



## DEFENSE INFORMATION SYSTEMS AGENCY

P. O. BOX 549  
FORT MEADE, MARYLAND 20755-0549

IN REPLY  
REFER TO: JITC INSTRUCTION 650-70-01\*

12 July 2013

### RESOURCE MANAGEMENT

#### Reimbursable Charging and Cost Estimating Policy

1. **Purpose.** This instruction prescribes policy, assigns responsibility, and outlines duties for properly estimating and charging costs to the Joint Interoperability Test Command's (JITC's) reimbursable customers and projects in JITC's role as a member of the Department of Defense's (DoD) Major Range and Test Facility Base (MRTFB).

2. **Applicability.** Applies to all military and civilians assigned to, employed by, or engaged in reimbursable work on behalf of JITC. Military personnel may be used as Action Officers (AOs) on reimbursable projects but it is discouraged because JITC cannot charge DoD customers for military labor.

#### 3. **Authority.**

3.1 Policies and rates are in accordance with DoD Directive (DoDD) 3200.11, "Major Range and Test Facility Base," 27 December 2007, applicable chapters of the DoD Financial Management Regulation 7000.14-R, and Office of Personnel Management (OPM) Salary Tables.

3.2 Defense Information Systems Agency (DISA) Interoffice Memorandum, Annual Review of Charge Policy for Defense Information Systems Agency Customers using the Joint Interoperability Test Command Fort George G. Meade (FGGM) Laboratory Facilities, dated, 23 May 2012.

#### 4. **References.**

4.1 Joint Federal Travel Regulations, Volume 1, Change 314, dated, 1 February 2013.

4.2 JITC Instruction 640-50-07, JITC Cooperative Research and Development Agreements, dated, 2 May 2012.

## 5. **Definitions.**

5.1 Direct costs. Costs that are directly attributable to the use of the facility or resource for testing under a particular program, over and above the institutional and overhead costs with respect to the facility or resource.

5.2 Indirect costs. Costs of maintaining, operating, upgrading, and modernizing the facility or resource.

5.3 Major Range and Test Facility Base (MRTFB). The designated core set of DoD Test and Evaluation (T&E) infrastructure and associated workforce that must be preserved as a national asset to provide T&E capabilities to support the DoD acquisition system.

5.4 MRTFB Activity. Organizational command element of a DoD Component responsible for managing MRTFB capabilities and resources. MRTFB Activities are listed in DODD 3200.11, Major Range and Test Facility Base.

6. **Charge Policy.** DoD Financial Management Regulation 7000.14-R Volume 11A, Chapter 12 provides reimbursable policy for MRTFB Activities.

6.1 Funding of MRTFB Activities is designed to: (1) assure the most cost effective development and testing of materiel, and (2) provide for inter-service compatibility, efficiency, and equity without influencing technical testing decisions or inhibiting legitimate and valid testing.

6.2 MRTFB Activities shall be funded in a uniform manner. The categories of goods and services charged to the MRTFB customers shall be applied consistently among all the MRTFB Activities.

6.3 All costs incurred by MRTFB Activities shall be billed to one of the following sources: (1) MRTFB customers (users), (2) direct appropriations of the managing activity, or (3) other sources as directed by DoD. All indirect costs associated with operation and maintenance of MRTFB Activities shall be funded as part of the appropriations of the responsible Component. All direct costs identified to a specific customer for the use of MRTFB Activities are to be charged to the customer or user.

6.4 DoD Component Users. DoD Component users shall reimburse MRTFB Activities for direct costs readily identifiable with a particular program. Direct costs are those costs that are

directly attributable to the use of the facility or resource for testing under a particular program, over and above the institutional and overhead costs with respect to the facility or resource. Chargeable direct costs include labor, contract labor (which includes a portion of G&A and overhead), material, minor construction, utilities, equipment, supplies, items damaged or consumed during testing, and any resource or item maintained for a particular program.

