

# Documenting Subcontract Compliance



JA White

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September 2024

**The only place  
success comes  
before work is in  
the dictionary.**



*Vince Lombardi*  
[www.geckoandfly.com](http://www.geckoandfly.com)



# The Objective of Subcontract Compliance Documentation

Document the complete  
and accurate history of the  
procurement transaction.

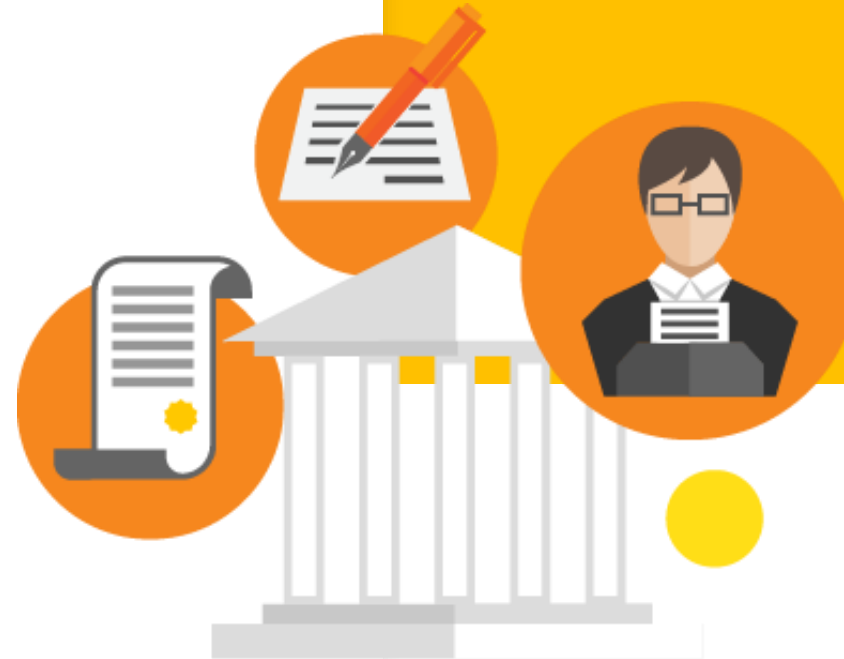
**Tell the Story!**



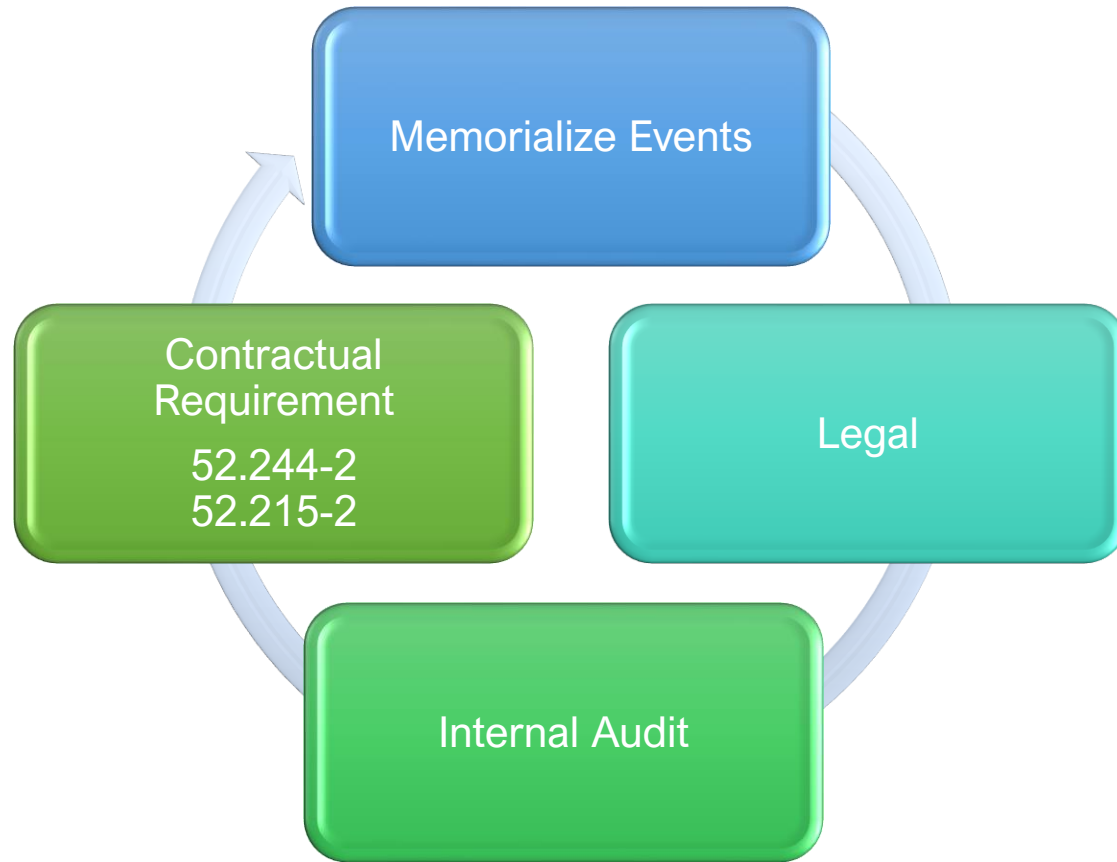
# Subcontract Compliance-Related Documentation Concepts

