

## SUPPORTING STATEMENT

### Defense Federal Acquisition Regulation Supplement (DFARS); Independent Research and Development Technical Descriptions; OMB Control Number 0704-0483

#### A. JUSTIFICATION

##### 1. Need for the Information Collection

This statement supports a request to for renewal of a currently approved collection under OMB Clearance Number 0704-0483 for DFARS section 231.205-18, Independent Research and Development and Bid and Proposal Costs, which requires contractors to report Independent Research and Development (IR&D) projects to the Defense Technical Information Center (DTIC) using the DTIC's on-line IR&D database. The inputs must be updated at least annually and when the project is completed.

##### 2. Use of the Information

The data provides in-process information on IR&D projects for which DoD reimburses the contractor as an allowable indirect expense. In addition to improving the Department's ability to determine whether contractor IR&D costs are allowable, the data provides visibility into the technical content of industry IR&D activities to meet DoD needs.

##### 3. Use of Information Technology

Information technology is used approximately 100% of the time to reduce burden. In compliance with 44 U.S.C. 3504(a)(1)(B)(vi), the Defense Technical Information Center (DTIC) provides an online portal at <http://www.defenseinnovationmarketplace.mil>, where contractors report IR&D project information. Instructions are provided on the website.

##### 4. Non-duplication

As a matter of policy, DoD reviews the Federal Acquisition Regulation (FAR) to determine if adequate language already exists. This request for information applies solely to DoD and does not duplicate any other requirement. Similar information is not already available to the Government.

##### 5. Burden on Small Business

The burden applied to small business is the minimum consistent with applicable laws, Executive orders, regulations and prudent business practices. Although the information collection requirement does not reduce the burden on small entities, the information is the minimum needed to effectively monitor DoD-sponsored IR&D projects.

## 6. Less Frequent Collection

Without this information, DoD is unable to maximize the value of the IR&D funds the Department disburses without infringing on the independence of a contractor to choose which technologies to pursue in its independent research and development program.

## 7. Paperwork Reduction Act Guidelines

There are no special circumstances for collection. Collection of this information is consistent with the guidelines at 5 CFR 1320.5(d)(2).

## 8. Consultation and Public Comments

a. For the purpose of calculating respondent burden, subject matter experts at DTIC were contacted to obtain current data from the DTIC database on projects reported by contractors from fiscal years 2014 through 2016, the three most recent fiscal years considered to be complete.

b. This information collection is consistent with the guidelines in 5 CFR 1320.6. In accordance with 5 CFR 1320.8(d), public comments were solicited in the *Federal Register* on January 18, 2018 ([83 FR 2622](#)). Nine responses were received, eight of which were not relevant to this information collection renewal. Those eight responses provided a philosophical discussion of: (1) wind farms and associated tax credits; (2) the merits of pipelines vs. wind farms; (3) air and water quality in the U.S. and China; (4) rare earth elements and production and the need for the U.S. to have a strong manufacturing base; (5) further discussion of air quality in China, India, and the U.S.; (6) tariffs and conflict minerals law and further discussion of air quality in China, India, and the U.S.; (7) child labor and environmental concerns of mining and producing toxic minerals; and (8) a Russian ship delivering natural gas in Boston Harbor when domestic gas is cheaper. One respondent submitted comments that were relevant to this information collection, which are summarized below:

Comment: The acquisition process already incentivizes Government contractors to engage with DoD on the technical needs of the Department and how or where contractors can focus IR&D investments to meet those needs; the DTIC requirement is redundant with the normal cadence of business activity/communication that exists between the Government and contractors.

Response: In January 2012, DoD revised the DFARS requirements for reporting IR&D projects to the Defense Technical Information Center (DTIC). Beginning in the 1990s, DoD reduced its technical exchanges with industry, in part to ensure independence of IR&D. The result was a loss of linkage between funding and technological purpose. These reporting requirements, issued in accordance with 10 U.S.C. 2372, provide in-process information from IR&D projects, for which reimbursement, as an allowable indirect cost, is sought from DoD, to increase effectiveness by providing visibility into the technical content of industry IR&D

activities to meet DoD needs and promote the technical prowess of our industry. Without the collection of this information, DoD will be unable to maximize the value of the IR&D funds the Department disburses without infringing on the independence of contractors to choose which technologies to pursue in IR&D programs.

Comment: Another concern has only increased in the intervening years: the risk of unintended disclosure, such as through cyber intrusions by foreign nation states, where proprietary technical information is released. While classified programs are exempt from the DTIC reporting requirement, sensitive, export controlled, and proprietary information is still loaded into the system. Generally speaking, as the number of repositories that contain this information increases, the risk of disclosure also increases.

Response: Adequate controls are in place to protect information from compromise. Only unclassified IR&D project summary information should be provided. Both database screens and printouts are marked “For Official Use Only” and “Company Proprietary Information.” Firms have discretion regarding presentation of information they regard as sensitive when they submit project summaries, and sufficient measures are being employed to limit access to authorized DoD users.

Comment: The respondent believes that the recently rescinded amendment to the original DTIC reporting requirement that expanded requirements on contractors, (drafted in 2016, four years after the original rule) to engage in a documented “technical interchange” with “appropriate personnel” before beginning an IR&D project constitutes an acknowledgement from DoD that the DTIC reporting requirement is unnecessary and provides insufficient “practical utility.”

Response: The requirement at DFARS 231.205-18(c)(iii)(C)(4) regarding a technical interchange with a technical or operational DoD Government employee prior to the generation of IR&D costs is being rescinded under DFARS Case 2017-D041. This decision was made based on a determination that the benefit of a technical interchange prior to the generation of IR&D costs does not outweigh the burden that is imposed on DoD and the public. However, DoD visibility into the technical content of industry IR&D activities is still necessary to increase the effectiveness of IR&D expenditures and promote the technical prowess of our industry. Therefore, the requirement for contractors to input project summaries of their IR&D projects into DTIC database remains unchanged.

Comment: The respondent recommends that DoD sponsor an independent analysis of how much/often DOD uses the DTIC information; if such use is low, the DTIC requirement should retroactively be eliminated so that it does not impose an additional burden on contract administration and the final indirect rate settlement process for any current and prior unsettled years... Checking to see if information has been updated or meets the requirements for allowability per DFARS 231.205-18 was not the intent of this activity; the focus should be the tangible use by DoD technologists to provide “visibility into the technical content of industry IR&D activities to meet DoD needs and promote the technical prowess of our industry.”

Response: DoD continually reviews all data collection requirements, including the requirement for contractors to input IR&D project summaries into the DTIC database. It is through these analyses that DoD determines whether the benefits of such data collection requirements are outweighed by the burdens of collecting the data. For example, as stated herein, the decision to rescind the requirement at DFARS 231.205-18(c)(iii)(C)(4) regarding technical interchanges with technical or operational DoD Government employees prior to the generation of IR&D costs was made based on a determination that the benefits of such technical interchanges were outweighed by the burden that was imposed on DoD and the public.

c. A notice of submission to OMB for clearance of this information collection was published in the *Federal Register* on March 27, 2018 ([83 FR 13124](#)).

9. Gifts or Payment

No payment or gift will be provided to respondents, other than remuneration of contractors under their contracts.

10. Confidentiality

This information is disclosed only to the extent consistent with prudent business practices and current regulatory, statutory, and Freedom of Information Act requirements. The collection of information does not include any personally identifiable information (PII) and records are not retrievable by PII; therefore, no Privacy Impact Assessment or Privacy Act System of Records Notice is required.

11. Sensitive Questions

No sensitive questions are involved in the information collection.

12. Respondent Burden, and its Labor Costs

The respondent burden and labor costs is calculated using data available from DTIC IR&D database for fiscal years 2014 through 2016, the three most recent fiscal years considered to be complete. The estimated public burden is as follows:

Estimation of Respondent Burden Hours: DFARS 231.205-18	
Number of respondents (1)	77
Responses per respondent (2)	87
Number of responses (3)	6,699
Hours per response (4)	0.5
Estimated hours (5)	3,350

Cost per hour (hourly wage) (6)	\$65.00
Annual public burden (7)	\$217,717.50

Notes:

(1) According to the DTIC database for fiscal years 2014 through 2016, an average of 77 contractors (respondents) submitted IR&D project information using the online portal.

