Why Your Contractor Purchasing System Review Demands More Than a Binder Check

When I sat through my first Contractor Purchasing System Review as a young contracts manager back in 2009, I thought I had done my homework. The audit binder was thick, the flowcharts were color-coded, and I had a signed copy of our purchasing procedures from three years prior. It took the DCMA auditor about an hour to find a gap that I had missed entirely: a small inconsistency in how we documented price reasonableness determinations for sole-source buys. That hour taught me more about CPSR readiness than any checklist ever had.

Over the years, I have watched dozens of companies approach their contractor purchasing system review with the same binder-first mentality. They focus on the document, not the system. And that is where the real risk lives. A CPSR is not a paperwork audit; it is a deep dive into how your procurement function actually works. The binder is just the map. The auditor wants to walk the terrain.

What a CPSR Actually Tests

A Contractor Purchasing System Review, conducted by the Defense Contract Management Agency or an authorized federal contracting officer, evaluates whether a government contractor's purchasing system meets the requirements of the Federal Acquisition Regulation (FAR) and the Defense Federal Acquisition Regulation Supplement (DFARS). The system must demonstrate adequate controls for ensuring that purchases are necessary, prices are fair and reasonable, and that the contractor is not doing business with suspended or debarred parties.

But in practice, the review goes deeper. Auditors look for evidence that policies are not just written but followed. They interview buyers, review purchase files, and test transaction samples. They want to see that your people understand the rules and that your processes catch mistakes before invoices hit the payment system. A company that passes a contractor purchasing system review has shown that its procurement operation is disciplined, repeatable, and compliant.

I once worked with a mid-sized defense subcontractor that had a stellar written manual but a purchasing team that routinely bypassed the bid requirement for small-dollar orders. The written policy said one thing. The actual behavior said another. The CPSR failed on that gap alone.

Common Pitfalls I See Repeatedly

After two decades in this field, I have noticed patterns. The same issues surface again and again, regardless of company size or industry segment. Here are the ones that matter most.

Inadequate price reasonableness documentation. This is the single most common finding. Contractors often rely on a single quote or a vague “market price” notation. The FAR expects a documented analysis, especially for high-value or non-competitive buys. A simple statement like “price is reasonable because it matches the catalog” is not enough if the catalog price is itself unverified. I have seen companies fail because they could not show that they checked whether the catalog price was actually current or competitive.

Poor file organization and missing records. A CPSR auditor will ask for a sample of purchase files. If those files are missing a single document, like a justificat ion for a sole-source award, the entire file can be marked non-compliant. I recommend treating each purchase file as a single, complete narrative. Every action, from the requisition to the receipt, should be documented and traceable.

Inconsistent flow-down of clauses. Government contracts require specific clauses to flow down to subcontractors and suppliers. If your purchase orders do not include the correct FAR clauses, or if they include outdated versions, the auditor will flag it. This sounds simple, but I have seen companies with hundreds of open purchase orders that all used a template from three years ago. The template had been updated, but the old one was still in use.

Lack of training and awareness. A purchasing system is only as strong as the people who operate it. If your buyers do not understand the rules, they will break them. I have seen teams where the senior buyer had been doing things “the same way for twenty years” and that way did not match the written policy. Regular training, documented attendance, and refresher sessions are essential. The auditor will ask about training records, and a vague answer is a red flag.

Weak supplier vetting and debarment checks. Federal regulations require contractors to verify that their suppliers are not on the System for Award Management (SAM) exclusion list. I have seen companies that check once at onboarding but never again. A supplier can be added to the exclusion list at any time. If you pay an excluded supplier, even by accident, you risk serious consequences. A good system checks every supplier before every order, or at least on a recurring schedule.

How to Prepare Beyond the Binder

Preparation for a contractor purchasing system review should start months before the audit date, not weeks. The most effective approach I have seen involves three phases.

Phase one: internal self-assessment. Before the auditor walks in, conduct your own review. Pull a random sample of purchase files, ideally 20 to 30, and evaluate them against the same criteria the DCMA will use. Look for missing documents, incomplete justifications, and inconsistent clause flow-down. Be honest about what you find. A self-assessment that uncovers problems is a gift, because you can fix them before the real review.

Phase two: process mapping and gap analysis. Map out your procurement process from requisition to payment. Identify every handoff, every approval, every document created. Then compare that map to your written procedures. If the map shows a step that is not in the procedures, or a procedure that is not followed in practice, you have found a gap. Close it before the audit.

Phase three: dry-run interviews. Auditors interview buyers and procurement staff. I have seen smart, capable people freeze under the pressure of a CPSR interview. A dry run, where someone plays the role of the auditor and asks the actual questions, can make a huge difference. It also reveals gaps in knowledge that you can address with targeted training.

When to Bring in Outside Help

Not every company has the internal expertise to prepare for a CPSR on its own. The regulations are dense, and the consequences of a failed review can be severe. A failing grade can lead to a withholding of payments, a suspension of the purchasing system, or even a termination of the contract. That is a risk that no contractor should take lightly.

I have seen companies benefit from engaging a third-party CPSR support provider, especially when they are preparing for their first review or when they have had a previous review with findings. An experienced provider can bring a fresh set of eyes, a deep understanding of current DCMA expectations, and a structured methodology for preparing the purchasing system. They can also help with the corrective action plan if the review does not go well.

But the key is to choose a provider that understands your specific business. A one-size-fits-all approach rarely works. The best support comes from someone who takes the time to learn your processes, your people, and your risk areas. That is why I always recommend interviewing multiple providers and asking for references from companies in your industry.

The Real Value of a Strong Purchasing System

A well-run purchasing system does more than help you pass a contractor purchasing system review. It saves money, reduces risk, and builds trust with your government customers. I have worked with companies that, after cleaning up their procurement processes, found that they were overpaying on certain categories of spend. The CPSR preparation forced them to scrutinize their purchasing data, and that scrutiny led to better negotiations and lower costs.

One defense contractor I advised discovered that they had been renewing a sole-source contract with a supplier for five years without ever checking the market. The price had crept up by 30 percent over that period. A simple competitive bid process saved them over $200,000 annually. That savings was not the result of the CPSR itself, but the CPSR preparation forced them to look.

The same discipline that satisfies a DCMA auditor also protects your company from fraud, error, and waste. A purchasing system that is well-documented, consistently followed, and regularly audited is a sign of a mature organization. It gives your customers confidence. It gives your leadership control. And it gives your procurement team the tools they need to do their jobs well.

In my experience, companies that treat the CPSR as an opportunity rather than a burden come out stronger on the other side. They do not just pass the review. They improve their operations. They reduce their risk. And they build a foundation for growth.