



Financial Management Guide

U.S. Department of Homeland Security

Preparedness Directorate

Office of Grants and Training

Office of Grant Operations

January 2006



Department of Homeland Security

The mission of the Department of Homeland Security (DHS) is to lead the unified national effort to secure America; to prevent and deter terrorist attacks and protect against and respond to threats and hazards to the nation; and to ensure safe and secure borders, welcome lawful immigrants and visitors, and promote the free-flow of commerce. DHS is also dedicated to protecting the rights of American citizens and enhancing public services, such as natural disaster assistance and citizenship services, by dedicating offices to these important missions.

Department of Homeland Security

World Wide Web page:

<http://www.DHS.gov>

**U.S. Department of Homeland Security
Preparedness Directorate
Office of Grants and Training
Office of Grant Operations**

800 K Street, NW
Washington, DC 20001

Mailing Address
810 Seventh Street, NW
Washington, DC 20531

Michael Chertoff

Secretary

U.S. Department of Homeland Security

Tracy A. Henke

Executive Director

Office of Grants and Training

Kimberly Orben

Director, Office for Business Administration

Office of Grants and Training

Nancy Anne (Baugher) Foy

Director, Office of Grant Operations

Office of Grants and Training

1-866- 9ASK-OGO (866-927-5646)

ASK-OGO@DHS.GOV

Foreword

Since terrorists attacked our nation on September 11, 2001, the Office of Grants and Training (G&T) and its predecessor agencies have awarded more than \$8.6 billion in grant funding to build capabilities at the state and local levels to prevent, prepare for, and respond to terrorist incidents and catastrophic disasters. As stewards of these public funds, G&T and its recipient agencies share responsibility for ensuring—through sound planning and prioritizing—that those funds are well-invested, and—through sound financial processes—that those funds are well-managed.

G&T's Office of Grant Operations (OGO) developed this *Financial Management Guide* to provide step-by-step guidance in fulfilling your fiduciary responsibility as recipients of Federal grant funds and in ensuring that these taxpayer dollars are used for the purposes for which they are awarded. The *Guide* should serve as the primary reference and day-to-day management tool for G&T award recipients and subrecipients in all financial management and grant administration matters.

I hope that you will find this *Financial Management Guide* useful and welcome your comments and suggestions. I also encourage you to contact our Office of Grant Operations whenever you have a question about your financial management operations or any of the areas covered in this *Guide*. OGO's Customer Service staff may be reached at 1-866-9ASK-OGO or via e-mail at ASK-OGO@DHS.GOV.

Thank you for your efforts to strengthen the financial management of your grants, to safeguard public funds, and to ensure our national security by building state and local preparedness. I look forward to continuing to work with you.

Tracy A. Henke
Executive Director

Table of Contents

CHAPTER 1: INTRODUCTION	1
WHAT IS THE PURPOSE OF THIS GUIDE?	2
WHO IS THIS GUIDE DESIGNED FOR?	3
CHAPTER 2: THE APPLICATION PROCESS	5
NOTICE OF FUNDING AVAILABILITY/ANNOUNCEMENTS	6
APPLICATION REVIEW.....	6
TECHNICAL REVIEW.....	7
COST ANALYSIS	8
CHAPTER 3: THE AWARD PROCESS	9
THE AWARD DOCUMENT.....	10
ACCEPTANCE OF AWARD AND CONDITIONS	10
TYPES OF FINANCIAL ASSISTANCE: GRANT OR COOPERATIVE AGREEMENT.....	11
PLANNING AND IMPLEMENTING AWARD PROGRAMS.....	11
CHAPTER 4: MANAGING FEDERAL FUNDS	12
FINANCIAL MANAGEMENT SYSTEM REQUIREMENTS	13
RECIPIENT AND SUBRECIPIENT ACCOUNTING RESPONSIBILITIES	13
COMMINGLING OF FUNDS.....	14
MONITORING PROJECT PERFORMANCE	14
CONFLICTS OF INTEREST	15
SUPPLANTING	15
CHAPTER 5: PAYMENTS	17
REQUEST FOR ADVANCE/REIMBURSEMENT	18
WITHHOLDING OF FUNDS	18
CASH MANAGEMENT IMPROVEMENT ACT OF 1990.....	18
INTEREST	19
CHAPTER 6: OBLIGATION AND EXPENDITURES	20
OBLIGATION OF FUNDS.....	21
PERIOD OF AVAILABILITY	21
EXPENDITURE OF FUNDS	21
SUSPENSION AND TERMINATION.....	21
CHAPTER 7: GRANT REPORTING	23
FINANCIAL REPORTING.....	24
PROGRAMMATIC REPORTING	24
CHAPTER 8: ADJUSTMENTS TO AWARDS	25
MODIFICATIONS AND REVISIONS (INCLUDING GRANT ADJUSTMENT NOTICES)	26
NOTIFICATION OF CHANGES.....	26
TYPES OF ADJUSTMENTS:	26
CHAPTER 9: OTHER PROGRAM FUNDS	28
PROGRAM INCOME	29
REQUIREMENTS FOR MATCHING OR COST SHARING.....	30
CHAPTER 10: COSTS AND EXPENDITURES	32
ALLOWABLE COSTS	33

UNALLOWABLE COSTS	36
COSTS REQUIRING PRIOR APPROVAL	38
CHAPTER 11: PROCUREMENT	40
PROCUREMENT STANDARDS	41
SOLE SOURCE PROCUREMENT (NON-COMPETITIVE)	41
CHAPTER 12: AUDITS	43
AUDIT REQUIREMENTS FOR STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS...	44
AUDITS OF COMMERCIAL/FOR-PROFIT ORGANIZATIONS.....	45
AUDITS OF SUBRECIPIENTS	45
DISTRIBUTION OF REPORTS	45
TECHNICAL ASSISTANCE	45
CHAPTER 13: CLOSE OUT	47
CLOSE OUT PROCESS	48
RETENTION AND MAINTENANCE OF RECORDS.....	48
ACCESS TO RECORDS	49
APPENDIX: GLOSSARY OF TERMS.....	50
INDEX.....	56

Chapter 1: Introduction

Highlights from this chapter:

- What is the purpose of this Guide?
- Who is this Guide designed for?

Introduction

What is the purpose of this Guide?

This Guide is intended to be used for the administration of Federal award programs administered by the Office of Grants and Training (G&T) in conjunction with the provisions of the Office of Management and Budget (OMB) circulars and government-wide common rules applicable to grants and cooperative agreements, program guidelines, application kits, special conditions, terms and conditions, G&T information bulletins, and DHS policy, regulations and statutes. Details specific to the OMB Circulars can be found on the OMB website at www.whitehouse.gov/omb/circulars/. Below is a list of the most commonly used circulars with which grant recipients should become familiar.

