



Government Contractor Updates

Presented by Jason Rice, CPA



Agenda

- FY2026 NDAA Highlights
- FAR Overhaul
- Executive Order 14402
- SBIR/STTR Programs
- CMMC
- Other Recent Executive Orders



2026 National Defense Authorization Act



FY2026 NDAA: Overview

- Signed on December 18, 2025
- Represents approximately 3-4% increase over FY2025 authorization levels
- Includes provisions for DoD procurement, R&D, military construction, and operations
- Emphasizes modernization of the defense acquisition system
- Strengthens requirements for domestic sourcing and supply chain resilience
- Expands authorities for Other Transaction Agreements (OTAs)

Total Authorization for National Defense



FY2026 NDAA Funding Breakdown

- ~ 900B in total national defense spending
- ~855B DoD related funding
- ~34B DoE related funding
- ~10B in other defense related funding



FY2026 NDAA Purpose of Spending

- **Modernization & Lethality:** AI, autonomy, hyper sonics, space, C2, ISR, and advanced munitions.
- **Industrial Base Expansion:** Shipyards, munitions plants, critical materials, and supply-chain resilience.
- **Procurement & Production:** Multiyear buys for aircraft, ships, submarines, and ground systems
- **Cyber & Information Security:** Zero-trust, secure comms, data protection, and classified systems support.



FY2026 NDAA Strategic Direction

- **Strengthening Defense Industrial Base:** FY2026 NDAA prioritizes expanding and strengthening the U.S. defense industrial base to enhance national security.
- **Supply Chain Transparency:** Contractors must increase transparency and manage security risks across subcontractors to ensure resilient supply chains.
- **Domestic Sourcing Incentives:** NDAA encourages domestic production and accelerates qualifying new U.S. suppliers to reduce foreign dependencies.
- **Competitive Advantage Through Resilience:** Firms demonstrating resilient, transparent supply chains aligned with U.S. priorities will be more competitive in procurements.

Threshold Changes

Cost & Pricing Data Threshold

- Increased from \$2M to \$10M (Certified cost or pricing data requirement)
 - Fewer contracts require TINA style certified pricing
 - Reduced audit exposure
 - Faster award timelines

Cost Accounting Standards (CAS)

- Full CAS coverage raised from \$50M to \$100M
- CAS contract threshold raised from \$2M to \$35M

Major System Acquisition Threshold

- Increased definition of Major system from \$115M to \$275M for RDT&E
- Increased ultimate total expenditure for the system from \$540M to \$1.3B
- Civilian agency increased from \$750k to \$2M

Threshold Changes for Other Than Full and Open Competition

Non-Competitive

- Used for
 - Urgent or compelling need
 - Only one responsible source is available
 - National Security would be compromised

Threshold Changes

- For contracts with an estimated amount exceeding \$500,000 but less than or equal to \$10 million,
 - threshold will now increase to \$100 million.
- For contracts with an estimated amount exceeding \$10 million but less than or equal to \$75 million,
 - the threshold will now increase to \$500 million.
- For contracts with an estimated amount exceeding \$75 million,
 - the threshold is increased to \$500 million.



Cybersecurity and Artificial Intelligence Integration

Standardization of Cybersecurity

- mandates standardized cybersecurity requirements across the defense industrial base to reduce inconsistencies.

AI Operational Deployment

- Promotes moving AI from research into deployment in logistics, operations, and decision support functions

Governance and Compliance

- AI systems must meet cybersecurity and governance standards emphasizing security, transparency and compliance



FAR Overhaul

FAR Overhaul

Why Changing

- Thousands of Directives
- Complex and Slow
- High Compliance Burden
- Limits Innovation

Structural Changes

- Streamline FAR
- Strategic Acquisition Guidance
- Buying Guides
- Flexible Framework

Key Objectives

- Return to statutory requirements
- Plain language rewrite
- Increase speed and competition
- Enable commercial buying



Historical Evolution of the FAR

FAR Establishment and Purpose

- FAR was created in 1984 to unify diverse agency procurement rules into a consistent system for contractors.

