



**UNITED STATES ENVIRONMENTAL PROTECTION AGENCY**  
REGION 5  
77 WEST JACKSON BOULEVARD  
CHICAGO, IL 60604-3590

Jim Perry  
Executive Director  
Downriver Community Conference  
15100 Northline  
Southgate, MI 48195

June 9, 2017

RE: Audit Report titled *Downriver Community Conference Achieved Results and Expended Funds Under Brownfields Agreement, but Unallowable Costs Were Claimed*  
Report Number 17-P-0204

Dear Mr. Perry:

The purpose of this letter is to provide you with our final determination on the findings noted in the subject report and the related claimed costs that are being questioned. The Office of Inspector General, U. S. Environmental Protection Agency, has questioned \$25,523 of claimed indirect costs and \$1,378 of claimed direct costs.

As noted in the audit report, the auditors identified \$25,523 claimed as cost allocations not allowable for Federal participation under the terms and conditions of the agreement and Section 104(k)(4)(B) of CERCLA. Section III, Part (C)(2) of the original agreement specifically states that in accordance with CERCLA regulations, all indirect and administrative costs are prohibited costs. Therefore, we agree with the auditors and it is our final determination that this \$25,523 is not allowable for Federal participation.

The auditors identified \$1,378 claimed as relating to a portion of salaries for the Controller and Fiscal Coordinator for the Brownfields program. The auditors claimed that these costs should be unallowable for Federal participation because they are indirect and related to administrative costs. That is, the auditors claimed these same costs had previously been claimed as indirect costs, and now, realizing that indirect costs are not allowable, are now claiming these costs as direct costs. We do not agree with the auditors that these costs must be indirect costs. We believe that the exact nature of these costs must determine whether or not these costs are allowable.

As stated in the Revolving Loan Fund Administrative Manual, "The administrative cost prohibition applies to direct costs for grant administration. This is true even if a grantee is required to carry out the activity under the grant agreement. Thus, costs incurred for compliance with most provisions of 40 C.F.R. Part 30 or 40 C.F.R. Part 31 are administrative costs." Examples of ineligible costs include (but are not limited to) record retention, maintaining and operating financial management systems, accounting tasks, revising budgets, scopes of work, program plans, and closing out a grant award.

However, while administrative costs are generally not allowable for Federal participation, some exceptions exist. Based on an opinion issued by EPA's Office of General Counsel and supported by the Director of the Office of Brownfields and Land Revitalization, such exceptions include costs associated with the internal reporting to Downriver Community Conference's (DCC's) Brownfields Board and preparing amortization schedules for loans.

As such, based on information provided, we have determined that 18 hours of the 34 hours that make up the \$1,378 are allowable as costs associated with internal reporting to DCC's Board. Therefore, 18 hours, or the related \$731 of costs, must be reinstated for Federal participation. Additionally, we have been provided with information during the period from November 27, 2015 to May 27, 2016 which confirms an additional \$3,584 of costs associated with this activity. At this time, we have not been provided with any cost information related to preparation of amortization schedules for loans.

In summary, it is our final determination that \$25,523 of indirect costs and \$647 (\$1,378 less \$731) of direct costs claimed under the subject grants are presently not allowable for Federal participation. However, an additional \$3,584 is allowable to offset a portion of any debt. Although this presently leaves a balance of \$22,586, because the grant is still open and not all allowable costs for reporting to the Board and the preparation of amortization schedules have, at this time, been determined, it is expected that no true debt can be determined at this time.

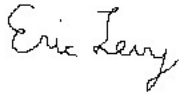
DCC or its authorized representative may dispute the above determination under 2 CFR 1500.14 by electronically filing an Appeal within 30 calendar days of the date of this Agency Decision. The Appeal must be transmitted via email to EPA's Disputes Decision Official, [the Regional Comptroller at the above address and indicate the mail code of MF-10J] and to me at [levy.eric@epa.gov](mailto:levy.eric@epa.gov) within this 30 calendar day period. The Regional Comptroller may grant DCC an extension of time to file an Appeal upon request. Please note that DCC must electronically submit a request for an extension prior to the expiration of the 30 calendar day period for filing an Appeal and justify the request.

DCC's Appeal must include the following items:

- (1) An electronic copy of the disputed Agency Decision.
- (2) A detailed statement of the specific legal and factual grounds for the Appeal including electronic copies of any supporting documents.
- (3) The specific remedy or relief you are seeking under the Appeal.
- (4) The name and contact information, including email address, of your designated point of contact for the Appeal.

If you have any questions or desire assistance, please contact me at (312) 353-3611.

Sincerely yours,

A handwritten signature in cursive script that reads "Eric Levy".

Eric Levy  
Regional Action Official for Assistance Agreements

cc: Paula Boase, DCC  
Maria Mancos, DCC  
OIG  
K. Kozak, MCG-10J  
D. Stingley, MCG-10J  
Karen Sykes, MCG-10J  
Joseph Dufficy, SE-7J  
Bradley Stimple, ME-W  
Kecia Thornton, WJC-W