (iii) are required to include the clause in 7-104.14(a). However, the clause at 7-104.14(c) shall not be included in any solicitation which has been set aside for small business concerns or which requirement is to be procured through the Section 8(a) program.

#6, 7

(d) In determining whether subcontracting possibilities exist, the contracting officer should consider whether firms which are engaged in business of performing the work or supplying the items to be required under a contract customarily contract with third parties for the specific purpose of performing a part of such work rather than maintaining sufficient in-house capability to perform the work. The existence of subcontracting possibilities may also be affected, but not necessarily negated, by circumstances such as a potential contractor's long-standing contractual relationship with its suppliers or product prequalification requirements for various supplies or components. In those situations where there is a determination that no subcontracting possibilities exist, such determination shall be approved by the chief of the contracting office and placed in the contract file.
[Reference 1-707.3]

This plan shall include:

- #3,4,8 (1) Separate percentage goals (expressed in terms of percentage of total planned subcontracting dollars) for the utilization as subcontractors of small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals. For the purposes of the subcontracting plan, the Contractor shall include all subcontracts to be awarded for the specific purpose of performing this contract and may include a proportionate share of supplies and services whose costs are normally allocated as indirect or overhead costs when reasonably determined to be attributable to this contract.
- a. A statement of: (i) total dollars planned to be subcontracted; (ii) total dollars planned to be subcontracted to small business; and (iii) total dollars planned to be subcontracted to small disadvantaged business. [References DAR 7-104.14; OFPP 80-2, C3a[1-4]]
- #5 b. A description of the principal supply and service areas to be subcontracted and an identification of those areas where it is planned to use (i) small business subcontractors, and (ii) small disadvantaged business subcontractors. [Reference DAR 7-104.14]
- #7 c. A statement of the method used in developing proposed subcontracting goals for small business and small disadvantaged business concerns. [Reference DAR 7-104.14]
- #8 d. If the offeror includes indirect and overhead costs as an element in establishing the goals in the subcontracting plan, the method used in determining the proportionate share of indirect and overhead costs incurred with (i) small business, and (ii) small disadvantaged business concerns. [Reference DAR 7-104.14]

(End of Provision)

Instructions to Contracting Officers

(a) Informational Goals. The contracting officer may, in a letter accompanying the solicitation or otherwise, inform the offeror of the goal the Government contemplates for subcontracting to both small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals. Any such letter shall state that the goals are informational only and not legally binding. [Reference OFPP 80-2, 6(a)]

POINT 2 of PL 95-507

The law states: "Each subcontracting plan shall name an individual within the employ of the offeror or bidder who will administer the subcontracting program of the offeror or bidder and a description of the duties of such individual."

CONSIDERATION: The detail and clarity of the guideline below is sufficient to aid in the effective implementation of the law.

GUIDELINE 9: What is the name of the individual who will administer the subcontracting plan? Were his or her duties described?

Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree

CONSIDERATION: The above guideline under this point of the law does provide all-inclusive coverage. All implicit requirements in this point of the law are covered by the guidelines.

Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree

(2) The name of an individual within the employ of the offeror who will administer the subcontracting plan of the offeror and a description of the duties of such individual. [References DAR 7-104.14; OFPP 80-2, C3b]

POINT 3 of PL 95-507

The law states: "Each subcontracting plan shall include a description of the efforts the offeror or bidder will take to assure that small business concerns and small business concerns owned and controlled by the socially and economically disadvantaged individuals will have an equitable opportunity to compete for subcontracts."

CONSIDERATION: The detail and clarity of the guideline below is sufficient to aid in the effective implementation of the law.

GUIDELINE 10: Does the contractor have acceptable company-wide small and small disadvantaged business policy statements?

Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree

GUIDELINE 11: Did the contractor demonstrate sufficient management interest and involvement?

Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree

GUIDELINE 12: Does the contractor have a program to train and motivate personnel to support subcontracting with small and small disadvantaged firms?

Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree

GUIDELINE 13: Does the contractor provide special assistance to small and small disadvantaged firms?

Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree

GUIDELINE 14: Does the contractor consider the potential of small and small disadvantaged firms in make-or-buy decisions?

Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree

GUIDELINE 15: Does the contractor counsel small and small disadvantaged firms and discuss subcontracting opportunities with them?

Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree

CONSIDERATION: The above guidelines under this point of the law do provide all-inclusive coverage. All implicit requirements in this point of the law are covered by the guidelines.

Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree

The SADBUs shall:

- #13,15 (ii) coordinate inquiries and requests for advice from small business, small disadvantaged business and labor surplus area business concerns on acquisition matters; [Reference DAR 1-104.3]
- #12,13 (vi) insure that financial assistance, available under
14,15 existing regulations, is offered and that requests by small business concerns for proper assistance are not treated as a handicap in the award of contracts. (See Appendix E, Parts 4 and 5.) [Reference DAR 1-704.3]

The SADBUs shall:

- #12 (xxiii) be responsible for establishing an education and training program for personnel whose duties and functions affect the activity's small business, small disadvantaged business and firms located in labor surplus areas; [Reference DAR 1-703.4]

PCOs shall:

(b)(1)(iii) consider the contractor's past compliance with the clause specified in 1-707.3(a) and with subcontracting plans as a factor in determining the contractor responsibility. [Reference DAR 1-707.2]

e. A statement of the method used for solicitation purposes (e.g., did the offeror use company source lists, the small business and disadvantaged small business source identification system provided by the Small Business Administration's Procurement Automated Source System, the National Minority Purchasing Council Vendor Information Service, or the services provided by the U.S. Department of Commerce Minority Business Development Agency's Research and Information Division, and the facilities of small business and disadvantaged business trade associations?) [Reference DAR 7-104.14]

(3) A description of the efforts the offeror will make to assure that small business and small disadvantaged business concerns will have an equitable opportunity to compete for subcontracts; [Reference DAR 7-104.14, 80-2, C3C]

- #10 (c) In order to effectively implement this plan the Contractor shall:

(1) Issue and promulgate company-wide policy statements in support of this effort, develop written procedures and work instructions, and assign specific responsibilities regarding requirements of this clause. [Reference DAR 7-104.14]

- #11 (2) Demonstrate continuing management interest and involvement in support of this effort through such actions as regular reviews of progress and establishment of overall corporate and divisional goals and objectives.
- #12 (3) Train and motivate contractor personnel regarding the support of small and small disadvantaged business firms.
- #13 (4) Assist small business and small disadvantaged business concerns by arranging solicitations, time for the preparation of bids, quantities, specifications, and delivery schedules so as to facilitate the participation by such concerns. Where the Contractor's lists of potential small business and disadvantaged subcontractors are excessively long, reasonable effort shall be made to give all such small business concerns an opportunity to compete over a period of time.
- #14 (5) Provide adequate and timely consideration of the potentialities of small business and small disadvantaged business concerns in all "make-or-buy" decisions.
- #15 (6) Counsel and discuss subcontracting opportunities with representatives of small and small disadvantaged business firms as are referred by the Small and Disadvantaged Business Utilization Specialist responsible for monitoring performance under this program and representatives of the SBA.

