

# GovCon 101 - CPSR

Contractor Purchasing System Review

# Meet the Presenter



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# Learning Objectives

Identify events that trigger DCMA CPSRs

Assess policies and practices for topics examined by DCMA

Identify areas requiring cross-functional involvement

Prepare and plan for a CPSR

# CPSR – A Quick Overview

**CPSR = A Review of a Contractor's Purchasing System performed by the government**

- “System” includes policies and procedures, practices, lines of authority, training, internal reviews
- All activities from identification of a requirement through order, receipt and payment
- Directly charged to Government contracts / subcontracts

**Purpose = “Evaluate the efficiency and effectiveness with which the Contractor spends Government funds and complies with Government policy when subcontracting”**

**Evaluators = CPSR Analysts from Defense Contract Management Agency (DCMA)**

# Identify events that trigger DCMA CPSRs

# CPSR Triggers - FAR 44.302(a)

## Past Performance

Subcontract volume, complexity, dollar value

Sales to the Government during the next 12 months

- Expected to exceeding \$25M (FAR) / \$50M (DFARS)
- Includes Prime Contracts, Subcontracts under Government Prime Contracts, and Modifications
- Excludes competitively awarded FFP and FP-EPA contracts, FAR Part 12 commercial awards

# Roles and Responsibilities

## CO (includes ACO, CACO, DACO, or PCO)

- Performs surveillance activities
- Conducts a risk assessment
- Decides if a CPSR is needed and contacts DCMA CPSR team

## CPSR Analysts perform the review

- Prepares report and reviews effectiveness of corrective actions
- Reports findings/recommendations to ACO

## Only Contracting Officers can approve or disapprove system

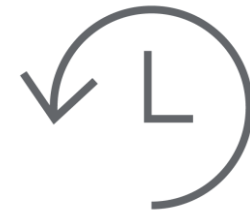
- If approved, CO continues surveillance and determines if review is needed every 3 years
- If disapproved, CO requests corrective actions until system is deemed acceptable

# Benefits of an Approved CPSR

Relieves consent/notification requirements for subcontracts (FAR 52.244-2)

Reduces risk of withholds due to disapproved Business System (DFARS 252.242-7005)

May provide a competitive advantage in source selections





# Examples: Solicitation Section L

## L.5.2 Volume I Section 2 – Self-scoring Sheet

- The total amount of points an offeror receives is ... the score the government will use to determine whether the offeror advances to phase II or is eliminated from the competition.

### L.5.2.11 Approved Purchasing System

- If an offeror has an approved purchasing system, they shall award themselves 200 points. An approved purchasing system is one that has been reviewed for its efficiency and effectiveness in how the contractor spends government funds and complies with government policy when subcontracting. The purchasing system must have been approved by DCMA or another federal agency.

### L.5.4.2 Approved Purchasing System

- ..... Or if audited by a CPA, a copy of a signed letter on the CPA's Letterhead stating that the Purchasing System has been audited and found acceptable in accordance with DCMA Contractor Purchasing System Review (CPSR) Guidebook

# Regulations and Guidebook

## FAR 44.3 Contractors' Purchasing System Reviews

- FAR 44.303 Extent of Review includes FAR 44.202-2 Considerations

## FAR 52.244-2 Subcontracts

- “Government reserves the right to review the Contractor’s purchasing system...”

## DFARS 252.244-7001 Contractor Purchasing System Administration

- “(c) System criteria. The Contractor’s purchasing system shall...” meet the 24 elements

## DCMA CPSR Guidebook (September 2021)

- “...provides guidance and procedures ... for evaluating purchasing systems...”
- 30 Major Purchasing Areas reviewed during a CPSR

**Assess policies and practices**

**and**

**Identify areas requiring cross-functional  
involvement**

# Policies and Procedures (P&P)

- DFARS 252.244-7001(c)(1), (6), (17), (18), (19), (22), (23), (24)
  - “... have an adequate system description including policies, procedures, and purchasing practices...”
- P&Ps address all topics listed in CPSR Guidebook
- Provides foundation for practice assessment (file review)
- Not just “policy” – include Why, What, Who, When, and How
- Reference clauses and prescriptions - including DFARS 252.244-7001(c)
- Check public law references and thresholds

