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Procurement Guide (PG 9-23)

**Guide
for Performance of
DOE
Contractor Procurement
System Reviews
(CPSR)**

October 1978

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U.S. Department of Energy
Directorate of Procurement & Contracts Management

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FOREWORD

This Department of Energy Guide for Performance of DOE Contractor Procurement System Reviews (CPSR) (PG 9-23) is published to provide training and guidance to Department professionals in the review of contractors' procurement systems. It also provides guidance for management of the Contractor Procurement System Review Program.

Since the proposed Department of Energy Procurement Regulations (DOE-PRs) have not yet been published, any reference to DOE-PRs in this Guide reflects the correspondingly numbered Energy Research and Development Administration Procurement Regulation (ERDA-PR) still in effect for ERDA programs transferred in at the inception of DOE. If any of the referenced DOE-PRs undergo a change in numbering at the time of DOE-PR publication, appropriate corrections will be made in the form of a change to this guide.

The Director, Procurement and Contracts Management Directorate (PR), is responsible for keeping the Guide current. It is not to be rewritten, in whole or in part, by any other office within the Department of Energy. Comments or suggestions for revision should be transmitted to: Department of Energy, Washington, D.C. 20545 (Attention: Director, Contract and Property Management Division).

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October 1978

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A GUIDE FOR PERFORMANCE OF
DOE CONTRACTOR PROCUREMENT SYSTEM REVIEWS (CPSR)

1. PURPOSE

The purpose of this CPSR Guide is to establish uniform procedures for the performance of reviews of contractor procurement systems required by DOE Procurement Regulation 9-23, 9-50 and 9-51. These procedures will enable DOE to (a) evaluate contractor procurement systems to determine if they are adequate to support a surveillance monitoring system rather than the existing system of prior approval of individual procurements at specific dollar levels, (b) assist the contractor in optimizing its effectiveness and efficiency, (c) be assured of contractor compliance with applicable procurement policies and procedures by follow-up surveillance on a periodic basis.

The application of these procedures assure through central coordination a uniform criteria for granting or withholding approval and a uniform confidence in the effectiveness and efficiency of the contractor's purchasing system.

These procedures also provide guidelines that can be used in the formation of a procurement system or in the identification of requirements against which the contractor may be evaluated at a later date.

These procedures may be used to the extent applicable in evaluating the effectiveness of the contractor in performing contracting under cooperative agreements for development of commercial demonstration or pilot plants.

2. APPLICATION

- (a) This Guide applies to Department of Energy (hereinafter referred to as DOE) personnel responsible for performing and maintaining surveillance over contractor's procurement operations. This Guide shall be utilized to the fullest extent possible for initial and periodic reviews.
- (b) The policies, procedures and practices employed by the contractor are to be evaluated by the CPSR team for consistency with sound industrial procurement principles and practices, applicable statutory requirements, executive orders, DOE-PRs and prime contract provisions. The contractor's procurement system should seek to effect the procurement of satisfactory property and services at the lowest reasonable price consistent with necessary quality and required delivery.

- (c) Upon completion of a CPSR initial review, follow-up review, subsequent review, or special review (and after the approval provided for in DOE-PR 9-23.107(a) has been obtained), the report's recommendations will be promptly transmitted to the contractor for comment and/or implementation (the contracting officer will furnish three copies of the approved review report (less the recommendations to the Government) to the contractor for information purposes). Free and open exchange of information is required to obtain the maximum benefits of the CPSR.
- (d) Upon approval of a contractor's procurement system (subsequent to obtaining the approval provided for in DOE-PR 9-23.107(a)), the contracting officer may eliminate the prior approval requirements for contractor subcontracts up to the levels provided for in DOE-PR 9-50.302-5 (unless approval is otherwise required by applicable law, executive order, DOE-PR or programmatic considerations). The dollar amount established will be based upon the contracting officer's confidence level established by the review and assessment of the contractor's ability to maintain or improve the standard of excellence disclosed by the review and the need to provide a system of surveillance. Therefore, the dollar amount established is not indicative of the overall quality of the system but should reflect a reasonable level of surveillance for approved systems. In the event that approval of a contractor's system is withheld (or withdrawn) the contractor will continue in (or revert to) the system of prior approval by DOE of individual procurements as existed prior to the review (or in cases of withdrawal, as existed prior to the approval of the system) until such time as the system can be approved. In the event that approval of the procurement system is withheld or withdrawn, the contracting officer will take action as is necessary to protect the interest of the Government.

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CHAPTER 1

THE DOE CONTRACTOR PROCUREMENT SYSTEM REVIEW (CPSR) PROGRAM

Definition of Terms

- a. CPSR - See DOE-PR 9-23.104(a).
- b. Team Captain - Designated individual assigned to the CPSR team and responsible for the performance and completion of the review and preparation of the report.
- c. Initial CPSR - See DOE-PR 9-23.105-1.
- d. Subsequent Review - See DOE-PR 9-23.105-2.
- e. Special Reviews of Approved Systems - See DOE-PR 9-23.105-3.
- f. Surveillance - See DOE-PR 9-23.110. The results of surveillance reviews may be furnished to the contractor.
- g. Follow-up Review - See DOE-PR 9-23.105.4. A follow-up review will result in a written report, a copy of which may be provided to the contractor.
- h. Purchase Order/Subcontract - Terms used interchangeably to designate a procurement document issued by the prime contractor for property and/or services from a supplier.
- i. Vendor, Supplier, Bidder, Quoter, Offeror - Terms used in this Guide to designate a firm which responds to a solicitation document and/or performs under a purchase order or subcontract.
- j. Subcontracting Orientation Reviews - A review of contractors meeting the criteria of DOE-PR 9-23.104 and where either the preaward survey team or the contract administration office desires to use the procedures of this CPSR Guide to orient the contractor in the requirements of subcontracting under a Government cost-reimbursement type contract. Usually there will be insufficient data or history to form sound judgments or document deficiencies, but from a review of organizational structure, planned procedures, and operational planning, recommendations can be made. This type of review is usually completed with less than one week in-plant and will result in the issuance of a report; however, no recommendations for approval or withholding of approval will be made. Instead, an agreed-upon date will be stated for the formal CPSR review.

CHAPTER 2

PLANNING FOR CPSR'S

1. Importance of Advance Planning

Planning for a review of a procurement system must begin at least 90 days in advance of the review starting date. The quality of such planning may determine to a large extent the success or failure of the review itself since the review team can spend only a limited time in the contractor's plant. If the team captain has given careful attention to prereview planning, has accumulated all the preliminary information and material, and can make it available on the "start" date, the constructive review work can begin upon arrival. In this planning period, available information such as prior audits, reports of subcontracts reviewed, and other information which may impact on the depth and scope of the review should be considered.

2. Determining When a Review is Necessary

- a. When the criteria of DOE-PR 9-23.104 are met, a review should be performed. Once a procurement system has been reviewed and approved a complete review may only be necessary when:
 - (1) Changes in management, organization, or purchasing policies or practices are generally so extensive that they raise a reasonable doubt as to the level of confidence that may be placed in the procurement system.
 - (2) The contractor's business operations or the nature of the procurement activities have changed dramatically in ways that might affect confidence in its procurement system such as a substantial increase in or loss of business.
 - (3) Plant surveillance or investigations by another Government agency, e.g., GAO, have pointed up significant weaknesses in the contractor's procurement system.
- b. The contracting officer may withdraw approval without a review if he has clear and convincing evidence of a serious deterioration in a contractor's procurement system.

3. Determining the Extent of a Review

The team captain must determine the depth and scope of the review to be made.

- (1) An initial review should constitute a complete appraisal of the contractor's procurement system.
- (2) A subsequent, special or follow-up review may constitute a complete appraisal of the contractor's procurement system or concentrate on areas of weakness.
- (3) In those situations where a complete appraisal is not required, a review generally will concentrate on areas of weakness or of special interest or importance. For example, where a deterioration in the performance of price/cost analysis is discovered, only an in-depth review of this particular aspect of the contractor's procurement activities may be necessary if the team captain is satisfied that related areas, such as management's attitude or the experience and capability of personnel performing price/cost analysis, are adequate.

4. Composition of the Review Team

a. Selection of members:

- (1) A team of two or three fully-qualified analysts, plus interested Department personnel such as a representative of an administrative office, may be adequate when conducting an initial or subsequent review. Where available, a qualified analyst from Headquarters should participate in major reviews. This presumes an in-plant review period ranging from two to four weeks.
- (2) A good team always includes a cross-section of skills, representing experience in industry as well as Government, administration as well as procurement, and financing or estimating as well as purchasing. Wherever possible, experienced personnel who have participated in reviews of contractor procurement systems at more than a single contractor plant shall participate. When a particular program has a major interest, program personnel can be invited to participate.

b. Immediate responsibilities of the team captain:

- (1) The team captain should advise the executive responsible for the operation to be surveyed, of the scope of the review and its benefit to the contractor as well as to DOE. Such notification should also identify the team captain and solicit the contractor's cooperation in the conduct of the review.

- (2) The team captain should determine what assistance the team may require from other organizations. Among the organizations and individuals that should be contacted are the following: counsel, audit, area office, property administration, project officers, engineering, EEO Contract Compliance Officer, small/minority business representatives, program and other appropriate DOE personnel.
- (3) Everyone who will be connected with the review in any way should be contacted at least three weeks in advance of the review starting date.

5. Evaluation of Prior Review

In the preliminary phase, the team captain will review the previous reviews and other information as may be available within DOE. This will include internal reviews, audits, reviews by other agencies, appraisal reviews by its own internal audit staff, procurement procedures that are on file and reviews of individual subcontract approvals.

6. Data to be Obtained from Contractor

Prior to the start of its in-plant review work, as a minimum, the team will have available and will have analyzed the following material:

- (1) Copies of the contractor's organization chart(s). These should show the corporate management structure, down to at least the procurement department-head level.
- (2) Copies of the contractor's procurement organization chart down to at least the first level of supervision. A summary of the number, job classification and primary duties of personnel reporting to each first level and higher tier supervisor. Summary of number of supervisory personnel and their major duties.
- (3) Copies of the contractor's procurement policy statement(s).
- (4) Copies of the Contractor's procurement procedures.
- (5) Summary of any changes effected within the last 12 months that affected organization, policy, or manpower, and resulted in cost savings or increases.
- (6) Copies of all important procurement forms.

- (a) The purchase requisition. (If several different forms are used, a copy of each should be collected.)
- (b) The request for quotations (and other solicitations used).
- (c) The part history card (if used).
- (d) The vendor history card (if used).
- (e) The traveling buy card (if used).
- (f) The purchase order.
- (g) The subcontract form if it differs from the purchase order form.
- (h) The cost breakdown sheet, if the contractor uses this form for its own estimates or to obtain cost data from vendors.
- (i) The price analysis sheet (if used).
- (j) The bid tabulation sheet (if used).
- (k) The award justification form (if used).
- (l) Form for vendor evaluation (if used).
- (m) Form for vendor rating (if used).

(7) Summary of the purchasing activity for the period immediately preceeding the review. In determining the period to be reviewed, consideration should be given to the contractor's fiscal year, size of the universe and length of time needed to assure a representative sample. The sample period must be at least two months and not longer than one year. The summary should show for the period selected:

- (a) The dollar value of purchases.
- (b) The number of procurements placed.
- (c) The average number by dollar category of procurements placed per month per buyer--in the format below or a similar format:

<u>Supervisor</u>	<u>\$0/0.5</u>	<u>0.5/2.5</u>	<u>2.5/10</u>	<u>10/100</u>	<u>OVER 100</u>	<u>Total \$</u>
Master buyer (\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	
Buyer						
Buyer Trainee						

(d) The dollar volume and number of procurements, for the 12-month period prior to the review, placed with small business concerns, large business concerns, minority business enterprises, and labor surplus area firms.

(e) The number and dollar value of procurements in the following dollar categories:

-0	to	\$ 500
-\$ 500.01	to	\$ 2,500
-\$ 2,500.01	to	\$ 10,000
-\$10,000.01	to	\$100,000
-Over \$100,000		

(f) The number and dollar value by major categories of suppliers such as:

- (1) Integrated Contract Orders (ICO's)
- (2) Orders on Federal Agencies
- (3) Intra-company Transactions
- (4) Commercial Suppliers

(g) A breakdown between competitive, single-bid, and sole-source procurements over \$10,000.

(h) A breakdown between competitive and noncompetitive procurements between \$500-\$10,000.

(8) List of major procurements issued and/or high-dollar procurements currently outstanding with an open balance of \$25,000 or more as of cut-off date, showing the information contained in the following example:

<u>Vendor</u>	<u>Item</u>	<u>Type of Contract</u>	<u>Value</u>
Acme	Computer for Guidance System for Missile	CPFF	\$

(9) Copies of management reports and repetitive reports to company management and/or to DOE.

(10) List of affiliates, autonomous or semiautonomous departments and divisions indicating total amount of business awarded to each during current year.

(11) Copies of any pertinent, significant review reports (of any nature) of the contractor's purchasing system (within past two years).

7. Establishing Procurement Samples

- a. Prior to the start of the review, the team will analyze the information listed above and select the sample period and sample size of procurements to be reviewed by the team. The number and kind of procurements which should be included in the samples are discussed in Chapter 3.
- b. The team captain will arrange with the contractor to have some of the selected procurement files available for the team's use at the start of the in-plant review work. The contract files should contain all pertinent data concerning the procurement.
- c. It would be unreasonable to expect a contractor to tie up his operations by making all the selected files available at one time, especially since the team cannot possibly review all of them at once. Only a reasonable number of procurement documents is required at the start.
- d. Most of the information required on the procurement sampling spread sheets (Attachments 1 and 2) is factual in nature and will be entered on the sheets from the procurement files.

8. Assignment of Responsibilities for Conduct of the Review

- a. The team captain has the overall responsibility for getting the report into final form and arranging for its publication and distribution. Each member of the team will be assigned responsibility for researching and writing one or more sections of the report. Each team member should know the assigned responsibility of each other member and advise that person of any deficiencies discovered in his area. The team should be alert to actions that the Government may take to improve its response or aid the contractor in improving its procurement system.
- b. The purchase document sampling is just that--a sampling process and not the review itself. The sampling is made to uncover patterns and trends that may suggest the need for further, more intensive study. The review need not be limited to the sample, but should include contracts outside of the sample when required to determine the extent of the deficiency or other necessary information. For example, disclosure of a single-source procurement may indicate to the team member who has primary responsibility for Section H, "Selecting the Source," the need for interviews with the contractor's personnel to determine whether the single-sourcing is justified, what steps have been taken to hold the practice to a minimum, what action is being taken to develop alternate sources, and so forth. The

procurement sampling should be completed in the first week of the review schedule so that the balance of the in-plant time can be devoted to intensive study of the areas that have been shown to need it most.

