

# GOVERNMENT CONTRACTING 101

A Beginner's Field Guide to Federal Contracts



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Unlock the World's Most Reliable Customer Imagine a client with a multi-trillion dollar budget who pays on time and is legally mandated to buy from small businesses like yours. That client is the United States Government. While the private sector fluctuates, Uncle Sam is open for business 365 days a year, seeking everything from construction and consulting to landscaping and logistics. This guide cuts through the red tape to show you exactly how to claim your share of the world's largest marketplace.

## GLOSSARY

Federal Contracting Glossary:

**Acquisition** The government's word for buying goods or services.

**Best Value Tradeoff** A formal evaluation approach where the government selects the offer that provides the greatest overall benefit, considering both price and non-price factors as defined in the solicitation.

**Capability Statement** A one-page summary of your business written specifically for government buyers that explains what you do, who you've done it for, and why you're qualified.

**Contract Specialist** A contracting professional who supports the Contracting Officer by managing solicitations, evaluations, and contract administration.

**Contracting Officer (CO or KO)** The only government official with legal authority to sign contracts and obligate government funds.

**Cost Contract** A contract where the government reimburses the contractor for allowable costs incurred during performance, sometimes with an additional fee.

**Debrief** Feedback you can request from the government after winning or losing a contract to understand how your proposal was evaluated.

**FAR (Federal Acquisition Regulation)** The primary rulebook governing how the federal government buys goods and services.

**Full & Open** A type of competition where any qualified business may compete, without small-business restrictions.

**IFB (Invitation for Bid)** A solicitation where an award is made to the lowest-priced bidder that meets all stated requirements.

**Lowest Priced Technically Acceptable (LPTA)** An evaluation method where the lowest-priced proposal wins as long as it meets all minimum technical requirements.

**Micro-Purchase** A very small government purchase below a set dollar threshold, often made with a government purchase card and requiring little to no competition.

**Multiple Award Contract (MAC)** A contract awarded to multiple vendors, allowing the government to issue smaller jobs (task orders) among those vendors.

**NAICS Code (North American Industry Classification System)** A numeric code that identifies the type of goods or services your business provides.

**Past Performance** Evidence that your business has successfully completed similar work in the past.

**Prime Contractor** The company that holds the contract directly with the government and is responsible for overall performance.

**Program Manager (PM)** The government official responsible for defining requirements and overseeing contract performance, but not authorized to sign contracts.

**Purchase Order (PO)** A simple document the government uses to buy specific goods or services, commonly used for micro-purchases and simplified acquisitions.

**RFI (Request for Information)**

A market-research tool used by the government to gather information before issuing a solicitation.

**RFP (Request for Proposal)** A solicitation where the government asks for a complete technical and pricing solution.

**RFQ (Request for Quote)** A solicitation where the government primarily requests pricing for a defined requirement.

**SAM (System for Award Management)** The official federal system where vendors register to do business with the government and where many contracting opportunities are posted.

**Set-Aside** A contract competition restricted to certain types of small businesses, such as SDVOSB, WOSB, HUBZone, or 8(a).

**Simplified Acquisition** A streamlined contracting method used for purchases above the micro-purchase threshold but below a higher dollar limit, with fewer rules and faster awards.

**Sources Sought** A notice used by the government to determine whether qualified businesses exist to perform a potential requirement.

**Subcontractor** A company that performs part of the work under a prime contractor's agreement.

**Task Order (TO)** A specific job issued under a larger contract, such as a Multiple Award Contract, defining the work, price, and schedule.

**Teaming Agreement** An agreement between two or more companies to work together in pursuing or performing a government contract.

**UEI (Unique Entity ID )** The official identifier assigned to your business by the federal government through SAM.

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## HOW THE FEDERAL GOVERNMENT BUYS

Diagram 1: *The Federal Buying Lifecycle*



How to read this diagram:

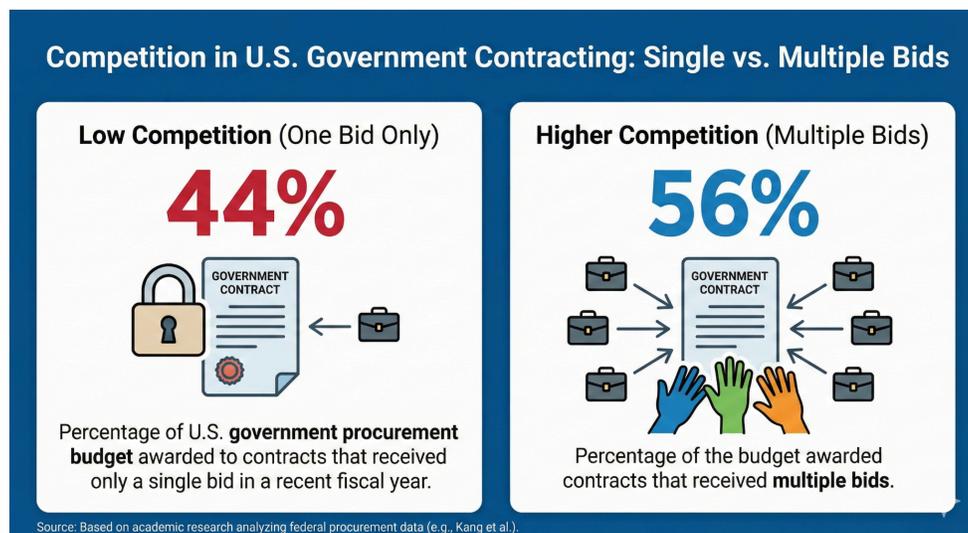
Federal buying follows a predictable path. Every contract, no matter how large or small, fits into this cycle.

Lifecycle explained in plain English:

Every federal contract – large or small – follows the same predictable lifecycle:

1. Need Identified – An agency realizes it needs something.
2. Market Research – Sources Sought, RFIs, and vendor searches appear.
3. Acquisition Planning – Strategy, budget, and competition rules are set.
4. Solicitation Issued – The opportunity is formally posted.
5. Evaluation – Offers are scored strictly against written rules.
6. Award – A vendor is selected.
7. Performance & Payment – Work completed → invoice → payment.

Diagram 2: Competition in Government Contracting



**Why this matters:**

Most beginners only look at Step 4. Winners engage at Steps 2 and 3.

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**Understanding Federal Spending Thresholds**

Diagram 3: *Dollar Thresholds = Rules Complexity*

## Key Federal Acquisition Thresholds (Effective Oct 1, 2025)

Threshold Type	Previous	New	Why It Matters
Micro-Purchase Threshold (MPT)	\$10,000	\$15,000	Purchases can be made without competitive quotes
MPT – Contingency Operations	\$20,000	\$25,000	Higher flexibility for overseas/emergency ops
MPT – Defense Support	\$35,000	\$40,000	Applies to DoD-related support contracts
Simplified Acquisition Threshold (SAT)	\$250,000	\$350,000	Simplified procedures, easier to win
SAT – Contingency Operations	\$800,000	\$1,000,000	Streamlined buying in emergencies
SAT – Defense Support	\$1,500,000	\$2,000,000	Simplified rules for defense-related buys
SAT – Humanitarian / Peacekeeping	\$500,000	\$650,000	Applies to aid and humanitarian missions

New thresholds take effect October 1, 2025.

Beginner insight:

Smaller dollar contracts mean:

- fewer competitors
- faster decisions
- less paperwork
- lower risk while learning

### **Rule of thumb:**

Learn to walk under \$250K before you try to run over \$1M.

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## Where Opportunities Come From

Most people think all federal work lives in one place. It doesn't.

Primary sources include:

- public marketplaces (SAM.gov)
- early research notices (Sources Sought, RFIs, Vendor Days)
- subcontracting portals (SBA's [SUB-Net](#))
- local federal facilities (bases, hospitals, offices)

The best opportunities are usually visible early, not loudly advertised.

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# HOW COMPETITION, BIDDING, AND PAYMENTS WORK

Diagram 4: *Types of Federal Opportunities*



**Key takeaway:**

Sources Sought and RFIs are *not* contracts – they are invitations to be seen.

Competition Type	Who Can Compete	Why It Exists
Set-Aside	Only specified small businesses	Reduce competition
Full & Open	Anyone	Open market

Set-asides are created by law to ensure small businesses are included, not excluded.