# Training

DFARS 252.244-7001(c)(17), (18)

If you aren't holding regularly scheduled procurement training – start NOW (and document)

- Focus on CPSR topics
- Develop and execute to a training plan
- Include conflict of interest, gifts, and gratuities (Kickbacks)

Cross-Functional: Legal, Ethics, HR, Training Manager, External Trainers

# Internal Audits/Self-Reviews

DFARS 252.244-7001(c)(18)

Don't have internal audit function? ISO?

Review policies and practices



- Consistent, Compliant and Repeatable
- From PR to PO/Subcontract to receipt to invoicing to close-out
- Documented compliance reviews add value

Use external “mock CPSRs” to check compliance

Cross-Functional: Internal Audit, Compliance, Quality,  
External Consultants

# Procurement Sourcing and Pricing

DFARS 252.244-7001(c)(7), (8), (9), (10), (11), (12), (21), (22)  
mention:

- *Competitive sourcing, ensure fair and reasonable prices, management level justification and adequate cost or price analysis for any sole or single source award, fair and reasonable subcontract prices, document negotiations, seek discounts...*

Source Selection: Compete (LPAT or Best Value) OR Justify sole source

Price Analysis: Required for all (FAR 15.404-1(b)(2) techniques)

Negotiate: Expected for all sole source actions (FAR 15.406-3)

FAR, DFARS and CPRG for sourcing and pricing analysis

- *Don't need to reinvent the wheel!*

Cross-Functional: BD, Program Management, Engineering

# Procurement Awards

DFARS 252.244-7001(c)(2), (13), (19), (23) mention:

- *All flowdown clauses, terms and conditions, proper type of contract selection, mandatory and applicable flowdown clauses, proper types of subcontracts*

Know your contract

Flow down clauses, but do not “over” flow

- Self-deleting w/conditional statements
- FAR 52.230-6(l), Administration of Cost Accounting Standards
- DFARS 252.244-7000, Subcontracts for Commercial Products or Commercial Services

Cross-Functional: Legal, Contracts Management,  
Compliance



# Procurement Awards (continued)

DFARS 252.244-7001(c)(1), (2), (5), (7), (9), (10), (19), (22), (24)

Statutory and regulatory requirements

- Certified Cost or Pricing Data (FAR 15.4)
- Cost Accounting Standards (CAS) (48 CFR Chapter 99; FAR 52.230-2)
- Prior Consent and Advance Notification (FAR 52.244-2)
- Small Business Subcontracting Plans (FAR 52.209-9)
- Debarred or suspended contractors (FAR 52.209-6(c))
- Payments to Influence / Anti-Lobbying (FAR 52.203-12)
- Defense Priorities and Allocation System (DPAS) (15 CFR Part 700)
- Federal Funding and Accountability and Transparency Act (FFATA) (FAR 52.204-10)
- Excessive pass-through charges (FAR 52.215-23)
- Cross-Functional: Finance, Legal, Contracts Management, BD

# Documentation

DFARS 252.244-7001(c)(4), (5), (7), (9), (10), (11), (12), (15), (16), (19), (23) mention:

- *Complete and accurate history of purchase transactions, document negotiations, document subcontract changes that affect cost or price...*

Documentation depends on threshold, type, and complexity

Files should be consistently organized and self-contained

Potential double hit element: Done and Documented

- Purchase Requisition Process
- Negotiations
- Modifications and Change Orders
- Close-Out Documentation
- Cross-Functional: Program Management, Finance, Engineering

# Supply Chain Management

DFARS 252.244-7001(c)(2), (14), (20), (21)

## Vendor Rating System

- Use responsive, responsible and reliable sources
- Perform oversight, surveillance, evaluation
- Address quality, delivery, performance issues as they arise