9. Developing a Schedule for the Team Review

- a. The team captain must schedule the teams's efforts carefully to make certain that the in-plant review is completed during the period allotted to it and that the draft of the final report is ready at the time of the team's departure from the plant. The question of the amount of in-plant effort required should be answered before the review starts. The answer will depend on such factors as the amount of preplanning that has been done, whether the contractor has been reviewed before, how much is known about the contractor's procurement operation, and whether any unusual problems or difficulties are known to exist.
- b. The schedule should be set up so that the team members will be able to finish their review assignment and submit an acceptable draft of their report prior to departure from the plant. Working from the section drafts, the team captain should be able to complete the final report expeditiously. Final reports shall be completed, reviewed, and submitted to Headquarters within 60 days of completion of the on-site portion of the review. The following table charts the scheduling of events for a typical initial review:

<u>No. of Weeks</u>	<u>Interval</u>	<u>Task</u>
8	8 weeks prior to scheduled in-plant review starting date	Conduct prereview planning and request documentation.
4	4 weeks prior to review.	Review contractor documentation.
2-4	Review starting date plus 2-4 weeks.	Conduct in-plant review effort. Team members prepare draft report on sections to which they were assigned prior to departure.

No. of Weeks	Interval	Task
1-3	1-3 weeks following completion of in-plant review efforts.	Team captain cleans up loose ends and produces final report.
2	2 weeks for review.	Review by appropriate management level of the procuring activity
2	2 weeks for review	Review by DOE Headquarters

10. Entrance Conference with the Contractor

A brief description of the purchase document sampling techniques should be given to the contractor. Procedures for setting up interviews with the buyers and representatives of other departments should be defined. Comments should be solicited from the contractor's staff on the company's procurement system and its strengths or weaknesses, changes, future plans for improvements, and suggestions as to how the review team can help the contractor. Comments should be obtained on the requirements, processes or actions of the Government that can be changed or improved to facilitate the contractor's procurement operation.

11. Exit Briefing

The exit briefing--sometimes called the review critique--is a meeting with the contractor's top management, usually held on the last day of the in-plant review. It is essential that the top management of contractor entity be present. If not, the danger exists of the contractor's middle management screening the results. The exit briefing is an important part of the CPSR and should be carefully planned and carried out. Its purpose is to present the general observations of the team along with some discussion centering on those areas that have generated, or will generate recommendations. The team captain should remind the contractor that the contracting officer is officially designated to transmit the CPSR recommendations to the contractor and to notify it whether its procurement system has been approved. In order to facilitate communication, drafts of the contemplated recommendations to the contractor (together with the summary observations leading to the recommendations) will be provided for the attendees, preferably prior to the exit briefing.

CHAPTER 3

REVIEW TECHNIQUES

Procurement Sampling

a. Introduction:

- (1) The procurement sample's purpose is to disclose patterns and trends that suggest the need for further, more intensive study. Depending upon the nature of the study, it may be performed as a part of this review or may be the subject of a special review at a later date. Since the sample is not expected to provide statistically conclusive results, the trends it discloses should be confirmed by interviews with responsible contractor or resident DOE personnel and, when appropriate, by increasing sample size or a review of all contracts in a universe.
- (2) A realistic appraisal can be made only when the analyst understands the context in which the original operating judgments were made. The analyst should, from the files, be able to acquire an understanding of the problems faced, decisions made, and actions taken in particular situations, sufficient to enable him to conduct further investigations, ask intelligent questions of the contractor's people, and make a sound realistic assessment of the contractor's operations. The examination of procurement file documents is without a doubt an important part of the review procedure; yet, it cannot be permitted to absorb any more time and effort than is absolutely necessary. In most cases, a team will not want to undertake analysis of more than 170 procurements; this dictates that the team use some sort of sampling plan.
- (3) It is possible to establish certain requirements for an adequate sample of procurements:
 - (a) The sampling must be unbiased; it must present the same picture that would be derived from an examination of all the procurement files.
 - (b) The analyst must be satisfied that the sampling is valid, and he must be able to demonstrate its validity to others. The technique of sampling must be statistically sound.
 - (c) The sampling must be as small as it possibly can be and still meet the other criteria for sample selection.

- (d) The sampling procedures should be simple enough to be understood by people who are not statisticians.
- (e) The samples must be derived by a method that is compatible with the contractor's existing systems.

b. Approach to sampling:

- (1) A recognized and generally accepted method of sampling shall be used. The preferred method is statistical sampling. Where a method other than statistical sampling is used, the report shall document the reasons why and demonstrate how the sampling process will adequately indicate the quality of the procurement system.
- (2) Stratification of the sample can be done according to any desired criterion. The sampling plan suggested below incorporates stratification by dollar value.

Stratification:

The first task is to stratify the procurements in the following manner:

(a)	\$ 0	-	\$ 500
(b)	\$ 500.01	-	\$ 2,500
(c)	\$ 2,500.01	-	\$ 10,000
(d)	\$10,000.01	-	\$100,000
(e)	Over \$100,000		

Generally, all procurements in category (e) will be reviewed with specific emphasis on determining whether certified cost or pricing data was submitted and, if not, whether the reasons were valid. (However, see paragraph (3)(b) below.) An adequate sampling shall be made of categories (c) and (d). The orders in category (a) and (b) shall be spot-checked for evidence of effective and acceptable procedures. A sample of approximately ten currently active procurements from categories (d) and/or (e), with a life of over six months, shall be reviewed to determine the adequacy of administration. The team should assure that a sampling of interdivisional procurements, blanket and yearly agreements, engineering service, cost-reimbursement, automatic data processing equipment, time and material or labor-hour procurements is included in the sample for review.

- (3) Selection of the period of review:

Initial interviews with contractor personnel will indicate the volume of orders placed in each time period (month,

year, etc.). The review is directed at current performance, and the best index to that is the recent past. It would be impractical, however, to select a period ending in the immediate past, since many files would be in the hands of buyers, etc. It is generally desirable to select a sample period that includes not less than two months nor more than one year.

- (a) The review period must be selected to permit an adequate sampling to be drawn from each stratum, with the maximum number of sample items for all strata kept to about 170. However, where this number is inadequate to generate a valid sample a larger number of samples may be examined.
- (b) It is suggested that the following number of items be sampled in each of the following stratum:

<u>DOLLARS</u>			<u>SAMPLE SIZE</u>
0	-	\$ 500	10
\$ 500.01	-	\$ 2,500	30
\$ 2,500.01	-	\$ 10,000	40
\$10,000.01	-	\$100,000	50*
Over \$100,000			40**
			<u>170</u>

*If the number of procurements between \$10,000-\$100,000 is less than the recommended sample size, the team should review 100 percent of the procurements issued over the past 12 months, up to a maximum of 50.

**If the number of procurements above \$100,000 is more than the recommended sample size, the team should either review (i) 100 percent of the procurements or (ii) the 20 largest procurements and 20 sample items selected from the remainder.

(4) Random selection of the sample items:

- (a) The sample items must be selected at random.
- (b) An alternative to the use of random numbers is where procurements are generated in a random manner and serialized as generated. Then the sampling interval can be selected to provide the sample size indicated for the population. The initial sample should be selected from the first interval randomly and the remaining samples then selected at the interval.

- (5) Analysis of sample items. Sample items selected are analyzed, and the results are recorded on the appropriate analysis spread sheet. These sample results are used to indicate problem areas or unusual trends that should be explored further by interviews, additional samples to further determine the magnitude or origin of the problem, or whatever follow-on technique is appropriate. The team must decide whether each item of evaluation is of major or minor importance.

c. Use of spread sheets:

- (1) Two spread sheets will be used, one for procurements over \$10,000 (Attachment 1) and one for procurements of \$10,000 and under (Attachment 2). The low-dollar value sample sheet will not require as much detailed information. It is essential that all team members take part in this effort. To maintain a permanent backup record, a notation sheet (Attachment 3) should be used to record notations not covered by the spread sheet. Comments will be entered regarding findings which will be useful when specific assignments are carried out.
- (2) To facilitate the recording and summarization of statistical information for incorporation in the CPSR reports, the team should use a separate spread sheet for each dollar category. Working from the spread sheets presented here, the team may make such adaptations and additions as they consider necessary.
- (3) When entries to the spread sheets are complete for all procurements in the total sample, it will be possible to identify the significant trends which come from the sample.

d. Statistical information to be incorporated into CPSR reports, in relation to procurements examined, will be presented in accordance with Attachment 4, "Statistical Information."

CHAPTER 4

SCOPE AND CONTENT OF THE REVIEW

Relationship of this Chapter to the Report Format (Attachment 5)

- a. The report format serves as an outline in writing the initial and subsequent review reports. In writing the report, the team should follow the report format in the same order. The report describes the areas to be reviewed during surveillance and guides the surveillance effort. Surveillance should operate in the same areas and apply the same criteria of effectiveness as the review did. It should provide continuity and consistency for the surveillance efforts, telling what to look for, where to find it, and how to evaluate the findings. Use of the report format as a guide produces uniformity and consistency.
- b. Recommendations to the Government shall be contained as a separate section and are not a part of the report to the contractor.

Section A: Summary and Recommendations

General:

- a. The overall comments and the recommendations of the review team should be set forth in section A of the report.
- b. Every recommendation must be fully supported in the report by documented facts and logical reasoning. It is not the number of recommendations made that counts. The CPSR Program presents a rare opportunity to direct management's attention to areas that can result in significant dollar savings to the contractor and DOE.

Presentation: (See Attachment 5)

1. Contractor's Name and Address - Identify the contractor, the division or affiliate and the physical location of the plant.
2. Statement by Team as to Adequacy of Contractor's Procurement System - Section A should include a statement that the company's procurement system was found to be adequate or inadequate. This should be followed by an indication of the date of the last review and the contractor's approval status as a result of that review.
3. Comments on Effectiveness in Major Procurement Areas - Brief comments will be made in relation to the following major procurement areas:
 - (1) Extent of adequate price competition;
 - (2) Control of sole and single source procurement;
 - (3) Small Business, Labor Surplus Area and Minority Business Enterprise Programs;
 - (4) Utilization of cost and price analysis methods;
 - (5) Compliance with cost or pricing data requirements;
 - (6) Subcontract management;
 - (7) Make-or-buy decision (including application of A-76 contracting-out principles);
 - (8) Organization of the purchasing function and training; and
 - (9) Other areas.

4. Recommendations to the Contractor - Recommendations to the contractor should be stated next. If the report recommends withholding or withdrawal of approval of the contractor's procurement system, the recommendations which will permit the granting or reinstatement of approval should be specifically identified in paragraph 5 below, and indicated here to be of particular importance. Also, whenever the contractor has failed to act on a recommendation made in a prior review, this should be noted and the recommendation should be repeated if appropriate.
5. Recommendations to the Government - Recommendations to the Government should be on an unnumbered page and separately included. Recommendations should be realistic and possible to achieve. The recommendation of the review team regarding the granting, continuing, withholding or withdrawal of approval of the contractor's procurement system should be included here.

Section B: Introduction

This section is intended to provide background information. A brief description of the material to be included follows:

6. Purpose of Review - This paragraph will state the review period from in-plant starting date to in-plant completion date, and state the reason for conducting the review.
7. Review Team Members and Review Methods - The names of the review team members will be listed and their titles and organizations set forth. The methods that the team used in making the survey should be stated, i.e., review of written policies and procedures, examination of procurement files, interviews with the contractor's management, purchasing supervisors, and buying personnel. The number of days that each individual team member spent on-site should also be included here.
8. Summary of Procurements Examined
 - a. The general methodology utilized in selecting the sample should be explained. This section should indicate the sample period, universe, and the selected sample of procurements examined and objective of the sampling technique used.
 - b. The description of review methods should indicate the emphasis placed on each of the techniques used. For example, if reliance was placed primarily on interviews, this should be disclosed.
9. Previous Reviews - Only reviews within the last five years should be listed. Surveillance visits and dates should be included.
10. Status of Prior CPSR Recommendations - Status of prior recommendations as either implemented, or withdrawn, or restated, should be indicated. Repeat recommendations should be so identified in section A of the report. Comment should be made on the effectiveness of DOE in getting the contractor to act on previous review recommendations, if appropriate.

Section C: Company History and Procurement Organization (Each of the numbered subsections will end with a Conclusion and any appropriate Recommendations.)

11. Background Data on Corporation - "Summary of history, size, procurement activity, organizational structure, etc.," calls for purely factual information. The detail in which the company's history should be stated depends on the number of DOE reviews previously conducted. Procurement activity calls for total figures during the most recent fiscal period. Information on history and size of the company can be obtained from prior reports and from interviews with the contractor's personnel. Information in this subsection should be incorporated into the CPSR reports in accordance with Attachment 4, "Statistical Information."
12. Management Attitude Toward Procurement
 - a. "Management attitude toward purchasing" is an important area of the procurement system review. The fact that management's attitude is constructive does not in itself make a good purchasing operation; but top management's failure to understand the importance of the purchasing function will almost certainly result in poor purchasing performance. Top management's active and responsive interest in procurement activities should not detract from the responsibility placed on purchasing or its freedom to act. To function effectively, purchasing must have full authority as well as responsibility. The director of purchasing should report directly to the chief executive of the operation of which his purchasing function is a part. If the director of purchasing does not report to the chief executive but to an intermediate manager, this alone will not be enough to cause withholding or withdrawal of approval of the procurement system. Under such an arrangement there must be evidence that the subordinate reporting level is not compromising or jeopardizing the effectiveness of the purchasing operation.
 - b. Other sources of information about the degree to which purchasing may suffer, either from lack of management support or from reporting at too low a level, include:
 - (1) The degree to which purchasing is delegated responsibility and full authority to act, as shown by the written policies and procedures and their application in day-to-day operations.
 - (2) The statements of purchasing supervisors and buying personnel regarding their concept of purchasing's role. Do they consider purchasing on a par with, or subservient to, other departments?

- (3) The observations of the area office personnel and the DOE auditor. Purchasing, as well as management, may be representing itself most favorably during the course of the procurement system review. Thus, the observations of other Government personnel, gathered over a longer period of time, may be more accurate than the impressions gained by the team during the relatively short period of the review itself.
- (4) Statements of contractor personnel other than purchasing. Does management look on purchasing as merely a service department whose only function is to provide materials and parts in accordance with a set schedule, regardless of whether the parts could be more economically fabricated in-plant, or whether adjustment of the in-plant "need" dates (to avoid costly premium payments) would be more advantageous to the program as a whole? Do requesters look upon purchasing as a service group placing orders at their direction? Does the financial organization feel entitled to the final word on inventory policy and payments to vendors even though its views may not be in accord with sound procurement practice? Other sources of information may suggest themselves. The important thing is not to rely too heavily on any one source. All information should be evaluated. The team should then form its own opinion on whether top management has a sound and constructive attitude toward the purchasing function and whether the reporting level of purchasing is acceptable.

- 13. Procurement Organization - The analysis of the contractor's organization should develop a clear understanding of the functional relationships of purchasing to all other departments. It shall be ascertained whether the organizational level of the purchasing department allows it to operate at maximum effectiveness. For example, unclear lines of responsibility or placing of the purchasing function subordinate to another management function may impair the capability to make objective purchasing decisions.
- 14. Scope of Purchasing Operations - This information should be obtained from the contractor during the prereview planning phase. "Volume of purchase orders" and "principal subcontractors" will require factual information. The number of purchase orders placed during the prior year, plus, wherever possible those placed to date in the current year or through the most recent quarter, should be stated. There should be a breakdown, if possible, of the number and dollar value of purchases placed with small business and minority business concerns and the number and dollar value placed with large business concerns. The major subcontractors should be listed along with the subcontracted items on which they were involved.

15. Interdepartmental Relations

- a. Relations with technical organizations. Each department must recognize the other's role. In source selection, it is important that the technical organization state what is required, but the purchasing organization decides from whom it will be acquired. The technical organization may legitimately recommend sources; nevertheless, the responsibility for the source ultimately chosen must reside in purchasing. The development of an in-house cost estimate requires the technical organization's knowledge of the item being estimated. The technical organization is the initiator of authorizations for changes, but notification to the vendor must come from purchasing. Other areas of inquiry will suggest themselves and should be pursued. For example, is the flow of information between organizations free, fast, and accurate? Does purchasing keep the technical organization informed in areas such as new materials and processes, relative costs of alternative equipment, etc., where it has special knowledge? Does the technical organization, in turn, keep purchasing informed, apprising it in advance of new product development, imminent changes, etc.? Do the departments work together closely to resolve specification difficulties with the vendors?
- b. Relations with production or material control (if applicable). Production control ordinarily establishes the "need" dates purchasing must meet. Does production control afford purchasing a maximum of leadtime?
- c. Relations with legal. Does the general counsel or legal department render necessary assistance to purchasing in the drafting or approval of terms and conditions and assure that required clauses are included in purchase orders and subcontracts? Does the legal department provide counsel in cases of vendor claims and disputes?
- d. Relations with quality control. Do the departments cooperate as necessary to minimize delays in receiving, in the return of rejects, and so forth? Does quality control provide input data to source files regarding quality of items received?
- e. Relations with traffic and/or receiving. Does traffic assist purchasing in providing routings and methods of shipment, thereby minimizing the cost of the shipments? Does traffic cooperate promptly in tracing lost shipments and in claims for damaged goods? Does receiving cooperate with purchasing by prompt handling of goods received and timely notification of receipts, where required, to the buyer for input to source files?

- f. Relations with audit groups. Has the contractor established an internal audit program to review the adherence of purchasing activities to established policies and procedures? How frequently are audits made? Are audit recommendations effectively implemented? Are pre- and post-award audits of procurement and cost or pricing data made? Do audit personnel assist in negotiations?
- g. Interviews should be conducted with the heads of each of the named departments as a means of determining the status of its relations with purchasing. In such interviews, the areas mentioned above, plus any others that may develop as worthy of inquiry, should be covered. Purchasing's own views as to its relations with the other departments should also be ascertained from discussions with purchasing management and buying personnel.

Section D: Management of Procurement (Each of the numbered subsections will end with a Conclusion and any appropriate Recommendations.)

16. Internal Procurement Organization

a. Description of various buying groups:

- (1) Commodity assignments.
- (2) Numbers of personnel.
- (3) Division of responsibility among groups.

b. Description of administrative and other groups. The organizational alignment should reflect the nature and scope of the purchasing task.

- (1) Contractors take various organizational approaches to routine purchasing. However the buying function is organized, the division of responsibility among the several sections must be clearly defined, and an adequate number of personnel assigned. Comment should be as to the adequateness of the organization in relation to the work being performed.
- (2) Functions such as price/cost analysis, procurement research, estimating and budgeting, value analysis, etc. may be a separate staff function or a function of the buyer. The important point is to see whether these functions are being performed, where and how they are organized, and whether they are being performed effectively, and by the proper number of people.
- (3) Comment should be made as to the type of work handled by the personnel--that well trained and highly paid personnel are not performing simple, routine or small purchases.

17. Procurement Personnel

- a. Qualifications of purchasing management. The team must determine whether the director of purchasing and key personnel are qualified.
- b. Qualifications of buying personnel. Qualified buying personnel have usually had some previous experience in purchasing or in a related field such as material control or material planning and estimating. They should be completely familiar with the items they buy, the markets they deal with, and the conditions in

those markets. They should understand the principles of price/cost analysis and be able to apply them in routine situations. They should be familiar with related areas of activity such as scheduling, inventory control, material release, engineering change control, and so forth. The qualifications of purchasing department personnel other than the buyers, such as price/cost analysts, procurement research, and other staff personnel should be considered.

- c. Policy on gifts and gratuities. This item is set up as a separate subject heading because of its importance. Written policies and procedures should be reviewed and the team should also confirm that the policy is understood by the purchasing organization and by the vendor community, and that it is adhered to.

18. Documentation of Purchasing Files

- a. A good procurement system must provide for documentation of the purchasing files to the extent necessary to provide a complete and accurate history of the purchase transactions. In all cases, the file on a purchase should show why the award was made. Low-dollar purchases should not be documented to the same degree as large dollar buys. Over-documentation should be noted. Efficient methods for low-dollar purchases such as charge accounts and automatic procurements processing and oral contracts should be evaluated. The following is a list of what should be in the procurement files.
 - (1) The purchase document.
 - (2) The purchase requisition, showing all required approvals.
 - (3) The request for quotations, showing all firms solicited.
 - (4) The vendor's quotations, including all required representations and certifications.
 - (5) Bid tabulation sheets; i.e., summary and comparison of quotations (may not be necessary on small dollar purchases, where the bids can be compared at a glance).
 - (6) Authorizations for rent-free use of Government facilities.
 - (7) Vendor survey or facilities capability report, including financial evaluation (important on major procurements, particularly when sources are being evaluated for the first time).

- (8) Source selection justification (on other than low-dollar purchases, when the procurement was sole or single-source or was awarded to other than the lowest bidder).
 - (9) Some price/cost analysis should be performed on any large procurement awarded.
 - (10) Previous price history.
 - (11) Negotiation summary (assuming a negotiation was conducted).
 - (12) Basis for selection of contract type.
 - (13) Copies of, or reference to, technical data, such as:
 - (a) Engineering or technical evaluation.
 - (b) Drawings.
 - (c) Performance specification.
 - (d) Test specification.
 - (e) Inspection requirements.
 - (f) Lists of special tooling or test equipment required.
 - (14) Redetermination or termination data, as appropriate.
 - (15) Buyer's findings or write-up, stating justification for the award, if not clearly indicated in foregoing material.
 - (16) Correspondence between purchasing and the bidders.
 - (17) Evidence of small business and minority business enterprise consideration.
 - (18) Information as to use of special terms and conditions and approval thereof.
 - (19) Departmental and management approvals as required.
- b. Not all the information listed above will be required for every procurement. Excessive documentation of low-dollar purchases can incur needless administrative expense. The team should compare the contractor's written procedures on documentation with what it finds in practice. The system should not be criticized severely on the basis of an occasional error not condoned by management. The file should make it clear as to

why the particular buy was made from a particular vendor. This subsection of the CPSR report should indicate the adequacy of documentation of the procurements examined in accordance with the format in Attachment 4, "Statistical Information."

19. Reports and Controls

a. Procurement Status Reports:

- (1) Reports to purchasing management.
- (2) Reports to corporate management.
- (3) Reports to DOE.

b. A good purchasing organization should have a system of reports and controls and provide the means through which purchasing supervision can report its performance to purchasing management and purchasing management to company management. The reports which the contractor prepares and uses should be reviewed by the team. They should also be discussed with procurement management to discover how they are used. They should be simple enough to be read and understood with a minimum of study.

20. Standardization Program

- a. A standardization program is an organized effort to establish fixed standards of quality, size, and description for all material that can be standardized. Its purpose is to minimize the number of different parts purchased or manufactured, and make certain that all materials and parts procured are standard commercial items to the maximum extent possible.
- b. The effort devoted by the contractor to consolidate purchases, like items normally procured from a common vendor, and items suitable for inclusion in an inventory that could be automated, should be assessed as these actions reduce the number of orders handled and enable quantity or volume discounts to be utilized.
- c. Sources of information regarding the contractor's standardization program are corporate policies and procedures, procurement policies and procedures, miscellaneous reports on the impact and effect of the standardization program, and interviews with personnel in the standards and procurement departments.
- d. If a standardization program or consolidation program is not in effect, the review report should recommend that one be organized, if feasible. If a program is operating, the report should state management's attitude toward standardization, the

support offered the program by management and the various groups in the company, particularly in purchasing, and the acceptability of the program.

21. Value Analysis Program

- a. Basically, value analysis is an organized approach to obtain the "best buy." The value analysis function is known by other terms: "purchasing analysis," "purchasing research," "value engineering," "value control," and so forth. The function as it affects purchasing is generally headed by a value analyst who works in cooperation with buying, engineering, and manufacturing personnel, and with subcontractors.
- b. The CPSR team should review the prime contract to determine the types of value engineering clauses contained therein, if any. An evaluation should be made and comments included in the CPSR report as to the extent of the contractor's compliance with these clauses (as they pertain to the area of sub-contracting).
- c. The survey report should describe the contractor's organization, if any, for value analysis. It should also state whether management has established a system for monitoring progress so that it can evaluate the effectiveness of the function, and see that value analysis recommendations are implemented and changes instituted in the program, where indicated.

22. Make-or-Buy Policies and Procedures

- a. Because of the high-dollar value of its procurement, DOE is vitally concerned with the effect of the contractor's make-or-buy procedures on its procurement program. The term "make-or-buy" refers to the decisions that determine whether a component or a product will be made by the contractor or purchased from a supplier. DOE's objective in reviewing a make-or-buy policy is to assure itself that the contractor makes the best decision for the Government--price, quality, and delivery considered.
- b. The contractor's make-or-buy policy and procedures should be available in written form to all company personnel concerned with them. A decision to make-or-buy a specific item should be based on information gathered from departments involved with that item. Purchasing should be asked to supply information on the availability of suppliers or to provide an estimate of the cost to purchase a component, so that a comparison can be made with the cost of in-house manufacture. The review team should evaluate whether the contractor's procedures distinguish

between major decisions that should be made by top management and the less important decisions that may be delegated to a lower management level.

23. Material Estimating - Budget Control

Essentially, the team must determine what department within the contractor's organization has the responsibility for compiling the cost estimate for material, purchased parts, and subcontracted items. Is this a purchasing responsibility? How are estimates prepared? Arrangements should be made for the contractor to provide an explanatory discussion of the budget cycle, including estimating techniques.

Section E: Procurement Policies and Procedures (Each of the numbered subsections will end with a Conclusion and any appropriate Recommendations.)

24. Evaluation of Written Policies and Procedures

- a. In this section of the review report, the contractor's procurement policies and procedures will be evaluated on the basis of their overall form, scope, and effectiveness and the methods used for formulating, issuing, and changing them. Appropriate DOE personnel who perform specialized functions such as property administration, etc., shall be utilized to prevent duplication of effort.
- b. The effectiveness of a contractor's procurement system can be attributed to a number of factors: (1) its written policies and procedures, (2) its administrative practices in following and implementing them, (3) its other administrative practices, and (4) the ability of its procurement personnel to apply policies and procedures in a specific situation. Although the fourth does not fall within the scope of this section, it must be taken into account in determining the adequacy of the contractor's written policies and procedures.
 - (1) The review team should determine who participates in and who is consulted in the preparation of policies and procedures. Coordination is desirable to promote understanding and acceptance of policies and procedures by those concerned.
 - (2) The policy statements typically cover the following subjects:
 - (a) Purchasing's responsibility.
 - (b) Purchasing's sole authority to make commitments.
 - (c) Purchasing's authority to question the quality and quantity of material requisitioned.
 - (d) Purchasing for personal use.
 - (e) Reciprocity.
 - (f) Handling of prices, terms of purchases, and quotations.
 - (g) Contacts of personnel with professional, educational, and trade organizations.
 - (h) Competitive bidding.

- (i) Speculative buying.
- (j) Purchasing's role in make-or-buy decisions.
- (k) Gratuities.
- (l) Product testing.
- (m) Emergency purchase authority.
- (n) Documentation.
- (o) Ownership by company personnel in current or potential vendors.
- (p) Commitment of funds for purchasing.
- (q) Limitations of source specified on drawings and requisitions.
- (r) Source selection and evaluation.
- (s) Operations with affiliates, subsidiaries, or the parent company.
- (t) The Small Business, Labor Surplus Area and Minority Business Enterprise Subcontracting Programs.
- (u) Socio-economic impact of subcontracting.
- (v) Standardization.
- (w) Pricing philosophy.
- (x) Variations in quantity.
- (y) Second bidding.
- (z) Relations with vendors.
- (aa) Payments and discounts.
- (bb) Rush orders.
- (cc) Claims.
- (dd) Inventory policy.

- (ee) Plant visits.
- (ff) Acceptance or return of material.
- (gg) Interdepartmental relations.
- (hh) Blanket orders.
- (ii) Termination.
- (jj) Use of Government property.
- (kk) Subcontract closing.
- (ll) DOE advance approvals.
- (mm) Unpriced commitments.

NOTE: Similar matters are covered in procedural statements, but procedures should specify in detail the flow of documents, the backup documentation required, and other details for carrying out the policies. A written procedure that does not provide for necessary documentation of purchasing files should not be considered adequate.

- (3) Other matters for evaluation. The review team should also evaluate the contractor's written policies and procedures for the following:
 - (a) Are they clearly stated and is their applicability clear?
 - (b) Are they distributed and maintained at the locations where they are needed and in sufficient quantity for practical use? Are the purchasing policies and procedures that affect other segments of the contractor's organization readily available to their personnel?
 - (c) Are the policies and procedures understood? Do purchasing personnel and others affected have confidence in them? Are the copies used up-to-date, well organized and complete? Are stated policies ignored or subverted in the interests of expediency?

25. Analysis of Purchasing Forms

- a. The forms analyzed by the review team should include, as applicable:

- (1) Purchase Requisitions or Requests; Contract Modifications (Change Order) Requisitions or Requests.
- (2) Requests for Quotation.
- (3) Bid Evaluation forms and Tabulation sheets.
- (4) Purchase Order and Subcontract forms.
- (5) Acknowledgement, Award, and Acceptance forms.
- (6) Vendor Survey forms.
- (7) Parts History cards.
- (8) Receiving reports.
- (9) Follow-up forms, such as rejected material reports, forms for implementing small business requirements, and any other forms pertinent to the operation of the contractor's procurement system.

b. The purpose of forms analysis is to see whether forms adequately support the purchasing operation and whether they are consistent with good business practices and the special requirements of DOE. Forms should be reviewed for the following:

- (1) Consistent copy with written policies and procedures and with each other?
- (2) Need: is the form required? Would additional forms be beneficial, e.g., telephone quote form?
- (3) Is the design of the form suitable? Does it convey the needed information in a logical sequence of presentation? Is the form simple and at the same time complete?
- (4) Do the contractor's personnel use the forms properly?
- (5) Is there unnecessary duplication of paper work?
- (6) Is the form current?

Section F: Subcontract Clauses

26. Analysis of Purchase Order Clauses

a. Correct Use of Standard Purchase Documents

Standard formats are to be consistent with the type of purchase for which they are assigned, i.e., a fixed price type format cannot effectively be used for a cost type procurement. It is necessary to assure that the system being reviewed provides for the inclusion of special or nonstandard clauses as appropriate.

b. Use of DOE-PR Clauses

- (1) There are numerous DOE-PR clauses which a prime contractor may incorporate in a purchase document in order to assure more effective performance of the prime and subcontract requirements. There is usually no objection to such use of such clauses provided the clauses are modified if appropriate. It is the contractor's responsibility to see that the subcontract terms are appropriate to stimulate timely, quality performance and to protect the interests of DOE.
- (2) The contractor's compliance with contractual requirements for subcontract terms should be determined by reviewing its procedures and examining its practices for including these terms. The review team should determine that the standardized terms and conditions are current and appropriate and that contractor's method of revising, selecting, and drafting the appropriate terms for use in a particular procurement document is adequate.

c. Procurement Clauses

It is a fundamental duty of those who are charged with approval of procurements or of procurement systems to see that the procurement forms used by the contractor will carry out the intent of DOE and the contractor as evidenced by the prime contract. It is not necessary to remove clauses which the prime contractor wishes to insert for his own protection. The review of the purchase document clauses will be performed by legal counsel. This review will be accomplished during the review period.

d. Restrictive Clauses

Unnecessarily restrictive clauses shall be avoided.

e. Special Clauses

Clauses not required by applicable statutory requirements, executive orders, DOE-PR's or the prime contract should be carefully reviewed.

(1) Pricing

The pricing provisions should be reviewed to assure that prices are established in a manner which is compatible with the prime contract and the contractor's approved procedures. The understanding by contractor personnel of the need to secure a reasonable price and how to comply with FPR 3-807 and cost accounting standards should be ascertained.

(2) Patent Rights

When a patent clause is appropriate for use in a subcontract, the contractor's system should assure that the subcontract clause is consistent with the patent clause in the prime contract.

(3) Warranty

Many procurement document formats contain standard commercial type warranty requirements. There is no objection to such clauses.

(4) Equal Opportunity

To be included in procurements as required.

(5) Subcontractor Cost and Pricing Data

Special attention is directed to the "flow down" requirements of referenced clauses and the requirement for the prime and higher-tier subcontractors to obtain certificates of current cost or pricing data. The review of the contractor's procurement system in this area should consider the basis and objectivity used by the contractor in determining the applicability of clauses to subcontracts and the contractor's practices and procedures to assure that first-tier subcontractors are flowing the clause down to lower-tier subcontractors where appropriate.

(6) Subcontracts

The implementation of clauses by the contractor when

appropriate should recognize the DOE approval requirements and the prohibition against cost-plus-percentage of cost subcontracting.

(7) Termination for Convenience of the Government

DOE procurement regulations provide that contractors, for their own protection, should include a "Termination for Convenience" clause in their subcontracts.

(8) Government Property

Contractors are required to hold subcontractors responsible for loss of, or damage to, Government property in their possession and control under the subcontract.

f. Special Agreements

These agreements frequently modify or completely negate certain clauses in the standard formats. Reviewers should determine the basis for the use of such agreements and their effect.

g. Supplier Acceptance

Supplier acceptance is frequently accomplished by the supplier submitting its acceptance on the supplier's own form. The terms and conditions on the acceptance document may be at variance with those contained on Contractor's request for quotation.

27. Conclusions

This paragraph should comment on the contractor's effectiveness in incorporating the flow-down provisions of the prime contract into appropriate purchase orders and subcontracts. Special comments should be included on the use of restrictive clauses and the incorporation of special clauses or provisions and their effect and efficacy.

Section G: Purchase Requirements (Each of the numbered subsections will end with a Conclusion and any appropriate Recommendations.)

28. Establishment of Schedules - Procurement Leadtime

Scheduling is an important function and must be reviewed. The objective is to determine whether the contractor schedules work realistically and allows sufficient procurement leadtime for effective procurement. The review team should determine what portion of the purchase order samples received by purchasing had adequate procurement leadtimes. If a significant percentage was received with inadequate leadtimes, the team should determine why. The team should try to isolate any factors which may be contributing to faulty scheduling. Information in this subsection should be incorporated into the CPSR reports in accordance with Attachment 4, "Statistical Information."

29. Inventory Control

The economic order quantity (EOQ) will vary from item to item. Since the review covers the purchase of overhead supplies as well as direct requirements, the team must examine the contractor's method of establishing inventory levels for overhead (indirect) items. A minimum-maximum system of controls usually requires the following procedures:

- a. Minimum stock level and reorder point. A minimum quantity is generally established and includes a safety stock for reasonable contingencies. A reorder point for the item is also established at a quantity which will allow time to reorder the material and receive it by the time the stock level reaches the minimum quantity.
- b. Maximum stock level. The maximum stock levels, taking into consideration EOQ, are generally set on most items.
- c. Economic order quantities. In setting the maximum stock level and reorder point, the economics that can be effected by ordering various quantities should be considered.
 - (1) The use of minimum-maximum levels requires the maintenance of inventory records. In addition to reviewing the accuracy and timeliness of records, the team should examine the methods used to establish economic order quantities, to determine whether it guarantees an adequate supply of material and keeps inventory and handling costs to a minimum.
 - (2) The team should check to see how often the minimum-maximum levels are reevaluated for changes in usage or cost and to see who makes the reevaluation.

30. Material Control Methods

- a. The term, "material control," as it is used here, includes (1) determining the need for; (2) scheduling deliveries of; (3) purchasing; and (4) controlling inventories of material. Though certain of these functions may be performed by departments other than purchasing, the review team should investigate what the contractor's material control system is and how well it permits purchasing to do its job.
- b. The team should establish some form of test pattern for the review of the material control activities. The following sample questions should be considered in the review of this subject:
 - (1) What are the policies and procedures governing the acquisition and control of property, material and supplies? What controls are provided in written guidance?
 - (2) Does the organizational placement of material control provide an independent check on departments generating requirements?
 - (3) How are requirements screened against quantities on hand?
 - (4) Is there any attempt made to combine quantities? At what point?
 - (5) How does the contractor identify repetitive items for inclusion in inventory?
 - (6) How are quantities established?
 - (7) Does contractor analyze its excess material balances?
 - (8) What is amount of current excess and is it identified as to cause?
 - (9) How were previous excesses disposed of? What consideration is given to termination inventories?
 - (10) What are current dollar balances of inventories?
 - (a) Production materials.
 - (b) Maintenance, repairs, and operating (MRO) items.
- c. Investigate largest items listed in surplus inventories.

- d. Work closely with DOE property administration personnel both before and during evaluation of the material control function.

Section H: Selecting the Source (Each of the numbered subsections will end with a Conclusion and any appropriate Recommendations.)

31. Source Selection Policies and Procedures

- a. The contractor's source selection policies and procedures should be in written form and should include both commercial practices and applicable DOE requirements that modify them. The following are some of the topics that should be considered:
 - (1) Role of purchasing in make-or-buy decisions.
 - (2) Compiling the source list.
 - (3) Obtaining competition.
 - (4) Method of determining the vendor's capability-- performance records, vendor surveys, credit ratings, or technical evaluation of research and development proposals.
 - (5) Solicitation conferences.
 - (6) Reciprocity.
 - (7) Price/cost analysis.
 - (8) Role of technical groups in source selection.
 - (9) Dealing with affiliates.
 - (10) Developing second sources of supply.
 - (11) Price/quality philosophy for selecting vendors.
 - (12) DOE policies and contract clauses affecting selection of sources including those on source approval, security, small business, labor surplus area and minority business enterprise programs, and procurement from foreign sources.
 - (13) Source Selection Boards.
- b. Compiling the source list. Several sources of information are available and should be continually reviewed and updated.
 - (1) Many purchasing departments maintain a parts history file for repetitive requirements. The files usually show the sources solicited, dates, prices quoted, vendor selected, purchase order numbers, quantities ordered, and prices paid.

- (2) In addition to a parts history file, many departments also maintain a vendor history file. The vendor file usually provides a record of each vendor's past performance, its production facilities, its financial ability, the personnel to be contacted, and other pertinent information.
- (3) Frequently, the technical group places the names of suppliers on drawings or specifications. It is important to make sure that the buyer interprets this as additional source information, and not as a requirement to award the order to the suggested source.
- (4) A good source selection policy also requires buyers to continually look for new and improved sources of supply.
- (5) A purchasing department should have supplementary sources of information available for identifying new suppliers which include The Thomas Register, The Buyer's Guide, McCrae's Catalog, and Sweet's Catalog.

c. Obtaining competition

- (1) In developing the source list for procurement, the buyer should include the maximum number of sources compatible with the procurement. Adequate and effective price competition is the best means of assuring that property, supplies and services will be obtained with maximum economy. The use of "trade names" in contractor process standards should be minimized to increase competition among subcontractors. The buyer must balance the need for competition with the ability of the sources to deliver the necessary quality of materials or services in accordance with the established delivery schedules.
- (2) There is no optimum number of sources that will automatically produce the desired level of competition on a particular procurement.

d. Determining vendor capability. The buyer should evaluate the capability of prospective vendors prior to solicitation. Narrowing down a broad field of vendors to a reasonable number of the most promising sources generally ensures the most effective solicitations and awards.

32. Intra-company Transactions

Contractors whose affiliates or divisions compete with vendors for supplying purchased items should have a written policy governing

these intra-company transactions. Pyramided profits on work performed within the company are to be prevented. The team should determine from management how it handles transactions with affiliates and divisions of the parent company.

33. Advance Procurement Planning

- a. Advance procurement planning is essential to establish an effective competitive procurement program. An advance procurement planning program involves a thorough management analysis of items which are being procured to disclose the obstacles to competitive procurement and to identify the optimum acquisition strategy to management.
- b. The review team will give special attention to those aspects of planning that are directed toward increased opportunities for price competition. There should be procedures for technical organization and procurement cooperation in development of specifications and in analysis of noncompetitive items for potential conversion to competition.
- c. Types of purchased material will vary. Maintenance, repair and operating supplies should be screened for inclusion into an inventory system and purchased on an ordering agreement or charge accounts. The company's policy for subcontracted items should be to adequately define the item so that price competition is obtained on the initial buy. Practices should be in effect that will allow subcontract management and a detailed review of subcontract items made at least annually with a view toward price competition.
- d. The contractor should place emphasis on determining competitive potential during the design stage prior to the make-or-buy decision. Technical management should be alert to the possibility of obtaining price competition through changes consistent with form, fit, and function requirements. It is not sound practice to construct a purchasing plan limited in scope to the buy at hand. Plans should encompass future requirements or usage and consider the development of a second source if none exists. While technical personnel are responsible for the physical product, the procurement personnel are responsible for its acquisition. The review team can evaluate the effort in this area by noting the degree of participation by procurement personnel in Advance Procurement Planning, Source Selection Boards, Make-or-Buy Committees and various types of planning conferences and consultations. There shall be included in the report an analysis of source development actions that resulted from this activity.

34. Adequate Price Competition

- a. The most acceptable and reasonable price is obtained when adequate price competition exists, since contracts can then generally be awarded to the lowest bidder. Four criteria must be met to have adequate price competition.

First, an adequate number of responsible offerors must submit bids. A minimum of two offerors is required, but more may be necessary.

Second, the potential vendors must be responsible contractors who are able to satisfy the prime contractor's requirements.

Third, the vendors must independently contend for the contract to be awarded to the responsive and responsible offeror submitting the lowest evaluated price.

Fourth, the vendors must submit priced offers responsive to the expressed requirements of the solicitation. A wide variation in quoted prices may be a warning to the buyer not to place the contract with the lowest bidder without investigating all prices further.

Whether there is adequate price competition for a given procurement is a matter of judgment. The buyer should obtain several quotations if practicable to do so, even if adequate price competition does not exist. In these cases, there is no assurance that the lowest price is reasonable, and some form of price/cost analysis must be made. This subsection of the report should contain statistics on the procurements examined in accordance with the format in Attachment 4, "Statistical Information."

- b. The contractor's attitude toward the placement of contracts on a competitive basis and actual practice in this regard can be determined from its policies and procedures, the procurement samples, and cognizant procurement personnel. In the case of procurement samples, where competition was not sought, the file documentation should be reviewed to see whether the lack of competition is justified. When an order is placed with other than a low bidder, the review team should review the justification for the award. In its report, the review team should discuss whether the contractor solicits competitive quotations whenever competition is feasible--as indicated by the nature of the procurement, the lead time, the availability of qualified sources, and so forth. The review report should also show the depth of competition, that is, whether the number of bidders is sufficient. In addition, it should discuss whether price/cost

analysis was performed in instances where award was made to the lowest bidder but where the review team had reason to doubt that adequate and effective competition was, in fact, obtained.

35. Single/Sole-Source Procurement - Second Source Development

- a. Buyers must be competition oriented. Unless purchasing management takes a hard look at the noncompetitive procurements and endeavors to compete them, there can be little assurance to DOE that the price being paid is fair and reasonable.
- b. The following factors should be considered in evaluating a source of supply:
 - (1) The proprietary interest involved.
 - (2) Availability of drawings (procurement data).
 - (3) Qualification tests that must be added to item cost.
 - (4) Cost of adding a new item to inventory.
 - (5) Cost of additional tooling requirements.
 - (6) Life cycle cost impact.
 - (7) Configuration control impact.
 - (8) Standardization.
 - (9) Schedules.
 - (10) Current and future quantity requirements.
 - (11) Administrative, production, and other leadtime.
 - (12) Need for unique capabilities, special techniques.
 - (13) Reliability.
 - (14) Other factors peculiar to the individual situation.
- c. Narrative comments shall be made in the report of steps taken by the contractor to overcome the specific obstacles revealed by the analysis of the items. The recording of the procurement findings on the spread sheet shall include notations of the contractor's justification for a noncompetitive procurement.

Predominant justification for single/sole-source awards which may be coded on the spread sheet are:

- (1) Customer or design agency directed.
- (2) Engineering directed.
- (3) Proprietary items.
- (4) Only vendor qualified.
- (5) Economically justified.
 - (a) Tooling cost.
 - (b) Qualification test cost.
 - (c) Delivery requirements.
 - (d) Logistics costs.
 - (e) Engineering costs.
 - (f) Limited requirements, not justifying cost.
- (6) Other justifiable reasons.
- (7) No justification given.

Another column may be coded as to the review team's evaluation of the credibility of contractor's justification. The team should be alert to heavy loadings on one or more of the above codes--this could indicate a basic procurement weakness. The contractor's attitude toward increasing competition is indicated by notations of its projected plans for competing the noncompetitive items disclosed in the procurement sample. This paragraph of the report should contain information on procurements examined in accordance with the format in Attachment 4, "Statistical Information."

- d. Effective advance planning may include the setting of dollar and percentage goals, such goals being an internal management tool. The goals established within internal management echelons should be set with procurement participation. Each specific single-source should be considered as an exception to company policy, requiring:

- (1) Conclusive and logical substantiation of the single-source requirements by the management of the department which established the requirement.

- (2) Thorough cost or price analysis unless it involves a low-value item.
 - (3) Complete documentation of the facts, and approval of the procurement by appropriate procurement management.
 - (4) Furnishing management with regular reports, at least quarterly, on the status of noncompetitive versus competitive buying.
 - (5) Monitoring by procurement management of all specified single-source items of substantial value on a continuing basis, recycling them through the concerned departments for source expansion consideration. The review team shall evaluate the realism of the established goals and the effectiveness of procurement management in working toward their realization.
- e. A reporting procedure of actual competitive experience against the total procurement potential is an element of a good procurement system. An analysis may be made of the results accomplished in relation to the determined competitive potential. Consideration shall be given to the cost savings, as a result of price competition.
 - f. A qualitative review of the contractor's efforts to obtain optimum price competition is of the essence in every procurement system review. The team shall include in the report a summary statement evaluating the overall adequacy and effectiveness of the contractor's efforts.

36. Vendor Performance Rating

A good vendor rating procedure may draw together evaluations of a vendor's performance by all company personnel who deal with him. A vendor rating procedure should be restricted to procurement of dollar values which warrant the administrative cost. The rating system should evaluate price, quality, delivery, and service. In its review, the team should determine (1) whether a rating system is used; (2) what aspects of performance it rates; (3) who evaluates vendor performance; (4) whether the information is kept current; and (5) how it is used in selecting sources.

37. Small Business, Labor Surplus Area and Minority Business Enterprise Programs

a. Small Business Program:

- (1) DOE contracts in excess of \$500,000 require the contractor

to establish and conduct a small business subcontracting program. The contractor's program must provide for consideration of small business concerns in make-or-buy decisions and must give these concerns an equitable opportunity to compete for subcontracts. Records must be maintained to show which of the contractor's vendors are small business firms. The contractor must insert the "Utilization of Small Business Concerns" clause in applicable subcontracts and require similar small business programs to be set up under subcontracts in excess of \$500,000.

- (2) The team should determine how the contractor implements DOE small business policy and whether it has an established operating policy of its own. If the contractor has been assigned goals, the progress toward these goals and effort to achieve them shall be indicated. The adequacy of this program shall be the responsibility of the small business specialist. The conclusions and recommendations of the small business specialist will be incorporated in the report.

b. Labor Surplus Area Program:

DOE also encourages the placement of subcontracts with concerns that will perform substantially in areas of current labor surplus. The team should review what procedures, if any, the contractor employs for placing subcontracts in areas of labor surplus and what plans it has for expanding its labor surplus area program in the future.

c. Minority Business Enterprise Subcontracting Program:

It is the policy of DOE that there be increased involvement of minority business enterprises in DOE programs. The team, with the assistance of the cognizant small business specialist, will review the contractor's subcontracting policies and procedures to determine to what extent the contractor has assumed affirmative obligations with respect to subcontracting with minority business enterprises.

- d. The semiannual Small Business/Minority Business Report should be obtained from the DOE Operations Office.
- e. The team should attempt to determine top management's support or commitment for the spirit of these socio-economic programs, as well as meeting contractual obligations.

Section I: Pricing (Each of the numbered subsections will end with a Conclusion and any appropriate Recommendations.)

38. Pricing Policies and Procedures

a. The contractor's pricing policies and procedures should provide that some form of price or cost justification will be performed in connection with every procurement action (at least those above \$500). Cost analysis should be performed in those situations where price analysis is not sufficient to determine a fair and reasonable price. The contractor's pricing policies should be reviewed to determine how effective they are in evaluating vendors' prices. Consideration should be given to the contractor's solutions to the following questions:

- (1) When is a price/cost analysis required?
- (2) Who is responsible for the price/cost analysis?
- (3) What price/cost analysis methods should be used?
- (4) Do the contractor's procedures provide for securing a Certificate of Current Cost or Pricing Data when required? Approval of a contractor's procurement system will not be granted unless the purchasing policy provides for compliance with DOE-PR 9.3-8, "Cost or Pricing Data" and purchasing practices do result in the receipt of price/cost data, appropriate analysis, execution of the Certificate and incorporation of the appropriate clauses in the subcontract.

b. Review and Evaluation:

Policies must be reviewed, must be adequate in terms of acceptable procurement practice, must conform with applicable Government regulations and must be applied. This can be determined by checking the procurement documentation and similar reports and by questioning the contractor's buying and other personnel. This section of the report should contain statistics on the procurements examined in accordance with the format in Attachment 4, "Statistical Information."

39. Responsibility for Price/Cost Analysis

a. Department or group responsible:

- (1) The buyer must have the sole responsibility for the contract price, even though a specialized staff group does the price/cost analysis.

- (a) There is no standard organization for price/cost analysis.
 - (b) The timing of the analysis is important. The price/cost analysis certainly should be made prior to negotiations.
 - (c) In this report, the review team should discuss briefly the organization and responsibility for price/cost analysis. Comments should reveal the price/cost analysis inputs made by any group or individual that contributes to this function, including the in-house estimating group. If price/cost analysis inadequacies are attributable to organization problems, the review report should indicate this.
- (2) The buyer should understand the requirements of the products being bought. Knowledge of this area can be measured by the ability to ask for the proper supporting data and the proper selection of sources for solicitation.

40. Price Analysis Methods

- a. Price analysis is the process of examining and evaluating a prospective price without evaluation of the separate cost elements and proposed profit. The team evaluation of the effectiveness of the contractor's utilization of price analysis methods should be primarily developed from the review of procurements. Some form of price justification may be accomplished in various ways including the following:
 - (1) Comparison of the price quotations submitted.
 - (2) Comparison of prior quotations and contract prices with current quotations for the same or similar end items.
 - (3) Use of rough yardsticks such as dollars per pound, per horsepower or other units to point up apparent gross inconsistencies which should be subjected to greater pricing inquiry.
 - (4) Comparison of prices set forth in published price lists issued on a competitive basis, published market prices of commodities and similar indicia, together with discount or rebate arrangements.
 - (5) Comparison of proposed prices with estimates of cost independently developed by personnel within the contractor's organization.

- b. Adequate price competition is the most desirable form of price analysis and should be utilized whenever possible in order to establish a fair and reasonable price.
- c. Price comparison can be made by reviewing the price history of the product in question. The current proposed price can be checked against the past trend of prices for this product. The review of price history is a questionable approach for noncompetitive proposals.
- d. Preparation of in-house estimates is a reliable tool to be utilized in the determination of a reasonable price. In-house estimates can be prepared by the contractor's own estimating, engineering, and procurement personnel. In developing estimates, the estimator must consider the product specifications from which are developed cost estimates of material, labor and overhead. The estimator uses such techniques as labor standards, rules-of-thumb such as dollars per pound of material, comparisons to past actuals, and so on. In estimating by similitude, a detailed analysis is made of the differences between the product being estimated and the most similar product produced in the past. Once the estimate is developed, it can be used as a measure of the reasonableness of the quoted price and as the basis for the buyer's position in subsequent negotiation.

41. Cost Analysis Methods

- a. Cost analysis is the review and evaluation of a supplier's cost or pricing data and of judgmental factors applied in projecting from the existing data. It includes the appropriate verification of such factors as:
 - (1) The necessity for certain costs.
 - (2) The reasonableness of amounts estimated for the necessary costs.
 - (3) The allowances for contingencies.
 - (4) The basis used for allocation of overhead costs.
 - (5) The appropriateness of allocations of particular overhead costs to the proposed contracts.
- b. In order to perform effective cost analysis, the contractor must receive a cost breakdown with adequate supporting cost and pricing information.

- (1) Standard formats should be flexible. If they do not conform to the vendor's usual method of generating costs, they should allow the vendor to submit a breakdown in accordance with its estimating system. The contractor shall request cost information and supporting data in accordance with DOE-PR 9-3.8.
- (2) Without any supporting data, the breakdown is of limited value and cannot be used as a basis for analysis. Supporting data may include: (a) a priced bill of material; (b) past actuals of labor hours on which an improvement curve can be constructed; and (c) estimates of total plant direct labor hours to use in evaluating the reasonableness of projected labor and overhead rates.
- (3) The buyer shall list in the solicitation form the data that the vendor should submit with the quotation. The data should be requested at this time as the buyer is in the strongest bargaining position and the supporting data will be received with the quotation rather than at a later time when it cannot be used effectively. The extent of the analysis should be related to the dollars involved, past experience with the vendor, complexity of the work statement, and other factors. Some vendors will refuse to submit supporting data. Contractors should refer the names of vendors who have consistently refused to supply required cost breakdown and supporting data to the cognizant operations office manager.

c. Engineering Design Changes:

The vendor is in a "sole-source" position in pricing design changes: considerable care should be taken to ensure that engineering design changes are not excessively priced and that the vendor is not bailed out of a loss position through changes. No-cost change orders should also be reviewed to see whether they might be more appropriately considered as contract credits.

d. Advisory Audits:

For each high-dollar procurement file reviewed, the review team should indicate on the spread sheet whether an advisory audit was requested and received on a timely basis. If an audit was made, the CPSR report should indicate whether it was used effectively in obtaining cost and price concessions from the vendor, if these were warranted.

42. Cost or Pricing Data

The applicable "Subcontractor Cost or Pricing Data" clause shall be inserted in all negotiated subcontracts expected to exceed \$100,000 except where the price is based on adequate price competition, established catalog or market prices of commercial items sold in substantial quantities to the general public, or prices set by law or regulation. The contractor shall require subcontractors to certify, in substantially the same form as that used in the certificate in DOE-PR 9-50.704-24 that to the best of their knowledge and belief, cost and pricing data submitted is accurate, complete and current as of the date of the agreement on the negotiated price of the subcontract or subcontract modification.

- a. Approval of a contractor's procurement system will not be granted unless the purchasing policies and procedures provide for obtaining cost or pricing data and certification in accordance with DOE-PR 9-3.8 and 9-50.704-24 and purchasing practices result in receipt and detailed analysis of such data and in compliance with DOE-PR 9-3.8. Data submitted must include incurred and estimated costs by specific cost element and in supporting information suitable for detailed review and analysis in accordance with the requirements of DOE-PR 9-3.8 or comparable format. The Certificate of Current Cost or Pricing Data should be obtained in the form described in DOE-PR 9-50.704-24 and the purchase orders and subcontracts should include the appropriate clauses described in the DOE-PR. Where the contractor is not in compliance with the DOE-PR, as incorporated into its prime contract, approval will be withheld on an initial review and will be withheld or withdrawn on a subsequent review.
- b. The contractor may make a determination that the requirements for cost or pricing data do not apply. A careful analysis must be made of the soundness of such determinations.

43. Negotiations

- a. Negotiations with vendors must take place when adequate price competition does not exist (the exception being when price analysis discloses that the proposed price is reasonable). Negotiations should be conducted in accordance with applicable statutory requirements, executive orders, DOE-PRs and prime contract requirements. Intensive price/cost analysis is performed so that the negotiation position can be supported by the buyer.
- b. The report should cover the effectiveness of the contractor's negotiation efforts as shown by (a) review of the procurement file and its documentation and justification for the agreements

reached; and (b) conversations with buying personnel. The report should answer these questions: Is the responsibility for negotiation assigned to a proper level within the buying organization? Does the contractor draw on the experience and skills of other departments to assist the purchasing department in conducting negotiations? Were the negotiations performed in a timely manner? If there is no summary of the negotiation and agreements in the procurement file or elsewhere, it is possible for the team to conclude that the contractor does not negotiate with its vendors or does not negotiate effectively.

44. Discount Terms

In its report the review team should comment on the adequacy of the policies, procedures and practices for seeking and taking advantage of discounts.