Administrative Guidelines:

OMB Circular A-102, Grants and Cooperative Agreements with State and Local Governments. This Circular establishes consistency and uniformity among Federal agencies in the management of grants and cooperative agreements with ***State, local, and Federally recognized Indian tribal governments.***

OMB Circular A-110, Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations. This Circular establishes administrative requirements for Federal grants and agreements awarded to ***commercial organizations, institutions of higher education, hospitals, and other non-profit organizations.***

Cost Guidelines:

OMB Circular A-21, Cost Principles for Educational Institutions. This Circular establishes principles for determining costs applicable to grants, contracts, and other agreements with ***educational institutions.***

OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments. This Circular establishes principles and standards for determining costs for Federal awards carried out through grants, cost reimbursement contracts, and other agreements with ***State, local and Federally recognized Indian tribal governments.***

OMB Circular A-122, Cost Principles for Non-Profit Organizations. This Circular establishes principles for determining costs of grants, contracts and other agreements with ***non-profit organizations.*** It does not apply to colleges and universities, which are covered by Office of Management and Budget (OMB) Circular A-21, "Cost Principles for Educational Institutions"; State, local, and Federally recognized Indian tribal governments, which are covered by OMB Circular A-87, "Cost Principles for State, Local, and Indian Tribal Governments"; or hospitals.

Code of Federal Regulations, Title 48 Federal Acquisition Regulations Systems, Chapter 1, Part 31, Contract Cost Principles and Procedures. This part is to be used by

commercial organizations and contains cost principles and procedures for cost analysis and the determination, negotiation and allowance of costs.

Audit Guidelines:

[OMB Circular A-133](#), **Audits of States, Local Governments, and Non-Profit Organizations**. This Circular provides requirements regarding audits of **State, local and tribal governments and non-profit organizations** (the Single Audit Act), in addition to the circulars for cost principles. This Circular requires that non-Federal entities that expend \$500,000 (effective January 1, 2004) or more of total Federal funds in their fiscal year shall have a single or program-specific audit conducted for that year. Guidance on determining Federal awards expended is provided in **Section 205** of this Circular.

Unless prohibited by law, the costs of audits made in accordance with the provisions of this requirement are allowable charges to Federal awards. The charges may be considered a direct cost or an allocated indirect cost, as determined in accordance with the provisions of applicable OMB cost principles circulars, the Federal Acquisition Regulation (FAR) (48CFR parts 30 and 31), or other applicable cost principles or regulations.

For those organizations not subject to the A-133 requirements, records must still be available and complete for review or audit by appropriate officials or representatives of the Federal agency, pass-through entity, and Government Accountability Office (GAO). These organizations shall have financial and compliance audits conducted by qualified individuals who are organizationally, personally, and externally independent from those who authorize the expenditure of Federal funds to ensure that there is no conflict of interest or appearance of conflict of interest.

The cost of auditing a non-Federal entity that has Federal awards expended of less than \$500,000 per year and is thereby exempted under the A-133 requirement may not charge such costs to their Federal award(s).

Who is this Guide designed for?

This document is provided for the use of all recipients and their subrecipients of Federal award programs administered by G&T. This Guide is to serve as the primary reference for financial management and grants administration. Specific organizations and individuals that are to use this Guide include the following:

Direct Recipients:

Formula and discretionary recipients receiving funds directly from G&T.

Subrecipients:

An individual and/or organization that receives Federal financial or property assistance through the direct recipient of Federal funds. This may include entities receiving funds as a result of formula awards. Units of government and other organizations receiving Federal financial assistance from the State shall adhere to applicable State laws and procedures except where inconsistent with Federal statutes and guidelines. The

circulars and government-wide common rules specific to that organization-type also apply.

Individuals from the above organizations who may use this Guide include, but are not limited to: administrators, financial management specialists, grants management specialists, accountants, and auditors. These individuals are to use the Guide as a financial policy reference in executing their duties under agency-funded programs and projects. Additionally, the document is structured to serve as a training manual for new employees.

This Guide is **not** for the direct use of **contractors**. However, direct recipients should ensure that monitoring of organizations under contract to them is performed in a manner that will ensure compliance with their overall financial management requirements.

This Guide is intended to be used for fiscal year 2006 and future G&T awards. Any awards made prior to October 1, 2005 must follow the legacy organization's regulations as outlined in the recipient's award terms and conditions.

Order of Precedence

In determining the relevant standards for the conduct of grant operations, grantees should consider the following, in precedential order:

- Public Laws
- Regulations
- Executive Orders
- OMB Circulars
- Departmental Policy
- Award Terms and Conditions

Chapter 2: The Application Process

Highlights from this chapter:

- Notice of Funding Availability/Announcements
- Application Review
- Technical Review
- Cost Analysis

The Application Process

Notice of Funding Availability/Announcements

A compilation of available assistance programs may be found in the Catalog of Federal Domestic Assistance (CFDA) at www.cfda.gov. G&T grant program announcements can also be found at the DHS/G&T (<http://www.ojp.usdoj.gov/odp/welcome.html>) and Grants.Gov (www.grants.gov) websites or by contacting the Centralized Scheduling Information Desk (CSID) at 1-800-368-6498 or Askcsid@dhs.gov. The websites will provide you, at minimum, a link to the full application kit and online application system.

The following kinds of information can be found in the program guidance/solicitation packages for each specific program:

- Authorization
- Objectives
- Use and Restrictions
- Eligibility - Eligible applicants will be detailed in each program guidance/solicitation package released for funding. Formula funds are generally awarded to the State Administrative Agency (SAA), which may, in turn, subgrant funding to units of local government and nonprofit organizations, based upon statutory authority. (See appropriate specific program guidelines for eligibility.) Discretionary awards may also be awarded to States, units of local government, Indian tribes and tribal organizations, individuals, educational institutions, hospitals, and private nonprofit and private commercial organizations (if legislation allows) at the discretion of DHS/G&T.
- Match Requirements
- Program Description
- Funding Availability
- Program Specific Requirements
- Application Deadlines
- Application Requirements
- Application Forms
- Reporting Requirements

Application Review

SF 424 Analysis:

G&T examines information contained in the Application for Federal Assistance (SF 424) to ascertain the following information:

- ***Employer Identification Number (EIN)***. This number includes the Social Security Numbers (SSN) for individuals or employer identification numbers (EIN) for business entities, which are used to identify our customers.
- Whether an applicant holds a ***Federal Debt*** obligation. The SF 424 includes a question about whether there is Federal debt. That question applies to the organization requesting the financial assistance, not the person who signs the

application as the authorized representative of the organization. This kind of debt is defined to include delinquent audit disallowances, loans, and taxes.

