

**ARS □ NIFA □ ERS □ NASS**

*Policies and Procedures*

**Title:** Charging Indirect Program Support Costs on Soft Funds

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**Originating Office:** Financial Management Division

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**Distribution:** All ARS Employees (**please distribute to all employees who may not have access to electronic mail**)

This P&P states the policy and responsibilities for: Charging Indirect Program Support Costs.

Charging IPSC on incoming reimbursable and trust fund agreements, cooperative agreements, CRADAs, and grants recovers the indirect 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. Summary of IPSC Policy

It is ARS policy to recover total costs, including direct and indirect program support costs (IPSC), incurred when providing services, materials, supplies, equipment, or special benefits to other Government agencies and public and private organizations, domestic or foreign. The following statement summarizes ARS' IPSC policy on all incoming non-appropriated (soft) funds.

IPSC **will** be charged at a rate of 10 percent of the gross agreement total on all incoming reimbursable and trust fund agreements, cooperative agreements, and grants signed by ARS officials, **except in the following circumstances:**

- Agreement or grant less than or equal to \$10,000 over its total life. This policy is intended to save time and effort by not charging IPSC for minimal dollar amounts. **However, if an increment is added to an agreement in its first FY or any subsequent year so that the total amount of incoming funds exceeds \$10,000, IPSC will be charged on only the new increment that is added to the agreement. IPSC will not be charged on the funds previously received.** IPSC will also be charged on any additional increments of funding through the life of the agreement, regardless of the dollar amount. For example: An agreement is \$8,500 and \$2,000 is added bringing the total to \$10,500. IPSC will be charged on the \$2,000 and any additional increments.
- Agreement is with a non-profit organization as listed in the U.S. Internal Revenue Service's (IRS) "Exempt Organizations Business Master File Extract (EO BMF) at <http://www.irs.gov/taxstats/charitablestats/article/0,,id=97186,00.html>. Area Directors should verify that organizations are listed in this IRS database prior to submitting them to the Partnerships and Grants section of OTT. **A listing of organizations that have been confirmed as meeting this criterion is posted on the EAD web site and maintained by the Partnerships and Grants section of OTT.**
- Charging indirect costs is expressly prohibited or limited by specific Congressional language of the Federal program providing the funds. **A listing of Federal agencies meeting this criterion is posted on the EAD web site and maintained by the Partnerships and Grants section of OTT.**
- Charging indirect costs is expressly prohibited or limited by statute or the written bylaws of the organization (including Federal agencies) providing the funds. To qualify for this exemption, the Area Director must provide evidence of the statute or the bylaws to the Partnerships and Grants section of OTT that clearly and specifically states that the organization does not pay indirect costs on research grants. **A listing of organizations that have been confirmed as meeting this criterion is posted on the EAD web site and maintained by the Partnerships and Grants section of OTT.**

- Research agreements or grants entered into with the following Department of Agriculture Action and Regulatory agencies or their proxies: Agricultural Marketing Service; Animal Plant and Health Inspection Service; Center for Nutrition Policy and Promotion; Farm Service Agency; Food and Nutrition Service; Foreign Agricultural Service, including International Cooperation and Development; Food Safety and Inspection Service; Grain Inspection, Packers and Stockyards Administration; and Natural Resources Conservation Service. **A listing of recognized proxies is posted on the EAD web site and maintained by the Partnerships and Grants section of OTT.**

**However, IPSC is charged on Services Only agreements with these agencies.**

NOTE: Services Only agreements are not linked directly to research projects. They are for personnel and non-personnel services, and are generally provided onsite, such as facilities and grounds maintenance, vehicle maintenance, office support services, maintenance of warehouses/storerooms, rent, utilities, non-research laboratory services (i.e., running routine samples), etc. Generally, in Services Only agreements, ARS is not required to develop or make and deliver a specified end-product as a condition of accepting soft funds.

- Agreements entered into with the Research, Education, and Economics agencies (the National Institute of Food and Agriculture, Economic Research Service, and National Agricultural Statistics Service) for administrative support as clients of ARS - Administrative and Financial Management. **However, IPSC is charged on Research agreements and Services Only agreements with these agencies.**
- **Agreements entered into with the National Agricultural Library for Digitop subscriptions and document delivery services.**

**The IPSC for an agreement that has an original and direct Source of Funds will be charged based on the following matrix:**

If:	And:	Then:
If there is only a DSOF		Then the IPSC is based on DSOF field (charged or not charged)
If there is an OSOF and DSOF	And both are listed as IPSC is charged	Then the IPSC is charged
If there is an OSOF and DSOF	And the OSOF is listed as IPSC is charged	Then the IPSC is based on the listing for the OSOF and is charged
If there is an OSOF and DSOF	And the OSOF is listed as IPSC is not charged	Then the IPSC is based on the listing for the OSOF and is not charged
If agreement is less than or equal to \$10,000		Then the IPSC is not charged

Note: The SOF table in ARIS will indicate if IPSC is charged/not charged for research and non-research; and will also indicate if USDA, other Federal, and/or non-profit.

**ARS WILL NOT ACCEPT AGREEMENTS THAT DO NOT COMPLY WITH THIS POLICY. The Area Director (AD) ensures that all agreements comply with this policy and do not allow proposals to be submitted or accept agreements which do not. Base funds to units or projects may not be used to pay IPSC, or other local administrative costs on soft-funded agreements.**

## **2. CRADAs**

Cooperative Research and Development Agreements (CRADAs) will be charged IPSC at the rate of 20 percent of the gross total to cover the standard Agency administrative costs (10 percent) and the additional administrative costs associated directly with the Office of Technology Transfer (10 percent).

