



OFFICE OF THE UNDER SECRETARY OF DEFENSE

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MEMORANDUM FOR DIRECTOR, DEFENSE CONTRACT MANAGEMENT AGENCY
DIRECTOR, DEFENSE CONTRACT AUDIT AGENCY

SUBJECT: Clarification of Defense Federal Acquisition Regulation Supplement Requirement of Major Contractors to Report Independent Research and Development Projects

The Defense Federal Acquisition Regulation Supplement (DFARS) Final Rule for Independent Research and Development (IR&D) Technical Descriptions added a provision to Contract Cost Principles at DFARS 231.205-18(c)(iii)(C) that became effective January 30, 2012. The rule provides for a major contractor's annual IR&D costs to be allowable only if the contractor reports its IR&D projects to the Defense Technical Information Center (DTIC) via an on-line form, with updates at least annually and upon project completion.

While many contractors have reported project information related to contractor fiscal years (CFY) 2012 and 2013 IR&D projects, others indicated confusion regarding submittal timeframes. Therefore, I am extending the reporting period for CFYs 2012 and 2013 until the end of CFY 2014. I ask that you communicate this to the contractors under your cognizance.


Administrative Contracting Officers (ACOs) should request access to the Defense Innovation Marketplace database using the instructions listed on the website (<http://www.defenseinnovationmarketplace.mil/>), and use the project summaries submitted to the database to determine whether IR&D projects are of potential interest to DoD as required in DFARS 231.205-18(c)(iv).

ACO's should communicate with contractors subject to the reporting requirement to promote compliance and adequate support for the allowability of IR&D costs, as follows:

- Contractors must report projects generating IR&D costs by entering them into the secure portal at the Defense Innovation Marketplace no later than three months after the end of the CFY in which the contractors initially incur the cost. Each project summary generates a Record Number as a unique identifier. First time project submissions will be labeled "New Start".
- For ongoing projects, updated project summaries must be submitted for each CFY as long as the project is open. The update must be submitted no later than three months after the end of each CFY. These project summaries will be labeled "Follow On" in the project status field and will generate a new Record Number when submitted.
- When the contractor considers the project completed, the contractor must submit a final updated project summary and change the project status field to "complete". IR&D costs are unallowable if the contractor does not report or update the related IR&D project information no later than three months after the end of the CFY in which the contractor incurs the costs, and those CFY costs remain unallowable even if the contractor submits the information later.

- Since the input may also support forward pricing estimates for IR&D, contractors should be strongly encouraged to input the data as soon as possible, and update the information as the project progresses.
- Contractors are required to provide IR&D supporting data in addition to the project information reported to DTIC, as needed to support ACO DFARS 231.205-18(c)(iv) determinations or audits of IR&D costs in accordance with applicable laws and regulations.
- It is important to communicate that **there is no expectation of reconciliation between the cost information in the database and the costs claimed in the incurred cost submission**, only that the claimed project was in fact, entered into the database, updated annually, and updated when the project is complete.

Questions may be directed to Mr. Gary Catt, 703-693-7062 or gary.r.catt2.civ@mail.mil.



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cc:

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