

(7/31/2009, revised and updated 2/9/2011) NAICS Codes, Business Size, and Schedule Orders

This blog post discusses the North American Industry Classification Scheme ([NAICS](#)) Codes on the Schedule contracts and their impact on your order in addition to the impact of that NAICS Code on contractor size determination both at the Schedules contract level and at the task order level.

Each Schedule's standing solicitation posted at *FedBizOpps* contains the NAICS Codes corresponding to the scope of that Schedule on a SIN-by-SIN basis.

In the training reference section of this blog is a useful cross-reference from NAICS Code to service Schedule SINS. It is a useful aid to understanding the main-to-many relationship of NAICS Codes, Schedules, and SINS. Aside from those training handouts, there is no GSA webpage where you can find the NAICS Codes corresponding to the SINS. That information exists in its raw form only at *FedBizOpps* in the standing solicitation for each Schedule. That is how I compiled the cross-reference handout: checking the NAICS Codes for each service SIN on each service Schedule standing solicitation. A cross-reference from NAICS to the Schedule *without going to the SIN level* is of limited utility for the Ordering Officer.

The reason the Schedule/SIN's NAICS Code is important is that you want to know which single (and it can be only one) NAICS Code you are going to put on your Schedule task order.

You'll notice that some Schedules (736 TAPS, [738 II Language Services](#), etc.) have just one NAICS Code for the entire Schedule. This means that a task order against any contract on that Schedule can *only* have that one NAICS Code. It is that single NAICS Code that GSA has used to determine whether that contractor is a small or large business. (Remember that every NAICS Code has a [corresponding size standard](#) that can be expressed in terms of average gross annual receipts over the past three years or in terms of number of employees.)

But what if a Schedule solicitation has more than one NAICS Code? **Which one of those NAICS Codes do you put on your Schedule task order (which will then determine if that contractor is large or small for the purpose of meeting your agency's socioeconomic goals)?** Here is what the Small Business Administration says at 71 *Federal Register* 220 (November 15, 2006), [Page 66439](#):

"The FAR currently provides that 'For purposes of reporting an order placed with a small business schedule contractor, an ordering agency may only take credit if the awardee meets a size standard that corresponds to the work performed.' FAR 8.405-5(a).

The only way to determine whether an awardee meets a size standard that corresponds to the work performed is by assigning a specific size standard to the order. As a result of the comments received, we have decided that a NAICS Code and corresponding size standard will be required for each and every order. For contracts where there is only one NAICS code and size standard, the order will contain the same NAICS code and size standard. For contracts with multiple NAICS codes and size standards, the order will contain the NAICS code and size standard from the underlying contract that best corresponds to the work to be performed, and only concerns that have certified they are small for that same or lower size standard will be deemed to be small for that particular order." (emphasis added)

The answer can best be illustrated with an example.

Schedule 871 Professional Engineering Services (PES) includes four possible NAICS Codes on the eight SINs on its [current \(Refresh #14, 2/3/2011\) RFP](#):

871-1 Strategic Planning for Technology Programs Activities

(NAICS 541330, 541711, 541712)

871-2 Concept Development and Requirements Analysis

(NAICS 541330, 541711, 541712)

871-3 System Design, Engineering, and Integration

(NAICS 541330, 541711, 541712)

871-4 Test and Evaluation

(NAICS 541330, 541711, 541712)

871-5 Integrated Logistics Support

(NAICS 541330, 541711, 541712)

871-6 Acquisition and Life Cycle Management

(NAICS 541330, 541711, 541712)

871-7 Construction Management

(NAICS 236220)

871-8 Ancillary Supplies and/or Services

(NAICS 541330, 541711, 541712)

and the NAICS Codes with size standards [see pages 4 and 31 in the 11/5/2010 PDF edition of the *SBA Size Standard Table* [here](#)]:

236220 Commercial & Institutional Building Construction (part) [\$33.5M]

541330 Engineering Services [\$4.5M]

541711 Research & Development in Biotechnology [500 employees]

541712 Research & Development in Physical, Engineering, & Life Sciences (except Biotechnology) [500 employees]

The GSA Schedule CO is going to use *only one* of these NAICS Codes for the Schedule contract award. In this Schedule 871 example, that single NAICS code will be the one of the four available NAICS Codes from the standing solicitation representing the SIN or SINs where there is the preponderance of the expected work under that particular

contract. A Schedule contract offeror is not restricted to only one contract SIN, of course. A particular PES contract might even be awarded with *all eight* of the possible SINS shown on the standing solicitation. But that resulting contract will be awarded with *just one* NAICS Code and therefore *just one* contract-level size standard. For contract size standard purposes, a service is classified with the NAICS Code whose [definition](#) best describes the principal nature of the service even though for other purposes it could be classified in more than one NAICS Code. FAR 19.102(c).

