Small Business Subcontracting Plan
and Federal Reporting
Principal Investigator and
Research Administrator Tool Kit
### Purpose of the Tool Kit

This tool kit provides principal investigators and research administrators information about the federal small business subcontracting plan process and the requirements for meeting federal subcontracting goals.

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Overview of Federal Small Business Subcontracting

A Small Business Subcontracting Plan is required for federal contracts and subcontracts that exceed $650,000 over the course of the contract. The federal sponsor awarding the contract requires that certain percentages of the direct costs be spent with suppliers in the small business categories:

- Small Business Enterprise (SBE or SMB)
- Veteran-Owned Small Business (VOSB)
- Service-Disabled Veteran-Owned Small Business (SDVOSB)
- Historically Underutilized Business Zone Small Business (HUBZone or HUB)
- Small Disadvantaged Business (SDB)
- Woman-Owned Small Business (WOSB or WBE)

The small business plan also identifies the total amount to be spent with businesses “other than small business.” These are categorized as “Other” or “Large Business” (LGB).

✓ It is critical that small business subcontracting goals are met. If the contractor (University of Michigan) fails to make good faith efforts to comply with the subcontracting goals, the sponsor may impose penalties, including partial or total reimbursement of funds. Failure to achieve the goals may also negatively affect future funding proposals for the Principal Investigator or other University of Michigan applicants.
Creating a Small Business Subcontracting Plan

There are 4 steps involved in creating a small business subcontracting plan:

1) Contact the Research Liaison. Send an email message to research_liaison@umich.edu to request assistance with creating a small business plan. It takes some time to develop the plan, so it is advisable to make contact as far in advance of the proposal deadline as possible.

2) Provide a Detailed Budget. The budget must list with as much detail as possible the types of products and services you will need to purchase over the course of the project. Break down travel costs into airfare, ground travel, lodging, etc.

3) Identify Suppliers. Provide the research liaison a list of any suppliers you know can provide the products and services outlined in the budget. Include the supplier(s) name, address, phone and/or fax number, and the research liaison will determine their business status. Your procurement agent and the research liaison can assist in identifying other potential suppliers that are available for small business contracting. However, because of the technical nature of research studies, the research liaison will rely on the expertise of the Principal Investigator (PI) to determine whether a suggested supplier can provide the required product or service.

4) Review and Approve the Small Business Plan. The PI and Research Administrator should review the draft small business plan to be sure that the goals outlined in the plan can and will be met over the course of the contract period. Written justifications are required to explain why certain purchases cannot be made with small businesses in each of the specified categories. The federal contracting officer who reviews the proposed small business plan may require further efforts be made to find suppliers in one or more of the small business categories. After review and approval by the Principal Investigator, the research liaison will sign the final small business plan and forward it as a PDF email attachment to the ORSP representative for inclusion with the proposal.

Note: The Contracting Officer for the project may ask for a revision of the goals. The research liaison will work with the Principal Investigator, Research Administrator and Contracting Officer to develop an acceptable plan.
Important Procurement Considerations

- Be sure staff in your department responsible for ordering products and services related to the project are aware of the small business goals and the suppliers to be used for purchases. For example, staff may be accustomed to ordering lab supplies from one of the University’s large Strategic Suppliers (e.g., Fisher Scientific), but the small business plan for the project has identified a small business supplier as the source for the products or services. The University’s strategic contracts include suppliers who fall under one or more of the small business categories. The list of University Contracts on the Procurement Services website identifies the small business suppliers.

- Products and services from small businesses may be higher priced than what might be obtained through a large business or University Strategic Contract. This, however, is not an acceptable excuse for not purchasing through a small business, unless the cost difference is significant. Remember that when the PI commits to the percentages and supplier sources identified in the small business plan, the spend should be placed with those suppliers (or small businesses in the same supplier categories) regardless of possible savings elsewhere. (Note: Once small business plan requirements and goals have been met, products or services can be purchased from any supplier that qualifies as a University supplier.)

