

**U.S. FEDERAL GOVERNMENT PROCUREMENT:
STRUCTURE, PROCESS AND CURRENT ISSUES**

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INTRODUCTION

In the United States, the Federal government (not including state and local governments), the largest organization in the world, procured \$231.08 billion and made 33.19 million procurement actions in fiscal year 2000 as shown in Table 1. According to the Procurement Executives Council (2001, p. 29), the federal government made a purchase card payment every .31 seconds, and issued a standard form 281 every .77 second and a standard form 279 every 13.91 seconds per each working day.

TABLE 1
Total Procurements by Reporting Methods

Reporting Methods	# of Actions	Dollars/Action	Total Dollars
Government Purchase Cards	23,343,003	\$523	\$12,231,491
Standard Form 281 (\$25,000 or less)	9,328,187	\$1,644	\$15,337,450
Standard Form 279 (Over \$25,000)	<u>519,780</u>	\$391,528	<u>\$203,508,288</u>
Total	33,190,879		\$231,077,229

Source: Procurement Executive Council (2001), *Fiscal Year 2001-2005 Strategic Plan*, p. 29. <www.pec.goc>.

Moreover, the Federal government has acquired a wide range of goods and services, from paper clips to sophisticated technology including new defense weapons and space shuttles. Handling a sizable purchase volume and diverse goods and services, the federal acquisition system:

- Employs a workforce of 124,606 employees of a variety of expertise in supply program management, inventory management, contract and procurement, purchasing, quality inspection, traffic management, distribution facilities and storage management, property disposal, and logistics management (U.S. Office of Personnel Management's (various years) *Position Classification Standards for Positions Under the General Schedule Classification System* (Part 19).

- Is organized in such a way to meet individual agencies' specific procurement while maintaining some central control of procurement practices.

As stated by Professor Jan Telgen, Workshop co-coordinator, the basic goal of the workshop is not to tell each other what the system in another country is like, but to compare the influence of budgeting procedures, elections, terms of office, organizational structure, culture, etc across a number of public procurement practices to derive the basic characteristics of public procurement, this paper will provide a brief picture of the U.S. Federal procurement system, the importance of planning and budgeting in procurement practices and selected current federal procurement practices.

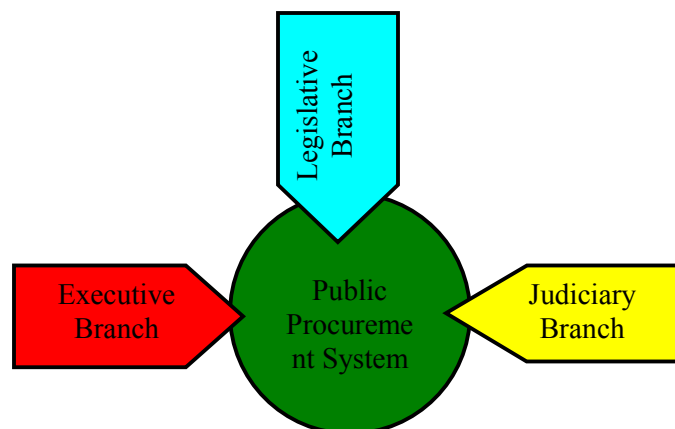
FEDERAL PROCUREMENT STRUCTURE

In implementing procurement policies, the executive branch, headed by the president, has a broad scope of managerial, and technical procurement responsibilities and procurement policy decisions, which may include, among others:

- Supplementing and augmenting statutory procurement policies and procedures through executive orders;
- Developing and maintaining statutory procurement policies and procedures; and
- Determining whether to meet program needs by in-house performance or by contracting out.

In the United States, the federal government has a very complicated and fragmented procurement organizational structure. First, the federal procurement operates within a democratic framework, under the constitutional check-and-balance powers of the three branches of government: Legislative, judiciary and executive (Figure 1).

FIGURE 1
Public Procurement System: A Check and Balance Power



While the courts are not directly involved in setting procurement policies and rules, they try all legal cases that involve the federal government, including contract disputes, and their decisions become a source of federal procurement regulations. The Congress primarily influences the federal procurement system through laws, budget appropriations, and its oversight powers. Indeed, it passes laws establishing procurement policies and procedures, and appropriates funds for procurement purposes, within the time and amount of funds specified. In addition, the Congress oversees federal procurements through its various standing committees, as shown in Table 2, and the U.S. General Accounting Office (GAO). It also authorizes GAO to recommend decisions to agency heads on contract award and non-award protests. These decisions also become a major source of federal regulations.

TABLE 2
Congressional Committees That Oversees the Federal Procurement System

Senate Committees	House Committees
Armed Service	National Securities
Government Affairs	Government Reform and Oversight
Small Business	Small Business

Source: Federal Acquisition Institute (1999).

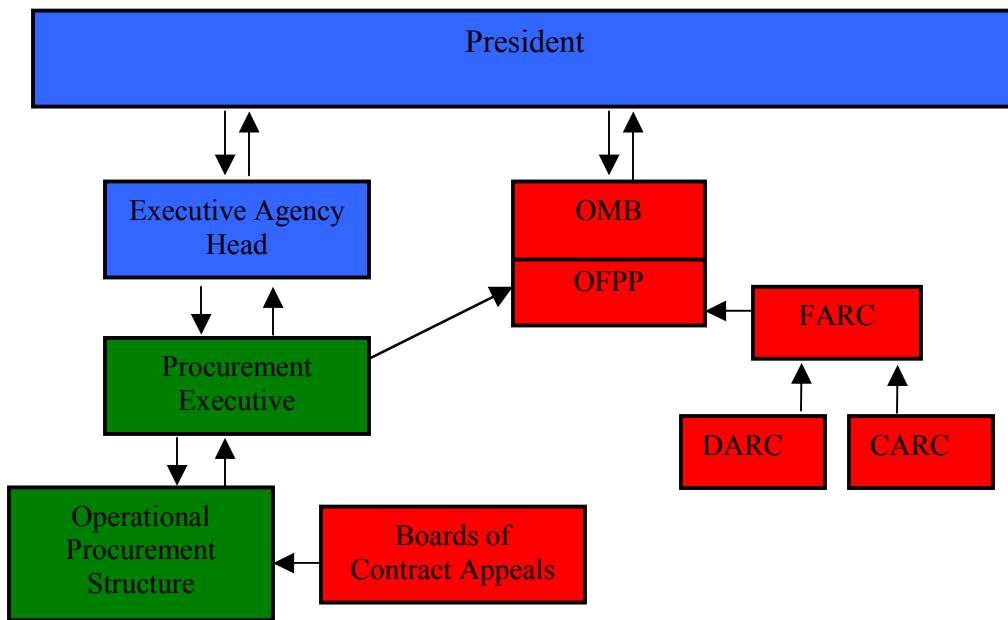
In principle, the president is responsible for implementing procurement statutes and procurement authorization and appropriations. He establishes government-wide procurement policies and procedures through executive orders, makes political and management decisions relative to procurement programs and appoints agency heads and other officials who have direct or indirect management control over procurement programs and procurement organization. As the federal government spends a large budget on procurement (over \$200 billion annually) and procures a great variety of goods, services and capital assets, its procurement administrative structure has a centralized structure to maintain a uniform standard and control, and a decentralized structure allowing for flexibility to meet unique requirements of over 60 federal agencies. Currently, the federal procurement structure within the executive branch is very fragmented, consisting of many executive agencies' decentralized procurement systems, and many procurement administrations, offices and councils as described below (Figure 2):

- The Office of Management and Budget recommends programs and funding levels for programs, including procurements; monitors programs and adjusts funding

levels, if necessary; develops and issues, through the Office of Federal Procurement Policy, procurement policy guidance; and reviews proposed regulations for compliance with policy guidance.

