



United States Department of the Interior



FISH AND WILDLIFE SERVICE
Washington, D.C. 20240

In Reply Refer To:

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To: State Fish and Wildlife Agencies
Secretary, Department of Natural Resources of the Commonwealth of Puerto Rico
Governor of Guam
Governor of U.S. Virgin Islands
Governor of American Samoa
Governor of Commonwealth of the Northern Mariana Islands
Mayor of the District of Columbia

Re: Guidance on Recovering Equipment Costs on a WSFR Grant

This letter gives updated guidance to States and Territories and their subrecipients on recovering the costs of equipment used on Wildlife and Sport Fish Restoration Program (WSFR) financial assistance awards (grants and cooperative agreements). This guidance supersedes *Guidance on Recovery of Equipment Costs Charged to Wildlife and Sport Fish Restoration Grants* issued December 23, 2014 (FWS/AWSR/AIM/059179). The updated guidance further explains how States and territories recover equipment costs and gives additional options for subrecipients to recover equipment costs. We reflect existing regulations, guidance, and resources to assist you in properly charging equipment used on WSFR-funded projects.

The original guidance was prompted by results of audits by the Office of the Inspector General (OIG) that found some State fish and wildlife agencies were improperly charging equipment to WSFR awards. The attached guidance on *Recovering Equipment Costs on a WSFR Grant* does not change the approach for States and Territories, but responds to concerns that some subrecipients are unable to apply the same approach as required for a State agency. The revised guidance will be posted online for future reference in the Financial Assistance Wiki (<http://fawiki.fws.gov>).

Please contact your regional WSFR office for assistance in implementing equipment cost recovery requirements. We look forward to helping you successfully implement this guidance.

Sincerely,

Assistant Director
Wildlife & Sport Fish Restoration Program

Enclosure



Recovering Equipment Costs on a WSFR Grant

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Date Issued: 10/17/2016
Date Expires: When published in regulation at 50 CFR 80 or 50 CFR 75, or when replaced by other guidance.
New/Supersedes: This guidance supersedes *Guidance on Recovery of Equipment Costs charged to Wildlife and Sport Fish Restoration Grants* issued December 23, 2014 (FWS/AWSR/AIM/059179).
Contact: WSFR Branch of Policy: [Lisa Van Alstyne@fws.gov](mailto:Lisa.Van.Alstyne@fws.gov) or [Peter Barlow@fws.gov](mailto:Peter.Barlow@fws.gov)

Summary: This guidance is to assist recipients and subrecipients on the acceptable ways to recover equipment and associated operating costs on a WSFR-administered Federal financial assistance award.

Audience: States & Territories/Subrecipients

Program: All WSFR-administered

Background: On December 26, 2013 OMB published 2 CFR 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. 2 CFR 200 specifies how a recipient or subrecipient may charge equipment costs to a Federal award. WSFR published Frequently Asked Questions (FAQs) on December 23, 2014 describing how recipients and subrecipients must apply the guidance at 2 CFR 200 for WSFR-administered grants. WSFR was asked to reconsider if subrecipients must use the same methods for developing equipment rates as we require for States. Based on further discussions and considerations, we replace the 2014 guidance and include how the approach for subrecipients developing equipment rates may differ from how recipients must develop equipment rates. The emphasis remains on market values that are linked to a geographic area.

Authorities: [2 CFR 200](#)

Definitions: *These definitions are to assist those not familiar with terms used in this guidance.*

Depreciation is the method for allocating the cost of fixed assets to periods benefitting from asset use. (See 2 CFR 200.436)

Equipment means tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or \$5,000. (2 CFR 200.33)

Equipment rate is the cost per unit (typical units are hours and miles) for using (sub)recipient-owned equipment on a financial assistance project. The equipment must be in good mechanical condition and actively used for a project (standby equipment costs are not eligible). When determining an equipment rate, recipients may include costs associated with required attachments as well as all costs eligible for owning and operating equipment, such as: depreciation, overhead, maintenance, field repairs, fuel, lubricants, tires, and other costs incidental to operation. Equipment rate does not include labor.

