

 <b>Missouri Department of Natural Resources Administrative Policies and Procedures</b>		
<b>Chapter 7 Financial Management/Purchasing</b>		
<b>Policy:</b> Cost Recovery Policy	<b>Effective date</b>	<b>Revised</b>
<b>Number:</b> 7.11	December 9, 2011	

The concept of cost recovery promotes an equitable approach to financing government activities by proportionately charging those who benefit from government services beyond the benefit shared by the general public. The Department of Natural Resources recognizes an obligation to be accountable for public funds and the related need for processes to recover costs when appropriate. Various federal and state statutes and regulations (see Appendix 1) provide the department with the authority to recover costs in specific situations.

**REFERENCES**

*Related DNR policies*

- Financial Reporting and Cost Accounting Policy 7.10
- Revenue/Cash Receipts/Accounts Receivable Policy (in process)

*Related DNR resources*

- DNR SAM II Chart of Accounts and Budget Control Training Manual
- DNR SAM II Revenue Accounting Training Manual

**DEFINITIONS**

*Chart of Accounts:* The complete listing of account titles, classifications and coding structures used by the department to ensure proper recording of financial data. The chart of accounts is established in the statewide accounting system and includes classification codes and structures used by all state agencies as well as codes unique to the reporting needs of the department.

*Cost Accounting:* Provides for the assembling and recording of all the elements of cost incurred to accomplish a purpose, carry out an activity or operation, or complete a unit of work or a specific job.

*Cost Accounting Codes:* Accounting system codes established in the Chart of Accounts to capture and track the full cost of service efforts and accomplishments. Cost accounting codes are used across organizational boundaries for tracking and reporting expenditures and revenues.

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*Cost Recovery:* All money recovered/received from others for costs incurred by the state or to be incurred by the state.

*Fringe Costs:* The costs of benefits of employment that are paid by the department on behalf of the employee. These costs include the cost of health insurance, retirement benefits, Social Security, Medicare and deferred compensation.

*Full Cost:* The total cost of providing a service or good; the sum of both direct and indirect costs including direct expense and equipment (E&E) expenditures, direct personal service (PS) expenditures, fringe benefits costs, leave allocation, and application of an indirect rate on all PS and E&E expenditures with the exception of equipment purchases, program specific distributions (PSD), and capital improvement (CI) expenditures.

*Indirect Cost Rate:* A device for determining in a reasonable manner the proportion of indirect costs each program should bear. It is the ratio of indirect costs to the direct cost base. The current indirect cost rates can be found at: <http://n-nr1ntra.ads.state.mo.us/das/rates-current.htm>

*Indirect Costs:* Costs incurred for a common or joint purpose benefiting more than one cost objective, but not easily assignable to the cost objectives specifically benefited.

*Leave Allocation:* A systematic allocation of the estimated cost of annual and sick leave accrued which is used to allocate leave costs on an equitable basis to a job, project, or grant.

*Recoverable Expenditure:* An expenditure made for or on behalf of another governmental unit, fund, or department or for a private individual, firm or corporation, which will subsequently be recovered in cash or its equivalent.

## **GENERAL PROVISIONS**

The Department of Natural Resources (DNR) has both the responsibility and authority to pursue recovery of costs in a variety of situations. In general, the possibility of cost recovery should be considered whenever DNR services or activities provide a special benefit or privilege to an identifiable recipient beyond those accruing to the general public.

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When parties responsible for environmental or other damages can be identified, recovery of investigative and damage remediation costs should be pursued. In addition, the department is specifically authorized to recover costs associated with environmental emergency response, hazardous materials discharges/spills, violations of the Missouri Clean Water Law, scrap tire abatement, and DNR oversight related to corrective action plans and activities, voluntary clean-up of contaminated sites, federally funded clean-up of petroleum contaminated sites, oversight at sites formerly owned by the federal government, and Superfund sites covered by a consent agreement or a cooperative program agreement.