- The Office of Federal Procurement Policy, a part of the Office of Management and Budget, among other responsibilities, provides leadership in the establishment, development, and maintenance of federal acquisition regulations (FAR); coordinates the development of government wide procurement systems standards; and provides direction to the development of procurement systems of executive agencies. The Federal Acquisition Regulatory Council assists in the direction and coordination of federal procurement policy and regulatory activities.

FIGURE 2
Fragmented Federal Procurement Structure Within the Executive Branch



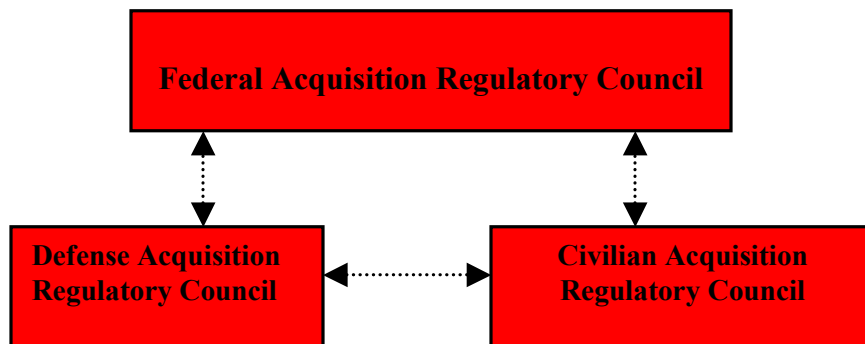
- There are three Acquisition Regulatory Councils: the Defense Acquisition Regulatory Council, the Civilian Acquisition Regulatory Council and the Federal Acquisition Regulatory Council. Chaired by the Secretary of Defense, and comprised of representatives from the Departments of Air Force, Army, Navy, the Defense Logistics Agency, and the National Aeronautics and Space Administration,

the Defense Acquisition Regulatory Council is primarily responsible for defense acquisition regulations. The Civilian Acquisition Regulatory Council, chaired by the Administrator of the General Service Administration, and comprised of representatives from 21 civilian agencies, is primarily responsible for civilian regulations. The Federal Acquisition Regulatory Council consists of the Administrators of GSA, NASA and OFPP, and the Secretary of Defense. When one council develops a proposed amendment to FAR, the amendment is referred to the other council for review and acquisition concurrence. Prior to its issuance, the FAR amendment is reviewed by the OFPP Administrator and is jointly signed by all members of the Federal Acquisition Regulatory Council. The existence of the three acquisition regulatory councils (Figure 3) makes the procurement structure of the federal government further fragmented.

- Boards of Contract Appeals (BCA) resolve contract disputes between contract officers and contractors. Several of the large agencies have their own BCA. Agencies that do not have a BCA use the BCA of another agency when needed.
- Executive Agency Heads (be it Secretary, Attorney General, Administrators, Governor, Chairperson, other chief officials of an executive agency, or their authorized representatives) establish supplementary acquisition regulations and other internal policies and procedures, and are responsible for fulfilling agency procurement needs, and carry out FAR.

The above agencies and policy makers are involved in creating a uniform FAR system. Before 1982, there were nearly 500 statutes that apply to one or more aspects of federal government (Federal Acquisition Institute, 1999, p. 3-15). In 1982, the President issued Executive Order 12353 directed the executive agencies to complete and put into effect a Federal Acquisition Regulation system to replace the existing fragmented or non-

FIGURE 3
Fragmented Federal Regulation Structure:
Three Acquisition Regulatory Councils



uniform procurement regulations. As mentioned above, the federal government acquires a wide variety of goods, services and capital assets to meet unique requirements of many executive agencies and their internal sub-agencies. Thus, the uniform FAR system allows specific internal guidance that individual executive agencies and their sub-agencies develop and are authorized to use. Of course, the internal agency guidance has to conform with prescribed FAR.

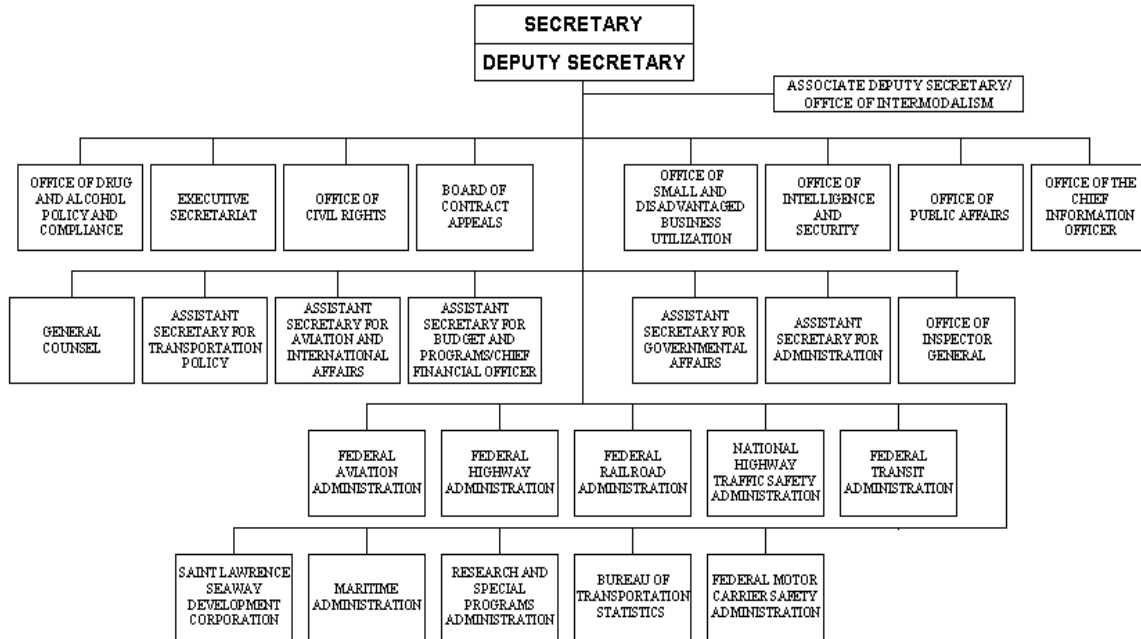
In addition to the above central procurement structure, executive agencies such as the Department of Defense, the Department of Transportation, the Department of Education, and the General Services Administration, are organized in such a way to effectively fulfill their missions. There are differences in organization among the executive agencies. The placement of the acquisition function within an agency depends on the relative importance of that function to the agency's mission. As the Department of Labor's mission, for example, is to ensure that various labor laws are implemented and enforced; acquisition is an important but not predominant function. Thus, the Department of Labor's procurement function is placed under the director of both "administrative" and "procurement" programs, and reported to an Assistant Secretary for Administration and Management. On the other hand, the General Services Administration's primary mission is to make certain items of supplies and services available to all executive agencies.

