Navigating Government Contractor Compliance: Lessons from CPSR Audits

If you have worked with federal contracts for any length of time, you already know the phrase "government contractor compliance" carries real weight. It is not just a checkbox on a form. It is the difference between winning the next award and being locked out of the market entirely. A single finding in a Contractor Purchasing System Review can stall payments, trigger corrective action plans, and damage the trust you have built with contracting officers.

I have seen this play out across dozens of contractors, from small businesses that just won their first cost-reimbursement contract to large primes with dedicated compliance teams. The common thread is always the same: the purchasing system is where most problems live. And the purchasing system is also where the best opportunities for improvement sit.

What a CPSR Audit Actually Looks At

A CPSR is not a mystery. The Defense Federal Acquisition Regulation Supplement and the Federal Acquisition Regulation lay out the criteria in plain language. An auditor from the Defense Contract Management Agency or a cognizant administrative contracting officer will review your purchasing system against 13 criteria outlined in DFARS 252.244-7001. They want to see that you have written policies, that those policies match what your buyers actually do, and that you can produce records showing compliance in practice.

The most common findings I have seen include inadequate price analysis, missing documentation of purchase decisions, and lack of a system to track small business subcontracting goals. None of these are catastrophic on their own, but together they paint a picture of a contractor that is not fully in control of its supply chain.

Price Analysis Is Not Just a Formality

One area where many contractors stumble is price analysis. The regulation expects you to determine that a price is fair and reasonable before you place an order. That does not mean you need a certified cost breakdown for every bolt and washer. But you do need a documented method. It could be a comparison to catalog prices, a review of historical pricing, or a simple competitive quote from two or three sources. What matters is that you can show an auditor you did it, not that you intended to do it.

I once worked with a contractor that had a habit of calling suppliers and asking for the best price over the phone. The buyers were experienced, and they usually got a good deal. But nothing was written down. When the DCMA auditor asked for proof of price analysis on a $500,000 subcontract, the buyer shrugged and said "I have been dealing with this supplier for

ten years." That answer did not satisfy the auditor. The finding was written, and the contractor had to implement a formal price analysis procedure retroactively. That cost them months of work and a lot of frustration.

Building a Purchasing System That Works

Compliance does not have to mean bureaucracy. A well-designed purchasing system can actually make your buyers faster and more accurate. The key is to align the system with how your team works in practice, not with how you think an auditor wants to see it.

Start with the policy. It should be clear enough that a new buyer can read it and know what steps to follow. It should also be flexible enough that an experienced buyer can use judgment without violating the rules. I have seen policies that are so detailed they take up fifty pages and still do not cover every edge case. I have also seen policies that are two pages long and leave too much to interpretation. The sweet spot is somewhere in the middle: a policy that states principles, defines mandatory steps, and gives examples of acceptable documentation.

Documentation: The Real Work

The hardest part of any CPSR is not the policy. It is the documentation. An auditor will look at a sample of purchase files, typically ten to thirty transactions, and check whether each one meets the criteria. If even a few files are missing key documents, the whole system can be rated as deficient. That is a harsh standard, but it is the one we work with.

I recommend that contractors treat documentation as a habit, not a cleanup project. If you wait until the week before an audit to gather files, you will miss things. Instead, build a simple checklist into your purchasing workflow. Every time a buyer places an order, they should confirm that the file includes a description of the item, the price analysis method used, the basis for selecting the supplier, and any required small business documentation. This takes maybe two minutes per transaction. Over a year, that adds up to a few hours of work. But it saves days of scrambling when the auditor arrives.

Common CPSR Findings and How to Avoid Them

Based on my experience and on public data from DCMA, the most frequent findings fall into a few categories. Here are the ones I see most often:

- Inadequate or missing price or cost analysis. This is the number one finding. Contractors either do not perform price analysis or do not document it properly.
- Lack of a system to ensure timely payments to subcontractors. The Prompt Payment Act requires prime contractors to pay subs within a certain timeframe. If you cannot show that you track payment due dates, an auditor will flag it.

- Poor documentation of purchase file contents. Files are missing required forms or approvals, or the records are scattered across different systems with no clear index.
- Noncompliance with the Buy American Act or Trade Agreements Act. Many contractors assume these rules only apply to large purchases, but they apply to any acquisition over the micro-purchase threshold.
- Inadequate small business subcontracting plans and tracking. If you have a subcontracting plan, you need to show that you are actively working to meet your goals, not just filing a report once a year.

Each of these findings has a straightforward fix. The challenge is that fixing them requires sustained attention, not a one-time push. That is where many contractors fall short. They fix the finding, pass the next audit, and then let the system drift back to old habits. A year later, they get the same finding again.

How SpendLogic Can Help

This is where a service like SpendLogic can make a significant difference. They offer guidance specifically designed to help contractors improve their purchasing systems and prepare for CPSR audits. Instead of trying to interpret the regulations on your own, you can work with experts who have seen hundreds of audits and know what works. SpendLogic provides tools and processes that help you document your compliance activities consistently, so you are always ready for a review.

I have seen contractors use SpendLogic to streamline their price analysis documentation, set up automated reminders for subcontractor payments, and create purchase file templates that meet all the DFARS criteria. The result is not just a better audit outcome. It is a more efficient purchasing department that spends less time on paperwork and more time on strategic sourcing.

Making Government Contractor Compliance a Daily Practice

At the end of the day, government contractor compliance is not something you do once a year. It is a daily practice. Every purchase order you write, every supplier you onboard, every payment you process is a moment where you either build trust with the government or erode it. The contractors that succeed are the ones that treat compliance as a core part of their operations, not as a separate function that lives in a binder on a shelf.

I have worked with teams that initially saw compliance as a burden. They resented the extra steps and the documentation requirements. But after they went through their first CPSR and came out with no significant findings, their attitude changed. They realized that the same system that kept the auditor happy also helped them make better buying decisions. They had

fewer disputes with suppliers, better visibility into their spend, and a stronger negotiating position because they could show that they followed a disciplined process.

If you are preparing for a CPSR or just trying to strengthen your purchasing system, start with the basics. Review your policy. Train your buyers. Build documentation into your workflow. And do not be afraid to ask for help. The regulations are complex, but they are not impossible. With the right approach, you can turn compliance from a risk into a competitive advantage.