6.4.1 Direct costs billed shall be identified to a job or function served in support of a customer order. The following are examples of types of direct costs, although the list is not all inclusive.

6.4.1.1 Efforts directly related to the task planning, execution, and reporting to include government and contractor labor and costs.

6.4.1.2 Items damaged or consumed during testing.

6.4.1.3 Operation and maintenance of facilities and equipment built or purchased by and for the exclusive use of a specific program or by a single customer.

6.4.1.4 Financial, safety, security, environmental, etc. administrative support (i.e., non-standard cost/labor reports, customer audits) beyond the standard level provided to all customer testing requirements.

6.4.1.5 Unavoidable costs associated with preparation for or conduct of a program that is delayed or cancelled by the customer.

6.4.1.6 Facility, equipment, and capability upgrades or new capability required for a specific program or by a single customer.

6.4.1.7 For JITC-owned equipment, fuel, direct labor, and other incremental costs to support a specific program or single customer.

6.4.2 Chargeable costs incurred by Activities not funded by DoD Working Capital Funds for other DoD Components do not include military personnel costs.

6.4.3 Indirect costs are overhead costs of the MRTFB Activities and are not to be charged to the DoD Component users. Indirect

costs do not include any incremental costs of operating the facility or resource that are directly attributable to the use of the facility or resource for specific testing under a particular program. The following are examples of types of indirect costs, although the list is not all inclusive.

6.4.3.1 Cost of leases, except when the cost of the lease can be directly associated with a specific customer and the appropriation is available to fund the leases.

6.4.3.2 Upgrade or modernization of an MRTFB facility, not expressly needed for testing for a specific customer.

6.4.3.3 Routine calibration of instruments.

6.4.3.4 Replacement of obsolete equipment.

6.5 Non-DoD Component Users. This includes federal, state, or local government agencies; allied foreign governments; defense contractors; commercial entities; and private organizations, when authorized.

6.5.1 MRTFB commanders shall charge all direct costs associated with a customer order. Chargeable direct costs include labor, material, facilities, minor construction specifically performed for the customer, utilities, equipment, supplies, and other resources damaged or consumed during testing or maintained for a particular user.

6.5.2 Chargeable direct costs incurred by non-Working Capital Fund Activities for other than DoD Components shall include all military personnel costs associated with a customer order. DoD FMR, Vol 11A, Chapter 12 directs that non-DoD customers will be charged at the military composite rates.

6.5.3 MRTFB commanders may charge non-DoD customers indirect costs at their discretion. Any indirect costs incurred, but not billed to a customer, shall be billed to the activity's institutional/appropriated funds. Institutional funding levels, however, shall not be increased to finance any additional indirect cost incurred due to sales to non-DoD activities.

6.5.4 Specific information regarding JITC's reimbursable charge policy and fees are enclosed.

**7. Cost Estimating Procedures.** JITC's reimbursable cost estimates (CEs) are determined using either a tiered service cost model or an hourly rate cost model.

7.1 Tiered service cost model.

7.1.1 A tiered service cost model is beneficial when the customer base is well defined, customer support requirements are static and predetermined, and the same efforts are performed over and over. Lab functions performed in the JITC FGGM, MD lab are examples of a tiered cost model.

7.1.2 The model identifies the specific repetitive efforts and government and contractor labor costs associated with different levels of service. Customers are able to request and fund a variety of tiers of service for their programs, depending on their need. However, the services provided in a tier are always the same. Costs for a tiered cost model are identified and updated using historical data from the previous FY on an annual basis.

7.2 Hourly cost model. An hourly cost model is beneficial when the customer base is not well defined--customers may come and go at any time, customer support requirements are dynamic, and lab support varies. The majority of JITC testing efforts rely on the hourly cost model, where labor costs are estimated on an hourly basis.

7.3 Developing the CE.

7.3.1 JITC AOs will not charge their new reimbursable customers for labor associated with developing the initial CE. These labor charges should be viewed as "costs of doing business," and will be paid for with existing JITC mission funds.