POINT 4 of PL 95-507

The law states: "Each subcontracting plan shall include assurances that the offeror or bidder will include the clause required by paragraph (2) of this subsection in all subcontracts which offer further subcontracting opportunities, that the offeror or bidder will require all subcontractors (except small business concerns) who receive subcontracts in excess of \$1,000,000 in the case of a contract for the construction of any public facility, or in excess of \$500,000 in the case of all other contracts, to adopt a plan similar to the plan required under paragraph (4) or (5)."

CONSIDERATION: The detail and clarity of the guideline below is sufficient to aid in the effective implementation of the law.

GUIDELINE 16: Does the contractor provide the flow down of the subcontracting plan clause to appropriate subcontracts?

Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree

CONSIDERATION: The above guideline under this point of the law does provide all-inclusive coverage. All implicit requirements in this point of the law are covered in the guideline.

Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree

#16

(4) Assurances that the offeror will include the clause entitled Utilization of Small Business and Small Disadvantaged Business Concerns in all subcontracts which offer further subcontracting possibilities in the United States and will require all subcontractors (except small business concerns) who receive subcontracts in excess of \$500,000 or, in the case of a contract for the construction of any public facility, \$1 million, to adopt a plan in consonance with this clause; [Reference DAR 7-104.14]

d. Assurances that the offeror will include the clause entitled Utilization of Small Business Concerns and Small Business Concerns Owned and Controlled by Socially and Economically Disadvantaged Individuals in all subcontracts which offer further subcontracting opportunities and to require all subcontractors (except small business concerns) which receive subcontracts in excess of \$500,000, or in the case of a contract for the construction of any public facility, \$1,000,000, to adopt and comply with a plan similar to the plan agreed to by the offeror. Such assurances shall describe the offeror's procedures for the review, approval, and monitoring for compliance with such plans; [Reference OFPP 80-2, C3d]

POINT 5 of PL 95-507

The law states: "Each subcontracting plan shall include assurances that the offeror or bidder will submit such periodic reports and cooperate in any studies or surveys as may be required by the Federal agency or the Administration in order to determine the extent of compliance by the offeror or bidder with the subcontracting plan."

CONSIDERATION: The detail and clarity of the guideline below is sufficient to aid in the effective implementation of the law.

GUIDELINE 17: Does the contractor assure in the plan that he will submit periodic reports and cooperate in any studies or surveys as may be required to determine compliance with the plan?

Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree

CONSIDERATION: The above guideline under this point of the law does provide all-inclusive coverage. All implicit requirements in this point of the law are covered by the guideline.

Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree

PCO shall:

#17 (b) (1) (v) notify the SBA's resident Procurement Center Representative (PCR) of and provide him an opportunity to review solicitations for contracts which will include the clause at 7-104.14(a) and which may exceed \$1 million in the case of contracts for construction and \$500,000 in the case of all other contracts. [Reference DAR 1-707.2]

(5) Assurances that the offeror will submit such periodic reports and cooperate in any studies or surveys as may be required by the contracting agency or the Small Business Administration in order to determine the extent of compliance by the offeror with the subcontracting plan. [Reference DAR 7-104.14]

f. The offeror will submit, as required by the contracting officer, subcontracting reports in accordance with the instructions thereon, and as further directed by the contracting officer. Subcontractors will also submit these reports to the government's contracting officer or as otherwise directed, with a copy to the prime contractor's designated small and disadvantaged business liaison. [Reference OFPP 80-2, 4f]

POINT 6 of PL 95-507

The law states: "Each subcontracting plan shall include a recitation of the types of records the successful offeror or bidder will maintain to demonstrate procedures which have been adopted to comply with the requirements and goals set forth in this plan, including the establishment of source lists of small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals; and efforts to identify and award subcontracts to such small business concerns."

CONSIDERATION: The detail and clarity of the guideline below is sufficient to aid in the effective implementation of the law.

GUIDELINE 18: Will adequate records be maintained?

Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree

CONSIDERATION: The above guideline under this point of the law does provide all-inclusive coverage. All implicit requirements in this point of the law are covered by the guideline.

Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree

#18

(xxvi) advise and assist contracting officers in discharging their responsibilities by:

- (A) monitoring and reviewing contractor performance to determine compliance with small and disadvantaged small business subcontracting plans;
- (B) developing and maintaining records and reports that reflect such compliance or noncompliance.

[Reference DAR 1-704.4]

(6) A recitation of the types of records the offeror will maintain to demonstrate procedures which have been adopted to comply with the requirements and goals set forth in the plan, including the establishment of source lists of small business and small disadvantaged business concerns; and efforts to identify and award subcontracts to such small business concerns. The records shall include at least the following (these records may be maintained on a plant-wide or company-wide basis unless otherwise indicated): [Reference OFPP 80-2, C3f]

a. Small and disadvantaged business source lists, guides, and other data identifying small and small disadvantaged business vendors.

b. Organizations contacted for small and disadvantaged business sources.

c. On a contract-by-contract basis, records on all subcontract solicitations over \$100,000, indicating on each solicitation (i) whether small business was solicited and if not, why not; (ii) whether small disadvantaged business was solicited and if not, why not; and (iii) reasons for the failure of responding small businesses to receive the subcontract award.

d. Records to support such efforts as:

- (i) contacts with disadvantaged and small business trade associations;
- (ii) contacts with business development organizations; and
- (iii) attendance at small and disadvantaged business procurement conferences and trade fairs.

e. Records to support internal activities to guide and encourage buyers such as:

- (i) workshops, seminars, training programs, etc.; and
- (ii) monitoring activities to evaluate compliance.

f. On a contract-by-contract basis, records to support award data submitted to the Government to include name, address, and size status of contractor.

