

SECTION J

APPENDIX M

INSTITUTIONAL COST REPORTING

Overview - The Office of Finance and Accounting implemented a new institutional cost reporting process in FY 12 that was piloted in FY 11 to replace the Functional Cost reporting process. The pilot effort was undertaken to improve the transparency of contractor institutional and functional costs. The DOE Office of Finance and Accounting requires Contractors to comply with this institutional cost reporting process.

Purpose – The purpose of the DOE/NNSA Institutional Cost Report is to provide transparency of DOE/NNSA Laboratory and Plant M&O costs. The reporting approach was designed with the following guiding principles in mind: (1) balance DOE/NNSA’s requirements for cost information against what the contractor can efficiently provide; (2) use the contractor’s existing accounting and cost classification system to extent possible; and, (3) align with standard government cost classification definitions.

General Guidelines – On a quarterly basis, the Contractor will provide the following information in support of this effort:

- (1) Breakdown of original cost transaction by category
- (2) Breakdown of overhead cost by functional category
- (3) Labor-based allocations
- (4) Overhead-based allocations

Definitions provide for reconciling original costs to STARS cost data. NNSA requires information annually for functional cost charged directly to programs, in addition to those functional costs that are a component of overhead allocations. The contractor shall submit data for labor and overhead based allocations at the level identified in the Funding Program by Subprogram tables in the President’s Budget Request.

The Contractor shall use Excel templates provided and submit the files to the NNSA Field Chief Financial Officer (CFO) and through iPortal. The Contractor shall also provide necessary information to allow DOE/NNSA to have institutional cost reporting. The definitions are provided below.

Original cost category definitions:

Salaries - compensation paid by employer for employee’s services, including: base salary, overtime, performance bonus, executive and incentive compensation. Cost for paid absences is part of base salary and is not treated as part of fringe for purposes of this reporting.

Fringe Benefits – Amounts paid by an employer (net of employee contributions) to provide employees with benefit coverage such as medical and dental insurance, retirement plans including savings plans, legally mandated employment related payment (e.g. social security, unemployment, workers comp, etc.), disability plans and other costs normally included in a fringe pool. Fringe cost is to be broken out by the following subcategories:

- Defined Benefit Pension Plan - Employer cost associated with a retirement plan where the employer makes contributions to a general fund and employee benefits are guaranteed based on a formula using factors such as earnings history and tenure of service¹.
- Defined Contribution Plan - Employer cost associated with retirement plan contributions paid into individual employee accounts. The funding is often in form of a specific percentage of employee contributions to the same account.
- Active Medical - employer cost related to providing medical, dental, vision and the like to its active employees.
- Legally Mandated - Medicare, social security, unemployment, workers comp and like payments required by federal, state or local government to be paid by the employer (include only employer share of the payment)
- Retiree Medical - Employer cost of plans similar to active medical but provided to retirees².
- Other Benefits - any other benefit provide to employees with cost covered by the employer (life insurance, disability, tuition refund, etc.)

Travel - Cost associated with business travel, including: airfare, lodging, meals, transportation / car rental, registration, and other travel related cost included on an employee expense report.

Procurements - Cost of purchasing goods or basic services. Break out cost by the following subcategories:

- Electricity
- Other Utilities (payments made to a utility provider for sewer, water, etc. Excludes phone, which is be reported under Other Procurements)
- Facility Leases
- Other Procurements (includes purchases and leases of equipment, etc)

Subcontracts - Cost incurred under a contract placed primarily to furnish professional services.

Management / Award / Incentive Fee - The base and/or incentive fee that is paid to a contractor and charged as cost to the contract. Such fees are often in whole or in part based on performance under the contract and to include shared savings incentive payments (tied to achieving cost reductions).

Taxes - Includes State and municipal taxes, as well as "payments in lieu of taxes." Does NOT include taxes that are payroll related (e.g. included in the "Fringe" category).

¹ This amount should agree with amount reported in STARS for SGL 68000200, Employer Contributions to Contractor Defined Benefit Pension Plans.

² This amount should agree with amount reported in STARS for SGL 68000300, Employer Contributions to Contractor Post Retirement Defined Benefit Plans Other than Pensions.

Other - Cost of operating an institution not identified in another Cost Element category. Provide details of cost reported in this category if amount is greater than 5% of the Total Original Cost.

Original cost element reporting format and reconciliation to STARS:

Contractors should use the format provided (Exhibit 1) to report original cost transactions and provide a reconciliation to total STARS cost. Provide fiscal year projections based on information generated during your planning process or, if no formal planning based budget exists, use an analysis of prior year trends to establish a projection. Projections may be updated quarterly if better information becomes available.

For reconciliation purposes, the STARS cost amount includes the following SGL balances:

61000000 – Operating Expenses/Program Costs
61009900 – Integrated Contractor Cost Overruns and Undistributed Costs
63300000 – Other Interest Expenses
80100100 – Cost of Work Performed Between DOE Entities
88020100 – Purchases of Capitalized PP&E
88030300 – Purchases of Funded Inventory

Reconciling items are to be categorized as follows:

Variance – Variances associated with the application and recovery of indirect rates vs. actual cost incurred.

Suspense / Undistributed - Undistributed cost relates to the suspense of accounting transactions when it is not practical to identify the ultimate account, or the ultimate account is known but it is not possible to resolve costing issues prior to financial processing deadlines. This balance must be zero at year-end.

Other – Use this line to identify other reconciling items that do not fit in the above categories.

(1) Overhead Cost by Category:

Overhead cost is identified as cost allocated through a cost pool, usually recovered via the application of a rate (e.g. dollar per unit, percentage of cost). An overhead cost can be an allocation to either a final cost objective or an intermediate cost objective (recycled through other cost pools). Examples include: general & administrative, organizational burden, site services, allocation of space cost, etc.

Service Centers (e.g. a cost pool that is allocated using a rate based on type of service) can be allocated to either a direct cost objective or to another cost pool. Service center cost is reported to the extent it is allocated to an overhead pool (in the reporting category of the area receiving the service center charge).

There are two exceptions to this guideline: (1) service center cost that is a key element of operating the institution (e.g. utilities, space cost, etc.) regardless of materiality, and (2) service centers that allocate a major portion of their cost to overhead pools and the amount charged to overhead that represents more than 5% of total indirect cost. In these two cases the service center cost should be treated entirely as an overhead cost for the purposes of this reporting.

Total overhead cost to be reported should be based on the total of all allocations to final cost objectives that are from an overhead cost pool. Recycled overhead (e.g., overhead cost allocated to another overhead pool) will be washed out in the Organizational Management/ Other category. Overhead cost plus direct cost should be reconciled to total cost reported in STARS.

Overhead cost category definitions:

Report cost defined as overhead (per the general guidelines) in the following cost categories based on how it was classified when charged to the overhead pool.

Executive Direction - Includes costs normally associated with the highest level executive management (unless more appropriately associated with management of the other reporting categories). Examples of activities in this account are the Laboratory Director, President and other top level management and immediate staff (Secretary, Special Assistants, etc.), Science Advisors and Deputy Directors, Vice Presidents, etc. This category also includes institutional level strategic planning and the cost of contractor performance assurance. All other management/supervisor activities, including related incidental costs, should be reported in the most appropriate cost category other than Executive Direction.

Human Resources - Includes costs associated with recruiting, salary administration, equal employment opportunity and diversity programs, benefits administration, employee concerns programs, central training development (job specific training development curriculum should be included in the specific category to which it applies), industrial relations, personnel records, employee concerns programs/hotline, educational programs, providing for undergraduate and graduate course work and other personnel related services.

Chief Financial Officer - Includes costs associated with activities of a financial nature, such as general accounting, payroll, travel accounting, funds control, WFO administration, cost accounting, accounts payable, internal control programs (including A-123), financial systems management and non-project / program specific budget coordination and control, indirect rate planning/budgeting, and similar financial related activities.