- **DUNS number.** All grant applicants must have a Dun & Bradstreet (D&B) Data Universal Numbering System (DUNS) number in order to apply for Federal financial assistance. Organizations may receive a DUNS number at no cost by calling the toll-free DUNS Number request line at 1-866-705-5711. *Individuals* who apply for grant awards or cooperative agreements from the Federal government are *exempt* from this requirement.

Financial Capability and Fiscal Integrity:

Nongovernmental (non-profit and commercial) organizations that have not previously received DHS/G&T funds or have not had an active award within 3 years must complete the **Accounting System and Financial Capability Questionnaire**. This form is to be submitted as part of the application package. This Questionnaire may be obtained at <http://www.ojp.usdoj.gov/forms.htm>.

A preliminary assessment of the applicant's financial capability, including the applicant's accounting system and operations, will be completed to ensure that if Federal funds are awarded the funds will be expended in a judicious manner. Where a nongovernmental applicant (except public colleges, universities, and hospitals) has never received an award, the organization's accounting system will be reviewed prior to award or within a reasonable time thereafter to assure its adequacy and acceptability. This review may also apply where known financial or management deficiencies appear to exist. The results of the review will determine the action to be taken by the awarding agency with regard to the award, i.e. additional reporting or monitoring requirements. Where an applicant has had prior awards, outstanding audit issues and delinquent audit, financial, or progress reports must be resolved prior to awarding additional discretionary funds.

The awarding agency will obtain credit reports before making awards to new recipients or to those recipients with poor past performance records. Also, the awarding agency may obtain credit reports on any applicant when there is reason to believe that performance is substandard or there is evidence of financial irregularities. If this preliminary assessment indicates that an applicant may be of higher risk, G&T may impose additional monitoring and/or reporting requirements.

G&T will also take the following information into account when considering the application for award: 1) past grant history, 2) audit reports, and 3) financial and performance report submission.

Technical Review

Awards that are made through a competitive review process will undergo a "peer review". Applications that meet the minimum requirements identified in the program guidance will move forward and be reviewed by a panel(s) of subject matter experts. The subject matter experts will then score and may rank the applications or make recommendations for funding to G&T.

Cost Analysis

G&T may conduct a cost analysis of each project application considered for funding. This cost analysis includes obtaining cost breakdowns, verifying cost data, evaluating specific elements of costs, and examining data to determine the necessity, reasonableness, allowability, allocability, and appropriateness of the proposed cost. The form and extent of such an analysis will be determined by G&T based on the level and type of funding. Each program guidance package will specify when/if a cost analysis will be completed and the type of cost information required.

Chapter 3: The Award Process

Highlights from this chapter:

- The Award Document
- Acceptance of Award and Conditions
- Types of Financial Assistance: Grant or Cooperative Agreement
- Planning and Implementing Award Programs

The Award Process

The Award Document

After completing the internal review process, project applications designated for approval are formally awarded through the issuance of an Award Document.

This document includes:

- Name and address of recipient;
- Date of award;
- Project/performance period;
- Vendor/recipient number;
- Amount of Federal funds;
- Award/agreement number;
- Method of payment; and
- Terms and conditions, as appropriate, that the recipient/subrecipient must meet if the award is accepted.

Notification of the award will be made electronically. Instructions will be provided on how to accept the award. All correspondence concerning the award should refer to the **designated award/agreement number** shown on the Award Document.

Acceptance of Award and Conditions

The Award Document constitutes the operative document obligating and reserving Federal funds for use by the recipient in executing the program or project covered by the award. Acceptance of a Federal award of funds means that the grantee agrees to abide by all applicable laws, regulations, program guidance and special conditions. This obligation may be voided without further cause if the recipient fails to accept the award in a timely manner.

All awards will include terms and conditions that include requirements concerning compliance with this Guide and compliance with the audit requirements. A number of other standard or special conditions may be attached to the award. ***Recipients are urged to carefully review and understand all terms and conditions of the award prior to award acceptance. Failure to comply with these terms and conditions may result in disallowance of costs and recovery of funds and/or suspension or termination of funds and/or award.***

Commercial Award recipients receiving grant funding from G&T should be aware of the additional special conditions placed on these awards. Commercial organizations must agree not to make a profit as a result of an award and not to charge a management fee for the performance of an award. Also, commercial organizations must agree to comply with the Federal Acquisition Regulations (FAR) cost principles and the administrative requirements of OMB Circular A-110.

If a recipient materially fails to comply with the terms and conditions of an award, whether stated in a Federal statute, regulation, assurance, application, or notice of award, G&T may take one or more of the following actions, as appropriate in the circumstances. This authority also extends to the recipient agency.

1. Temporarily withhold cash payments pending correction of the deficiency by the recipient.
2. Disallow (that is, deny both use of funds and any applicable matching credit for) all or part of the cost of the activity or action not in compliance.
3. Wholly or partly suspend or terminate the current award.
4. Withhold further awards for the project or program.
5. Take other remedies that may be legally available.

Types of Financial Assistance: Grant or Cooperative Agreement

Grants are awarded to States, units of local government, or private organizations at the discretion of the awarding agency or on the basis of a formula. Grants are used to support a public purpose.

Cooperative agreements are awarded to States, units of local government, or private organizations at the discretion of the awarding agency. Like grants, cooperative agreements are also used to support a public purpose. Cooperative agreements are utilized when substantial involvement is anticipated between the awarding agency and the recipient during performance of the contemplated activity.

Planning and Implementing Award Programs

Planning Prior to Award

Sound planning practices, both before and after grant awards, are critical to the progress and success of G&T program initiatives. Pre-planning strategies, such as the use of calendars and tickler files and their use through all planning phases, contribute towards program success.

It is imperative that G&T grant applicants not wait until they receive an award to start planning how funds will be spent. Many grant programs require state and local jurisdictions to develop Homeland Security Strategic Plans, as well as descriptions of firefighting and emergency response needs, to which all allocations of grant funds must be tied. (Refer to specific grant program guidelines for requirements.)

All grantees, including subrecipients, should employ pre-planning strategies, to include such activities as threat and vulnerability assessments, needs assessments, and gap analyses prior to making application for a grant award. Based upon the results of these activities, priorities for funding should then be established. Grantees should leverage all relevant funding and resources from multiple sources wherever possible that will support and sustain program efforts. Program budgets should be developed in a manner that maximizes all resources, not restrictive to Federal funding alone, avoids duplication of spending, will help achieve identified priorities, and will account for expenditures.

Chapter 4: Managing Federal Funds

Highlights from this chapter:

- Financial Management System Requirements
- Recipient and Subrecipient Accounting Responsibilities
- Commingling of Funds
- Monitoring Project Performance
- Conflicts of Interest
- Supplanting

Managing Federal Funds

Financial Management System Requirements

All recipients are required to establish and maintain accounting systems and financial records to accurately account for funds awarded to them. These records shall include both Federal funds and all matching funds of State, local, and private organizations, when applicable. State recipients shall expend and account for grant funds in accordance with State laws and procedures for expending and accounting for their own funds. Subrecipients of States shall follow the financial management requirements imposed on them by States, which must comply with the requirements G&T has imposed on the States.

Funds specifically budgeted and/or received for one project may not be used to support another without prior written approval of the awarding agency. Where a recipient's or subrecipient's accounting system cannot comply with this requirement, the recipient or subrecipient shall establish a system to provide adequate fund accountability for each project it has been awarded.

Where the conduct of a program or one of its components is delegated to a subrecipient, the direct recipient is responsible for all aspects of the program, including proper accounting and financial recordkeeping by the subrecipient. Responsibilities include the accounting of receipts and expenditures, cash management, maintenance of adequate financial records, and refunding expenditures disallowed by audits.

Recipient and Subrecipient Accounting Responsibilities

- **Reviewing Financial Operations** - Direct recipients should be familiar with, and periodically monitor, their subrecipients' financial operations, records, systems, and procedures. Particular attention should be directed to the maintenance of current financial data.
- **Recording Financial Activities** - The subrecipient's award or contract obligation, as well as cash advances and other financial activities, should be recorded in the books of the recipient in summary form. Subrecipient expenditures should be recorded on the books of the recipient or evidenced by report forms duly filed by the subrecipient. Non-Federal contributions applied to programs or projects by subrecipients should likewise be recorded, as should any program income resulting from program operations. All financial records must validate expenditures related to the respective grant(s).
- **Budgeting and Budget Review** - The recipient should ensure that each subrecipient prepares an adequate budget on which its award commitment will be based. The detail of each project budget should be maintained on file by the recipient.
- **Accounting for Non-Federal Contributions** - Recipients will ensure that the requirements, limitations, and regulations pertinent to non-Federal contributions are applied.
- **Audit Requirements** - Recipients must ensure that subrecipients have met the necessary audit requirements contained in this Guide.

- **Reporting Irregularities** - Recipients and their subrecipients shall promptly notify the awarding agency and the Federal cognizant audit agency of any illegal acts or irregularities and of proposed and actual actions, if any. Illegal acts and irregularities include conflicts of interest, falsification of records or reports, and misappropriation of funds or other assets. Should a recipient become aware of any criminal activity related to Federal assistance, these criminal acts should be reported to the appropriate law enforcement agency.
- **Debarred and Suspended Organizations** - Recipients and subrecipients must not award or permit any award at any level to any party that is debarred or suspended from participation in Federal assistance programs.
- **Bonding** - The awarding agency may require adequate fidelity bond coverage where the recipient lacks sufficient coverage to protect the Federal government interest (see OMB Circular A-110, Subpart C, paragraph 21(c) and OMB Circular A-122). Where the conduct of a program or one of its components is delegated to a subrecipient, the direct recipient is responsible for all aspects of the program, including proper accounting and financial recordkeeping by the subrecipient. Responsibilities include accounting for receipts and expenditures, cash management, maintaining adequate financial records, and refunding expenditures disallowed by audits.

Commingling of Funds

Federal agencies shall not require physical segregation of cash deposits or the establishment of any eligibility requirements for funds that are provided to a recipient. However, the accounting systems of all recipients and subrecipients must ensure that agency funds are not commingled with funds from other awards or Federal agencies. Each award must be accounted for separately. Recipients and subrecipients are prohibited from commingling funds on either a program-by-program or project-by-project basis without prior written approval of the awarding agency.

Monitoring Project Performance

Recipient Responsibilities:

A recipient has full responsibility for the conduct of the project or activity supported and for the results achieved. The recipient must monitor the performance of the project to assure adherence to performance goals, time schedules or other requirements as appropriate to the project or the terms of the agreement. The recipient is responsible for monitoring the activities of and pass-through requirements to any subrecipients.

Federal (DHS/G&T) Responsibilities:

It is DHS/G&T practice to limit involvement between itself and the recipient in the performance of a project to the minimum necessary to achieve program objectives and to ensure conformance with requirements of the grant. The Federal role is that of a partner, where the Government provides the financial assistance and the recipient carries out the project activities. In the case of a cooperative agreement, substantial involvement is expected between the Federal agency and the State, local government, or other recipient when carrying out the activity contemplated in the agreement.

Monitoring is a process whereby the programmatic progress and financial and business management aspects of a financial assistance award are reviewed by assessing information gathered from program and financial reports, site visits, teleconferences, and other means. DHS/G&T requires financial assistance recipients to have adequate management systems to ensure that project objectives are met and funds are spent and accounted for properly. To the extent possible, financial assistance award monitors rely on the management systems of the financial assistance recipients to meet project objectives, comply with award terms and conditions, and account for funds.

Conflicts of Interest

To avoid conflicts of interest, personnel and other officials connected with agency funded programs shall adhere to the following requirements:

No official or employee of a State or unit of local government or a non-governmental recipient/subrecipient shall participate personally through decisions, approval, disapproval, recommendation, the rendering of advice, investigation, or otherwise in any proceeding, application, request for a ruling or other determination, contract, award, cooperative agreement, claim, controversy, or other particular matter in which award funds (including program income or other funds generated by Federally funded activities) are used, where to his/her knowledge, he/she or his/her immediate family, partners, organization other than a public agency in which he/she is serving as an officer, director, trustee, partner, or employee, or any person or organization with whom he/she is negotiating or has any arrangement concerning prospective employment, has a financial interest, or has less than an arms-length transaction.

In the use of agency project funds, officials or employees of State or local units of government and non-governmental recipient/subrecipients shall avoid any action that might result in, or create the appearance of:

- Using his or her official position for private gain;
- Giving preferential treatment to any person;
- Losing complete independence or impartiality;
- Making an official decision outside official channels; or
- Affecting adversely the confidence of the public in the integrity of the government or the program. For example, where a recipient of federal funds makes sub-awards under any competitive process and an actual conflict or an appearance of a conflict of interest exists, the person for whom the actual or apparent conflict of interest exists should recuse himself or herself not only from reviewing the application for which the conflict exists, but also from the evaluation of all competing applications.

Violations of the conflict of interest standards may result in criminal, civil, or administrative penalties.

Supplanting

Recipients of G&T funds shall not replace funding appropriated from State and local governments with their Federal grant funding. It is the purpose of these grants to increase the overall amount of resources available to any G&T funded organization in order to bolster preparedness and to increase services and opportunities. Current levels

of activities or programs funded by State, local or non-governmental entity resources should only be increased by receipt of Federal funding. Recipients therefore must ensure that they do not reduce the current overall level of funding support to preparedness missions, absent exigent circumstances.

