

ARS □ CSREES □ ERS □ NASS

Policies and Procedures

Title: Recovering Reimbursable Agreement Costs

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Under the Economy Act, ERS is responsible for recovering all direct and indirect costs incurred for work performed on reimbursable interagency agreement. This P&P defines responsibilities and documents the rates for overhead, leave burden, and fringe benefits to be applied in calculation of costs recovered under reimbursable interagency agreement.

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1. Introduction

Any agency of the Federal Government can enter into a reimbursable agreement with another agency of the Federal Government to provide services, supplies, and equipment requested by the ordering agency. The legal authority to enter into this type of agreement is 31 USC 1535 and 1536, as amended by Public Law 97-332, commonly referred to as the Economy Act.

Under the Economy Act, the ordering agency must reimburse the performing agency based on the “actual cost” of the goods or services provided. These costs include all direct costs associated with providing the goods or services ordered, as well as all other costs funded out of the performing agency's available appropriations that have a significant relationship to providing the goods or services.¹

2. Responsibilities for Development and Application of Agreement Rates

EMS's Financial Management Section (FMS) will:

- ◆ review and determine, from the prior fiscal year's actual costs as recorded by the National Finance Center (NFC), ERS's rates to apply to reimbursable interagency agreements for
 - ▶ overhead rates (standard agreements, contract and cooperative [pass-through] agreements, and personnel details),
 - ▶ leave burden, and
 - ▶ fringe benefits.
 - ◆ document the applicable Office of International Cooperation and Development (OICD) agreement overhead rate.
- ☞ Subsequent sections of this P&P discuss these rates and provide examples to clarify their application to the various types of agreements. The established rates should minimize the need for waiver of, or exception to, charges for overhead on reimbursable agreements. The ERS Administrator must approve, in writing, all exceptions to the established rates for overhead, leave burden, or fringe benefits.

¹Costs, other than direct, funded out of the agency's available appropriations that have a significant relationship to providing the goods or services are considered overhead. The branch chiefs or designated project coordinators allocate overhead as a percentage of direct project costs.

ERS administrative officers will:

- ◆ verify the accuracy of the applied overhead, leave burden, and fringe benefits rates and the computation of the total amounts of reimbursable agreements.
- ◆ reconcile the monthly NFC accounting reports with ERS's internal fund control records and prepare form AD-757, Miscellaneous Payments System, to correct any discrepancies.

ERS branch chiefs or designated project coordinators will:

- ◆ calculate the total costs recoverable on a reimbursable agreement. They must determine the direct costs, leave burden, fringe benefits, and appropriate overhead rates applicable to the various types of agreements.
- ◆ submit written waiver requests to the ERS Administrator to charge less than the total amount of costs recoverable on reimbursable agreements.²

The ERS Administrator will:

- ◆ approve the standard leave burden and fringe benefits rates for all agreements and the standard overhead rate for each type of agreement.
- ◆ approve waivers of, or exceptions to, the established rates for overhead, leave burden, or fringe benefits on reimbursable agreements.

²If a reimbursable agreement recovers less than the direct costs and applicable overhead, the performing agency, in effect, is supplementing the appropriations of the ordering agency. However, in the event that ERS will perform work that is mutually beneficial, the ERS Administrator may waive full recovery of costs. If a reimbursable agreement recovers more than reasonable direct costs and overhead, the ordering agency supplements the appropriations of the performing agency. To supplement the appropriations of the performing agency is a violation of the Antideficiency Act.

3. Overhead Rates

Standard Agreements

The standard overhead rate, **28.1 percent**, applies to direct costs associated with all reimbursable agency activities, except contract and cooperative (pass-through) agreements, personnel details, and OICD reimbursements. This rate includes the costs of

- ◆ Office of the Administrator.
- ◆ Data Services Center.
- ◆ Indirect account.
- ◆ Division Director's Immediate Office (arithmetic average).
- ◆ ERS's share of the cost of EMS; however, only the Information Division (ID) Director's Immediate Office is included in the EMS cost share. Branch chiefs or designated project coordinators should include any significant anticipated involvement by ID as direct costs in calculating the amounts of reimbursements from the ordering agencies.

Direct Salaries	\$100,000	
Fringe Benefits (20.4% x Direct Salaries)	<u>20,400</u>	
Subtotal		\$120,400
Leave Burden (19.2% x Subtotal)	23,117	
Other Direct Costs	<u>30,000</u>	
		<u>53,117</u>
Total Direct Costs		\$173,517
Standard Overhead (28.1% x Total Direct Costs)		48,758
Total		<u>\$222,275</u>
Total Amount of Agreement (Rounded to next thousand dollars)		<u>\$223,000</u>

Standard Rate Application Example

Contract and Cooperative (Pass-Through) Agreements

The contract and cooperative (pass-through) agreement rate, **13.6 percent**, applies only to the contracted-out portion of a reimbursable agreement.³ This rate includes the costs of

- ◆ Office of the Administrator.
- ◆ Division Director's Immediate Office (arithmetic average).
- ◆ ERS's share of the cost of EMS's Director's Office; Administrative Services Division; and Budget, Finance, and Systems Automation Division.