In order for the Schedule CO to determine business size, any size standard *exceptions* and applicable footnotes in the NAICS Code-to-size standard table [for this example, see page 31 of the previously referenced SBA *Size Standard Table*] are also relevant. Most NAICS Codes have just one size standard. But, as those exceptions and footnotes illustrate, one NAICS Code can have more than one possible size standard. In the example above, NAICS 541330 Engineering Services can currently (February 2011) have a size standard of \$4.5M, \$18.5M, or \$27M, depending on what type of work the contractor is doing:

541330: Engineering Services (\$4.5M)

except Military and Aerospace Equipment and Military Weapons (\$27.0M)

except Contracts and Subcontracts for Engineering Services Awarded Under the National Energy Policy Act of 1992 (\$27.0M)

except Marine Engineering and Naval Architecture (\$18.5M)

As a result, two Schedule 871 contractors with the same Schedule contract NAICS Code could have a different Schedule contract business size even with identical annual receipts. Using the single appropriate NAICS Code and the single appropriate size standard, the GSA Schedule CO makes the determination of business size at the time the Schedule contract is awarded. That business size question is important to the GSA Schedule CO because the answer will determine if, among other things, a Small Business Subcontracting Plan needs to be evaluated.

So then what happens at the Ordering Officer level? In accordance with the SBA policy quoted above from the Federal Register, all orders against a single-NAICS Code Schedule (like 738 II Language) should have that same NAICS code on every order. In the case of multiple-NAICS Code Schedules (like 871 PES or [899 Environmental Services](#), the latter with seven SINS and five NAICS Codes), the Ordering Officer needs to select (based on the Task Order's SINS) the NAICS Code from the standing Schedule solicitation - - one of the four listed NAICS Codes in our 871 PES example - - that best describes the principal nature of the service being acquired. However, that order's single NAICS Code may or may not be the same single NAICS Code used by the GSA Schedule CO to determine the contractor's business size. For example, the PES 871 PCO may have used NAICS Code 541330 Engineering Services because the principal nature of the offered services (SINS) was best described by that NAICS Code. But maybe a particular task order is for construction management tasks using SIN 871-7 and best represented by a different NAICS Code (236220, from the standing solicitation) with a different size standard. Because the preponderance of the nature of the work (various

SINs) evaluated for award of the Schedules contract may differ from the scope of work on a particular order, the NAICS Code used by the Schedule PCO may differ from the NAICS Code appearing on some orders against that (multi-NAICS Code) Schedule contract.

There is a persistent Schedules ordering myth that agencies are free to select any NAICS Code, including a NAICS Code not found in that Schedule's standing solicitation. There is no such authority, as addressed in the SBA policy found in the *Federal Register* makes clear. The NAICS Codes shown in GSA's standing solicitation for each SIN are material conditions of Schedule contract scope. If an Ordering Officer is convinced that some other [non-listed] NAICS Code best represents the principal nature of the service required, I suggest contacting the GSA CO for that contract. It may be that particular Schedule is not the best fit and there may be another GSA Schedule more appropriate.

Sometime you will hear a Schedule contractor claim they “have” just the NAICS Code they think the ordering agency wants. What does it mean for a Schedule contractor to “have” any particular NAICS Codes? What is the contractual significance of that list of NAICS Codes found at the contractor’s *Central Contractor Registration* page? None. The NAICS Codes listed there are fine for marketing, but they have no meaning until associated with a particular contract action, either at the GSA Schedules level or at the ordering agency level. Just because a NAICS code shown at CCR matches one on the standing solicitation for a particular Schedule it does not automatically follow that the same particular NAICS Code was the one used by the GSA Schedule CO nor does it follow that the NAICS Code is the same one representing the preponderance of task order work. Beware, also, of “NAICS Shopping” - - trying to squeeze a PWS into a NAICS Code of poor fit simply because the corresponding size standard will make a contractor a small business for that task order. That is a backwards approach contrary to the cited SBA policy regarding the nature of the work and the Schedule contract/SIN scope. It is not an appropriate use of the Schedule contract and SIN whenever the preponderance of the nature of the work is mischaracterized for the purpose of making a contractor a Small Business for a task order.

Since the NAICS Code found on an awarded Schedule contract can (in the case of the multi-NAICS Code Schedules) differ from the NAICS Code found on a particular order against one of that Schedule's contracts, is it possible for a contractor to be of one size at the Schedule contract level but a different business size for a particular task order? Yes, if the Ordering Officer does a size recertification at the task order level as discussed in the 7/31/2009 blog post “Can a Schedule Contractor Be of One Business Size on the Order and a Different Business Size on the Schedule Contract?”