

# ARS □ CSREES □ ERS □ NASS

## *Policies and Procedures*

**Title:** Assessment of Indirect Program Support Costs and Indirect Research Costs

**Number:** 329.5

**Date:** 8/12/94

**Originating Office:** Financial Management Division Systems Analyses, & Review Branch

**This Replaces:** 324.2 Dated 12/17/85 and 324.3 Dated 11/20/85

**Distribution:** Headquarters, Areas, & Locations

This DIRECTIVE states the policy and responsibilities for:

- Assessing Indirect Program Support Costs and Indirect Research Costs on ARS direct appropriation funds for program increases and decreases, and transfers of program funds from one and direct costs incurred by ARS when it provides services, materials, supplies, equipment, or special benefits to individuals, Federal, State, and local government agencies, cooperators, or private and nonprofit organizations.
- Assessing Indirect Program Support Costs on incoming reimbursable and trust fund agreements, cooperative agreements, and grants to recover the indirect costs and direct costs incurred by ARS when it provides services, materials, supplies, equipment, or special benefits to individuals, Federal, State, and local government agencies, cooperators, or private and nonprofit organizations.

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## 1. ABBREVIATIONS

- AAO - Area Administrative Officer
- ABFO - Area Budget and Fiscal Officer
- AD - Area Director
- AM - Administrative Management
- AMS - Agricultural Marketing Service
- APHIS - Animal and Plant Health Inspection Service
- ARMP - Annual Resource Management Plan
- ARMS - ARS Resource Management System
- ASCS - Agricultural Stabilization and Conservation Service
- BPMS - Budget and Program Management Staff
- CRIS - Current Research Information System
- DAAM - Deputy Administrator for Administrative Management
- FGIS - Federal Grain Inspection Service
- FMD - Financial Management Division
- FSIS - Food Safety and Inspection Service
- FY - Fiscal Year
- HQ - Headquarters
- IPSC - Indirect Program Support Costs
- IRC - Indirect Research Costs
- IRS - Internal Revenue Service
- LAO - Location Administrative Officer
- LC - Location Coordinator
- NPS - National Program Staff
- OICD - Office of International Cooperation and Development
- OT - Office of Transportation
- PM - Program Management
- P&SA - Packers and Stockyards Administration
- RL - Research Leader
- RMIS - Research Management Information System
- RMU - Research Management Unit
- SCS - Soil Conservation Service

## 2. DEFINITIONS

**Direct Costs.** Costs which can be directly associated with CRIS projects and RMU's or that can be distributed from IRC accounts with a high degree of accuracy. Direct costs include: cost of salaries, wages, and fringe benefits of personnel performing services; cost of travel; material, supplies and contractual services; equipment; other expenses; and location IRC costs.

**Incremental Costs.** Increased IRC costs caused by the addition of a program to a location. Some examples of incremental costs are: (a) an appropriate share of an increase in electrical costs to a facility due to increased usage, (b) additional telephone service costs to accommodate a new program, and © increased costs of janitorial services to meet the requirements of a new program beyond those historically provided.

**Indirect Costs.** IPSC costs incurred by ARS.

**IPSC.** Costs incurred at the Headquarters and Area levels which are Agency overhead/indirect expenses not directly charged to, or identifiable with, individual CRIS projects or RMU's.

**IPSC Rate.** A predetermined fixed percent which represents the relationship of the Headquarters and Area PM and AM costs to the total program costs of ARS.

**IRC.** Research costs incurred at the location level which benefit more than one CRIS project or RMU but cannot be effectively charged directly to the respective CRIS projects or RMU's. These costs are accumulated and controlled in location IRC accounts and are distributed to CRIS projects and RMU's in accordance with accounting and cost distribution principles. (See the ARS ARMS Manual.)

**Support Services.** Personal and non-personal services, generally provided onsite, that are recurring such as facilities and grounds maintenance, data processing support, word processing support, other office support services, animal herd care and maintenance, maintenance of warehouses/storerooms, etc.

### 3. AUTHORITIES

- 7 USC 450a
- ARS ARMS Manual

### 4. POLICY

It is ARS policy to recover total costs, including direct and overhead costs (IPSC), incurred in providing services, materials, supplies, equipment, or special benefits to other agencies, organizations, or entities. Further, it is ARS policy that program funds at all locations are assessed an appropriate share of location IRC. Details on these policies follow:

#### IPSC

- Assessment of IPSC on Direct Program Funds.

Increases in program funds authorized in annual appropriations are assessed at the prevailing IPSC rate. Accordingly, decreases in program funds result in an equivalent reduction of the amount of funds allocated to pay IPSC.