Internal Audit - Cost of the Internal Audit function, including production / execution of annual audit plan and tracking of correction actions until closed.

Procurement / Acquisitions - Includes costs associated with contracting for goods and services, purchasing, P-Card program, electronic buying (B2B), contract administration, procurement program management and conducting compliance and cost/price analysis activities.

Legal - Includes costs associated with legal counsel support and litigation support. Includes outside legal support and ethics functions. Legal settlements should be classified as Other.

Central Administrative Support – Includes costs associated with food service, printing and graphic support, records management, mail service including postage, subcontracted delivery services, and all library-related activities.

Program / Project Planning & Control – Includes cost associated with support and execution of program / project budgeting, funding requests, baseline control and preparation, master scheduling, project management system administration, and baseline pricing and validation efforts.

Technology Transfer – Includes all cost associated with activities that encourage the further development of promising technologies, dissemination of information to appropriate researchers, organizations, industries, governmental bodies and other institutions; and other activities that assist in affecting the introduction of technologies in the marketplace.

Outreach Activities - Cost associated with media communication, public relations, educational programs, employee outreach program, stakeholder-related outreach, activities contributing to the development of the local/regional economy, and other information or outreach activities such as HBCU (Historically Black Colleges and Universities) and other University-related activities, including stakeholder agencies and Congressional liaison activities.

Business Development / Client Liaison – Cost of activities associated with familiarizing current or possible clients with capabilities offered and/or opportunities to fund work, assessment and planning for potential new business areas, client relationship management and liaison with clients.

Information Management - Cost associated with office automation (desktop software, video conferencing, collaboration, email, access management), network services (groups of computers that communicate with each other, share peripherals and access remote hosts or other networks), telecommunications (communication by electronic submission of impulses over telephone/optic lines including cell phones and voice over internet protocol), application and data hosting (providing central computer facilities, data backup and restore, data processing, and network file and printer services), and general business information system technology not specific to a single system. This category includes systems analysts/programmers; however, specific systems management and administrative costs for various business and scientific systems should be included in their respective cost categories. (Note: Dedicated scientific activities, experiments, analysis, etc., should be included in the appropriate category.)

Environmental – Includes costs associated with the development, implementation and maintenance of Laboratory systems for the compliant management of radioactive and hazardous waste; safe packaging and transportation of hazardous materials (non-waste); effluent controls and monitoring and surveillance; permitting; auditing and evaluation to assure compliance and pollution prevention. These activities, performed on a routine basis, are necessary to maintain compliance with Federal, State and local regulations, as well as applicable DOE Orders and directives. This category does not include third party treatment or disposal costs which are charged direct to a project; it also does not include cleanup activities.

Safety & Health - Costs associated with safety and health programs, such as integrated safety management, emergency preparedness, fire protection, industrial hygiene, industrial safety, occupational medical services, nuclear safety, work smart programs, radiation protection, transportation safety (does not include traffic management functions - include this item in logistics) and related management oversight. These activities, performed on a routine basis, are necessary to maintain compliance with Federal, State, and local regulations, as well as applicable DOE Orders and directives.

Facilities Management & Operations - Cost associated with providing facilities and equipment including facility related services required in performance of the contract. Facilities management activities add to existing property, plant and equipment or extend the life of existing property, plant and equipment. This is distinct from maintenance activities which are reported in separate categories. Maintenance activities sustain existing property, plant and equipment in a usable condition and do not result in increasing capabilities of existing property, plant or equipment. Examples of activities in this category are: facilities remodeling, facilities utilization analysis, modification and upgrade analysis, facilities planning and condition determinations, and lease and rental of real property. Rents and leases of other than real property are included in the appropriate category. Facilities Management includes engineering activities such as HVAC systems, electrical mechanical activities, and repair and maintenance analysis if they extend the current useful life or result in improvements beyond existing capabilities. Major functions also included in this category are the cost of janitorial services, pest control and other services to keep these facilities usable.

