

SUBCHAPTER G—CONTRACT MANAGEMENT

PART M844—SUBCONTRACTING POLICIES AND PROCEDURES

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Subpart M844.3—Contractors' Purchasing Systems Reviews

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M844.302 Requirements.

(c) In advance of contractor purchasing system reviews, contracting officers may inform subject contractors of the elements set forth in M844.370-1.

M844.370 Types of contractor purchasing system reviews.

M844.370-1 Initial/comprehensive review.

An initial review is a complete, first-time analysis of a contractor's purchasing system. A comprehensive review is performed if a contractor has an approved purchasing system. Both the initial and comprehensive contractor purchasing system review (CPSR) evaluates the contractor's compliance with the same elements. At a minimum, the contractor's purchasing system shall:

(a) Have an adequate system description including policies, procedures, and purchasing practices that comply with the Federal Acquisition Regulation (FAR) and the Department of Veterans Affairs Acquisition Regulation (VAAR);

(b) Ensure that all applicable purchase orders and subcontracts contain all flow down clauses, including terms and conditions and any other clauses needed to carry out the requirements of the prime contract;

(c) Maintain an organization plan that establishes clear lines of authority and responsibility;

(d) Ensure all purchase orders are based on authorized requisitions and include a complete and accurate history of purchase transactions to support vendor selected, price paid, and document the purchase order and subcontract files which are subject to Government review;

(e) Establish and maintain adequate documentation to provide a complete and accurate history of purchase transactions to support vendors selected and prices paid;

(f) Apply a consistent make-or-buy policy that is in the best interest of the Government;

(g) Use competitive sourcing to the maximum extent practicable, and ensure debarred or suspended contractors are properly excluded from contract award;

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(h) Evaluate price, quality, delivery, technical capabilities, and financial capabilities of competing vendors to ensure fair and reasonable prices;

(i) Require management level justification and adequate cost or price analysis, as applicable, for any sole or single source award;

(j) Perform timely and adequate cost or price analysis and technical evaluation for each subcontractor and supplier purchase orders or quote to ensure fair and reasonable subcontract prices;

(k) Document negotiations in accordance with FAR 15.406-3;

(l) Seek, take, and document economically feasible purchase discounts, including cash discounts, trade discounts, quantity discounts, rebates, freight allowances, and company-wide volume discounts;

(m) Ensure proper type of contract selection and prohibit issuance of cost-plus-a-percentage-of-cost subcontracts;

(n) 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, quantity, or price;

(o) Document and justify reasons for subcontract changes that affect cost or price;

(p) Notify the Government of the award of all subcontracts that contain flow down clauses allowing for Government audit of those subcontracts, and ensure the performance of audits of those subcontracts;

(q) Enforce adequate policies on conflict of interest, gifts, and gratuities, including the requirements of 41 U.S.C. chapter 87, Kickbacks;

(r) Perform internal audits or management reviews, training, and maintain policies and procedures for the purchasing department to ensure the integrity of the purchasing system;

(s) Establish and maintain policies and procedures to ensure purchase orders and subcontracts contain mandatory and applicable flow down clauses, as required by the FAR and VAAR, including terms and conditions required by the prime contract and any clauses required to carry out the requirements of the prime contract;

(t) Provide for an organizational and administrative structure that ensures effective and efficient procurement of required quality materials and parts at the best value from responsible and reliable sources;

(u) 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;

(v) Establish and maintain procedures to ensure performance of adequate price or cost analysis on purchasing actions;

(w) 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; and

(x) Establish and maintain procedures to timely notify the contracting officer, in writing, if—

(1) The contractor changes the amount of subcontract 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. The notification shall identify the revised cost of the subcontract effort and shall include verification that the Contractor will provide added value; or

(2) 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 shall identify the revised cost of the subcontract effort and shall include verification that the subcontractor will provide added value as related to the work to be performed by the lower-tier subcontractor(s).

M844.370-2 Special review.

A special review is an investigation of specific weaknesses identified in any contractor's purchasing system, using the same techniques followed in performing an initial or comprehensive review. The contracting officer may initiate a special review of any contractor's purchasing system in connection with weaknesses revealed as a result of:

(a) The initial or comprehensive review, or continuing in-depth surveillance;

(b) The review of subcontracts submitted under the notification and consent to subcontract requirement of contract clauses;

(c) Major changes in the contractor's purchasing policies, procedures, or key personnel;

(d) Changes in plant workload or type or work;

(e) Information that changes the level of risk to the Government; or

(f) Award of a high dollar value contract to a vendor that has had no review of their system.

M844.370-3 Follow-up review.

A follow-up review is performed when a contractor's purchasing system is disapproved by the contracting officer. The purpose of the follow-up review is to determine whether a contractor has effectively implemented a corrective action plan (CAP) deemed adequate by the contracting officer and corrected the deficiencies revealed by any purchasing system review. The same techniques used during an initial or comprehensive review are employed in the follow-up review. If the status of a contractor's purchasing system is disapproved, a follow-up review shall be made as soon as:

(a) Notification has been received from the contractor that all deficiencies have been corrected. The notification shall consist of a letter from the contractor giving the date of completion of the CAP; and

(b) Sufficient time has passed to provide a suitable sample to be reviewed. Sufficient time is approximately 90 days after all elements of the CAP have been implemented. A follow-up review is confined to the areas found deficient in the previous CPSR. A follow-up report will only be completed if the previous CPSR was completed within the past 18 months. If it has been more than 18 months since the previous CPSR, then a full comprehensive review will be done on the contractor.