



**Functional Series [300](#)  
Acquisition & Assistance**

**INTERIM UPDATE 08-09**

**SUBJECT:** Cost Reimbursement Rates for Interagency Agreements under the Economy Act, FAA 632(a) and FAA 632(b) authority

**NEW MATERIAL:** This IU provides updated guidance on the requirements for reimbursement of costs in interagency agreements (IAA) under the Economy Act and sections 632(a) or 632 (b) of the Foreign Assistance Act of 1961, as amended (FAA).

**EFFECTIVE DATE:** 11/04/2008

POLICY

USAID/General Notice  
M/MPBP/POL  
11/03/2008

Subject: Cost Reimbursement Rates for Interagency Agreements under the Economy Act, FAA 632(a) and FAA 632(b) authority

This notice provides updated guidance on the requirements for reimbursement of costs in interagency agreements (IAA) under the Economy Act and sections 632(a) or 632 (b) of the Foreign Assistance Act of 1961, as amended (FAA).

It is USAID's policy to obtain full cost reimbursement for the management and program implementation support, services, and staff provided to other government agencies. USAID has established a General & Administrative (G&A) Support Overhead Rate of 23.7% that must be used in all interagency agreements unless otherwise approved by M/MPBP. This will replace the current 10% rate in the ADS 306.3.6.2.

All interagency agreements must be cleared by M/MPBP. Existing interagency agreements will be reviewed upon renewal in order to incorporate the appropriate cost rate. M/MPBP is already assisting several operating units in their review of existing agreements.

Each IAA must reflect the total budgeted costs, both direct and indirect, to carry out the program. Most reimbursable agreements will fall into the category where USAID is the

direct implementer of another agency's program. Consequently, the G&A Support Overhead Rate will predominately be used in USAID IAAs.

The G&A Support Overhead Rate seeks to reimburse the Agency for headquarters indirect support costs, inclusive of proportional allocations of leasing, utilities, administrative expenses for G&A overhead support costs, proportional allocations of direct labor costs incurred, including direct labor, leave benefits, employers' payroll and support cost incurred under contracted employees. In FY 2008 USAID calculated a provisional indirect cost rate of 23.7% which is applied to a labor cost base. This rate is based on an analysis of the operational costs of both Washington Support and implementing units. The labor cost base is the total cost of salaries and benefits of all personnel, including Foreign Service Nationals, Personal Service Contractors, and direct hires, whose direct effort is associated with the activity or program referred to in the interagency agreement. In prior years the indirect cost rate was applied to the total cost of the agreement. Because the 23.7% rate only applies to the labor cost base, costs previously identified as indirect costs by the operating unit would now be considered direct costs and should be included as such in the budget. There will be rare circumstances when a special indirect cost rate or flat fee would be more appropriate and it may be applied when prior approval is obtained by M/MPBP. These exceptions would only occur when USAID is a pass-through agent providing support services while a third party would be implementing a program or when unusual circumstances dictate. These would include the following:

Flat Fee –

Fee would be based on a defined level of services provided. This would mean a specific service would be provided at a specific predetermined fee.

Special Indirect Cost Rate –

For instances when neither the General & Administrative Support Overhead Rate nor a flat fee would be appropriate method for recovering indirect costs. Such instances might include unusual circumstances associated with the location of the services, special organizational arrangements, and the nature of the facilities and resources used. In such instances, it may be appropriate to establish a special indirect cost rate applicable to the particular reimbursable program if, in the judgment of M/MPBP, this approach more accurately reflects the actual burden on USAID operations.

Funds recovered as a result of the reimbursement of indirect costs will be managed centrally by M/MPBP as part of the normal operating year budget process.

M/MPBP is working with M/CFO, M/OAA, and other appropriate USAID offices to draft further guidance and procedures related to this policy and to update relevant portions of the ADS.

Point of Contact: Any questions concerning this Notice may be directed to Angela McNerney, M/MPBP/BUD, (202) 712-4574.

Notice 1104

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<b>Remarks</b>	This IU will remain on the ADS Web site until the policy and procedures in it are incorporated into the ADS.

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