Standard Rate:			
Direct Salaries	\$10,000		
Fringe Benefits (20.4% x Direct Salaries)	<u>2,040</u>		
Subtotal		\$12,040	
Leave Burden (19.2% x Subtotal)		2,312	
Other Direct Costs		<u>4,000</u>	
Total Direct Costs		\$18,352	
Standard Overhead (28.1% x Direct Costs)		<u>5,157</u>	
Total ERS in-house costs			\$23,509
Contract/Agreement Rate:			
University of Georgia	30,000		
University of Tennessee	12,500		
Auburn University	20,000		
University of Alabama	<u>25,000</u>		
Total Contracts/Agreements		87,500	
Contract/Agreement Overhead (13.6% x Total Contract)		<u>11,900</u>	
Total Contract/Agreement Costs			<u>99,400</u>
Total			<u>\$122,909</u>
Total Amount of Agreement (Rounded to next thousand dollars)			<u>\$123,000</u>

Standard Rate Combined with Contract and Cooperative (Pass-Through) Agreement Rate Application Example

³The standard overhead rate is applied to all costs incurred on the part of the agreement that is not contracted-out.

Personnel Details

The personnel detail rate, **15.9 percent**, used in agreements when ERS details employees to other Federal agencies, includes the costs of

- ◆ Office of the Administrator.
- ◆ Indirect account.
- ◆ ERS's share of the cost of the EMS's Director's Office; Personnel Division; and Budget, Finance, and Systems Automation Division.

Direct Salaries	\$1,500		
Fringe Benefits (20.4% x Direct Salaries)	<u>306</u>		
Subtotal		\$1,806	
Leave Burden (19.2% x Subtotal)		<u>347</u>	
Total Direct Costs			\$2,153
Detail Overhead (15.9% x Total Direct Costs)			<u>342</u>
Total			<u>\$2,495</u>
Total Amount of Agreement (Rounded to next thousand dollars)			<u>\$3,000</u>

Personnel Detail Overhead Rate Application Example

OICD Agreements

In consultation with USDA agencies and the Agency for International Development, the OICD determines the overhead rate used on all OICD agreements. The rate is **18.0 percent**.

Direct Salaries	\$50,000		
Fringe Benefits (20.4% x Direct Salaries)	<u>10,200</u>		
Subtotal		\$60,200	
Leave Burden (19.2% x Subtotal)		<u>11,558</u>	
Other Direct Costs			\$71,758
Total Direct Costs			<u>25,000</u>
OICD Overhead (18.0% x Total Direct Costs)			<u>17,416</u>
Total			<u>\$114,174</u>
Total Amount of Agreement (Rounded to next thousand dollars)			<u>\$115,000</u>

OICD Overhead Rate Application Example

4. Fringe Benefits Rate

The standard fringe benefits rate, **20.4 percent**, calculated from prior fiscal year NFC Payroll system reports, is applied to all direct salaries for reimbursable agreements.

Here is the formula for computing the fringe benefits rate:

$$\text{Fringe Benefits Rate} = \text{Employment Benefits} \div \text{Direct Salaries}$$

The fringe benefits rate includes employment benefits, such as pensions and insurance coverage granted by the Federal Government, that involve a monetary cost to the agency without affecting the salary levels. Fringe benefits include, but are not limited to, Civil Service Retirement System, Federal Employees Retirement System, Federal Employees Group Life Insurance Program, Federal Employees Health Benefits Plan Program, and Medicare coverage.

5. Leave Burden

The leave burden rate, **19.2 percent**, applies to **all** reimbursable interagency agreements, except OICD agreements, that include direct salaries. To ensure the recovery of full employee costs, the branch chief or designated project leader must multiply all direct salaries and fringe benefits chargeable to a reimbursable project by the standard leave burden rate. **To avoid double billing**, all leave taken must be charged to appropriated funds.

An OICD agreement may or may not include the leave burden factor, depending on the type of agreement. For various types of OICD agreements, the branch chief or designated project leader determines the leave burden as follows:

Not Charged	Long-term assignments, usually a minimum of 1 year in duration, since all annual leave earned, holiday leave taken, sick leave used, and administrative leave granted during the period of the agreement will more than likely be used during the period of, and charged directly to, the agreement.
	The project is mutually beneficial to OICD and ERS, since OICD provides limited funds, and ERS also would provide funds for the work.
Charged	Short-term assignments, since it is assumed that, under normal circumstances, the employee will work full-time and not use leave.