7.3.2 All reimbursable customer orders will have an associated CE, developed using the JITC Project and Accounting System (JPAS) CE tool. Instructions for using JITC's CE tool are provided within the tool itself.

7.3.3 In most cases, CEs should only cover a two-year period. If a CE is submitted prior to release of new rates and policies for the new fiscal year, it may be necessary to revise it. If a customer requests a CE that spans multiple fiscal years, the AO must inform the customer in writing of the potential for rate changes.

7.3.4 When final costs are agreed upon, the AO then submits a CE, in conjunction with the customer's acknowledgement of the estimated terms and services, for approval through proper channels.

7.3.5 It may become necessary to revise a CE if there is a variance between the total amount of the estimate and the actual funding that the customer sends by Military Interdepartmental Purchase Request (MIPR), check, or generally accepted funding document. A revised CE may also be necessary if the estimated contractor support at task award significantly differs from the Government's estimate. If the variance is less than 10 percent of the total funding, DISA's Chief Executive Home Team 4 (CFEH4) can make a change to the original CE after coordination with the AO. If the variance is at or more than 10 percent of the total funding, a revised CE and amendment to the estimate transmittal document must be prepared and forwarded through the AO's approval chain.

## **8. Transmitting Cost Information to Customers and Customer Acceptance.**

8.1 The Defense Finance and Accounting Service (DFAS) and Test Resource Management Center (TRMC), the oversight body for MRTFB Activities, require a written agreement between JITC and a reimbursable customer on the cost of work performance.

8.2 For customers that will pay for JITC services using a MIPR, the AO transmits the CE amounts to the customer via one of the means described in the following paragraphs and obtains the customer acceptance of the estimated costs and services. Customer acceptance can be through their signature on the transmittal means or an email acknowledging that they accept JITC's offer of services and estimated costs for the entire period covered by the agreement. Examples of the various cost transmittal means are available at <https://east.esps.disa.mil/disa/org/JT2/JT2B/JITC%20Business%20Documents%20All%20Government/Cost%20Estimate>.

8.2.1 For services under the tiered service cost model, JITC formalizes the requirements for all of the tiered service customers in a Plan of Support (POS) to document the level of service requested and associated estimated cost for each system or program for the upcoming FY. Customer acceptance is obtained through a signature on the POS that details each level of service and associated cost, by program.

8.2.2 For customers to whom JITC will provide services that total less than \$100,000 under the hourly rate cost model, it is recommended that the memorandum template be used. For customers to whom JITC will provide services equal to or in excess of \$100,000, it is recommended that the POA&M template be used. The third means of transmitting CEs to customers under the hourly rate cost model is through a full proposal. The proposal template may be used irrespective of the dollar value of the services provided and its use is encouraged for new, high dollar value customers.

8.2.3 A secondary objective of the transmittal means is that it should serve as a marketing opportunity for the AO to provide their customer information on JITC's other services and capabilities to broaden their understanding of JITC's entire spectrum of services.

8.3 The written agreement requirement for commercial vendor tests is satisfied with the Cooperative Research and Development Agreement (CRADA). CRADA instructions, checklists, templates, examples, and additional guidance are documented in JITCI 640-50-07, JITC Cooperative Research and Development Agreements.

8.4 If a customer requires more cost detail than is provided in JITC's cost transmittal documents, the AO should coordinate with the Business Operations Branch prior to release of any additional cost information.

## 9. **Financial Policy.**

9.1 Customer funds are received via MIPR, vendor check, or generally accepted document. Rates and policies in effect in the fiscal year in which funding is received by the MRTFB will apply to all new and incrementally funded projects.

9.2 JITC must receive the customer's funds prior to start of the task.

9.3 AOs are responsible for monitoring all funding associated with their projects and ensuring the customer understands that actual costs of providing the service or support will be billed. "Rule of thumb" caveats should indicate that CEs are **estimates** and actual costs may vary by plus or minus 20 percent.