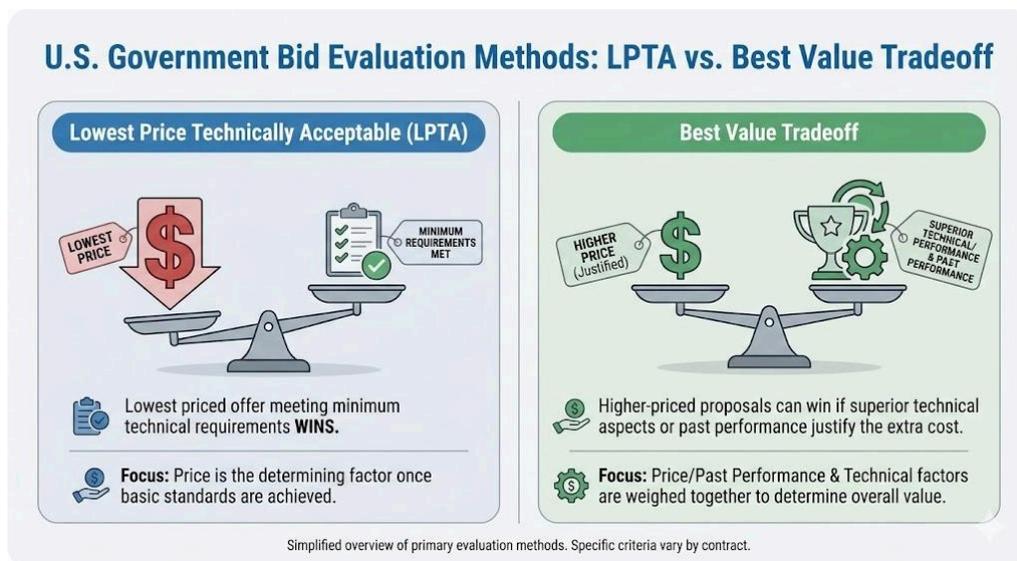
## How Bids Are Evaluated

The Government uses different methods like Lowest Price Technically Acceptable (LPTA) and Best Value Tradeoff. LPTA is where the Government chooses the lowest priced offer meeting the minimum technical requirements. Think of LPTA as pass/fail. Choosing to go above and beyond in LPTA doesn't get you extra credit; it just costs you profit.

Best Value Tradeoff allows for choosing the best offer based on technical and performance aspects in order to justify higher costs. The Government is looking for perceived benefit. Evaluation criteria for Best Value Tradeoffs include:

- Technical Approach: How well you understand the problem and your proposed methodology for solving it.
- Past Performance: Your history of successfully performing similar work.
- Management Plan: How you will staff, organize, and manage the project to lower risk.
- Key Personnel: The qualifications and experience of the people you are proposing.

Diagram 5: Best Value Tradeoff vs LPTA)



**Important:**

A great company can lose simply by missing a required form or by not reading the entire solicitation.

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**How Payment Works**

Federal payment is:

- reliable
- predictable
- slower than credit cards, faster than excuses

Most contracts pay 15–30 days after invoice, assuming:

- the invoice matches the contract

- the work was approved
- instructions were followed

No invoice = no payment.

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## **The Difference Between Knowing and Winning**

You now understand the federal buying lifecycle and you know the difference between a micro purchase and simplified acquisition. You understand that Sources Sought are not just paperwork, they are an invitation and an opportunity to reduce competition. You need to determine if you are ready to enter the stable and reliable federal marketplace. Ask yourself these three questions to clear the path forward:

1. Do I exist to the Government? You cannot win if they cannot find you. The first and most important step is getting “in the system.”
2. Do I know exactly what I sell? The government buys by NAICS and PSC code, not by brand name. You must translate your services into their language. Whether you are in IT, construction, or catering, there is a specific code that alerts buyers to what you do.
3. Can I prove I can do the work? Buyers need to trust you before they award you a contract. How will you show them you are low-risk? The best way for a new vendor is to create a powerful Capability Statement, which tells a Contracting Officer exactly who you are and why they should trust you with taxpayer money.

Ready for the next step?

Click here for a practical guide for doing business with the federal government and the exact next steps you need to take. → [Marketing Roadmap](#)

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# Attachment 1

## Federal Contracting Readiness Assessment (1 Page)

### Quick Self-Assessment

Check all that apply:

- Registered in [SAM.gov](https://sam.gov)
- UEI assigned and active
- NAICS codes clearly defined
- Capability Statement exists
- Past performance documented
- Conduct market research for which agencies buy your services

### Your Score

- 0-1: Not ready (High risk, high confusion)
- 2-3: High potential (Needs structure and guidance)
- 4-6: Ready to pursue opportunities intelligently

### What This Means

- 0-1: You should not bid yet. Focus on setup and positioning.
- 2-3: You are close. Strategic guidance can save months.
- 4-6: You are positioned to compete – selectively.

If you scored 0-3, the [Marketing Roadmap](#) was built for you.