



DEPARTMENT OF THE NAVY
OFFICE OF THE ASSISTANT SECRETARY
(Research, Development and Acquisition)
WASHINGTON, D.C. 20350-1000

14 Dec 1994

MEMORANDUM FOR DISTRIBUTION

Subj: **SUBCONTRACTING PLANS**

Ref: (a) **Federal Acquisition Regulation 19.7, Subcontracting with Small Business and Small Disadvantaged Business Concerns**

Encl: (1) **PMR SADBUs Segments: Findings Related to Subcontracting Plans**

It is the policy of the Federal government and the Navy that small business concerns and small disadvantaged business concerns shall have the maximum practicable opportunity to participate in contract performance consistent with its efficient performance. To this end, reference (a) requires every contract exceeding \$500,000 (\$1,000,000 for construction) with subcontracting possibilities to include a subcontracting plan.

Recent procurement management review findings cause concern that Navy contracting officers do not always comply with reference (a). Some specifics are enumerated in enclosure (1).

Contracting officers must obtain, evaluate and incorporate subcontracting plans into contracts exceeding the applicable threshold. The need for subcontracting plans is considered so important that reference (a) also requires assessment of liquidated damages when a contractor fails to make a good faith effort to comply with the subcontracting plan and the objectives are not achieved.

Please ensure appropriate contracting personnel within your contracting and contract administration offices are fully informed of these requirements and establish a record in the contract file that demonstrates compliance with reference (a). This topic will be a special interest item in procurement management reviews until compliance is demonstrated.


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PMR SADBUs Segments: Findings Related to Subcontracting Plans

- **Failure to obtain plans from the primes (basic contracts and modifications)**
 - No “Lack of Subcontracting Opportunities” determination to cover for lack of plans
- * **Where “Lack of Opportunities” determination exists, no documentation for approval above the PCO level**
- **No evidence that subcontracting plans are actually incorporated into the contract**
- **On “commercial” plans**
 - No recitation concerning agency approval, the plan’s effective terms
 - No copies
- **No documentation concerning the level (1 to 10 percent) of the SDB incentive adopted for the mandatory clause**
- **Failure to incorporate the mandatory SDB subcontracting incentive clause into contracts**
- **When contract administration is retained (rather than delegated to DLA), no provision is made concerning subcontracting plan administration (e.g., monitoring, evaluation, and documenting contractor performance, and SF 294/295 reporting,)**
- * **Approval of SDB goals of less than 5 percent two levels above the PCO (no documentation on the files)**