**Subcontracting Reform – Contractor Performance Assessment Reports (CPARs)**

As part of the National Federal Contractors Association (NaFCA) and Set-Aside Alert Solutions Summit on Subcontracting Reform, focus working groups were formed. They are made up of small businesses that do business with the federal government and developed the following solution:

**Solution**

In order to have an accurate, ethical, and transparent report on the actual performance of a prime contractor in complying with the subcontracting plan, which was approved by the government contracting officer, each invoice that is submitted by the prime contractor, whether on a bi-weekly or monthly basis, shall provide a report of the payments that will be made to each subcontractor, listing the name of the company and the amount of the invoice.

On an annual basis, the agency’s contracting officer shall receive a report for the contract option year detailing the name of each small business subcontractor used and the amount that was paid to each in total dollars for the contract option year. This report of the prime contractor’s payment to subcontractor performance is to become part of public record and made accessible to any interested party.

The traditional Contractor Performance Assessment Report (CPAR) that is completed by the agency’s contracting officer at the end of the contract is to contain the exact figure of payments to subcontractors throughout the contract’s life cycle in total dollars. If the amount of subcontracting dollars paid out does not meet or exceed the amount stipulated in the subcontracting plan, the contracting officer shall note this failure clearly and conspicuously.

Section M of any federal Request for Proposal (RFP) shall contain a requirement for prime contractors to provide evidence of meeting or exceeding mandated subcontracting goals for each of the past performance citations that is being submitted with the proposal. Any federal contracting officer may refuse access to a contract for a prime contractor that has a history of not meeting its subcontracting plan goals.

**Benefits**

* The federal agency gains a clear understanding of subcontracting dollars paid out of each invoice.
* The requirement for an annual report provides the ability for the contracting officer to correct the prime contractor’s subcontracting performance during the contract life cycle. In addition, the prime contractor has the ability to correct its behavior in order to ensure a positive CPAR.
* Past performance on meeting subcontracting plans becomes part of the evaluation requirements for contract awards.

**Background and Discussion**

If these points were implemented, it is a near certainty that the amount of revenue going to the small business subcontractors would increase significantly. The good news is it does not require any action by Congress. Any government agency could implement these stricter rules. In fact, a grassroots effort starting with one agency could effectively support the implementation of these proposed solutions. There are several agencies that have shown a strong affinity for the plight of small business federal contractors and which could lead such a change effort.

CPARs would be a very suitable vehicle for addressing the lack of consistent subcontracting goal attainment by large prime contractors. They are read and reviewed not only by contracting officers, but also by company CEOs. By providing a clear, objective measure of whether a prime contractor is meeting its subcontracting obligations or not, the ability of prime contractors to use questionable accounting practices to improve their subcontracting goal attainment on paper is effectively eliminated.