## Tell The Story and Remember the Audiences!

- Management
- Auditors and Reviewers
- Lawyers and Courts
- Fellow Procurement Professionals



# Reasons for Documenting Subcontract Compliance



# Reasons for Documenting Subcontract Compliance

- Government Record Retention and Audit (**FAR 4.7**).
- Support for Your Business Judgements and Decisions.
- Maintain Artifacts Generated via Business Processes and Workflows.



# FAR on the Topic of Subcontract Compliance-Related Documentation

- **FAR 2.101**

**Adequate Evidence** means information sufficient to support the reasonable belief that a particular act or omission has occurred.

- **FAR 4.705-3 Acquisition and Supply Records**

(f) Purchase order files for supplies, equipment, material, or services used in the performance of a contract; supporting documentation and backup files including, but not limited to, invoices, and memoranda; e.g., memoranda of negotiations showing the principal elements of subcontract price negotiations (see 52.244-2): Retain 4 years.



# DFARS on CPSR Subcontract Compliance-Related Documentation Requirements

## **DFARS 252.244-7001(c)(4)**

Ensure all purchase orders are based on authorized requisitions and include a complete and accurate history of purchase transactions to support vendor selected, price paid, and document the subcontract/purchase order files which are subject to Government review.

## **DFARS 252.244-7001(c)(5)**

Establish and maintain adequate documentation to provide a complete and accurate history of purchase transactions to support vendors selected and prices paid.

## **DFARS 252.244-7001(c)(11)**

Document negotiations in accordance with **FAR 15.406-3**.

## **DFARS 252.244-7001(c)(15)**

Document and justify reasons for subcontract changes that affect cost or price.

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# CPSR Report Elements

CPSR REPORT MATRIX (Elements 1-15)	DFARS 252.244-7001 Criteria
1. Policies and Procedures Manual	(c) (1), (17), (19), (22) and (24)
2. Truthful Cost or Pricing Data (Truth-In-Negotiations Act (TINA))	(c) (10), (16) and (22)
3. Cost Accounting Standards (CAS)	(c) (2) and (19)
4. Prior Consent and Advance Notification	(c) (1)
5. Small Business Subcontracting Plans	(c) (2) and (19)
6. Protecting the Government's Interest when Subcontracting with Contractors Debarred, Suspended, or Proposed for Debarment	(c) (7)
7. Limitation on Use of Appropriated Funds to Influence Certain Federal Contracting and Financial Transactions (Anti-Lobbying)	(c) (2) and (19)
8. Defense Priorities and Allocation System (DPAS) Rating	(c) (1)
9. Federal Funding Accountability and Transparency Act (FFATA) of 2006	(c) (2) and (19)
10. Quality Management and Counterfeit Parts Detection and Avoidance Systems	(c) (19) and (21)
11. Price Analysis	(c) (8), (9), (10), (16) and (22)
12. Source Selection	(c) (4), (5), (7), (8), (9), (10), (20), and (21)
13. Negotiations	(c) (11) and (12)
14. Make-or-Buy Program	(c) (6)
15. Limitations on Pass-through Charges	(c) (24)

