

**Supporting Statement for OMB Control Number 9000-0132,
Contractors' Purchasing Systems Reviews**

A. Justification.

1. Administrative requirements. This is a request for extension of the information collection requirement currently approved under OMB Control Number 9000-0132, Contractors' Purchasing Systems Reviews, (Federal Acquisition Regulation (FAR)) Subpart 44.3.

The objective of a contractor purchasing system review (CPSR), is to evaluate the efficiency and effectiveness with which a contractor spends Government funds and complies with Government policy when subcontracting. A CPSR is a thorough review of a contractor's existing procurement policies, procedures, management control systems (including internal audit procedures), and documentation. The review provides the administrative contracting officer (ACO) a basis for granting, withholding, or withdrawing approval of a contractor's purchasing system. An approved purchasing system allows the contractor more autonomy in subcontracting actions. Without an approved purchasing system more Government oversight is necessary, and Government consent to subcontract is required.

If a contractor's sales to the Government (excluding competitively awarded firm-fixed-price and competitively awarded fixed-price with economic price adjustment contracts and sales of commercial items in accordance with FAR part 12) are expected to exceed \$25 million during the next 12 months, an ACO may determine that a CPSR is necessary. The ACO's determination as to whether a CPSR is necessary is based on, but not limited to, the past performance of the contractor, and the volume, complexity and dollar value of subcontracts. Once an initial determination has been made regarding a CPSR, at least every three years, the ACO shall determine whether a CPSR is necessary. If necessary, the cognizant contract administration office will conduct the CPSR.

Generally, a CPSR is not performed for a specific contract. Rather, CPSRs are conducted on contractors based on the factors identified above. For example, the Defense

Contract Management Agency (DCMA) Contractor Purchasing System Review Group is a group dedicated to conducting CPSRs for the Department of Defense. As of April 2012 the group's review workload included more than 400 contractors worldwide.¹

The cognizant ACO is responsible for granting, withholding, or withdrawing approval of a contractor's purchasing system and for promptly notifying the contractor of same (FAR 44.305-1).

Related administrative requirements are as follows:

- FAR 44.305-2(c) requires that when recommendations are made for improvement of an approved system, the contractor shall be requested to reply within 15 days with a position regarding the recommendations.

- FAR 44.305-3(a) requires the ACO to withhold or withdraw approval of a contractor's purchasing system when there are major weaknesses or when the contractor is unable to provide sufficient information upon which to make an affirmative determination. The ACO may withdraw approval at any time on the basis of a determination that there has been a deterioration of the contractor's purchasing system or to protect the Government's interest. In addition, approval shall be withheld or withdrawn when there is a recurring noncompliance with requirements.

- FAR 44.305-3(b) requires when approval of the contractor's purchasing system is withheld or withdrawn, the ACO shall within 10 days after completing the in-plant review (1) inform the contractor in writing, (2) specify the deficiencies that must be corrected to qualify the system for approval, and (3) request the contractor to furnish within 15 days a plan for accomplishing the necessary actions. If the plan is accepted, the ACO shall make a follow-up review as soon as the contractor notifies the ACO that the deficiencies have been corrected.

- FAR 52.244-2(i) Subcontracts, specifies that the Government reserves the right to review the contractor's purchasing system as set forth in FAR Subpart 44.3.

¹ *CPSRs Support DCMA Mission*, Matthew Sablan, *DCMA Communicator*, Spring 2012.

2. **Uses of information.** Information obtained during a CPSR provides the ACO with a basis for granting, withholding, or withdrawing approval of a contractor's purchasing system.

3. **Consideration of information technology.** We use improved information technology to the maximum extent practicable. Where both the Government agency and contractors are capable of electronic interchange, the contractors may submit this information collection requirement electronically.

4. **Efforts to identify duplication.** This requirement is being issued under the FAR which has been developed to standardize Federal procurement practices and eliminate unnecessary duplication.

5. **If the collection of information impacts small businesses or other entities, describe methods used to minimize burden.** The burden applied to small businesses is the minimum consistent with applicable laws, Executive orders, regulations, and prudent business practices.

6. **Describe consequence to Federal program or policy activities if the collection is not conducted or is conducted less frequently.** The information collection provides contractors with the opportunity to respond to recommendations for improvement of their purchasing systems, and to develop and submit plans for resolving purchasing system deficiencies cited in CPSRs as notified by the ACO. Without an approved purchasing system more Government oversight is necessary to mitigate risk, and Government consent to subcontract is required. This results in a greater burden to both the Government and the contractor. Similar information, e.g., corrective action plans, is not already available to the ACO.

7. **Special circumstances for collection.** Generally, a CPSR is not performed for a specific contract. Rather, CPSRs are determined necessary by ACOs and conducted on contractors based on a series of risk factors, e.g., the past performance of the contractor, and the volume, complexity and dollar value of subcontracts. Collection of information in response to CPSR reports on a basis other than contractor-by-contractor is not practical. Collection is consistent with guidelines in 5 CFR 1320.6.

8. **Efforts to consult with persons outside the agency.** A notice was published in the *Federal Register* at 77 FR 51783, on October 27, 2012. One respondent submitted public comments on the extension of the previously approved information collection. The analysis of the public comments is summarized as follows:

Comment: The respondent commented that the extension of the information collection would violate the fundamental purposes of the Paperwork Reduction Act because of the burden it puts on the entity submitting the information and the agency collecting the information.

Response: In accordance with the Paperwork Reduction Act (PRA), agencies can request an OMB approval of an existing information collection. The PRA requires that agencies use the Federal Register notice and comment process, to extend the OMB's approval, at least every three years. This extension, to a previously approved information collection, pertains to information collections associated with contractor purchasing system reviews (CPSR), as discussed in Part 44 of the FAR. The objective of CPSRs is to evaluate the efficiency and effectiveness with which the contractor spends Government funds and complies with Government policy when subcontracting. The review provides the administrative contracting officer a basis for granting, withholding, or withdrawing approval of the contractor's purchasing system. An approved purchasing system allows the contractor more autonomy in subcontracting actions. Without an approved purchasing system more Government oversight is necessary, and Government consent to subcontract is required.

Comment: The respondent commented that the agency did not accurately estimate the public burden challenging that the agency's methodology for calculating it is insufficient and inadequate and does not reflect the total burden. The respondent stated that "the Agencies estimate that only 1,580 respondents will be subject to this requirement annually ... is greatly understated." The respondent also found the estimate of 25 hours per response to be too low. For these reasons, the same respondent provided that the burden of compliance with the information collection requirement greatly exceeds the agency's estimate and outweighs any potential utility of the extension.

Response: Serious consideration is given, during the open comment period, to all comments received and

adjustments are made to the paperwork burden estimate based on reasonable considerations provided by the public. This is evidenced, as the respondent notes, in FAR Case 2007-006 where an adjustment was made from the total preparation hours from three to 60. This change was made considering particularly the hours that would be required for review within the company, prior to release to the Government.

The burden is prepared taking into consideration the necessary criteria in OMB guidance for estimating the paperwork burden put on the entity submitting the information. For example, consideration is given to an entity reviewing instructions; using technology to collect, process, and disclose information; adjusting existing practices to comply with requirements; searching data sources; completing and reviewing the response; and transmitting or disclosing information. The estimated burden hours for a collection are based on an average between the hours that a simple disclosure by a very small business might require and the much higher numbers that might be required for a very complex disclosure by a major corporation. Also, the estimated burden hours should only include projected hours for those actions which a company would not undertake in the normal course of business.

Careful consideration, including consultation with Subject Matter Experts, went into assessing the burden hours for this collection, and it is determined that an upward adjustment is not required.

The respondent expressed concern that the estimate of 1,580 respondents is "greatly understated" because "the requirements apply regardless of whether or not the Government conducts a review. In other words, *all* contractors are required to be prepared when and if the Government ultimately conducts the purchasing system review." In response, we wish to clarify the circumstances under which CPSRs are actually conducted. If a contractor's sales to the Government (excluding competitively awarded firm-fixed-price and competitively awarded fixed-price with economic price adjustment contracts and sales of commercial items in accordance with FAR part 12) are expected to exceed \$25 million during the next 12 months, an ACO *may* determine that a CPSR is necessary. The ACO's determination as to whether a CPSR is necessary is based on, but not limited to, the past performance of the contractor, and the volume, complexity and dollar value of subcontracts. Once an initial determination has been made regarding a CPSR, at least every three years, the ACO shall determine whether a CPSR is necessary. If necessary, the cognizant contract

administration office will conduct the CPSR. Generally, a CPSR is not performed for a specific contract, as the respondent appears to imply. Rather, CPSRs are conducted on contractors based on the factors identified above. For example, the Defense Contract Management Agency (DCMA) Contractor Purchasing System Review Group is a group dedicated to conducting CPSRs for the Department of Defense. As of April 2012 the group's review workload included more than 400 contractors worldwide. The estimate of 1,580 respondents is therefore determined to be reasonable. In addition, the respondent is reminded that estimated burden hours should only include projected hours for those actions which a company would not undertake in the normal course of business. The primary purpose of CSPRs is to evaluate a portion of the normal course of a contractor's business, i.e., to evaluate the contractor's purchasing processes to ensure the efficiency and effectiveness with which the contractor spends Government funds and complies with Government policy when subcontracting. We submit that fundamental preparation for a review is part of a contractor's normal course of business.

