

**FISH AND WILDLIFE SERVICE  
FINANCE**

**Finance**

**Part 264 Cost Recovery and Reimbursable Agreements**

**Chapter 1 Cost Recovery and Cost Allocation – Policy and Responsibilities**

**264 FW 1**

**1.1 What is the purpose of this chapter?** This chapter provides direction and assigns responsibilities for cost recovery and cost allocation activities.

**1.2 What is the scope of this chapter?** This chapter covers the:

- A. Recovery of full costs that we incur when providing goods and services to other entities, and
- B. Allocation of administrative costs that we incur for these activities to the proper appropriations and funding accounts.

**1.3 What are the authorities for this chapter?** The authorities for all the chapters in Part 264 are in Exhibit 1.

**1.4 What is cost recovery?** Cost recovery is the process of recouping all costs (both direct and indirect) associated with providing goods or services to another entity.

A. Direct costs are the costs that we can identify with producing a specific product or providing a specific service. Direct costs include direct labor, equipment, and other items purchased or consumed specifically related to the development or delivery of a product or service.

B. Indirect costs are costs that we spend as part of providing a product or service, but that we cannot specifically identify with the product or service. For example, the cost of utilities and information technology (IT) support are indirect costs (see Exhibit 2 for a detailed list of direct and indirect costs).

**1.5 Who is responsible for cost recovery?** Table 1-1 identifies responsibilities for cost recovery:

Table 1-1 Responsibilities	
Official	Responsibility
<b>A. Director</b>	<p><b>(1)</b> Ensures we have a cost recovery policy in place, and</p> <p><b>(2)</b> Approves exceptions to the policy.</p>
<b>B. Assistant Director – Business Management and Operations (ABMO)</b>	<p><b>(1)</b> Recommends changes to the cost recovery policy,</p> <p><b>(2)</b> Communicates our cost recovery activities to the Department's Office of Financial Management, and</p> <p><b>(3)</b> Reviews all requests for exceptions to policy and recommends to the Director whether or not to approve them based on Servicewide impacts. (See Exhibit 3 for more information about exceptions to cost recovery policy.)</p>
<b>C. Chief, Division of Financial Management</b>	<p><b>(1)</b> Reviews all requests for exceptions to policy and recommends to the ABMO whether or not to approve the requests based on funding impact, and</p> <p><b>(2)</b> Reviews our cost recovery policy biennially.</p>

**FISH AND WILDLIFE SERVICE  
FINANCE**

**Finance**

**Part 264 Cost Recovery and Reimbursable Agreements**

**Chapter 1 Cost Recovery and Cost Allocation – Policy and Responsibilities**

**264 FW 1**

**1.6 Why does the Service recover our full costs?** The Office of Management and Budget (OMB) Circular A-25 requires that we recover full costs of providing goods and services to private entities, States, tribes, and other government agencies to:

- A.** Ensure that the service, sale, or use of Service goods or resources we provide to agencies is self-sustaining; and
- B.** Promote efficient allocation of our resources by establishing charges for special benefits we provide that are at least as great as costs to the Service of providing the benefits.

**1.7 How does the Service recover full costs?** We use one of the following methods to recover full costs:

**A. Billing:** We may bill for direct and indirect costs that we calculate either by researching and itemizing all of the costs or by accumulating the costs in our financial accounting system. Accumulating the costs in our accounting system is the most effective means of recovering indirect costs and is executed by developing an indirect rate (see section 1.8) that we apply to the cost of our goods or services. Below is an example of a bill using an indirect cost rate of 22 percent:

Cost of goods or services:	\$1,000
Indirect rate of 22%	: <u>220</u>
<b>Total bill amount</b>	<b>: <u>\$1,220</u></b>

**B. Treasury Transfers:** We may recover costs by having the user pay indirect costs by transferring funds to Service appropriations and funding accounts (via a Treasury transfer). We must disclose and get approval on these allocations from the Congressional Committees on Appropriations.

**C. Schedules of Fees, Rates, and Prices:** We may establish fees, rates, or prices in a schedule (e.g., import/export permit fees, refuge entrance fees). We must publish any schedule of fees, rates, or prices we use to recover costs in the Code of Federal Regulations.

**1.8 How does the Service calculate indirect rates?** Table 1-2 shows how we calculate indirect rates.

Table 1-2: Calculating Indirect Rates			
Rate	Components	Calculation	Additional Information
Standard Indirect Rate		Prior year indirect costs ÷ Prior year direct costs	Department recommends this calculation.
	National and Regional administrative cost component	(Prior year Central Office Operations + Regional Office Operations + Operational Support) ÷ Specific Direct Costs*	N/A
	Regional program management component	Prior year Regional program expenditures supporting reimbursables ÷ Specific Direct Costs*	Includes Assistant Regional Directors and related offices that play a role in reimbursable oversight.