[Reference DAR 7-104.14]

#1

(d) The Contractor shall submit DID Form 1140-1 in accordance with instructions provided on the form.

[Reference DAR 7-104.14]

GENERAL GUIDELINES OF PL 95-507

The following set of guidelines is not keyed to any one point of the law but has been included to assist the PCO in the overall evaluation of subcontracting plans:

CONSIDERATION: The guideline below is of assistance to the PCO.

GUIDELINE 1: Were ACO comments requested and used?

Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree

GUIDELINE 2: Were activity Small and Disadvantaged Business Utilization Specialist comments requested and used?

Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree

GUIDELINE 19: Did the initial plan as submitted provide the maximum practicable opportunity for small and small disadvantaged business participation?

Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree

GUIDELINE 20: If the plan was unacceptable, what were the deficiencies?

Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree

GUIDELINE 21: Was the contractor notified of these in writing?

Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree

GUIDELINE 22: Were you able to establish and negotiate acceptable goals?

Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree

GUIDELINE 23: Should an incentive clause be included? If not, why?

Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree

GUIDELINE 24: After completion of all negotiations, does the plan, in your judgement, now offer the maximum practicable subcontracting opportunity for small and small disadvantaged firms?

Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree

CONSIDERATION: The above guidelines do cover the areas of overall assistance needed by the PCO and overall evaluation considerations of the plan -

Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree

The SADBUs shall:

- #2 (v) review acquisition programs for possible breakout of items suitable for acquisition from small business concerns; [Reference DAR 1-704.3]

The SADBUs shall:

- #2 (vii) participate in determinations concerning responsibility of a prospective contractor (see 1-904) whenever small business concerns are involved; [Ref DAR 1-704.3]

- #1 (3) The ACO shall monitor contractor compliance in accordance with 1-406(c)(xix) and apprise the PCO. Upon contract completion, if the contractor did not comply in good faith with the subcontracting plan and/or the clause specified in 1-707.3(a), the PCO, based on recommendations from the ACO, shall document the noncompliance in writing and include the reasons. A copy of this documentation shall be provided to the ACO. [Reference DAR 1-707.2]

- #1 (c) ACO Responsibilities. The ACO is responsible for assisting in the evaluation of subcontracting plans, and for monitoring, evaluating, and documenting contractor performance under the clause specified in 1-707.3(a) and any subcontracting plan included in the contract. The SADBUs assigned to the contract administration office shall provide the PCO advice and assistance for use in determining the acceptability of a plan and, through the ACO, shall provide the necessary information and advice to support the PCO, as appropriate, by furnishing:

- (i) documentation on a contractor's performance and compliance with subcontract plans under previous contracts;
- (ii) information on the extent to which the contractor's goals for small business and small disadvantaged business participation are being met;
- (iii) information on whether the contractor's efforts to insure such participation are in accordance with the efforts described in the subcontracting plan;
- (iv) information on whether the contractor is requiring its subcontractors to adopt similar contracting plans; and
- (v) immediate notice if, during performance, the contractor is failing to meet his commitments under the clause at 1-707.3(a) or the subcontracting plan. [Reference DAR 707.2]

(3) Prior compliance of the offeror with other such subcontracting plans under previous contracts will be considered by the Contracting Officer in determining the responsibility of the offeror for award of the contract. [Reference 7-104.14]

The SADBUs shall:

- #19 (i) maintain a program designed to locate capable small business, small disadvantaged business and labor surplus area business sources for current and future acquisitions, through SBA or other methods; [Reference DAR 1-704.3]

The SADBUs shall:

- #19,20 (viii) participate in the evaluation of a prime contractor's small business, labor surplus, and small disadvantaged business subcontracting plans; [Reference DAR 1-704.3]

- #24 1-707 Subcontracting With Small Business and Small Disadvantaged Business Concerns.

1.707.1 General

(a) Pursuant to Section 8(d) of the Small Business Act (15 U.S.C. 637(d)), it is the policy of the United States that small business concerns, and small business concerns owned and controlled by socially and economically disadvantaged individuals, shall have the maximum practicable opportunity to participate in the performance of contracts let by any Federal agency. For purposes of this part, the term "subcontract" means any agreement (other than one involving an employer-employee relationship) to be entered into by a Federal Government prime contractor or subcontractor calling for supplies or services required for the performance of the original contract or subcontract. [Reference DAR 1-704.3]

- #24 (b) Contract modifications (1-201.2) to contracts which do not contain the clause in 7-104.14(a) and which are within the scope of the contract do not require subcontracting plans. However, a modification which reflects the addition of work beyond the scope of the contract and which is made for administrative convenience when a separate contract would otherwise have been appropriate shall require a subcontracting plan if the criteria of 1-707.3(a) and (b) are met. [Reference DAR 1-707]

- #24 (b) PCO Responsibilities.

(1) the PCO shall:

- (i) assure that a subcontracting plan is submitted when required. [Reference DAR 1-707.2]

PCO shall:

- #24 (b)(1)(ii) determine the adequacy of the subcontracting plan. [Reference DAR 1-707.2]

PCO shall:

- #24 (b)(1)(iv) determine any fee payable when an incentive is used in conjunction with the subcontracting plan. [Reference DAR 1-707.2]

PCO shall:

- #19 (b)(1)(vi) notify the resident PCR of and provide him the opportunity to review all proposed subcontracting plans under negotiated contracts, including proposed contract modifications, prior to their acceptance by the PCO. Additionally, the apparent successful offeror's proposal and its supporting documentation, if any, which has been furnished to the Government in the course of the negotiations, shall also be made available to the resident PCR upon request. The notice shall be issued in sufficient time to provide the resident PCR a reasonable time to review the subcontracting plan proposal and related documents and to submit advisory recommendations to the PCO. Failure of the PCR to respond to the PCO in a reasonable time shall not delay award of the contract.

- PCO shall: (vii) upon award of a contract or other contractual action containing a subcontracting plan, provide a copy of the award document (a copy of the DD 350 will suffice) to the Assistant Regional Administrator for Regional Programs in the SBA region where the principal contract performance is to take place and a copy of the plan to the resident PCR. [Reference 1-707.2]

- #24 (e) Involvement of the Small Business Administration.
The Small Business Administration is authorized to:
- (i) assist both departments and contractors in complying with their responsibilities with regard to subcontracting plans;
 - (ii) review any solicitation for any contract which is to include the clause required by 1-707.3(b) or (c) to determine whether maximum practicable opportunity has been afforded small and disadvantaged businesses to participate as subcontractors in the performance of any contract resulting from any solicitation and to submit its findings, which shall be advisory in nature, to the contracting activity; and

- (iii) evaluate compliance with subcontracting plans, either on a contract-by-contract basis or, in the case of contractors having multiple contracts, on an aggregate basis.