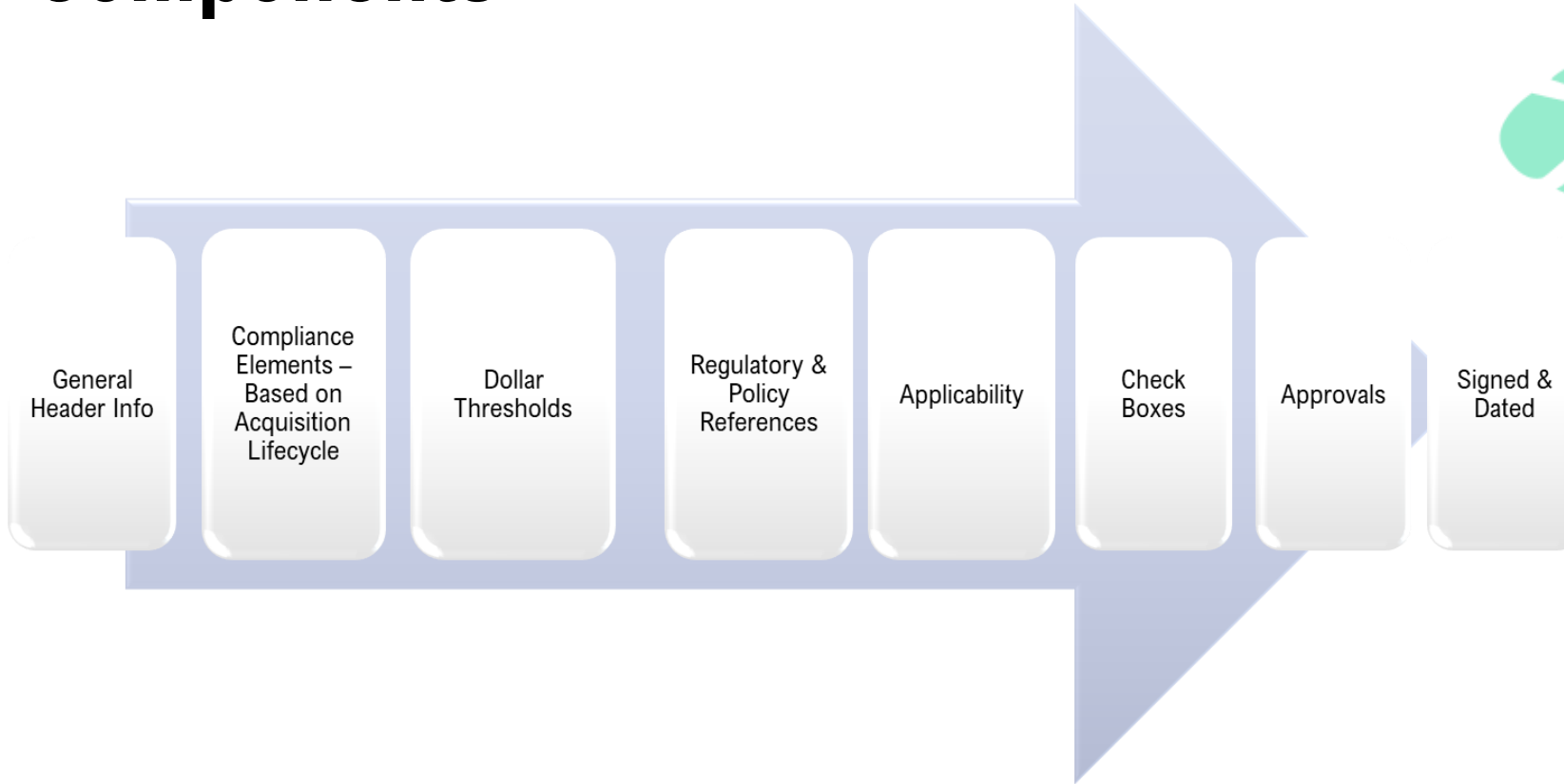
# CPSR Report Elements

CPSR REPORT MATRIX (Elements 16-30)	DFARS 252.244-7001 Criteria
16. Documentation	(c) (4), (5), and (15)
17. Training	(c) (17) and (18)
18. Internal Review/Self-Audit	(c) (17) and (18)
19. Mandatory FAR/DFARS Flow Down Requirements/Terms and Conditions	(c) (2), (16) and (19)
20. Purchase Requisition Process	(c) (4)
21. Commercial Item Determination	(c) (5)
22. Subcontract Types	(c) (13) and (23)
23. Procurement Authority	(c) (3) and (20)
24. Supply Chain Management Process	(c) (12), (14), (20) and (21)
25. Buy American and Berry Amendment	(c) (1)
26. Restrictions on the Acquisition of Specialty Metals/Articles containing Specialty Metals	(c) (19)
27. Subcontractor/Vendor Closeout Process	(c) (4)
28. Long Term Purchasing Arrangements	(c) (23)
29. Handling Change Orders and Modifications	(c) (15)
30. Intra/Inter-Company, Affiliate, or Subsidiary Transactions	(c) 5)