**FISH AND WILDLIFE SERVICE  
FINANCE**

**Finance**

**Part 264 Cost Recovery and Reimbursable Agreements**

**Chapter 1 Cost Recovery and Cost Allocation – Policy and Responsibilities**

**264 FW 1**

<b>Table 1-2: Calculating Indirect Rates</b>			
<b>Rate</b>	<b>Components</b>	<b>Calculation</b>	<b>Additional Information</b>
Pass-through Rate	Budget Object Classes (BOC) 25, 32, or 41. (see far right column for BOCs)  BOC 32 applies for capitalized personal property assets exceeding \$15,000.	(Prior year Resource Management – Denver Financial Operations Cost Accounting System + % of Reimbursable Effort – Regional Budget & Finance and CGS** + % of Reimbursable Effort – IDEAS + % of Reimbursable Effort – BAS***) ÷ Prior year resource management reimbursable obligations 19xx, 269x, 437x, and 847x subactivities	BOCs: 25 (Contracts), 32 (Construction), and 41 (Financial Assistance).
<p><b>Notes:</b>            * Specific Direct Costs are the prior year audited gross costs less adjustments for financial assistance, construction, stewardship asset expense, and prior period adjustments.            **Contracting and General Services            ***BAS = Budget Allocation System</p>			

**1.9 How often does the Service review the indirect rates?** We must review our indirect rates every 2 years.

**A.** The Division of Financial Management must coordinate a biennial review of our cost recovery policy, practices, and procedures and recommend necessary changes in every even-numbered year.

**B.** The review team must include members from:

- (1) The Division of Financial Management,
- (2) The Division of Budget,
- (3) Regional offices, and
- (4) Program areas from the Washington Office.

**C.** By January of each review year, the Division of Financial Management must identify and contact review team members. The team must complete recommendations by June of the same year to allow time to communicate and implement any changes.

**1.10 Are there different indirect rates the Service uses for certain projects?** Yes. Although we often use the standard indirect rate, in some cases there are special indirect rates we use for projects. Always consult your Regional Budget and Finance Officer (BFO) to ensure that you use the current correct indirect rates. Table 1-3 shows the different types of agreements we use and whether or not we use the standard indirect rate or some other indirect rate. Exhibit 4 provides the current rates for each of these agreement types (we amend Exhibit 4 whenever these rates change).

**FISH AND WILDLIFE SERVICE  
FINANCE**

**Finance**

**Part 264 Cost Recovery and Reimbursable Agreements**

**Chapter 1 Cost Recovery and Cost Allocation – Policy and Responsibilities**

**264 FW 1**

<b>Table 1-3 Agreements and Different Types of Rates</b>		
<b>Type of Agreement</b>	<b>How It Is Used</b>	<b>Type of Rate (see Exhibit 4 for current rate)</b>
Reimbursable agreements for work in leased facilities	For leased space, payroll/personnel/financial systems, phones, Regional office support, contracting and procurement, and information systems	Standard indirect rate.
Reimbursable agreements for work in Service-owned facilities or host agency/partner facilities where the Service is not charged for the use of the facilities	For payroll/personnel/financial systems, phones, Regional office support, contracting and procurement, and information systems	Rate for Service-owned facilities.
Pass-through agreement	-To fund a 3 <sup>rd</sup> party, such as a State, local, or tribal government; institutions of higher education; or nonprofits -Little or no Service administrative oversight -For acquisition or financial processing services -For labor, travel costs, and non-contractor costs (if less than or equal to 5% of total agreement)	Pass-through rate (agreements may have a pass-through component and a component where Service staff participate. If staff participation is >5% of the total, then you must separate the rates into pass-through and standard proportionately).
Special pass-through agreements related to construction, land acquisition, and non-Government land	-For private construction contractors/subcontractors -For right-of-way agreements that involve two or more Departmental bureaus or offices -To make capital improvements or to buy new property -To give funding to a private landowner or another Government agency for partnership projects on non-Government lands	Pass-through rate.
Pass-through agreement initiated by the Department's Office of the Secretary	As directed	Pass-through rate unless otherwise stated by the Secretary or prohibited by legislation.
International Agreements	To provide services to an international partner	Standard indirect rate, but allow for exceptions (see OMB Circular A-25). If not using the standard rate, Regional Director or Assistant Director must send recommendation to WO Division of Financial