The SBA is not authorized to prescribe the extent to which any contractor or subcontractor shall subcontract; specify concerns to which subcontracts shall be granted; or exercise any authority regarding the administration of individual prime contracts or subcontracts. The Office of Minority Small Business and Capital Ownership Development, Small Business Administration, has final authority to determine the eligibility of a concern to be designated as a small disadvantaged business. [Reference DAR 1-707.2]

#20,21

(2) Subcontracting plans shall be reviewed by the PCO for adequacy. All plans must include the six elements required by the clause. On negotiated contracts, the adequacy of the plan is determined by the PCO based on the negotiations of each of the six elements. The final plan must be acceptable to the PCO before the award can be made. If, under a formally advertised solicitation, a bidder submits a plan which does not cover each of the six elements, the contracting officer should advise him of the deficiency and request submission of a new plan by a specific date. If, after such notification, the bidder does not submit a complete and responsive plan within the time allotted, the bid should be rejected as nonresponsive. If the plan, although responsive, evidences the bidder's intention not to comply with its obligations under the clause at 7-104.14(a), the contracting officer may find the bidder nonresponsive in accordance with 1-903. [Reference DAR 1-707.2]

(c) If a subcontracting plan acceptable to the contracting officer is not negotiated within the time limits prescribed by the contracting activity and such failure arises out of causes within the control and with the fault or negligence of the offeror, the offeror shall be ineligible for an award. The contracting officer shall notify the contractor in writing of his reasons for determining a subcontracting plan to be unacceptable. Such notice shall be given early enough in the negotiation process to allow the contractor to modify the plan within the time limits prescribed. [Reference OFPP 80-2, C4C]

#23

(e) The Small Business Act encourages Federal agencies to provide incentives to increase subcontracting opportunities for small business and small disadvantaged business concerns as may be commensurate with the efficient and economical performance of the contract. Various approaches may be used in the development of incentives.

They can take many forms, from a fully quantified schedule of payments based on actual subcontract achievement to an award fee approach employing subjective evaluation criteria. In negotiated contracts for which a subcontract plan is required in accordance with 1-707.3(b), contracting officers may include provisions to effect these incentives. Such provisions should normally be negotiated subsequent to reaching agreement upon the subcontract plan. A sample incentive clause is contained in 7-104.14(d). The use of any contractual incentive provision based upon rewarding the contractor monetarily for exceeding goals established in the subcontracting plan must ensure that (i) the goals are realistic and (ii) that any monetary rewards for exceeding the goals must be commensurate with the contractor's efforts which would not otherwise have been expended (e.g., administrative reclassification by the SBA during performance or economic and unnecessary subcontract decision to take inappropriate advantage of the incentive). [Reference DAR 1-707.3]

#21

(2) The Contracting Officer shall notify the Contractor in writing of his reasons for determining a subcontracting plan to be unacceptable. Such notice shall be given early enough in the negotiation process to allow the Contractor sufficient time to modify the plan within the time limits prescribed. [Reference DAR 7-104.14]

#23

(d) The following clause is an example for use in negotiated contracts in accordance with 1-707.3(e).

**INCENTIVE SUBCONTRACTING PROGRAM FOR SMALL BUSINESS AND SMALL DISADVANTAGED BUSINESS CONCERNS
(1979 JULY)**

(1) The contractor has established, in his subcontracting plan, the following goals for awards to small business and small disadvantaged business concerns:

(i) _____ percent of the total planned subcontract amount of \$_____ to small business concerns, and

(ii) _____ percent of the total planned subcontract amount of \$_____ to small business concerns owned and controlled by socially and economically disadvantaged individuals.

(2) In recognition of any extraordinary efforts by the contractor in exceeding the small business and small disadvantaged business concerns subcontracting goals established by (1) above, the contracting officer may, at his election and in his sole discretion, pay an award fee to the

contractor of not to exceed * of the total dollar value of all such contract awards in excess of each goal in (1) above. The contracting officer may determine that such excess was not due to efforts by the contractor, i.e., subcontractor cost overruns, or where the actual subcontract amount exceeds that estimated in the subcontract plan; or there were planned subcontracts not disclosed in the subcontract plan during contract negotiation. Determinations under this paragraph shall not be subject to the clause hereof entitled Disputes.

(3) If the contract is a cost-plus-fixed-fee type, the total of the fixed fee and the incentive payments made pursuant to this clause is subject to the limitations set forth in DAR 3-405.6(c)(2).

*Exact percentage (not to exceed 10 percent) to be inserted into the contract document. [Reference DAR 7-104.14]

(a) Contracts with Options or Similar Provisions--In the case of contracts with options, or similar provisions, requiring a subcontracting plan, the contracting officer shall obtain a satisfactory plan prior to award covering the basic and the option items of the contract. The price of the option items shall be included in determining whether the contract meets the subcontracting threshold, and the plan shall take into account the procurement of the option items. In the event the option or similar provision is not exercised, the contractor should not be bound by that portion of the plan relating to the option items.

(b) Letter Contracts--In the case of letter-type contracts requiring a subcontracting plan, the contracting officer shall seek to obtain a satisfactory plan within 90 days after award or before definitization, whichever comes first.

(c) Acceptability of Proposed Plan--In making determinations concerning the acceptability of a proposed subcontracting plan, the contracting officer should take the following actions:

(1) To the extent available, the contracting officer shall obtain the names and locations of principal proposed (i) small business, and (ii) small disadvantaged business subcontractors, including the type of product or service and the dollar value thereof to be awarded to each principal subcontractor. This information will be used only to assist the contracting officer in making a determination as to the acceptability of the proposed percentage and dollar subcontract goals. The offeror will not be contractually bound to make subcontract awards to the designated subcontractors nor will

the names of the subcontractors be included in any subsequent approved plan.)

(2) Obtain and review information from all appropriate sources, including the prospective contractor, contract administration activities, Small and Disadvantaged Business Utilization Specialist, and SBA representatives concerning the apparent successful offeror's historical performance and achievements in placing subcontracts for the same or similar products or services with (i) small business, and (ii) small disadvantaged business subcontractors--if this information is not available for a specific product or service, the offeror's past performance and achievements in the placement of total subcontract awards to (i) small business, and (ii) small disadvantaged business subcontractors shall be examined.

