

**FISH AND WILDLIFE SERVICE  
FINANCE**

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**OVERVIEW**

**1.1 What is the purpose of this chapter?** This chapter provides direction and assigns responsibilities for cost recovery and cost allocation activities in the U.S. Fish and Wildlife Service (Service).

**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 a non-Service

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entity, 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?** (See below and Exhibit 1.)

**A.** Appropriations, Application (Purpose Statute) ([31 U.S.C. 1301](#)).

**B.** The Economy Act of 1932, as amended ([31 U.S.C. 1535](#)).

**C.** Government Accountability Office (GAO) [Principles of Federal Appropriations Law](#) (the Red Book).

**D.** [House Report 106-222](#) and [Senate Report 106-99](#).

**E.** Intergovernmental Cooperation ([31 U.S.C. Subtitle V, Chapter 65, Sections 601-608](#)).

**F.** [Office of Management and Budget \(OMB\) Circular No. A-11, Preparation, Submission and Execution of the Budget](#).

**G.** [OMB Circular A-25, User Charges](#).

**H.** [OMB Circular A-45, Rental and Construction of Government Quarters](#).

**I.** [OMB Circular A-97, Rules and Regulations Permitting Federal Agencies to Provide Specialized or Technical Services to State and Local Units of Government under Title III of the Intergovernmental Cooperation Act of 1968](#).

**J.** [Statement of Federal Financial Accounting Standard \(SFFAS\) #4, Managerial Cost Accounting Concepts and Standards for the Federal Government](#).

**1.4 What is cost recovery?** Cost recovery is the process of recouping the full costs (both direct and indirect) associated with providing goods, resources, or services to another entity. The Service must consistently apply costs and exclude costs for Governmental functions.

**A.** Direct costs are those that we can identify with producing a specific product or providing a specific service. Direct costs include direct labor, equipment, and other items we purchase or consume specifically related to the development or delivery of a product or service. We can recover direct costs if:

(1) The Service would not incur the costs if the recoverable activity (e.g., reimbursable agreement) did not exist, and

(2) The costs are necessary for the completion of the activity.

**B.** Indirect costs are costs that we spend as part of providing a product or service, but that

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cannot be specifically identified with producing a product or providing a service; still, we must be able to show that there is some relationship between, result from, or support to the costs and the product or service. For example, the costs of space and utilities are indirect costs (see Exhibit 2 for a detailed list of direct and indirect costs).

**1.5 What terms do you need to know to understand this chapter?**

**A. Augmentation of an appropriation** is an unauthorized increase in the amount of authority given to Federal agencies to incur obligations and to make payments from U.S. Department of the Treasury (Treasury) funds (see [31 U.S.C. 3302\(b\)](#)).

**B. Direct costs** are those costs that we can readily identify with producing a specific product or providing a specific service. Direct costs generally include direct labor, equipment, and other items that we purchase or consume related to a project.

**C. Governmental functions** are those activities that the bureau or office is already committed by statute to perform and the costs would be incurred regardless of the cost recoverable activity. The fact that the bureau or office must shift workload priorities to accommodate a cost recoverable activity does not make these generic activities recoverable.

**D. Indirect costs** are those costs that cannot be specifically identified with producing a product or providing a service, but where the Service can show some relationship between, result from, or support to the product or service (i.e., space rental, utilities, postage, etc.).

**E. Purpose statute** ([31 U.S.C. 1301](#)) states that Federal agencies must apply appropriations only to the objects for which Congress made the appropriations, except as otherwise provided by law.

**RESPONSIBILITIES**

**1.6 Who is responsible for cost recovery? See Table 1-1.**

**Table 1-1: Responsibilities for Cost Recovery**

These employees...	Are responsible for...
<b>A. The Director</b>	Ensuring there is a cost recovery policy in place.
<b>B. Assistant Director – Management and Administration</b> (i.e., AD-MA or Associate Chief Financial Officer)	<p>(1) Recommending changes to the cost recovery policy,</p> <p>(2) Communicating the Service’s cost recovery activities to the Department of the Interior’s (Department) Office of Financial Management,</p> <p>(3) Approving exceptions to the policy, and</p> <p>(4) Reviewing our cost recovery policy biennially and updating it when necessary.</p>

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These employees...	Are responsible for...
<b>C. Joint Administrative Operations (JAO), Headquarters, Chief, Division of Policy, Economics, Risk Management, and Analytics (PERMA)</b>	Reviewing requests for exceptions to policy and recommending to the AD-MA whether or not to approve them based on Servicewide impacts.
<b>D. JAO, Administrative Operations Center (AOC), Financial Operations Chief</b>	Ensuring reimbursable agreements established in the Financial and Business Management System (FBMS) comply with this policy.

**FULL COST RECOVERY**

**1.7 Why does the Service recover full costs?** OMB requires in [Circular A-25](#), Memorandum for Heads of Executive Departments and Establishments, User Charges, that we recover the full cost of providing goods and services to:

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

**1.8 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 FBMS. Accumulating the costs in FBMS is the most effective way to recover indirect costs. We bill other entities using an indirect rate (see [section 1.19](#)) that is applied to the cost of goods or services. Following is an example of a bill using an indirect cost rate of 23 percent:

Cost of goods or services:	\$1,000
+ Indirect rate of 23%:	\$ 230
Total bill amount:	\$1,230

**B. Appropriated funding and appropriation transfer:** For other Federal agencies only, we may recover costs by requesting a Treasury transfer from the user's appropriations to the Service's appropriations. Duty stations must still include indirect costs within the estimate for Treasury transfer requests from another agency. We must disclose and obtain approval for these allocations from the congressional committees on appropriations.

**1.9 Why is it important to ensure the Service recovers costs correctly?** In addition to being required by OMB [Circular A-25](#), we must avoid an unauthorized augmentation of an appropriation.

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**A. Charging too much** could be an augmentation of our appropriations, and

**B. Charging too little** could be an augmentation of the cooperator's appropriation if the cooperator is another Federal agency.

## **EXCEPTIONS TO FULL COST RECOVERY**

**1.10 Must the Service always recover full costs?** Yes. We must recover full costs unless the AD-MA approves an exception to policy waiver.

**1.11 What are the conditions under which the AD-MA may approve an exception to policy to waive indirect cost recovery?** Generally, the Service must recover full costs (direct and indirect). The AD-MA may make exceptions to full cost recovery when:

**A.** There is sufficient Service benefit to be gained from performing the work for the cooperator without full cost recovery reimbursement,

**B.** The Service has authority (e.g., "Purpose Statute") to fund the work being performed with our appropriated dollars,

**C.** Collecting only direct costs will not result in an augmentation of an appropriation for the Service (overcharge) or the cooperator (undercharge), and

**D.** One of the following conditions are met:

**(1)** The recovery of full cost is in conflict with statutory requirements or would seriously impair the objectives of the program or public policy,

**(2)** The cost of collecting the fees would be an unduly large part of the receipts of the activity,

**(3)** If a Federal agency has to pay the full cost, it would not be in the best interest of the program, or

**(4)** Any other condition exists that, in the opinion of the AD-MA, justifies an exception.

**1.12 Are there instances where we cannot waive indirect cost recovery?** Yes. We cannot waive indirect cost recovery for reimbursable agreements under authorities that require full cost recovery (e.g., the Economy Act ([31 U.S.C. 1535](#))).

**1.13 How long is an exception to cost recovery policy for appropriations or accounts valid?** An approved exception to cost recovery policy is valid for 2 fiscal years—the fiscal year it is originally requested and the following fiscal year—unless the AD-MA specifies otherwise.

**1.14 Who covers the cost to the Service when a cost recovery waiver is granted?** The waived costs are paid out of the Service's appropriated funding, according to the standard rate income distribution (see 264 FW 1, Exhibit 3).

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**1.15 What documentation does an employee submit to request an exception to cost recovery policy for a reimbursable agreement? Employees should:**

**A.** Request a Work Breakdown Structure ([WBS](#)) from the Reimbursable Agreements Operations team,

**B.** Complete the Reimbursable Agreement Data form ([FWS Form 3-2058](#)),

**C.** Prepare an exception to cost recovery policy package for surname in the Document Tracking System (DTS) that includes:

**(1)** Cover memorandum from the supervising Directorate Member (i.e., Assistant Directors; Regional Directors; Director, National Conservation Training Center (NCTC); Chief, National Wildlife Refuge System (NWRS)) to the AD-MA making the request and explaining the circumstances,

**(2)** Completed Request of Exception to Cost Recovery Policy form ([FWS Form 3-2208](#)),

**(3)** Completed Reimbursable Agreement Data form ([FWS Form 3-2058](#)), and

**(4)** Any other supporting documentation.

**D.** Route the exception to cost recovery policy package via DTS to:

**(1)** JAO, PERMA, Branch of Financial Policy and Analytics (AMAD-PERMA-FPA),

**(2)** JAO, PERMA, Chief (AMAD-PERMA),

**(3)** Programmatic Directorate member (e.g., Chief, NWRS; Assistant Director – Fisheries and Aquatic Conservation; Assistant Director – Ecological Services, etc.),

**(4)** AD-MA (AMAD), and

**(5)** Back to themselves as the requesting Region/program.

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

**A. Difference comes from program/office funds:** Unless the program or office obtains approval from the AD-MA not to make up the difference, Service programs/offices must make up the difference between the indirect cost rate and the lower rate in the agreement.

**(1)** The program/office must provide a Cost Center, WBS, and Fund Code; and

**(2)** The Financial Operations team will process a Cost Structure Redistribution (JV VA) document in FBMS using Budget Object Class (BOC) 253D, *Bureau-wide Assessments* –

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*Agency Internal* to compensate the applicable reimbursable income accounts.

**B. Pass-through agreements:** If 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 AD-MA approves a program’s/office’s use of a lower rate, and the approval will soon expire, they must update the request for an exception according to the procedures in [section 1.15](#).

(1) If the program/office does not update the exception to policy and obtain the AD-MA’s approval, they must modify the 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 at the standard rate.

**1.17 Are permanent exceptions to cost recovery policy available?** The AD-MA will only approve permanent exceptions to cost recovery policy if they affect a large number of future agreements. Individual requests for an exception to cost recovery policy are not necessary if covered by a permanent exception, but you must provide clear documentation of the permanent exception to the Reimbursable Agreements Operations team.

**1.18 Can employees waive the indirect cost recovery rate for all those agencies listed in the Service First legislation?** No. Only those agencies who have mutually agreed to waive indirect costs with the Service and have signed the Service First Memorandum of Understanding (MOU) are eligible for a waiver of up to \$25,000 including any modifications. For Service First agreements exceeding \$25,000, regular indirect cost rates apply to the overall agreement amount.

**INDIRECT RATES**

**1.19 How does the Service calculate indirect rates?** See Tables 1-2 and 1-3.

**Table 1-2: Calculating Standard Indirect Rates**

Components	Calculation	Additional Information
Basic calculation	Prior year resource management indirect costs ÷ Prior year resource management direct costs	Department recommends this calculation.
National and administrative cost component	(Prior year Servicewide + Headquarters + Administrative Operations + Enterprisewide) ÷ Specific Direct Costs*	N/A
Program management component	((Prior year program administrative expenditures supporting reimbursables ÷ 5**) + field station leased space) ÷ Specific Direct	Includes Assistant Directors and Assistant Regional Directors and related offices that play a role in reimbursable

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Components	Calculation	Additional Information
	Costs*	oversight.

**Notes:**

\*Specific direct costs are the prior year audited gross costs less adjustments for financial assistance, construction, stewardship asset expense, and prior period adjustments.

\*\*Based on historical process of 5 Assistant Directors (Financial Assistance, National Wildlife Refuges, Migratory Birds, Ecological Services, and Fisheries and Aquatic Conservation).

**Table 1-3: Calculating Pass-through Rates**

Components	Calculation	Additional Information
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.	$(\text{Prior year Reimbursable and Collections} + (\text{Division of Acquisition, Property, and Project Management} \times \text{Reimbursable Effort (RE)}^{***} \%) + (\text{PRISM} \times \text{RE} \%) - \text{BAS}^{****} \times \text{RE} \%) \div \text{Prior year resource management reimbursable obligations 19xx, 269x, 17xx, 48xx, 437x, and 847x Functional Areas}$	BOCs: 25 (Contracts), 32 (Land and Structures), and 41 (Grants, Subsidies, and Contributions).

**Notes:**

\*\*\*Reimbursable effort calculated as a percentage of reimbursable Full-Time Equivalents (FTE).

\*\*\*\*BAS = Budget Allocation System

**1.20 How often does the Service review the indirect rates?** We review the indirect rates every 2 years.

**A.** The AD-MA must coordinate a biennial review of the 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 JAO,
- (2) Regional offices, and
- (3) Program areas from Headquarters (HQ).

**C.** By January of each review year, the AD-MA 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.

**1.21 What if an employee has a previously negotiated agreement and there is a change in the Service’s cost recovery indirect rates?**

**A.** Agreements that only bring carryover balances forward into the new fiscal year with no new funding maintain the previous fiscal year’s indirect rate.

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**B.** Agreements with new funding must use the new cost recovery indirect rate, regardless of when negotiations were completed.

