

12 Essentials to a Successful DCMA Contractor Purchasing System Review

The Defense Contract Management Agency (DCMA) has defined the Contractor Purchasing System Review (CPSR) Group's mission – "Ensure that [Government] suppliers' have purchasing systems in place that contribute to effective subcontract management. Effective subcontract management includes development of, as well as performance to internal policy and procedures, public law and adequacy of cost and prices analyses performed on subcontractors." Consistent with this mission statement, the Federal Acquisition Regulation (FAR) CPSR objective in Subpart 44.3, Contractors' Purchasing System Reviews, states that the "objective of a contractor purchasing system review (CPSR) is to evaluate the efficiency and effectiveness with which the contractor spends Government funds and complies with Government policy when subcontracting...."

- DFARS 252.244-7001, Contractor Purchasing System Administration
- FAR Subpart 44.3, Contractors' Purchasing System Reviews
- DCMA Instruction 109 Contractor Purchasing System Reviews
- DCMA CPSR Policies and Procedures Checklist
- DCMA CPSR Guidebook

Capital Edge has supported multiple contractors through the CPSR process. In doing so, we have identified 12 purchasing system essentials that every company must consider as they assess their system and prepare for their next CPSR.



1 Document, Document, Document

Documentation is critical. This theme is a common thread throughout the CPSR, but everything starts with the purchasing policies and procedures. Not only do you have to comply with the FAR, DFARS, public laws and the expectations of the DCMA CPSR Policies and Procedures Checklist and Guidebook, but you also must make sure you actually do what you say you do. Based on our experience, a lot easier said than done.

2 Compete, Compete, Compete

You must select subcontractors on a competitive basis to the maximum practical extent, consistent with the objectives and requirements of the contract. A systemic lack of competition, which can be a CPSR finding, only raises red flags and increases the CPSR Team's scrutiny, potentially exposing you to a variety of consequential findings in a CPSR (e.g. insufficient file documentation, inadequate source justifications, price analyses and negotiation memoranda, and Truth-In-Negotiations Act and Cost Accounting Standards non-compliance).

Gain Competitive Metrics

Increase your company's competition metrics by documenting fair and reasonable price based on a competitive price analysis technique and avoid the risk of those consequential findings mentioned above (FAR 15.403-1(c)(1), FAR 15.404-1(b)(2) and FAR 44.303(b)).





4 Provide Intelligence

Support your single or sole source justifications with "valid" rationale, compelling evidence, and reasoning. The classic "directed by the PM or COTR" or emergency procurements resulting from your company's failure to advance plan aren't going to fly.



Develop, Document & Support

Develop, document and support your commercial item (and service) determinations based on the plain language in the FAR 2.101 Commercial Item definitions. Merely checking a box in a commercial item determination form followed by a conclusory statement of commerciality will not pass muster.

5 Evaluate Pricing

Be cautious in how you employ (and document!) comparison to historical prices paid and competitively published pricelist techniques (FAR 15.404-1(b)(2)(ii) and (iv)). Comparing the subcontractor's proposed price to historical prices paid by your company for the same or similar service or item provides the CPSR Team the opportunity to dig into the historical price paid files. As for pricelist comparisons, the Department of Defense and NASA have issued directives not to merely rely on a General Administration Services Schedule contract published price as a comparison, but to instead engage in further, independent price analysis to determine price reasonableness.

6 Negotiate Costs

At a minimum, engage in and document price negotiations if your initial price analysis does not justifiably document fair and reasonable price. Further, in a non-competitive procurement, the CPSR Team generally expects you to conduct and document price negotiations. It also helps if the processes utilized and the documentation generated aligns with what you say you do in Number 1 above!

8 Establish Credibility

Successful purchasing systems have established internal procurement file compliance reviews, which are typically based on predetermined risk factors in pre-and-post award phases. If you can show DCMA you are monitoring the system effectively, identifying issues and implementing corrective actions, you immediately establish more credibility with the CPSR Team, while also improving your file documentation and complying with the DFARS internal review requirement.

9 Train, Train, Train

Train, Train, Train Your Staff! Train the new hires, the entire department and any other functional areas involved in the purchasing system annually. Hold recurrent training when your internal compliance reviews identify any issues. Also, hold training on changing regulations, laws and Government expectations related to your purchasing system.

Secure Time of Award Debarment

The former Excluded Parties List System (EPLS) pre-award 3-check approach is no longer acceptable to satisfy the debarment requirement. When applicable, ensure you are securing time of award debarment (and "anti-lobbying") certifications from the subcontractors (FAR 52.209-6 and FAR 52.203-12). DCMA is accepting several options in documenting these date of award requirements.

Properly Store Documentation

The procurement file should be the central repository for all procedural, FAR, DFARS and public law file documentation requirements. We've seen clients unknowingly violate a public law reporting requirement dozens of times when the failure to report and resultant violations could have been avoided had the procurement professional simply been required to retain record of the report in the procurement file.

12 Remain Reliable

Contractors oftentimes get the CPSR off on the wrong foot because they are unable to provide accurate data and/or define the subcontract/purchase order universe in response to the CPSR Data Call. If you can't identify reliable data and the proper universe of files for your response, it certainly doesn't instill much confidence in the Government's ability to rely on your system and increases their sensitivity during the review. To the extent possible, make sure your system(s) is configured appropriately and robust enough to track, segregate and report the data required (e.g. award value, current value, contract and subcontract type, etc.) in the CPSR Data Call. Otherwise, you should expect to undertake a painful manual review and sorting of data generated within the CPSR Team's aggressive response timeframe.

About JAMIS Software Corporation



JAMIS Software Corporation is a leading provider of ERP software solutions designed speci cally for government contractors and other project-focused organizations. JAMIS delivers comprehensive, intuitive, innovative and cost-e ective solutions for the most respected names in government contracting. Companies large and small rely on JAMIS to provide detailed visibility into all of their projects, as well as provide the foundation for DCAA and other regulatory compliance. JAMIS helps companies connect with customers, partners, and employees in entirely new ways to foster new levels of collaboration and drive pro tability and growth.

To learn more about JAMIS, visit https://jamis.com/

About Capital Edge Consulting



Capital Edge Consulting combines unique backgrounds and experience in consulting, public accounting, industry, DCAA and DCMA to provide clients with unmatched government contracting expertise. This breadth of specialized experience enables us to provide the exact services and level of expertise federal government contractors need to succeed. Capital Edge Consulting provides custom-tailored consulting solutions to government contractors ranging in size from startup to Fortune 100 companies in industries such as manufacturing, nuclear energy, professional services, biotech/pharmaceuticals, defense, and information technology.

To learn more about Capital Edge Consulting, visit http://www.CapitalEdgeConsulting.com

Follow JAMIS for the latest updates and industry news:

