

This is a tool developed by CohnReznick to help contractors assess the potential applicability of business system audits or examinations for their organization. If a company has responded “yes” to any of the specific criterion listed within a particular business system, then you may be subject to a system audit or examination. It is important to note, a “yes” response alone does not always mean it is applicable as government regulations sometimes include criterion linked by conjunctions while others are independent of other criterion. A “yes” response should be discussed with a qualified CohnReznick practitioner to understand applicability and other unique circumstances with any probably Contracting Officer action. For questions, please contact Kristen Soles at kristen.soles@cohnreznick.com or Christine Williamson at christine.williamson@cohnreznick.com.

BUSINESS SYSTEM APPLICABILITY RULES						CRITERION APPLICABLE? INDICATE "YES" OR "NO"
SYSTEM		FAR, DFARS, PROVISIONS, and CLAUSES	CRITERIA			
ACCOUNTING (AS)	NON-DoD	FAR 16.301-3 Cost-Reimbursement Contracts - Limitations	1. Does your company have a Government cost-reimbursement contract? - AND -			
			2. Did the ACO determine a need for accounting system audit based on significant cost-reimbursement contracts, change in cost accounting practices, billing or invoicing issues, audit recommendation, or other rationale?			
	DoD	DFARS 242.7502(a) DFARS Clause 252.242-7006	1. Is your Company a DoD prime contractor or subcontractor?			
			2. Does any prime contract or subcontract contain a similar DFARS clause or language requiring an adequate accounting system?			
			3. Was the Company awarded or executed any of the following contract types:			
			(a) Cost-reimbursement contract (FAR 16)			
(b) Incentive contract based on cost information						
		(c) T&M (Both Commercial FAR 12 and non-commercial FAR 15)				
		(d) Labor hour contracts				
		(e) Contracts with progress payments made on the basis of costs incurred or on % completion				
DETERMINE OVERALL SYSTEM APPLICABILITY						
ESTIMATING (ES)	NON-DoD	FAR 15.407-5 Estimating Systems	1. Did the Company's CO under a prime contract determine a need for an estimating system review?			
	DoD	DFARS 215.407-5 Estimating Systems DFARS Clause 252.215-7002 Estimating Business System	1. Is your Company (DoD contractor or subcontractor) considered other than small as defined in the Small Business Administration? - AND -			
2. Did your Company receive in its <i>preceding fiscal year</i> a DoD <u>prime contract(s)</u> or <u>subcontract(s)</u> totaling \$50 million or more for which <u>certified cost or pricing data were required</u> ? or						
3. Did your Company in its preceding fiscal year receive a DoD <u>prime contract(s)</u> or <u>subcontract(s)</u> totaling \$10 million or more (but less than \$50 million) for which <u>certified cost or pricing data were required</u> and the contracting officer, with concurrence or at the request of the ACO, determined it to be in the best interest of the Government?						
DETERMINE OVERALL SYSTEM APPLICABILITY						
PURCHASING (CPSR)	DOD/NON-DoD	FAR Subpart 44.302 Requirements FAR Clause 52.244-2 Subcontracts	1. Did the Company's ACO determine the need for a CPSR based on, but not limited to, your past performance, and the volume, complexity, and dollar value of subcontracts? - AND -			
			2. In the next 12 months, your sales to the Government are expected to exceed \$25 million excluding:			
			(1) Competitively-awarded firm-fixed-price			
			(2) Competitively-awarded fixed-price with economic price adjustment			
			(3) Commercial items (pursuant to FAR Part 12)			
			As a preliminary CPSR eligibility evaluation:	TOTAL VALUE		
			3. Indicate estimated total value of sales to the Government as defined above and not including identified exclusions:			
			4. Indicate number of following contract/subcontract types received in past 12 months:	COUNT	TOTAL VALUE	
			(a) Cost-reimbursement			
			(b) Time and Materials/Labor Hour			
	(c) Fixed-price competitively-awarded					
	(d) Fixed-price with economic price adjustment competitively awarded					
	(e) Contracts/subcontracts for sales of commercial items pursuant to FAR Part 12					
(f) Fixed-price other than those in (c) and (d) above						
DoD ONLY	DFARS 242.7000 Contractor Business Systems DFARS Clause 252.242-7005 Purchasing System	1. Is your Company DoD prime contractor or subcontractor? - AND -				
		2. Does any prime contract or subcontract contain a similar DFARS clause or language requiring your company to maintain an adequate or approved purchasing system? - AND -				
		3. Will your Company be making purchases (services or supplies) under your prime contract or subcontract?				
DETERMINE OVERALL SYSTEM APPLICABILITY						

