United States Department of the Interior

FISH AND WILDLIFE SERVICE
Washington, D.C. 20240

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AUG 2 5 2006

Memorandum

To: Service Directorate

From: Acting Director

Subject: Cost Recovery Rates for Fiscal Years 2007 and 2008

In accordance with the Fish and Wildlife Service Manual, Part 264, the Service analyzes their cost recovery rates every two years. The Service's Cost Recovery Team, consisting of representatives from the Division of Financial Management, the Regional Offices, and Washington Program Offices, reviewed current financial information and practices to assess the changes in the Service's rate structure and policy.

The Service's indirect cost rates will remain the same for Fiscal Years 2007 and 2008. Specifically, the standard rate remains at 22 percent of direct cost. The pass-through rate remains at 6 percent. The standard rate covers Servicewide infrastructure and administrative items, such as leased space, telecommunications, unemployment and workers compensation, Washington and Regional Office cost, DOI and FWS pay and financial systems, Information Technology support costs, FWS financial operations and DOI initiatives such as Activity Based Costing and the Financial and Business Management System (FBMS). The pass-through rate covers the Service's acquisition and financial operation costs.

The recovery of full costs, as provided by Office of Management and Budget (OMB) Circular A-25, is important to ensure Servicewide operations are properly funded. The cost recovered from the Service's reimbursable activities limits the amount assessed to Programs for unfunded mandates and line items in the Servicewide account. Further, the cost recovered reimburses the Service Program for its leased space and administrative costs related to reimbursable activity.

Please note that the U.S. Geological Survey (USGS) will adopt a new mandatory indirect cost policy in FY 2007 that requires recovery of facility costs from their external customers. Therefore, when the USGS's Biological Resources Discipline (BRD) performs work for the Service, USGS will include the applicable facilities charge as part of their indirect cost rate. As a result, the Service is changing the policy that limits the indirect rate for USGS/BRD reimbursable agreements to the maximum of the Service Owned Facilities Rate (17 percent).

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Effective October 1, 2006, the standard rate of 22 percent will apply to BRD agreements where the reimbursable work is performed by Service personnel in leased facilities. The Service will no longer provide a leased space discount for BRD agreements. Specifically, the new policy applies to new BRD agreements or modified agreements that increase funding in FY 2007. Those reimbursable agreements with BRD with carryover and no new funding may continue to use the rates applicable at the time the agreement was originally negotiated.

Attached is a table of the Service's indirect cost definitions and rates effective October 1, 2006. Programs may contact their Regional Budget and Finance Office to assist in applying the rates. If you have any questions, please contact Chris Jensen, Chief, Division of Financial Management at (703) 358-1742.

Attachment

INDIRECT COST RECOVERY RATE STRUCTURE EFFECTIVE OCTOBER 1, 2006			
TYPE OF RATE	**CODE**	**DESCRIPTION**	**RATE**
Standard Rate	S	The standard rate applies to reimbursable agreements in which the activities are performed by Service personnel in leased facilities. The rate covers costs for leased space, payroll / personnel / finance systems, phones, regional office support, contracting / procurement activities and information system infrastructure.	22%
Standard Rate for Service-owned Facilities	d-1	This rate applies to reimbursable agreements in which the activities performed by the Service personnel located in Service-owned facilities or in cases where a hosting agency or partner provides space for staff. This rate covers costs for payroll / personnel / finance systems, phones, regional office support, contracting / procurement activities, and information system infrastructure.	17%
Pass-through	d-2	A pass-through agreement is a funding mechanism utilized to direct funding or payment to external entities. Funds are received from one party and passed onto another party. Agreements should reflect obligation activity within Budget Object Classes (BOCs) 25 (Contracts), 32 (Construction), and 41 (Financial Assistance). Costs outside of these BOCs may not exceed 5 percent of the agreement's fiscal year expenditures. If these costs exceed 5 percent, agreement must be separated into two FFS project numbers with a pass-through component and a component receiving the standard rate.	6%
Pass-through initiated by the DOI Office of the Secretary	d-3	These agreements receive the same pass-through rate, unless otherwise stated by the Secretary or prohibited by legislation.	6%
International Agreements	d-4	These agreements receive the standard rate, but allow for exceptions, in accordance with OMB A-25.	22%
Fish & Wildlife Coordination Act (FWCA) - Service Personnel	d-5a	This rate is used for Service work, performed by Service personnel, with the U.S. Army Corps of Engineers (COE) and Bureau of Reclamation agreements while carrying out the provisions of the Act. This rate was established by an Memorandum of Understanding (MOU) between the COE and the Service dated January 22, 2003.	38%

Fish & Wildlife Coordination Act (FWCA) - Subcontracted	d-5b	This rate is used for Service work, subcontracted to a third party, with the U.S. Army Corps of Engineers (COE) and Bureau of Reclamation agreements while carrying out the provisions of the Act. This rate was established by an MOU between the COE and the Service dated January 22, 2003.	15%
NRDAR	d-6	This rate will be incorporated in settlement agreements when developing estimates for submission to Department of Justice for assessment / restoration work. The Washington, Regional, and Program office rate will apply.	Check with Regional Office
EPA Superfund	d-7	No rate is assessed for EPA Superfund projects only.	0%
Grants Received	d-8	Grant funds received by the Service will be assessed an indirect cost rate, if the Program uses the reimbursable accounts. To receive reduced rate of 6 percent, the office awarded the grant must have submitted a proposal and competed for the funding along with other competing entities. If grant was not competitive, then standard indirect cost rates apply. Service office has option in assessing a reduced or zero percent rate to grantor. However, program will be charged the difference between applicable indirect cost rate and the reduced rate. No rate is assessed, if the grant is considered a donation and deposited in a Contributed Fund account.	6% - 22%
Contributed Funds	z	Contributed funds must be deposited in Contributed Funds account or another applicable donation account.	n/a
Fees Collected (Revenue)	z	Service fee revenue is assessed through the Non-Resource Management user pay process.	n/a
Intra-agency Personnel Agreements	z	A 0% rate is used when personnel are detailed to other bureaus and/or agencies where there are no additional costs incurred for space, phones, etc. An SF-50 must document the agreement.	0%
Emergency Supplemental	z	This 0% rate may only be used with emergency subactivities.	0%