# Keys to Compliant Subcontract Documentation



# Typical Checklist Components



# How to Create a Subcontract Compliance Checklist



Contracts



Policy Procedures



Audit Requirements



Workflows



Work Instructions



Industry Practices



FAR and Other  
Regulations

# Contents of a Compliant Subcontract File

Sequence

Index

Folders and  
Subfolders

Procurement  
Summary

Naming Conventions

Checklists

Well Documented  
Files



# Subcontract Compliance-Related Documentation Concepts

- **Objective Supporting Evidence**

Not what you say, but what you can prove to be factual in writing based on documents that you did not create).

Creates paper and audit trail.

- **Extent of Documentation**

When do you have enough documentation?

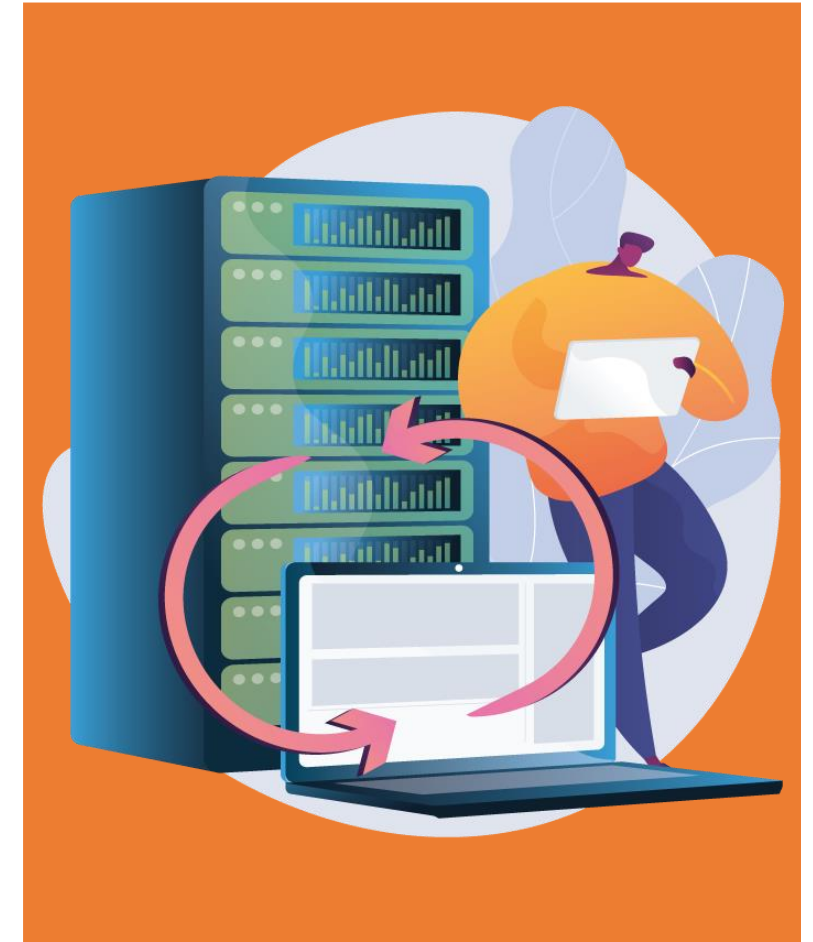
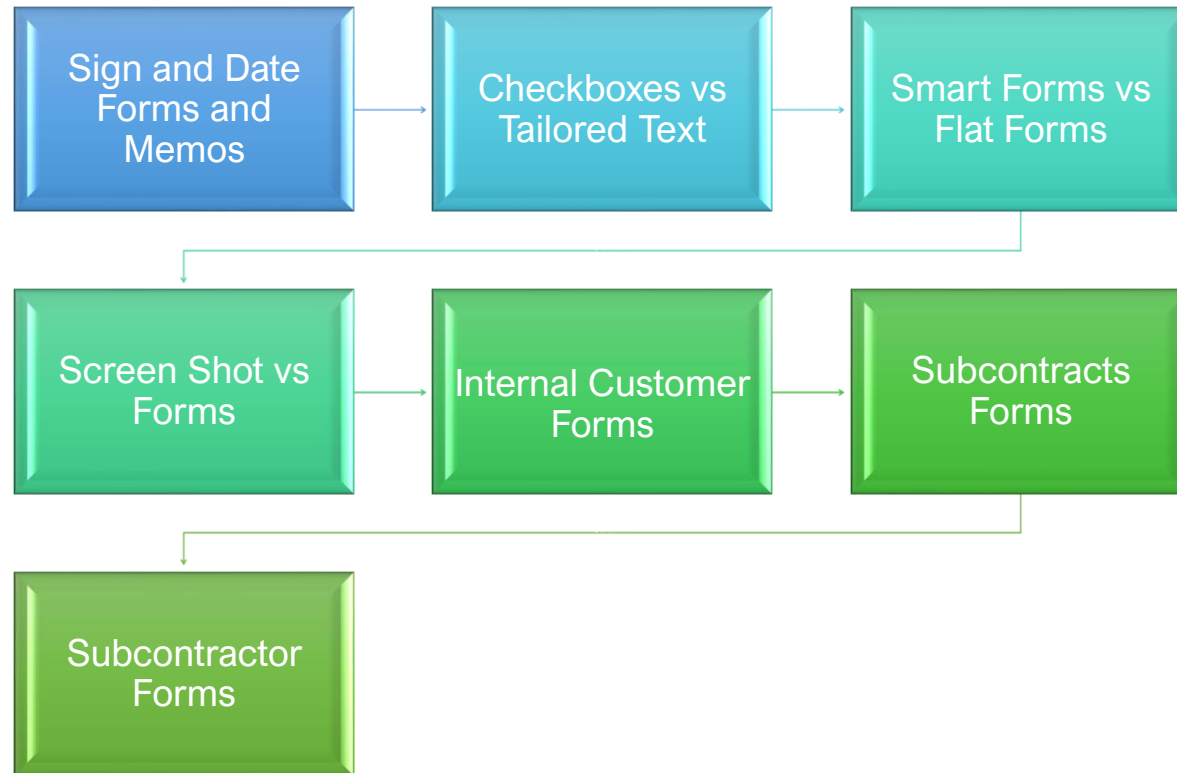
- **Non-Applicability Memos:**