Rate schedule is a chart or list that is developed by an organization/entity to identify a standard rate that may be applied to using identified pieces of equipment and is based on defined criteria. Some rate schedules are developed based on national data and do not apply to markets in all areas. WSFR restricts recipients or subrecipients to using rate schedules that reflect the local/regional market.

Rental rate is the cost per unit (typical units are hours or miles) for using third-party-owned equipment on a financial assistance project. The equipment must be in good mechanical condition and actively used for a project (standby equipment costs are not eligible). The third-party determines the rate based on the local market. The rate may include labor if it is identified as part of the rental cost.

State(s) in this guidance refers to States, Tribes, territories, and the District of Columbia that are recipients of WSFR awards. The term *recipient* in this guidance refers to States.

Guidance:

1. What approaches may recipients or subrecipients use to charge to a Federal grant the cost of using its own equipment on a grant project? There are three options for States to recover the cost of the equipment it owns when used on a grant project. Recipients may use only one option for the same equipment use.

- a) Indirect – Costs may be applied to the pool of indirect costs that are included either as part of the Negotiated Indirect Cost Rate Agreement or an allowed de minimus rate.
- b) Direct –
 - i. Direct cost to the award – The total cost of acquiring and operating equipment may be charged directly to an award. Once the cost of acquiring equipment is recovered through a Federal award, the recipient has been paid in full and cannot charge to any other Federal award through any method. Operating costs may be charged to future awards. Note: This may require States to establish separate use rates for equipment acquired as a direct cost to a Federal award.
 - ii. Allocation to the award using an internally developed rate – The recipient uses depreciation to develop a rate considering acquisition cost of the equipment and the cost to operate the equipment. The allocation must be based on a methodology that properly allocates costs based on benefits received.
- c) Match/Cost Share – Costs may be charged as match. The guidance for properly applying equipment as match can be found at 2 CFR 200.306(g) – (j) and 200.434.

Guidance on operating cost items can be found in 2 CFR 200 - Subpart E - Cost Principles.

2. What equipment costs are allowable? A recipient or subrecipient may recover the following costs associated with equipment:

- a) EQUIPMENT: The Federal share of equipment acquired under the award (or other Federal award), with prior written approval; or
- b) Depreciation on owned equipment used under a Federal award;
- c) MAINTENANCE: Expenses to maintain the equipment, such as oil, grease, tires, tubes, repair parts and labor, and maintenance labor costs; and
- d) OPERATION: Expenses to operate the equipment, such as fuel, field repairs, labor to operate, insurance, overhead, and other related expenses.

3. What rates must a State use when charging costs directly to an award?

States must follow the guidance published by the [Governmental Accounting Standards Board](#) (See Statement No. 34) for depreciating capital assets, which includes equipment. Approaches vary by State, and a State government's method may include expenses for equipment or assets beyond what is used by the State fish and wildlife agency, resulting in rates charged to a grant that are greater than actual costs. Therefore, the State fish and wildlife agency must establish its own equipment rates based on its costs to acquire and operate the equipment. These rates must be based on actual, allowable costs. See Depreciation (2 CFR 200.436) and Costs Principles (2 CFR 200 Subpart E).

The depreciation method used to charge the cost of an asset (or group of like assets) to accounting periods must reflect the pattern of consumption of the asset during its useful life. The straight-line method (see paragraph 6.) is presumed to be the appropriate method unless there is clear evidence indicating that the asset use will be significantly greater in the early portions than in the later portions of its useful life. Depreciation methods once used may not be changed unless approved in advance by the cognizant agency. (2 CFR 200.436(d)(2))

4. What cost items may and may not be included in an equipment rate? Costs that may be included are those that are incurred for the benefit of and associated with a specific piece of equipment or allocated to a class of equipment. It may include, as appropriate, those costs in 2. that are not included as costs using any of the other approaches listed in 1. For example, the cost pool for developing the equipment rate must not contain indirect costs that are incurred for the agency as a whole, as opposed to costs associated with individual pieces of equipment. Recovering indirect costs occurs based on the terms of the negotiated indirect cost rate agreement (NICRA) or de minimus rate, if applicable.

