



IN REPLY
REFER TO

MMP
PROCLTR 98-01

DEFENSE LOGISTICS AGENCY
HEADQUARTERS
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JAN 06 1998

MEMORANDUM FOR PROCLTR DISTRIBUTION LIST

SUBJECT: The DLA Mentoring Business Agreements (MBA) Program

The purpose of this PROCLTR is to reemphasize our strong commitment to the concept of the DLA Mentoring Business Agreements (MBA) Program, and to provide the context and considerations to contracting officers for its expanded use.

This restatement of the MBA program (DLAD Part 19 coverage) is intended to give sufficient detail to buying personnel at every Center to encourage its use for all DLA commodities. This version of the coverage also provides more information within the framework of the contractual documentation (that is, via the solicitation provision and contract clause), so that a contractor's contractual undertakings are stated explicitly and clearly understood by all parties. (The previous Part 52 coverage may have seemed to rely on Commerce Business Daily notices or discussions with contractors to convey the aims, requirements, and uses of the program to potential mentors.) Perhaps the biggest difference between the earlier and this current version, though, is the treatment here of the problems associated with the Government's lack of privity of contract with the protege firm, and how and why these can be overcome to permit broad applicability of the MBA concept. We have also addressed, "head on," the issue of assessing intentions versus outcomes.

Promoting maximum use of small businesses and other entities through the MBA Program is a "win-win-win" situation (good for the Government, for our prime contractors (mentors), and for the small (protege) firms). You should review this coverage and use the program wherever it could yield anticipated benefits. Note that inclusion of the applicable provision is mandatory (except for supply contracts for commercial items) in all solicitations for long-term contracts with values expected to exceed \$500,000. However, we expect to see it used well beyond the required situations.

The Attachment contains the applicable new DLAD 4105.1 coverage at Parts 16, 19 and 52. This PROCLTR is effective immediately, and will expire upon incorporation of the attached revised coverage into the DLAD, but in any event not later than one year from the effective date

JAN 06 1998

2

of this letter. Questions may be addressed to Ms. Mary Massaro, MMPPP, (703) 767-1366 (DSN 427-1366), or via Internet message to the following address: mary_massaro@hq.dla.mil.



ROBERT L. MOLINO
Executive Director
(Procurement)

Attachment

SUBPART 16.5 - INDEFINITE-DELIVERY CONTRACTS

16.504 Indefinite-quantity contracts.

(4)(iv) Consideration of past performance in order placement decisions shall include success in implementation of proposed socioeconomic support programs (see 15.605(b)(1)(90)) and performance in carrying out Mentoring Business Agreement *proposals* (see 19.90). Solicitations shall so state in the explanation of order placement criteria (FAR **16.504**(a)(4)(iv)).

PART 19

SMALL BUSINESS PROGRAMS

TABLE OF CONTENTS

SUBPART 19.71 - *PILOT MENTOR-PROTEGE PROGRAM*

19.7100 *Scope.*

[SUBPART 19.72 HAS BEEN ELIMINATED]

SUBPART 19.90 - *DLA MENTORING BUSINESS AGREEMENTS (MBA) PROGRAM*

19.9001 *General.*

19.9002 *Policy.*

19.9003 *Scope.*

19.9004 *Purpose and approach.*

19.9005 *Contracting officer responsibilities and program considerations.*

19.9006 *Reporting.*

19.9007 *Solicitation provision and contract clause.*

PART 19

SMALL BUSINESS PROGRAMS

SUBPART 19.71 - PILOT MENTOR-PROTEGE PROGRAM

19.7100 Scope.

The Mentoring Business Agreements (MBA) Program (see Subpart 19.90, below) is a DLA variation on the DoD Pilot Mentor-Protege Program, which was established under Section 831 of the National Defense Authorization Act for Fiscal Year 1991 (Public Law 101-510), as amended. The DLA program is not intended to supersede the DoD program.

[SUBPART 19.72 has been eliminated]

SUBPART 19.90 DLA MENTORING BUSINESS AGREEMENTS (MBA) PROGRAM

19.9001 General.

The Mentoring Business Agreements (MBA) Program is a DLA variation on the DoD Pilot Mentor-Protege Program (although it does not supersede the latter). Under the DLA Program, experienced (generally large business) entities serve as mentors to selected proteges in reciprocally rewarding relationships. The protege is ordinarily a small, small disadvantaged, or women-owned small business; however, it may also be a Javits-Wagner-O'Day Act (JWOD)-qualified nonprofit agency for the blind or other severely disabled, approved by the Committee for Purchase from People Who Are Blind or Severely Disabled. This Agency program differs from the DoD Mentor-Protege Program in that it:

- (a) is not statutorily mandated;*
- (b) will remain in effect so long as it achieves the purposes for which it is intended;*
- (c) permits the selection of any small business or JWOD-qualified nonprofit agency as a protege;*
- (d) does not require potential mentors to undergo a substantial approval process in order to qualify for that role, or to identify intended proteges "up front";*
- (e) is determined successful more by the establishment of long-term business relationships between mentors and proteges (and perhaps the latter's improved business processes and penetration into new markets) than by numbers and dollar values of subcontracts with SDBs or any other category of small entity; and*

(f) offers no direct monetary incentives to contractors. (Instead, it relies on a market-based incentive consisting of the extension of favorable consideration to the mentor under the instant and future source selections, and within the context of option exercise or order placement under multiple-award contracts.)

19.9002 Policy.

Through the DLA MBA Program, experienced prime contractors (large or small, including JWOD entities) extend developmental assistance, with Government encouragement, to small, small disadvantaged, and women-owned small businesses or JWOD entities in return for the recipient's providing value-added services and/or products. The mentor provides the benefit of its managerial expertise, technical capabilities, market knowledge and penetration, and economies of scale. The protege provides a distinctive proficiency or capability (such as a specialized product, service, or, potentially, admission into its own market) which supports the mentor's business objectives.

19.9003 Scope.

Contractor participation in the DLA MBA Program shall be the focus of an evaluation factor to be included in all solicitations or other announcements for long-term contracting arrangements expected to exceed \$500,000. This requirement shall not be mandatory for contracts for commercial items, unless logistics services in support of those items are also being acquired under the same contract. Any other exception to this requirement must be approved by the chief of the contracting office, without power of delegation. An explanation for the exception must be included in the solicitation file, and a copy must accompany the report required in 19.9006(e). Inclusion of the program coverage in solicitations below \$500,000, though optional, is encouraged in all appropriate circumstances.

19.9004 Purpose and approach.

(a) There are three purposes served by the DLA MBA Program. It is intended to:

(1) Provide maximum opportunity to the small business/JWOD community to participate in DLA's reengineered business processes at either the prime or subcontract level.

(2) Remove the tendency on the part of some small businesses to depend on doing business with the Government exclusively, and to lead them to new opportunities that are chiefly available today in the commercial marketplace.

(3) Foster private-sector, mutually beneficial mentor-protege relationships that transcend performance under specific contracts. These long-term relationships can lead to equally long-term stability and opportunities for growth.

(b) The Government benefit realized is the establishment of stronger, better sources - the large or experienced and the small or disadvantaged entity - in whose abilities there can be

greater confidence than ever before. The mentoring process strengthens the likelihood of a small firm's being able to compete for DLA contracts at either the prime or the subcontract level, and provides another outlet, vision, and opportunity to those whose prior range of operations was unnecessarily limited.

(c) A typical approach **to MBA** could be an arrangement between two entities who are both in similar business lines, with the prime contractor providing the advantage of its experience, technical capabilities, and business networks to the protege. **Another** could involve a prime **from** the warehousing/distribution business **sector** teaming with **one or more** proteges - not only in product lines, but also in software development, management of hazardous materials, transportation, electronic communications, **and** other such areas. The DLA MBA Program can be applied across the entire spectrum of DLA commodities **and required services (but see 19.9003 for the commercial-item supply contract exception to mandatory inclusion).**

19.9005 Contracting officer responsibilities and program considerations.

(a) DLA contracting offices will work together with their **respective** small business offices as catalysts and facilitators, identifying entities willing to participate as mentors. Prospective prime contractors are responsible for selecting small, small disadvantaged, and women-owned small businesses **(or JWOD entities)** for participation **with them** in the Program. However, when requested, the DLA contracting office and/or small business office will assist prospective prime contractors in the process of locating small entities as potential proteges. **The prime must establish for itself the parameters of its involvement under the Program; its proposal for participation, identifying the assistance already undertaken or to be rendered, shall be incorporated into its contract with the Government. The prospective contractor is obligated, as part of its contractual undertaking, to enter into a written, binding mentoring business agreement with a protege based on this plan. (Thus, the MBA, by its being expressly contemplated by the mentor's proposal and by the latter document's incorporation into the prime contract with DLA, binds the mentor firm to both the protege and the Government.)**

(b) **Even though the Government does not enjoy privity of contract with the protege (and therefore cannot be a party to, or require a copy of, the MBA), the contracting officer shall inform the prospective offeror/mentor that the future agreement must reflect the plan included with the latter's offer.**

(1) **Notwithstanding that the agreement is not made a deliverable under the contract, or that a copy cannot otherwise be demanded by the contracting officer, he or she shall nevertheless request that the agreement be made available to the Government. The contractor shall be advised that any agreement so provided will be compared with the proposal contained in the contract with DLA, to ensure that it adequately reflects the mentor's obligations expressed within that contract.**

(c) DLA contracting offices shall lead by example in this mentoring concept by placing greater emphasis on assisting small, small disadvantaged, and women-owned small businesses through their Business Counseling Center services and other functions/specialists throughout the activity.