Different from smaller government entities, which have a relatively simple procurement structure including a central procurement office responsible for procurement policy and regulations and also for acquiring goods and services, most federal executive departments have a central procurement office and quite a few decentralized procurement offices located in subunits within the executive agency. It will be a very challenging task for a procurement researcher to draw a comprehensive organization chart for procurement structure of the Department of Defense. A less complicated procurement structure of the Department of Transportation is presented here to illustrate the complicated procurement structure of the federal government. As shown in Chart 1 below, the Department of Transportation's mission is delegated to ten major sub-organizations (e.g., one corporation, one bureau and eight administrations). The procurement fragmentation is seen in this executive agency as four acquisition or acquisition-related are retained by the Secretary of Transportation:

- Board of Contract Appeals,
- Office of Small and Disadvantaged Business Utilization,
- Office of Inspector General, and
- General Council.

Moreover, the role of procurement executive is assigned to the Senior Procurement Executive, who reports to the Assistant Secretary for Administration. The Office of the Senior Procurement Executive is comprised of the DOT Senior Procurement Executive

U.S. Department of Transportation



and two divisions, the Acquisition Management Division and the Grants Management Division. Both Divisions are primarily responsible for developing and implementing departmental policy for acquisitions and grants, respectively. The Acquisition Management Division implements FAR policy and procedures through the Transportation Acquisition Regulation (TAR) and the Transportation Acquisition Manual (TAM), respectively. Each FAR Part, and corresponding TAR Part and TAM Chapter, is assigned to one of the Division analysts. Although the Division supports a multitude of customers, the DOT Procurement Management Council (PMC) is a prime recipient. The Grants Management Division implements Federal grant policy by providing guidance (including regulations, DOT Orders and policy memorandums) to managers of the 41 DOT grant programs. The Division also coordinates interdepartmental issues, and assists in developing OMB Circulars, common rules, and implementing regulations related to grant administrative functions. Although the Division supports a multitude of customers, the DOT Grant Management Council (GMC) is a prime recipient (DOT, 2003).

In general, the federal procurement structure is very fragmented with the active involvement of Congress in setting procurement policies and regulations and exercising its oversight and monitoring power. This fragmentation is seen in various standing committees of Congress, as mentioned above, and the roles of the General Accounting Office. Within the executive branch, the procurement organization is more fragmented as many agencies and boards are involved in the federal procurement system, particularly in setting acquisition regulations. Moreover, the fragmentation can be seen within each of over 60 executive agencies, which have many sub-agencies for different missions and with various procurement requirements. However, this fragmentation is necessary for successful procurements as a highly centralized procurement system will not be able to meet unique procurement requirements of numerous agencies.

As the American policy makers have used acquisition as a public policy tool to achieve certain socioeconomic goals, various federal non-procurement agencies and state and local governments are involved in a various procurement projects. For example, for highway construction projects, in addition to DOT's Federal Highway Administration, other federal agencies with environmental and historic preservation responsibilities that often are affected by federally funded highway projects include:

- The Environmental Protection Agency (air and water quality; wetlands preservation);
- The Fish and Wildlife Service (endangered species) and the Bureau of Land Management (may own lands on which a highway is to be constructed) within the Department of the Interior;
- National Marine Fisheries Service (for example, effects on fish and spawning grounds) within the Department of Commerce;
- The Army Corps of Engineers (effects on wetlands);
- The Coast Guard (bridge and navigation responsibilities); and

- The Advisory Council on Historic Preservation (protecting historic sites).

FEDERAL PROCUREMENT: AN INTEGRATED MANAGEMENT MODEL

The U.S. federal government's procurement may be very complicated or very simple depending on the type of procurements and authorized procurement thresholds. FAR groups procurements into five major categories including supplies, constructions, services, research and development, and rental of real property. Each category has numerous specified types of procurement. For example, FAR 2.101 defines "supplies" as all property except land or interest in land. It includes (but is not limited to) public works, buildings, and facilities; ships, floating equipment, and vessels of every character, type, and description, together with parts and accessories; aircraft and aircraft parts, accessories, and equipment; machine tools; and the alteration or installation of any of the foregoing." This definition is somewhat confusing. For example, under FAR Part 36, construction, repair of buildings and other permanent improvements to land are classified as under the "construction" procurement category; but construction of ships is classified as "supplies."

In addition to the above classification, procurements are classified on the basis of procurement dollars or thresholds:

- Small or "micro-purchase" (means an acquisition of supplies or services, except construction, the aggregate amount of which does not exceed \$2,500, except that in the case of construction, the limit is \$2,000 (FAR 2.101);
- "Simplified acquisition threshold" means \$100,000, except that in the case of any contract to be awarded and performed, or purchase to be made, outside the United States in support of a contingency operation or a humanitarian or peacekeeping operation, the term means \$200,000 (FAR 2.101); and
- Large threshold for purchase amount exceeding the simplified threshold.

The procurement classification is important for "purposes of funding, types of contracts to be used, applicability of contract clauses, and coverage of socioeconomic provisions" (Cibinic, Jr., & Nash, Jr., 1998, p. 4). For example, FAR provides a matrix of solicitation provisions and contract clauses for specific types of procurement FAR 52.300), and provide detailed regulations on acquisition of commercial items (FAR 12), major system acquisition (FAR 34), research and development contracting (FAR 35), construction and architecture and engineer contracts (FAR 36), services contracting (FAR 37), federal supply schedule contracting (FAR 38), acquisition of information technology (FAR 39) and acquisition of utility services (FAR 41).

In most procurement practitioners and researchers have focus on procurement process without paying attention to its relationship with budgeting process and requirements

generation. In reality, procurement has to be planned “well in advance of the fiscal year in which contract award is necessary” (FAR 7.104a). A complex procurement such as acquisitions of major systems, construction, and information technology, normally require up to several years from the time requirement is identified until a contract is awarded (Cibinic, Jr. & Nash, Jr., 1998, p. 270).

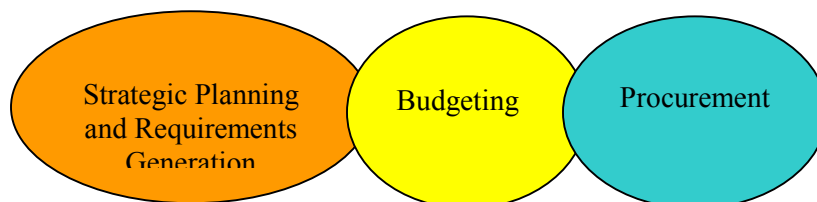
In recent years, there has been in improving procurement practices in order to allow sufficient time to complete the competitive procurement process and to avoid the problem of having an inordinate percentage of contract awards being made in the closing date of the fiscal year. The Federal procurement process has been placed in a broader and comprehensive framework. Indeed, in the early 1990s, the Department of Defense (1991) initiated an integrated management framework for its major system procurement and intended to forge a close and effective interaction of the three principal decision systems: planning, programming and budgeting; requirement generation system and acquisition management system. Similarly, the Office of Management and Budget issued in 1997 *Capital Programming Guide* which also emphasizes the interaction between planning, budgeting and procurement. Although different terms and different focuses have been initiated, a comprehensive procurement process consists of the three components or systems: determination of procurement needs or requirements generation process, procurement funding process, and procurement process (Figure 4).

