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## SBIR Contract Compliance through OneLynk

The annual \$3.5B Small Business Innovation Research market consists of about 2,500 unique entrants of which 80% are firms consisting of 20 people or less. The SBIR program is available to firms with up to 500 employees to conduct federally-funded research and development for the twelve participating federal agencies. Most SBIR awards occur through contracts with the Department of Defense and through grants from the National Institute of Health. Some agencies refer to the SBIR program as “America’s Seed Fund” because the intent of the program is to transition promising technologies to the private sector for “commercialization.” The path to commercialization requires a strong business foundation to comply with the safeguards surrounding federal funding.

### **COMMERCIALIZATION**

Commercialization, according to the DoD SBIR program definition, is, “The process of developing products, processes, technologies, or services and the production and delivery (whether by the originating party or others) of the products, processes, technologies, or services for sale to or use by the Federal government or commercial markets.” What this means is that a viable firm achieves commercialization when it can deliver products or services created from SBIR projects. It’s not just a matter of developing an innovative technology. It’s also a matter of running a sound business.

To achieve commercialization in DoD, the SBIR journey consists of three phases. Phase I is the initial 2 to 6-month period after a firm successfully competes for and receives a federal contract or grant for up to \$162,000. The Phase I deliverable is a White Paper assessing the technical feasibility and commercial merit of developing a new technology requested by one of the federal agencies. Phase II is the 18 to 24 month period following the receipt of a second contract or grant for up to \$1,075,000; awarded non-competitively only to Phase I award recipients; to build and demonstrate a working prototype. Phase III begins when SBIR Phase I or II awardees receive a contract or other funding to implement their commercialized technology as a solution to a government or private sector need. The federal contracting rules allow government agencies to issue sole-source Phase III contracts to firms that developed or acquired the technology stemming from an SBIR project. Phase III opportunities can be very lucrative to those who prudently orchestrate their SBIR experience.

As companies plan their SBIR journey they often focus on the development of their technologies but overlook their business operations. The founding team frequently consists of brilliant scientists and engineers, or insightful military veterans, who

passionately refine their product or service innovations, but have little business training or experience. It is equally important that SBIR firms also plan and implement a roadmap to develop their company's business practices. If they adopt, implement and use a business operating solution like AtWork Systems' OneLynk, the SBIR firm is more likely to successfully commercialize their product and thrive as part of the US national industrial base. They would be well-positioned to receive Phase III contracts if they play their cards right by developing both their technology and their business.

## **TECHNICAL AND BUSINESS ASSISTANCE**

One proactive measure available to SBIR applicants is to request "Technical and Business Assistance" in their initial Phase I proposal and in subsequent Phase II proposals. Although federal agencies have the authority to determine if they will allow companies to include TABA in their projects, a strong case for assistance that supports the development of the technology or the business can be persuasive. Prior to 2018, TABA was called "Discretionary Technical Assistance." Federal laws changed the name and increased the amounts from \$5,000 for each year of Phase I and II to \$6,500 annually for Phase I and up to \$50,000 total for the life of the Phase II project.

The first place to request Technical and Business Assistance is in the section of the SBIR proposal with cost information. For the DoD, Volume 3 of the six-volume proposal consists of an online spreadsheet form intended to provide enough information to allow DoD reviewers to understand, "how you plan to use the requested funds if a contract is awarded." The most comprehensive SBIR cost accounting requirements stem from the DoD and consists of the following: labor costs broken out by the number of labor hours from each employee (by name) who contributes to the project, material costs for things like special tools or test equipment, and travel costs "related to the needs of the project." The same details apply to all subcontractor and consultant costs. The place to describe and enter these costs is in the section described as "Discretionary Technical and Business Assistance" in the "Explanatory Material" section of the cost spreadsheet.

The TABA request should address: 1) the purpose of the required assistance and what objective it will help accomplish, 2) the name and point of contact providing the assistance, 3) why the provider is uniquely qualified to provide the work, and, 4) costs and proposed hours or other relevant details. For example, the DoD Volume 3 TABA request could be as follows:

"To ensure the firm matures its operational capabilities to support commercialization and sales of the [insert technology name], [insert business name] requests the authority to contract with AtWork Systems to provide the

OneLynk business operations system and training through Victor Rhoder ([victor.rhoder@atworksys.com](mailto:victor.rhoder@atworksys.com); 571.762.9177). The unique capabilities of AtWork Systems' OneLynk and experienced professional services advisors combines the functions of dozens of other disparate and collectively expensive software packages into one smart, secure and government compliant system that will ensure [insert business name] is capable of commercializing the SBIR product or process and grows into a reliable supplier for the DoD industrial base. The costs of the assistance are \$X for software licenses, implementation, business process improvement and Y hours of training. Enterprise Resource Planning systems or separate single-function software tools that provide only a fraction of OneLynk's capabilities can cost over \$5X to \$10X for software licenses alone and require hundreds of hours of additional technical support."