45. Handling Low-Dollar Value and Blanket Orders

- a. The number of small orders placed by a purchasing department frequently represents a serious problem. Unless special procedures are followed, small orders may incur the same ordering and handling costs as large orders. Small orders should be kept at a minimum to reduce administrative expense. The purchasing department should consider the following:
 - (1) Use of cash procedures. Under such procedures, procurements of a low-dollar value are handled in a simpler, faster and less expensive way than ordinary procurements.
 - (2) Use of special procurement forms under simplified procedures. The buyer may issue a procurement on a handwritten form or a special form may be initiated in inventory control which also serves as a procurement and receiving form. The use of telephone orders and other techniques should be explored.
- b. The analyst should judge whether the rate of low-dollar orders is excessive. If the rate is considered excessive, the reasons for it should be investigated. Discussion with procurement personnel will uncover whether measures are taken to avoid an excessive number of small orders; if no such measures exist, the analyst should so note.
- c. Blanket procurements and open-end contracts are used to reduce the procurement and administrative costs of placing small orders.

- (1) A blanket procurement (requirements contract) is negotiated for a yearly estimated quantity of one or more items. Individual small requirements are then ordered against the contract as required. Pricing can then be negotiated on a volume basis taking maximum advantage of volume discounts. Actual releases against the blanket order can be made on a more routine basis than for individual small orders. The inventory control clerks or using departments may even issue the release, using a special form designed for this purpose.
 - (2) Open-end contracts are similar to blanket orders. But open-end orders specify the item but no volume. Prices are included by item. Under an open-end contract, volume discounts can be negotiated since the contractor is in effect planning to buy a large total volume. Also, releases under an open-end contract may be handled as they are for blanket orders, thus simplifying and expediting the handling of individual requirements.
- d. The review report should comment on the extent to which blanket and open-end orders are used and on the negotiations by which the buyer attempts to obtain a price advantage on such orders. The review team should be aware of any divisional and company-wide blanket and open-end orders. The team should make sure that blanket and open-end orders are written on the basis of a sound analysis of future requirements and not as a means of engaging in speculative procurement.

46. Selection of Contract Types

- a. The contract type used by the contractor has an important bearing on the price paid for supplies or services. Some of the most important factors affecting selection of contract type are the (1) ability to accurately estimate costs; (2) risk to the contractor and to the vendor; (3) nature of the work to be performed; (4) cost of audit, negotiation and administration of the particular contract type; (5) dollar value of the procurement; (6) need for access to the vendor's cost records; and (7) need to give the vendor an incentive to decrease his costs.
- b. Review and evaluation. The reviewer should ascertain that the contracting arrangement is consistent with objective of the procurement and will secure an acceptable product at the least cost. He should be able to identify the key terms of the contract in relation to how they support, or will assure accomplishment, of the Scope of Work.

c. Most general types of contracts are described at FPR 1-3.4.

47. Changes

The CPSR team should review a sampling of changes to procurements. Evaluation should be made of the contractor's pricing of those changes. If the team finds that the contractor issues a large number of changes, an analysis should be made to determine the cause.

48. Constructive Changes and Other Claims

The CPSR team should note any constructive changes or other claims that occur on any subcontract or purchase order and note the reasons for the claim. The team should comment as to cause and should also comment on any policies which are in effect to limit or preclude such claims. The avoidance of such claims should be sought.

Section J: Expediting and Receiving Methods (Each of the numbered subsections will end with a Conclusion and any appropriate Recommendations.)

49. Expediting and Follow-up of Procurements

- a. In routine purchasing, the contractor should have a system of putting orders in suspense so that follow-up to ensure timely delivery will be made prior to the actual "need" date of the item. This paragraph of the report should contain statistics on the procurements examined in accordance with the format in Attachment 4, "Statistical Information."
- b. The contractor should provide a means for closing out orders upon receipt of the items bought. This can be done by having receiving notify the buyer and other personnel concerned.

50. Receiving

The receiving function is responsible for accepting delivery of incoming purchases, having them inspected for unsuitable material, and processing the material to the proper inventory control point. The receiving area should provide for separation of material according to the stage of its processing. The receiving department should maintain careful records control over incoming material. Both the physical layout and the records system of the receiving department should be briefly reviewed by the review team. The team should also determine and report on which department controls the receiving function. This section of the CPSR report should indicate the effectiveness of the expediting and receiving functions as reflected in the procurements examined, and in accordance with the format in Attachment 4, "Statistical Information."

Section K: Subcontract Administration (Each of the numbered subsections will end with a Conclusion and any appropriate Recommendations.)

51. Letter Subcontracts

The team should make a careful evaluation of the contractor's use of letters of intent or letter orders. The frequency of use, conditions under which they are utilized and the timeliness of definitization should be determined. Letter orders should be superseded by a definitive subcontract at the earliest practicable date. The letter order should contain a dollar limitation, and the date by which definitization is expected to be complete.

52. Administering the Subcontract

- a. In reviewing the area of subcontract administration, the team should review a selected number of major subcontracts that were placed at least six months or one year prior to the review and are still open. The original sample may be used or procurements selected in addition to this sample. The team should list those subcontracts that have been selected for review indicating the subcontractor's name, subcontract number, type, date, item description, and dollar value.
- b. The team should determine if the subcontract buyer and technical project monitor work closely together in the resolution of design, production, reliability, and delivery problems, so that they have constant awareness of the status of the program, and are able to take effective action as needed. The team should comment on the contractor's procedures or clauses in the subcontract that protect the rights of the contractor in the event of the delivery of nonconforming items (to specifications). Note should be made of actions taken regarding rights of the contractor when items delivered are in substantial conformance, that is, having only minor deviations.
- c. The report should include a paragraph covering the contractor's efficiency and effectiveness in awarding and administering engineering service subcontracts on a cost-reimbursement, time and material or a labor-hour basis.

53. Compliance with Subcontract Provisions

An evaluation should be made of the type and frequency of reports required in subcontracts such as: financial status, progress, PERT, cost/schedule, etc. The responsibility for monitoring these reports and actions taken as a result of reports should be noted. If the reports are not monitored or are unnecessary, this should be noted. The team should indicate the current status of

each of the subcontracts and provide a detailed explanation of those in a cost overrun position or delinquent position. The team should also review the subcontracts to ensure that the appropriate prime contract clauses have been included in the subcontracts and that proper administration is being maintained over these clauses.

54. Changes to Subcontracts

Review should be made of the contractor's control over change notices. The number of changes issued, and method of pricing subcontract changes should be noted. Where changes in excess of \$100,000 are found, compliance with DOE-PR 9-3.8 requirements for cost or pricing data, and the adequacy of cost information and analysis performed, should be indicated.

55. Terminated Subcontracts

The CPSR team should determine whether any subcontract terminations have occurred in the past year. The team will review and evaluate the contractor's termination procedures and comment on the procedures and/or clauses that protect the contractor's and the Government's interest in the event of later or nondelivery of ordered items.

56. Closing Out Subcontracts

The team should review the contractor's policies, procedures and practices relating to the closing out of subcontracts. The development of a special closeout checklist for subcontract buyers is desirable and usually helps to ensure complete file documentation.

Section L: Expected Savings/Cost Avoidance From Review

57. Savings as a Result of CPSR

Improved contractor efficiency and effectiveness in the procurement area can lead to substantial savings/cost avoidances. These savings/cost avoidances resulting from CPSR recommendations are generally reported to management by the purchasing department. In addition, where the contractor has an approved procurement system (and thresholds have been raised for subcontract actions requiring prior approval) a substantial number of purchase actions requiring prior approval by the contracting officer may be waived, thereby reducing administrative cost to both the Government and the contractor. Other examples may consist of conversion from noncompetitive to competitive procurements, improved pricing and negotiation techniques and other administrative improvements or cost avoidances. If dollar amounts cannot be ascertained then those actions or future areas of possible savings should be succinctly stated. Information in this subsection should be incorporated into the CPSR reports in accordance with Attachment 4, "Statistical Information."

58. Conclusions

Section M: Appendices, Exhibits, Case Histories

59. This section of the report should be devoted to any special appendices, exhibits or case histories to further support the findings and recommendations or to point out special accomplishments. As a minimum, this section of every CPSR should include the statistical information on procurements over \$10,000 (Attachment 6) and the statistical information on Purchase Orders up to \$10,000 (Attachment 7).
60. The recommendations and actions to be taken by the Government should be included as an unnumbered appendix and distributed only within the Government. This appendix should identify the individual actions or recommendations, the Government unit responsible for the action, the probable benefits from the action, or the consequences of not performing it. If applicable, a reasonable time frame for implementing the recommendations should also be indicated. (See Chapter 4, Section A, Subsection 5.)

CHAPTER 5

WRITING THE REPORT

1. Objective of the Report

The objective of the report is to communicate the findings of the review in the clearest, most concise, and most convincing language possible. Attachment 5 shows the format recommended for use in both conducting the initial and subsequent review and writing the review report. It includes the major topics that should be covered in any report, and it is intended to serve as a comprehensive guide. The review team should adapt to the requirements of each review, expanding and emphasizing these sections which it considers more important and adding sections to include its findings on particular problems not covered. The organization of the report is discussed below.

2. Organization of the Report

- a. A table of contents should precede the body of the report and indicate page numbers for the major headings.
- b. Section A, Summary and Recommendations, is the first section of the report. The overall comments and recommendations should be in sufficient detail to be used as a summary or as a management report. The overall comments and recommendations should provide a concise summary of the results of the survey. The fundamental rule governing the statement of overall comments and recommendations is that they must be constructive, and supported by factual data in the body of the report.
 - (1) Overall comments should present the positive as well as the negative aspects of the contractor's procurement system and be tactfully stated. Critical comments should be phrased so that they generate a willingness to overcome the deficiency.
 - (2) Recommendations should reference the applicable section and subsection of the report.
- c. Section B, "Introduction":
 - (1) Review Team Members and Review Methods. The review team members, their respective organization, and responsibilities in conducting the review, as well as the techniques that were used in conducting the review, should be identified. The number of days that each individual team member spent on-site should also be included here.

- (2) Subsection 10 of section B should indicate the status of prior recommendations. An explanation should be given if prior recommendations have not been implemented.

d. Body of the Report (Sections C through L):

Each numbered subsection of a section should have an Introduction, a main body of Discussion, and a Conclusion and any applicable Recommendations. Except for Conclusions and Recommendations, these elements need not be identified as such by subsection headings but should certainly be considered by the writer in organizing the material. Repetition interrupts the flow of the report and weakens and obscures the points that should be stressed. Repetition is a constant problem in CPSR reports. Many people are working independently on their own sections. It is necessary that the team captain read and edit all sections submitted.

e. Emphasize Important Points:

Graphs and charts are particularly useful in presenting organizational and statistical information. An organization chart does much to simplify a narrative description of the contractor's organization. Charts also help to clarify the narrative treatment of large numbers of figures. Charts should be used to indicate deficiencies or improvements. When charts are used to present a pictorial point the statistics need not be repeated in the body of the report.

CHAPTER 6

SURVEILLANCE REPORTS AND SPECIAL REVIEWS

1. Introduction

When a contractor's procurement system has been approved, it is the responsibility of DOE to maintain a sufficient level of surveillance to assure that the contractor's procurement system continues to warrant approval. (See DOE-PR 9-23.110.)

2. Nature of Surveillance

- a. Surveillance performed consists of essentially the same review required in the conduct of a full-scale team review. It consists of observation and evaluation of the effectiveness of the procurement system in significant areas of purchasing activity. In conducting surveillance, the same basic techniques of examination apply considering the latest review report, recommendations of the review team and any other information such as audit reports. The major effort will be devoted to problem areas that were pointed out during the last review and areas that are of special interest.
- b. In-plant surveillance shall be conducted on an as-required basis and a report should be prepared and an information copy forwarded to the Director, Procurement and Contracts Management, Headquarters. It will cover a review of the following four areas: (See DOE-PR 9-23.110(a).)
 - (1) Implementation of the prior recommendations.
 - (2) Review of procurement policies and procedures issued since the last review.
 - (3) Review of selected procurements and subcontracts.
 - (4) Review of any other significant areas relating to subcontracting.

3. Surveillance Techniques

Selected procurements and subcontracts will be reviewed and the information recorded on a schedule. A statistical sampling technique will be used in selecting the orders to be reviewed in order to conserve time and to provide for an in-depth analysis of individual transactions. Surveillance can also be accomplished through the review of procurements and subcontracts submitted to DOE in

accordance with the advance notification or prior approval requirements, if any, of the prime contract. If an analysis report has been prepared on the subcontract, it should be reviewed and utilized by the reviewer in surveillance. Sampling on a broad basis during the in-plant phase of surveillance should reflect patterns and trends. These patterns and trends should be examined in light of the information developed as a result of the interviews and review of procurement policies and procedures. The sample should be selected without bias. It is also advisable to confine the sample to orders in specific dollar categories. A schedule should be prepared listing those areas that are going to be examined. The results of the examination of individual orders should be consolidated on the schedule to disclose any trends.

CHAPTER 7

MANAGEMENT OF THE CONTRACTOR PROCUREMENT SYSTEM REVIEW PROGRAM

1. Introduction

If the CPSR program is to be effective, DOE headquarters and the appropriate contracting office must provide overall management.

2. Organization

- a. The responsibility for the DOE Contractor Procurement System Review rests with the appropriate procuring office. Each procuring office has the responsibility for the contractors assigned to it.
- b. The headquarters staff of DOE will be responsible for the overall management of this program. This will be accomplished by the Procurement Management Review Division at DOE headquarters, which will provide appropriate direction, technical guidance, and assistance, including a continuing appraisal of the status of the CPSR program and the major problem areas encountered. Since the maintenance of current status depends largely on inputs from the field elements, the Procurement Management Review Division will develop the content, form and frequency of program status reports; review the CPSR reports received from the field elements and review the conduct of surveillance and subsequent reviews as appropriate.
- c. The planning and decisionmaking relating to the implementation of the CPSR program will generally be accomplished by the Procurement Management Review Division and the procuring office or other organizational element responsible for the actual performance of the CPSR's. The allocation of resources and scheduling of initial and subsequent CPSR's and surveillance reviews will be accomplished by the appropriate procuring office's manager in conjunction with the Procurement Management Review Division.
- d. A function of good management is to establish appropriate personnel standards, to staff in accordance with the standards, and to ensure that the standards are maintained. It is desirable that individuals engaged in the procurement system review program have the following qualifications:
 - (1) Technical Competence - Industrial purchasing experience or other experience which provides a broad knowledge of industrial purchasing and Government procurement

policies and procedures. Experience in research and investigatory techniques associated with DOE procurement and contract administration.