## **3. IPSC Rates**

The Gross IPSC Rate (10 percent) is used to determine the amount of IPSC that will be charged to the agreement when the contributor has informed ARS of the definitive total (gross) dollar amount that will be made available to pay for indirect and direct costs of the agreement. The Net IPSC Rate (11.11 percent) is used when the contributor has not informed ARS of a predetermined dollar amount to be made available for the project. To calculate how much IPSC is charged, use the following examples:

- **Calculating IPSC on the Gross Total (10 percent):**

The contributor agrees to provide ARS with \$50,000 to cover direct and indirect costs. The agreement is charged 10 percent of \$50,000 (\$5,000) for IPSC, leaving \$45,000 to cover the remaining costs. \*If the agreement is a CRADA, use 20 percent as the overhead rate.

- **Calculating IPSC on the Net Total (11.11 percent):**

The contributor agrees to provide ARS with \$50,000 for direct costs, plus indirect costs (IPSC). To calculate the IPSC, multiply \$50,000 x 11.11 percent = \$5,555. The total agreement will be \$55,555 to cover direct (\$50,000) and IPSC (\$5,555). \*If the agreement is a CRADA, use 25 percent as the overhead rate.

## **4. Adding Organizations to the Published Exempt List**

The Area Directors submit requests to add an organization to the published Exempt list to Partnerships and Grants, OTT. Requests must cite the specific exemption as listed in Section 1 as well as the supporting information as described in the exemption. The agency must agree with the provided evidence and send written approval *prior* to the submission of any proposal to the organization.

## 5. Responsibilities

All parties involved in the negotiation of agreements should be familiar with the policies covered by this P&P and ensure that cooperators are aware of the IPSC charge and rate. During the development of the agreement, the Authorized Departmental Officer (ADO) or applicable party will work with the Administrative Officer/Technician (AO/AT) or ABFO to ensure that the approved ARS IPSC is covered in the development of the budget proposal. The AD ensures that all agreements comply with this policy.

### IPSC

**The Administrator** approves IPSC rates used to recover ARS indirect program support costs.

**The Director, Financial Management Division,** reviews the IPSC rates and recommends needed changes to the Administrator.

**Partnerships and Grants, OTT** maintains the list of organizations and associated documentation that meet the exceptions delineated in Section 1.

**The Area Directors** submit requests to add an organization to the published Exempt list to Partnerships and Grants, OTT.. Requests must cite the specific exemption as listed in Section 1 as well as the supporting information as described in the exemption. The agency must agree with the provided evidence and send written approval *prior* to the submission of any proposal to the organization.

### Appropriate Charge of IPSC on Agreements

**The Area Director** ensures that proposals submitted for soft funding comply with this policy and prohibit the submission of proposals that do not.

**The Area Director** ensures that all agreements comply with this policy and does not accept agreements which do not.

**The ARS-PI** clearly articulates the requirements of this policy when discussing potential incoming funds agreements with cooperators, requests sufficient funds in grant proposal budgets to pay IPSC costs as per this policy, and does not participate in agreements which do not pay IPSC costs as per this policy.

## 6. Definitions

**Direct Costs.** Cost which can be directly associated with the work in an agreement with a high degree of accuracy. Direct costs include: cost of salaries, wages, and benefits of personnel performing services; cost of travel; materials, supplies and contractual services; equipment; and other expenses.

**IPSC.** Costs incurred at the Headquarters (HQ), Area and Business Service Center levels which are Agency overhead/indirect expenses associated with the management and administration of incoming funds.

**IPSC Rate.** A predetermined fixed percent which represents the relationship of the HQ, Program Management and administrative costs to the total program costs of ARS.

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

## 7. Authorities

7 USC 450a  
ARMS Manual

## 8. Abbreviations

BFO	Budget and Fiscal Officer
AD	Area Director
ADO	Authorized Departmental Officer
AFM	Administrative and Financial Management
AMS	Agricultural Marketing Service
AO	Administrative Officer
AO/AT	Administrative Officer/Administrative Technician
APHIS	Animal and Plant Health Inspection Service
ARIS	Agricultural Research Information System
ARMS	ARS Resource Management System
ARS	Agricultural Research Service
ARS-PI	Agricultural Research Service – Principal Investigator (formerly the ADODR)
BPMS	Budget Program Management Staff
CRADA	Cooperative Research and Development Agreement
CRIS	Current Research Information System
DSOF	Direct Source of Funds

EAD	Extramural Agreements Division
ERS	Economic Research Service
FGIS	Federal Grain Inspection Service
FMD	Financial Management Division
FSIS	Food Safety and Inspection Service
FY	Fiscal Year (October 1 thru September 30)
GIPSA	Grain Inspection, Packers and Stockyards Administration
HQ	Headquarters
IPSC	Indirect Program Support Costs
IRS	Internal Revenue Service
NASS	National Agricultural Statistics Service
NIFA	National Institute of Food and Agriculture
NRCS	Natural Resources and Conservation Service
ONP	Office of National Programs
OSOF	Original Source of funds
OTT	Office of Technology Transfer
REE	Research, Education and Economics
RL	Research Leader

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