# U.S. Geological Survey Manual

**501.1 - Cost Distribution**

**Date: 11/15/2018**

**OPR: Office of Administration**

**Instructions: Revises SM 501.1, dated 08/07/2006.**

## 1. Purpose.

This chapter establishes the policies, responsibilities, and procedures for accumulating, documenting, distributing and funding costs within the USGS.

2. **Authority**.

1. Department of Interior (DOI) Departmental Manual, Series: 09-Financial Management (Parts 330-337)
2. [DOI Accounting Handbook, particularly Chapter 6 General Accounting, Sections 6.2, Grants and Cooperative Agreements and Sections 6.4 Cost Recovery/User Charges](https://www.doi.gov/sites/doi.gov/files/uploads/PFM%20Accounting%20Handbook.pdf)
3. OMB Circular A-25, User Charges
4. 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

## 3. Explanation of Costs and Associated Terms.

Costs are the value in dollars of resources used or liabilities incurred to achieve an objective, such as to acquire, produce a good, or perform an activity or service. The costs of USGS operations are funded through appropriations and reimbursable agreements. The following are different types of costs:

1. *Direct costs* are all costs that can be specifically or readily identified with producing a specific product or providing a specific service.
2. *Facilities costs* are those costs incurred in the operation and maintenance of a building and associated grounds, and costs directly related to occupying space. Examples include rent, janitorial contracts costs, recurring maintenance costs, purchases of tools and equipment for facilities operation, utilities, maintenance worker salaries, and construction or renovation projects. These costs can apply to all types of space, including owned, GSA provided, direct leased, cooperative agreements, and space provided by other agencies. Facilities funding to cover these costs is provided through the Facilities Budget Activity portion of the USGS budget as well as facilities overhead earned on reimbursable income. Facilities costs are listed in [Appendix C](https://prd-wret.s3-us-west-2.amazonaws.com/assets/palladium/production/s3fs-public/atoms/files/501.1%20-%20Appendix%20C.pdf).
3. *Indirect costs* are costs that cannot be specifically identified with an individual product or service, but which support the program at a broader level and the organization as a whole. Indirect costs are funded by USGS appropriations when the direct costs are funded through USGS appropriations and through overhead rates when the direct costs are funded by reimbursable agreements. Cost center is the lowest organizational level at which indirect costs are collected and managed.
4. *Bureau costs* are the indirect costs for goods, services and activities used by the Bureau as a whole. Examples of Bureau costs are administrative, budget planning, human resources, security, communications, publications and scientific integrity processes. Also covered by Bureau costs are executive leadership for headquarters and regional management. Bureau costs are listed in [Appendix A](https://prd-wret.s3-us-west-2.amazonaws.com/assets/palladium/production/s3fs-public/atoms/files/501.1%20-%20Appendix%20A.docx).
5. *Common services costs* are indirect costs for cost center management and administrative services including equipment and purchases used by a cost center as a whole or that cannot be readily assigned to a specific project or task. Common services costs are funded by USGS appropriations when the direct costs are funded through USGS appropriations or through overhead rates when the direct costs are funded by reimbursable agreements. Common services costs are listed in [Appendix B](https://prd-wret.s3-us-west-2.amazonaws.com/assets/palladium/production/s3fs-public/atoms/files/501.1%20-%20Appendix%20B.pdf).
6. *Distributed Direct Costs* are costs, including facility-related costs that apply to more than one, but not all projects or tasks within a cost center. These costs will be distributed to the applicable projects in a consistent, equitable, and cost-efficient manner.
7. *Labor costs* are the costs of salaries and benefits for Federal employees (budget object classes 11.XX and 12.XX).

## 4.  Policy.

1. The USGS policies and procedures for cost distribution shall:

(1)  Comply with applicable laws, regulations, and standards.

(2)  Adhere to standard business practices.

(3)  Allow USGS to provide goods and services to customers in an appropriate and equitable manner.

(4)  Allow USGS to cover its full costs.

(5)  Promote effective resource management by providing useful financial information and identifying the full costs of performing business.

The USGS, as is the case with all Federal agencies, is required by law to recover the full costs incurred when doing work on a reimbursable basis. The USGS recovers full costs by charging non-USGS customers using indirect cost rates and all direct costs.

1. USGS will record the full costs of all projects (direct and indirect costs) in Financial Business Management System, the Department of the Interior’s official accounting system.

5.**Cost Management**.

