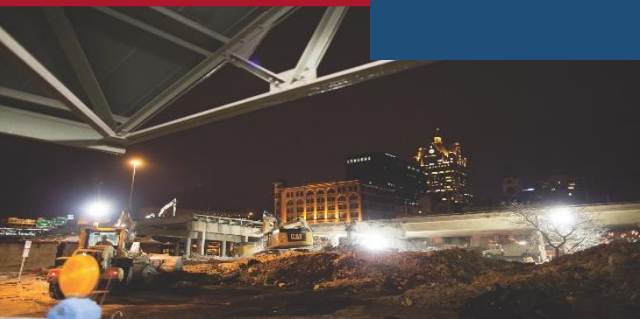




A Procurement Technical Assistance Center (PTAC)

PREPARING FOR A CPSR AUDIT ACQUISITION HOUR WEBINAR

April 2, 2019



WEBINAR ETIQUETTE

PLEASE

- Log into the GoToMeeting session with the name that you registered with online
- Place your phone or computer on MUTE
- Use the CHAT option to ask your question(s). We will share the questions with our guest speaker who will respond to the group

THANK YOU!

ABOUT WPI SUPPORTING THE MISSION

SERVING WISCONSIN
COMPANIES FOR 31 YEARS!

Assist businesses in creating,
development and growing their
sales, revenue and jobs through
Federal, state and local government
contracts.

*WPI is a Procurement Technical Assistance Center (PTAC) funded in part by
the Defense Logistics Agency (DLA), WEDC and other funding sources.*

WPI OFFICE LOCATIONS

- MILWAUKEE – *Technology Innovation Center*
- MADISON –
 - *FEED Kitchens*
 - *Dane County Latino Chamber of Commerce*
 - *Wisconsin Manufacturing Extension Partnership (WMEP)*
 - *Madison Area Technical College (MATC)*
- CAMP DOUGLAS – *Juneau County Economic Development Corporation (JCEDC)*
- STEVENS POINT – *IDEA Center*
- APPLETON – *Fox Valley Technical College*
- OSHKOSH –
 - *Fox Valley Technical College*
 - *Greater Oshkosh Economic Development Corporation*
- EAU CLAIRE – *Western Dairyland*
- MENOMONIE – *Dunn County Economic Development Corporation*
- LADYSMITH – *Indianhead Community Action Agency*
- RHINELANDER – *Nicolet Area Technical College*



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STATE & LOCAL GOVERNMENT

GRANTS

SUCCESS & AWARDS

FAQS

CURRENT EDITION OF THE WPI NEWSLETTER

www.wispro.org



UPCOMING EVENTS

- TUE 02** **Acquisition Hour: Preparing for a CPSR Audit**
April 2 @ 1:00 pm - 2:00 pm
- TUE 02** **WPI and NCMA Wisconsin Chapter CFCM Session 8: FAR Parts 34-41 – Webinar**
April 2 @ 6:00 pm - 7:30 pm
- THU 04** **Opportunities for Veteran Owned Businesses in the Government Markets – Janesville, WI**
April 4 @ 5:30 pm - 7:00 pm
Janesville WI
- TUE 09** **WPI and NCMA Wisconsin Chapter CFCM Session 9: FAR Parts 42-53 – Webinar**
April 9 @ 6:00 pm - 7:30 pm

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CURRENT OPPORTUNITIES (5)

SERVICES OFFERED BY WPI

- FREE Bid Matching Services
- Individual Counseling and Assistance
- Locating Local, State and Federal Opportunities
- Government Market Strategy Development
- Training in use of Government websites and tools
- Assistance with System for Award Management (SAM) Registration
- Assisting in Market Research Process
- Development of Market Profile
- Small Business Subcontracting Plans Development, Outreach and Reporting
- Small Group Training
- Outreach and training with Local, State and Federal agencies
- Assist with Pre and Post Award Functions
- Assistance with Agency Specific Contracting Requirements
- Assistance with Contracting Regulations and Requirements, including FAR, DFAR, CFR
- Assistance with GSA Schedule Preparation and Administration
- Assistance with Local, State and Federal Certifications, including:
 - Service Disabled & Veteran Owned Small Business, HUBZone, Woman Owned Small Business, 8(a) Business Development Program
 - State
 - Local
 - DBE
- Bid review and Submission Assistance
- Proposal review and Submission Assistance
- Capabilities Statement and Related Government Marketing Material Development
- Assistance in Locating and Developing Teaming Partners and Subcontractors
- Updated Government Market Information

CONTRACTOR PURCHASING SYSTEM REVIEW

- Objective

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.