Used to explain why a compliance element does not apply, whereas otherwise it would apply based on dollar value, business size, etc.

- **Remediation**



# Documentation Concepts





# Automating Subcontract Compliance-Related Documentation



JA White & Associates, Inc. Proprietary

## Traditional



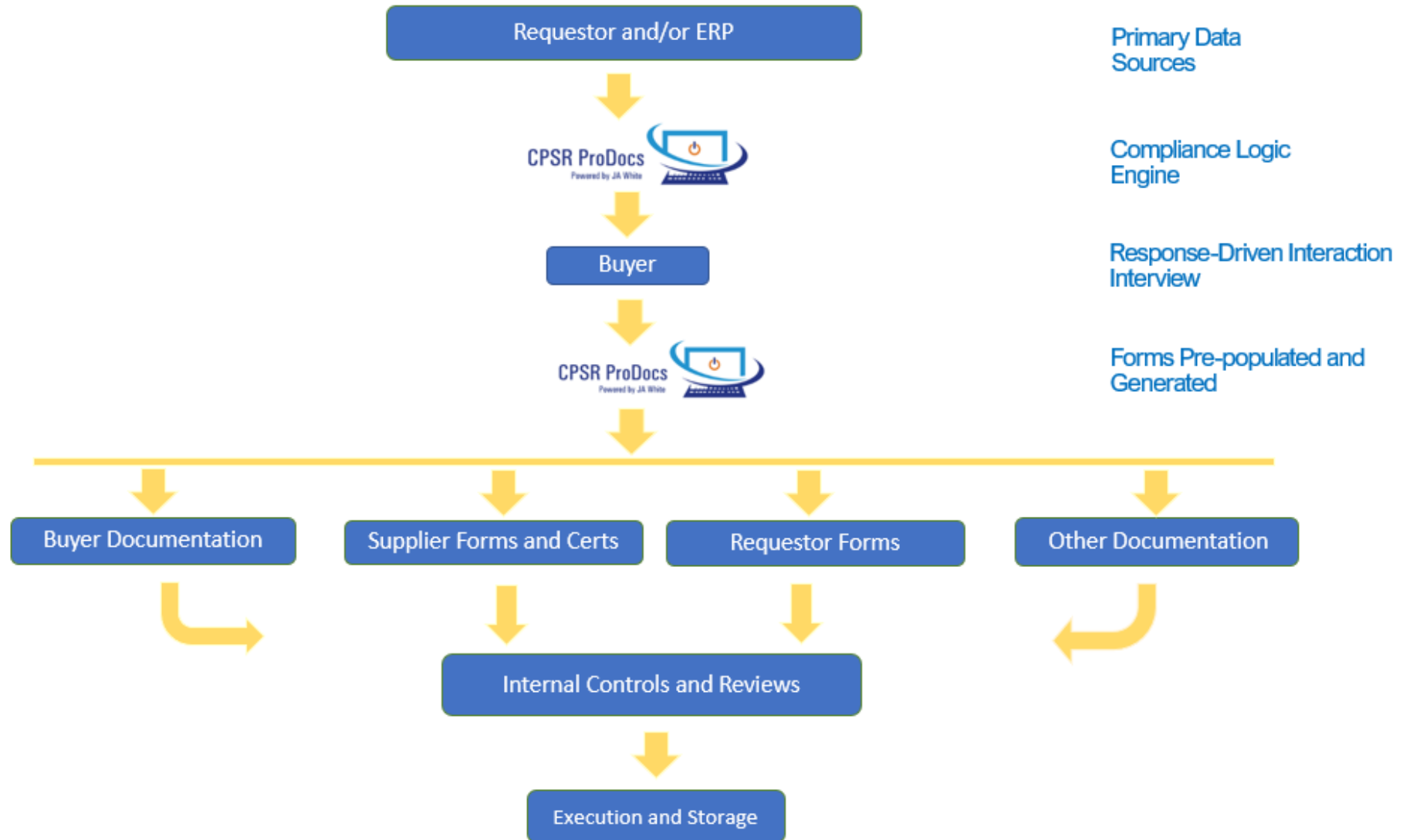
- Limited Accessibility
- Hard to Track Analytics at Transactional Level
- Difficult to Audit
- Easy to Lose Documentation
- Easy to tamper with
- Costly to Maintain
- Barrier to Collaboration

## Automation



- Consistency
- No Naming Issues
- Easy to Generate Metrics
- IT Systems and Software Issues
- Easy to Audit
- Easy to Transport
- Easy and Inexpensive to Maintain
- Can be Generated via Workflow Tools
- Facilitates Collaboration

# Next Level Documentation: Automated Compliance



# Documenting Subcontract Compliance – Tips

## Stay Current with Regulatory Changes

- Plan for Subcontract Compliance Early in the Contracting Process
- Automate Subcontract Compliance
- Review Policies and Procedures at least annually
- Update Policies, Procedures, Forms, Practices, Processes, Training Materials, Reps and Certs, Terms and Conditions, Standard Flowdowns, etc.



# Any Questions



**RANDY SHELBY**  
**VP OF CUSTOMER SUCCESS**



Randy Shelby, Vice President of Customer Success at J.A. White & Associates, Inc., joins the firm with 19 years of Government Contracting experience at the Defense Contract Management Agency (DCMA). With a focus on Contractor Purchasing System Reviews (CPSR) for the last 13 years, Shelby conducted CPSR's as a procurement analyst, managed CPSR teams, and performed hundreds of CPSR's as a supervisory procurement analyst.

While with DCMA, Shelby worked as a Team Lead with his colleagues to develop policies, standard operating procedures, templates, and data collection tools used in every CPSR conducted by the agency. In addition, he co-created the "New CPSR Process," which encourages contractors to correct their deficiencies in the early stages of the purchasing system process. DCMA considered Shelby a leading CPSR expert and relied on him to share knowledge at government industry events and other DoD agencies.

As a noted guest speaker, Shelby shared expertise at National Contracting Management Agency events such as World Congress, SubCon, and Government Contract Symposium. Shelby also delivered CPSR presentations for Federal Publications Seminars (FPS), NAVSEA, the Army, and the Air Force. At J.A. White & Associates, Inc., Randy Shelby will apply his knowledge and experience to create client solutions that will ensure the success of our customers.

