

### CHAPTER 3

#### COST ESTIMATING FOR REIMBURSABLE AGREEMENTS

##### 0301 INTRODUCTION

030101. This chapter covers the determination of reimbursable agreement costs. Initially all reimbursable agreements shall be developed on a full cost basis (Refer to FMR Volume 7, "Cost"). NASA may set the level of reimbursement to be provided by the customer at a level lower than full cost. Chapter 4 of this Volume contains instructions for establishing the required level of reimbursement. Nonetheless, before a reimbursable agreement for work is accepted the full cost of reimbursable work must be calculated and documented on the EPR.

##### 0302 DETERMINING THE FULL COST OF REIMBURSABLE AGREEMENTS

030201. Identifying the cost of a reimbursable agreement requires the determination of the costs of the work, services, and facilities usage that are to be provided to the customer. It is NASA policy that, except for Corporate G&A and Institutional Investments, standard rates or standard charges will be used whenever possible and practical. The costing methods identified in paragraphs A. and B. below are listed in order of preference.

A. Standard Rates or Charges A standard rate (\$/unit) or charge for each Service Pool consistent with the consumption basis prescribed in FMR Volume 7 can be determined for some services or components of services that are required to complete a reimbursable agreement. For example wind tunnel usage is charged based on a standard rate for each shift the wind tunnel is operated. Standard costing applies when there is recurrent demand for the same or similar goods or services and costs are uniform. This type of costing is determined in advance and can readily be applied to cost the related components of a customer's reimbursable agreement. Examples of standard cost within NASA include service pool and G&A rates. Once the full cost is established using the Center's indirect cost rates and the reimbursable agreement is signed, Centers may treat the indirect cost rates used to determine full cost as fixed for the remainder of the fiscal year.

B. Agreement Costing When requested services cannot be costed using a standard rate, customized agreement costing may be used. NASA Centers must conduct a case-by-case study to identify each cost element involved and how to assign that cost to the agreement. For example, a standard rate could be used to apply wind tunnel use cost to the agreement. Other cost elements will require different methods of estimating and assigning the cost to the agreement.

030202. Cost Assignment

A. In developing a method for costing and assigning cost to reimbursable work, NASA shall use generally accepted accounting principles. The principles provide an order of preference framework for assigning costs:

1. Directly trace costs wherever feasible and economically practicable.

2. Assign costs on a cause-and-effect basis.

3. Allocate costs on a reasonable and consistent basis.

B. When reimbursable projects use the same types of good or services as direct funded projects, the reimbursable projects will be costed using the same rates and basis of consumption as the direct funded projects.

C. Actual cost for reimbursable work projects shall be assigned as prescribed in FMR Volume 7.

D. Recognizing that the computation of full cost cannot always be exact, NASA will strive to achieve a high degree of precision in costing reimbursable work. The following restatement of a Comptroller General decision was taken from the Government Accountability Office's (GAO's) "Principles of Appropriations Law" Second Edition, Volume IV, pages 15-40 and 15-41:

"While at times actual cost can be computed with precision, the Economy Act does not require that the determination be an exact science. Cases on reimbursable work even before the Economy Act recognized the acceptability of a reasonable and appropriate methodology over "absolutely accurate ascertainment" which might entail considerable burden and expense, 3 Comp. Gen. 974 (1924). As stated in B-133913, January 21, 1958, "[a]s long as the amount agreed upon results from a bona fide attempt to determine the actual cost and, in fact, reasonably approximates the actual cost," the Economy Act is satisfied."

0303 TYPES OF COST

In addition to the criteria in Section 0302 "Cost Assignment" above, the following is the policy on handling the assignment of certain NASA cost elements to reimbursable work projects.

030301. Direct Costs Costs such as salaries and benefits, travel, contracts, materials, supplies, and equipment that are specifically identified with the reimbursable project are examples of direct costs. These items should be individually identified and

shall be applied directly to the reimbursable project. These are costs that can be directly traced to the reimbursable work. Direct costs include service pool labor and materials that are direct charged to a reimbursable agreement.

030302. Directly Associated Cost Costs with a cause-and-effect relationship to the goods or services provided but that cannot be immediately charged to the reimbursable project are termed directly associated costs. An example is the cost of printing services for the reimbursable project that are procured on a Center-wide contract and subsequently charged to the reimbursable project.

A. Service Pool Indirect Costs Service pool indirect costs are costs that cannot be specifically and immediately assigned to a reimbursable project, but can be subsequently traced or linked to a reimbursable project and assigned based on usage or consumption. NASA FMR Volume 7, Cost, Table 7-1 lists the current NASA service pools and their basis of cost allocation. Service pool costs shall be assigned to reimbursable projects using the same basis of cost allocation as is used for the direct funded programs/projects. The costs addressed here do not include the labor of service pool personnel that is direct charged to a program, project, or reimbursable agreement. Likewise, material costs incurred by a service pool that are direct charged to a program, project, or reimbursable agreement are not included under this heading.

030303. Other Chargeable Indirect Cost These are costs that are significantly related to performance of the reimbursable agreement and can be allocated on a reasonable and consistent basis. Center Management and Operations costs are an example of other chargeable indirect cost.

A. Center Management and Operation (CM&O) CM&O is a cost pool for Center support costs including the Center director and his/her immediate staff, Center management, Center operations, systems management, facilities services, and information technology support. CM&O is comprised of the costs for civil service personnel and travel, support service contracts, supplies, equipment, and other goods and services necessary to manage and operate the Center. Annually the Headquarters OCFO will establish the individual CM&O rates to be used by each Center to develop the full cost of reimbursable agreements.

B. Contract Administration and Audit Services (CAAS) When the contract costs associated with a reimbursable agreement exceed \$1 million and require NASA procurement services, including contracts and grants, the full cost must include the cost of CAAS support. Annually the Headquarters OCFO will establish the standard CAAS rate that will be used to develop the full cost of reimbursable agreements. The CAAS rate in effect at the time the agreement is signed will be used to determine the applicable CAAS cost. The CAAS cost is calculated by multiplying the planned contract cost by the established rate. The CAAS charge is to be considered as an incremental expense to the Agency and is non-refundable. CAAS charges are applicable to pass-thru contract actions if the contract requires CAAS services and the other party's share of the total contract exceeds \$1 million.

C. Corporate G&A and Institutional Investments Corporate G&A and Institutional Investments are not applicable to reimbursable agreements. This represents an exception to the requirements for determining full cost as stated in FMR Volume 7.

D. Headquarters Administrative Fee for JPL Reimbursable Agreements The NASA Management Office must include a Headquarters administrative fee in the cost of all reimbursable agreements that will be executed by the Jet Propulsion Laboratory. This administrative fee is required so that NASA Headquarters may recoup the added cost associated with the financial management of the JPL reimbursable agreements. The administrative fee will be computed using a rate that will be issued annually by NASA Headquarters.