

# Selling to the Government

Your Procurement Starter Guide

ASBTDC

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ARKANSAS SMALL BUSINESS AND  
TECHNOLOGY DEVELOPMENT CENTER

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# Introduction

**G**overnment contracting can provide an additional revenue stream and stable cash flow, expand your business network, and offer you personal and professional opportunities for growth and development.

When deciding to invest time and resources in the procurement process, be ready to play the long game. Just “getting in the game” takes time, and then the timeline for the bidding and awarding of government contracts can be quite lengthy.

In this e-book you will find lots of acronyms and other information you need to know to enter the world of government contracting.

The Arkansas Small Business and Technology Development Center can help you assess if contracting is a fit for your company and connect you with the tools and guidance you need to move forward.

**If you are in business and looking to expand  
your customer base and grow your sales,  
this e-book is for you!**



Business start



Business purchase



Existing business

# Procurement Basics

Also known as government contracting, **procurement** is the process by which businesses acquire the rights to sell their goods or services to federal, state, or local government agencies, often through a competitive bidding process.

The federal government sets aside at least 23 percent of its contracting dollars for small businesses. That is approximately \$400 billion up for grabs for small business owners like you! Rules and regulations for federal contracting are set out in the **Federal Acquisition Regulations (FAR)**. See [acquisition.gov/browsifar](http://acquisition.gov/browsifar).

The State of Arkansas, counties, and cities also contract for goods and services.

The process for pursuing contracts at the different levels of government varies. As you begin pursuing selling to the government, you may want to consider focusing on one level of government.

Government contractors are divided into two categories, prime contractors and subcontractors.

## PRIME CONTRACTORS

Prime contractors are companies that take on the legal responsibility of fulfilling **all** the requirements of a government contract.

They have bid on and won a contract with a government agency and are now in charge of working **independently or with subcontractors** to see the contract through to its completion.

Businesses that win the opportunity to become prime contractors have usually earned **credibility** through successful work as **subcontractors**.

## SUBCONTRACTORS

Subcontractors are the firms enlisted by prime contractors to fulfill **specific** requirements of a government contract.

Firms acting as subcontractors have the opportunity to utilize their expertise to accomplish the task assigned, gain revenue and past performance experience, and to do so **without the risks** associated with being responsible for the entire contract.



## Your Size Status

To qualify for contracting dollars set aside for small businesses, you must prove that your business meets the government's definition for being small.

You can determine whether or not your firm is officially considered small by using the SBA's Small Business Size Standards Tool ([sba.gov/size](http://sba.gov/size)). You will need your NAICS code (see page 4) to look up your industry and its size standards using the tool.

## Keeping Track

All of your experiences and successes as a prime contractor and subcontractor will be recorded in the **Past Performance Information Retrieval System (PPIRS)**, which government agencies will then be able to review when deciding whether or not to award you a contract.

# Cracking the Codes

Throughout the procurement process, you will have to know and keep up with many codes and other identifiers for your business. The following four will be among the most essential for acquiring work through government contracts:

- North American Industry Classification System (NAICS)
- Product Service Codes (PSC)
- Data Universal Numbering System (DUNS)
- Employer Identification Number (EIN)

## NAICS

The North American Industry Classification System organizes businesses into industry categories based on the businesses' primary activities.

NAICS codes sort businesses into 20 sectors, 99 subsectors, 311 industry groups, 709 industries, and 1,057 U.S. industries (as of 2018).

### Example

<i>Sector</i>	21	Mining, Quarrying, and Oil and Gas Extraction
<i>Subsector</i>	212	Mining (except Oil and Gas)
<i>Industry Group</i>	2123	Nonmetallic Mineral Mining and Quarrying
<i>Industry</i>	21231	Stone Mining and Quarrying
<i>U.S. Industry</i>	212311	Dimension Stone Mining and Quarrying

The U.S. Census Bureau maintains one NAICS code for each business, usually based on the activity that generates the most revenue for the business.

However, some organizations allow for multiple NAICS codes to be recorded based on the various activities performed by a business. SAM (see page 7) allows for multiple codes.

You can find your NAICS codes in the NAICS Manual, which is updated every five years. The most recent version is available online at [www.census.gov/eos/www/naics/2017NAICS/2017\\_NAICS\\_Manual.pdf](http://www.census.gov/eos/www/naics/2017NAICS/2017_NAICS_Manual.pdf).

## PSC

**Product Service Codes** let agencies know what products, services, or research your business provides or conducts. These codes consist of four digits, and they can be a combination of letters and numbers.

The Defense Procurement and Acquisition Policy office provides an excellent online resource for determining your PSCs. Find the PSC Selection Tool at [psctool.us](http://psctool.us).