(3) Evaluate the anticipated potential for subcontracting to (i) small business, and (ii) small disadvantaged business considering the make-or-buy policies or programs of the apparent successful offeror, the nature of the products or services to be subcontracted, and the known availability of (i) small business, and (ii) small disadvantaged business concerns in the geographical area where the work will be performed.

(4) Advise the apparent successful offeror of (i) the availability of the sources of information on potential small business and small disadvantaged business subcontractors and (ii) the names of any known potential small business and small disadvantaged business subcontract sources. If the proposed goals are questionable, the contracting officer shall emphasize that one or more of the sources of information should be used and potential small business and small disadvantaged business subcontract sources be considered to ensure development of realistic and acceptable goals.

(5) Obtain advice and recommendations of the Small and Disadvantaged Business Utilization Specialist and the assigned Small Business Administration Procurement Center Representative (if available) concerning the acceptability of the proposed plans.

(6) Negotiate subcontracting goals at a level which represents a good faith, aggressive, and comprehensive effort of the apparent successful offeror to use to the maximum practicable extent small and small disadvantaged subcontractors after appropriate consideration of their price, technical capability, and other pertinent factors. No goals will be negotiated upwards if it is apparent that such higher goals must result in significant increased costs to the Government or will seriously impede acquisition objectives. However, incentive subcontracting clauses should be considered in those cases

where it is believed that additional and unique prime contractor effort could significantly increase small business and small disadvantaged business subcontract awards.

(7) The contracting officer shall promptly negotiate appropriate revisions to agreed subcontracting percentage and dollar goals if any subsequent amendments to the contract will have a major impact on the original planned volume or type of subcontracting effort. If agreement cannot be reached, the matter will be resolved under the Disputes Clause of the contract.

(8) In reviewing and negotiating a contractor's proposed small and disadvantaged business subcontracting plan, the contracting officer shall give due consideration to the contractor's "make-or-buy" policy or program. This is necessary to ensure that the respective programs are not in conflict, and the best interests of the Government are obtained. Furthermore, where the contract work involves products or services which are not generally available in the commercial marketplace or are particularly specialized, and the contractor has current capacity to perform the work, the contracting officer may recognize the reduced likelihood of subcontracting opportunities.

(b) Notification of Unsatisfactory Plans. If the contracting officer believes that the subcontracting plan submitted pursuant to this section does not reflect the best effort by the bidder to award subcontracts to small and small disadvantaged firms to the fullest extent consistent with the efficient performance of the contract, he shall notify the agency's director of the Office of Small and Disadvantaged Business Utilization who shall in turn notify the Small Business Administration and request a review of the plan pursuant to Section 8(d)(10) and (11) of the Small Business Act. Such request for an SBA review shall not delay award of the contract. Prior compliance of the bidder with other such subcontracting plans under previous contracts will be considered by the contracting officer in determining the responsibility of the bidder for award of the contract.

(c) Forwarding to SBA of Plans Involving Commercial Products. Contracting officers receiving companywide plans under paragraph 6 (commercial products) of both solicitation clauses--Small Business and Small Disadvantaged Business Subcontracting Plan (Negotiated) and Small Business and Small Disadvantaged Business Subcontracting Plan (Advertised)--shall forward copies of such plans and approvals thereof to the Central Office of the Small Business Administration, 1441 L Street NW., Washington, D.C., Attention: AAPA. [Reference OFPP 80-2, 6(b)(c)]

APPENDIX E
FORMAL SURVEY QUESTIONNAIRE

POINT 1 of PL 95-507

The law states: "Each subcontracting plan shall include percentage goals for the utilization as subcontractors of small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals."

CONSIDERATION: The detail and clarity of the guideline below is sufficient to aid in the effective implementation of the law.

GUIDELINE 3: Did the contractor propose separate percentage goals?

Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree

GUIDELINE 4: Did the contractor base the goals on total volume of planned subcontracting and that planned to be awarded to small and small disadvantaged firms?

Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree

GUIDELINE 5: Did the contractor describe the areas where it is planned to subcontract to small and small disadvantaged business firms?

Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree

GUIDELINE 6: Did the contractor furnish the names and locations by principal small and small disadvantaged firms to be awarded subcontracts?

Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree

GUIDELINE 7: What was the method used to develop goals?

Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree

GUIDELINE 8: How was indirect or overhead costs allocated in developing the goals?

Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree

CONSIDERATION: The above guidelines under this point of the law do provide all-inclusive coverage. All implicit requirements in this point of the law are covered by the guidelines.

Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree

POINT 2 of PL 95-507

The law states: "Each subcontracting plan shall name an individual within the employ of the offeror or bidder who will administer the subcontracting program of the offeror or bidder and a description of the duties of such individual."

CONSIDERATION: The detail and clarity of the guideline below is sufficient to aid in the effective implementation of the law:

GUIDELINE 9: What is the name of the individual who will administer the subcontracting plan? Were his or her duties described?

Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree

CONSIDERATION: The above guideline under this point of the law does provide all-inclusive coverage. All implicit requirements in this point of the law are covered by the guidelines.

Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree

POINT 3 of PL 95-507

The law states: "Each subcontracting plan shall include a description of the efforts the offeror or bidder will take to assure that small business concerns and small business concerns owned and controlled by the socially and economically disadvantaged individuals will have an equitable opportunity to compete for subcontracts."

CONSIDERATION: The detail and clarity of the guideline below is sufficient to aid in the effective implementation of the law.

GUIDELINE 10: Does the contractor have acceptable company-wide small and small disadvantaged business policy statements?

Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree

GUIDELINE 11: Did the contractor demonstrate sufficient management interest and involvement?

Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree

GUIDELINE 12: Does the contractor have a program to train and motivate personnel to support subcontracting with small and small disadvantaged firms?

Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree

GUIDELINE 13: Does the contractor provide special assistance to small and small disadvantaged firms?

Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree

GUIDELINE 14: Does the contractor consider the potential of small and small disadvantaged firms in make-or-buy decisions?

Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree

GUIDELINE 15: Does the contractor counsel small and small disadvantaged firms and discuss subcontracting opportunities with them?

Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree

CONSIDERATION: The above guidelines under this point of the law do provide all-inclusive coverage. All implicit requirements in this point of the law are covered by the guidelines.

Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree

POINT 4 of PL 95-507

The law states: "Each subcontracting plan shall include assurances that the offeror or bidder will include the clause required by paragraph (2) of this subsection in all subcontracts which offer further subcontracting opportunities, that the offeror or bidder will require all subcontractors (except small business concerns) who receive subcontracts in excess of \$1,000,000 in the case of a contract for the construction of any public facility, or in excess of \$500,000 in the case of all other contracts, to adopt a plan similar to the plan required under paragraph (4) or (5)."

CONSIDERATION: The detail and clarity of the guideline below is sufficient to aid in the effective implementation of the law.

GUIDELINE 16: Does the contractor provide for flow down of the subcontracting plan clause to appropriate subcontracts?

Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree

CONSIDERATION: The above guideline under this point of the law does provide all-inclusive coverage. All implicit requirements in this point of the law are covered by the guidelines.

Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree

POINT 5 of PL 95-507

The law states: "Each subcontracting plan shall include assurances that the offeror or bidder will submit such periodic reports and cooperate in any studies or surveys as may be required by the Federal agency or the Administration in order to determine the extent of compliance by the offeror or bidder with the subcontracting plan."

CONSIDERATION: The detail and clarity of the guideline below is sufficient to aid in the effective implementation of the law.

GUIDELINE 17: Does the contractor assure in the plan that he will submit periodic reports and cooperate in any studies or surveys as may be required to determine compliance with the plan?

Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree

CONSIDERATION: The above guideline under this point of the law does provide all-inclusive coverage. All implicit requirements in this point of the law are covered by the guideline.

Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree

POINT 6 of PL 95-507

The law states: "Each subcontracting plan shall include a recitation of the types of records the successful offeror or bidder will maintain to demonstrate procedures which have been adopted to comply with the requirements and goals set forth in this plan, including the establishment of source lists of small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals; and efforts to identify and avoid subcontracts to such small business concerns."

CONSIDERATION: The detail and clarity of the guideline below is sufficient to aid in the effective implementation of the law.

GUIDELINE 18: Will adequate records be maintained?

Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree

CONSIDERATION: The above guideline under this point of the law does provide all-inclusive coverage. All implicit requirements in this point of the law are covered by the guideline.

Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree

GENERAL GUIDELINES OF PL 95-507

The following set of guidelines is not keyed to any one point of the law but has been included to assist the PCO in the overall evaluation of subcontracting plans:

CONSIDERATION: The guideline below is of assistance to the PCO.

GUIDELINE 1: Were ACO comments requested and used?

Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree

GUIDELINE 2: Were activity Small and Disadvantaged Business Utilization Specialist comments requested and used?

Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree

GUIDELINE 19: Did the initial plan as submitted provide the maximum practicable opportunity for small and small disadvantaged business participation?

Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree

GUIDELINE 20: If the plan was unacceptable, what were the deficiencies?

Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree

GUIDELINE 21: Was the contractor notified of these in writing?

Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree

GUIDELINE 22: Were you able to establish and negotiate acceptable goals?

Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree

GUIDELINE 23: Should an incentive clause be included? If not, why?

Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree

GUIDELINE 24: After completion of all negotiations, does the plan, in your judgement, now offer the maximum practicable subcontracting opportunity for small and small disadvantaged firms?

Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree

CONSIDERATION: The above guidelines do cover the areas of overall assistance needed by the PCO and overall evaluation considerations of the plan.

Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree

APPENDIX F
TABULATION OF QUESTIONNAIRE RESPONSES

TABULATION OF QUESTIONNAIRE RESPONSES

Consideration	Group 1				Group 2					
	Contracting Officials				Small Business Representatives					
	Strongly Agree	Disagree	Strongly Disagree	Un-decided	Strongly Agree	Disagree	Strongly Disagree	Un-decided		
GD ^a 1	5	14	1	2	0	2	7	1	0	0
GD 2	7	12	1	2	0	3	7	0	0	0
GD 3	6	13	1	2	0	5	4	1	0	0
GD 4	2	17	2	1	0	4	6	0	0	0
GD 5	4	12	3	1	2	2	7	0	0	1
GD 6	2	8	6	2	4	0	6	3	0	1
GD 7	4	8	4	1	5	3	4	0	0	3
GD 8	1	9	6	2	4	3	2	2	1	2
GD 9	5	15	1	1	0	3	7	0	0	0
GD 10	3	14	2	2	1	2	7	0	0	1
GD 11	2	9	7	2	2	2	5	1	0	2
GD 12	3	11	2	2	4	2	7	1	0	0
GD 13	3	11	2	3	3	4	5	1	0	0
GD 14	2	15	1	1	3	2	8	0	0	0
GD 15	2	12	2	3	3	4	6	0	0	0
GD 16	6	15	0	1	0	3	5	2	0	0
GD 17	5	12	1	1	3	2	8	0	0	0
GD 18	2	11	4	4	1	3	1	5	1	0

TABULATION OF QUESTIONNAIRE RESPONSES

Consideration	Group 1				Group 2			
	Contracting Officials				Small Business Representatives			
	Strongly Agree	Disagree	Strongly Disagree	Un-decided	Strongly Agree	Disagree	Strongly Disagree	Un-decided
GD 19	3	6	4	1	8	2	6	1
GD 20	5	11	3	2	1	2	8	0
GD 21	6	12	1	1	2	2	8	0
GD 22	2	8	6	2	4	2	8	0
GD 23	2	10	6	2	2	0	5	1
GD 24	2	9	6	1	4	2	6	0
Pol ^b 1	2	11	4	2	3	0	7	1
Pol 2	5	12	3	1	1	0	7	0
Pol 3	3	11	3	2	3	1	5	0
Pol 4	5	12	3	1	1	1	4	0
Pol 5	5	9	3	1	4	2	6	0
Pol 6	2	9	4	4	3	1	3	0
PL 95-507 (In General)	1	15	3	1	2	0	5	2

^aGD = Guideline.

^bPol = Point of Law.

APPENDIX G
STATISTICAL METHODS AND ANALYSIS

The purpose of this appendix is to explain in detail the statistical methods used to analyze the collected data. Additionally, example problems are worked for further clarification and finally a summary of results obtained from all data analysis is presented in tabulated form.

The Fisher Exact Probability Test

This test was chosen to compare the two sample groups because of its greater strength in comparison to other nonparametric tests of dichotomized, nominal data from small sample sizes (5:95-101). The method consists of the matrix manipulation of data by arraying it in two mutually exclusive classes. In the array, each subject's response falls into one of two categories. For the purpose of this study the two groups represent two interest groups:

Group 1: Designed to represent the government's contracting community; composed of PCOs, ACOs and SADBUs.