- (2) Written Communication - Ability to organize material and express ideas in writing, in a clear, precise and convincing manner.
- (3) Oral Communication - Ability to express ideas in a clear, concise and convincing manner. Competent in both face-to-face situations and conference techniques involving top level management of large contractors.
- (4) Cooperation - Ability to exercise tact and diplomacy and maintain effective relationships, working harmoniously with other team members and management.
- (5) Training - Possess a training background indicating a sufficient level of training in procurement and business management.

3. Responsibilities of the Contracting Officer and Team Captain

The contracting officer is officially designated to transmit the CPSR recommendations (and CPSR reports) to the contractor and to notify the contractor whether its procurement system has been approved.

- a. Often difficulties in getting the contractor to accept the report's recommendations can be traced to a misunderstanding of the true intent of the recommendations and their meaning, or to an honest belief that the recommendations are based on findings unsupported by fact. These misconceptions can easily arise if the official letter of transmittal is the sole means of communicating with the contractor regarding the recommendations. To prevent such difficulties, the transmittal letter should invite the contractor to participate in a joint conference in which controversial matters may be discussed and explained.
- b. Summary of responsibilities of the contracting officer.
 - (1) Notify the contractor of proposed CPSR.
 - (2) Transmit the CPSR recommendations (and CPSR reports) to the contractor.
 - (3) Grant, continue, withhold or withdraw approval of the contractor's procurement system.

c. Summary of responsibilities of the team captain.

- (1) Plan for initial or subsequent review.
- (2) Assign work, determine the responsibilities of individual team members, and have overall responsibility at the entrance conference, during the review, at the exit briefing and in preparation of the report.
- (3) Prepare, sign and submit report to the procuring office's manager.
- (4) Distribute complete CPSR report (contracting officer transmits to contractor).
- (5) Develop, in conjunction with the area office representative (if any) a plan of surveillance for contractors in the CPSR program.
- (6) Conduct special reviews and follow-up reviews, as appropriate.

4. Management Controls

a. A management reporting system will be established by DOE headquarters and will provide the following information:

- (1) Number of DOE contractors included in the CPSR program.
- (2) Number of DOE contractors with approved systems.
- (3) Number of DOE contractors with nonapproved systems.
- (4) Number of DOE contractors not yet reviewed.
- (5) Number of CPSR's completed during reporting period.
- (6) Listing of the 10 leading contractor problem areas. For example, the following problem areas have developed in the past:
 - (a) Noncompliance with DOE-PR 9-3.8, Cost or Pricing Data.
 - (b) Inadequate price competition.
 - (c) Inadequate utilization of price/cost analysis techniques.
 - (d) Failure to flow-down prime contract clauses.

- (e) Inadequate procurement documentation.
 - (f) Inadequate handling of low-dollar value purchases.
 - (g) Inadequate procurement policies and procedures.
 - (h) Lack of adequate inventory control.
 - (i) Technical organization improperly directed procurements.
 - (j) Failure to comply with prime contract clauses.
- b. It is necessary that copies of all CPSR reports and CPSR surveillance reports be provided to the Director of Procurement and Contracts Management.
- c. To provide uniform implementation of these procedures and a cross-fertilization of ideas, personnel from the Procurement Management Review Division may attend or participate in selected reviews or surveillance efforts, or at exit briefings.

CONTRACTOR PROCUREMENT SYSTEM REVIEW PROGRAM

INSTRUCTIONS FOR MAKING COLUMNAR RECORDINGS OF
PURCHASE ORDERS AND SUBCONTRACTS ON THE SPREAD SHEET (Attachment 1)

NOTE: Wherever a reply of YES or NO is required, indicate "Y"
 or "N" in the applicable column.

COLUMN NO. TITLE

1. Enter the actual date the requisition was initiated.
2. Enter the date the requisition was received in the
 purchasing department, not the date the requisition is
 assigned to a buyer. These dates may indicate a need for
 further study into the department's administrative
 procedures.
3. Enter the required delivery date from the requisition.
 It is very important to know when the user required the
 supplies or services. If delivery is required in incre-
 ments, the required delivery date of the first increment
 should be specified. Often the (original) required date
 has been changed to the vendor's promised date. This
 should raise a question as to whether the (original)
 required date was realistic and should be noted in the
 comments.
4. Enter the date of the purchase instrument. The date may
 indicate date of commitment, typing or distribution. It
 is important that the derivation of this date be known
 before abstracting purchase orders.
5. Leadtime provided--date of receipt of requisition versus
 date material is required (difference between column 2 and
 column 3).
6. Enter the date the vendor promised to deliver the first
 quantity. For service contracts, the date service is to
 be initiated. Completion date for research and develop-
 ment contracts.
7. Enter the number of calendar days between the required
 delivery date and the promised delivery date (column 3
 versus column 6).

INSTRUCTIONS FOR MAKING COLUMNAR RECORDINGS OF
PURCHASE ORDERS AND SUBCONTRACTS ON THE SPREAD SHEET (Attachment 1)

(continued)

<u>COLUMN NO.</u>	<u>TITLE</u>
8.	Enter the date of actual delivery. If delivery is in increments, the date of the delivery of the first increment is considered delivery. Enter the completion date if the contract is for research and development. Omit date if for service contracts.
9.	Indicate the number of days delinquent, column 6 versus column 8. Later deliveries in excess of 15 calendar days should be considered as unsatisfactory. This figure has been chosen arbitrarily to establish patterns of delivery. If a significant number of vendors are delinquent in their deliveries, an investigation should be conducted to determine whether performance of the prime contracts was affected or if there was a lack of administrative control of subcontracting or if DOE-generated changes created the delinquency. In research and development contracts, it should be noted if there was a cost overrun and why.
10.	Enter the purchase order number.
11.	Enter the vendor's name.
12.	Enter a short description of the item being procured.
13.	Indicate whether the purchase order or subcontract type was appropriate and contained a suitable limitation of liability.
14.	Enter the dollar value of the basic purchase order or subcontract. Round the amount to the nearest whole dollar. Do not include the dollar value of changes or supplemental agreements issued subsequent to award of the original purchase order.
15.	Enter the number of modifications issued following the issuance of the original purchase order. This will also include no-cost changes.

ATTACHMENT 1.a.

INSTRUCTIONS FOR MAKING COLUMNAR RECORDINGS OF
PURCHASE ORDERS AND SUBCONTRACTS ON THE SPREAD SHEET (Attachment 1)

(continued)

<u>COLUMN, NO.</u>	<u>TITLE</u>
16.	Enter the net dollar change (increase or decrease) of the purchase order resulting from the modifications indicated in column 15.
17.	Enter the number of offers requested.
18.	Enter the number of offers received.
19.	Enter the number of "responsive" offerors, i.e., those whose offers were considered for award.
20.	Enter the reasons for instances where price competition was attempted but failed.
21.	Enter the primary reason for award to other than the low, responsible offeror. If the reason is not acceptable, the analyst will prepare a notation sheet and state in detail the circumstances which make the contractor's decision unacceptable. If award was made to other than low offeror on the basis of delivery, the purchase order or subcontract should contain a delivery guarantee provision which will protect the contractor if the delivery schedule is not met.
22.	Enter "S" for single and "SS" for sole-source awards. Single-source is a purchase for which competition is available but which is awarded without it because of limiting circumstances. Sole-source is a purchase that can be placed with only one vendor such as a proprietary item.
23.	Enter the principal reason offered by the contractor why a single or sole-source award was made. Select one of the following codes: a. Customer or design agency directed. b. Engineering directed. c. Proprietary items.

ATTACHMENT 1.a.

INSTRUCTIONS FOR MAKING COLUMNAR RECORDINGS OF
PURCHASE ORDERS AND SUBCONTRACTS ON THE SPREAD SHEET (Attachment 1)

(continued)

<u>COLUMN NO.</u>	<u>TITLE</u>
-------------------	--------------

d.	Only supplier qualified.
e.	Economically justified (tooling, qualification test, delivery, logistics costs, etc.).
f.	Other justifiable reasons. (Explain.)
g.	No justification given.
24.	Indicate whether the analyst agrees with the reason or the decision to make the single or sole-source award. Do not accept the reasons offered without verification. The requester should be interviewed if the source decision was his. "Customer or design agency directed source," justification should be verified by reviewing the documentation which directed the source. Often a "suggested" source becomes a "directed" source through lack of buyer initiative.
25.	Indicate whether price analysis was applicable. Price analysis is applicable on almost every procurement and the techniques are described in FPR 1-3.807-2.
26.	Indicate whether price analysis was accomplished.
27.	Indicate whether price analysis was done effectively.
28-31.	It is the responsibility of the contractor to use its own audit staff or request the Government to assist in performance of effective price or cost analysis. The assistance may be for the purpose of only rate verification of labor, burden or G&A, or it may involve additional information up to a complete audit of incurred costs and may provide advice on the reasonableness of forecasted costs. Timeliness of receipt of audit assistance is very important. After-the-fact analysis is of no help to the buyer in negotiation with the vendor. The audits provide cost information for use in follow-on contracts pricing with single/sole-source subcontractors.

ATTACHMENT 1.a.

INSTRUCTIONS FOR MAKING COLUMNAR RECORDINGS OF
PURCHASE ORDERS AND SUBCONTRACTS ON THE SPREAD SHEET (Attachment 1)

(continued)

<u>COLUMN NO.</u>	<u>TITLE</u>
32.	Indicate whether cost analysis was applicable.
33.	Indicate whether cost analysis was accomplished.
34.	Indicate whether the analysis was done effectively using the guidelines set forth in FPR 3-807.2. The contractor's files should be documented for the analyst to make this decision.
35.	Indicate whether the contractor was required to obtain cost or pricing data in accordance with DOE-PR and prime contract clauses. Particular attention is invited to FPR 3-807.3 for discussion on submission of cost of pricing data.
36.	Indicate whether required cost or pricing data was obtained.
37.	Note if a Certificate of Current Cost or Pricing Data (FPR 3-807) was required. The certificate should be in the format prescribed by DOE-PR 9-50.704-24. The date of execution of the certificate should be as close as practicable to the date when the contract negotiations were concluded and the contract price agreed to. Purchase orders and subcontracts must include the appropriate clause prescribed in DOE-PR 9-50.704.24 (Subcontractor Cost or Pricing Data). Note in column 49 if the clause is not included. It is permissible to include the clause by reference.
38.	Indicate whether required Certificates of Current Cost or Pricing Data were obtained.
39.	Negotiation should take place if adequate and effective competition does not exist (price/cost analysis or other considerations could obviate the need for such negotiations). Indicate whether negotiations were applicable.

ATTACHMENT 1.a.

INSTRUCTIONS FOR MAKING COLUMNAR RECORDINGS OF
PURCHASE ORDERS AND SUBCONTRACTS ON THE SPREAD SHEET (Attachment 1)

(continued)

<u>COLUMN NO.</u>	<u>TITLE</u>
40.	Indicate whether negotiations were conducted.
41.	The documentation in the file should cover the effectiveness of the contractor's negotiation efforts. If there are no records of negotiations or agreements in the file, the analyst may conclude that the contractor does not negotiate or does not negotiate effectively and should note same in column 49.
42.	Cost Accounting Standards--Indicate whether the contractor was required to comply with the policies and procedures with respect to the application of regulations and standards of the Cost Accounting Standards Board (see 4 CFR 331 et seq) to negotiated national defense contracts and negotiated nondefense contracts. FPR 1-3.1203 defines applicability of cost accounting standards and contractor disclosure statement(s). Particular attention should be given to the FPR part for a disclosure on the Solicitation Notice which shall be a part of all solicitations which are likely to result in a negotiated contract exceeding \$100,000, unless the procurement is exempted under FPR 1-3.1203-2. Certification must be obtained in accordance with FPR 1-3.1203-3. Purchase orders and subcontracts must include the appropriate clause prescribed in FPR 1-3.1204.
43.	Equal Opportunity Compliance--Compliance with FPR 1-12.8 and the obtaining of necessary preaward clearances should be indicated. If not applicable, note "NA" in this column.
44.	A good purchasing system must provide documentation of the purchasing files to provide a complete and accurate history of the transaction and evidence justification for the award. Indicate whether the documentation found was adequate. If not adequate, indicate the reasons in column 49. It is here where the analyst should use good judgment to determine whether DOE's interests are being protected.

ATTACHMENT 1.a.

INSTRUCTIONS FOR MAKING COLUMNAR RECORDINGS OF
PURCHASE ORDERS AND SUBCONTRACTS ON THE SPREAD SHEET (Attachment 1)

(continued)

<u>UMN NO.</u>	<u>TITLE</u>
45.	If advance notification was required but not received or received after the date of purchase order, indicate N in the column; if required and received as required, indicate Y in this column. If not applicable, note "NA" in this column.
46.	If advance approval was required but not received or received after the date of the purchase order, indicate N in the column; if required and received as required, indicate Y in this column. If not applicable, note "NA" in this column.
47.	Indicate in column 47 whether the analyst conducted the review with the buyer, the supervisor, or both, Separate sheets should be made a part of this exhibit when "Buyer" has submitted them.
48.	Self-explanatory.
49.	Self-explanatory. Separate sheets where required should be made a part of this exhibit. Indicate in this column if any constructive changes or claims were filed as the result of the purchase orders. Use continuation sheets as required.

ATTACHMENT 1.a.