### Example

#### *30 - Mechanical Power Transmission Equipment*

PSC	Description
3010	Torque Converters and Speed Changers
3020	Gears, Pulleys, Sprockets, and Transmission Chain
3030	Belting, Drive Belts, Fan Belts, and Accessories
3040	Miscellaneous Power Transmission Equipment

#### *G - Social Services*

G001	Care of Remains and/or Funeral Services
G002	Chaplain Services
G003	Recreational Services
G004	Social Rehabilitation Services
G005	Geriatrics Services
G006	Government Life Insurance Programs
G007	Government Health Insurance Programs
G008	Other Government Insurance Programs
G009	Non-Government Insurance Programs
G010	Direct Aid to Tribal Governments and Organizations (Pursuant PL93-638)
G099	Other Social Services

# Cracking the Codes, continued

## DUNS

Dun & Bradstreet created the **Data Universal Numbering System** to record commercial data on businesses located around the world. The nine-digit DUNS identifier establishes a credit file for each physical location of your business, which can then be referenced by other firms interested in becoming your clients, partners, or suppliers.

You will need to acquire a DUNS number for each physical location of your business to bid on government proposals. You can request your DUNS number(s) for free on the Dun & Bradstreet Government iUpdate webpage, [iupdate.dnb.com/iUpdate/viewiUpdateHome.htm](http://iupdate.dnb.com/iUpdate/viewiUpdateHome.htm).

Before contracting with you, some government agencies will require your firm to have past performance evaluations from customers available for the agencies to review. You can use your DUNS number on Dun & Bradstreet's Open Ratings website to have customers provide evaluations. Note that Open Ratings' services do cost a fee.

## EIN

If you own a business and have employees working for you, even just one employee, then you must have an **Employer Identification Number**.

EINs are assigned by the Internal Revenue Service and are used to identify your business on documents like tax returns, business licenses, and business permits.



# Registering in SAM

The System for Award Management, or SAM, ([sam.gov](http://sam.gov)) is a federal website where you register to do business with the U.S. government. This is a FREE service.

In addition to core data such as your name, address, DUNS number, etc., you will need to prepare additional information for the SAM registration process.

Once you register in SAM, you will receive a five-character **Commercial and Government Entity (CAGE) Code**. You will need this code to reenter the SAM system in the future, so make sure to add it to your growing list of identifiers. SAM will then provide you with an opportunity to create a profile for your small business.

Fill out your profile as fully and accurately as possible. This information will appear in the **Dynamic Small Business Search (DSBS)** database, which contractors use to identify small businesses that might be able to meet their procurement needs.

You must renew your SAM registration annually to keep it active.

*The pros at the PTAC can guide you through the contractor registration process. See page 11.*

# Federal Programs for Small Businesses

Did you know that the federal government is the largest buyer of products and services in the country? Small businesses that hold certain certifications or fit socio-economic criteria have an even greater chance to procure federal government contracts.

Veteran-owned small businesses and service-disabled veteran-owned small businesses that complete the **Veterans First Verification Program** through the Department of Veterans Affairs are eligible to compete for special VA set-asides. See [va.gov/osdbu/verification](http://va.gov/osdbu/verification).

The Small Business Administration administers the small business contracting programs listed below. To determine which contracting programs your firm might be eligible for, use SBA's interactive questionnaire, available at [certify.sba.gov/am-i-eligible](http://certify.sba.gov/am-i-eligible).

## SMALL DISADVANTAGED BUSINESS

Self-certifying your business as an SDB in SAM can increase your chances of acquiring federal contracts.

## HUBZONE

Participants in the Historically Underutilized Business Zone (HUBZone) program gain preferential access to procurement opportunities by locating in and hiring employees from economically disadvantaged areas.

[sba.gov/federal-contracting/contracting-assistance-programs/hubzone-program](http://sba.gov/federal-contracting/contracting-assistance-programs/hubzone-program)



## **WOMEN-OWNED SMALL BUSINESS AND ECONOMICALLY DISADVANTAGED WOMEN-OWNED SMALL BUSINESS**

The WOSB and EDWOSB programs serve to bring more women-owned businesses to largely underrepresented industries through set-aside government contracts.

**[sba.gov/federal-contracting/contracting-assistance-programs/women-owned-small-business-federal-contracting-program](https://www.sba.gov/federal-contracting/contracting-assistance-programs/women-owned-small-business-federal-contracting-program)**

## **8(a) BUSINESS DEVELOPMENT**

Firms that participate in the 8(a) Business Development Program can receive sole-source contracts, participate in specialized business training, and benefit from other SBA and partner resources.

**[sba.gov/federal-contracting/contracting-assistance-programs/8a-business-development-program](https://www.sba.gov/federal-contracting/contracting-assistance-programs/8a-business-development-program)**

## **SERVICE-DISABLED VETERAN-OWNED SMALL BUSINESS CONCERN**

Service-disabled veterans who have direct ownership in a small business can apply for government contracts specifically set aside for them.

**[sba.gov/federal-contracting/contracting-assistance-programs/service-disabled-veteran-owned-small-businesses-program](https://www.sba.gov/federal-contracting/contracting-assistance-programs/service-disabled-veteran-owned-small-businesses-program)**



For more  
government  
contracting tips, see  
**[sba.gov/federal-contracting/contracting-guide](https://www.sba.gov/federal-contracting/contracting-guide)**

# State & Local Opportunities



To do business with the State of Arkansas, you must register your company with the **Office of State Procurement (OSP)**, part of the Department of Finance and Administration. OSP oversees the procurement of goods and services for all state agencies, boards, commissions, colleges, and universities.

