

# Subpart 44.3 - Contractors' Purchasing Systems Reviews

**Parent topic:** [Part 44 - Subcontracting Policies and Procedures](#)

## 44.301 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. The review provides the administrative *contracting officer* (ACO) a basis for granting, withholding, or withdrawing approval of the contractor's purchasing system.

## 44.302 Requirements.

(a) The ACO *shall* determine the need for a CPSR based on, but not limited to, the *past performance* of the contractor, and the volume, complexity and dollar value of subcontracts. If a contractor's sales to the Government (excluding competitively awarded firm-fixed-price and competitively awarded fixed-price with economic price adjustment contracts and sales of commercial *supplies* and *commercial services* pursuant to [part 12](#)) are expected to exceed \$25 million during the next 12 months, perform a review to determine if a CPSR is needed. Sales include those represented by prime contracts, subcontracts under Government prime contracts, and modifications. Generally, a CPSR is not performed for a specific contract. The *head of the agency* responsible for contract administration *may* raise or lower the \$25 million review level if it is considered to be in the Government's best interest.

(b) Once an initial determination has been made under paragraph (a) of this section, at least every three years the ACO *shall* determine whether a purchasing system review is necessary. If necessary, the cognizant *contract administration office* will conduct a purchasing system review.

## 44.303 Extent of review.

A CPSR requires an evaluation of the contractor's purchasing system. Unless segregation of subcontracts is impracticable, this evaluation *shall* not include subcontracts awarded by the contractor exclusively in support of Government contracts that are competitively awarded firm-fixed-price, competitively awarded fixed-price with economic price adjustment, or awarded for commercial *supplies* and *commercial services* pursuant to [part 12](#). The considerations listed in [44.202-2](#) for consent evaluation of particular subcontracts also *shall* be used to evaluate the contractor's purchasing system, including the contractor's policies, procedures, and performance under that system. Special attention *shall* be given to-

(a) The results of *market research* accomplished;

(b) The degree of price competition obtained;

(c) *Pricing* policies and techniques, including methods of obtaining *certified cost or pricing data*, and

*data other than certified cost or pricing data;*

(d) Methods of evaluating subcontractor responsibility, including the contractor's use of the *System for Award Management Exclusions* (see [9.404](#)) and, if the contractor has subcontracts with parties on the Exclusions list, the documentation, systems, and procedures the contractor has established to protect the Government's interests (see [9.405-2](#));

(e) Treatment accorded *affiliates* and other concerns having close working arrangements with the contractor;

(f) Policies and procedures pertaining to small business concerns, including small disadvantaged, women-owned, veteran-owned, *HUBZone*, and service-disabled veteran-owned small business concerns;

(g) Planning, award, and postaward management of major subcontract programs;

(h) Compliance with Cost Accounting Standards in awarding subcontracts;

(i) Appropriateness of types of contracts used (see [16.103](#));

(j) Management control systems, including internal audit procedures, to administer progress payments to subcontractors; and

(k) Implementation of higher-level quality standards.

## **44.304 Surveillance.**

(a) The ACO *shall* maintain a sufficient level of surveillance to ensure that the contractor is effectively managing its purchasing program.

(b) Surveillance *shall* be accomplished in accordance with a plan developed by the ACO with the assistance of subcontracting, audit, *pricing*, technical, or other specialists as necessary. The plan *should* cover pertinent phases of a contractor's purchasing system (preaward, postaward, 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 as a result of previous Government recommendations. Duplicative reviews of the same areas by CPSR and other surveillance monitors *should* be avoided.

## **44.305 Granting, withholding, or withdrawing approval.**

### **44.305-1 Responsibilities.**

The cognizant ACO is responsible for granting, withholding, or withdrawing approval of a contractor's purchasing system. The ACO *shall*-

(a) Approve a purchasing system only after determining that the contractor's purchasing policies and practices are efficient and provide adequate protection of the Government's interests; and

(b) Promptly notify the contractor *in writing* of the granting, withholding, or withdrawal of approval.

#### **44.305-2 Notification.**

(a) The notification granting system approval *shall* include-

(1) Identification of the plant or plants covered by the approval;

(2) The effective date of approval; and

(3) A statement that system approval-

(i) Applies to all Federal Government contracts at that plant to the extent that cross-servicing arrangements exist;

(ii) Waives the contractual requirement for advance notification in fixed-price contracts, but not for cost-reimbursement contracts;

(iii) Waives the contractual requirement for *consent to subcontracts* in fixed-price contracts and for specified subcontracts in cost-reimbursement contracts but not for those subcontracts, if any, selected for special surveillance and identified in the contract Schedule; and

(iv) *May* be withdrawn at any time at the ACO's discretion.

(b) In exceptional circumstances, consent to certain subcontracts or classes of subcontracts *may* be required even though the contractor's purchasing system has been approved. The system approval notification *shall* identify the class or classes of subcontracts requiring consent. Reasons for selecting the subcontracts include the fact that a CPSR or continuing surveillance has revealed sufficient weaknesses in a particular area of subcontracting to warrant special attention by the ACO.

(c) When recommendations are made for improvement of an approved system, the contractor *shall* be requested to reply within 15 days with a position regarding the recommendations.

#### **44.305-3 Withholding or withdrawing approval.**

(a) The ACO *shall* withhold or withdraw approval of a contractor's purchasing system when there are major weaknesses or when the contractor is unable to provide sufficient information upon which to make an affirmative determination. The ACO *may* withdraw approval at any time on the basis of a determination that there has been a deterioration of the contractor's purchasing system or to protect the Government's interest. Approval *shall* be withheld or withdrawn when there is a recurring noncompliance with requirements, including but not limited to-

(1) *Certified cost or pricing data* (see [15.403](#));

(2) Implementation of cost accounting standards (see 48 CFR chapter 99);

(3) Advance notification as required by the clauses prescribed in [44.204](#); or

(4) Small business subcontracting (see [subpart 19.7](#)).

(b) When approval of the contractor's purchasing system is withheld or withdrawn, the ACO *shall* within 10 days after completing the in-plant review (1) inform the contractor *in writing*, (2) specify the deficiencies that *must* be corrected to qualify the system for approval, and (3) request the contractor to furnish within 15 days a plan for accomplishing the necessary actions. If the plan is accepted, the ACO *shall* make a follow-up review as soon as the contractor notifies the ACO that the deficiencies have been corrected.

## **44.306 Disclosure of approval status.**

Upon request, the ACO *may* inform a contractor that the purchasing system of a proposed subcontractor has been approved or disapproved, but *shall* caution that the Government will not keep the contractor advised of any changes in the approval status. If the proposed subcontractor's purchasing system has not been reviewed, the contractor *shall* be so advised.

## **44.307 Reports.**

The ACO *shall* distribute copies of CPSR reports; notifications granting, withholding, or withdrawing system approval; and Government recommendations for improvement of an approved system, including the contractor's response, to at least-

- (a) The cognizant contract audit office;
- (b) Activities prescribed by the cognizant agency; and
- (c) The contractor (except that furnishing copies of the contractor's response is optional).