Additionally, to ensure the proposal addresses the soundness of the business as a key factor for commercialization, the Technical Volume of a DoD proposal (Volume 2) should also include a brief statement about the viability of the firm and its future potential. For example:

"To commercialize our product or process, [insert business name] will implement OneLynk - a DCAA compliant and cybersecure business operating solution that addresses the applicable aspects of government contracting - to develop our business processes along with our innovative [insert technology] technology that will position us for Phase III sales opportunities."

Providing the government evaluators with a comprehensive vision for both technical and business growth will help differentiate the proposal from the competition. Many SBIR applicants overemphasize what they will do technically without explaining how they'll do it from a business perspective. Communicating an eye toward business growth will make the innovative technology more appealing to government evaluators. The Technical Volume includes a one-page section for commercialization, which would be an appropriate place to insert the above example statement.

## **BEYOND SBIR PHASE II – PHASE III CONTRACTS**

Finally, to prepare for other government sales opportunities, a well-run business will help win future work with programs that rely heavily on SBIR technologies, such as the DoD Rapid Innovation Fund. The RIF, like the SBIR program, uses the government "Broad Agency Announcement" to solicit proposals. Although the BAA gives private sector firms a break on cost accounting in order to encourage participation from non-

traditional sources, one of the evaluation factors used by the RIF reviewers is as follows:

“Factor #4 – Cost Estimating Methods, Risks and Controls: The degree to which the proposed costs are realistic for the technical approach and the methods used to demonstrate the Offeror’s ability to complete the total project for the amount requested are in accordance with the BAA. This includes an evaluation of the potential cost risks and controls used to mitigate those risks.”

This means the proposal must convince the technical evaluators, not the government auditors, of cost reasonableness. Technical evaluators will have a bias toward choosing innovative technologies, rather than focusing on the internal business practices of a firm submitting an SBIR or RIF proposal.

Eventually, to be successful in the government market, a firm will have to demonstrate acceptable cost accounting to the auditors from the Defense Contract Audit Agency. A prudent long-term strategy is to introduce sound cost accounting - and other disciplines such as human resources, procurement and financial management - early in a company’s history.

Without a business operating system, small businesses conducting funded government research and development will encounter challenges. There are several activities, faced by firms engaged in SBIR contracts, that can make or break a company: cost accounting, managing multiple contracts, commercialization of their technology, becoming a reliable subcontractor and cybersecurity.

## **MAKE OR BREAK BUSINESS FUNCTIONS**

COST ACCOUNTING: Long term success in government contracting requires the ability to enter into “cost” type contracts with the federal government. Cost contracts reduce risk for businesses by ensuring adequate compensation for work that may involve some uncertainty. The government requires the most stringent accounting standards in cost contracts to ensure fair and reasonable usage of public funds. Implementing cost accounting processes and practices in a small business is challenging, especially for a firm conducting an SBIR contract, because the employees have a bias toward delivering excellent products and services rather than focusing on building the business. It is difficult to develop innovative technologies while trying to implement home-grown or cumbersome software solutions to capture direct and indirect costs like labor, travel expenses, utilities, material costs, employee benefits, etc.

Current solutions to the problem of implementing cost accounting systems range from manually using spreadsheets to expensive customized software development. Spreadsheets are inadequate solutions for long-term growth and many software options either demand too many resources or narrowly focus on only one aspect of the business, such as human capital management.

**SOLUTION:** AtWork Systems developed OneLynk and professional services offerings to holistically address business operations that not only makes cost accounting a routine discipline, but also makes it become a competitive advantage through better rates and invoices. OneLynk creates a foundation for cost accounting by utilizing a central database that shares information throughout the business to enable timecards, expense reports, purchase requisitions, sales orders and many other cost-related activities to unfold smoothly and efficiently. Employees, managers and executives support the organization's business operating objectives by accomplishing their integrated and complementary tasks in a way that decreases overhead and increases performance of core activities, while complying with government accounting standards.

**MANAGING MULTIPLE CONTRACTS:** Small businesses that begin to gain traction in government contracting find that a key element of successful growth is to be able to manage multiple contracts. In many cases, each contract requires different management techniques. For example, the profit and loss associated with a Time and Materials contract differs from a Firm Fixed Price contract or a Costs Plus Fixed Fee contract. Poor management of the costs and activities associated with each type of contract can result in leaving money on the table by not invoicing properly.

**SOLUTION:** OneLynk helps growing SBIR firms deftly juggle their government compliance obligations with minimal effort to allow them to focus on their research and development. Several features make contract management painless. First, the holistic design of OneLynk enables firms to assemble well-crafted bids and proposals. OneLynk repurposes the work done on the proposal into the foundation of the internal contract management system. Contract and project managers use the system to perform the contracted work, manage contract modifications and conduct contract closeout.

Second, OneLynk aggregates all contracts into a summary web page and assembles all of the information and contract documents associated with each in a contract summary page. This puts managers on the same page and gives them easy and instantaneous access to key documents.

Third, OneLynk's setup feature captures all the nuanced details of each contract to automate management activities rather than having to refer to the contract document repeatedly over time. Additionally, if there are specific Contract Line Item Numbers, OneLynk handles those requirements to ensure proper workflow and invoicing.