These contracting offices will actively **promote** and participate in industry-sponsored conferences and organizational seminars/meetings, using *the* events as a forum to discuss and **forward** Program goals.

(d) To promote **Program** participation, the DLA MBA Program shall (*as stated in 19.9003*) be included as an evaluation factor in best-value acquisitions that meet applicability standards. Prospective offerors shall be asked to include, as part of their overall proposal, a plan to participate in the Program as a mentor; **each plan must delineate the assistance already undertaken or to be rendered to a protege**. The factor is an element in the overall award decision, and **the proposal provided by a successful offeror shall be** incorporated into the **resulting** contract and monitored during performance by the contracting officer **and other pertinent parties**.

(1) Participation **in the MBA Program** is **entirely** elective; however, proposals that demonstrate a strong commitment to affording small, small disadvantaged, and women-owned small businesses a real opportunity to compete in the reengineered business environment **will ordinarily** receive a more favorable rating for this evaluation factor than those that demonstrate a **lesser** or no **such** commitment. (*Examples of this type of “real opportunity” include the mentor’s developing the protege into a stronger competitor by designating the latter a “valued supplier,” or by permitting it to perform part of the contract work in conjunction with the prime through a type of teaming arrangement.*) There is no limit to the type of assistance the prime contractor may provide to achieve its **Program** objectives. **Of course, the “helping hand” that any firm can extend necessarily depends upon unique variables, including its business sector, range of market penetration, capitalization, competition, location, etc. The Government shall determine the adequacy of the contractor’s proposal, but shall not dictate the kind of assistance to be provided.**

(e) **For applicable contract actions, the contracting officer shall provide** incentives for prime contractors to establish and administer **MBA** arrangements. **These include:**

(1) evaluation of current or proposed participation in the MBA Program as **an independent** factor (**separate from any overall past performance evaluation factor**) in source selection;

(2) use of MBA performance under previous contracts as part of **the overall** past performance evaluation **factor in source selection**;

(3) evaluation of **present MBA** performance in determining placement of orders under multiple-award contracts; and/or

(4) consideration of contractor **present and** past **MBA** performance **in the** exercise of options **for the follow-on years of long-term contracts**.

(f) The DLA MBA Program shall be monitored, **and performance under it analyzed**, by the **contracting officer and the** cognizant small business specialist(s) to ensure the intended purposes of the Program **are** being achieved. **Because activity must be evaluated specifically in**

terms of the contractor's commitment to the advancement and viability of a protege, and because oversight reviews must be conducted in accordance with the plan contained in the prime's contract with the Government, rather than in accordance with the agreement (see 19.9006(a) through (c)), care must be taken not to assess intentions, without regard to outcomes. The value of both effort expended and results achieved must be considered in each individual mentoring situation.

19.9006 Reporting.

(a) Participating mentors shall be required to submit periodic progress reports on the fulfillment of their proposals. Furthermore, when a mentor voluntarily furnishes a copy of the MBA to the Government, the contracting officer shall compare the later agreement to the mentor's earlier proposal.

(b) All accomplishments against MBA proposals shall be reviewed semi-annually with the mentor and the protege by the contracting officer and the cognizant small business specialists from the buying activity and the DCMC component(s). (Administration of contracts containing the MBA provision/clause should ordinarily be delegated to DCMC; however, when overall administration is retained, supporting administration by DCMC must nevertheless be requested for purposes of Program oversight. See, generally, 42.204.) Activity/component Commanders or their Deputies are strongly encouraged to participate in such reviews. HQ DLA (MMP and DDAS) shall also be afforded an opportunity to participate.

(c) Not only shall small business specialists monitor contractor activity under the plan, but they shall also, at least implicitly, oversee and report on performance under the agreement, when that document has been provided to the Government. Note, though, that even if activity in accordance with the agreement is able to be monitored, such information cannot be used as the basis for any contractual determination (including source selection, option exercise, or order placement), because the mentor's contractual duties to DLA extend only to the contents of the plan. Similarly, a formal assessment of the protege's fulfillment of its undertakings (as set forth in the MBA) cannot be made, because that party's contractual obligations extend only to the prime. Despite this, the general monitoring of all aspects of performance is one of the Government's primary duties under the MBA Program. A proper balance must therefore be maintained between the demands occasioned by legitimate Government interests, and respect for a contractual relationship to which the Government is not a party.