9.3.1 Project slippage due to customer requirements that result in the need for additional funding, will be paid for by the

customer. A revised CE and updated estimate transmittal documentation and customer acceptance is required to document the additional funds.

9.3.2 If actual costs are less than the amount provided by the customer, the AO will coordinate with the customer to return the balance in an expeditious manner. This is particularly important when customer funding expires in the current FY. It is critical that AOs coordinate the return of excess expiring funding with their CFEH4 Budget Analyst in time to allow their customers the opportunity to use that funding elsewhere. Information relating to the return of customer funds is not to be communicated to the customer until CFEH4 has given final approval.

9.3.2.1 Redirecting the funds to an unrelated project is not appropriate and does not meet the "initial intent" or "bona fide need." Redirecting funds between related programs requires written customer approval and will be addressed by the Business Operations Branch and CFEH4 on a case-by-case basis.

9.3.2.2 The AO must coordinate with the support contractor to make sure that all costs, to include those not yet reported in JPAS, are included in the closeout. Other pertinent data for the closeout may be obtained from CFEH4.

9.3.3 If an AO determines that it is necessary to move funds from one cost category to another during project execution, e.g., from contractor labor to government labor, the AO must notify their CFEH4 Budget Analyst by e-mail, including the details of the transfer. This type of transfer results in no additional costs to the customer. It is left to the discretion of the AO whether this transfer should be coordinated with the customer.

## **10. Responsibility.**

10.1 AO will:

10.1.1 Create a CE for all reimbursable test support prior to receipt of the reimbursable funding.

10.1.2 Provide the CE amounts to the customer via one of the JIITC approved transmittal means, obtain customer acceptance of the proposed support and estimated costs, and attach the completed acceptance document to their CE.

10.1.3 Digitally sign and forward the CE and customer acceptance information to their Branch Chief and/or Division/Portfolio Chief. (Note: If incrementally funded, and after approval of the official CE, the AO is responsible for sending an informal CE directly to the responsible CFEH4 Budget Analyst. This CE will indicate exactly where the incremental funds are to be allocated.)

10.1.4 Coordinate with the customer to return excess funding on the task in an expeditious manner.

10.2 Branch Chief and/or Division/Portfolio Lead will:

10.2.1 Review the CE and customer acceptance for accuracy.

10.2.2 Digitally sign the CE, coordinating any changes with the AO as required.

10.2.3 Regularly review reimbursable funding amounts for the tasks within their cost center to ensure that excess amounts are returned to the customer in time to allow their customers the opportunity to use that funding elsewhere.

10.3 Business Operations Branch will:

10.3.1 Coordinate with CFEH4 to annually review estimated government and contractor labor rates and fees and update them as appropriate IAW rate and fee policies provided in the FMR and OPM salary tables.

10.3.2 Review all CEs and associated documentation for MRTFB compliance and completeness.

10.3.3 Manage the Command's reimbursable charge policy, reimbursable funding execution, and CE processes.

/ORIGINAL SIGNED/  
DOUGLAS J. ORSI  
Colonel, USA  
Commander

SUMMARY OF SIGNIFICANT CHANGES. This instruction was updated to reflect the description and documentation requirements for a tiered service cost model, the requirement to obtain customer acceptance of proposed costs and services, reflect updated task information resulting from the transition to the DISA Test and Evaluation Mission Support Services contract, the Business Operations Branch responsibility to annually review and update as appropriate labor rates and fees, and the Branch/Division/Portfolio leadership responsibilities to ensure excess reimbursable funding is expeditiously returned to customers. In addition, administrative changes were made throughout the instruction and the signature block of the current Commander was updated.