This webinar will provide an overview of the CPSR, and recent changes that affect contractors.

WHAT WE WILL COVER TODAY

- The recent threshold change for CPSR eligibility and how it may affect your business
- The CPSR process
- What elements of the review have changed recently
- The four most common deficiencies found in the past year
- Risk assessments of subcontractors and necessary contract clause flow-downs
- Resources and references

THRESHOLD CHANGE: CONTRACTOR PURCHASING SYSTEM

- The current \$25 Million FAR Threshold found at FAR 44.302(a) has been in effect since 1996
- DCMA issued a Class Deviation Memo on October 7, 2016, raising the CPSR Threshold to \$50 Million
- \$50 Million threshold based on inflation and acceptable risk
- Goal is to be consistent with Better Buying Power (BBP) 3.0, should reduce burden on smaller contractors.

Source: DCMA, at NCMA Wisconsin Chapter, 23 Jan 2019

CPSR PROCESS

CONTRACTOR PURCHASING SYSTEM

“**Purchasing System**” means the Contractor’s system or systems for purchasing and subcontracting, including make-or-buy decisions, the selection of vendors, analysis of quoted prices, negotiation of prices with vendors, placing and administering of orders, and expediting delivery of materials.

System Criteria: DFARS 242.244-7001 – Contractor Purchasing System Administration (New Rules)

CONTRACTOR PURCHASING SYSTEM

- Contractor Purchasing System Review Guidebook,
February 26, 2019
 - www.dcma.mil

**** This is DCMA's own guidebook for conducting reviews, and is publicly available, so that your business can see what will be covered. ****

CONTRACTOR PURCHASING SYSTEM REVIEW (CPSR) PROCESS

- CPSR framework provides a prudent framework for a contractor to examine its supply chain risk.
- A successful CPSR constitutes a “business system” approval.
- Contractor Business System comprised of following:
 - Accounting System
 - Earned Value Management System
 - Estimating System
 - Material Management
 - Accounting System
 - Property Management System
 - Purchasing System

CONTRACTOR PURCHASING SYSTEM REVIEW (CPSR) PROCESS

- Contractors should be concerned with avoiding
 - a “significant deficiency” in their business systems.
- A “significant deficiency” found during a CPSR can result in:
 - Mandatory penalties
 - Potentially significant increase in time and cost of contracting with the government
 - Additional approvals and oversight.

CONTRACTOR PURCHASING SYSTEM: 24 CRITERIA

- The DFARS (Defense Federal Acquisition Regulations) business systems rule at DFARS 252.244-7001(c) clearly lists 24 criteria that must be satisfied for a purchasing system to be deemed “acceptable.”
- *If the Administrative Contracting Officer (ACO) deems that a purchasing system is significantly deficient in any ONE of these 24 criteria, the system will be deemed “Unacceptable.”*
- Contractor’s purchasing policies and procedures will be reviewed.
- Contractor’s purchasing files – audit sample will be reviewed.

CONTRACTOR PURCHASING SYSTEM: 24 CRITERIA

- Recommended method to manage your company's Purchasing System Compliance: Create a "Procurement Manual."
- You can list the 24 criteria side by side with your company's system, to comply with the requirement.
- Track and document changes and updates to your system.
- Include your internal company audits, to ensure that requirements are being met, and document those audits along with any corrective actions taken. Show that it is a living, breathing system.
- Include locations of records that would be requested during a CPSR, so that they can be readily available for review. (Example: office, room number, file cabinet numbers, computer directories and paths.)

CONTRACTOR PURCHASING SYSTEM: 24 CRITERIA TO BE DEEMED ACCEPTABLE

1. Have an adequate System Description.
2. Purchase orders and subcontracts contain flowdown clauses.
3. Organization plan, clear lines of authority and responsibility.
4. Purchase Orders and complete documentation.
5. History of purchase transactions with vendors, prices paid.
6. Consistent make-or-buy policy.

CONTRACTOR PURCHASING SYSTEM: 24 CRITERIA TO BE DEEMED ACCEPTABLE

7. Use competitive sourcing, and ensure debarred or suspended contractors are properly excluded from contract award.
8. Evaluate price, quality, delivery, technical capabilities, and financial capabilities of competing vendors.
9. Require management level justification and adequate cost or price analysis, as applicable, for any sole / single source award.
10. Perform timely and adequate cost or price analysis and technical evaluation for each subcontractor and supplier proposal / quote.
11. Document negotiations in accordance with FAR 15.406-3.
12. Seek, take and document purchase discounts.