(2) According to the DTIC database for fiscal years 2014 through 2016, contractors submitted at average of 6,730 projects to the online portal. As a result, the average number of responses per respondent is 87 (the number of projects divided by the number of respondents, rounded to the nearest whole number).

(3) The number of responses is calculated by multiplying the number of respondents by the number of responses per respondent.

(4) The projected number of hours per response is a judgmental estimate and reflects the average amount of time required to gather, organize, and input the required data into the DTIC IR&D database. The actual response time for an individual contractor may vary depending on a number of factors such as accessibility of the data. The current estimate remains unchanged from the 2015 estimate of .5 hours per response.

(5) The estimated hours is calculated by multiplying the number of responses by the estimated hours per response.

(6) The fully burdened rate of \$65.00 was developed using the Office of Personnel Management (OPM) 2018 basic hourly salary (for the rest of U.S. locality) of \$47.38 for a General Schedule (GS) 13, step 5, employee, plus a burden of 36.25 percent (per OMB Circular A-76, Attachment C), which equals \$64.56. This rate was rounded to \$65.00.

(7) The total annual public burden is calculated by multiplying estimated hours by the cost per hour.

13. Estimated nonrecurring costs.

There are no nonrecurring costs, i.e., capital and start—up, or operation and maintenance costs for contractors.

14. Estimated cost to the Government.

The total Government hourly and cost burden to receive, review, and analyze the information submitted by contractors is estimated as follows:

Estimation of Government Burden Hours: DFARS 231.205-18
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Number of responses (1)	6,699
Hours per response (2)	0.25
Estimated hours (3)	1,675
Cost per hour (hourly wage) (4)	\$65.00
Annual public burden (5)	\$108,858.75

Notes:

(1) See methodology for obtaining total number of responses summarized in paragraph 12. of this supporting statement.

(2) The estimated 15 minutes per response is based on the average time required for the Government to receive, review, and analyze the information submitted by the contractor. This is unchanged from the previous estimate.

(3) The estimated hours is calculated by multiplying the number of responses by the estimated hours per response.

(4) The fully burdened rate of \$65.00 was developed using the OPM 2018 basic hourly salary (for the rest of U.S. locality) of \$47.38 for a GS-13, step 5, employee, plus a burden of 36.25 percent (per OMB Circular A-76, Attachment C), which equals \$64.56. This rate was rounded to \$65.00.

(5) The total annual Government burden is calculated by multiplying estimated hours by the cost per hour.

15. Reasons for changes in burden.

There is no change to the information collection requirements covered under OMB Control Number 0704-0483. The change in burden is the result of using: (1) actual data from the DTIC database for the three most recent fiscal years for which contractor data entry is considered complete; and (2) the current OPM GS hourly labor rates for fiscal year 2018 to calculate the cost per hour. The change in burden is as follows:

Change in Respondent Burden: 0704-0483			
Totals	2018	2015	Change
Number of respondents	77	700	-623
Responses per respondent	87	38.5	48.5
Number of responses	6,699	26,950	-20,251
Hours per response	0.5	0.5	0
Estimated hours	3,350	13,475	-10,126
Cost per hour (hourly wage)	\$65.00	\$61.15	+\$3.85

Annual public burden	\$217,718	\$823,996.00	-\$606,278
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16. Publication.

Results of this information collection will not be published.

17. Expiration date.

We do not seek approval not to display the expiration date for OMB approval of the information collection.

18. Certification.

There are no exceptions to the certification accompanying this Paperwork Reduction Act submission. The information to respondents required by 50 CFR 1320.8(b)(3) will be provided in a separate Federal Register notice announcing the OMB approval of this collection of information.

B. Collections of Information Employing Statistical Methods

Statistical methods are not used in this information collection.