



How Important is PDCA in Commercial and Government Compliance and Spend? PDCA – Plan, Do, Check, and Act – Vital in Proactive Spend, Compliance, and Procurement U.S. Government Spending, Office of Inspector General (OIG), and Contractor Purchasing System Review (CPSR)

For the last few years, and especially now, there has been a lot of emphasis on how Commercial and Government dollars are being spent. Office Inspector General (OIG), other Government Agencies, and Governments are starting to target procurement within Agencies, Federal Contractors, and any Organizations Associated. What this means is that what many did not pay attention to a few years ago, they are now!

Government Agencies in the U.S. and around the globe are being tasked to audit procurement, subcontracts, and other areas to identify if there is responsible use of taxpayer monies being spent (people's tax dollars).

Because more emphasis is being placed on this, ATS has grown in helping organizations become stronger in their procurement processes, ensure procurement systems have integrity, and teach procurement staff what procurement is all about.

ATS Experience

ATS has several years of experience with assessing, auditing, and directing Contractor Purchasing System Reviews (CPSRs). We have directed, enhanced, and innovated policies and procedures for Government Agencies, Native Tribes, Government Contractors, Commercial Organizations, and Other Governments.

What is a Contractor Purchasing Systems Review (CPSR)?

To provide a background and understanding, we have outlined a few areas below more effectively. There is a lot more information and we provide this in our trainings and assessments / audits.

Federal Acquisition Regulation (FAR)

The FAR is the bible for how Federal Agencies, Federal Contractors, and all others that are associated must abide by. A CPSR is outlined in the FAR, of which in accordance with Federal Acquisition Regulation 44.304 Surveillance, and 44.305 Responsibilities:

- The Contracting Officer must maintain a high enough level of surveillance to ensure that the contractor is effectively managing its purchasing program.



- Surveillance must be accomplished in accordance with a plan that covers pertinent phases of a contractor's purchasing system (pre-award, post-award, performance, and contract completion) and pertinent operations that affect the contractor's purchasing and subcontracting.
- The plan should also provide for reviewing the effectiveness of the contractor's corrective actions taken because of previous Government recommendations.
- The Contracting Officer may approve a purchasing system only after determining that the contractor's purchasing policies and practices are efficient and provide adequate protection of the Governments' interests.

CPSR Objective

To provide Regional Government Federal Contracting Leadership with an accurate review of each contractor's purchasing system and a reasonable assurance that purchasing policies follow relevant Government requirements. To enable contractors, with approved purchasing systems, to issue subcontracts and purchase items needed to execute contract requirements without having to obtain approval from the Regional Contracting Officers.

CPSR Scope

To determine the extent to which the contractor's purchasing system demonstrates and ensures compliance with Government policies and contractual terms by assessing the contractor's:

- Management and oversight of the procurement process at the corporate and individual contract levels.
- Use of Government funds through price competition.
- Actions to provide opportunities for small business firms to participate.
- Compliance with cost accounting standards in awarding subcontracts.
- Methods of determining subcontractor responsibility.

Within these five areas that are reviewed, there are many steps that take place from:

- Reviewing procurement files.
- Analyzing contracts/subcontracts.
- Verifying vendor compliance.
- Staff interviews
- Review of certain parts of finance.
- Standard Operating Procedure (SOP) adherence.
- SOP in accordance with the FAR.
- FAR compliance.



- Best value.
- Competitive bidding.
- Many other areas.

ATS Compliance, Process Audit, and Success Tools

ATS has worked with several U.S. Federal Government Agencies, U.S. Federal Contractors, Other Governments, Tribal Entities, and Global Government Entities.

We have complete tools, training, processes, and system solutions enabling organizations to be compliant, transparent, and proactive, efficient, and cost effective. Some of the areas listed below will provide you with a better understanding of how we conduct some of our work. These are just a few of the many tools we utilize to strengthen a purchasing system, ensure better practices, and provide feedback that is solid and logical.

Management And Oversight Of The Procurement Process And Operations

Source Documents: Directives, Previous Audit Working Papers, Internal Self-Assessment Audits, Follow-Up Documentation, Internal and External Correspondence, Flow Charts.

Verification: Documents adequately identify and describe the following: Personnel (names and contacts) responsible for the control, review, oversight, control activities, risk management, dissemination of information/communication and monitoring.

Description of the organizational structure that establishes a line of authority, limitations, functional areas of responsibility that includes all purchasing and related activities (receiving, accounting/finance). Purchasing system flowcharts provide a pictorial view of the process.

The documentation provides evidence of:

- Reviews/audits and self-assessments conducted by the corporate office (dates).
- Reviews/audits and self-assessments conducted by DOL (dates).
- Reviews/audits conducted by firms outside the corporate office (dates).
- Evidence of corrective actions.
- Assessment reports and follow-up corrective action plans.
- Purchasing staff follow Government and corporate policies and procedures.
- Methods established to communicate policies and procedures to staff with purchasing responsibilities.
- Methods established to ensure that policies remain up to date with changing federal regulations.



Purchasing System Information Technology Internal Controls

Source Documents: Purchasing Information Systems Documentation that Supports All Manual and Computerized Purchasing Processes.

Verification - Documents adequately identify or describe the following:

- IT systems function as described in source documents.
- IT security systems in place and functioning.

Staff Training, Qualifications, And Experience

Source Documents: Training Manuals, Job Descriptions and Qualifications, Desk "How to Manuals," Memorandums, Pamphlets, Bulletins, Resumes of Purchasing Staff.