CONTRACTOR PURCHASING SYSTEM: 24 CRITERIA TO BE DEEMED ACCEPTABLE

13. Ensure proper type of contract selection and prohibit issuance of cost-plus-a-percentage-of-cost contracts.
14. Maintain subcontract surveillance to ensure timely delivery of an acceptable product, and procedures to notify the government of potential subcontract problems that may impact delivery, quality or price.
15. Document and justify reasons for subcontract changes that affect cost or price.
16. Notify the government of the award of all subcontracts that contain the FAR and DFARS flowdown clauses that allow for government audit of those subcontracts, and ensure the performance of audits of those subcontracts.
17. Enforce adequate policies on conflicts of interest, gifts, and gratuities, including the requirements of 41 USC 87, "Kickbacks."
18. Perform internal audits or management reviews, training, and maintain policies or procedures for the purchasing department to ensure the integrity of the purchasing system.

CONTRACTOR PURCHASING SYSTEM: 24 CRITERIA TO BE DEEMED ACCEPTABLE

19. Establish and maintain policies and procedures to ensure purchase orders and subcontracts contain mandatory and applicable flowdown clauses, as required by the FAR and DFARS, including terms and conditions required by the prime contract and any clauses required to carry out the requirements of the prime contract, including the requirements of DFARS 252.246-7007, "Contractor Counterfeit Electronic Part Detection and Avoidance System," if applicable.
20. Provide for an organizational and administrative structure that emulates effective and efficient procurement of required quality materials and parts at the best value from responsible and reliable sources, including the requirements of DFARS 252.246-7007, "Contractor Counterfeit Electronic Part Detection and Avoidance System," if applicable.
21. Establish and maintain selection processes to ensure the most responsive and responsible sources for furnishing required quality parts and materials, and to promote competitive sourcing among dependable suppliers so that purchases are reasonably priced and from sources that meet contractor quality requirements, including DFARS 252.246-7003, "Item Unique Identification and Valuation," if applicable.
22. Establish and maintain procedures to ensure that proper types of subcontracts are selected, and that there are controls over subcontracting, including oversight and surveillance of subcontracted effort.

CONTRACTOR PURCHASING SYSTEM: 24

CRITERIA TO BE DEEMED ACCEPTABLE

23. Establish and maintain procedures to ensure performance of adequate price or cost analysis on purchasing actions.
24. Establish and maintain procedures to timely notify the contracting officer, in writing, if:
 - a. The contractor changes the amount of the subcontracting effort after award such that it exceeds 70 percent of the total cost of the work to be performed under the contract, task order or delivery order. This notification will identify the revised cost of the subcontract effort and shall include verification that the contractor will provide added value.
 - b. Any subcontractor changes the amount of lower-tier subcontractor effort after award, such that it exceeds 70 percent of the total cost of the work to be performed under its subcontract. The notification will identify the revised cost of the subcontract effort and shall include verification that the contractor will provide added value as related to the work to be performed by the lower-tier subcontractor(s).

CONTRACTOR PURCHASING SYSTEM: RECENT CHANGES THAT AFFECT IT

- On April 13th, 2018, the director of Defense Procurement and Acquisition Policy (DPAP) issued two class deviation memos to raise the micro-purchase, simplified acquisition threshold (SAT) and Truthful Cost and Pricing Data (formerly TINA) thresholds. These include:
 - **Class Deviation 2018-00013** raises the Micro-purchase threshold from \$3,500 to \$5,000, and raises the SAT from \$150,000 to \$250,000, both effective immediately.
 - **Class Deviation 2018-00012** raises the Truthful Cost or Pricing Data (formerly TINA) \$750,000 to \$2,000,000, effective July 1, 2018.
 - ** Remember, the Defense Priorities and Allocation System (DPAS) is tied to the SAT and should be half of the SAT. Therefore, the new DPAS threshold is \$125,000.*

DEFICIENCIES

CONTRACTOR PURCHASING SYSTEM

2018 Most Common Deficiencies

- 1) Protecting the Government's Interest when Subcontracting with Contractors Debarred, Suspended, or Proposed for Debarment (65/126)
- 2) Limitation on Use of Appropriated Funds to Influence Certain Federal Contracting and Financial Transactions (Anti-Lobbying) (48/126)
- 3) Price Analysis (43/126)
- 4) Defense Priorities and Allocation System (DPAS) Rating (34/126)

