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## Office of Naval Research Audit -- Implementation of Follow-Up Actions

September 7, 2005

TO: Principal Investigators, DUOs, Other Project Personnel

As a result of the recent Office of Naval Research audit, effective immediately, the following procedures will be implemented:

<p>Close-Out Procedures for Federally-Funded Subcontracts:</p>	<p>When closing out federally-funded subcontracts:</p> <ul style="list-style-type: none"> <li>• Obtain final report of inventions when subcontracts involve research and a report is required,</li> <li>• Obtain final report of government property when applicable and obtain government disposition instructions,</li> <li>• When classified information is provided, ensure proper disposition via the RCUH Facility Security Officer,</li> <li>• Ensure required financial reports and/or final vouchers with release and assignment are submitted and that costs are determined to be reasonable and allowable in accordance with award requirements.</li> </ul>
<p>Small Business Solicitation Documentation for Subcontracts and Purchase Orders of More than \$100,000 Under Federal Prime Contracts:</p>	<p>Small business solicitation documentation shall be required for subcontracts and purchase orders of more than \$100,000 under federal prime contracts.</p> <p>In accordance to FAR Clause 52.219-9(d)(11)(iii) documentation should include the following:</p> <ul style="list-style-type: none"> <li>• Whether small business concerns were solicited and if not, why not</li> <li>• Whether veteran-owned small business concerns were solicited and, if not, why not</li> <li>• Whether service-disabled veteran-owned small business concerns were solicited and if not, why not</li> <li>• Whether HUBZone small business concerns were solicited and if not, why not</li> <li>• Whether small disadvantaged business concerns were solicited and if not, why not</li> <li>• Whether women-owned small business concerns were solicited and if not why not; and</li> <li>• If applicable the reason award was not made to a small business concern.</li> </ul> <p><i>This requirement applies to both UH service ordered federal contracts and RCUH direct federal contracts.</i></p>
<p>Procurement File Must Contain Sufficient Documentation of the Cost or Price Analysis Performed:</p>	<p>RCUH was again cited as having an unacceptable number of inadequate determinations of cost or price reasonableness. The DUOs are reminded that a determination of cost or price reasonableness must be made in all procurement actions where price competition was absent or where low price was not the basis for purchase.</p> <p>The following excerpts or comments were made by the ONR review team:</p> <ol style="list-style-type: none"> <li>1. Out of the 100 purchases reviewed, 27 contained inadequate price analysis.</li> <li>2. Documentation must contain comparison of actual pricing in accordance with FAR; the purchase orders that were reviewed attempted to compare prices but the actual prices was lacking.</li> <li>3. If comparing to prior order, past order price must have been determined to be reasonable.</li> <li>4. Vendor statement of price reasonableness, e.g. discount from retail price, was not sufficient. Analysis must include independent determination.</li> <li>5. Acceptable if actual price is from published price list</li> <li>6. Must contain sufficient documentation to substantiate reasonableness of price.</li> </ol> <p>As a reminder, your procurement file must contain sufficient documentation of the cost or price analysis performed. It is not acceptable to have documentation that is not available for review and not in the procurement file.</p>

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