1. Bureau level overhead rate is determined using a three-year rolling average rate based on actual costs incurred.
2. Center level common services and facility rates are established annually in the Facilities Budget Activity and Rate Workbook System (FBARWS) by projecting center costs for the coming year in the following categories: common services/indirect, facilities, direct appropriated, direct reimbursable, and costs incurring less than the full overhead rate. Common services rates are automatically calculated on the ratio of indirect to direct costs. Facility rates are calculated based on the ratio of appropriated to reimbursable costs. These rates are approved after multiple levels of review.
3. Costs that can be readily assigned to the cost centers that incurred them will be distributed to the applicable cost centers.
4. Reimbursable agreements or incoming grants with non-USGS customers have the Bureau overhead rate, applicable cost center common services rates and applicable facilities rates applied to the direct costs incurred for providing products and services. The burden earned covers the associated costs within those categories.
5. An appropriate portion of center common services costs are funded by applying the cost center overhead rates to appropriated direct funding received in the center.
6. Each cost center is allocated facility appropriated funding to support the percent of appropriated direct costs of total facilities costs as outlined in the FBARWS.
7. When work on a project is performed by more than one cost center and the project is funded through a reimbursable agreement, the appropriate share of bureau costs will be applied to the project in the cost center that does the work.
8. When two or more USGS costs centers share indirect costs, such as when cost centers are co-located or share administrative staff, distribution of indirect costs will be identified between the appropriate cost centers on a reasonable and consistent basis specific to the shared situation.
9. The USGS Director has identified a number of initiatives for Bureau-wide funding. These are known as Bureau Shared Program Costs. On an annual basis, the USGS Director and Executive Leadership Team will identify a list of initiatives and associated costs that will be funded by the science programs. Each science program distributes a fair share of funding in support of these initiatives.

## 6.  Exceptions to Indirect Cost Recovery.

1. Indirect costs: bureau overhead, facilities-related and common services; will not be distributed to:
2. Funds which are specifically exempted from paying indirect overhead costs by Federal statute or by formal OMB or DOI policy for example, Intergovernmental Personnel Act Assignments.
3. Donations, contributions or gifts of cash accepted by the Bureau as contributions under the authority of 43 U.S.C. 36(c) but not for grants or collaborative projects funded under 43 U.S.C. 36(c).
4. Funds received through a delegation of authority from the General Services Administration (GSA) for the operation and maintenance of facilities and the delegation or agreement with GSA specifically excludes the distribution of indirect costs.
5. The value of in-kind services provided by customers and partners, that is, services for which the cost center does not pay cash.
6. Funds provided by an outside entity for travel onlyexpenses or an award for a USGS Federal employee.

## 7.  Special Rates.

1. USGS does not have the authority to forgo payment of direct or indirect costs. In addition, USGS does not have the authority to recover costs by charging some customers more to make up for undercharging others. Applying a special rate to a reimbursable agreement reduces the amount of Bureau and Cost Center indirect costs recovered from reimbursable customers, therefore, special rates may only be used under specific circumstances. Regional Director or Associate Director, as appropriate, shall forward special rates request to the Associate Director for Administration/Chief Financial Officer (CFO) for approval.
2. A special rate is not allowable for cooperative agreements where USGS is using a third-party cooperator to fulfill any portion of USGS’ responsibilities for providing products or services to the non-USGS customer funding the agreement except when directed by the USGS Director, Department or legislation. A special rate shall not be used when USGS is responsible for the quality, timeliness, integrity or accuracy of the third-party cooperators’ products or services; accepts them from the cooperators/contractors on behalf of the USGS customer; uses them in fulfilling USGS work under the agreement or integrates or incorporates them into the USGS deliverable; and when the third-party is performing in the same capacity as an employee or contractor.
3. Special rates for indirect costs are allowable for:
4. *Pass through*. Funding from a non-USGS organization is received by USGS with the specific purpose of the funds being transferred or awarded to a third party. This is referred to as “flow through” or “pass through” funding. Examples of this type of agreement are:
	1. Funding received by the USGS from a non-USGS entity to support a grant to be awarded by the USGS. Specific legal authority to award a grant is required. The Water Resources Research Institute is an example of this program.
	2. Funding from one or more non-USGS entities to support a multi-agency or organization scientific effort to achieve a strategic science objective as directed through an approval memorandum by the USGS Director, specific Departmental direction or legislation. USGS is responsible for distributing funds to the participating third parties through award of cooperative agreements or execution of interagency agreements which will reference the other specified party(ies) and the amount of funding or provide the criteria for the pass through.
	3. Agreements that contain both a pass-through component and a component for which the USGS is performing work are eligible for a special rate on the portion of the funding that is pass through. The third-party cooperator’s work and/or deliverable must be separate from USGS responsibilities under the agreement. The portion of the agreement for which the USGS is retaining funding and performing work will be assessed the full Bureau and cost center rates.
5. *Equipment Purchases.* When USGS receives funds from a non-USGS organization through an agreement which requires the purchase of equipment in order to collect data or conduct scientific studies for a new project, the bureau special rate may be approved. In this case, the cost of the equipment purchases would typically be a significant portion of the total funds of the agreement and the equipment would be USGS property.
6. *External Purchase of Data in Support of The National Map*. Multiple-customer use of the established contracts is furthering implementation of the National Mapby providing access to greater volumes of data.
	1. *Cartographic Services and Remotely Sensed Data Contracts*. Funding received from a non-USGS organization for the purpose of acquiring services through existing USGS Cartographic Services or the Remotely Sensed Data Contract.
	2. *Geospatial Data Purchased from State and Local Governments.*When USGS receives funds from a non-USGS organization for the purpose of passing through the customer’s funds to state and local governments for the direct purchase of geospatial data using existing USGS agreements, contracts or purchase orders.
	3. *Agreements*. Agreements for data purchase which require unique data not available through existing contracts or require unique agreements are not eligible for special rates.
7. *Interagency Detail Work Assignments*. When the authority for an employee’s detail or assignment outside USGS is other than the Intergovernmental Personnel Act, a Bureau overhead special rate may be requested when the non-USGS agency provides the employee space and administrative support at no charge.
8. *Cooperative Research Units (CRUs).* The CRUs are supported by a three-way partnership including the USGS, a State, and an academic institution. Significant administrative support is provided by the academic institutions where CRUs are co-located. In recognition of the direct services support received from the non-USGS partners, CRUs only recover one-half of the Bureau rate normally recovered from reimbursable customers or partners.
9. Each fiscal year the Associate Director for Administration/CFO will establish the USGS bureau special rate.
10. The established USGS special rate will be applied to all approved and/or renewed special rate requests throughout the fiscal year.
11. Special rates may be requested for the life of an agreement or in five year increments, whichever is less. When the term of an agreement is longer than five years in length, a renewal request must be submitted every sixth year. The prevailing rate at the time of the initial or renewal request is applied to the agreement for each year of the approval.
12. When a special rate is approved, cost centers will not charge facilities-related costs or their standard common services rate to funding approved for the Bureau special rate.  Cost centers recover common service costs at a reduced indirect rate that should not be greater than the Bureau special rate.