**1.22 Are there different indirect rates the Service uses for certain projects?** Yes. Although we often use the standard indirect rate(s), in some cases there are special indirect rates for projects. Always consult the Reimbursable Agreements Operations team to ensure that you are selecting the current correct indirect rate. Table 1-4 identifies the different types of agreements and whether to use the standard indirect rate(s) or another indirect rate. Exhibit 3 provides the current rates for each of the agreement types. We amend the exhibit when the rates change.

**Table 1-4: Agreements and Different Types of Rates**

Type of Agreement	How It Is Used	Type of Rate (see Exhibit 3 for current rate)
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 rate.
Reimbursable agreements for work in Service-owned facilities or host agency/cooperator 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.	Standard rate for Service-owned facilities.
Pass-through agreement.	<p><b>(1)</b> To fund a third party, such as a State, local, or Tribal government; institutions of higher education; or non-profits.</p> <p><b>(2)</b> Little or no Service administrative oversight.</p> <p><b>(3)</b> For acquisition or financial processing services.</p> <p><b>(4)</b> For labor, travel costs, and non-contractor costs (if less than or equal to 5% of total agreement).</p>	<p>Pass-through rate.</p> <p>(Agreements may have a pass-through component and a non-pass through component where Service staff participates. If staff participation is &gt;5% of the total, then you must separate the rates into both pass-through and standard rates proportionately.)</p>
Special pass-through agreements related to	<b>(1)</b> For private construction contractors/subcontractors.	Pass-through rate.

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Type of Agreement	How It Is Used	Type of Rate (see Exhibit 3 for current rate)
construction, land acquisition, and non-Government land.	<p><b>(2)</b> For right-of-way agreements that involve two or more Departmental bureaus or offices.</p> <p><b>(3)</b> To make capital improvements or to buy new property.</p> <p><b>(4)</b> To give funding to a private landowner or another Government agency for partnership projects on non-Government lands.</p>	
Pass-through agreement initiated by the Department's Office of the Secretary.	As directed.	Pass-through rate unless otherwise stated by the Secretary or appointee, or otherwise prohibited by legislation.
International agreements.	To provide services to an international cooperator.	Standard rate, but allow for exceptions (see <a href="#">OMB Circular A-25</a> ) based on approved exception to policy.
Fish and Wildlife Coordination Act (FWCA) agreements.	For work with the U.S. Army Corps of Engineers (COE) and the Bureau of Reclamation (BOR) under the Act ( <a href="#">16 U.S.C. 661-667e</a> ).	Negotiated rate established in 2003 Memorandum of Understanding (MOU) with the COE (1/22/2003) and with the BOR (10/26/1982).
FWCA subcontracting agreements.	For Service work subcontracted to a third party.	Negotiated rate established in MOU (1/22/2003 and 10/26/1982).
Spill Response.	<p>For activities related to response for oil spills or hazardous material spills with the U.S. Coast Guard (USCG) or the U.S. Environmental Protection Agency (EPA).</p> <p><i>(See <a href="#">264 FW 3, Reimbursable Agreements for Spill Response Activities.</a>)</i></p>	Although the rate varies by Region, we assess a rate of 26.5% as a beginning point on the agreement. We calculate the actual overhead amount using our Spill Response and Natural Resource Damage Assessment and Restoration (NRDAR) Cost Documentation Tool (CDT). We manually adjust any differences between the calculated amount and the 26.5%.

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Type of Agreement	How It Is Used	Type of Rate (see Exhibit 3 for current rate)
Natural Resource Damage Assessment and Restoration (NRDAR) agreements.	<p><b>(1)</b> For restoration-specific activities.</p> <p><b>(2)</b> For claims related to past or future damage assessment costs.</p> <p><b>(3)</b> Department collects settlement funding and the Service requests funds using the applicable Regional indirect rate.</p> <p><b>(4)</b> Requests must include spreadsheet showing estimated indirect or explanation of why it is not included.</p>	Although the rate varies by Region, we assess a rate of 26.5% as a beginning point on the agreement. We calculate the actual overhead amount using our Spill Response NRDAR CDT. We manually adjust for any differences between the calculated amount and the 26.5%.
U.S. Environmental Protection Agency (EPA) Superfund agreements.	For activities related to cleaning up hazardous waste sites for EPA Superfund projects.	No indirect rate.
Grant agreements from the National Fish and Wildlife Foundation (NFWF)	We must process grant funds received from NFWF as a reimbursable agreement.	No indirect rate.
Grant agreements from a Federal source.	We must process grant funds received from a Federal source as a reimbursable agreement.	Standard rate. (The Associate Chief Financial Officer may approve a lower or 0% rate, but the program office must compensate the difference between it and the standard rate.)
Grant agreements from a non-Federal source.	<p>We may process grant funds received from a non-Federal source as either a reimbursable agreement or a donation.</p> <p><i>(See <a href="#">264 FW 2</a> for what to consider when determining how to process grant funding.)</i></p>	<p><b>(1)</b> Standard indirect rate applies if processed as reimbursable agreement (see <a href="#">264 FW 2</a>).</p> <p><b>(2)</b> No indirect rate if processed as a donation (see <a href="#">212 FW 8</a>).</p>
Service First.	<b>(1)</b> Authorizes interagency agreements within and	Directorate members (i.e., Assistant Directors; Regional