As the public procurement literature has ignored the importance of the requirements generation and budgeting processes, this paper will explain in somewhat detail these two systems. For the purpose of this workshop and moreover, as due to our limited presentation time, we will not explore the federal procurement process. Our focus will be on what procurement officials have frequently encountered with: Protests, disputes and appeals, which may reflect one of basic cultural characteristics of American procurement practices. Finally, selected current procurement developments will be presented.

Procurement Needs Determination or Requirements Generation: Strategic Planning

Strategic planning is a process of determining the long-range direction of an organization and establishing the means by which this direction will be reached. The process includes the defining of missions and objectives, which are statements of how the organization sees its purpose and the

FIGURE 4
Integrated Procurement Model



implementation of it. Fundamentally, strategic planning is basically the roadmap intended to help an organization respond to new challenges and develop its future opportunities (Fearon, Dobler & Kilian, 1993, p. 281).

Effective strategic planning does not consist simply of creating a system. It is an ongoing administrative process that should concern the management of every jurisdiction. Forms and procedures may be convenient and useful tools, but the planning effort will succeed only with the complete commitment and involvement of top management along with the appropriate personnel that have a stake in the future success of the jurisdiction.

Planning is not concerned with future decisions but rather with the future impact of decisions made today. A strategic plan is divided into two principal parts. The first is the determination of the purpose, vision, mission, goals, and objectives. The second part is the expression of the how, where, and when agencies intend to accomplish the goals expressed in a plan.

Thorough planning is critical as agencies are always facing budget constraints that cannot satisfy all capital acquisition needs. There can be no good procurement budget without a plan, and there can be procurement without a budget to fund it. Strategic planning is a process that consists of many steps, as planned below.

Step 1. Strategic and Program Performance Linkage

Capital acquisition planning is an integral part of an agency's strategic planning process. The initial strategic plans include:

- A comprehensive mission statement;
- Long-term goals, covering a five year period, for the agency and an explanation of how they will be achieved;
- Schedule and resource implications of goal achievement;
- Description of the relationship between annual performance goals in the annual performance plan and the long-term goals in the strategic plan; and
- Identification of external factors that could affect the achievement of long-term goals (OMB, 1997).

An effective strategic plan should anticipate changes in the agency's requirement for technological capabilities, identify major capital projects that are critical to implement the plan, and define the outcomes these projects will help realize. In addition to the strategic plan, three following practices appear to be critical for strategic planning to have this impact:

- Agencies should involve their stakeholders, including the legislators and chief executive, and other levels of government (federal, state and local governments), third-party service providers, interest groups, agency employees, fee paying customers, and the public;
- Agencies should assess their internal and external environments continuously and systematically to anticipate future challenges and make adjustments so that potential problems do not become crises;
- Agencies should align their activities, core processes, and resources to support mission-related outcomes (GAO, 1996); and
- Capital assets should be planned for, acquired, and managed in light of their ability to contribute to accomplishing program outputs and outcomes.

Given citizens’ expected more and better public service with less, strategic plans are expected to establish performance levels beyond current capacity, or to maintain current performance with fewer resources. In order to achieve this expectation, OMB recommends that procurement agencies form a multi-disciplinary “integrated project team” (IPT) for each major capital acquisition to evaluate the capacity of existing capital assets for bridging the performance gap between current and planned results. Consisting of the agency head or his/her representative, and finance, procurement, and other appropriate professionals, IPT will assess the existing performance baseline of current and anticipated assets including those acquired by purchase, capital lease, operating lease, service contract, or exchange. For some other capital projects, for example, highway construction projects (Table 3), state, and local governments, and various interest groups are also involved in this step. Citizens and community action organizations also generally have the opportunity to provide their views and have them considered. Assessment criteria include functionality; full life-cycle costs, including all direct and

TABLE 3
Actors Involved in the Strategic Planning Process

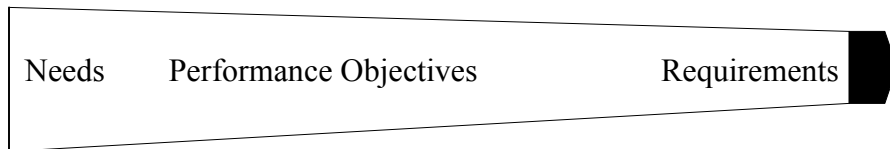
Potential Agencies Involved	Activities Involved in Planning Process
<ul style="list-style-type: none"> - Metropolitan planning organizations - State departments of transportation (DOT) - Federal Highway Administration (FHA) - Land management agencies (such as Bureau of Land Management and U.S. Forest Service). 	<ul style="list-style-type: none"> - Assess transportation purpose and need - Solicit public comment - Gain approval to be included in the state’s 20 year plan, with expectation that funds will be available - Gain approval to be included in the state’s short-term plan, (at least 3 years) for projects that are to be implemented, with expectation that funds will be available - Secure funding

Source, GAO (2002).

indirect costs for planning, procurement, operations and maintenance (operational analysis are used to evaluate condition and any negative trends on cost projections for assets in use), and disposal; the affordability of full life-cycle costs relative to expected funding levels; associated risks; and agency capacity to manage the asset.

Applying these criteria across the government entity’s existing capital assets, IPT will be able to identify the capital asset gap between planned and actual performance, define the gap or capital asset needs, establish capital acquisition objectives in terms of requirements to be achieved, and prepare an original portfolio of capital acquisitions. Identifying more detailed capital acquisition requirements than those established in the annual performance plan can help identify the proper size and scope of potential options. Detailed functional requirements for capital acquisition options also should be defined. “These functional requirements should not be defined in equipment or software terms, but in terms of the mission, purpose, capability, agency components involved, schedule and cost objectives, and management capacity” (OMB, 1997). Figure 5 shows the relationship between needs and requirements.

FIGURE 5
Requirements Generation in the Strategic Planning System



Source: DOD (1991).

Step 2. Choosing the Best Capital Acquisition Plan

Requirements generated through the strategic planning phase produces information for decision-makers on the user’s projected mission needs. Capital acquisition plans, especially for mission-critical assets, require a careful selection. Selecting a plan without adequate analysis may result in overrunning both cost and schedule, while falling short of expected performance. For example, agencies should not request funds for the production or installation stage of an acquisition until they establish firm goals that have a high probability of successful achievement (OMB, 1997).

Moreover, in terms of funding, capital acquisition proposals have to include management costs of the capital asset once in use, including plans for operational analysis, operations and maintenance, and disposal. Both assets that are on-hand and those being considered for acquisition will have to be disposed of at some point. Capital acquisition plans should be compared against one another to create a prioritized portfolio of all capital acquisition plans.² “While the benefits and costs of capital acquisition portfolios should be quantified in monetary terms when feasible, agencies also measure return on the basis of outputs and outcomes. For the individual investor, some investments are more risky than others. Similarly, an agency’s capital acquisitions have various levels of risk” (OMB, 1997).

As the government always has limited resources to meet unlimited needs, an outcome of such a ranking process might produce three groups of projects:

- ***Likely winners.*** One group, typically small, is a set of projects with high returns and low risk that are likely “winners.”
- ***Likely drop-outs.*** At the opposite end of the spectrum, a group of high-risk, low-return projects that would have little chance of making the final cut.
- ***Projects that warrant a closer look.*** In the middle is usually the largest group. These projects have either a high-return/high-risk or a low-return/low-risk profile. Analytical and decision-making energy should be focused on prioritizing these projects where decisions will be more difficult. At the end of this step, senior managers should have a prioritized list of capital acquisition proposals with supporting documentation and analysis.