Source: DCMA Milwaukee, January 2019

RISK ASSESSMENT

RISK ASSESSMENT OF SUBCONTRACTORS

- In modern industry, the old “Purchasing Department” has now become “Supply Chain Management.”
- Supply chain professionals see compliance as difficult because evolving regulations “are a moving target.”
- Supply chain management is a largely a compliance function, especially in federal government contracting.
- Not just flowing down of requirements, but active management of supply chain.

RISK ASSESSMENT OF SUBCONTRACTORS

- The CPSR provides a comprehensive framework in which to assess subcontractors and manage risk.
- Evaluate subcontractor responsibility using equivalent standards to those given in the FAR for prime contractors.
- Evaluate subcontractor past performance.
- Especially investigate subcontractors for any history of debarment. If the sub is registered in SAM, this can be checked more readily. If the sub is not registered in SAM, it's appropriate to question, "why not?" and even to require SAM registration, particularly since the business wishes to engage in federal subcontracting.

RISK ASSESSMENT OF SUBCONTRACTORS

Debarment:

- “The contractor shall require each proposed subcontractor, whose subcontract will exceed \$35,000, other than [one] providing a commercially available off-the-shelf item (COTS) to disclose to the contractor, in writing, whether as of the time of award of the subcontract, the subcontractor, or its principals, is or is not debarred, suspended, or proposed for debarment by the federal government”
(FAR 52.209-6(c))
- “Other than a subcontract for [COTS], the contractor shall not enter into any subcontract in excess of \$35,000, with a contractor that is debarred, suspended, or proposed for debarment by any executive agency unless there is a compelling reason to do so.”
(FAR 52.209-6(b))

RISK ASSESSMENT OF SUBCONTRACTORS

- Past Performance is an important factor in source selections. Never doubt that a prime contractor, who proposes to work with subcontractors with poor past performance history, may lose the bid.
- Supplier Business Ethics: The FAR requires that contracts with a value expected to exceed \$5.5 million and with a performance period of 120 days or more, contains the “Contractor Code of Business Ethics” clause. (*FAR 52.203-13*)
- You must flow this clause down to subcontractors!

RISK ASSESSMENT OF SUBCONTRACTORS

Supplier Business Ethics (continued)

The “Contractor Code of Business Ethics and Conduct” clause requires:

- Disclosure to the government any credible evidence of wrongdoing by a subcontractor, defined as “any supplier, distributor, vendor, or firm that furnished supplies or services to or for a prime contractor or another subcontractor.”
- Train subcontractors as appropriate.
- Engage in reasonable efforts to avoid subcontracting with companies that have engaged in illegal acts.
- Exercise due diligence to prevent and detect criminal conduct.

REVIEWING WHAT WE'VE COVERED

- The recent threshold change for CPSR eligibility and how it may affect your business (formerly \$25 million, now \$50 million)
- The CPSR process (24 criteria)
- What elements of the review have changed recently.
- The four most common deficiencies found in the past year.
- Risk assessment of subcontractors and necessary contract clause flowdowns.

RESOURCES AND REFERENCES

RESOURCES

- Defense Contract Management Agency www.dcma.mil
- Wisconsin Procurement Institute (WPI) www.wispro.org
- Federal Acquisition Regulations www.farsite.hill.af.mil

REFERENCES

- Federal Acquisition Regulations www.farsite.hill.af.mil
 - FAR Subpart 44.3
 - DFARS Subpart 244.3
- *Contractor Purchasing System Review (CPSR) Guidebook*, Feb. 26, 2019, Defense Contract Management Agency (DCMA), www.dcma.mil
- *GAO Report to Congressional Committees, Contractor Business Systems*, February 2019 (GAO-19-212) General Accounting Office <https://www.gao.gov>
- “Focus on Supply Chain Risk Management,” Michael W. Mutek and Andrew D. Irwin, *Contract Management Magazine*, Nov. 2018, National Contract Management Association www.ncmahq.org