(d) Wherever possible, this Program will utilize existing reporting mechanisms to evaluate prime contractor compliance.

(e) A Reports Control System (RCS) number has been established for reporting the number of MBAs in place each fiscal quarter. Additionally, you are required to indicate whether, for the applicable buys, offers were received from both small/JWOD and large entities, whether the successful offeror chose to participate in the MBA program, and, if so, whether the successful offeror was a small/JWOD or a large business. The RCS number remains DLA(Q)2609(MM). These reports are mandatory, and are due from the corporate contract policy office at each

Center to HQ DLA, ATTN: MMPPP, by the 10th working day of the month following the end of the quarter.

(f) Notification of a mentor's and protege's arrangements regarding signing ceremonies for these MBA agreements shall, whenever practicable, be provided to Headquarters, DLA (DDAS and MMP) at least two weeks prior to the planned event so that DLA executives may attend, at their election. Formal ceremonies with appropriate publicity are encouraged.

19.9007 Solicitation provision and contract clause.

A provision substantially the same as the one at 52.219-9002 shall be inserted in all solicitations meeting the criteria in ***19.9003***, above. ***Additionally, a*** clause substantially the same as the one at 52.219-9003 shall be included in all solicitations and contracts containing provision 52.219-9002.

PART 52

SOLICITATION PROVISIONS AND CONTRACT CLAUSES

52.219-9002 DLA Mentoring Business Agreements (MBA) Program.

As prescribed in 19.9007, insert a provision substantially as follows:

DLA MENTORING BUSINESS AGREEMENTS (MBA) PROGRAM (DEC 1997) DLAD

(a) The offeror is invited to participate in a program whereby small, small disadvantaged, and women-owned small businesses are afforded the opportunity (through the offeror's provision of developmental assistance in its capacity as prime contractor) to participate in the DLA procurement process. (The offeror may alternatively propose to mentor a Javits-Wagner-O'Day (JWOD) Act-qualified nonprofit agency.) In order to participate, the offeror shall submit a proposal outlining the assistance already rendered or to be provided to the protege, as well as the kinds of value-added activity the offeror might expect to receive, in return, from the mentored entity. The offeror-mentor may propose to provide the benefit of its managerial expertise, technical capabilities, market knowledge, etc.; the protege will be expected to provide a specialized service or product, or, potentially, admission into its own market. Participation is entirely voluntary.

(b) The Government will evaluate the offeror's proposal for participation in the DLA MBA Program on a comparative basis among all offerors, rather than via establishment of an "acceptable" standard. The factor is an independent element in the overall award decision; the offeror who proposes or demonstrates the most comprehensive plan for tutoring a protege will receive the highest rating for this evaluation factor during the source selection process. The evaluation will assess the offeror's willingness to assist such entities in receiving better market shares, improving their processes, and generally contributing to their viability under long-term contracting arrangements.

(c) The proposal submitted by the successful offeror will be incorporated into its contract with DLA. The successful offeror will be expected to incorporate the salient points of the evaluated proposal into a written agreement (the MBA) with a protege selected by the offeror. The offeror's performance under the proposal will be monitored by the contracting officer and cognizant small business specialists (from the buying activity and/or the Defense Contract Management Command) during the contract period. This performance will be one factor used to determine placement of orders against multiple-award contracts and/or exercise of options in the contract's follow-on years (as applicable). It will also be used as an independent evaluation factor, and as an element of past performance evaluation, in subsequent source selection decisions.

(End of Provision)

52.219-9003 DLA Mentoring Business Agreements (MBA) Performance.

As prescribed in 19.9007, insert a clause substantially as follows:

**DLA MENTORING BUSINESS AGREEMENTS (MBA) PERFORMANCE (DEC
1997) DLAD**

(a) The contractor's proposed MBA plan shall become part of this contract upon award. The contractor is hereby obligated, as part of its contractual undertaking, to enter into a written, binding mentoring business agreement with a protege based on and reflective of this plan. Performance under the MBA plan shall be evaluated by the contracting officer, and may become a consideration prior to option exercise for the follow-on years of long-term contracts. MBA plan implementation may also become an independent evaluation factor and/or part of the overall past performance evaluation factor in future source-selection decisions.

(b) The contractor-mentor and its protege(s) shall meet semi-annually with the DLA contracting officer and the small business specialist(s) from the buying activity and/or the DCMC component to review progress/accomplishments under applicable MBA proposals. The contractor is also required to submit periodic progress reports (no less frequently than annually) to the contracting officer regarding proposal fulfillment. Any MBA with a protege that has voluntarily been submitted to the Government shall be compared by the contracting officer to the contractor's proposed plan, hereby incorporated into this contract, to ensure that it adequately reflects the mentor's obligations expressed therein.

(End of clause)