



**DEFENSE CONTRACT AUDIT AGENCY**  
**DEPARTMENT OF DEFENSE**  
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IN REPLY REFER TO

PAC 730.3.B.01/2004-01

November 21, 2003  
03-PAC-080(R)

MEMORANDUM FOR REGIONAL DIRECTORS, DCAA  
DIRECTOR, FIELD DETACHMENT, DCAA

SUBJECT: Transmittal of Director, Defense Procurement and Acquisition Policy (DPAP)  
Guidance on the Allocability and Allowability of Costs Associated with  
Intergovernmental Personnel Act (IPA) Mobility Program

On October 17, 2003, the Director, Defense Procurement and Acquisition Policy (DPAP), issued the attached guidance addressing the allocation and reimbursement of indirect costs associated with Intergovernmental Personnel Act (IPA) agreements. This DPAP guidance supersedes her prior guidance on IPA agreements dated January 28, 2003 in its entirety. Prior DCAA MRD 03-PAC-017(R), dated February 11, 2003 is likewise superseded.

In summary, the new DPAP guidance is applicable to all future IPA agreements and states that indirect cost allocations to IPA agreements should generally be limited to fringe benefits and reduced G&A costs. It further states that a written agreement establishing special allocation of indirect costs to IPAs is essential to the proper allocation of indirect costs to all cost objectives of the contractor. Accordingly, the guidance provides that DoD personnel ensure that any organization performing under IPA agreements has a written agreement with the government that includes a special allocation for indirect costs or a special indirect rate applicable to IPA agreements. In the absence of such written agreements, any indirect costs associated with IPA agreements should not be reimbursed.

If FAO personnel have any questions on the subject, they should contact regional personnel. If regional personnel have any questions, they should contact Ms. Rose M. Autmon, Program Manager, Accounting and Cost Principles Division at (703) 767-3250.

/Signed/  
Robert DiMucci  
Assistant Director  
Policy and Plans

Enclosure:

DPAP/P Memorandum dated October 17, 2003, Subject: Allocability and Allowability of  
Costs Associated with the Intergovernmental Personnel Act (IPA) Mobility Program

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DPAP/P

MEMORANDUM FOR ASSISTANT SECRETARY OF THE ARMY  
(ACQUISITION, LOGISTICS AND TECHNOLOGY)  
ASSISTANT SECRETARY OF THE NAVY  
(RESEARCH, DEVELOPMENT AND ACQUISITION)  
ASSISTANT SECRETARY OF THE AIR FORCE  
(ACQUISITION)  
DIRECTORS OF DEFENSE AGENCIES

SUBJECT: Allocability and Allowability of Costs Associated with the Intergovernmental Personnel Act (IPA) Mobility Program

This memorandum supercedes my January 28, 2003, memorandum on the Intergovernmental Personnel Act (IPA) Mobility Program (5 USC Sections 3371 through 3375) in its entirety. The guidance contained in this memorandum applies to all DoD personnel involved in negotiating, signing, and administering IPA agreements.

**Background.** The IPA Mobility Program (5 USC Sections 3371 through 3375) provides for the temporary assignment of personnel between the Federal Government and state and local governments, institutions of higher education, Indian tribal governments, federally funded research and development centers, and other eligible organizations. These assignments are intended to facilitate cooperation between the Federal Government and the non-Federal entity through the temporary assignment of skilled personnel. When non-Federal personnel are assigned to a Federal entity, there is a written agreement which records the obligations and responsibilities of the Federal and non-Federal entities, including provisions for reimbursement of costs associated with the program. Questions were raised regarding the allocability and allowability of some of these costs.

The regulations governing the implementation of the IPA program are contained at 5 CFR Part 334. In addition, the Office of Personnel Management (OPM) published guidance regarding various aspects of the IPA program at <http://www.opm.gov/programs/ipa/index.asp>. This guidance includes the following statement:

"Agencies should not authorize reimbursement for indirect or administrative costs associated with the assignment. These include charges for preparing and



maintaining payroll records, developing reports on the mobility assignment, and negotiating the agreement. Other prohibited costs include tuition credits, office space, furnishings, supplies, staff support and computer time.”

Our discussions with OPM disclosed that the above statement is not intended to prohibit the reimbursement of an allocable share of contractor indirect costs, including the types of costs specifically listed, provided such allocation is consistent with the contractor’s established cost accounting practices. OPM is currently clarifying the guidance to state that (1) the statutory authority establishing the IPA program does not specifically prohibit reimbursement of indirect costs, and (2) reimbursement of such costs should be determined by the agency that enters into the agreement.

***Reimbursement of Indirect Costs.*** DoD contracting personnel may provide for the reimbursement of contractor indirect costs associated with the IPA program, provided such costs are the type that are allocable and allowable under the regulations that govern the reimbursement of contractor costs (e.g., FAR Part 31 or applicable OMB Circulars) for federally funded awards (cost-based contracts, grants, agreements). However, before reimbursing any indirect costs associated with IPA agreements, DoD personnel must ensure that the organization (e.g., university, non-profit organization, FFRDC) and its cognizant federal agency for negotiation and administration of indirect cost rates have a written agreement that specifies the proper allocation of indirect costs associated with IPA agreements (see Allocation of Indirect Costs below). Absent such an agreement, DoD personnel should not authorize the reimbursement of indirect costs associated with IPA agreement.

***Allocation of Indirect Costs.*** A written agreement specifying the proper allocation of indirect costs associated with IPA agreements is essential to ensure that all cost objectives of the contractor absorb their proper share of indirect costs. Due to the unique nature of these agreements, indirect cost allocations should generally be limited to applicable fringe benefit costs and a reduced allocation of General and Administrative costs that includes only those functions or categories that provide benefit to IPA agreements.

For those organizations subject to Cost Accounting Standards (CAS) 403, 410, or 418, DoD personnel should ensure that the organization has a written agreement with its cognizant federal agency specifying the special allocation for indirect costs associated with IPA agreements. For those organizations covered by OMB Circulars A-21 and A-122, and not subject to either CAS 403, 410, or 418, DoD personnel should ensure that the organization has a written agreement with its cognizant federal agency that includes a special indirect rate for IPA agreements.

***Cost Sharing.*** The guidance in this memorandum does not preclude DoD personnel from providing for cost sharing of indirect costs under IPA agreements in accordance with

applicable OPM guidance at <http://www.opm.gov/programs/ipa/index.asp>, which includes the following:

Cost-sharing arrangements for mobility assignments are negotiated between the participating organizations. The federal agency may agree to pay all, some, or none of the costs associated with an assignment. Costs may include basic pay, supplemental pay, fringe benefits, and travel and relocation expenses.

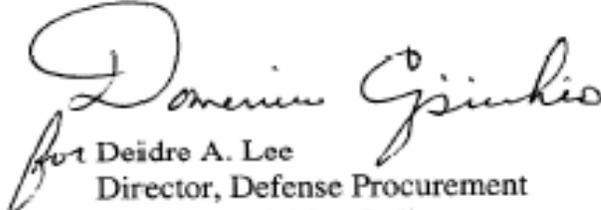
Cost-sharing arrangements should be based on the extent to which the participating organizations benefit from the assignment. The larger share of the costs should be absorbed by the organization which benefits most from the assignment. Exceptions might occur when an organization's resources do not permit costs to be shared on a relative benefit basis.

**Applicability of Guidance to Existing and Future IPA Agreements.** This guidance should be applied to all future IPA agreements. The guidance also may, but is not required, to be applied in determining the reimbursement of allocable indirect costs for existing IPA agreements. However, DoD personnel may modify existing agreements only when adequate consideration is exchanged in return for the modification.

**Limitation on Compensation.** IPA compensation should normally not exceed Level I of the Executive Schedule. However, there may be exceptional circumstances where the need arises for the compensation plus benefits to exceed Level I. The selecting official must justify such exceptions in writing in accordance with Component procedures. In no case should annual compensation, excluding benefits, but including basic pay, allowances, differentials, bonuses, and awards, exceed Level I.

**Policy Responsibility for IPA.** The Office of the Deputy Under Secretary (Civilian Personnel Policy) has overall responsibility for policy concerning the IPA. The point of contact for the IPA at Civilian Personnel Policy is Ms. Jeanne Raymos (703-695-7901), [jeanne.raymos@osd.mil](mailto:jeanne.raymos@osd.mil).

If you have any questions regarding this memorandum, please contact Mr. David J. Capitano, Senior Procurement Analyst, at 703-847-7486 or [david.capitano@osd.mil](mailto:david.capitano@osd.mil).

  
for Deidre A. Lee  
Director, Defense Procurement  
and Acquisition Policy