8.**Other Reduced Rates**.

Reimbursable agreements with specific customers may be granted reduced overhead rates. Cost center appropriated funds are used for all costs (direct, facilities, common services, Bureau overhead) not recovered from external customers including DOI Bureaus. Cost centers must have approval for a reduced rate from the appropriate Regional or Associate Director except for the following:

1. The Department of the Interior bureaus may be granted a preferred customer rate of 15% for Bureau overhead and common services combined.
2. Cooperative Research Units (CRU) are charged one-half of the Bureau’s full rate from reimbursable agreements with CRU partners when significant administrative support such as no-cost office and laboratory space and information technology services is provided by the academic institutions where CRUs are collocated.

## 9.  Responsibilities.

1. Cost Center Managers:
2. Manage costs within their center and enforce DOI and bureau policy regarding application and recovery of costs.
3. Determine the common services and facility rates for their cost centers each year.
4. Determine if the cost center can support DOI preferred rates. Review and approve requests and forward to Senior/Regional Management Officer and Associate/Regional Director for approval.
5. Determine if a special rate request complies with policy and if the cost center can support the request. Disapproves special rate requests that do not meet the established criteria. Signs agreements recommended for a special rate and forwards to the Regional Director or Associate Director.
6. Obtain approval from the Associate Director for Administration/CFO for special rates before finalizing agreements or informing customers. Submit requests as early in the fiscal year as possible.
7. Senior/Regional Management Officer and Associate/Regional Directors:
8. Monitor the application of cost distribution and cost recovery policies in the cost centers for which they are responsible.
9. Review and approve the distribution of shared indirect costs among the applicable cost centers when both are under their supervision.
10. Review and approve DOI preferred rates.
11. Review special rate requests for compliance with established policy and the ability of the cost center to support the rate. Disapprove special rate requests that do not meet the established policy. Sign agreements recommended for a special rate and forwards to the CFO.
12. Associate Director for Administration/Chief Financial Officer (CFO):
13. Determines the cost categories to be treated as Bureau costs.
14. Determines the cost categories that may be charged to common services accounts.
15. Coordinates the annual operating budget request for science support costs, as part of the USGS annual budget process and makes recommendations regarding Bureau costs to the Deputy Director.
16. Determines the Bureau overhead rate charged to reimbursable agreements to recover indirect costs.
17. Reviews special rate requests endorsed by a Regional or Associate Director for compliance with established policies and approves or disapproves them as appropriate.
18. Provides detailed guidance regarding the application of cost distribution policies.
19. Monitors the implementation of cost distribution policies in USGS.

 10.**Expiration**. This policy must be reviewed biennially, or more frequently as needed.

/s/ James G. Anderson 11/15/2018

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James G. Anderson Date

Acting Associate Director for Administration