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Type of Agreement	How It Is Used	Type of Rate (see Exhibit 3 for current rate)
	<p>between the Department and the U.S. Department of Agriculture (USDA) to promote customer service and efficiency.</p> <p><b>(2)</b> We have mutually agreed with the National Park Service (NPS), Bureau of Land Management (BLM), and U.S. Forest Service to waive overhead up to \$25,000 including modifications.</p> <p><b>(3)</b> Signed joint November 2006 MOU.</p> <p><b>(4)</b> Complies with requirements in the 9/17/2007 memorandum, "Indirect Cost Recovery Policy for Service First Agreements."</p>	<p>Directors; Director, National Conservation Training Center (NCTC); Chief, National Wildlife Refuge System (NWRS)) have the discretion to waive indirect charges for reimbursable agreements that do not exceed \$25,000 (including modifications). For reimbursable agreements exceeding \$25,000, the applicable reimbursable agreement rate applies to the overall total agreement amount.</p>
Special Approved Reduced Rate.	For reimbursable agreements with an approved exception to policy (FWS Form 3-2208) authorizing a lower overhead rate.	Based on approved exception to policy.
Wildland Fire agreements.	For certain wildland fire reimbursable agreements where the statement of work meets the conditions of the Interagency Agreement for Wildland Fire Management and is with one or more of the cooperating agencies (BLM, Bureau of Indian Affairs (BIA), NPS, Department of the Interior, and U.S. Forest Service). The agreement must be sent to the Budget Office of the Service's Interagency Fire Center and the Headquarters PERMA	No indirect rate.

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Type of Agreement	How It Is Used	Type of Rate (see Exhibit 3 for current rate)
	Chief for concurrence to ensure conditions are met.	
Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies (RESTORE) of the Gulf Coast States Act pass-through agreement.	For reimbursable projects funded by the RESTORE Act and that are subsequently passed through to an external entity.	4.3%
Upper Colorado and San Juan River Basins Endangered Fish Recovery Programs Act	For reimbursable projects funded by Upper Colorado and San Juan River Basins Endangered Fish Recovery Programs Act.	3%
Intra/Inter-agency Personnel Agreements (IPAs).	For detailing a Service employee to another agency, bureau, or to a State or local government agency.  <i>(See <a href="#">223 FW 1</a> for policy on details for Service employees. See <a href="#">265 FW 9</a>, Temporary Duty Travel – Extended Assignments regarding temporary duty in excess of 30 days.)</i>	<b>(1)</b> No indirect rate.  <b>(2)</b> Must use SF-50 (Notification of Personnel Action) or OF-69 (Title IV Intergovernmental Personnel Act Assignment Agreement).
International Technical Assistance Program (ITAP)	For ITAP with the Department.	No indirect rate.
Intra/Inter-agency travel and award agreements.	For transferring funds between agencies for reimbursement of travel or award costs.	Travel - Standard indirect rate applies.  Award – No indirect rate.
Agreements for emergency appropriations.	For emergency supplementals.	No indirect rate.
Agreements with special authorizing legislation or Departmental policy.	<b>(1)</b> Vary with legislation/policy.  <b>(2)</b> AD-MA's signature required.  <b>(3)</b> Must attach legislation/policy to	Based on legislation or policy.

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Type of Agreement	How It Is Used	Type of Rate (see Exhibit 3 for current rate)
	agreement when submitting it to the Reimbursable Agreements Operations team.	
Agreements accepting contributed funds.	<p><b>(1)</b> Vary depending on the circumstances.</p> <p><b>(2)</b> Must use contributed funds account or another donation account for donations.</p> <p><i>(See <a href="#">212 FW 8</a> for policy on Donations, Fundraising, and Solicitation.)</i></p>	No indirect rate.

**1.23 May employees use an indirect cost recovery rate that is not listed in Table 1-4?** No. Employees may only use the rates listed in Table 1-4 (see Exhibit 3) or that have received an approved exception to cost recovery policy.