

Appendix 12 – Granger Thye Indirect Cost Reimbursement Letter
2015 Trout Lake Commercial Portage Prospectus



United States
Department of
Agriculture

Forest
Service

Washington Office

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Route To:

Subject: Indirect Cost Reimbursement in Granger-Thye Permits

To: Regional Foresters

Issue. At the request of the National Forest Recreation Association (NFRA) we have evaluated how the Forest Service reimburses the indirect costs of permit holders who perform Granger-Thye (GT) fee offset work. Holders are concerned that forests are inconsistent on whether and how indirect costs are allowed and what documentation is necessary to support a claim for indirect costs.

Background. Under Section 7 of the GT Act, and when authorized by a permit and GT fee offset agreement (GT agreement), the Forest Service offsets all or part of the permit fee paid by campground concessionaires with the cost of Government renovation, reconditioning, improvement, and maintenance performed at the concessionaire's expense on facilities covered by the permit. When the holder performs the work, it is authorized by an attachment to the permit called a GT fee offset agreement. Alternatively, the Forest Service may enter into a collection agreement as authorized by Section 5 of the GT Act to perform work eligible for fee offset under Section 7.

Historical Practice. Typically the field has offset the holder's direct costs for approved offset work, but reimbursement for the holder's indirect costs has varied. Approaches have included limiting indirect costs to a maximum of 5 percent or 10 percent of the fee to be offset, limiting the type of indirect costs to be reimbursed, or reimbursement of a flat overhead rate without documentation. Review of this issue has shown that these methods are not appropriate, because holders should be reimbursed actual costs. There is a misconception among employees and holders that the Forest Service can reimburse a flat indirect cost rate without documentation. There is often disagreement between forests and holders about what costs may be reimbursed.

Comparison. The Office of Management and Budget (OMB) has issued circulars to guide cost reimbursement for several types of business entities, including Circular A-87 for State and Local Governments and Circular A-122 for Non-Profit Organizations. The Federal Acquisition Regulation (FAR) Part 31 guides cost reimbursement for Commercial (For-Profit) Entities. We evaluated how cost reimbursement is conducted in other agency programs. Regulations at 7 CFR 3019.27 were updated in August 2000 to address the determination of allowable costs for grants and agreements in conformance with applicable OMB circulars. FSH 1509.11, Chapter 70, provides that administration of costs in grants and agreements for commercial entities is subject to FAR Part 31, Contract Cost Principles and Procedures. Adopting these cost standards for GT offset will create consistency among the program areas of special uses, contracting, and grants and agreements and conform to OMB guidance.



Conclusion. Offset of indirect costs is appropriate. Indirect costs are a customary charge in contracting and grants and agreements and should be eligible for offset under GT agreements. The following guidance applies to reimbursement of actual costs to commercial entities holding GT permits. The guidance (enclosed) is excerpted from FAR Part 31 and 48 CFR Part 9904 but has been tailored to address GT agreements. A simplified process for small concessions is included at the end of the document. Cost principles for non-profit entities and state or local governmental entities are not addressed. The guidance does not address the reimbursement of agency indirect costs. When the Forest Service performs the work, agency indirect costs will be assessed in accordance with FSH 1509.11, Chapter 33 and indirect cost rates established nationally (e.g., the FY2002 rate is 18 percent).

Implementation.

Before the holder's indirect costs may be offset under a GT agreement, the holder must submit its indirect cost rate and supporting documentation for approval. Determination of an indirect cost rate should comply with the Cost Accounting Standards (CAS) and this guidance. When claiming cost reimbursement, the holder must certify that costs claimed comply with this guidance. Indirect costs based on approved Indirect Cost Allocation Rates (ICAR) should be reimbursed starting with 2002 permit fees. This advice for reimbursement of indirect costs is not retroactive to prior year permit fees.

For New Permits: Applicants must disclose accounting procedures and historic indirect cost allocation rates in response to a prospectus.

For Existing Permits: Holders must submit their ICAR to the authorized officer. Because the ICAR will be the same for all permits held by a specific company, it is recommended that the regional external auditor review and approve the rate. Regional auditors should coordinate the review for companies operating in more than one region.

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