

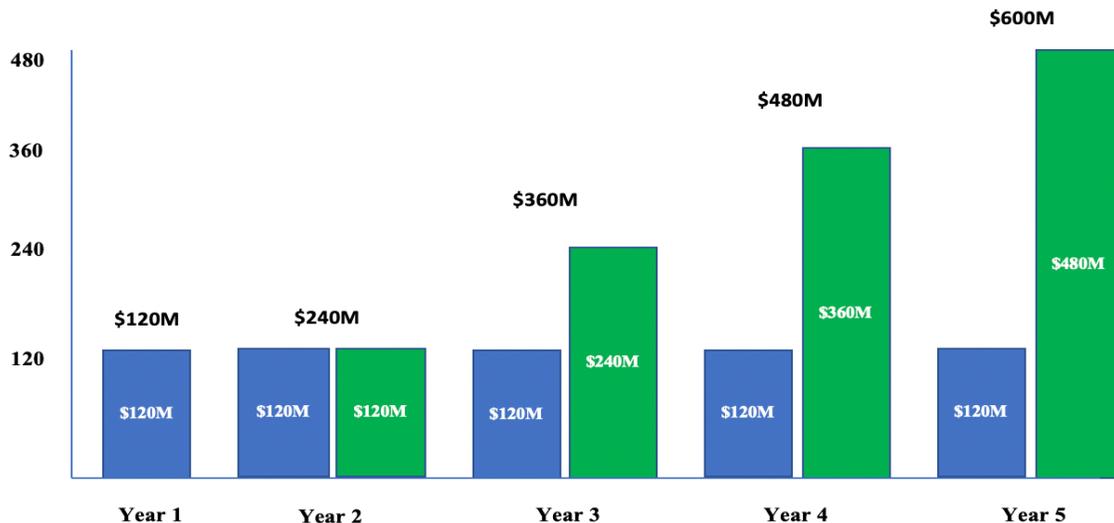
## Potential Financial Impact of the PSDR Process on Nontraditional Contractors (NTC)

**The Issue:** The Contractor Purchasing System Review (CPSR) process is currently being deployed by the Pentagon and GSA during major acquisition activities in order to proactively control federal supply chain spending. In order to qualify to participate in the CPSR process, contractors must have been awarded at least \$50M in federal funding in the preceding year.<sup>1</sup> As a result, the Pentagon has unintentionally implemented an acquisition strategy that prevents an estimated 22,000 small businesses and commercial IT companies<sup>2</sup> from participating as prime contractors on major acquisition vehicles.

**The Solution:** The Purchasing System Desk Review (PSDR) process proposed by the FSCMO will provide small businesses and other NTCs that do not meet the current DFARS threshold an effective on-ramp<sup>3</sup> to the CPSR process. This on-ramp has been specifically designed to give small and innovative contractors access to the purchasing system approval required to perform as prime contractors under current and upcoming DoD, NASA, and GSA contract vehicles.

**The Projected Financial Impact of the PSDR Process on NTC Revenue:** The following graph illustrates the estimated financial impact on the annual revenue of NTCs participating in the PSDR process.

**Assumptions:** For the purposes of this estimate, the FSCMO is assuming participation by at least 600 NTCs in the first five years of process implementation [**120 new NTCs/year + Ongoing Performance by Approved NTCs**].<sup>4</sup> To estimate total impact of this process, it was assumed that NTCs participating in this process will average \$1M in additional revenue per year of participation.<sup>5</sup>



**Total Estimated Funding Awarded to NTC Prime Contractors as the result of the PSDR process: \$1,800,000,000 (\$1.8B)**

<sup>1</sup> DFARS 244.302

<sup>2</sup> Per the SBA database, there are 64,158 small business service providers with <\$50M in annual revenue currently registered with the SBA. Per the GAO, DoD was responsible for 31% of the service contracts awarded by executive agencies in FY2018 (<https://blog.gao.gov/2019/05/28/federal-government-contracting-for-fiscal-year-2018-infographic/>). 64,158 \* 0.31 = 22,260.

<sup>3</sup> The PSDR process is closely modeled after the long-established process for preliminary evaluation of contractor accounting systems for award of certain types flexibly priced prime contracts. See also <https://www.gsa.gov/forms-library/pre-award-survey-prospective-contractor-accounting-system-for-the-SF1408> (the form currently used by DCAA for pre-award accounting system evaluation).

<sup>4</sup> 600 represents less than 3% of the 22,260 NTCs estimated to be working with DoD and less than 1% of the total SBs under the \$50M threshold.

<sup>5</sup> It is initially assumed that larger NTCs (\$25M-\$45M) will be the first to participate in this process. \$1M represents an annual first year revenue increase from NTCs expected to participate of between 2.2% - 4%