For example, if a State pays the salaries of three intelligence analysts, it cannot begin to pay the salary of one of them with Federal grant funding. It could, however, hire a fourth analyst.

Potential supplanting will be the subject of application review, as well as pre-award review, post-award monitoring, and audit. If there is a potential presence of supplanting, the applicant or grantee will be required to supply documentation demonstrating that the reduction in non-Federal resources occurred for reasons other than the receipt or expected receipt of Federal funds.

A confirmation during the application process may be requested by the awarding agency or recipient agency stating that Federal funds will not be used to supplant State or local funds.

Chapter 5: Payments

Highlights from this chapter:

- Request for Advance or Reimbursement
- Withholding of Funds
- Cash Management Improvement Act of 1990
- Interest

Payments

The method used to request grant funds may be different depending on the grant program. Information on how to access grant funds is provided to grant recipients in the program guidance and/or post award instructions. For assistance in determining the method to be used for payment requests, please contact the Office of Grant Operations at 1-866-9ASK-OGO or ASK-OGO@DHS.GOV.

Request for Advance/Reimbursement

Recipient organizations generally request funds based upon immediate disbursement requirements. Funds will not be paid in a lump sum, but rather disbursed over time as project costs are incurred or anticipated. Recipients should time their drawdown requests to ensure that Federal cash on hand is the minimum needed for disbursements to be made immediately or within a few days. Beginning with fiscal year 2005 funds, recipients may elect to drawdown funds up to 120 days prior to expenditure/disbursement. G&T strongly encourages recipients to draw down funds as close to expenditure as possible to avoid accruing interest.

Fund requests from subrecipients create a continuing cash demand on award balances of the State. The State should keep in mind that idle funds in the hands of subrecipients will impair the goals of sound cash management. All recipients must develop procedures for the disbursement of funds to ensure that Federal cash on hand is kept at a minimal balance.

Withholding of Funds

G&T may withhold payments to a recipient organization after proper notification or opportunity to remedy, by demonstrating any of the following:

1. Unwillingness or inability to attain program or project goals or to establish procedures that will minimize the time elapsing between cash drawdowns and expenditures;
2. Inability to adhere to guideline requirements or special conditions;
3. Improper award and administration of subawards or contracts; and
4. Inability to submit reliable and/or timely reports.

Cash Management Improvement Act of 1990

The Cash Management Improvement Act (CMIA) provides the general rules and procedures for the efficient transfer of Federal financial assistance between the Federal government and the States. Under this Act, States are no longer exempt from payment of interest to the Federal government resulting from drawing down funds prior to the need to pay off obligations incurred. States must pay interest in the event that the States draw down funds before the funds are needed to pay for program expenses.

Please note: Although recipients may draw down funds up to 120 days in advance of expenditure, **State grantees are still subject to the interest requirements** of the

CMIA and its implementing regulations at 31 C.F.R. Part 205. Interest under CMIA will accrue from the time Federal funds are credited to a State account until the time the State pays out the funds to a subgrantee or otherwise expends for program purposes. Recipients should request funds based on an immediate cash needs basis.

Interest

Recipients and subrecipients shall minimize the time elapsing between the transfer and disbursement of funds.

1. A State, its subrecipient and any agency or instrumentality of a State, including State institutions of higher education and State hospitals, but not political subdivisions of a State (cities, towns, counties, and special districts created by State law) SHALL NOT be held accountable for interest earned on grant money pending its disbursement for program purposes. This refers to formula grant programs where subawards are made to local jurisdictions. Subrecipients under formula grant programs are held accountable for interest earned on advances.
2. Tribal organizations SHALL NOT be held accountable for interest earned pending their disbursement by such organizations.
3. All local units of government (political subdivisions of a State, including cities, towns, counties and special districts created by State law) shall account for interest earned on Federal funds. Local units of government may keep interest earned on Federal grant funds up to \$100 PER FEDERAL FISCAL YEAR. This maximum limit is not per award; it is inclusive of all interest earned as a result of all Federal grant program funds received per year.
4. Nonprofit and commercial organizations shall account for interest earned on Federal funds. Nonprofit organizations may keep interest earned on Federal grant funds up to \$250 PER FEDERAL FISCAL YEAR. This maximum limit is not per award; it is inclusive of all interest earned as a result of all Federal grant program funds received per year.

For G&T grants, interest earned, in excess of the amounts stated above, must be remitted to the United States Department of Health and Human Services, Division of Payment Management Services, P.O. Box 6021, Rockville, MD 20852.

For Assistance to Firefighters Grants (AFG) grants, interest should be remitted to the FEMA-Accounting Services Division, Disbursements and Receivables Branch, 500 C Street, S.W., Room 723, Washington, D.C. 20472.

Chapter 6: Obligation and Expenditures

Highlights from this chapter:

- Obligation of Funds
- Period of Availability
- Expenditure of Funds
- Suspension and Termination

Obligation and Expenditures

Obligation of Funds

Obligations are a legal liability to pay, under a grant, subgrant, and/or contract, determinable sums for services or goods incurred during the grant period. This includes, but is not limited to, amounts of orders placed, contracts and grants awarded, services received and similar transactions that require payment by the recipient during the same or a future period.

Period of Availability

The award period is the period of time when Federal funding is available for obligation by the recipient. The recipient may charge to the grant only allowable costs resulting from obligations incurred during the funding period and any pre-award costs authorized by G&T. An obligation occurs when funds are encumbered, such as in a valid purchase order or requisition to cover the cost of purchasing an authorized item on or after the begin date and up to the last day of the grant period in the award. Any funds not properly obligated by the recipient within the grant award period will lapse and revert to G&T. The obligation deadline is the last day of the grant award period unless otherwise stipulated. The obligation period is the same as the award period listed on the award document. No additional obligations can be incurred after the end of the grant.

Example: If the award period is 10/1/04 to 9/30/05, the obligation deadline is 9/30/05.

Expenditure of Funds

Recipients who have properly obligated funds by the end of the award period will have 90 days in which to liquidate (expend) these funds. Any funds not liquidated at the end of the 90-day period will lapse and may revert to G&T, unless an adjustment extending the liquidation period has been approved. Refer to Chapter 8 for more information regarding extensions.

Example: If the award period is 10/1/2004 to 9/30/2005, then all funds obligated by 9/30/2005 must be liquidated/expended by 12/29/2005.

Suspension and Termination

G&T may terminate any project, in whole or in part, for the convenience of the Government or when a recipient materially fails to comply with the terms and conditions of an award. This includes unauthorized use of payment access codes by someone other than the grantee of record, or when the recipient and G&T agree to do so. In the event that the decision has been made to terminate a project, G&T will:

1. Notify the recipient in writing of its decision;
2. Specify the reason; and
3. Afford the recipient/subrecipient a reasonable time to offer a remedy or to terminate project operations.