Group 2: Designed to represent the small business community; composed of SBA officials.

The two possible responses from each subject surveyed are: (1) Disagree with the consideration in question, or (2) Agree with the consideration in question. For each

consideration of the questionnaire a 2x2 Contingency Table is constructed as in Table G-1.

TABLE G-1
2x2 CONTINGENCY TABLE

	Agree	Disagree	Total
Group 1	A	B	A+B
Group 2	C	D	C+D
Total	A+C	B+D	N

By comparing the two groups, the test determines to what degree they differ in the distribution of their responses to the consideration (i.e., H_1 : the two groups differ significantly). The exact significance of the array in Table G-1 is given by the hypergeometric distribution:

$$p = \frac{\binom{A+C}{A} \binom{B+D}{B}}{\binom{N}{A+B}}$$

For use in computations it is more conveniently expressed as

$$p = \frac{(A+B)! (C+D)! (A+C)! (B+D)!}{N! A! B! C! D!} \quad (G.1)$$

The probability of distribution for each consideration includes the probability of the distribution actually observed plus the probabilities of the "more extreme"

outcomes. This will be explained further and demonstrated in the example problem. Therefore, the actual statistical test of the null hypothesis asks not only "What is the probability that the recorded distribution under H_0 will occur," but also "What is the probability of one even more extreme?"

Example: Fisher's Exact Probability Test

This example uses the actual data collected concerning responses to consideration of Point of Law 1. From the tabulated raw data of Appendix F, the following Contingency Table is constructed (G-2):

TABLE G-2
CONSIDERATION OF POINT OF LAW 1

	Agree	Disagree	Total
Group 1	13	6	19
Group 2	7	2	9
Total	20	8	28

Comparing this table to that of Table G-1, it is apparent that $A=13$, $B=6$, $C=7$, $D=2$. The marginal totals are $A+B=19$, $C+D=9$, $A+C=20$, and $B+D=8$. The total number of observations, defined as N , is seen to be 28. Applying formula G.1:

$$P_2 = \frac{(9)!(19)!(20)!(8)!}{(28)!(13)!(6)!(7)!(2)!} = .3143$$

The subscript (p_2) denotes the value of the most extreme responses (i.e., the smallest value of A, B, C, or D in the array). In this example, the most extreme category is D=2. As stated previously, the test for significant difference is concerned with the probability of this distribution (Table G-2) and those even more extreme. Therefore, the probabilities of the more extreme outcomes having the same marginal totals must be computed. These more extreme cases are depicted in Table G-3.

TABLE G-3
COMPONENTS OF FISHER'S EXACT PROBABILITY

<u>Observed Data</u>	<u>More Extreme Outcomes With Same Marginal Totals</u>																													
a	b	c																												
<table><tr><td>13</td><td>6</td><td>19</td></tr><tr><td>7</td><td>2</td><td>9</td></tr><tr><td>20</td><td>8</td><td>28</td></tr></table>	13	6	19	7	2	9	20	8	28	<table><tr><td>12</td><td>7</td><td>19</td></tr><tr><td>8</td><td>1</td><td>9</td></tr><tr><td>20</td><td>8</td><td>28</td></tr></table>	12	7	19	8	1	9	20	8	28	<table><tr><td>11</td><td>8</td><td>19</td></tr><tr><td>9</td><td>0</td><td>9</td></tr><tr><td>20</td><td>8</td><td>20</td></tr></table>		11	8	19	9	0	9	20	8	20
13	6	19																												
7	2	9																												
20	8	28																												
12	7	19																												
8	1	9																												
20	8	28																												
11	8	19																												
9	0	9																												
20	8	20																												

The probabilities of the two more extreme cases (array b and c) are calculated using Formula G.1:

$$P_b = P_1 = \frac{(19)!(9)!(20)!(8)!}{(28)!(12)!(7)!(8)!(1)!} = .1459$$

$$P_c = P_0 = \frac{(19)!(9)!(20)!(8)!}{(28)!(11)!(8)!(9)!(0)!} = .0243$$

At this point Fisher's Exact Probability (p) can be determined:

$$\begin{aligned} p &= p_a + p_b + p_c \\ &= .3143 + .1459 + .0243 \\ &= .4845 \end{aligned}$$

This is to say that the probability of such a distribution of frequencies under H_0 is $p = .4845$. Using this value of p , the decision to accept or reject H_0 is made. The decision rule is:

- a. Accept H_0 when $p > \alpha$
- b. Reject H_0 when $p \leq \alpha$

For the purpose of this study, a conservative value of .05 is chosen as the point of significance. By specifying $\alpha = .05$ the reader can be assured with 95 percent confidence that a finding of H_1 , the populations differ, will not be claimed when in fact the populations do not differ, H_0 . The error of concern in this case is statistically called a Type I (Alpha) error.

$$.4845 = p > \alpha = .05$$

Therefore, the null hypothesis is accepted. Accepting the null hypothesis is to conclude that differences between

the two populations are not statistically significant and that differences are probably due only to sampling error.

Tocher's Modification

To strengthen Fisher's test of difference a slight modification of Fisher's Exact Probability Test is performed which entails an additional step following Fisher's original test presented in the preceding paragraph. This final step is known as Tocher's Modification. Fisher's Test with Tocher's Modification has been found to be the most powerful statistical test for data of this type; small sample size, dichotomous and nominal (5:104). Tocher's Modification contributes to the power of Fisher's Test in that it makes allowances for the probability that marginal totals in the contingency arrays might vary in reality if repeated samples of the same size and population were drawn in the same way. In Fisher's Test it was arbitrarily assumed that the marginal values remain constant while considering more extreme cases.

To make allowances for the weakness inherent in considering the marginal totals constant, Tocher first determines Fisher's exact probability value (p) but does not apply any decision rules at this point. Next, two component values of Fisher's probability are taken into consideration: (1) the observed data probability, and (2) the total probability of more extreme outcomes. The

composite probability of all more extreme outcomes is calculated by summing their individual values. If this more extreme probability value is greater than α , H_0 cannot be rejected. However, if the more extreme probability value is less than α while the probability value obtained by Fisher's test is greater than α , then the following ratio is to be computed:

$$R = \frac{\alpha - p_{\text{more extreme cases}}}{p_{\text{observed case taken alone}}} \quad (G.2)$$

Using a table of random numbers, one number between 0 and 1 is to be picked. If the random number selected is less than the ratio R of formula G.2, the null hypothesis is to be rejected. Rarely will this be the case; however, this small chance makes the Fisher's Test slightly less conservative and helps compensate for the possible error induced by assuming marginal totals remain constant.