- When submitting the ePro requisition, inform the procurement agent handling the transaction that the purchase is associated with a small business plan. The procurement agent will follow the required procurement policies and procedures as they work with the identified supplier.

- If a supplier has not been identified, contact your procurement agent with the requirements to assist you in identifying qualified small business suppliers.

- Conflict of Interest policy and procedures must be followed. Refer to the Procurement Services web site for information on Conflict of Interest in the purchasing process (http://finance.umich.edu/procurement).

- Be diligent in reviewing the quarterly reports sent to you by the research liaison to monitor your progress toward meeting the goals.
Federal Reporting Requirements

The research liaison is responsible for submitting semi-annual and annual reports to the appropriate federal agency on the cumulative spend in each small business and large business category for the contract. The research liaison also sends a quarterly spend report for each contract to the PI and Research Administrator so that they can monitor how they are progressing toward meeting the small business goals.

**Remember:** **Penalties may be imposed by the sponsor if small business subcontracting goals are not met.**

If goals are not being met, the semi-annual report submitted to the sponsor must include a reason for non-achievement of goals and the steps being taken to meet the goals before the end of the contract. The research liaison will request such an explanation from the PI/Research Administrator to include with the report.

Table 1. Federal Reporting Calendar

<table>
<thead>
<tr>
<th>Reporting Period</th>
<th>Report</th>
<th>Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oct 1 – Mar 30</td>
<td>ISR/SF294</td>
<td>4/30</td>
</tr>
<tr>
<td>Oct 1 – Dec 31</td>
<td>Quarterly to Department</td>
<td>1/31</td>
</tr>
<tr>
<td>Jan 1 – March 31</td>
<td>Quarterly to Department</td>
<td>4/30</td>
</tr>
<tr>
<td>Apr 1 – Sep 30</td>
<td>ISR/SF294</td>
<td>10/30</td>
</tr>
<tr>
<td>Apr 1 – Jun 30</td>
<td>Quarterly to Department</td>
<td>7/31</td>
</tr>
<tr>
<td>Jul 1 – Sep 30</td>
<td>Quarterly to Department</td>
<td>10/31</td>
</tr>
<tr>
<td>Oct 1 – Sep 30</td>
<td>SSR/SF295</td>
<td>10/30</td>
</tr>
<tr>
<td>Contract Completion</td>
<td>Final (+ OF 312)</td>
<td>30 days after completion</td>
</tr>
</tbody>
</table>

The quarterly reports to the department show the cumulative spend to date in each small business category, as well as the breakdown of the spend by procurement method (Purchase Order, Non-PO Voucher Payment, P-Card transaction, Service Unit Billing). Transactions with small business suppliers and large businesses are identified. The department should inform the research liaison of any missed small dollar spend so that the report to the sponsor can be corrected.
Every 3 years (or as needed) the Federal Government’s Office of Naval Research conducts a “Contractor Purchasing System Review” (CPSR) of the university’s procurement system, policies and procedures. The CPSR evaluates the efficiency and effectiveness with which the university spends federal funds and complies with federal policies when subcontracting to suppliers or other institutions. (http://www.onr.navy.mil/Contracts-Grants.aspx)

Part of the CPSR focuses on the university’s small business subcontracting program. When the PI signs the small business plan required by a contract, he/she is agreeing to meet the small business subcontracting goals specified in the plan. The importance of complying with this federal requirement cannot be stressed enough.
Appendix A: Identifying Small Business Suppliers

This section reviews resources to aid you in finding suppliers who meet one or more of the small business categories. Your procurement agent and the research liaison can assist in identifying potential suppliers that are available for small business contracting.

Small Business Supplier Databases and Registries

- [https://www.sam.gov/portal/SAM/#1](https://www.sam.gov/portal/SAM/#1)
- [http://sba8a.com/](http://sba8a.com/)
- M-Pathways Vendor Database ([https://wolverineaccess.umich.edu](https://wolverineaccess.umich.edu))
Appendix B: Key Contacts

Small Business Plans and Federal Reporting:

- Research Liaison (Procurement Solutions Team)
  - research_liaison@umich.edu
  - (734) 764-8212