State procurement rules can add to but not contradict federal rules. OSP holds training for vendors on procurement rules and laws, bidding policies, and the bid submission process.

Learn more at [www.dfa.arkansas.gov/procurement](http://www.dfa.arkansas.gov/procurement). To register as a vendor, visit [ark.org/vendor/index.html](http://ark.org/vendor/index.html).

Contact local elected officials for information on city or county contracting opportunities.

[local.arkansas.gov/index.php](http://local.arkansas.gov/index.php)

[arcounties.org/counties](http://arcounties.org/counties)

# Are You Certified?

## **MINORITY AND WOMEN-OWNED BUSINESS ENTERPRISE (MWBE)**

The **Minority and Women-Owned Business Enterprise** division of the **Arkansas Economic Development Commission** offers certification for businesses that are 51 percent or more owned and operated by ethnic minorities, service-disabled veterans, or women.

Certified businesses are listed in the MWBE directory and eligible to participate in the procurement process as minority- or woman-owned.

**[arkansasedc.com/community-resources/Minority-and-Women-Owned-Business-Enterprise-Resources](http://arkansasedc.com/community-resources/Minority-and-Women-Owned-Business-Enterprise-Resources)**

## **ARKANSAS DISADVANTAGED BUSINESS ENTERPRISES (DBE)**

The **Arkansas Unified Disadvantaged Business Enterprises** certification program is for Arkansas small businesses owned and controlled by socially and economically disadvantaged individuals. The Arkansas Department of Transportation and other partners oversee the certification process. A directory of certified businesses is maintained on the ADOT website.

**[arkansashighways.com/dbe/dbe.aspx](http://arkansashighways.com/dbe/dbe.aspx)**

# The Experts

**T**he **Arkansas Procurement Technical Assistance Center** is your ace-in-the-hole for government contracting advice and assistance.

Arkansas businesses of all sizes can work with the center. Receive help with navigating the procurement process and with finding contracts matching the goods and/or services you have to offer. Most PTAC services are free for client businesses.

**[uaex.edu/business-communities/apac-government-contracting](http://uaex.edu/business-communities/apac-government-contracting)**

# Finding Procurement Opportunities

Your information in SAM will allow federal agencies to find you, based on their desired procurement criteria. You might also receive information about bid opportunities from agencies who find your small business profile in the DSBS database.

You can also search for contracting opportunities through the following sources.

## **FEDBIZOPPS**

Many government agencies post information about procurement opportunities on the FedBizOpps website. Registering on FedBizOpps will give you access to these postings and allow you to sign up for email updates about newly posted bid opportunities related to your line of work.

## **fbo.gov**

## **GENERAL SERVICES ADMINISTRATION (GSA) SCHEDULE**

The GSA Schedule allows commercial vendors to set up long-term procurement contracts with government agencies. Getting your business on the GSA Schedule can be a lengthy process. Carefully assess the potential costs and benefits of getting your business on the GSA Schedule before making the commitment.

GSA also has a Subcontracting Directory for small businesses looking for opportunities to work with prime contractors already on the GSA Schedule.

## **[gsa.gov/acquisition/small-business](http://gsa.gov/acquisition/small-business)**

## **OFFICE OF STATE PROCUREMENT**

The Office of State Procurement posts current solicitations and bid opportunities on its website. Registered vendors receive email notifications.

## **[www.dfa.arkansas.gov/procurement](http://www.dfa.arkansas.gov/procurement)**



# Are You Ready?

Government contracting represents a great market opportunity for some businesses. But this market isn't for everyone, or now may not be the right time for your business.

Here are some things to consider before bidding on a government contract.

## **Is your business well-established with a proven track record?**

The government looks for businesses where the ability to fulfill the contract is clear. Therefore, it can be difficult for a new or startup business to obtain a contract.

## **Do you have adequate financial resources?**

A business must have the financial capacity to fulfill the contract and have adequate working capital to survive until payment is received on the contract. Further, the contract may require additional insurance or bonding, another expensive outlay. A financially unstable company is not yet ready for government contracting.

## **Do you thoroughly understand your costs?**

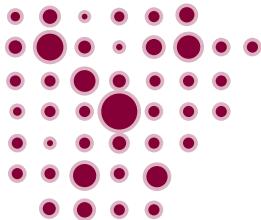
The purpose of contracting with the government is to make a profit. Your business must put together a bid which includes the necessary profit margin. An unprofitable bid does more harm than good.

## **Does the business have the administrative capacity to pursue contracting and fulfill reporting requirements?**

Selling to the government can be a complex process. Vendors must comply with many rules and regulations, a time-consuming task companies new to contracting may overlook.

## **Is this market the best place to spend your time and money?**

Resource and time limitations mean that pursuing every market isn't practical for a small business. Before you commit to government contacting, be sure that it is the best way to spend your time and resources.



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COLLEGE OF BUSINESS  
UNIVERSITY OF ARKANSAS AT LITTLE ROCK



U.S. Small Business  
Administration



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