Procurement Funding Decision

Step 1. Agency Submission for Funding in the Budget Year. This step is the formal beginning of the budgeting phase, when the agency head has decided that the planning for the portfolio of acquisitions is complete and the budget proposal is ready for submission to OMB. In examining numerous capital acquisition proposals submitted by all federal agencies annually, OMB focuses on the merit of capital acquisition plans. Thus, submitted capital acquisition plans have to demonstrate that:

- The asset request is justified primarily by benefit-cost analysis, including life-cycle costs;
- All costs are understood in advance; and
- Cost, schedule, and performance goals for the procurement are clearly identified and will be measured using an earned value management system or similar system.

Project risks and the probability of achieving project goals have to be identified. Once submitted, the agency may be called upon to defend the proposal formally in OMB’s

agency hearings, or informally in many other ways. As annual revenues are limited to funding for numerous capital acquisition funding requests, all capital acquisition proposals undergo further scrutiny within OMB, including requests for more information from the agency. After reviewing carefully all capital acquisition-funding requests, the OMB Director makes a recommendation to the President, and informs agencies of his/her recommendation to the President regarding their capital acquisition proposals. Basically, OMB's recommendations fall into three following categories:

- ***Passback.*** OMB recommends considerable changes from the initial agency request, including different funding levels, different modules for full funding, changes in the performance goals, and alternatives for financing the proposal (e.g., user fees, account structure). In this case, the agency can appeal to the President or his advisors to overrule or modify the OMB Director's recommendation.
- ***Agency Revision.*** OMB recommends the agency to redesign certain aspects of the proposal or cost, schedule, or performance measures if funding has been reduced or other changes have taken place as a result of passback.
- ***Approval for the President's Budget.*** OMB recommends for inclusion in the President's budget proposal to Congress.

Step 2. Congressional Approval and OMB Apportionment. The recommended capital acquisition proposal is likely to face critical questioning by Congress. The agency and others in the executive branch, as well as interest groups may be called upon to justify the request. The justification may take place in formal or informal hearings or presentations before authorizing or appropriations committees or staff. Additional revisions to the proposal may be required at various stages in the Congressional review process if Congress changes the funding levels or takes other actions.

The budgeting phase ends when appropriations are enacted for the asset, OMB apportions the funds to the agency, and the acquisition is adopted into the agency's annual operating plan.

Procurement Process

The procurement processes in the American federal government are guided in detail by FAR. As mentioned early in the paper, procurements are classified in five different major categories and three types of thresholds. Each type of procurement is conducted in a somewhat different approach. FAR provide guidance for eight types of acquisition; and each type of acquisition follows a specific procurement method, be it sealed bidding, contracting by negotiation or simplified acquisition procedures or a combination of two of these methods as listed in Table 4.

In general, the public procurement process in the American Federal government is similar to that in many other governments in the world. It consists of three or four major phases including procurement or contract planning, contract formulation, contract administration and/or audit services. Each phase of the procurement process consists of many activities. Each activity requires specific skills and knowledge. As mentioned early in this paper, this paper examines the influence of budgeting procedures and politics

TABLE 4
Types of Acquisitions and Procurement Methods

Types of Acquisition	Acquisition Methods
Commercial Items (FAR 12)	Simplified Acquisition Procedures, Sealed Bidding, Contracting by Negotiation, as appropriate for the particular acquisition
Major Systems (FAR 34)	Sealed Bidding, Contracting by Negotiation, as appropriate for the particular acquisition
Research and Development (FAR 35)	Mostly Contracting by Negotiation
Construction, and Architecture-Engineer Contracts (FAR 36)	Sealed Bidding, Contracting by Negotiation, as appropriate for the particular acquisition
Services (FAR 37)	Sealed Bidding, Contracting by Negotiation, as appropriate for the particular acquisition
Federal Supply Schedule (FAR 38)	Sealed Bidding, Contracting by Negotiation, as appropriate for the particular acquisition
Information technology (FAR 39)	"Modular contracting" (that is, use of one or more contracts to acquire information technology systems in successive, interoperable increments).
Types of Acquisition	Acquisition Methods
Utility Services (FAR 40)	Contracting by Negotiation

Note: Sealed bidding, adopted in 1809, was the prominent method used in the federal government until World War II. During the war, its use was suspended in order to efficiently award contracts to obtain necessary war materials. When the war ended, the statutes reinstated it as the preferred method, but contracting by negotiation was permitted under specified statutory exceptions. The Competition in Contract Act of 1984 ended the practice of favoring the use of sealed bidding when it made sealed bidding and competitive negotiation parallel procedures for meeting the statutory competitive requirements. At the present time, less than 10 percent of the federal procurement dollars are done through the sealed bidding method (Cibinic, Jr. & Nash, Jr., 1998, p. 505).

on public procurement. When strategic planning and budgeting processes are added to the integrated procurement model for capital acquisitions, public procurement is much more complicated and challenging, and requires more time than many practitioners and researchers have believed. A General Accounting Office study (2002) shows that an

average highway construction project takes from 9 to 19 years from the strategic planning and approving/funding to construction completion (Table 5).

**TABLE 5
Typical Amount of Time Involved in Planning, Approving, and Building a Major New Highway Project**

Potential Agencies Involved	Typical Steps 9-19 Years from Planning to Completion	
<ul style="list-style-type: none"> - Metropolitan planning organizations - State departments of transportation (DOT) - Federal Highway Administration (FHA) - Land management agencies (such as Bureau of Land Management and U.S. Forest Service) 	<ul style="list-style-type: none"> - Assess transportation purpose and need - Solicit public comment - Gain approval to be included in the state's 20 year plan, with expectation that funds will be available - Gain approval to be included in the state's short-term plan, (at least 3 years) for projects that are to be implemented, with expectation that funds will be available - Secure funding 	<p align="center">Planning (4-5 years)</p>
<ul style="list-style-type: none"> - State DOT - State environmental resource agencies - State historic preservation office - Advisory Council on Historic Preservation - Environment Protection Agency (EPA) - FHA - Land management agencies - U.S. Army Corps of Engineers - U.S. Coast Guard - U.S. Fish and Wildlife Service 	<ul style="list-style-type: none"> - Consider alignment issues and required lanes - Identify alternatives, including not building the project, to minimize potential harm to the environment and historic sites - Select preferred alternative - Identify project cost, level of service, and construction location - Prepare a preliminary design of the highway - Solicit comments on the project and its potential effects from the public and from local governments - Gain concurrence from federal agencies from which environmental and historic preservation concurrence is required 	<p align="center">Preliminary design and environment review (1-5 years)</p>
<ul style="list-style-type: none"> - State DOT - State environmental resource agencies - EPA - FHA - Land management agencies - U.S. Army Corps of Engineers 	<ul style="list-style-type: none"> - Finalize design plans - Appraise and acquire property - Appraise utilities and affected citizens before construction, if necessary - Finalize project cost estimates 	<p align="center">Final design and right-of-way acquisition (2-3 years)</p>
<ul style="list-style-type: none"> - State DOT - State environment resource agencies - FHA - Land management agencies 	<ul style="list-style-type: none"> - Advertise and evaluate bids; award contracts - Begin construction - Resolve unexpected problems - Accept delivery 	<p align="center">Contraction (2-6 years)</p>

Note: The durations of the phases are approximate. The preliminary design/environmental review steps and the final design/right-of-way acquisition steps often overlap.