After obtaining the ERS's leave averages for the prior calendar year from the NFC Payroll system, FMS calculates the standard leave burden rate that the branch chiefs or designated project leaders must apply to the direct salaries and fringe benefits for all employees assigned to the agreement. Here is the computation for the leave burden factor:

Non-Productive Days (per employee)

Holidays per year	10
Average annual leave earned	21
Average sick leave used	9
Average administrative leave granted	<u>2</u>
Non-productive days	42

Productive Days (per employee)

Work days per year	261
Less: Non-productive days	<u>42</u>
Productive days	219

Leave Burden = Non-productive days/Productive days

6. Procedures for Requesting Waivers or Exceptions

Branch chiefs or designated project coordinators must use the established rates for overhead, leave burden, and fringe benefits for interagency reimbursable agreements, unless they initiate and obtain written waivers to apply alternative rates to a specific agreement.

Branch Chief (or Designated Project Coordinator)

- ◆ submits a written request stating the reason for the proposed waiver to the ERS Administrator through the division director.
- ◆ sends a copy of the request to the division's administrative officer.

Division Director

- ◆ reviews the written request.
- ◆ forwards the request with a recommendation for approval to the ERS Administrator, or disapproves the waiver request.

- ◆ returns the request to the branch chief or designated project coordinator after the ERS Administrator has approved or disapproved.
- ◆ notifies the division's administrative officer of all decisions on requests.

Administrator

- ◆ reviews the request and recommendations.
- ◆ approves or disapproves the request.
- ◆ returns the request, indicating approval or disapproval, to the division director.

Division Administrative Officer

- ◆ keeps a copy of the request and the division director's recommendation on file pending the ERS Administrator's decision.
- ◆ notes final approval or disapproval of request in the file after notification by division director.

Summary of Responsibilities

Administrator, ERS

- ◆ Approves leave burden, fringe benefits, and overhead rates for each type of agreement.
- ◆ Approves waivers or exceptions for overhead rates on reimbursable agreements.

Division Directors, ERS

- ◆ Forwards approved requests for waivers or exceptions for overhead rates on reimbursable agreements to the Administrator, ERS.
- ◆ May deny requests for waivers or exceptions of overhead rates on reimbursable agreements.

Branch Chiefs or Designated Project Coordinators

- ◆ Calculate the total costs to recover for reimbursable agreements.
- ◆ Request waivers or exceptions for charging less than the total amount of costs recoverable on reimbursable agreements.

Administrative Officers

- ◆ Maintain a file with copies of all correspondence concerning waivers of costs on reimbursable agreements.
- ◆ Verify the accuracy of the applied overhead, leave burden, and fringe benefits rates and computation of the total amount of agreements.
- ◆ Reconcile and monitor all obligations, disbursements, and collections for each reimbursable agreement with the NFC accounting reports and agency internal fund control records.
- ◆ Prepare form AD-757 to correct any discrepancies in the reconciliations.

FMS Staff

- ◆ Assists ERS in reviewing and developing annual overhead rates for recovering all costs associated with reimbursable interagency agreements.
- ◆ Documents the rates for agreement overhead, leave burden, and fringe benefits and the application of each rate to the various types of reimbursable agreements.

Glossary

AD-757. Miscellaneous Payments System form.

Contract and Agreement (Pass-Through) Overhead Rate. Rate applied to the contracted-out portion of a reimbursable agreement.

Direct Costs. Costs incurred in support of a specific project; e.g., salaries, travel costs, and ADP time identifiable to a specific project.

FMS. EMS's Financial Management Section.

Fringe Benefits. Employment benefits, such as pensions and insurance coverage, granted by the Government, that involve a monetary cost to the agency without affecting salary levels.

ID. EMS's Information Division.

Indirect Costs. See Overhead Costs.

Leave Burden. Cost of annual leave earned and sick leave, Federal holidays, and administrative leave used (based on average agency usage).

NFC. National Finance Center, Office of Finance and Management, USDA.

OICD. Office of International Cooperation and Development, USDA.

OICD Overhead Rate. Rate determined by OICD in consultation with the USDA agencies. This rate applies to all OICD agreements.

Overhead Costs. Costs, not incurred in support of a specific project, that must be divided proportionately among all projects by applying a standard percentage rate. Examples include space, telephones, and administrative support (budget, personnel, administrative service, etc.). The method of calculation and costs included in the overhead rate varies according to the type of work performed. Also termed Indirect Costs.

Personnel Detail Overhead Rate. Rate used in agreements when ERS details employees to other Federal agencies.

Standard Overhead Rate. Rate applied to direct costs associated with all agency reimbursable activities other than contract and cooperative (pass-through) agreements, personnel details, and OICD reimbursements.