Maintenance - Facilities - includes costs to perform activities that sustain or continue existing functionality of real property. These are *not* activities that increase functionality or extend useful life. Costs that increase functionality or that extends useful life are treated in accordance with the capital assets accounting requirements. Maintenance functions include supervision, planning and scheduling, and storage and staging of materials and supplies required for maintenance activities. All phases of maintenance are included: preventive, predictive and corrective maintenance.

Maintenance - General - includes costs to perform activities that sustain or continue existing functionality of all other property and equipment not included in facilities maintenance. These are not activities that increase functionality or extend useful life. Costs that increase functionality or that extend useful life are treated in accordance with the capital assets accounting requirements. Examples of functions included in this category are: maintenance on production and process equipment/machines; maintenance of roads and grounds; maintenance of utilities; calibration, care, repair and storage of equipment used in monitoring, or the actual performance of, maintenance work; and planning and scheduling, and storage and staging of materials and supplies required for maintenance activities.

Utilities - Costs include utility-related engineering, operating utility (heat, electrical,, water,etc.) plants and equipment, contract services for fuel, water treatment chemicals, or support needed to provide electric power, heat, steam, chilled water, potable water, process gases and sanitary waste disposal to support business and research. This element includes all costs associated with contract services in support of utilities, such as fuel, water treatment chemicals and control systems (also include energy management related activities).

Safeguards & Security – Includes all overhead funded costs of a central program associated with the development and implementation of a Safeguards and Security Program to protect nuclear materials, nuclear weapons, classified information and government property from theft, sabotage, espionage, or other acts that may cause adverse impacts on national security or to the safety of the public and employees. Excludes requirements which are funded by the S&S direct program and overhead cost that is embedded in other functional categories such as organizational management. Also excludes the allocable share of direct funded site S&S expenses funded from the tax applied to WFO and reported in the **WFO Funded Safeguards and Security** category. Cost *excludes* Cyber Security which is reported separately. Note that this category will be eliminated in FY12 when all S&S cost must be charged direct.

WFO Funded Safeguards and Security - Includes the allocable share of direct funded site S&S expenses recovered through taxes applied to WFO orders in accordance with FY 2012 budget guidance. This does not include any marginal S&S costs incurred to support the projects of individual WFO customers - these are reported as a direct WFO cost.

Cyber Security – Cost charged to overhead for core Cyber related program activities, including: operation of unclassified networks, establishing and maintaining institutional level controls to prevent unauthorized access; purchasing and maintaining institution wide software for protection against malware, viruses and the like; and routine monitoring of network traffic to identify and isolate threats including cyber analytics. Additionally, based on the manner that the system or process is being charged, costs could include implementing corrective actions, activities conducted by line personnel, and operation of unclassified networks. Excludes overhead cost that is embedded in other functional categories such as organizational management.

Logistics Support - Costs associated with shipping, receiving, transportation (excluding maintenance which is included in the Maintenance category), warehousing, motor pools, office equipment pools, property management and excessing activities; routine inventory write-offs and other logistic support activities.

Quality Assurance - Costs associated with all quality assurance, reliability and regulatory activities associated with nuclear, construction, research, management, and software functions. Included in this category are costs associated with PAAA/DRCP compliance, quality engineering and inspection services, quality assurance audits, occurrence reporting (such as the Occurrence Reporting and Processing System), development of quality program plans, operational readiness review coordination and other activities related to ensuring the quality assurance of site operations and facilities. This does not include costs incurred for weapons stockpile certification.

Management / Award / Incentive Fee – The based and/or incentive fee that is paid to a contractor and charged as cost to the contract. Such fees are often in whole or in part based on performance under the contract and to include shared savings incentive payments (tied to achieving cost reductions).

Taxes - Includes State and municipal taxes, as well as "payments in lieu of taxes." Does NOT include taxes that are payroll related.