Source: GAO (2002).

CURRENT ISSUES

Acquisition Workforce Shortage

Background

Acquisition workforce is a term of art in the US government. It includes a variety of disciplines in addition to the “contracting” discipline. Who makes up the acquisition workforce depends on the department or agency in question.³ There is a minimum membership defined by the Office of Federal Procurement Policy.⁴

There are two separate statutory provisions that govern the Acquisition Workforce in the US government. The first, the Defense Acquisition Workforce Improvement Act (DAWIA), a part of the National Defense Authorization Act of 1990 (Pub.L. ____), identifies those disciplines within the Department of Defense (DoD) that are included in DoD’s workforce. DAWIA established for the first time in the US government an affirmative education and training requirement for members of DoD’s Acquisition Workforce. Those requirements are tied to grade level.⁵ For grades GS 1–12, acquisition workforce members must have a college degree or 24 hours of business education at the college level and whatever training courses the agency requires. For grades GS-13 and above, members must have both a college degree and 24 hours of college level business education.

The civilian agencies of the US government did not have an affirmative education requirement until 1996 with the passage of the Clinger-Cohen Act (Pub.L. 104-106, February 10, 1996). Clinger-Cohen required the Administrator of the Office of Federal Procurement⁶ (OFPP) to establish affirmative education and training requirements for civilian agency acquisition workforce members as those established for DoD. The Administrator of OFPP issued a policy letter implementing the affirmative education requirements of Clinger-Cohen on September 12, 1997.⁷ The OFPP Policy Letter included in the Acquisition Workforce all individuals in the 1102⁸ and 1105 career series,⁹ anyone with a warrant¹⁰ regardless of career series,¹¹ and contracting officer representatives (COR)/contracting officer technical representatives (COTR).¹² The OFPP implementation creates the same educational requirements for civilian agency members, but it lacks the “grandfathering”¹³ provisions available in DAWIA.

The Clinger-Cohen Act also required OFPP to establish, through the Federal Acquisition Institute (FAI),¹⁴ that a consistent set of data elements for tracking education and training as well as career information within each civilian agency acquisition workforce. FAI, in conjunction with the civilian agencies, is on the brink of instituting the Acquisition Career Management Information System (ACMIS) that will provide a centralized repository of information concerning the civilian agency acquisition workforce. There are no centralized database-tracking members of the acquisition workforce. Government wide statistics on contracting specialists can be obtained from the Office of Personnel Management since they are confined to a single career series. The remainder of the discussion will concern the 1102, Contract Specialist, career series. It is important to keep in mind that not all members in the contract specialist career series are contracting officers.

Trends in the US Government's Acquisition Workforce

In fiscal year (FY) 1990 there were 33,000 contract specialists. These individuals awarded approximately 400,000 contract actions¹⁵ over \$25,000.¹⁶ In FY 2001 there were 26,700 contracting specialists who awarded some 11 million transactions over \$25,000. Figure 1 shows the numbers of contracting specialists over time and figure 2 shows the number of contract actions over time. Figure 3 shows the geographic dispersion within the continental United States of contracting specialists. There is also discussion in Congress of requiring another reduction in the acquisition workforce this year of approximately 5%.

Compounding the problem of reductions in the acquisition workforce is the demographics of the current workforce. Between one-third and one-half of the acquisition workforce, depending on the agency one looks at,¹⁷ is eligible to retire¹⁸ in the next 3 years. Even though the economy is not good at the moment, people in this career field are actively sought by companies doing business with the government, they are fully trained and competent at what they do. They also generally bring with them the ability to utilize their knowledge of the government's network of acquisition workforce. Also contributing to expected high attrition rates in the next several years is the government's new retirement system that provides portability of retirement benefits from the public to the private sector.¹⁹ No matter how one looks at the US government's workforce the future for managers of the acquisition workforce is going to present significant challenges over the next several years.

E-Procurement

The Early Days

The effort to utilize E-Procurement in the US government began in earnest in 1993. Then Deputy Undersecretary of Defense for Acquisition Reform, Colleen Preston, formed a multi-agency process action team (PAT) named the Electronic

Commerce/Electronic Data Interchange (EC/EDI) PAT to develop a plan to implement E-Procurement. The PAT formed in August of 1993 and in December of 1993 the PAT briefed then Deputy Secretary of Defense Bill Perry on its recommendations for going forward. Mr. Perry approved the PAT's recommendations. The recommendations of the PAT were to create a system utilizing value added networks (VANS) that would interface between the government's system and the vendor's system utilizing a standard interface. Work began immediately on implementing the Pats' recommendation.

In June of 1994, the internet,²⁰ came into its own. The internet changed substantially the state of the art for government to business (G2B) transactions as well as business-to-business and citizen-to-citizen transactions. The PAT's recommendations were not reevaluated in light of this new development and efforts proceeded to implement a system in which access to the G2B marketplace facilitated by VANS continued. Reinforcing this initiative was the passage on October 13, 1994 of the Federal Acquisition Streamlining Act (FASA).²¹ FASA included a requirement to create the Federal Acquisition Computer Network (FACNET).²² Both DoD and the US General Services Administration (GSA)²³ continued to work on creating FACNET through the late 1990s.

Other Agencies within the US government recognized that the internet provided an opportunity to conduct business electronically quickly and cheaply. The Defense Industrial Supply Center Philadelphia setup an electronic bid board in the early 90s and in a number of procurements limited offers only to those submitted electronically.

The Federal Acquisition Regulation (FAR) changed a number of times to provide for new rules when dealing with electronic commerce.²⁴ Issues that have caused changes include electronic signature (FAR 2.101), late bids (FAR 14.304[b]), garbled transmissions (FAR 14.406), just to name a few.

Current E-Procurement Initiatives

The Bush Administration has undertaken a number of E-Government initiatives. These initiatives are designed to provide greater access to citizens in terms of the provision of government services and to eliminate redundancy and achieve economies of scale where appropriate. There are 24 such initiatives underway at the moment, one of which involves government procurement. The government procurement initiative is called the Integrated Acquisition Environment (IAE).

IAE began with four corner stones, the Federal Procurement Data System (FPDS),²⁵ the Federal Business Opportunities webpage (FBO),²⁶ the Centralized Contractor Registration database (now renamed to the Business Partner Network [BPN]),²⁷ and the Past Performance Database (now renamed the Past Performance Information Retrieval System [PPIRS]).²⁸ The vision for IAE is to create a single web-based portal for government acquisition, a portal to be used by government personnel as well as private sector companies to transact business for or with the government. The four foundational pieces, already in existence to one extent or another, allow the government to take

advantage electronically of data already in its possession to make informed acquisition decisions and to ensure that companies doing business with the government get paid. For the private sector IAE provides the opportunity to provide information once to a central location pertaining to their company and to get real time information, delivered to their desktop about government acquisitions.

