



DEPARTMENT OF THE NAVY
OFFICE OF NAVAL RESEARCH
1107 NE 45th St., Ste. 350
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IN REPLY REFER TO

4338
ONR 247
November 15, 2006

Ms. Maureen Rhea
Director of Audits
Internal Audit
401 Alumni House
1415 NR 45th Street
Seattle, WA 98195

Dear Ms. Rhea:

As a result of the Contractor Procurement System Review, CPSR, performed during July 24-28, 2006, and of the corrective actions taken in response to its recommendations, **the procurement system for the University of Washington, UW, is approved through December 31, 2009.** The CPSR Report dated October 16, 2006 is enclosed including Attachment A, Small Business Review. You were provided preliminary recommendations at the Exit Conference.

With this approval you may enter into certain subcontracts and purchase orders without receiving consent from the contracting officer, CO, unless specific contractual language stipulates otherwise. Please see FAR Subpart 44.2 and the clause at FAR 52.244-2 revised in August 1998. The clause is beneficial, because it reduces consent and notification requirements. If the prime contractor has an approved purchasing system, no consent is required (unless the CO inserts some specific category of subcontract into the clause). The prime only needs to notify the CO of Cost Plus Fixed Fee, CPFF, subcontracts and Fixed Price, FP, subcontracts exceeding the greater of the simplified acquisition threshold or five percent of the estimated cost of the prime. Cost Reimbursement, CR, subcontracts without fee are omitted from the notification requirement. The notification only consists of a description of the services, type of subcontract, name of subcontractor, and proposed price.

The approval of your procurement system shall not be construed to be a determination of the acceptability of any subcontract price or of any amount paid under any subcontract, or to relieve you of any contractual requirement except as provided herein.

The approval shall automatically terminate at the end of the period cited above, or when any significant changes occur in your system, unless approved by me. The approval may be withdrawn at any time at the discretion of the CO. The approval applies to all Department of Defense, DoD, contracts at the University and to other Federal contracts to the extent that cross-servicing agreements exist.

Prior recommendations--All prior purchasing and small business program recommendations were closed.

Current recommendations to the University (all three in the area of small business)-- Receipt of the University of Washington's response to the preliminary recommendations from the 2006 CPSR was received August 25, 2006. Surveillance of your Purchasing System will be performed in the near future to review open recommendations. They are:

- a. UW Office of Sponsored Programs (OSP) should ensure that all small business subcontracting plans obtained on federally funded subcontracts are incorporated into the body of the subcontract either by reference or attachment.
- b. UW OSP should ensure that small business solicitation documentation is included in all subcontracts over \$100,000 issued under prime federal contracts in accordance with FAR Clause 52.219-9(d)(11)(iii).
- c. UW OSP should ensure that all modifications to prime federal contracts and subcontracts requiring a small business subcontracting plan be provided to the University Small Business Officer.

Please contact me if you have any questions or concerns at 206-548-7239 or everlec@onr.navy.mil. Our office looks forward to working with you during surveillance of your Purchasing System and efforts to close open recommendations.

Sincerely,



C.C. EVERLEY

Administrative Contracting Officer

Enclosure

E-copies to:

UW/C Helm, C Zuiches, A Anderson

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