Reform Efforts and Challenges

- 1990s streamlining efforts aimed to simplify FAR, but many improvements later diminished.

Current FAR Overhaul

- The ongoing overhaul focuses on removing unnecessary rules and emphasizing principles over detailed procedures.



Purpose and Strategic Objectives

Agility and Efficiency

- Aims to create a more agile and efficient federal acquisition system while safeguarding against waste and fraud.

Simplification and Flexibility

- Reducing mandatory clauses and allowing contracting officers more discretion to tailor acquisitions improves flexibility.

Alignment with Commercial Practices

- The overhaul aligns acquisition rules with commercial practices to encourage innovation and ease contractor participation.

Policy Goals and Contractor Impact

- Supports industrial base, supply chain resilience, and small business growth while emphasizing ethics and accountability

FAR Overhaul: Executive Order Framework

EO: "Restoring Common Sense to Federal Procurement" — April 15, 2025

Directs the FAR Council to conduct a comprehensive reform of the Federal Acquisition Regulation to streamline procurement, reduce unnecessary requirements, and prioritize commercial solutions.

Regulatory Reduction

Systematic review and elimination of outdated, duplicative, or unnecessary FAR provisions that increase compliance costs.

Commercial Preference

Strengthened preference for commercial items and commercial buying practices throughout the procurement process.

Barrier Removal

Identification and removal of anti-competitive regulatory barriers that discourage new entrants to the federal market.

Process Simplification

Streamlined procurement processes, reduced paperwork requirements, and faster contract award timelines.

DFARS Integration

Parallel review of Defense FAR Supplement to eliminate defense-specific regulations deemed unnecessary.

FAR Overhaul Timeline

Phase 1: Deviations

- Model FAR deviation text released
- Agencies implement class deviations
- Industry feedback (through Nov 2025)
- Expanded use of deviations
- Removal of non-statutory requirements

Phase 2: Rulemaking

- Formal regulatory process begins
- Incorporate public and industry feedback
- Refines and finalized FAR text

Full Implementation

- Final FAR rewrite officially adopted
- Deviations phased out
- Guidance shifted to buying agents

Small Business Impact of FAR Reforms

Benefits

- Reduced compliance costs and paperwork
- Higher simplified acquisition thresholds
- Easier entry for first-time contractors
- More flexible past performance requirements
- Streamlined certification processes

Risks

- Contract consolidation may reduce set-asides
- Larger vehicles favor established incumbents
- Commercial preference may bypass small biz programs
- Reduced agency-level procurement autonomy
- Potential loss of small business advocates

Mitigation Strategies

- Industry association engagement in rulemaking
- Joint ventures and teaming arrangements
- GSA Schedule positioning and specialization
- Subcontracting partnership development
- Niche capability differentiation



Executive Order 14402



EO 14402: Non-Fixed Price Contract Restrictions

Cost Reimbursable — Existing Restrictions

- Not allowed on commercial products or services
- Contractor must have adequate cost accounting system
- Contracting Officer must prepare Justification and Approval (J&A)

Time & Materials — Existing Restrictions

- Only permitted when extent, duration, or costs cannot be estimated with reasonable confidence
- Requires government surveillance of contractor performance
- Contracting Officer must prepare Determination and Findings (D&F)
- Head of Contracting Activity approval required when period of performance exceeds 3 years



EO 14402: New Approval Requirements

Written Justification & Agency Head Approval

- Contracting Officer must justify in writing to Agency Head
- Agency Head must approve the contract in writing (may delegate to non-career employees)

Agency Head Approval Thresholds

- **DoD:** \$100M | **NASA:** \$35M | **DHS:** \$25M | **Other Agencies:** \$10M

Exemptions from Agency Head Approval

- Emergency, major disaster, or contingency operations
- R&D or preproduction development for major systems acquisition (FAR Part 34/35)

FAR Deviations

- Until FAR amendments are implemented, agencies shall utilize applicable deviations to the maximum extent practicable