The future of IAE will see the addition of functionality, module by module until all government acquisition needs can be satisfied by a web-based solution. In this environment, a government employee will be able to log on to the portal, the portal will recognize the employee's level of authority and allow the employee to begin the acquisition process by entering a requirement. Depending on the nature of the requirement, a list of available items, already under contract will appear and the employee may choose the product she needs or submit the requirement to a contracting office for acquisition. Many other advantages for the government will exist in this environment, for example at the macro level the government will be able to analyze its procurements and make decisions about negotiating better contract values based upon its known requirements and ability to aggregate quantity. Similarly, vendors will receive notifications that the government has requirements they may be interested in providing and will allow the vendor to view the requirement, receive a solicitation, respond to the solicitation, negotiate the terms and conditions where applicable receive award, submit vouchers for payment and final contract closeout. For vendors this will provide an opportunity to reduce bid and proposal costs and do better marketing analysis and strategy.

Social Responsibility

Overall View

The US government has many programs for promoting social responsibility through its government contracting program. They run the gamut from environmental considerations to providing for industrial robustness in support of national defense objectives. The best compilation of laws effecting social responsibility was completed over a decade ago by the Section 800 Panel. Chapter 4, "SocioEconomic, Small Business and Simplified Acquisition Thresholds" lays out for the reader all of the statutes in effect at the time that applied to government contracting. Many of these statutes remain in effect today and have been supplemented by new requirements regarding the environment and new categories of small businesses. These statutes are implemented through regulations that appear in a number of different agencies.

In order to provide US government contracting officers a single point of reference these socio-economic rules are also implemented in the FAR.²⁹ In most cases the FAR does not determine what the implementation of the various laws should be, it implements the responsible agency's regulatory decisions.

In the US government, we have a constant tension between a desire to divorce from the business process of purchasing socio-economic provisions design to achieve laudable national objectives and a desire by the Congress and the desire by Congress to achieve certain social objectives through the purchasing process. In many cases, the government's acquisition workforce lacks the technical expertise to understand the implications of the socio-economic objective and its impact on the product or service being acquired and the terms and conditions for the good or service. The most recent example of this tension occurred with the passage of §508 of the Rehabilitation Act of 1973 (Pub.L. 93-112). Congress amended §508 in 1998 requiring that all information technology, hardware and software, purchased or used by the government, with limited exceptions, must be accessible to individuals with disabilities. Some of these technologies already existed others are still in development. The definition of what meets the requirements of §508 is not precise and it is up to the government acquisition workforce team to evaluate whether an offered product or service meets the §508 requirements. On the other hand, by requiring that all purchases of the Federal government be §508 compliant, Congress began making a change in the marketplace that would otherwise not have been made. Companies wishing to do business with the US government would not setup a separate production/development line for §508 compliant items, so they are changing their production/development lines to produce §508 compliant products that provide access to disabled individuals throughout our society. As a result citizens who were otherwise denied access to certain government and non-government sites and equipment, now have access or soon will.³⁰

Small Business Program

By far, the most visible and sensitive socio-economic program the US government has is its commitment to small businesses. The purpose of this program is to continue to grow a robust industrial base capable of meeting the nation's needs. In the US it is estimated that a substantial portion of the technological advances come from small businesses and small businesses generate a disproportionate number of new jobs each year.

There are currently a number of categories of small businesses in the US. Those categories are: small business; very small businesses;³¹ woman owned small business, small disadvantaged small business (FAR Subpart 19.12); veteran's owned small business; service disabled veteran's owned small business; Native American owned small businesses (FAR Subpart 26.1); Historically Underutilized Business zone small business (FAR Subpart 19.13); 8a program;³² and, Historically Black Colleges and Universities and Minority Institutions (FAR Subpart 26.3).

In order to facilitate small business participation in US government contracts Congress established goals for small participation. These goals appear in the legislation. Small business goals are 23% for government prime contracts.³³ Compliance with the goals is measured annually based on fiscal year (FY).³⁴ Over the last 8 years small

business participation in US government prime contracts has remained fairly constant at about 21% (Source Federal Procurement Data Center, 2003). During the same timeframe the number of dollars going to small businesses has increased, with the exception of 1996 and 1997. In FY 01 small businesses were awarded over \$50 billion in US government prime contracts (Source Federal Procurement Data Center, 2003). The \$50 billion does not include the number of dollars flowing to small businesses as first, second, and third tier subcontractors (FAR Subpart 19.7).

A major initiative being undertaken by the Bush Administration is to increase the number of “New Definitive Contract Action” dollars going to small businesses (Office of Federal Procurement Policy, 2003). The report points out that small business contractors are receiving a smaller portion of newly awarded, open market, contracts and attributes this fact to contract bundling in the area or task and delivery order contracting. The report recommends regulatory changes to increase the number of “New Definitive Contract Actions” by requiring reviews at a number of levels before issuing task and delivery orders. A proposed rule has been issued for public comment and comments are due April 1, 1993.³⁵

CONCLUSION

The American federal government is the largest purchasing entity of both private and public sectors in the world, and it acquires many types of goods and services, from very simple to very sophisticated items, to meet diverse needs of agencies. Moreover, the American federal government has used its acquisition power to achieve certain socio-economic objectives. Thus, the procurement organizational structure and process are very complicated. Indeed, the organizational structure is extremely fragmented and very much decentralized, as explained earlier in the paper. An integrated acquisition model, initiated by the Defense Department and recommended by the Office of Management and Budget, is a very comprehensive model, requiring attention in the very early phase of acquisition: strategic planning and budgeting. When strategic planning and budgeting systems are included in the integrated acquisition model, it takes many years from the planning phase to the time an acquisition is completed. Moreover, advanced technology and socio-economic concerns have presented opportunities as well as challenges in procurement.

NOTES

1. The IPT concept was developed by leading private companies, such as Boeing, and has been successfully applied at the Defense Department and NASA. IPTs should feature multi-disciplinary membership and leadership by the senior program manager.

Their focus should rest on ownership by the program managers who use the assets, accountability for results, and long-term continuity.

2. Just as an individual invests in a diverse portfolio of securities, agencies invest in a diverse portfolio of capital projects. For the individual investor, returns are measured in dividends or capital gains.
3. In DoD, the largest acquisition workforce in the government, the Acquisition Workforce includes all acquisition –related positions in the following areas: program management; systems planning, research, development, engineering, and testing; procurement, including contracting; industrial property management; logistics; quality control and assurance; manufacturing and production; business cost estimating, financial management and auditing; education, training and career development; construction; and, joint development and production with other government agencies and foreign countries. 10 US §1721(b)
4. Workforce Coverage. For purposes of this Letter, the acquisition workforce of an agency includes:
 - a. All positions in the General Schedule (GS-1102) Contracting Series and non-DOD uniformed personnel in comparable positions;
 - b. All Contracting Officers regardless of General Schedule series with authority to obligate funds above the micropurchase threshold;
 - c. All positions in GS-1105 Purchasing Series; and,
 - d. All Contracting Officer Representatives/Contracting Officer Technical Representatives, or equivalent positions. The Administrator of the Office of Federal Procurement Policy will consult with the agencies in the identification of other acquisition related positions. Paragraph 7, OFPP Policy Letter 97-01, dated September 12, 1997.
5. The civil service in the US is divided into a number of different categories. Grade refers to levels within a hierarchy. The current General Schedule grades range from 1 through 15.
6. The position of Administrator of the Office of Federal Procurement Policy was created in 1974 by the Office of Federal Procurement Policy Act (Pub.L. 93-400) to create a single governmentwide policy for US government acquisitions. Prior to this act, there were essentially two regulations and multiple statutory authorities governing US government procurement. The primary statutes were the Armed Service Procurement Act of 1947 (Pub.L. 80-413) and the Federal Property and Administrative Service Act of 1949 (Pub.L. 81-152). The primary regulations were the Armed Services Procurement Regulation (ASPR) and the Federal Procurement Regulation (FPR). The Administrator of OFPP was charged with combining the two regulations and in 1984 the Federal Acquisition Regulations were written and

implemented providing a single consistent set of rules for contracting with US government instrumentalities.

