

Subcontracting Summit: Contractor Purchasing System Review (CPSR)

Purchasing Overview

Background

- Purpose and scope
- Applicability and requirements
- Contract type considerations
- Government surveillance
- Impact to withhold/withdraw of approval

Subcontract Consent and Advance Notification

- What is a subcontract?
- Background regarding when consent is required
- CPSR opinion (adequate/inadequate) impact on consent and advance notification
- Guidelines/best practice for preparing consent package (example package)
- Potential impact of noncompliance with consent requirements

Government Data Requests

- Types of DCMA CPSR Reviews
 - Initial / Comprehensive Review
 - Special Review
 - Follow-up Review

Government Data Requests

- DCMA Risk Assessment Form
 - Contact information
 - Summary of purchasing over past 12 months
 - Total dollar value of all purchases
 - Subcontractors by dollar value
 - Under \$150,000
 - Between \$150,000 and \$749,999
 - Between \$750,00 and \$2,000,000
 - Over \$2,000,000
 - Small versus large breakdown
 - Details of sole source purchasing
 - Sales volume detail reasonably available
 - Total vs. Commercial vs. Subk vs. Prime
 - By Agency – Negotiated vs. Competitive

Government Data Requests

- DCMA Data Request (selected data)
 - Copy of purchasing manual
 - Geographical location of plants and offices
 - Subsidiary and affiliate companies
 - Copies of internal audits related to purchasing
 - Details of active government contracts
 - Subcontract/PO detail stratified by value
 - Types of awards for purchases by number of actions and value

Government Data Requests

- DCMA Data Request (selected data)
 - Conflict of interest questions
 - Standards of conduct or ethics policy
 - Management approval prior to purchase of items greater than 25K
 - Rotation of buyers
 - Monitoring of buyers by management inquiry to suppliers
 - Hotline

CPSR Policies and Procedures

- DCMA Guidebook – Expectations
 1. Policy and Procedure Manual
 2. Truthful Cost or Pricing Data, Truth in Negotiations Act (TINA)
 3. Cost Accounting Standards (CAS)
 4. Prior Consent and Advance Notification
 5. Small Business Subcontracting Plans
 6. Protecting the Government's Interest when Subcontracting with Contractors Debarred, Suspended, or Proposed for Debarment
 7. Limitation on Use of Appropriated Funds to Influence Certain Federal Transactions Certification (Anti-lobbying)
 8. Defense Priorities and Allocation System (DPAS) Rating

CPSR Policies and Procedures

9. Federal Funding Accountability and Transparency Act of 2006
10. Counterfeit Parts Mitigation and Surveillance
11. Price Analysis
12. Source Selection
13. Negotiations
14. Make-or-Buy Program
15. Limitation on Pass-through Charges
16. Documentation
17. Training
18. Internal Review/Self Audit
19. Mandatory FAR and DFARS Flow Down Requirements/Terms and Conditions

CPSR Policies and Procedures

20. Purchase Requisition Process
21. Commercial Item Determination
22. Subcontract Types
23. Procurement Authority
24. Supply Chain Management Process
25. Buy American
26. Restrictions on the Acquisition of Specialty metals/Articles containing Specialty Metals
27. Subcontractor/Vendor Closeout Process
28. Long Term Purchasing Arrangements
29. Handling Change Orders and Modifications
30. Intra/Inter-Company, Affiliate, or Subsidiary Transactions

CPSR Extent of Review

- FAR 44.303
 - Degree of price competition obtained
 - Pricing policies and techniques
 - Methods of evaluating subcontractor responsibility
 - Treatment of affiliates and partners
 - Small business policies and procedures
 - Planning, award, and post-award management
 - CAS compliance requirements
 - Appropriateness of subcontract types
 - Management control systems
- DFARS 252.244-7001 – 24 Criteria

CPSR Report

- Recommendation to ACO
- Status of prior recommendations
- Statistical data (selected area)
 - Total POs reviewed
 - Percentage of competitively awarded POs to total POs
 - Percentage of single/sole source awarded POs to total POs

CPSR Report

- Predominant Justifications for Awards Made Without Adequate Price Competition

Customer Directed	Engineering Directed
Proprietary Items	Only Supplier Qualified
Economically Justified	Other Justifiable Reasons
No Justification Given	

CPSR Report

- Effectiveness in major purchasing areas
 - Public Laws and Certification Requirement Areas
 - Cost Accounting Standards (CAS)
 - Certified Cost or Printing Data (TINA)
 - Advance notification and consent
 - Evaluation of subcontractor responsibility
 - Small business subcontracting plans
 - Certification and representation package

CPSR Report

- Effectiveness in major purchasing areas
 - Policy and procedures
 - Addresses numerous areas (refer to DCMA data request)
 - Pricing
 - Adequacy of cost/price analysis
 - Documentation of published price lists/catalogs
 - Negotiations
 - Single/sole source justifications
 - Adequacy and degree of price competition obtained
 - Make or Buy program
 - Supply Chain management
 - Vendor rating system

CPSR

- Current recommendation
- Contractor's Corrective Action Plan (CAP)
- Evaluation of CAP

Planning for CPSR

- Understand the scope and intent of CPSR
 - Source Selection
 - Price/Cost Analysis and Negotiations
 - Cost Accounting Standards
 - Compliance to Public Law requirements
 - Contractor's Terms and Conditions (review by DCMA Legal Counsel)
 - Contractor Vendor Rating Process
 - Contractor Best Value Process
 - Contractor Make/Buy Process
 - Contractor Internal Purchasing System Audit Process

Planning for CPSR

- Understand the scope and intent of purchasing system internal controls review
 - Evaluate the adequacy of and the contractor's compliance with the purchasing system internal controls
 - Assess the adequacy of the contractor's policies and procedures, whether they have been implemented, and if they are working and being monitored effectively
 - Assess control risk as a basis to identify factors relevant to the design of substantive tests
 - Report on the understanding of the purchasing system internal controls and assessment of control risk, and the adequacy of the system for Government contracts

Planning for Procurements

- GAO decisions confirm that it is reasonable to include Purchasing System requirements in a solicitation and that offerors are responsible for providing details regarding their system in proposals.
 - Graybar, B-410886 (Mar. 4, 2015) (denying protest of assignment of weakness for purchasing system because record supported that the offeror’s proposal lacked details regarding “the methods and procedures used for some of the purchasing system elements.”).
 - Symvionics, Inc., B-408505 (Sept. 19, 2013) (denying protest of alleged bias where NASA required offerors, including small businesses, to either have an existing government-approved purchasing system or to propose a system that NASA could approve without DCMA review under FAR authority that allows NASA to approve purchasing systems).
 - Evolver, Inc.; Armed Forces Services Corp., B-413559.2 (denying protest claiming that requiring firms to have government-approved accounting/purchasing systems at time of contract award for the Alliant 2 vehicle was unduly restrictive where agency explained that having approval at time of award “relates to the agency’s need to provide a contract vehicle . . . where DOD and other agencies can find companies qualified to perform cost-reimbursement type contracts.”).