Contractor Performance Metrics & Evaluation

Cost Performance

- Contract cost variance tracking
- Indirect rate trend monitoring
- Cost reduction initiative reporting
- Price competitiveness benchmarking

Schedule Performance

- Milestone delivery tracking
- On-time completion rates
- Schedule recovery plan assessment
- Critical path management review

Quality & Outcomes

- Deliverable acceptance rates
- Deficiency and rework metrics
- Customer satisfaction scores
- Mission outcome contribution

Contractor Implication

Past performance evaluations will now carry greater weight in source selection, with quantitative metrics supplementing traditional narrative assessments. Contractors must invest in internal performance tracking systems that align with government measurement frameworks.

Compliance Requirements & Consequences

Level 1

Advisory

Written notification of performance deficiency with specific corrective actions required within 30 days.

Level 2

Corrective

Mandatory corrective action plan with monthly progress reviews; reduced consideration for new contract awards.

Level 3

Restrictive

Contract modifications, funding reductions, or partial termination; formal referral to agency suspension and debarment official.

Level 4

Debarment

Government-wide suspension or debarment proceedings for persistent, egregious, or willful underperformance.



Key Timelines for Implementation

45 Days

OMB issues guidance to agencies to ensure consistent implementation.

90 Days

Each agency head shall seek to modify, restructure, or renegotiate its 10 largest non-fixed price contracts by dollar value; convert to fixed price or performance-based incentives to the maximum extent practicable.

120 Days

Office of Federal Procurement Policy to propose FAR amendments and develop training for contracting employees; new contracts will include EO 14402 clauses by August 2026; existing contracts may be modified at option exercise.

Semi-Annual

Agency heads must submit reports to OMB detailing all approved non-fixed price contracts.



SBIR/STTR Updates

Proposal Limits & the Small Business Innovation and Economic Security Act

Agency Caps

Proposal Limits
(Starting FY2027)

\$30M

Strategic Breakthrough
Award Ceiling

5.5 Years

Authorization
Through FY2031

- Signed into law April 13, 2026 (S. 3971), reauthorizing SBIR/STTR programs through September 30, 2031, after a five-month lapse.
- Beginning in FY2027, agencies must set caps on the number of proposals a company can submit per fiscal year, solicitation, or topic.
- New Strategic Breakthrough Awards allow up to \$30M per project for Phase II recipients with 100% non-federal matching funds.
- Enhanced national security screening requires agencies to assess applicants for foreign ties and cybersecurity risks.
- Agencies must complete award decisions within 90 days; Phase III transition training and standardized contracts now required.
- Unobligated FY2026 funds may carry over into FY2027 to address the gap caused by the authorization lapse.



CMMC Updates

CMMC Assessment Ecosystem & Phased Rollout

Phase 1 (FY2025-26)

- CMMC requirements in select new contracts
- Self-assessment for Level 1 begins
- C3PAO assessments for early adopters
- DIBCAC assessments for Level 3 initiated
- Voluntary assessments encouraged

Phase 2 (FY2026-27)

- Expanded CMMC clauses in new solicitations
- Level 2 C3PAO assessments scaled up
- Conditional certification status available
- POA&M remediation timelines enforced
- Assessment marketplace maturation

Phase 3 (FY2027-28)

- CMMC required in all applicable contracts
- Full enforcement of certification requirements
- Option year exercises require current certification
- Subcontractor certification flow-down enforced
- Continuous monitoring requirements



Recent Executive Orders

Executive Orders: Acquisition, Procurement & Policy

Executive Order	Date
Ensuring Commercial, Cost-Effective Solutions in Federal Contracts (EO 14271)	Apr 16, 2025
Restoring Common Sense to Federal Procurement (EO 14275)	Apr 15, 2025
Modernizing Defense Acquisitions & Spurring Innovation in the DIB (EO 14265)	Apr 9, 2025
Directing the Repeal of Unlawful Regulations (PM)	Apr 9, 2025
Reducing Anti-Competitive Regulatory Barriers (EO 14267)	Apr 9, 2025
Eliminating Waste by Consolidating Procurement (EO 14240)	Mar 20, 2025
DOGE Cost Efficiency Initiative (EO 14222)	Feb 26, 2025
Prioritizing the Warfighter in Defense Contracting (EO 14372)	Jan 7, 2026
Promoting Efficiency in Federal Contracting (EO 14402)	Apr 30, 2026
Addressing DEI Discrimination by Federal Contractors (EO 14398)	Mar 26, 2026
Ending Illegal Discrimination & Restoring Merit-Based Opportunity (EO 14173)	Jan 21, 2025
Ending Radical DEI Programs and Preferencing (EO 14151)	Jan 20, 2025