7. OFPP Policy Letter 97-01, dated September 12, 1997.
8. The 1102 career series is the series for contracting specialists. Contracting specialists are trained to become contracting officers from small purchases (\$25,000 to unlimited dollar authority).
9. The 1105 career series is the series for purchasing specialists. Purchasing specialists generally focused on small dollar contracts of a value of \$25,000 or less.
10. In the US government a warrant is a written document signed by an authorized government official designating an individual as a contracting officer and indicating the dollar level of the individual's authority.
11. In some US government agencies individuals from career series other than 1102 or 1105 are given contracting responsibilities. For example, many building managers are given low dollar authority to buy services for maintaining their respective buildings.
12. Contracting officer representative is an employee of a contracting activity designated by a contracting office to perform certain contract administration activities. A contracting officer technical representative is an employee of a contracting activity designated by a contracting officer to perform contract administration activities in regard to technical issues. Pgs 127 – 128, The Government Contracts Reference Book, second edition, The George Washington University Press, 1998.
13. DAWIA provided the Secretary of Defense the authority to “grandfather” any member of the acquisition workforce with 20 years of experience as of 1 Oct 1990. “Grandfather” in this context means to exempt from the application of the new requirements. DAWIA was amended in 2001 to allow “grandfathering” of members of the acquisition workforce who had 20 years of service as of 1 Oct 2001.
14. FAI was created to serve all government agencies in a number of areas pertaining to the acquisition workforce. FAI:
 - Plans, manages, and coordinates the development and implementation of Governmentwide acquisition career and acquisition workforce policies, programs, and practices.
 - Provides information and management tools in support of a professional acquisition workforce.
 - Leads strategic planning efforts, identifies priorities, provides policy guidance, and implements Governmentwide programs to establish acquisition career development standards and to manage the federal acquisition workforce. Coordinates and assists

agencies in identifying and recruiting highly qualified candidates for acquisition fields.

- Designs, initiates, and coordinates research, studies, and surveys to analyze workforce issues and to improve the acquisition process. Periodically analyzes acquisition career fields to identify critical competencies, duties, tasks, and related academic prerequisites, skills, and knowledge.
 - Establishes and promotes an acquisition curriculum in coordination with colleges and universities and identifies academic education programs for the acquisition workforce.
 - Establishes and promotes an acquisition curriculum Governmentwide. In coordination with training organizations, identifies sources of training, and ensures the quality of training. Develops or supports a variety of training delivery methods. Establishes training standards and evaluates the effectiveness of training programs for acquisition personnel.
 - Advises agencies in the development and implementation of acquisition career development programs. Develops and guides intern, rotational assignment, and other interagency programs. Evaluates the effectiveness of career development programs for acquisition personnel (www.gsa.gov).
15. A contract action includes any action awarding a new contract, a task or delivery order against an existing contract, the exercise of options on existing contracts and modifications to a contract that added scope or dollars.
 16. The US government did not track contract actions below \$25,000.
 17. For example, DoD reports that about 50% of its workforce is eligible to retire compared to GSA where only about 32% of its workforce is eligible.
 18. Retirement eligibility begins when an employee has 30 years of service and is 55 years old. The requirements for full retirement change with the number of years of service and the age of the employee.
 19. There are two retirement systems currently, the Civil Service Retirement System (CSRS) and the Federal Employee Retirement System (FERS). CSRS essentially provides an employee a pension based on the number of years served multiplied a factor of a percentage of the highest three salary years. The FERS plan has three parts including social security, the equivalent of a 401K plan and a smaller fraction of payments based on the number of years served multiplied by the employees high three salary years.
 20. We will not discuss whether Vice President Gore invented the internet, although he clearly led the US government's efforts to make maximum use of it during his tenure as Vice President.

21. Pub L. 103-355, October 13, 1994. FASA is probably the most significant piece of legislation impacting the US government's acquisition process since the passage of the Armed Services Procurement Act and the Federal Property and Administrative Services Act. It made significant changes to how the US government does business. FASA was crafted based principally on recommendations of the Acquisition Law Advisory Panel created by Congress (§800, Pub.L. 101-510 (National Defense Authorization Act for Fiscal Year 1991)). Then Secretary of Defense Dick Cheney formed the panel and submitted its report to Congress in January 1993. The panel, commonly referred to as the Section 800 Panel, did a complete study of the multitude of statutes impacting US government procurement.
22. §§9001 et seq, Pub.L. 103-355, October 13, 1994.
23. GSA was created by the Federal Property and Administrative Services Act of 1949. GSA's mission is to provide acquisition services to agencies within the US Government. These acquisition services include: real property; information technology solutions; telecommunications services; the schedules program; and, vehicle fleet services among others.
24. See for example FAR Subpart 4.5.
25. FPDS is the repository for all award information of US government contracting actions over \$25,000. It may be found at www.fpdc.gov.
26. FBO is the single place in the government where all open market acquisitions over \$25,000 must be posted. Open market acquisitions are those where we seek proposals from the public as opposed to the schedules program or multiple award indefinite delivery indefinite quantity type contracts. FBO may be found at www.fbo.gov. FBO is also referred to as "FedBizOpps."
27. BPN will be the single place where contractors doing business with the US government will have to register their business information. This information will be used by the government to make payments to contractors and to make reports to the tax authorities. BPN may be found at www.bpn.gov.
28. The US government collects information about a contractor's performance on every contract over \$100,000 performed for the government. See FAR Subpart 42.15. The US government also requires that a contracting officer consider a contractor's past performance when making awards over \$100,000 unless the contracting officer makes a determination that it is inappropriate. See Far 15.304(c)(3). PPIRS ties the past performance information together and makes it available to the source selection official and contracting officer. PPIRS may be found at www.ppirs.gov.
29. See for example FAR Part 8, required sources of supply, where priority is given to organizations which employ the handicapped; FAR Part 19 where the rules for

contracting with small businesses are set forth; FAR Part 22, where special rules regarding labor are set out; FAR Part 23 environmental considerations; FAR Part 24 Privacy issues are addressed; FAR Part 25, foreign acquisitions; FAR Part 26, Historically Black Colleges and Universities and Native American firms.

30. There is a US government website on §508 that may be found at www.section508.gov.
31. See FAR Subpart 19.9, implementing the Small Business Administration Reauthorization and Amendments Act of 1994 (Pub.L. 103-403). Very small business concern" means a small business concern - (1) Whose headquarters is located within the geographic area served by a designated SBA district; and (2) Which, together with its affiliates, has no more than 15 employees and has average annual receipts that do not exceed \$1 million. FAR 19.001.
32. See FAR Subpart 19.8, implementing §8(a) of the Small Business Act (15 U.S.C. 637(a)).
33. There are different goals for each category of small business. For example, 5% for woman owned small businesses, 10% for HUBzone small businesses; 5% for veteran owned small businesses, etc.
34. The US government fiscal year runs from 1 October to 30 September.
35. FAR Case 2002-029, www.acqnet.gov.

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