10/09/09

**FINANCE**

Supersedes 264 FW 1, 264 FW 2, and 264 FW 5, FWM 386, 01/16/2002

**FISH AND WILDLIFE SERVICE  
FINANCE**

**Finance**

**Part 264 Cost Recovery and Reimbursable Agreements**

**Chapter 1 Cost Recovery and Cost Allocation – Policy and Responsibilities**

**264 FW 1**

Table 1-3 Agreements and Different Types of Rates		
Type of Agreement	How It Is Used	Type of Rate (see Exhibit 4 for current rate)
		Management. Division of Financial Management asks the Department's Office of Financial Management for permission to use something other than the standard rate.
Fish and Wildlife Coordination Act (FWCA) Agreements	For work we do for the U.S. Army Corps of Engineers and the Bureau of Reclamation under the Act (16 U.S.C. 661-667e)	Negotiated rate established in 2003 Memorandum of Understanding (MOU) with Corps of Engineers and in 1982 between the Service and the Bureau of Reclamation (BOR).
FWCA Subcontracting Agreements	For Service work subcontracted to a 3 <sup>rd</sup> party	Negotiated rate established in MOU (1/22/2003).
Spill Response	For activities related to response for oil spills or hazardous materials spills	Rate varies by Region
National Resource Damage Assessment and Restoration (NRDAR) Agreements	<ul style="list-style-type: none"> <li>-For restoration-specific activities</li> <li>-For claims related to past damage assessment costs</li> <li>-Department collects settlement funding and we request funds, using the applicable Regional indirect rate</li> <li>-Requests must include spreadsheet showing estimated indirect or explain why it is not included</li> </ul>	Rate varies by Regional office.
U.S. Environmental Protection Agency (EPA) Superfund Agreements	For activities related to cleaning up hazardous waste sites	No indirect rate.
Grant Agreements	<ul style="list-style-type: none"> <li>-For grant funds we receive</li> <li>-May be a reimbursable agreement (i.e., has statement of work, requires billing statements) or a donation (see 264 FW 2.20 for what to consider when determining how to process grant funding )</li> </ul>	<ul style="list-style-type: none"> <li>-If the grant agreement is a reimbursable agreement use the standard rate.</li> <li>-If the grant was awarded as the result of a competition, use the pass-through rate.</li> <li>-Our Chief Financial Officer may request a lower or 0% rate, but the program office must compensate the difference between it and the standard rate.</li> </ul>
Intra-Agency or Interagency Personnel Agreements (IPAs)	For detailing a Service employee to another agency, bureau, or to a State or local government agency	<ul style="list-style-type: none"> <li>-No indirect rate.</li> <li>-Must use SF-50 (Notification of Personnel Action) or OF-69 (Title IV Intergovernmental</li> </ul>

10/09/09

**FINANCE**

Supersedes 264 FW 1, 264 FW 2, and 264 FW 5, FWM 386, 01/16/2002

**FISH AND WILDLIFE SERVICE  
FINANCE**

**Finance**

**Part 264 Cost Recovery and Reimbursable Agreements**

**Chapter 1 Cost Recovery and Cost Allocation – Policy and Responsibilities**

**264 FW 1**

Table 1-3 Agreements and Different Types of Rates		
Type of Agreement	How It Is Used	Type of Rate (see Exhibit 4 for current rate)
		Personnel Act Assignment Agreement).
Intra-Agency or Interagency Travel Agreements and Award Agreements	For transferring funds between agencies for reimbursement of travel or award costs	-Charge a standard rate if we arrange the travel and file the voucher. -If the other agency arranges travel and pays the travel voucher directly to the traveler, we do not apply an indirect rate. - We do not apply an indirect rate to Interagency Award Agreements
Agreements for Emergency Appropriations	For emergency supplementals	No indirect rate.
Agreements with Special Authorizing Legislation or Departmental Policy	-Varies with legislation/policy. -Need Director's signature -Must attach legislation/policy to agreement when submitting it to the Division of Financial Management for accounting	Some legislation requires we do not charge an indirect rate.
Agreements Accepting Contributed Funds	-Varies -Must use Contributed Fund or another donation account for donations	No indirect rate.
Office of Wildland Fire Agreements	For work with our Federal fire partners (Bureau of Land Management, Bureau of Indian Affairs, National Park Service, Department of the Interior, and U.S. Forest Service)	Use standard rate. (Current legislation does not allow the Service to routinely waive overhead.)
Service First	For work with Service First Partners (National Park Service, Bureau of Land Management, U.S. Forest Service)	Regional Directors have the discretion to waive indirect charges for the first \$25,000 charged to Service First Partners. For charges exceeding \$25,000, the applicable reimbursable agreement rate applies.

**1.11 Must the Service always recover full costs?** Yes. Unless the Director approves an exception, we must recover full costs. See Exhibit 3 for procedures for requesting an exception.

**1.12 What happens if a Service program or office charges a lower rate than this policy requires?**

**A. Difference Comes from Program/Office Funds:** Unless the program/office gets approval from the Director not to make up the difference, Service programs/offices must compensate the applicable reimbursable income accounts for using an indirect cost rate lower than the agreement's required rate.

**FISH AND WILDLIFE SERVICE  
FINANCE**

**Finance**

**Part 264 Cost Recovery and Reimbursable Agreements**

**Chapter 1 Cost Recovery and Cost Allocation – Policy and Responsibilities**

**264 FW 1**

**B. Pass-through Agreements:** If the labor, benefits, and travel costs exceed the 5 percent threshold and we cannot modify the agreement to increase the rate for the labor costs, the responsible Service program/office must make up the difference between the cost recovered on the pass-through rate and the cost recovered on the standard rate.

**C. Expired Exception to Policy:** If the Director approves a program's or office's use of a lower rate, they must regularly update their request for an exception according to the procedures in Exhibit 3.

**(1)** If the program/office does not update the exception and obtain the Director's approval, they must modify their agreement with the other party at the applicable rate.

**(2)** If they cannot modify the agreement, the responsible program/office must make up the difference between the actual cost recovered and the cost recovered on the standard rate.

/sgd/ Rowan W. Gould  
DEPUTY DIRECTOR

Date: October 9, 2009