Executive Orders: Workforce, Cyber, AI & Trade

Executive Order	Date
Removing Barriers to American Leadership in AI (EO 14179)	Jan 20, 2025
Stargate AI Infrastructure Initiative (Announcement)	Jan 23, 2025
Strengthening & Promoting Innovation in Cybersecurity (EO 14144)	Jan 16, 2025
America First Trade Policy (PM)	Jan 20, 2025
Restoring Common Sense to Federal Office Space Management (EO 14274)	Apr 15, 2025
Commencing the Reduction of the Federal Bureaucracy (EO 14217)	Feb 19, 2025
Reforming the Federal Hiring Process (EO 14170)	Jan 20, 2025
Unleashing American Energy (EO 14154)	Jan 20, 2025
Unleashing Prosperity Through Deregulation (EO 14192)	Jan 31, 2025
Establishing the Department of Government Efficiency (EO 14158)	Jan 20, 2025
Regulatory Freeze Pending Review (PM)	Jan 20, 2025
Accelerating Defense Sales to Allied Nations (EO 14268)	Apr 9, 2025

Sources & References

The White House — "Modernizing Defense Acquisitions and Spurring Innovation in the Defense Industrial Base," Executive Order, April 9, 2025.
[whitehouse.gov/presidential-actions/2025/04/modernizing-defense-acquisitions/](https://www.whitehouse.gov/presidential-actions/2025/04/modernizing-defense-acquisitions/)

Arnold & Porter — "Trump Administration Issues Executive Orders Directing Major Changes to Defense Acquisition and Federal Procurement," April 21, 2025.
[arnoldporter.com/en/perspectives/advisories/2025/04/](https://www.arnoldporter.com/en/perspectives/advisories/2025/04/)

Holland & Knight — "New Executive Orders Seek to Improve Acquisition in the Defense Industrial Base," April 11, 2025.
[hklaw.com/en/insights/publications/2025/04/](https://www.hklaw.com/en/insights/publications/2025/04/)

The Coalition for Government Procurement — "Resources on the 2025 Presidential Transition," [thecgp.org/current-issues/member-resources-on-the-2025-presidential-transition/](https://www.thecgp.org/current-issues/member-resources-on-the-2025-presidential-transition/)

Covington — "Timeline of Key Developments Related to Recent Executive Actions," Inside Government Contracts, April 3, 2025.
[insidegovernmentcontracts.com/2025/04/](https://www.insidegovernmentcontracts.com/2025/04/)

PilieroMazza — "Key Executive Orders Passed by President Trump and Their Implications for Government Contractors," January 31, 2025.
[pilieromazza.com/](https://www.pilieromazza.com/)

SBA — SBIR/STTR Program Reauthorization, Small Business Administration. [sbir.gov/](https://www.sbir.gov/)

Cooley LLP — "Executive Order Limits Underperforming Defense Contractors' Ability to Conduct Stock Buybacks," March 5, 2026.
[cooley.com/news/insight/2026/](https://www.cooley.com/news/insight/2026/)

Federal Register — "2026 Donald J. Trump Executive Orders," [federalregister.gov/presidential-documents/executive-orders/donald-trump/2026](https://www.federalregister.gov/presidential-documents/executive-orders/donald-trump/2026)

NIST — Special Publication 800-171 Rev. 2 & Rev. 3, "Protecting Controlled Unclassified Information in Nonfederal Systems." [nist.gov/](https://www.nist.gov/)