BUSINESS SYSTEM APPLICABILITY RULES

SYSTEM	FAR, DFARS, PROVISIONS, and CLAUSES	CRITERIA	CRITERION APPLICABLE? INDICATE "YES" OR "NO"	
MATERIAL MANAGEMENT AND ACCOUNTING (MMAS)	DOD DFARS 242.7203 Review Procedures DFARS Clause 252.242-7004 Material Management and Accounting System	1. Your contract(s) contain this DFARS clause -AND-		
		2. Your company had \$40 million of qualifying sales to the Government during the preceding fiscal year -AND-		
		3. Your ACO, with advice from the auditor, determined that an MMAS review is needed based on a risk assessment of your past experience and current vulnerability		
		As a preliminary MMAS review eligibility evaluation:	TOTAL VALUE	
		4. Total value of qualifying sales to the Government in your preceding fiscal year:		
		5. Indicate number of following contract/subcontract/modification types received in previous fiscal year:	COUNT	TOTAL VALUE
		(a) Sales for which certified cost or pricing data were required under 10 USC 2306a, as implemented in FAR 15.403		
		(b) Contracts priced on other than a firm-fixed-price or fixed-price with economic price adjustment basis		
		(c) Cost-reimbursement		
		(d) Fixed-price with progress payments made on the basis of costs incurred as work progresses under the contract		
DETERMINE OVERALL SYSTEM APPLICABILITY				
PROPERTY MANAGEMENT (PM)	NON-DOD FAR 45.105 Contractors' Property Management System Compliance FAR Clause 52.245-1 Government Property	1. You have been notified by the agency responsible for contract administration that it will be conducting an analysis of your property management policies, procedures, practices, and systems. This analysis, which is accomplished as frequently as conditions warrant, will be conducted in accordance with agency procedures.		
		2. You have the following type(s) of Government contract(s) that contain FAR Clause 52.245-1:		
		(a) Cost-reimbursement and Time and Materials type contracts, and Labor Hour contracts involving Government property		
		(b) Fixed-price when the Government will provide Government property		
		(c) Contracts or modifications awarded under FAR Part 12 procedures where Government property that exceeds the SAT is furnished or where the contractor is directed to purchase property for used under the contract that is titled to the Government		
	3. Under your contract(s), you have Government property either provided by the Government or purchased by you and/or you have subcontractor(s) with Government property either provided by the Government or you or purchased by the subcontractor			
	4. You have a system of internal controls to manage (control, use, preserve, protect, repair and maintain) Government property in your possession and that satisfies the requirements of this FAR clause			
	5. You have procedures to assess your property management system effectiveness and perform periodic internal reviews, surveillances, self assessments, or audits. Significant findings or results of such reviews and audits pertaining to Government property are provided to the Government Property Administrator.			
	DOD DFARS 242.7000 Contractor Business Systems DFARS 252.245-7003 Contractor Property Management System Administration	1. Is your Company DoD prime contractor or subcontractor? - AND -		
		2. Does any prime contract or subcontract contain a similar DFARS clause or language requiring your company to maintain an adequate or approved property management system? - AND -		
3. Will your Company be responsible for either Government Furnished Property (GFP) or Contractor Acquired Property (CAP) under your prime contract or subcontract?				
DETERMINE OVERALL SYSTEM APPLICABILITY				
EARNED VALUE MANAGEMENT (EVMS)	NON-DOD FAR 34.201 Policy FAR Clause 52.234-4 Earned Value Management System	1. You have an EVMS as required for a major acquisition for development, in accordance with OMB Circular A-11		
		2. You have an EVMS as required by the Government for other acquisitions, in accordance with agency procedures		
		3. Your contract(s) contains this FAR clause		
		(a) You are required to use an EVMS that has been determined by the Cognizant Federal Agency (CFA) to be compliant with the guidelines in Electronic Industries Alliance Standard 748 (EIA-748)		
		(b) At the time of award, your EVMS had not been determined by the CFA as complying with EVMS guidelines or you do not have an existing cost/schedule control system that is compliant with EIA-748 guidelines		
	(c) The Government has notified you that it will conduct an Integrated Baseline Review (IBR)			
	DOD DFARS 234.201 EVMS Policy DFARS Clause 252.234-7002 Earned Value Management System	1. You have the following type(s) of Government contract(s)/subcontract(s) that contains DFARS Clause 252.234-7002:		
		(i) Cost or incentive valued at \$20 million or more (EVMS must comply with American National Standards Institute/EIA Standard 748 (ANSI/EIA-748))		
		(ii) Cost or incentive valued at \$100 million or more (contractor must have an EVMS that has been determined by the CFA to be compliant with ANSI/EIA-748)		
		(iii) Cost or incentive valued at less than \$20 million, application of EVM is optional and risk-based		
(iv) Firm-fixed-price, application of EVM is discouraged				
2. You have the following type(s) of Government contract(s)/subcontract(s) that contains DFARS Clause 252.234-7002:				
(c) Cost or incentive valued at \$100 million or more (contractor must have an EVMS that has been determined by the CFA to be compliant				
(d) Cost or incentive valued at less than \$100 million (Government will not make a formal determination that the contractor's EVMS complies with ANSI/EIA-748)				
DETERMINE OVERALL SYSTEM APPLICABILITY				

CAS-covered contracts will contain the applicable business system clauses if criteria are met.