



October 25, 2021

Victoria Mundt
Associate Director
Office of Small Business Programs
3060 Defense Pentagon
Washington, DC 20301-3060

Subject: Barriers Facing Small Businesses in Contracting with the Department of Defense

Dear Ms. Mundt,

Thank you for the opportunity to submit feedback on the barriers in contracting with the Department of Defense (DoD) for small businesses.

By way of background, the Coalition for Government Procurement (The Coalition) is a non-profit association of firms selling commercial services, products, and solutions to the Federal Government. Our members collectively account for tens of billions of dollars of the sales generated through General Services Administration (GSA) contracts including the Multiple Award Schedules (MAS) program and IT GWAC's. Coalition members include small, medium, and large businesses that account for 40 percent of Federal IT spending, more than \$24 billion in Federal IT contracts, and more than \$145 billion in Federal Government contracts. The Coalition is proud to have worked with Government officials for over 40 years towards the mutual goal of common-sense acquisition.

The Coalition supports DoD's efforts to reduce barriers in contracting for small businesses. As DoD continues to develop strategies and regulations to reduce the barriers for small business, the Coalition offers the following feedback for your consideration.

Administrative Burden

Contract Vehicles

In a recent Government Accountability (GAO) report, GAO-22-10461, *Small Business Contracting: Actions Needed to Implement and Monitor DoD's Small Business Strategy*, GAO found that small businesses encounter significant administrative burdens when working with DoD. The Coalition agrees with the finding. Our small business members report that the contracting process is difficult to navigate and that DoD needs to evaluate the process. Small businesses are experiencing extreme delays in the process for modifying contracts and making contract award decisions. Small businesses have seen modifications take months to be approved. Because the supply chain and prices often change rapidly, in this current environment, small businesses are forced to either cancel orders or fulfill orders with outdated prices. Neither of those options are financially sustainable to the ongoing activities of small businesses, and thus, they are likely to erode the amount of support DoD receives from small businesses. The Defense Logistics Agency (DLA) Electronic Catalog (ECAT) is a specific example of a contracting program that has a long processing period prior to award a new offer. The

delays are apparently due to a lack of resources, which has had negative impacts on small businesses as they are unable to fill orders from DoD and VA customers due to their lack of an ECAT contract.

Small businesses also find that it is difficult to compete for large, government-wide solicitations, specifically, Best-in-Class (BIC) contracts. In the aforementioned GAO report, DoD's contract obligations for FY20 were found to be the largest they had been in decades, \$80.5 billion, and yet, there has been a 43% decrease in the number of small businesses receiving awards during the same period. Small businesses have stated that some of the barriers to their participation are the lack of small business pools and on ramps for government-wide contracts, like BIC contracts. The Coalition recommends that DoD consider the use of more small business pools, set-asides, and on-ramps to increase the number of small businesses participating in the DoD supply base.

Security Clearance

Another major barrier to entry into the Defense market is the security clearance process. The difficulty is that small businesses have a hard time obtaining a security clearance without a contract, while at the same time, it is difficult to obtain a contract without a security clearance. If small businesses manage to break through that cycle and start the security clearance process, it is a very long process. While going through the clearance process, small businesses often miss opportunities to support DoD. Providing additional resources for small businesses as they navigate the security clearance process would be helpful.

Nonmanufacturer Rule Waiver

The nonmanufacturer rule was created to benefit small businesses. If, however, a small business is not a manufacturer or is not providing a product manufactured by another small business, then a waiver must be obtained. Small businesses have experienced difficulties obtaining these waivers. There is a long waiver process, which again, prevents small businesses from providing products to DoD as they await approval of the waiver.

Cybersecurity Requirements

As you know, Defense contractors soon will be required to obtain the Cybersecurity Maturity Model Certification (CMMC) at some level to do business with DoD. The cost and time of obtaining CMMC is still not clear, but it is likely to cause a large burden on small businesses' ability to compete for solicitations. While DoD has a rollout plan to include CMMC requirements in solicitations, the process for vendors to obtain the certification has not started. Small businesses are concerned that the lack of available resources for CMMC certification today may reduce the number of small business offerors in response to DoD solicitations in the future, if small businesses do not have enough time to prepare for and obtain the necessary CMMC certification when it is required. Timely availability of resources to prepare for CMMC, including an adequate number of CMMC-AB Certified Assessors (CCA) that understand the unique challenges of small business, would be very helpful to small businesses as they prepare to meet CMMC requirements in the coming years.

Financial Burdens

Accelerated Payments

Accelerated payments is one approach to reducing the financial burdens on small businesses as they seek to enter the Defense market. Requiring the payment of small businesses within 15 days of receipt of proper invoice will allow small businesses to improve their cash flow and will allow them to dedicate more resources to DoD. The Coalition is aware of the recent proposed FAR rule, *Accelerated Payments Applicable to Contracts with Certain Small Business Concerns*, which accelerates payments to prime contractors to 15 days after receipt

of proper invoice. The Coalition supports the proposed rule and agrees that it will lead to timely payments to small business prime contractors and small business subcontractors as well.

The Coalition appreciates DoD's consideration of this feedback. If you need additional information or would like to discuss this feedback further, please feel free to contact me at RWaldron@thecgp.org.

Sincerely,

A handwritten signature in black ink, appearing to read "Roger Waldron", written over a light gray rectangular background.

Roger Waldron
President