A project that is terminated will be subject to the same requirements regarding audit, recordkeeping, and submission of reports as a project that runs for the duration of the project period. Upon notification, no new obligations may be made against the award.

Chapter 7: Grant Reporting

Highlights from this chapter:

- Financial Reporting
- Programmatic Reporting

Grant Reporting

G&T requires award recipients to submit both financial and program reports. These reports describe the status of the funds, the status of the project, a comparison of actual accomplishments to the objectives, the reason(s) goals have not been met, and/or other pertinent information. The specific requirements, reporting periods and submission deadlines are detailed in the program guidance and/or terms and conditions of the award. ***Future awards, fund drawdowns, and modification approvals may be withheld if financial and program reports are delinquent.***

Financial Reporting

Generally, G&T requires grant recipients to submit a quarterly Financial Status Report (SF 269a) for each active grant award. These reports are due 30 days after the end of the calendar quarter. Financial reporting requirements may vary for G&T grant programs; therefore, for specific reporting instructions on a given grant program, please refer to the program guidance for information regarding the report to be submitted, the frequency of reporting and the deadline for submission of the report.

For those recipients required to submit the SF269a quarterly Financial Status Report, this report must be submitted on-line using the Grants Management System. The link to submit this report is <https://grants.ojp.usdoj.gov/>. For assistance using this system, recipients may contact the OJP GMS Help Desk at 888-549-9901 or at gms.helpdesk@usdoj.gov. ***As of January 1, 2006 paper copies of these forms will no longer be accepted.***

Programmatic Reporting

All G&T grant programs require that the recipient report on the performance and progress of grant activities. Reporting requirements may vary in format and in time frame, so please refer to the specific guidance for each program for full details on the required program report(s).

For those recipients required to submit the semi-annual Categorical Assistance Progress Report (CAPR), this report must be submitted on-line using the Grants Management System. The link to submit this report is <https://grants.ojp.usdoj.gov/>. For assistance using this system, recipients may contact the OJP GMS Help Desk at 888-549-9901 or at gms.helpdesk@usdoj.gov. ***As of January 1, 2006 paper copies of these reports will no longer be accepted.***

Chapter 8: Adjustments to Awards

Highlights from this chapter:

- Modifications and Revisions (including Grant Adjustment Notices)
- Notification of Changes
- Types of Adjustments

Adjustments to Awards

Modifications and Revisions (including Grant Adjustment Notices)

All requests for programmatic and/or administrative changes must be submitted in a timely manner by the recipient/subrecipient. All requests for changes to the approved award shall be carefully reviewed by the applicable authority for both consistency with this Guide and their contribution to the project goals and objectives.

Notification of Changes

All recipients must give notification in writing to G&T of events or proposed changes that may require an adjustment/notification. In requesting an adjustment, the recipient must set forth the reasons and basis for the proposed change and any other data deemed helpful for G&T review. Recipient requests will be reviewed by G&T and approval of these changes, if granted, will be provided in writing. ***Requests for adjustments will be considered only if the reporting requirements are current and terms and conditions have been met at the time the request for the adjustment is made.***

Types of Adjustments:

- Change of Address - Recipients are required to notify G&T of changes to their mailing address.
- Changes in Award Period - Recipients may request an extension of the award/obligation and expenditure period. Written requests should be at least 90 calendar days before the end date of the award. A narrative justification must be submitted with the project or program extension request on agency letterhead. Complete details must be provided, including the justification and the extraordinary circumstances that require the proposed extension, and a certification that there are adequate funds remaining to support the extension. Explain the effect of a denial of the request on the project or program.
- Changes in Scope - Change in the scope of the programmatic activities or purpose of the project.
- Change in project site.
- Changes that increase or decrease the total cost of the project.
- Change in approved budget categories in excess of 10 percent of the total award amount - Movement of dollars between approved budget categories is allowed up to 10 percent of the total budget cost (total award amount) as last approved by G&T, provided there is no change in project scope. When the cumulative changes exceed 10 percent of the total award amount (includes the initial award plus the supplements) or change the scope of the project, prior approval from G&T is required. This 10 percent rule applies to awards over \$100,000; however, if the total award is equal to or less than \$100,000, and the scope of the project doesn't change, prior approval is not required unless otherwise required in the program guidance or award documents.
- Change in or temporary absence of the project manager/director.
- Transfer of project.
- Successor in interest and name change agreements.
- Addition of an item to the project budget requiring prior approval.

- Retirement of special conditions, if required.
- Changes in key personnel, if any are specified by the special conditions.
- Change of State Administrative Agency (SAA) - Should the Governor of a state elect to change the SAA during the grant period, the current SAA must close-out the grant(s) that are transferring to the new SAA prior to any funds being transferred to the newly designated SAA. The close-out information must include, at minimum, a final Financial Status Report (SF-269a) and a final program report. It is G&T policy that these funds will not be awarded to the newly designated SAA prior to close-out of the original award. States are responsible for working with their vendors and/or subrecipients to obtain final expenditure reports, invoices, payment requests, etc. in a timely manner in order to assist in the transfer of funds to the new SAA. Once the close-out information has been submitted to G&T, the newly designated SAA will be permitted to apply for the remaining funds through the Grants Management System.

Chapter 9: Other Program Funds

Highlights from this chapter:

- Program Income
- Requirements for Match or Cost Sharing

Other Program Funds

Program Income

Program income is gross income earned by the recipient that is directly generated by a supported activity or earned as a result of the program. Program income includes, but is not limited to, income from fees for services performed, the use or rental of real or personal property acquired under Federally funded projects, the sale of commodities or items fabricated under an award, license fees and royalties on patents and copyrights, and interest on loans made with award funds. For example, if the purpose of the grant is to conduct conferences, any training fees that are generated would be considered program income. Interest earned on advances of Federal funds is **not** program income.

Accounting for and Reporting Program Income

Program income earned during the project period shall be retained by the recipient and, in accordance with OMB regulations or the terms and conditions of the award, shall be used and accounted for in one or more of the following ways.

1. Added to funds committed to the project by the Federal awarding agency and recipient and used to further eligible project or program objectives.
2. Used to finance the non-Federal share of the project or program, if applicable.
3. Deducted from the total project or program allowable cost in determining the net allowable costs on which the Federal share of costs is based.

Program income may be used to supplement project costs or reduce project costs, or may be refunded to the Federal government. Program income may only be used for allowable program costs and must be expended prior to additional drawdowns.

