

MEMORANDUM FOR SBIR/STTR PHASE I OFFERORS SELECTED FOR
AWARD

SUBJECT: Adequate Accounting System

1. Although the Department of Defense (DoD) does not issue separate solicitations for SBIR Phase II, the (technical directorate) SBIR/STTR Program Office may invite you to submit a Phase II proposal. Only recipients of Phase I contracts may be considered for Phase II awards. Invitations for Phase II proposals are normally issued during the fifth month of effort under a Phase I contract, and Phase II proposals are due not later than six months after Phase I award. Due to the close timing of these events, together with the Government's express preference of cost-type contracts for Phase II awards, it is highly recommended that you assess the status of your accounting system as soon as possible.
2. FAR 16.301-3(a)(1) states that a cost-reimbursement contract may be used only when the contractor's accounting system is adequate for determining costs applicable to the contract. Cost estimates included in a Phase II proposal for a cost-type contract must be predicated upon an accounting system that is adequate for classifying, accumulating, and reporting costs. To facilitate development and Government evaluation of your Phase II proposal and promote timely award, an adequate accounting system should be in place prior to initiating a Phase II proposal.
3. The acceptability of an accounting system is determined based upon a review performed by the Defense Contract Audit Agency (DCAA). Specific information concerning accounting systems may be found at DCAA's website: <http://www.dcaa.mil>. Click on the link entitled "Publications", followed by the sublink entitled "Info for Contractors" located on the left hand side of the screen. Pamphlet 7641.90, entitled "Information for Contractors", is one of the available publications listed. Specifically, Chapter 2, Sections 2-301 and 2-302 of this pamphlet provides details on accounting system requirements and the criteria used by DCAA to evaluate system adequacy.
4. In preparation for possible selection for a SBIR II award, at which time the Government will formally request a DCAA accounting system review, it is highly recommended that you review the aforementioned requirements, as well as Figure 2-3-1, "Preaward Survey of Prospective Contractor Accounting System", Standard Form (SF) 1408 (Atch 1), to identify and address any accounting system inadequacies. The cost of any audit activity in anticipation of receipt of a Phase II invitation is not considered an allowable direct charge to a resulting SBIR award or any other contract. In addition, this notice is not to be construed to mean that your company is assured of a Phase II invitation and contract award. Contract award is contingent upon selection for invitation, receipt of an acceptable proposal, successful negotiations, and availability of funding.
5. DCAA is available to answer any questions or concerns you may have regarding accounting system adequacy. Please note that only the Government may request a formal DCAA accounting system review.