LDRD - LDRD portion reflects costs incurred in accordance with DOE Order 413.2A for the purpose of pursuing new and innovative scientific concepts of benefit to the DOE. Excludes allocation of overhead other than organizational burdens. This would include PDRD and SDRD reflecting costs incurred in accordance with the legislative authority for these activities.

IGPP / IGPE - Institutional General Plant Projects (IGPP) / Institutional General Purpose Equipment (IGPE):
IGPP projects are overhead funded minor new construction projects of a general nature, the total cost of which may not exceed the congressionally established line item limit. This category should include all capital construction that is not direct funded. Institutional General Purpose Equipment (IGPE) is overhead funded capital equipment that is required for Laboratory wide needs. IGPE is administrative in nature, i.e. not research equipment, of a general use or institutional nature that benefits multiple cost objectives. Each contractor should report cost following their DOE approved policies for IGPP/IGPE.

Organizational Management / Other – Report all other overhead cost which is *not* identified in another cost category. This includes general organizational management activities (e.g., organizational burden pools). The amount reported in this category washes out recycled overhead (e.g., overhead cost allocated to another overhead pool). Generally the amount reported in this category will be determined by total overhead cost (based on all allocations to final cost objectives that are from an overhead cost pools) less the amounts reported in all other cost categories. The resultant amount should be evaluated for reasonableness by comparing the calculated amount to organizational burden allocated to final cost objectives plus other miscellaneous overhead cost minus recycled overhead (overhead allocated to other overhead pools). Provide details of cost reported in this category if amount is greater than 25% of the Total Overhead Cost.

Overhead cost reporting format and reconciliation to STARS:

Format (Exhibit 2) should be used to report overhead cost by functional category and provide a reconciliation to total STARS cost. Provide fiscal year projections based on information generated during your planning process or, if no formal planning based budget exists, use an analysis of prior year trends to establish a projection. Projections may be updated quarterly if better information becomes available.

Reconciling items are to be categorized as follows:

Direct Cost – Cost charged direct to project (final cost objective), such as Direct Material, Direct, Labor, and Other Direct Cost, and is not the result of the application of an indirect rate. This cost will be net of any lab level service activity reported in total as overheads.

Variance Suspense / Undistributed – Variances associated with the application and recovery of indirect rates vs. actual cost incurred. Undistributed cost relates to the suspense of accounting transactions when it is not practical to identify the ultimate account, or the ultimate account is known but it is not possible to resolve costing issues prior to financial processing deadlines. This account must be zero at year-end.

Other – Use this line to identify other reconciling items that do not fit in the above categories.

(3) Distribution Tables: Labor and Overhead Allocations

To allow DOE the ability to allocate cost by high level program, either in total or by category, contractors will provide two allocations tables (reference Exhibits 3 & 4) reflecting the percentage of total cost to final cost objective summarized by DOE Fin Plan (at the two digit BNR level), DHS, Other DOE, and all other WFO.

- (1) Labor – percentage of total direct labor charged to final cost objectives summarized by DOE, DHS, Other DOE, and WFO. DOE Fin Plan should be reported at the two digit BNR level. Allocations should reflect all amounts categorized as labor (to include salaries and benefits), whether it is based on actual salary rates or average labor rates. Note: This approach ignores labor charged to overhead and service center pools as it cannot easily be tracked back to final cost objectives. This data will be used to allocate benefit costs (e.g., fringe), in total and/or by element. If labor cost is not an accurate representation of how benefit cost is allocated then please use fringe only data or other more accurate representation if it is available
- (2) Overheads – percentage of total overhead cost from all pools defined as overhead as allocated to final cost objectives summarized by DOE Fin Plan (at two digit BNR level), DHS, Other DOE, and WFO. Refer to definition of overhead cost provided Overhead Cost by Category section. Do NOT include service centers in the allocation base for the purpose of allocations. This data will be used to allocate overhead costs, in total and/or by element. If this is not an accurate representation of how overhead cost is allocated then use a more accurate representation if it is available.