Use and Disposition of Program Income

Unless specified by G&T, program income should be used as earned and expended as soon as possible. If the cost is allowable under the Federal grant program, then the cost would be allowable using program income. If program income earned on a discretionary grant during the grant period remains at the end of the grant period, the recipient should request a no-cost extension of the grant period to provide the recipient with ample time to expend the program income for allowable project purposes. If there is no special condition on the award concerning the accounting for program income earned after the funding period, then such program income can be used at the discretion of the recipient. The Federal portion of program income must be accounted for up to the same ratio of Federal participation as funded in the project or program. For example:

1. A discretionary project funded with 100 percent Federal funds must account for and report on 100 percent of the total program income earned. If the total program income earned was \$20,000, the recipient must account for and report the \$20,000 as program income on the Financial Status Report.
2. If a recipient was funded by formula funds at 75 percent Federal funds and 25 percent non-Federal funds and the total program income earned by the grant

was \$100,000, \$75,000 must be accounted for and reported, by the recipient, as program income on the Financial Status Report.

Direct recipients of formula grants will be responsible for requiring subrecipients to comply with program income guidelines.

For additional information on Program Income please refer to the appropriate OMB Circular (A-102 or A-110)

Requirements for Matching or Cost Sharing

Funds provided for a match must be used to support a Federally funded project and must be in addition to, and therefore supplement, funds that would otherwise be made available for the stated program purpose. Match is restricted to the same use of funds as allowed for the Federal funds.

Matching contributions need not be applied at the exact time or in proportion to the obligation of the Federal funds unless stipulated by legislation. However, the full matching share must be obligated by the end of the period for which the Federal funds have been made available for obligation under an approved program or project.

Sources of the match can either be a **cash** match **or** an **in-kind** match unless specified in the program guidance, regulation or statute.

Cash Match includes cash spent for project-related costs. Allowable cash match must include those costs that are allowable with Federal funds with the exception of the acquisition of land, when applicable. Cash match may be applied from the following sources:

1. Funds from states and local units of government that have a binding commitment of matching funds for programs or projects, or
2. Funds from the following:
 - Housing and Community Development Act of 1974, 42 USC §5301, et seq. (subject to the applicable policies and restrictions of the Department of Housing and Urban Development).
 - Appalachian Regional Development Act of 1965, 40 USC §214.
 - Equitable Sharing Program, 21 USC §881(e) (current guidelines developed by the DOJ Asset Forfeiture Office apply). Forfeited assets used as match from the Equitable Sharing Program would be adjudicated by a Federal court.
 - Funds contributed from private sources.
3. Program income and the related interest earned on that program income generated from projects, provided they are identified and approved prior to making an award, or
4. Funds earned from seized assets and forfeitures (adjudicated by a State court, as State law permits), or

5. Funds appropriated by Congress for the activities of any agency of a Tribal government or the Bureau of Indian Affairs performing law enforcement functions on Tribal lands, or
6. Sources otherwise authorized by law.

Except as noted above, Federal funds may not be used for match purposes.

In-kind Match includes, but is not limited to, the valuation of in-kind services. “In-kind” is the value of something received or provided that does not have a cost associated with it. For example, if in-kind match is permitted by law, then the value of donated services could be used to comply with the match requirement.

Recordkeeping: Recipients and their subrecipients must maintain records that clearly support the source, the amount, and the timing of all matching contributions. In addition, if a program or project has included within its approved budget contributions that exceed the required matching portion, the recipient must maintain records of them in the same manner as it does the awarding agency funds and required matching shares. The direct recipient has primary responsibility for subrecipient compliance with requirements.

Waiver of Match Requirement: In accordance with 48 USC §1469a, congressional declaration of a policy regarding insular areas, the awarding agency, in its discretion, shall waive any requirement for matching funds otherwise required by law to be provided by the certain insular areas. This waiver applies to ALL awards made to American Samoa, Guam, the Virgin Islands, and Northern Mariana Islands.

Chapter 10: Costs and Expenditures

Highlights from this chapter:

- Allowable Costs
- Unallowable Costs
- Costs Requiring Prior Approval

Costs and Expenditures

Allowable Costs

Allowable costs are those costs identified in the circulars, as noted below, and in the grant program's authorizing legislation. In addition, costs must be reasonable, allocable, necessary to the project, and comply with the funding statute requirements. Recipients should refer to the program guidelines to determine what program costs are allowable for that specific program. It is important to note that costs that are allowable under one G&T program may be specifically prohibited under another. Additionally, allowable items may change from one fiscal year to another, so it is important to verify allowable costs with Program Guidance specific to the fiscal year funding.

Please note, grantees generally are not required to comport with the restrictions of the Buy American Act (41 U.S.C. 10a). However, grants authorized under the Stafford Act, including the *Emergency Management Performance Grant*, must follow these standards. The Buy American Act requires that all materials purchased be produced in the United States, unless such materials are not available, or such a purchase would not be in the public interest.

Applicable Cost Principles:

[OMB Circular A-21](#) "Cost Principles for Educational Institutions"

[OMB Circular A-87](#) "Cost Principles for State, Local, and Indian Tribal Governments"

[OMB Circular A-122](#) "Cost Principles for Nonprofit Organizations"

[Code of Federal Regulations, Title 48 Federal Acquisition Regulations Systems, Part 31](#)
"Contract Cost Principles and Procedures"

Equipment

For G&T programs that include the purchase of equipment, recipients are encouraged to review the Interagency Board's (IAB) Standardized Equipment List (SEL) and the Authorized Equipment List (AEL). These lists may be found on the Responder Knowledge Base (RKB) website at <http://www.rkb.mipt.org>. If State agencies and/or local governments have questions concerning the eligibility of equipment not specifically addressed in the AEL, they should contact their Program Manager or Preparedness Officer for clarification.

Disposition or Recovery of Federally Owned Assets

A State will dispose of equipment acquired under a grant by the State in accordance with State laws and procedures. All other grantees and subgrantees shall dispose of equipment as follows:

1. Items of equipment with a current per unit fair market value of less than \$5,000 may be retained, sold or otherwise disposed of with no further obligation to the awarding agency.

2. Items of equipment with a current per unit fair market value greater than \$5,000 may be retained or sold and the awarding agency shall have a right to an amount calculated by multiplying the current market value or proceeds from sale by the awarding agency's share of the equipment.

To remit payments, award recipients should contact the Office of Grant Operations (ASK-OGO@DHS.GOV or 1-866-9ASK-OGO) for further instructions.

Consultant Rates

Compensation for individual consultant services is to be reasonable and consistent with the amount paid for similar services in the market place. Consideration can be given to compensation, including fringe benefits, for those individuals whose employers do not provide the same. Time and effort reports are required for consultants. Competitive bidding for consultant services is encouraged.

