How a CPSR Readiness Assessment Can Streamline Your DCAA Compliance

The Hidden Cost of an Unprepared Purchasing System

I have seen it happen more times than I like to count. A contractor wins a major government contract, the team celebrates, and then the reality of a Contractor Purchasing System Review (CPSR) sets in. The DCAA shows up, asks for documentation that nobody organized, and the review gets flagged. Suddenly, the company is scrambling to fix purchase order files, update procedures, and justify past transactions. The cost of that scramble is not just billable hours. It is lost confidence, delayed payments, and sometimes a conditional rating that haunts the next bid.

That is where a **CPSR readiness assessment** comes in. It is a structured look at your purchasing system before the review team arrives. I have walked through this process for small subcontractors and for large primes, and the pattern is always the same. The companies that invest in a readiness assessment early save themselves weeks of rework and avoid the worst surprise of all: finding out mid-review that your system has a fundamental gap.

What a Readiness Assessment Actually Covers

A CPSR readiness assessment is not a pass-fail test. It is a diagnostic. You look at each element of the purchasing system that the DCAA will evaluate and ask whether your current practices meet the standards. The DCAA evaluates areas like price analysis, competition, small business subcontracting, and documentation of the purchase file. I have found that most contractors have some strengths but also a few blind spots that only become obvious under scrutiny.

For example, one common blind spot is the documentation of the basis for price reasonableness. Many companies do a good job getting quotes from multiple vendors, but they do not always record why they picked the winning quote. The DCAA wants to see that decision trail. A readiness assessment catches that gap while you still have time to fix it.

Another area is the flow-down of clauses. Prime contracts include specific FAR clauses that must flow down to subcontracts and purchase orders. If your purchasing system does not have a reliable way to track which clauses need to be included for each order, you risk noncompliance on every transaction. A readiness assessment checks your clause flow-down process against the contract terms, not just against a generic checklist.

Why Timing Matters More Than You Think

The best time to run a CPSR readiness assessment is not the month before the review. It is six to twelve months out, when you still have the ability to adjust processes, train staff, and let the changes settle. I once worked with a manufacturer that waited until six weeks before their scheduled review. They found out that their electronic purchasing system did not capture the required data fields for price analysis. The fix required a system update that took three months. They had to submit a corrective action plan before the review even started, which set a negative tone for the whole event.

On the other hand, a defense contractor I advised ran an assessment nine months ahead. They discovered that their small business subcontracting reporting was inconsistent across different buying units. They had time to standardize the process, train the buyers, and run a mock review with an independent evaluator. When the actual CPSR came, they passed with no deficiencies. That is the outcome you want.

The Practical Steps of an Assessment

If you decide to conduct a CPSR readiness assessment, here is a framework I have used that works well. It breaks the work into manageable pieces and avoids overwhelming your team.

- Step one: map your current purchasing process from requisition to closeout. Document every step, every approval, and every data field that gets recorded. This map becomes the baseline for comparison against DCAA requirements.
- Step two: compare each step against the relevant sections of the Defense Federal Acquisition Regulation Supplement (DFARS) and the DCAA Contract Audit Manual. Mark areas where your process either misses a requirement or lacks documentation.
- Step three: pull a sample of recent purchase files, at least twenty across different dollar values and types of goods. Examine them for completeness, especially the price analysis documentation and the clause flow-down.
- Step four: interview the buyers and the procurement manager about their understanding of the rules. Often the process exists on paper but is not followed consistently. That gap is a risk.
- Step five: compile findings into a corrective action plan with owners and deadlines. Do not stop at the list. Assign responsibility and set a date for a follow-up review.

This framework works for both small and large organizations. The difference is scale. A small company might complete the assessment in two weeks. A large prime with multiple buying locations might need two months. Either way, the structure keeps the effort focused and measurable.

Common Mistakes and How to Avoid Them

I have noticed a few mistakes that come up again and again when contractors prepare for a CPSR. One is treating the assessment like a paperwork exercise. The DCAA does not just want to see that you have a policy manual. They want to see that your actual purchases follow the manual. If your policy says you do competitive bidding but your purchase files show single-source awards with no justification, the assessment needs to flag that inconsistency.

Another mistake is focusing only on the purchasing department. A CPSR evaluates the entire purchasing system, which includes how requisitions are initiated, how specifications are written, and how receiving reports are completed. If the engineering team writes vague specs that leave no basis for competition, that is a purchasing system problem. The readiness assessment should involve stakeholders from engineering, finance, and receiving, not just procurement.

A third mistake is ignoring the small business subcontracting plan. Many contractors treat the plan as a separate obligation that lives in a different file. But the DCAA will check whether your purchasing system actually supports the goals in the plan. If your buyers do not know the plan exists or do not look for small business sources, the system is not compliant. The readiness assessment should test the link between the plan and daily purchasing decisions.

Building a Culture of Readiness

The goal of a CPSR readiness assessment is not just to survive the next review. It is to build a purchasing system that stays ready all the time. I have seen companies that run a mini-assessment every quarter. They pull five random purchase files, check them against the standards, and discuss findings in a fifteen-minute staff meeting. Over a year, that habit catches small problems before they become deficiencies.

That kind of routine also changes the way people think about compliance. Instead of seeing it as a burden that appears once every three years, they start to see it as part of good purchasing practice. When the DCAA does show up, nobody panics. The files are in order, the processes are consistent, and the team can explain their decisions with confidence.

I have been on both sides of the table. I have been the contractor scrambling to fix things at the last minute, and I have been the advisor helping a team walk through a readiness assessment with calm focus. The second experience is far better for everyone involved. The work up front saves stress, money, and reputation later.

If you are reading this and your next CPSR is on the horizon, or if you simply want to know where your purchasing system stands, consider running a CPSR readiness assessment now. It is one of those investments that pays for itself many times over, not just in passing the review but in running a more efficient and reliable purchasing operation every day.