- Assessment of IPSC on Incoming Reimbursable and Trust Fund Agreements, Cooperative Agreements, and Grants.
  - IPSC shall be included in all incoming reimbursable and trust fund agreements, cooperative agreements, and grants signed by ARS officials, except in the following situations where:
    - Charging IPSC is expressly prohibited by statute or the written bylaws of the organization providing the funds.
    - Research agreements (excludes support services only agreements) with the following USDA Action and Regulatory agencies: AMS; ASCS; APHIS; FGIS; FSIS; P&SA; OT; and SCS.
    - Research agreements with non-profit organizations as identified by the IRS or the National Directory of Nonprofit Organizations.

**Any deviation from the preceding Agency IPSC policy will be made, on a case-by-case basis, at the discretion of the Administrator based upon written recommendations made by the Deputy Administrator, NPS, or the Director, BPMS.**

#### Assessment of IRC

- Program funds at all locations are assessed an appropriate share of location IRC based upon cost accounting principles used during the ARMP process.
- Program increases are not assessed for IRC during the first year.
- If a location incurs significant incremental IRC associated with the first year of a program increase, funds for these incremental costs may be assessed against the program funds only after approval by the AD and the NPS.
- When permanent transfers of funds between locations occur after the ARMP plans have been approved by the Administrator, no IRC funds will be withdrawn during the current year from the losing location and no IRC will be assessed by the new location. The allocation for each program funding transfer which occurs during the fiscal year will be handled by BPMS in the following manner:
  - The entire permanent base amount will be transferred from the losing CRIS/location to the receiving CRIS/location.

- An estimated amount (system generated) will be temporarily transferred back to the losing CRIS/location from the new CRIS/location to cover all obligations incurred prior to the transfer.

Upon notification of this entry, the ABFO will enter any adjustment into the RMIS. Absence of this correction can and in most cases does cause the CRIS to be over- obligated when analysis is done at the end of the fiscal year.

## 5. RESPONSIBILITIES

### IPSC

- **The Administrator** approves IPSC rates used to recover ARS indirect program support costs.
- **The Director, FMD**, reviews the IPSC rates and recommends needed changes to the Administrator.
- **The Director, BPMS**, applies the applicable IPSC rate to current program increases.
- **The Deputy Administrator, NPS, and the Director, BPMS**, recommend deviations from the Agency IPSC policy to the Administrator.
- **The Principal Investigator, Division/Staff Director, Staff Chief, or AAO:**
  - Uses the current IPSC rates as shown in Exhibit 1 to include ARS indirect costs as well as the direct costs in all reimbursable and trust fund agreements, cooperative agreements, and grants, except those automatically waived and those waived on a case-by-case basis by the Administrator.
  - Completes agreement proposal, determines total agreement or grant costs, and submits for approval through proper channels.

### IRC

- **The Deputy Administrator, NPS**, approves or disapproves requests for first year assessment of IRC for significant incremental costs related to a program increase approved for a location.
- **Center Directors/LC's/RL's/LAO's** assure that program funds are assessed a full share of IRC using cost accounting practices as defined in the ARMS Manual on classifying location level costs.

- **ABFO's** work with the LC and LAO to determine if there will be any significant incremental first costs as a result of a program increase. If any incremental costs are identified, prepares a request for the AD to submit to NPS for funds to cover the incremental IRC costs.
- **ABFO's** review and evaluate the appropriateness of IRC components to determine that sound cost accounting practices were used in development and maintenance of the IRC distribution methodologies.

## 6. USE OF IPSC RATES

The Gross IPSC Rate is used to determine the amount of IPSC that will be charged to the agreement when the contributor has informed ARS of the total (gross) dollar amount that will be made available to pay for indirect and direct costs of the work project.

The Net IPSC Rate is used when the contributor has not informed ARS of a predetermined dollar amount to be made available for the project. Follow these steps:

- Determine each item and amount of direct and indirect research costs to arrive at a subtotal.
- Multiply the net IPSC rate times the subtotal determined in (a) to determine the amount of IPSC that will be charged to the agreement.
- Add the amounts calculated in (a) and (b) together to determine the total amount of the agreement proposal.

JANE L. GILES  
Deputy Administrator  
Administrative Management

Exhibit  
1 Approved IPSC Rates

## APPROVED IPSC RATES

"Gross Agreement Amount" IPSC Rate - 10%

"Net Agreement Amount" IPSC Rate - 11.111%  
(equivalent to 10% gross rate)

The above rates should be applied to each reimbursable and trust fund cooperative agreement and grant which has been officially agreed upon and signed by an authorized ARS official.