[illegible]

CONTRACTOR PROCUREMENT SYSTEM REVIEW PROGRAM

STATISTICAL INFORMATION TO BE INCORPORATED IN CPSR REPORTS

SECTION B - INTRODUCTION

Summary of Procurements Examined

Selected Period: (2 months to 1 year)

	OVER	\$ 25,000.01	\$10,000.01	\$0	
<u>UNIVERSE:</u>	<u>\$100,000</u>	<u>100,000</u>	<u>25,000.</u>	<u>\$10,000</u>	<u>TOTAL</u>

Total Number of PO's

Value (\$000)

SELECTED SAMPLE:

Total Number of PO's

Value (\$000)

Percentage (sample/
universe)

Total number _____%

Total Value _____%

An additional sampling of orders in the following categories was also reviewed:

	NUMBER OF	TOTAL VALUE
<u>DESCRIPTION OF CATEGORY</u>	<u>PURCHASE ORDERS</u>	<u>(\$000)</u>

Major Subcontracts

Blanket Orders

Intra-company

Federal Agencies

Integrated Contractors

Total =

Total Selected Plus Additional Sample:

Number _____
Dollars _____

SECTION C - COMPANY HISTORY AND PROCUREMENT ORGANIZATION

1. Background Data on Corporation/Division

<u>Personnel</u>	<u>Prior Year (Date)</u>	<u>Current Year (Date)</u>
------------------	--------------------------	----------------------------

Total Divisional

Material Department

Purchasing Department

2. Scope of Procurement Operations

Volume of Purchase

<u>CATEGORY</u>	<u>NUMBER</u>	<u>DOLLARS</u>
-----------------	---------------	----------------

\$0 - \$500

\$500.01 - \$10,000

\$10,000.01 - \$25,000

\$25,000.01 - \$100,000

Over, \$100,000

SECTION D - MANAGEMENT OF PROCUREMENT

Documentation of Purchasing Files

OVER	\$ 25,000.01	\$10,000.01	\$0	
<u>\$100,000</u>	<u>\$100,000</u>	<u>\$25,000</u>	<u>\$10,000</u>	<u>TOTAL</u>

Number of PO's Reviewed

DOE - Prior Approval

Required

Obtained

Adequate

ATTACHMENT 4

OVER	\$ 25,000.01	\$10,000.01	\$0	
<u>\$100,000</u>	<u>\$100,000</u>	<u>\$25,000</u>	<u>\$10,000</u>	<u>TOTAL</u>

Documentation - Adequate

Documentation - Inadequate

ATTACHMENT 4

(3)

SECTION G - DEVELOPMENT OF PURCHASE REQUIREMENTS

Establishment of Schedules - Procurement Leadtime

	OVER \$100,000	\$ 25,000.01 \$100,000	\$10,000.01 \$25,000	\$0 \$10,000	TOTAL
Number of PO's Reviewed					
Number of Requisitions Received					
* Leadtime Provided:					
(0 - 15 days)					
(16 - 30 days)					
(31 - 90 days)					
(over 90 days)					

* Leadtime Provided: Date of receipt of requisition versus date material is required.

SECTION H - SELECTING THE SOURCE

1. Adequate and Effective Competition (FPR 3-807.1)

	OVER \$100,000	25,000.01 \$100,000	\$10,000.01 \$25,000	\$0 \$10,000	TOTAL
Number of PO's Reviewed	No. \$	No. \$	No. \$	No. \$	No. \$
Awarded on Competitive Basis:					
Awarded to Other than Low Offeror Government Directed Sources					
Awarded without Competition:					
Federal Supply Schedules					

ATTACHMENT 4

OVER	\$ 25,000.01	\$10,000.01	\$0	
<u>\$100,000</u>	<u>\$100,000</u>	<u>\$25,000</u>	<u>\$10,000</u>	<u>TOTAL</u>

Percentage of Total
Orders Reviewed
 Awarded Competitively

Depth of Competition
 (Competitive Orders Only)

No. of Quotations Solicited

No. of Quotations Received

No. of Responsive
 Quotations Received

Depth of Competition

(Responsive Quotes Received)

(PO's Reviewed)

2. Single and Sole Source Procurement

OVER	\$ 25,000.01	\$10,000.01	\$0	
<u>\$100,000</u>	<u>\$100,000</u>	<u>\$25,000</u>	<u>\$10,000</u>	<u>TOTAL</u>

Customer of Design Agency
 Directed

Engineering Directed

Proprietary Items

Only Supplier Qualified

Economically Justified

(Tooling, Qualification
 Test, Delivery, Logistics
 Costs, etc.)

Other Justifiable Reasons

No Justification Given

TOTAL

ATTACHMENT 4

SECTION I - PRICING

Pricing Policies and Procedures

	OVER <u>\$100,000</u>	\$ 25,000.01 <u>\$100,000</u>	\$10,000.01 <u>\$25,000</u>	\$0 <u>\$10,000</u>	<u>TOTAL</u>
--	--------------------------	----------------------------------	--------------------------------	------------------------	--------------

Number of PO's Reviewed

Price Analysis

(FPR 1-3-807.2(b))

Applicable:

Accomplished:

Done Effectively

Cost Analysis

(FPR 1-3-807.2(c))

Applicable:

Accomplished:

Done Effectively

Cost or Pricing Data

(DOE-PR 3-8)

Applicable

Obtained

Contractor Audit Assistance

Applicable:

Used Effectively:

Certificate of Current

Cost or Pricing Data

(FPR 1-3-807)

Applicable:

Obtained:

Public Law 91-379

(Cost Accounting Standards)

Applicable

Obtained

ATTACHMENT 4

OVER	\$ 25,000.01	\$10,000.01	\$0	
<u>\$100,000</u>	<u>\$100,000</u>	<u>\$25,000</u>	<u>\$10,000</u>	<u>TOTAL</u>

Negotiation

Applicable:
 Conducted:
 Done Effectively:

SECTION J - EXPEDITING AND RECEIVING METHODS

Expediting and Follow-up of Purchase Orders

OVER	\$ 25,000.01	\$10,000.01	\$0	
<u>\$100,000</u>	<u>\$100,000</u>	<u>\$25,000</u>	<u>\$10,000</u>	<u>TOTAL</u>

Number of PO's Received

*Number of Delinquent PO's

Number of PO's Delinquent
 in Excess of 15 Days

*Actual Delivery Date versus Promised Delivery Date

SECTION K - SUBCONTRACT ADMINISTRATION

Subcontract Organization

List of Principal Subcontracts Reviewed

Section L - Expected Savings/Cost Avoidance From Review

<u>Savings as a Result of CPSR (\$000)</u>	<u>Recent 12 Months</u>
1. Savings where approved systems resulted in raising thresholds (for subcontract actions requiring prior approval) and subsequently, a waiver of prior approval.	\$
2. Savings through conversion from noncompetitive to competitive.	\$
3. Savings through utilization of price/cost analysis and negotiation techniques.	\$
4. Other.	\$
Total	\$

CONTRACTOR PROCUREMENT SYSTEM REVIEW PROGRAM

CPSR REPORT FORMAT

A. SUMMARY AND RECOMMENDATIONS

1. Contractor's Name and Address.
2. Statement by Team as to Adequacy of Contractor's Procurement System.
3. Comments on Effectiveness in Major Procurement Areas.
4. Recommendations to the Contractor.
5. Recommendations to the Government.

B. INTRODUCTION

6. Purpose of Review.
7. Review Team Members and Review Methods.
8. Summary of Procurements Examined.
9. Previous Reviews.
10. Status of Prior CPSR Recommendations.

C. COMPANY HISTORY AND PROCUREMENT ORGANIZATION

11. Background Data on Corporation.
12. Management Attitude Toward Procurement.
13. Procurement Organization.
14. Scope of Purchasing Operations.
15. Interdepartmental Relations.

D. MANAGEMENT OF PROCUREMENT

- 16. Internal Procurement Organization.
- 17. Procurement Personnel.
- 18. Documentation of Purchasing Files.
- 19. Reports and Controls.
- 20. Standardization Program.
- 21. Value Analysis Program.
- 22. Make-or-Buy Policies and Procedures.
- 23. Material Estimating--Budget Control.

E. PROCUREMENT POLICIES AND PROCEDURES

- 24. Evaluation of Written Policies and Procedures.
- 25. Analysis of Purchasing Forms.

F. SUBCONTRACT CLAUSES

- 26. Analysis of Purchase Order Clauses.
- 27. Conclusions.

G. PURCHASE REQUIREMENTS

- 28. Establishment of Schedules--Procurement Leadtime.
- 29. Inventory Control.
- 30. Material Control Methods.

H. SELECTING THE SOURCE

- 31. Source Selection Policies and Procedures.
- 32. Intra-company Transactions.

ATTACHMENT 5

(2) IV

- 33. Advance Procurement Planning.
- 34. Adequate Price Competition.
- 35. Single/Sole-Source Procurement--Second Source Development.
- 36. Vendor Performance Rating.
- 37. Small Business, Labor Surplus Area and Minority Business Enterprise Programs.

I. PRICING

- 38. Pricing Policies and Procedures.
- 39. Responsibility for Price/Cost Analysis.
- 40. Price Analysis Methods.
- 41. Cost Analysis Methods.
- 42. Cost or Pricing Data.
- 43. Negotiations.
- 44. Discount Terms.
- 45. Handling Low-Dollar Value and Blanket Orders.
- 46. Selection of Contract Types.
- 47. Changes.
- 48. Constructive Changes and Other Claims.

J. EXPEDITING AND RECEIVING METHODS

- 49. Expediting and Follow-up of Procurements.
- 50. Receiving.

K. SUBCONTRACT ADMINISTRATION

- 51. Letter Subcontracts.
- 52. Administering the Subcontract.
- 53. Compliance with Subcontract Provisions.
- 54. Changes to Subcontracts.
- 55. Terminated Subcontracts.
- 56. Closing Out Subcontracts.

L. EXPECTED SAVINGS/COST AVOIDANCES FROM REVIEW

- 57. Savings as a Result of CPSR.
- 58. Conclusions.

M. APPENDICES, EXHIBITS, CASE HISTORIES

- 59. Statistical Report--Procurements Over \$10,000.
- 60. Statistical Report--Purchase Orders up to \$10,000.

CONTRACTOR PROCUREMENT SYSTEM REVIEW PROGRAM

Statistical Report on Procurements Over \$10,000

1. Name of Company, Plant or Division:
2. Address:
3. Period of Sample:
4. Total Sales for Sample Period:
5. Total Purchase Commitments for Sample Period:
6. Procurement Actions:

	<u>Number %</u>	<u>Dollars %</u>
a. Total Purchase Orders Reviewed		
(1) Average Number of RFQ's Issued _____		
b. Total Awards Made on Basis of Adequate Price Competition (FPR 3-807.1)		
(1) Average Depth of Competition _____		
c. Total Awards Made Without Adequate Price Competition (Single and Sole-Source)		

	<u>Number %</u>	<u>Dollars %</u>
Supported by:		

- (1) Price Analysis

Applicable
Accomplished
Effective

- (2) Cost Analysis

Applicable
Accomplished
Effective

	<u>Number %</u>	<u>Dollars %</u>
(3) Cost or Pricing Data		
Applicable		
Obtained		
(d) Public Law 91-379		
Applicable		
Obtained		
	<u>Number</u>	<u>Dollars</u>
7. Predominant Justification for Awards Made Without Adequate Price Competition		
a. Customer or Design Agency Directed:		
b. Engineering Directed:		
c. Proprietary Items:		
d. Only Supplier Qualified:		
e. Economically Justified:		
(Tooling, Qualification Test, Delivery, Logistics Costs, etc.):		
f. Other Justifiable Reasons:		
g. No Justification Given:		
TOTAL	_____	_____
8. Percentage of Subcontracts Lacking Adequate Negotiation:		
9. Percentage of Subcontracts Lacking Adequate Documentation:		
10. Type of Contract Used for Awards:		
a. Firm-Fixed Price		
b. Other than Firm-Fixed Price		

ATTACHMENT 6

CONTRACTOR PROCUREMENT SYSTEM REVIEW PROGRAM

Statistical Report on Purchase Orders Up To \$10,000

1. Name of Company, Plant, or Division:

2. Address:

3. Period of Sample:

4. Total Purchase Orders up to \$10,000 during Period: Number Dollars

5. Total Purchase Orders Reviewed:

a. Over \$500:

(1) Competition: Applicable:
 Accomplished:
 Adequate:

(2) Price /Cost Analysis: Applicable:
 Accomplished:
 Adequate:

(3) Documentation: Applicable:
 Accomplished:
 Adequate:

b. Up to \$500:

Percentage Lacking Applicable and Adequate:

(1) Competition:	%	%
(2) Price /Cost Analysis:	%	%
(3) Documentation:	%	%

PURCHASE ORDER AND SUBCONTRACT ANALYSIS

LINE NUMBER	DETERMINATION OF REQUIREMENTS - LEAD TIME									LINE NUMBER	PURCHASE ORDER IDENTIFICATION					CHANGES ISSUED		NUMBER OF OFFERS			SOURCE SELECTION AND COMPETITION							LINE NUMBER	PRICING AND NEGOTIATION																	GENERAL NATURE OF COMMENTS CONTAINED IN EXHIBITS		
	REQUISITION			PURCHASE ORDER DATE	DELIVERY				PURCHASE ORDER NUMBER		NAME OF VENDOR	ITEM DESCRIPTION	PURCHASE ORDER TYPE	VALUE OF PURCHASE ORDER	NUMBER	NET DOLLAR (\$) CHANGE	REQUESTED	RECEIVED	RESPONSIVE	PRICE COMPETITION TRIED BUT INEFFECTIVE BECAUSE	IF AWARD TO OTHER THAN LOW OFFEROR, STATE REASON	SOLE or SINGLE SOURCE (S or SS)	PRINCIPAL REASON OFFERED CODE A.B.C.D.E.F.G.	ACCEPTABLE (Y or N)	PRICE ANALYSIS				AUDIT ASSIST		COST ANALYSIS			COST OR PRICING DATA		COST OR PRICING CERTIFICATE		NEGOTIATION			CAS COMPLIANCE (Y or N)	EEO COMPLIANCE (Y or N)	DOCUMENTATION ADEQUATE (Y or N)	ADV. NOTIF. REC'D (Y or N)	ADV. APPROVAL OBTAINED (Y or N)		REVIEW	
	ORIGINAL DATE	DATE RECEIVED IN PURCHASING	REQ'D DATE		LEAD TIME PROVIDED 2 vs 3	PROMISED DATE	3 vs 6	ACTUAL DELIVERY DATE																	NO OF DAYS DELQ 6 vs 8	APPLICABLE (Y or N)	ACCOMPLISHED (Y or N)		DONE EFFECTIVELY (Y or N)	BY CONTR.	BY GOVT.	APPLICABLE (Y or N)	ACCOMPLISHED (Y or N)	DONE EFFECTIVELY (Y or N)	REQUIRED (Y or N)	OBTAINED (Y or N)	REQUIRED (Y or N)	OBTAINED (Y or N)	APPLICABLE (Y or N)	ACCOMPLISHED (Y or N)							DONE EFFECTIVELY (Y or N)	
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