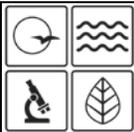
The following guidelines will be observed for all DNR cost recovery activities:

- Unless otherwise limited by statute or regulation, the full cost of providing services will be recovered. Full cost includes the following cost elements:
  - Direct personal service (PS) expenditures
  - Fringe benefit costs
  - Leave allocation
  - Direct expense and equipment (E&E) expenditures
  - Indirect on PS and E&E expenditures (excluding equipment purchases, program specific distributions (PSD) and capital improvement (CI) expenditures)

In order to determine and substantiate the full cost of providing services, all direct costs that may potentially be recovered must be tracked in the statewide accounting system. Appropriate codes will be established to track costs as needed and cost recovery invoicing will be based on cost data pulled from the statewide accounting system.

Refer to DNR’s Financial Reporting and Cost Accounting Policy (7.10) for information regarding the establishment and use of cost accounting codes.

- Invoicing for cost recovery will be done in a timely manner. Although timeframes for invoicing may vary across the department, invoicing as soon as practically possible after costs are incurred demonstrates good stewardship of public funds. In all cases, invoicing must be done within any specified legal timeframes or statute of limitations.



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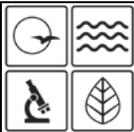
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- Invoiced cost recovery amounts should be recorded as receivables in the statewide accounting system if there is reasonable expectation that the invoiced amount will be collected.
- Revenue Source 1806 (Recovery Costs) will be used for all revenue associated with cost recovery activities as well as miscellaneous cost reimbursements.
- Written procedures documenting recurring cost recovery activities are required and will be maintained by the program. At a minimum, cost recovery procedures should document the following:
  - Authorizing statute(s) and/or regulation(s), if applicable;
  - Cost elements that are recoverable;
  - How recoverable costs are tracked in the statewide accounting system;
  - How amounts to be recovered are determined or calculated;
  - Invoicing timeframes and procedures;
- The program will monitor outstanding cost recovery invoices to ensure that payments are received in a timely manner. Follow-up notices will be sent on a periodic basis for all past due balances.
- The [DNR standard invoice](#) or a SAM II-generated invoice should be used for cost recovery invoicing. At a minimum, the invoice must include the attributes listed in Appendix #2 of DNR's Revenue/Cash Receipts/Accounts Receivable Policy (in process). In addition, a detailed accounting of the costs incurred by the department should be included, either on the invoice or as an attachment to the invoice.
- If not established by statute or regulation, the department has the authority to establish minimum thresholds for costs to be recovered.



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APPENDIX 1

***Federal Law***

Oil Pollution Act of 1990

Title 42 USC, Chapter 82, Subchapter IX – Subtitle I of RCRA

***State Statutes***

RSMo 260.205.5(6) - Environmental Control/Solid Waste

RSMo 260.249.2 – Environmental Control/Solid Waste

RSMo 260.276 .2 – Environmental Control/Solid Waste

RSMo 260.375 (30) – Environmental Control/Hazardous Waste

RSMo 260.391.6 - Environmental Control/Hazardous Waste

RSMo 260.395.7(7)- Environmental Control/Hazardous Waste

RSMo 260.395.14(2) - Environmental Control/Hazardous Waste

RSMo 260.500-550 - Environmental Control/Hazardous Waste (Spill Bill)

RSMo 260.569.1 - Environmental Control/Hazardous Waste

RSMo 319.125.4 – General Safety Requirements/Petroleum Storage Tanks

RSMo 643.075 – Air Conservation

RSMo 644.096 - Water Pollution

***Code of State Regulations***

10 CSR 10-6.060(10) - Air Pollution Control/Construction Permits Required

10 CSR 25-7.270 – Hazardous Waste Facilities

10 CSR 25-9.020 – Resource Recovery

10 CSR 25-12.010(3)(D) – HWP/Fees & Taxes

10 CSR 25-12.010(4) – HWP/Fees & Taxes

10 CSR 25-15(8) - Hazardous Substance Environmental Remediation

10 CSR 80-2.020(2)(A)5 - SW Permit Issuance/Disposal Area

10 CSR 80-2.020(3)(A)5 - SW Permit Issuance/Processing Facility

10 CSR 80-8.050(4)(D) - Scrap Tires