**TECHNOLOGY COMMERCIALIZATION:** One of the main objectives of the SBIR program is to develop commercially viable companies that contribute innovative products to the US industrial base. The primary customer of SBIR Phase III projects are government program managers. Government PMs are busy people who balance the introduction of innovation into their programs with the corresponding introduction of risk. The PMs generally will tolerate technology risk because they can manage its impact. However, PMs cannot tolerate business process risk inside the operations of a contractor because the PMs have little control over it. Poor business processes that cannot meet government contractual requirements will stifle commercialization regardless of how promising a new technology may be.

**SOLUTION:** A small business with breakthrough technologies needs a strong business foundation to shepherd the technology through all the R&D hurdles while complying with all government contractual requirements. Building both the technology and the business simultaneously are daunting tasks. AtWork Systems provides a powerful combination of software and professional services support to help an SBIR firm achieve its objectives.

Teams that develop new technologies recognize the importance of subject matter experts for materials, engineering, coding, fabrication, etc. Business operations also require expertise in human capital management, accounting, contract management, finance, etc. AtWork Systems provides small businesses with the infrastructure needed to run a business through the web-based OneLynk platform, as well as the subject matter expertise needed to design, manage and adjust business processes. The powerful, holistic package – like an MBA in a box – puts a small business with an SBIR contract in a position to succeed. The impact will not only make the business well-suited for government contracts, it will also make the company more attractive to investors and lenders, or, able to self-sustain.

**BECOMING A RELIABLE SUBCONTRACTOR:** Many technologies developed through SBIR projects become attractive to government prime contractors who need innovative solutions to challenges faced in large government programs. For example, a robotic paint arm developed through the SBIR program improved the accuracy of applying special radar-reflective coatings on military aircraft, while doing it at a lower cost and

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removing the safety risks associated with manual application. The prime contractor manufacturing the aircraft inserted the robotic painting capability into the assembly line.

Subcontracting to a government prime contractor can be a tremendous opportunity to gain traction in the government market and learn as an organization. However, the government often requires prime contractors to pass many contractual requirements down to subcontractors in their supply chains. This requires the same standards of performance for subcontractors in areas like cost accounting, cybersecurity and reporting as those expected of prime contractors. Prime contractors will not jeopardize their contractual relationship with the government by introducing risk into their supply chain. Subcontractors must deliver reliable performance.

**SOLUTION:** The best way to deliver reliable performance as a subcontractor is to have sound business operating systems that can grow with the company. AtWork Systems provides the infrastructure and services that undergird a sound business operating system. OneLynk structures business workflows powered by shared data to cover all business functions from affixing packing slips on the loading dock to graphing trend analysis in the operations center. As a web-based platform, OneLynk can share necessary and relevant data with prime contractors. This transparency assures the prime contractor that the status of the supply chain is always visible.

**CYBERSECURITY:** The Department of Defense Federal Acquisition Regulation Supplement (DFARS) clause 252.204-7012 requires all contractors and subcontractors handling “Controlled Unclassified Information” to implement cybersecurity safeguards outlined in the National Institute of Standards and Technology Special Publication 800-171. Covered defense information includes personally identifiable information, contract sensitive information, military operational information and anything DoD may designate as covered. For example, social security numbers, troop deployment schedules and even building floorplans may be CUI. Prime contractors or their subcontractors who are unable to implement cybersecurity safeguards risk being in non-compliance.

**SOLUTION:** AtWork Systems partners with a cybersecurity company to ensure OneLynk users are compliant with the DFARS cybersecurity requirements. The cloud-based system ensures there is no opportunity for unintended data leakage and that system security requirements are always up to date. While government contractors are responsible for their System Security Plan, the portions of NIST 800-171 related to the OneLynk platform will be fully compliant.

## **EXCEPTIONAL PERFORMANCE**

AtWork Systems designed OneLynk to enable small and medium sized businesses to navigate through the challenges above and deliver exceptional performance. While a government contractor is maturing in the government market, as either a prime or subcontractor, OneLynk is there to instill the processes needed to help achieve government compliance. AtWork Systems offers subject matter experts - across functions like accounting, HR, business operations and financial management – to help startups step out on the right foot or to help more mature firms transform ad hoc or inadequate processes into higher levels of performance. The combination of AtWork Systems' OneLynk and associated professional services is available as a comprehensive, secure and affordable means of gaining the competitive advantage. Check it out at [www.AtWorkSys.com](http://www.AtWorkSys.com) and see for yourself!

### About AtWork Systems

AtWork Systems is a Herndon, Virginia based software development company. Its principals have decades of experience doing business with and working for federal, state and local government. They developed OneLynk as a configurable and scalable business operating platform that digitizes and optimizes processes while providing just in time business intelligence for decision making. OneLynk contains a suite of easily configurable web applications for automating and monitoring business transactions, including: human capital management, finance, timekeeping and expense management, procurement, contracts and project management, payroll services and more.