## Contractor Counterfeit Electronic Part Detection and Avoidance System (DFARS 252.246-7007)

## Cybersecurity – Hot Topic

- Basic Safeguarding of Covered Contractor Information Systems (FAR 52.204-21)
- Safeguarding Covered Defense Information and Cyber Incident Reporting (DFARS 252.204-7012)
- Specialized DCMA team analyzes Cybersecurity processes during CPSR
- DFARS clauses keep on changing and requirements increasing

Cross-Functional: Program Management, Quality, Receiving, IT

# Prepare and Plan for a CPSR

# Preparing for a CPSR

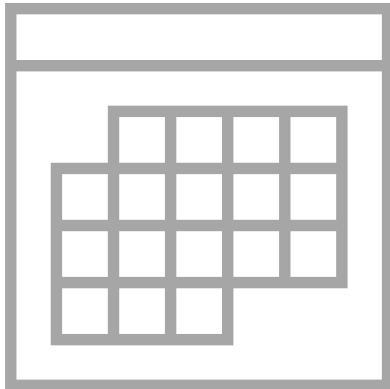
Start 1 - 2 years prior to CPSR

Document and track corrective actions

Review and update Policies and Procedures

Step up Compliance Reviews (pre and post award)

Focus training on weak areas or those recently changed



# Planning for a CPSR

## Types of CPSR

- Initiated by CO
  - *Initial and Comprehensive*
- Initiated by CPSR Group
  - *Special or Follow-Up*

Scheduling coordinated between CO, CPSR Analyst and Contractor

CPSR Analyst starts requesting information 90-120 before

- P&Ps
- Questionnaire responses
- 12-month PO universe to select sample

# During the CPSR

CPSR Analyst has already reviewed and evaluated requested data

Entrance briefing

CPSR Analysts review select procurement files (avg. 40 over two weeks)

Questions submitted via email: Respond within 24-hours

Daily briefings

Final exit briefing



# Post CPSR

Level II Corrective Action Request issued within 3 business days

## Critical Point!

- Contractor initiates corrective action plan (CAP)
- Corrective actions include P&Ps, training, and objective evidence
- Contractor responds with CAP and evidence within 30 days

CPSR Analyst reviews CAP and notates results in CPSR report

- If satisfied with corrections, applicable Level II CAR is closed
- If not, Analyst will escalate to ACO



# Approved - or Not

10 days later...

- If no significant deficiencies exist, ACO issues Final Determination (Approved)
- If one or more significant deficiencies remain, ACO issues Initial Determination Letter (and possibly a draft Level III CAR)

If an Initial Determination is issued, corrective action cycle continues

- Contractor has 30 days to respond
- ACO has 30 days to evaluate
- If no significant deficiencies exist, ACO issues Final Determination (Approved)
- If one+ significant deficiencies remain, ACO issues Final Determination (Disapproved)
  - *ACO requests CAP, contractor responds, cycle continues...*

# Tips for Success

## Perform Gap Analysis

- When you know or suspect a CPSR is in your future
- Use internal or external reviewers
- Look for “expert” advice on recent trends



## Develop Corrective Action Plans

- P&Ps and Forms
- Training
- Review procurement files for proof of CAP results



## Update Team on Changes to Regulation

- Change is Constant
- Training and Education is valuable



# Knowledge Question #1

Who decides if a contractor will be scheduled for a CPSR?

- A. Contractor
- B. CPSR Analyst
- C. Contracting Officer
- D. Congress

# Knowledge Question #2

Who approves or disapproves a contractor's purchasing system?

- A. CPSR Analyst
- B. Contracting Officer
- C. The Agency Secretary
- D. Chief Executive Officer

# Knowledge Question #3

Does approval of a contractor's purchasing system depend solely on the Purchasing department?

A. Yes

B. No

# Knowledge Question #4

What are the attributes of good procurement files?

- A. Documentation depends upon award value, type, and complexity
- B. Consistently organized and self-contained
- C. Contains a complete and accurate history of purchase transaction
- D. All of the above

# QUESTIONS?



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