Example: Tocher's Modification

Continuing to use the actual outcome of data collected for consideration of Point of Law 1, the Fisher's Test is first performed. Refer to Table G-3 and recall that the probabilities calculated previously were:

$p_a = .3143$, $p_b = .1459$, and $p_c = .0243$. Fisher's test value is $p = .4845$ which is greater than $\alpha = .05$; additionally, the sum of extreme outcomes $(p_b + p_c) = .1702$ is greater than α . Therefore, H_0 is not rejected; however,

for the sake of discussion assume that $\alpha = .2$. In this case Fisher's test value is greater than α : ($p = .4548 > .2 = \alpha$) but the probability of the more extreme outcomes is less than α : ($p_b + p_c = .1702 < .2 = \alpha$). Calculating the value of R using Formula G.2:

$$R = \frac{\alpha - (p_b + p_c)}{p_a} = \frac{.2 - .1702}{.3143} = .0948$$

From a table of random numbers, a number is drawn between 0 and 1:

- a. if greater than .0948, accept H_0
- b. if less than .0948, reject H_0

From this example it can be seen that because of the very small value of R it is not likely that H_0 will be rejected.

All raw data collected by the research team (Appendix F: "Tabulation of Questionnaire Responses") is analyzed using Fisher's Test with Tocher's Modification and the results summarized in Table G-4. From column "c" of this table it can be observed that there is no significant difference between the two survey groups in response to any consideration based on Fisher's Test. However, in column "d" of the same table observe that the probabilities of more extreme outcomes than the actual observed distribution is significant (less than $\alpha = .05$) in three instances; Guidelines 11, 16, and 19.

TABLE G-4

SUMMARY OF DATA ANALYSIS

(a)	(b)	(c)	(d)	(e)	(f)	(g)
Sub- problem	Consideration	Fisher's Test (p) $H_1: p < \alpha$	Tocher's Modification Probability of More Extreme Outcomes (R/Random Number)	% of Sample in Agreement	Cate- gory	Subproblem Decision
1						Accept H_0
	Guideline 3	.6317	.2034	87.5	I	
	Guideline 4	.3105	-	90.6	I	
	Guideline 5	.2040	-	86.2	I	
	Guideline 6	.4488	.1669	59.3	I	
	Guideline 7	.1456	-	79.2	I	
	Guideline 8	.5428	.2256	51.7	I	
	Point of Law 1	.4845	.1702	71.4	I	
2						Accept H_0
	Guideline 9	.4657	-	93.8	I	
	Point of Law 2	.8719	.6622	77.4	I	
3						Accept H_0
	Guideline 10	.2184	-	86.7	I	
	Guideline 11	.1165	.0141 (.351/.694)	64.3	I	
	Guideline 12	.3986	.0872	82.1	I	
	Guideline 13	.3019	.0571	79.3	I	
	Guideline 14	.4212	-	93.1	I	
	Guideline 15	.0979	-	82.8	I	
	Point of Law 3	.8708	.627	69.0	I	

TABLE G-4--Continued

(a)	(b)	(c)	(d)	(e)	(f)	(g)
Sub- problem	Consideration	Fisher's Test (p) $H_1: p < \alpha$	Tocher's Modification probability of More Extreme Outcomes (R/Random Number)	% of Sample in Agreement	Cate- gory	Subproblem Decision
4	Guideline 16 Point of Law 4	.2238 .1800	.0242(.129/.289) .1052	90.6 71.0	I I	Accept H_0
5	Guideline 17 Point of Law 5	.4219 .6422	- .2767	93.1 78.6	I I	Accept H_0
6	Guideline 18 Point of Law 6	.0791 .2999	.0626 .0952	54.8 51.7	I I	Accept H_0
7	Guideline 1 Guideline 2 Guideline 19 Guideline 20 Guideline 21 Guideline 22 Guideline 23 Guideline 24 General	.6318 .3105 .2082 .1198 .4368 .1410 .7374 .2707 .7398	.2034 - .0297(.114/.593) - - - .4316 .0634 .5107	87.5 90.6 73.9 83.9 93.3 71.4 58.6 67.8 75.0	I I I I I I I I I	Accept H_0

In these cases their component ratios (R_{11} , R_{16} , and R_{19}) must be computed using Formula G.2 and compared against randomly selected numbers between 0 and 1. All ratios are less than their respective random numbers; therefore, H_0 is accepted in these cases also. Based on these findings of significance, each consideration can be said to be either Category I or II (Figure 2-3, page 22). Since both groups are in agreement on their responses, they must both "agree" or both "disagree" with the consideration.

"Majority Rule" Decision

This is the second step of analysis necessary to categorize a consideration as seen in Figure 2-3, page 22. When the sample groups do not differ significantly in their responses it consists of classifying the population as (1) in agreement with the consideration, or (2) in disagreement with the consideration. The decision rule for this classification is to let the "majority rule." When the percent of population "in agreement" equals or exceeds 50 percent then the population is classified "in agreement." If less than 50 percent of the population agrees then it is classified as "in disagreement." Column "e" of Table G-4 reflects these percentages and indicates that the majority of the population is "in agreement" with all

considerations. Thus they are categorized as Type I (Column f, Table G-4).

In the event that the two survey groups are found to differ significantly on a consideration, then the two groups are to be polarized. That is, decide which group is "in agreement" and which "in disagreement." This in turn categorizes the consideration as Type II or Type IV. In the final analysis, it is found that no consideration is categorized as Type II or IV.

Subproblem Analysis. The research hypothesis has been defined as consisting of seven subproblems. Each subproblem is to be evaluated:

H_0 : Considerations under this point of the law are sufficient to implement this subportion of PL 95-507.

H_1 : Considerations under this point of the law are not sufficient to implement this subportion of PL 95-507.

The determination as to whether any one subproblem is to be evaluated as "sufficient" or "insufficient" is dependent upon the category of each consideration under that subproblem. For the subproblem to be evaluated as "sufficient" all considerations must be categorized as Type I. Otherwise, the subproblem is rated as "insufficient." As seen in column "f," Table G-4, all considerations are Category I. Likewise, the decision is to accept H_0 for each subproblem.

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