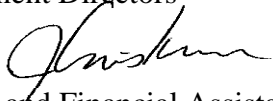




## **POLICY FLASH 2011-103**

**DATE:** September 23, 2011

**TO:** Procurement Directors

**FROM:** Director   
Contract and Financial Assistance Policy Division  
Office of Policy  
Office of Procurement and Assistance Management

**SUBJECT:** Consent to Subcontracts on Management and Operating (M&O) Contracts

**SUMMARY:** This is to provide notice that an Acquisition Letter (AL) will be issued addressing the establishment of subcontract review thresholds on M&O contracts. Currently, DEAR 970.4401-1 and 970.4401-2 require Heads of the Contracting Activities (HCAs) to establish thresholds, by subcontract type and dollar level, for the review and approval of proposed subcontracting actions by each M&O contractor under their cognizance. The AL will seek to improve Consent to Subcontract efficiency and to ensure we apply our resources to those subcontract actions that truly pose the most risk. The AL will state that the HCA should determine appropriate tiers for subcontract review thresholds, as a result of a risk assessment. This tiered approach may result in different thresholds being established for different sites as well as different thresholds at a given site, taking into consideration the best interests of DOE and the following factors:

- approval status of the contractor's purchasing system
- results of Independent Peer Review Program for Contractors' Purchasing Systems (e.g., PERT results)
- results of Contractor Balanced Scorecard Self-assessment
- size, experience, ability, reliability, and organization of the contractor's purchasing function
- internal controls, procedures, and organizational stature of the contractor's purchasing function
- subcontract type (fixed price vs. cost reimbursement)
- degree of competition

- value
- nature of the work/complexity
- whether the subcontract needs special surveillance

The AL will recommend that when making the determination, the HCA should aim to review an adequate number of subcontracts annually for each contractor. An adequate number is that quantity which will provide the site with sufficient visibility into subcontracting without being overly burdensome on either the contractor, or the federal staff (e.g., approximately five (5)).

Additionally, to further increase the efficiency and effectiveness of both federal and contractor resources, the AL will state that subject subcontract award documents should not be reviewed in cases where the solicitation has already been reviewed and where there has been only minimal or no significant changes from the solicitation document.

The guidance in this Flash will be available online at the following website:

<http://energy.gov/management/office-management/operational-management/procurement-and-acquisition/policy-flashes>.

Questions concerning this policy flash should be directed to Eileen McGlinn at (202) 287-1307 or [Eileen.McGlinn@hq.doe.gov](mailto:Eileen.McGlinn@hq.doe.gov).