Verification - Documents adequately identify or describe the following: Employee awareness and training programs for the purchasing staff regarding ethics, procurement integrity, the purchasing process, authority, and responsibility - Documentation provides evidence for the following:

- Job descriptions (roles and responsibilities).
- Staff qualifications are consistent with job descriptions.
- Training courses (include training class topics and dates).

Purchasing Operation Policies And Procedures: Compliance With Government Policies And Contract Terms And Conditions

Source Documents: Policies and Procedures, Directives, Letters, Correspondence.

Verification - Documents adequately identify or describe the following: Administration And Acquisition Planning; and Pre-Award, Award, and Post-Award Contracts

Pre-Award and Award

To determine subcontractor responsibility (FAR 9.1 Responsible Prospective Contractors).

- Vendor verification.
- Developing and maintaining vendor lists.
- Developing and maintaining bidders' lists.
- Vendor rating system and past performance.
- Debarment/EPLS Certification.
- Obtaining representations and certifications.



- Ensures that purchase orders and subcontracts contain all applicable flow down clauses, terms and conditions, and any other clauses and provisions needed to carry out the requirements of the prime contract.
- Equipment lease versus purchase.
- Contractor's use of Government supply sources (General Services Administration/Defense Logistics Agency).
- Emergency procurements.
- Obtaining services from educational institutions.
- Selecting the proper contract type (firm fixed price, cost reimbursement, time and material, and labor hour).
- Issuing letter subcontracts.
- Cost savings and cost avoidance.

Use Of Government Funds Through Price Competition

- Best value.
- Sealed-bidding.
- Preparation of non-competitive single and sole source procurement justifications.
- Completing and conducting a price analysis to determine fair and reasonable pricing.
- Completing and conducting a cost analysis to determine fair and reasonable pricing.
- Request for Quotations (RFQs) oral and written bids (including criteria for award).
- Request for Proposal (RFPs) and/or formal solicitation processes (including criteria for award).
- Advertising procurement opportunities.
- Purchase order and subcontract file documentation requirements (checklists).

Post- Award Activities

- Subcontract administration (cost, schedule, and performance).
- Processing discrepancy in quantities ordered vs. quantities received.
- Receiving, inspecting, accepting, and returning material.
- Appropriate source inspection requirements (prime contractor and Government) for construction.
- Award notification and notice to proceed.
- Termination for convenience.
- Termination for default.

Small Business Participation And Reporting

- Contract requirements regarding small business subcontracting, including, if applicable, its plan for subcontracting with small, veteran-owned, service-disabled veteran-owned, HUBZone,



small disadvantaged, women-owned business concerns, and HBCUs in accordance with FAR 19; 52.219-Small Business and Small - Disadvantaged Business Concerns and Public Law 95-507.

- Recording small business reporting (checklist) for awards that exceed \$100,000.

Subcontractor Responsibility / Subcontract Administration

- Unallowable procurements.
- Prohibits the issuance of cost-plus-a-percentage of cost subcontracts.
- Notification of the Government on the award of all auditable subcontracts.
- Notifying the Government of significant subcontract problems that may impact delivery, quality, and price.
- Expediting delivery of subcontract material when the supplier will not meet established delivery date or is delinquent.
- Subcontractor, teaming, and joint ventures.
- Establishes criteria for waiving subcontractor audits.
- Construction contracting including the Davis Bacon Act (FAR 22.403-1 Davis Bacon Act).
- Control of cost reimbursement, time, and material, and labor-hour subcontracts.
- Consultant contract, personal and non-personal, services and agreements.
- Acceptance of gifts, gratuities, subcontractor kickbacks, and conflicts of interest (FAR 52.203-7 Anti-Kickback).
- Reporting fraudulent acts and behavior (ethics hotline/whistleblower).

Administrative Controls

Source Documents: Purchasing Policies and Procedures, Directives, Memorandums, Letters, Correspondence, and Forms.

Verification - Documentation provides evidence that:

- Numerous purchase orders are not issued for small dollar amounts.
- The contractor has effective numerical control documents from the requisitioning stage, through accounting, purchasing, and receipt of products goods and services, and payment.
- The purchasing agent notifies purchase requisitioners of the results of purchasing actions and other matters affecting the purchase.
- Contractor forms are consistent with written procedures.

Accounting For Material Cost

Source Documents - Policies and Procedures, Records.

Verification - Documentation provides evidence that:



- Purchase orders, receiving reports, and payments match.
- Purchased services were or are being performed.
- Miscellaneous costs associated with material purchases are charged directly or as items of indirect costs, such as transportation, and material handling charges.
- Processing of subcontractor invoices.

Purchase Order Discounts, Quantity And Payment

Verification - Documentation provides evidence that:

- Cash discounts, trade discounts, quantity discounts, rebates, freight allowances are obtained (Request to see Records).

Physical Inventory And Adjustments

The documentation provides evidence that:

- Verification of quantities of physical inventories.
- Management has access to records indicating quantities, quality, and location of goods on hand.
- Physical count and book inventories are accounted for and adequately explained.

What Can You Do?

In the next several years, because of all the fraud within the commercial sector and in Government, we will see and experience more audits, Government involvement, and compliance regulation.

It is better to be safe than sorry and ensure that your system is not only in compliance but becomes stronger.

It is less expensive to initiate this before than after.

Plan, Do, Check, and Act (PDCA)!

Contact us today and let us help you in your procurement processes, best practices, compliance, and proactive business operations!

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30+ years growing people, procurement, and projects!