**Top Five Reasons To Have an Approved Contractor Purchasing System**

  
   
Let’s face it. We’d all rather be out selling and growing our businesses than having to deal with paperwork and audits, right? So when you hear that you have a Contractor Purchasing System Review (CPSR) coming up, it may cause a little anxiety and leave you wondering if it is really time well spent.

Now the government will tell you that the purpose of a CPSR is to evaluate the efficiency and effectiveness of the way a contractor spends federal funds and complies with federal policy. It provides the Administrative Contracting Officer (ACO) a basis for granting, withholding, or withdrawing approval of the contractor’s purchasing system.

So what does that really mean to you? Here are the Top 5 reasons that having an approved contractor purchasing system is important:

1. **Advance Notification and Consent**: The first reason that usually comes to mind is the FAR Part 44 requirement for advance notification and consent to subcontract. If the purchasing system hasn’t been approved or the approval has been withdrawn, then the ACO will be required to perform consent reviews under flexibly price contracts and unpriced contractual actions to insure the Government’s interests are protected. The down side of that is these reviews take time, and while the ACO is performing the review, the subcontract award is delayed. In other words, nobody is happy about it! The client’s program manager and the company program manager want the award made to meet schedule, but the ACO has other things to do and may not put your subcontract award at the top of the list. The result is that you (the buyer/subcontract administrator) are under pressure to somehow make it happen and tensions can rise on all sides.
2. **Consent Doesn’t Mean Approval**: Okay, you’ve gone through the gauntlet and the ACO has issued the consent to subcontract notice. But, the notice will have a disclaimer that reserves the Government’s rights to second guess all aspects (i.e. adequate competition, price reasonableness, audit disallowance) of your subcontract award. You feel like you have gained nothing, and the program manager is still upset with you because of the delay in award. You want an approved system, not just a consent to subcontract. So without that approval, you’re just sitting in limbo.
3. **Business System Clause**: The Department of Defense added clauses to their contracts – 252.242-7005, Contractor Business Systems and 252.244-7001, Contractor Purchasing System Administration – that have become key components of the CPSR process. In addition, should a “significant deficiency” be identified in your purchasing system, the ACO is obliged to reduce your interim payments (i.e. progress payments, cost-reimbursement vouchers, monthly Time and Materials invoices) by as much as 5% to protect the government’s interests until the deficiency has been corrected and re-audited. The impact for you is that not only is the program manager upset with you, but so is the CFO!
4. **Impact on Other Major Proposals**: With subcontracting being a large part of major contracts, the impact of your purchasing system on proposals for new work can be critical. First, having a government approved purchasing system gets you a better rating on the management portion of your major proposals. Second, with subcontracts often accounting for as much as 60% or more of major proposal costs, the ability of an approved purchasing system to provide good quality pricing support can make the difference between winning or losing.
5. **Documentation**: Securing approval of your purchasing system relies largely on your documentation. In my earlier article, [CPSR Easy As 1-2-3?](http://www.centrelawgroup.com/cpsr-easy-as-i-2-3/), all three steps rely on clear and complete documentation. Think of it this way: an approved system by its nature should produce good documentation. So when the government reviews your work product for proposal support, business system adequacy, incurred cost, small business plan efforts, sustainability initiatives, or anything else, you can be confident that your procurement files will clearly demonstrate how efficiently and effectively your purchasing system is spending government funds and implementing government policy.

**Take the Next Step**  
If you’d like to dive more in depth to the details of CPSR, learn best practices, and set yourself up for successful CPSR audits, then join us for our [upcoming course](http://www.centrelawgroup.com/course/contractor-purchasing-system-review/) on March 28-29 at our national training center in Tysons, VA.

**About the Author**

|  |  |
| --- | --- |
| Jack Hott headshot | Centre Law & Consulting in Tysons, VA | [**Jack Hott**](http://www.centrelawgroup.com/our-people/jack-hott/) **Instructor** Jack Hott is an Instructor for Centre Law & Consulting. He has more than four decades of experience as a contracts professional in Government and the private sector. A retired Air Force officer, he served multiple acquisition related assignments where he managed administration, pricing, CAS and overhead approvals, supplier quality, and subcontract management. |