

J. Michael Deal  
Executive Director  
Volunteers for Economic Growth Alliance  
1726 M St. NW, Suite 800  
Washington, DC 20036

Subject: Appeal of Agreement Officer's Decision under Cooperative Agreement Number EGA-A-00-04-00002-00, and Bill for Collection No. CO-VEGA-07-0391

Ref: Volunteers for Economic Growth Alliance (VEGA) Appeal of March 11, 2008

Dear Mr. Deal:

This is the Final Decision by USAID on the referenced Appeal of the Agreement Officer's (AO's) demand for repayment under the subject Cooperative Agreement. Per 22 CFR 226.90(d), this decision shall be final. I have reviewed the information submitted with your Appeal and concluded that the decision should be overturned in part. My decision in this Appeal is explained below.

The AO's final decision disallowed and demanded repayment of (b)(4) in ineligible and unsupported costs. VEGA concurred with a portion of this disallowance and reimbursed USAID (b)(4). However, together with subrecipient (b)(4) (b)(4) it appealed the remaining amount of (b)(4).

These funds involve several different cost elements under the cooperative agreement. VEGA has appealed the disallowance of:

- (b)(4) paid to a subrecipient in excess of the subaward's total value;
- (b)(4) in unsupported direct costs incurred by subrecipient (b)(4) and
- (b)(4) in associated indirect costs.

With regard to the (b)(4) in excess subrecipient costs, VEGA has requested that USAID allow the cost despite the fact that it exceeded the subaward's allocated budget. As the DCAA audit report noted, VEGA's cooperative agreement with (b)(4) bore a total estimated amount of (b)(4) million; nevertheless, VEGA reimbursed (b)(4) a total of (b)(4). I find that the AO's decision to disallow the excess subrecipient costs was proper and decline to overturn it. Under 22 CFR 226.25(c)(8), recipients must request prior approval from the AO to subaward or transfer any of the work under their federal awards. As the federal award noted in the "Substantial Involvement" provision, review of a proposed subaward's budget is an aspect of the decision to approve a subrecipient. Here, VEGA's payments to (b)(4) exceeded the amounts for which the AO had consented. VEGA's decision to unilaterally "change as needed" the subrecipient budget allocations does not render the additional costs allowable.

Next, VEGA has appealed (b)(4) in direct costs which its subrecipient (b)(4) incurred. I find that the documentation you have submitted—which includes copies of tickets, payment receipts, account statements, expense report filings, payment authorizations, post differential reports, and payment acknowledgment—is sufficient to support claimed travel and expatriate allowance costs. I therefore overturn the AO’s decision in part and allow (b)(4) for travel and long-term expatriate allowances.

However, VEGA has also appealed the disallowance of equipment and other direct costs which the AO found unsupported. The appeal acknowledges that it lacks documentation to support these costs, but requests that USAID nevertheless allow them. I decline to do so. Under 22 CFR 226.27 and OMB Circular A-122, costs must be adequately documented to be allowable. Since it appears that VEGA and (b)(4) did not document, for example, their procurement of security walls, the disallowance is proper. Moreover, I note that some of the information submitted in support of the other direct costs undermines the allocability of that expense. Because VEGA has not properly documented these costs and has not shown that the expense benefitted the federal award, I uphold the disallowance of (b)(4).

Finally, VEGA has appealed the disallowance of (b)(4) in indirect costs that followed the disallowance of associated direct costs. Because I have allowed a portion of previously disallowed direct costs, I find that it is proper to allow a portion of the indirect costs, as well. VEGA’s subrecipient charged an additional (b)(4) for indirect costs, in accordance with the relevant NICRA. Applying this (b)(4) rate to the (b)(4) I have allowed yields a total of (b)(4). I therefore allow (b)(4) in previously disallowed indirect costs. I uphold the disallowance of the remainder of the appealed indirect costs—(b)(4)—since their associated direct costs likewise remain disallowed.

The table below summarizes my decision.

<i>Cost Appealed</i>	<i>Disallowance Overturned</i>	<i>Disallowance Upheld</i>
Excess Subrecipient Payments (VEGA to (b)(4))	(b)(4)	
(b)(4) Unsupported Travel Costs		
(b)(4) Unsupported Equipment Costs		
(b)(4) Unsupported Other Direct Costs		
(b)(4) Unsupported Expatriate Allowances		
(b)(4) Indirect Costs		
<b>Total:</b>		

In accordance with 22 C.F.R. 226.90(d), this decision is final. Although I allow (b)(4) of the appealed funds, (b)(4) remains owed to the Agency.

However, I also note that several years have passed since UMCOR filed its appeal. Although Treasury regulations provide for the automatic calculation of interest on amounts that remain owed 30 days after issuance of a bill for collection, I find that the delay in processing your

appeal has been through no fault of UMCOR's. I therefore exercise the Agency's discretion to waive interest that would have accrued between March 2008 and the date of this letter. Interest will begin to accrue on any amounts owed to the Agency which remain unpaid within 30 days of the receipt of this decision.

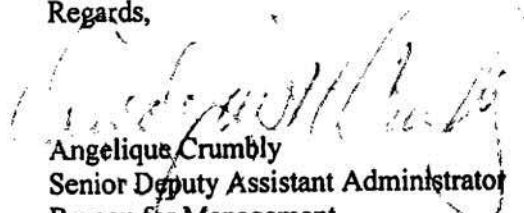
**DECISION**

In accordance with 22 C.F.R. 226.90(d), this is the Final Decision of the Deputy Assistant Administrator for Management. I have considered your appeal and concluded that a portion of costs previously disallowed have now been adequately supported. Those costs, as well as their associated indirect costs, are now allowed in the amount of (b)(4). The (b)(4) balance of appealed costs remain disallowed and owed to USAID.

However, I also find that, through no fault of UMCOR's, this appeal took over four years to resolve. Therefore, interest on the amounts due shall be waived until 30 days from receipt of this decision.

Please remit a check to USAID in the amount of (b)(4) within 30 days of receipt of this decision. Reference the agreement number EGA-A-00-04-00002-00 on the check remittance stub for our financial management section, and please include a copy of this letter with your remittance.

Regards,



Angelique Crumbly  
Senior Deputy Assistant Administrator  
Bureau for Management