UPCOMING TRAINING - EVENTS

ACQUISITION HOUR LIVE WEBINAR SERIES

- April 16, 2019 – **Flow-Down Clauses: Management and Responsibilities for Federal Contractors** - [CLICK HERE](#) for additional information – presented by Carol Murphy, Wisconsin Procurement Institute (WPI)
- April 17, 2019 – **Writing Sole Source Determinations** – [CLICK HERE](#) for additional information – presented by Phil Bail, Owner, Phil Bail & Associates
- April 30, 2019 – **Update on the Hour Wage Labor Law** – [CLICK HERE](#) for additional information – presented by Corey Walton, Community Outreach and Resource Planning Specialist – U.S. Department of Labor/Wage & Hour Division
- May 7, 2019 – **Learning about the Surety Bond Guarantee From the U.S. SBA** – [CLICK HERE](#) for additional information – presented by Tamara Murray, Underwriting Marketing Specialist, U.S. Small Business Administration (SBA), Office of Surety Guarantees
- May 22, 2019 – **The U.S. SBA 8(a) Certification Program and HUBZone Certification** – [CLICK HERE](#) for additional information – presented by Shane Mahaffy, Lead Business Opportunity Specialist, U.S. Small Business Administration (SBA) and Benjamin Blanc, Wisconsin Procurement Institute (WPI)
- May 28, 2019 – **Introduction to Certifications Available to Woman Owned Businesses** – [CLICK HERE](#) for additional information - presented by Shane Mahaffy, Lead Business Opportunity Specialist, U.S. Small Business Administration (SBA) and Kim Garber, Wisconsin Procurement Institute (WPI)
- June 11, 2019 – **GSA Schedule Contract Management and Administration** – [CLICK HERE](#) for additional information – presented by Steve Makovec, Wisconsin Procurement Institute (WPI)
- June 12, 2019 - **State and Federal Certifications for Veteran and Service Disabled Veteran Owned Businesses** – [CLICK HERE](#) for additional information - presented by Shane Mahaffy, Lead Business Opportunity Specialist, U.S. Small Business Administration (SBA) and Benjamin Blanc, Wisconsin Procurement Institute (WPI)

NCMA Wisconsin Chapter / WPI Federal Acquisition Regulations (FAR) Training Webinars

6:00 – 7:30 pm

- February 12, 2019 – **Session 1: Introduction – CFCM Requirements and Basics of Federal Government Contracting**
- February 19, 2019 – **Session 2: FAR Parts 1-9**
- February 26, 2019 – **Session 3: FAR Parts 16-18; 10-12**
- March 5, 2019 – **Session 4: FAR Parts 13-15**
- March 12, 2019 – **Session 5: FAR Parts 1-18 – Practice Test Review**
- March 19, 2019 – **Session 6: FAR Parts 19-29**
- March 26, 2019 – **Session 7: FAR Parts 30-33**
- April 2, 2019 – **Session 8: FAR Parts 34-41**
- April 9, 2019 – **Session 9: FAR Parts 42-53**
- April 16, 2019 – **Session 10: FAR Parts 1-51 – Practice Test Review**

<https://www.wispro.org/wp-content/uploads/2019/01/FAR-Training-Schedule-2019-1.pdf>

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REGISTRATION

LOCATION



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Registration

For additional information regarding this event, contact Dave Olson at (608) 338-8018.

Location

The 13th Annual Volk Field Small Business Conference will take place at the

Volk Field Air National Guard Base, Building 475 –
100 Independence Drive – Camp Douglas, WI 54618

13TH ANNUAL VOLK FIELD – FORT MCCOY SMALL BUSINESS CONFERENCE

JULY 30-31, 2019

The 13th Annual Volk Field – Fort McCoy Small Business Conference is scheduled for July 30th and 31st at Volk Field in Camp Douglas, Wisconsin. Businesses from the Midwest will have the opportunity to participate in two days of technical training with a focus on Infrastructure Opportunities, Federal, State and Local Government Opportunities, Information Security, Manufacturing and Teaming.

Attendees will have the opportunity to hear from and meet with regional experts, leaders of the community, potential customers and potential partners. All businesses including Small, Large, Disadvantaged, HUBZone, Minority-Owned, Native / Tribal Owned, Woman-Owned, Veteran-Owned and Service-Disabled Veteran-Owned firms will benefit from this event.

EARLY REGISTRATION ENDS June 14, 2019

EVENT REGISTRATION ENDS July 18, 2019

<https://volkfieldsbconference.org/>



QUESTIONS?

SURVEY



CONTINUING PROFESSIONAL EDUCATION



CPE Certificate available, please contact:

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