How to Prepare Your Firm for a CPSR Purchasing System Approval

Understanding the Stakes of CPSR Purchasing System Approval

If your company holds federal contracts or is bidding on them, you have likely heard the term "CPSR" tossed around in meetings. A Contracted Purchasing System Review, or CPSR, is the Defense Contract Management Agency's formal evaluation of your procurement processes. The outcome determines whether you get to keep your purchasing system or face restrictions. For many contractors, the path to a successful review starts with understanding what the DCMA actually looks for. It is not just about having a policy manual on the shelf. It is about demonstrating that your team follows that policy every day, with real purchase orders, real approvals, and real audit trails.

The real weight of a CPSR lands on the approval part. The DCMA wants to see that your purchasing system includes checks and balances that prevent waste, fraud, and abuse. That means every significant purchase must go through a structured approval workflow. If your approval process is loose or undocumented, the review will flag it. And once flagged, you may end up with a conditional approval or a requirement to submit a corrective action plan. That is where the concept of cpsr purchasing system approval becomes critical. It is the specific checkpoint where your internal controls meet federal expectations.

What DCMA and DCAA Actually Expect

The DCMA and the Defense Contract Audit Agency share oversight of contractor purchasing systems. The DCMA performs the review itself, while the DCAA provides audit support. Together, they expect your system to meet the criteria laid out in the Federal Acquisition Regulation and the Defense Federal Acquisition Regulation Supplement. These criteria cover things like competition requirements, cost or price analysis, documentation of source selections, and approval thresholds.

One common mistake contractors make is thinking that a CPSR is just a paperwork exercise. It is not. The review team will sample actual purchase transactions. They will look for evidence that approvals happened at the right levels. They will check that your system prevents unauthorized commitments. They will verify that your buyers have the authority they claim to have. If your purchase order approval process is manual and scattered across spreadsheets or email chains, the reviewers will struggle to find a clear chain of approval. That is a red flag.

To avoid that, you need a purchasing system that enforces approval rules consistently. That means defining dollar thresholds that trigger different approval levels. It means requiring

documented justification for sole-source awards. It means keeping an audit trail that shows who approved what and when. This is exactly where the phrase cpsr purchasing system approval takes on practical meaning. It is not a bureaucratic checkbox. It is the operational mechanism that proves your system is under control.

Building the Approval Workflow That Passes Review

Let me walk you through the kind of approval workflow that tends to satisfy DCMA reviewers. I have seen firms succeed with variations, but the core elements are consistent.

First, establish clear delegation of authority. Every buyer or contracting officer should have a written delegation that states the maximum dollar value they can approve without higher sign-off. This delegation must be current and signed by someone with proper authority. If a buyer approves a $50,000 purchase but their delegation only covers up to $25,000, the review will flag that as a breakdown in cpsr purchasing system approval.

Second, build a mandatory approval path for purchases that exceed standard delegation. For example, any purchase over $100,000 might require approval from a department head. Purchases over $500,000 might need a vice president. The key is to have these thresholds documented and enforced in your procurement system. Do not rely on memory or informal email approvals. The system itself should block a purchase order from moving forward until the required approval is recorded.

Third, require documented cost or price analysis for any non-competitive award. The DCMA wants to see that you did not overpay. That analysis should include a basis for the price reasonableness determination. It should be attached to the purchase record and approved by someone who understands the market. This is not just a procurement best practice. It is a direct requirement under FAR Part 15 and DFARS Part 215.

Fourth, keep a clear audit trail for every approval action. That means timestamps, user IDs, and the specific approval decision. If a reviewer asks "Who approved this purchase and when?" you should be able to answer within seconds. If you have to dig through email archives or ask around the office, that is a sign your system is not CPSR-ready.

Common Pitfalls That Trip Up Contractors

Even experienced contractors make mistakes that cost them during a CPSR. Here are several I have seen repeatedly.

- **Inconsistent delegation records.** Delegations change when people leave or take new roles, but many firms forget to update their records. A former employee still listed as an approver is a compliance gap.

- **Missing justification for sole-source awards.** The DCMA does not prohibit sole-source purchases, but they require a written justification. If the justification is missing or generic, expect a finding.
- **No separation of duties.** The same person should not be able to create a purchase order, approve it, and receive the goods. That lack of separation defeats the purpose of an approval system.
- **Relying on manual processes.** Spreadsheets and email chains are error-prone and difficult to audit. They also make it hard to produce evidence quickly during a review.

Each of these pitfalls can be avoided with a disciplined approach to purchasing system design. The goal is not perfection. It is demonstrable control. The DCMA wants to see that you have a system and that you follow it.

How Procurement Software Supports Approval Readiness

Many contractors turn to procurement software to help them manage these requirements. A good system will enforce approval rules automatically. It will log every action. It will generate reports that show the approval chain for any purchase. That makes the review process smoother because the evidence is already organized.

But software alone is not enough. You still need to define your approval policies clearly. You need to train your staff on the system. You need to periodically test the approval workflow to make sure it still matches your current delegation structure. And you need to keep your system configuration up to date as your organization changes.

One thing I often tell contractors is to run a mock audit before the real CPSR. Pick a sample of recent purchases. Walk through the approval trail for each one. If you find gaps, fix them before the DCMA arrives. That kind of proactive review can turn a stressful inspection into a straightforward validation of your existing practices.

Preparing Your Team for the Review Day

When the DCMA review team comes onsite, they will ask for documentation and they will interview your staff. Your procurement team needs to know where records live and how to access them. They should be able to explain the approval process in plain language. If a buyer says "I just enter it in the system and it gets approved somehow" that is a bad sign. They should know the thresholds, the approval hierarchy, and the reason behind each step.

I have seen reviews go smoothly because the team had rehearsed the answers. They knew which folder contained the delegation letters. They knew how to run an audit report. They knew

how to explain a sole-source justification. That preparation comes from treating CPSR readiness as a continuous process, not a last-minute scramble.

Final Thoughts on Maintaining Approval Compliance

Getting your initial CPSR purchasing system approval is a major milestone, but it is not a one-time event. The DCMA will conduct periodic reviews to ensure your system remains compliant. That means your approval processes need to stay current. When you update your delegation of authority, update the system. When you add a new buyer, train them on the approval workflow. When you change your purchasing thresholds, adjust the system rules accordingly.

The firms that handle CPSRs best are the ones that integrate compliance into their daily operations. They do not treat it as a separate activity. They build approval controls into their procurement software and they enforce them consistently. That approach reduces stress during reviews and also improves procurement discipline overall. It is not just about passing an audit. It is about running a tighter, more accountable purchasing operation.

If you are preparing for your first CPSR or getting ready for a re-review, focus on the approval chain first. Everything else in the review matters, but the approval system is the backbone. Get that right, and you will have a strong foundation for the rest of the evaluation.