Typical examples of indirect costs may include insurance premiums, utilities, office space, and other administrative support functions. A cost category included in the indirect cost pool may not be charged as a direct cost under most circumstances.

5. How is straight-line depreciation calculated? The straight-line method of depreciation is calculated with the formula:

Depreciation = (Acquisition Cost - Residual Value) / Useful Life.

For example, a vehicle may have an acquisition cost of \$25,000 and is expected to last for 8 years (useful life). At the end of the 8 years the vehicle can no longer be used, but is worth \$1,000 as its scrap or salvage value (residual value). The annual depreciation would be \$3,000, determined as follows: \$25,000 (acquisition value) less \$1,000 (residual value) divided by 8 (life in years).

6. How must a recipient document depreciation? Charges for depreciation must be supported by adequate property records. Physical inventories must be taken at least once every two years to ensure that the assets exist and are usable, used, and needed. Statistical sampling techniques may be used in taking these inventories. In addition, recipients must maintain adequate depreciation records showing the amount of depreciation taken each period. (2 CFR 200.436(e))

7. Can a State use a predetermined rate or schedule published by a Federal agency for equipment used on a WSFR award? No. The cost principles (2 CFR 200.404 Reasonable costs, paragraph (c)) state that, in order for costs to be considered reasonable they must be “market prices for comparable goods or services for the geographic area.” State fish and wildlife agencies may establish their own rates based on the agency costs to own and operate equipment, including the costs of maintenance, insurance, and other related expenses.

Federal agencies or other entities that publish predetermined rates or schedules often determine these costs administratively and not based on market rates, therefore not meeting the criteria for reasonable and allowable costs. Additionally, they are not specific to a State fish and wildlife agency and do not represent actual costs to acquire, maintain, and operate.

The costs that make up the direct cost pool for equipment depreciation, maintenance, and operation vary from State to State. For example, States have different tax rates on gasoline, most State agencies are exempt from State gasoline tax by State statute, and insuring equipment varies from State to State based on insurance industry regulation, consumer protection laws and judicial climate. This is complicated further by the fact that many States are self-insured or that the State is recovering its insurance premiums as an indirect cost. Another cost consideration is the purchase price for a government entity is typically lower than that of a consumer or enterprise buyer. States usually obtain favorable pricing on statewide equipment contracts. In addition, we consider that the basis for a rate from one State agency to another State agency could vary considerably based on the agency’s responsibilities, major uses of equipment, and other factors. Therefore, the State fish and wildlife agency must establish its own rates.

8. How must a subrecipient that is not a State agency determine an equipment rate schedule for work done on a WSFR-funded project? A subrecipient that is not a State agency must use a rate schedule that reflects a market value for the geographic region in which it is located.

a) Acceptable equipment rate schedules for non-State subrecipients include:

- i. An equipment rate schedule developed by the subrecipient in the same way the State fish and wildlife agency is required to do so, complying with 2 CFR 200;
- ii. The Regional rate schedule published by the U.S. Army Corp. of Engineers;

- iii. A Regional rate schedule accepted by the U.S. DOT Federal Highway Administration for use in federal assistance projects (locally accepted Blue Book rates); or
- iv. The State fish and wildlife agency developed and maintained equipment rate schedule.

b) Unacceptable equipment rate schedules for subrecipients are those that are:

- i. Established administratively or on a national basis, such as FEMA rates,
- ii. In excess of actual subrecipient costs, or
- iii. Not comparable to work being done on the grant-funded project.

9. Can recipients or subrecipients charge market rental rates for agency-owned equipment used on Federal awards? No, rental rates may only be used when equipment is contributed by a third party and the third party retains title. If the third party donates equipment use, the value of the donation may not be a direct or indirect charge to the award, but may be used to meet cost sharing or match requirements (2 CFR 200.306(i)(4)). If the recipient or subrecipient needs to rent equipment to meet the objectives of the project, it may recover the rental cost. The rental rates must meet the factors affecting cost allowability detailed in 2 CFR 200 Subpart E.