

# **BUSINESS SYSTEMS STATUS**

## **Instructions and Sample Business Systems Status Document**

### **Instructions:**

Contract terms explicitly require Contractors to maintain their business systems as a condition of contracting responsibility and, in some cases, eligibility for award. Contract prices are negotiated on the basis that Contractors will maintain such systems, so that the Government does not need to maintain far more extensive inspection and audit functions than it already does.

The intent of the Business System Status document is to provide business system information that will assist Contracting Officer's in their negotiations. When a business system is disapproved, the Contracting Officer responsible for negotiation of a proposal generated by a business system with identified significant deficiencies must evaluate whether the deficiency impacts the negotiation.

CO's responsible for determining the acceptability of the Contractor's business systems in accordance with the terms and conditions of the applicable business system clause and approving or disapproving the system must complete a Business Systems Status document. It is important that the Business Systems Status document be current and accurate. Any changes in status should be entered immediately after providing written notification of the COs determination to the Contractor. In accordance with the DCMA Contractor Business Systems Instruction, this narrative document shall be uploaded in the Contract Business Analysis Repository (CBAR) eTool.

The Business Systems Status shall include the following information:

1. **Business System.** Name of the business system. For accounting system audits, it should be noted that DCAA is in the process of revising their policy for auditing a Contractor's accounting system. Instead of separate audits for the accounting subsystems, DCAA is expected to conduct an overall accounting system audit for compliance with criteria identified in DFARS Clause 252.242-7006.
2. **Status.** Status selections for Business Systems are limited to Approved, Disapproved, Not Evaluated and Not Applicable. These selections align with status selections in the CBAR eTool. If a CO's legacy final determination used terminology other than "approved" or "disapproved," then the business system status should be entered as "Not Evaluated" until a follow-up review is completed and the CO issues a final determination to either "approve" or "disapprove" the business system.
3. **Date of CO Determination.** Date of the COs determination notice.

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4. **Payment Withhold Applied to Contracts.** Indicate if a payment withhold has been applied to contracts – “Yes” or “No”.
5. **Notes.** If a business system status is “Approved” or “Not Applicable,” an explanatory note is not required. If a business system status is “Disapproved” or “Not Evaluated,” an explanatory note is required. Explanatory notes should –
  - Identify significant deficiencies and explain the position of the DCAA Auditor or DCMA Functional Specialist, Contractor, and the Contracting Officer;
  - Address the Contractor’s corrective action plan and estimated time for follow-up review; and
  - Address the actual or potential impact the significant deficiency has on proposed costs, billings, and estimated cost at completion, as applicable, and any other pertinent information that may impact the award of a contract.

### Sample Business System Status Document:

<b>Business System</b>	<b>Status</b> <i>(Approved, Disapproved, Not Evaluated, Not Applicable)</i>	<b>Date of CO Determination</b>	<b>Payment Withhold Applied to Contracts?</b>	<b>Notes</b>
Accounting	Approved		No	
Estimating	Disapproved		Yes	1
Earned Value Management	Not Applicable		No	
Material Management and Accounting	Not Applicable		No	
Property Management	Not Evaluated		No	2
Purchasing	Not Applicable		No	

### **Notes:**

#### 1. **Estimating System:**

- a. **Significant Deficiency:** Inadequate Documentation of the Basis of Estimate for Proposed Direct Labor Costs. Reference DFARS 252.215-7002(d)(4)(vi) and (xvi).

Auditor: Recommend that the contractor consistently provide adequate supporting documentation for proposed labor rates. Additional detail should be provided whenever the basis of proposed labor rates is inconsistent with the employees’ actual current rates or DACO-approved labor category rates. If the contractor plans to give significant promotions to current employees, enough detail should be provided to permit an adequate evaluation of the employee’s promotion and related proposed labor rate.

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Contractor's Response: The contractor feels that this is an isolated incident, but agrees with the auditor's comments and recommendations and will provide additional training to educate all personnel involved with pricing about the need for adequate and complete documentation on all proposed labor rates. While the data may not be required for submission to the Government, it must be part of the file and available for review and justification.

Contracting Officer: The contractor did not provide adequate support for the proposed direct labor rate increases of current employees who would be promoted to fulfill an RFP job category requirement. The contractor submitted a proposal in response to an RFP that required 26 Field Service Rep (FSR) Technicians. Of those 26 employees, 13 of the proposed number were currently not in the position of FSR Technician. In some instances, these employees' current hourly rates would more than double based on the contractor's proposed hourly rate. The contractor proposed the same labor rate for all promoted employees regardless of experience. The contractor provided no basis for the proposed labor rate. Supporting data must contain enough detail to permit an adequate evaluation of cost estimates. The contractor proposed substantial raises in current employees' hourly direct labor rates without a detailed basis of estimate.

Contractor submitted an acceptable corrective action plan on September 19, 2011. Additional training to educate all personnel involved with pricing has been conducted. Awaiting follow-up review by DCAA.

As a result of this condition, the contractor's estimating system cannot be relied upon. Submission of supporting data is a key component in the estimating system that provides for accurate proposal submissions to the Government.

#### **2. Property Management System:**

The Contracting Officer issued a final determination notice to the Contractor using terminology that is no longer current (i.e., partially inadequate). Previous findings may or may not be considered significant deficiencies in accordance with the current property management system clause. The Contracting Officer has consulted with the functional specialist and initiated a follow-up review of the property management system. A report is expected to be issued to the Contracting Officer in the next 30 days.

Based on verbal consultation with the functional specialist and review of clause criteria, previous findings do not appear to be significant deficiencies in accordance with contractual requirements. However, the Contracting Officers responsible for negotiation of a proposal where property management is a major factor to be considered in making the award should contact the Contracting Officer responsible for determining the acceptability of the Contractor's property management system.