The respondent also took issue with the estimate of 25 hours per response. As indicated above, Subject Matter Experts were consulted in developing the estimate. Based on their assessment, the time required for reading and preparing information was adjusted upwards from 17 hours (as estimated in the currently approved information collection) to 25 hours per completion, in order to provide a more accurate accounting of the contractors' time expenditure needed to prepare for a CPSR and respond to any contracting officer recommendations related to withholding or withdrawing of contractor purchasing system approval resulting from an CSPR.

9. Explanation of any decision to provide any payment or gift to respondents, other than reenumeration of contractors or guarantees. Not applicable.

10. Describe assurance of confidentiality provided to respondents. This information is disclosed only to the extent consistent with prudent business practices and current regulations.

11. Additional justification for questions of a sensitive nature. No sensitive questions are involved.

12 & 13. **Estimated total annual public hour and cost burden.** There is no single data collection process or system, e.g., Federal Procurement Data System (FPDS), that identifies the number of CSPRs conducted governmentwide. For purposes of this clearance, time required for reading and preparing information is estimated at 25 hours per completion. This estimate has been adjusted upwards from the current 17 hours to 25 hours, in order to provide a more accurate accounting of the contractors' time expenditure needed to prepare for a CSPR, based on DCMA input.

Annual Reporting Burden

Estimated number of respondents.....	1,580
Estimated number of responses per respondent per year	<u>x 1</u>
Total annual responses.....	1,580
Estimated preparation time per response (hours)	<u>x 25</u>
Total response burden hours.....	39,500
Average wage* (\$30.81 + 36% OH).....	<u>x \$42</u>
Estimated cost to public.....	1,659,000

* The Government analyst contacted the Defense Contract Management Agency to verify the accuracy of the estimated number of respondents, estimated number of responses per year, and estimated preparation time. We used a rate equivalent to a GS-12, Step 3 or \$30.81/hour (from the 2012 OPM GS Salary Table), added overhead at 36.25 percent (the OMB-mandated burden rate for A-76 public-private competitions, rounded to 36%, and rounded the average wage to the nearest whole dollar, or \$42/hour. The DCMA representative recommended an upward adjustment of the estimated preparation time per response from the current 17 hours to 25 hours, in order to provide a more accurate accounting of the contractors' time expenditure needed to prepare for a CSPR. No adjustments were deemed necessary for the estimated number of respondents or estimated number of responses per respondent.

14. **Estimated cost to the Government.** Time required for Governmentwide review is estimated at 40 hours per response.

Annual Recordkeeping Burden and Cost

Total annual responses.....	1,580
Review time per response (hours).....	<u>x 40</u>

Total burden hours.....	63,200
Average wages and overhead** (\$30.81/hr + 36% OH)....	<u>X</u>
<u>\$42</u>	
Total Government Cost	2,654,400

** We used a rate of \$30.81 an hour based on the OPM 2012 GS Salary Table for a GS-12, Step 3 plus 36.25 percent burden (rounded to 36%) and rounded to the average wages and overhead to nearest dollar, or \$42 an hour. Here too, the DCMA representative was consulted, and per the representative's recommendation, an upward adjustment of the Government's review time per response was made from the currently approved 25 hours to 40 hours. No further adjustments were recommended.

15. Explain reasons for program changes or adjustments reported in Item 13 or 14. This submission requests an extension of an information collection requirement in the FAR. For greater accuracy, the following adjustments are being made: (1) As recommended by a DCMA representative consulted on this information collection, an upward adjustment has been made of the estimated preparation time per response in Items 12&13 from 17 hours to 25 hours. The adjustment was made in order to provide a more accurate accounting of a contractors' time expenditure needed to prepare for a CSPR; (2) Per the DCMA representative's recommendation, an upward adjustment of the Government's review time per response was made in Item 14 from the currently approved 25 hours to 40 hours; and (3) An adjustment is being made to the average wages and overhead calculation for Government review in Item 14. We estimate the annual cost to the Government to review and analyze responses to this information collection requirement at \$30.81 an hour based on the Office of Personnel Management 2012 GS Salary Table for a GS-12, step 3 plus 36 percent burden rounded to the nearest dollar, or \$42 an hour instead of the \$26 per hour plus 100% overhead (\$52 per hour) formula used for calculation of the Government review costs under the current information collection.

16. Outline plans for published results of information collections. Results will not be tabulated or published.

17. Approval not to display expiration date. Not applicable.

18. Explanation of exception to certification statement. Not applicable.

B. Collection of Information Employing Statistical Methods. Statistical methods are not used in this information collection.