---

\*This Instruction supersedes JITCI 650-70-01, 16 Apr 10  
OPR: JT2B  
DIST: All JITC Government Personnel

## **JITC's Reimbursable Charge Categories and Fees**

1. **Labor and fee updates.** Prior to the start of a new FY, the Business Operations Branch coordinates with CFEH4 to identify any necessary updates to the estimated hourly government labor rate, contractor labor rates, and applicable fees. The fees provided in this attachment are subject to change.

### **2. Government Labor.**

2.1 Government Civilian Labor includes all hours of the government civilian AO, including estimates for overtime. Estimates should include hours for any other JITC civilian personnel, such as those who manage JITC's testbeds, who will support the program. Government labor rates are in accordance with DoD FMR, Vol 11A, Chapter 1; DoD FMR, Vol 15, Appendix C; and DoD FMR/Financial Management Topics/DoD Reimbursable Rates. Hourly rates for customers are determined through use of OPM Salary Tables of average JITC testing employee grade/step, standard work years, standard leave, and holiday and fringe benefits. The different rates for JITC personnel are due to variations in locality rates per the OPM Salary Tables. Non-DoD customers are charged a higher holiday and fringe benefit rate than DoD customers.

2.2 To avoid having to renegotiate civilian labor costs in the case of a project that transfers from a military AO to a civilian AO, CEs will reflect the appropriate amount of civilian labor costs if there is a possibility that the military AO may be replaced by a civilian AO during the period of performance designated on the CE.

3. **Other Government Purchases.** Customers will be charged actual costs for government travel, equipment, supplies, equipment, outgoing Military Interdepartmental Purchase Requests (MIPRs), etc., that can be directly attributed to their reimbursable project.

### **4. Contract Costs.**

4.1 Contractor Labor. Contractor labor rates used in preparation of CEs are composite rates for all supporting contractors and are computed in coordination with the Defense Information Technology Contracting Organization (DITCO). Contractor rates vary due to differences in labor categories, locality, and contract periods. Contractor labor costs to the customer are based on actual costs of the specific contractor

personnel charging to the reimbursable project. The CE should reflect all government and contract labor hours and costs of Information Assurance (IA) personnel, JITC testbed operations, etc. which might be expended in support of the project. This part of the estimate should be coordinated with the appropriate IA or lab JITC Branch Chief to obtain an estimate of costs for services provided under their purview.

4.2 Contractor Other Direct Costs (ODCs). Customers are charged the actual contractor costs of equipment, supplies, subcontractor labor, and travel. Contractor travel costs include airfare, per diem, and miscellaneous expenses and are in accordance with Joint Travel Regulations.

## 5. Fees.

5.1 Fixed Fee. JITC has both cost plus fixed fee and firm fixed price tasks. On cost plus fixed fee tasks, the contractor is paid for all of its allowed expenses to a set limit plus additional payment (fixed fee) to allow for a profit. The fixed fee amount for these tasks can vary from 3-15% depending on the complexity of the task. Fixed fee is a direct charge and DoD and Non-DoD customers are charged fixed fee on cost plus fixed fee tasks. Firm fixed price tasks have profit embedded in total amount bid for the effort.

5.2 DITCO Fee. This fee is a direct charge incurred by DITCO customers under the DISA Defense Working Capital Fund (DWCF). Because JITC is supported by DITCO, this direct charge applies to JITC DoD and non-DoD customers. The current DITCO fee is 2% percent of contractor labor and other direct charges.

5.3 Overhead Costs. Overhead costs include costs associated with base operations, supplies, copiers, facilities, security, network operations, etc. Overhead costs are considered an indirect cost. Overhead costs are not chargeable to DoD customers. The current rate for overhead costs for Non-DoD customers is 14.5% of the total funding for the project.

5.4 Lab Costs. Both DoD and Non-DoD customers are charged lab costs incurred in direct support of their reimbursable effort. In addition, Non-DoD customers can be charged a portion of indirect costs of testbeds and labs. The rate for lab replenishment costs is 2% of the total funding for the project.