Jeffery A. White

## Founder & CEO

JA White & Associates, Inc.



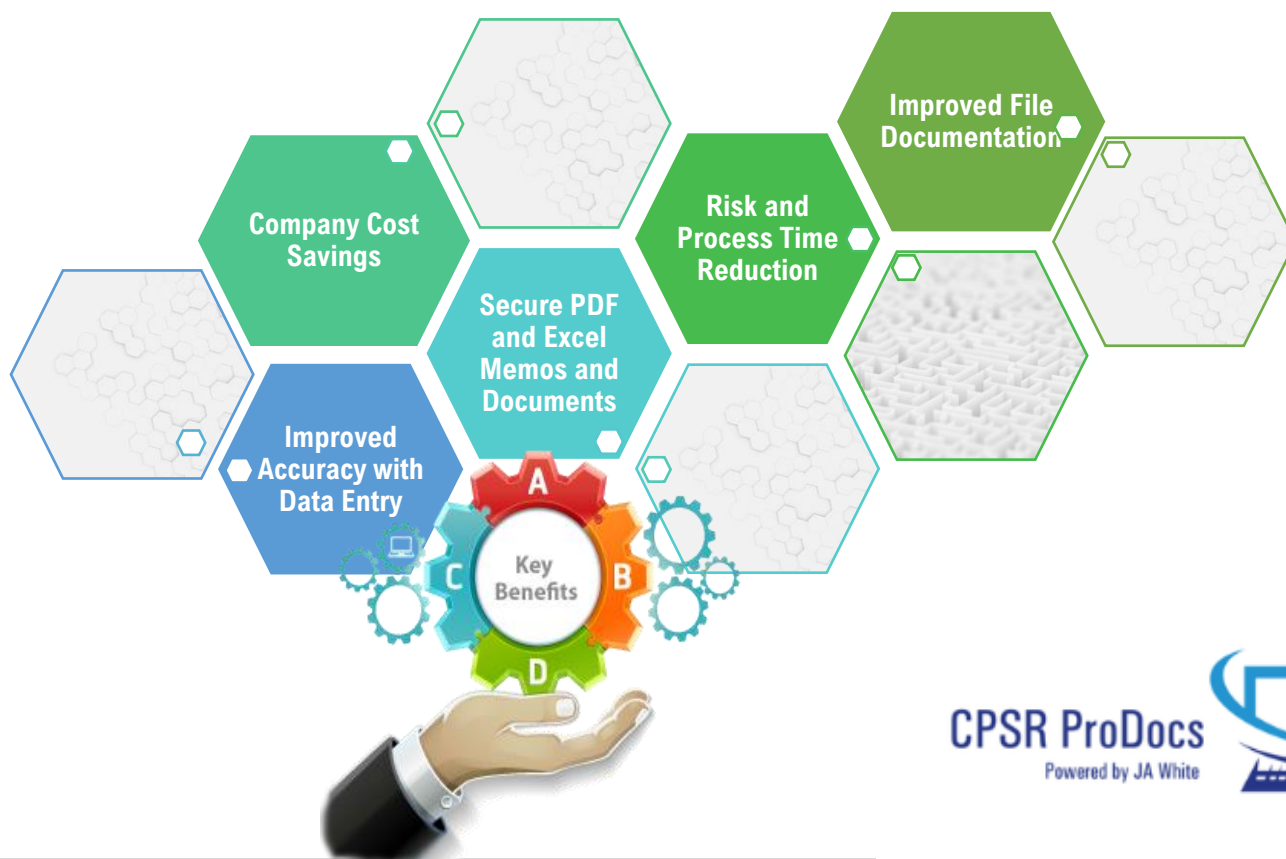
As a leading Government Contracting, Compliance and Supply Chain Consulting firm for the last 28 years, J.A. White & Associates, Inc. combine deep functional industry experience with flexible engagement models. Our Subject Matter Experts seek to understand our client's requirements against the current legal and regulatory environment, marketplace best practices and business trends.

With countless successful Business System Reviews and implementations and an unprecedented track record, our tailored advisory services assist the GovCon Community in terms of Supply Chain compliance and risk mitigation, managing financial risks, leveraging technology, and optimize policy and procedures for effective expenditures of Government funds.

Through corporate offices in Columbia, SC, we support domestic and international clients, as well as Federal, State, and local Governments.

# Automated Subcontract Compliance

## Created by JA White!



**For inquiries**

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