State and Local Sales Taxes

State and local sales taxes are generally allowable costs, unless the tax is levied solely on Federal programs or Federal funding.

Indirect Costs

Indirect costs are costs of an organization that are not readily assignable to a particular project, but are necessary to the operation of the organization and the performance of the project. The cost of operating and maintaining facilities, depreciation, and administrative salaries are examples of the types of costs that are usually treated as indirect.

In order to be reimbursed for indirect costs, a recipient must first obtain an approved indirect cost rate. To do this, the recipient must prepare an indirect cost rate proposal and submit it to the cognizant Federal agency. The cognizant Federal agency is assigned by OMB or is determined based on the preponderance of Federal dollars received by the recipient, or which agency has awarded the most funds. If an indirect cost proposal for recovery of actual indirect costs is not submitted to the cognizant Federal agency within three months of the start of the award period, indirect costs will be irrevocably lost for all months prior to the month that the indirect cost proposal is received. This requirement is effective for all awards.

If a recipient has a Federally approved indirect cost rate agreement, G&T will accept any current indirect cost rate or allocation plan previously approved for a recipient by any Federal awarding agency on the basis of allocation methods substantially in accord with those set forth in the applicable cost circulars. Approving rates for subrecipients is the responsibility of the direct recipient. Per the OMB guidelines, G&T does not approve indirect cost rates beyond the direct recipient level. For information on how to obtain an approved indirect cost rate, direct recipients should contact the Office of Grant Operations at 1-866-9ASK-OGO or ASK-OGO@DHS.GOV.

Indirect Costs versus Management and Administrative (M&A) Costs

Indirect costs are defined as costs that are incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular award/project, but contribute to the ability of the recipient to support projects and programs and sustain the daily operations of the organization. Indirect costs are not incurred specifically from the actual performance of the activities under a particular award. Indirect costs are charged based on an approved rate and applicable base, which encompasses total organizational activity.

Indirect costs may include:

- Depreciation
- Rent
- Telephone
- Postage
- Printing
- Other expenses that benefit all programs and functions of an organization.

Management and Administrative costs are direct costs that are incurred to administer a particular program/award. M&A costs are identifiable and unique to each program/award and are charged based on the activity performed for that particular project.

M&A costs may include:

- Salaries of full-time or part-time staff or contractors/consultants to assist with the management of the program
- Hiring of full-time or part-time staff or contractors/consultants to assist with the implementation and administration of the program
- Travel expenses
- Meeting-related expenses

Food and Beverages

Food and/or beverage expenses provided by recipients are allowable costs if: (1) the food and/or beverages are provided to participants at training sessions, meetings, or conferences that are allowable activities under the particular G&T program guidelines; and (2) Expenses incurred for food and/or beverages and provided at training sessions, meetings, or conferences satisfy the following tests: (a) the cost of the food and/or beverages provided is considered to be reasonable; (b) the food and/or beverages provided are subject of a work-related event; (c) participation by all participants is mandatory; and (d) the food and/or beverages provided are not related directly to amusement and/or social events. (Any event where alcohol is being served is considered a social event; therefore, costs associated with that event are not allowable). In the event food/meal(s) are being provided, the amount charged for per diem must be reduced accordingly.

Software development

Software development costs are allowable and may be expended in the period incurred with no dollar limitation.

Maintenance contracts

The cost of an equipment maintenance agreement is allowable for the period of time that covers the grant project period. Any portion of the contract that extends beyond the grant period may not be charged to the grant award using Federal or matching funds. For example, if the grant project period is one year and the maintenance agreement is for three years, only the cost associated with the first year of the agreement would be allowable. The grantee would have to prorate the cost of the agreement to cover only the grant project period.

Warranty costs

Warranty costs (extensions) on equipment providing extended coverage for parts, labor and repair, above and beyond the term of the original manufacturer's warranty, are allowable if the cost of the warranty is included as part of the acquisition cost. Acquisition cost means the cost of the asset including the cost to put it in place. Acquisition cost for equipment, for example, means the net invoice price of the equipment, including the cost of any modifications, attachments, accessories, or auxiliary apparatus necessary to make it usable for the purpose for which it is acquired.

Unallowable Costs

In addition to the applicable OMB cost principles, recipients should refer to the program guidelines to determine what program costs are not allowed for that specific program. Costs that are unallowable under one G&T program may be allowed under another. Costs generally unallowable under Federal grants are as follows:

Land Acquisition

Land acquisition costs are unallowable unless otherwise noted in grant guidance.

Compensation of Federal Employees

Salary payments, consulting fees, or other compensation of full-time Federal employees are unallowable costs.

Travel of Federal Employees

Costs of transportation, lodging, subsistence, and related travel expenses of G&T employees are unallowable charges. Travel expenses of other Federal employees for advisory committees or other program or project duties or assistance are allowable if they have been:

1. Approved by the Federal employee's Department or Agency; and

2. Included as an identifiable item in the funds budgeted for the project or subsequently submitted for approval.

Bonuses or Commissions

The recipient or subrecipient is prohibited from paying any bonus or commission to any individual or organization for the purpose of obtaining approval of an application for award assistance. Bonuses to officers or board members of profit or non-profit organizations are determined to be a profit or fee and are unallowable.

Lobbying

All recipients and subrecipients must comply with the provisions of the government-wide Common Rule on Restrictions on Lobbying, as appropriate.

Fund Raising

Costs of organized fund raising, including financial campaigns, endowment drives, solicitation of gifts and bequests, and similar expenses incurred solely to raise capital or obtain contributions, may not be charged either as direct or indirect costs against the award. Neither the salary of persons engaged in such activities nor indirect costs associated with those salaries may be charged to the award, except insofar as such persons perform other program related activities.

An organization may accept donations (i.e., goods, space, services) as long as the value of the donations is not charged as a direct or indirect cost to the award. The donation must be supported with source documentation.

A recipient may also expend funds, in accordance with approved award terms, to seek future funding sources to expand the project, but not for the purpose of raising funds to finance related or complementary project activities.

Nothing in this section should be read to prohibit a recipient from engaging in fund raising activities as long as such activities are not financed by the Federal or non-Federal portion of award funds.

Conferences and Workshops

Unallowable costs include:

- Entertainment;
- Sporting events;
- Visa fees;
- Passport charges;
- Tips;
- Bar charges/Alcoholic beverages;
- Laundry charges; and
- Lodging costs in excess of Federal per diem.

Costs Requiring Prior Approval

Written approval is required for those costs specified in OMB Circulars A-21, A-87, and A-122 as “Costs Allowable With Approval of Awarding Agency” or costs that contain special limitations.

Where prior approval is required, G&T will be the approval authority for all discretionary recipients and for the State when it is the direct recipient. Where prior approval authority for subrecipients is required, it will be vested in the State unless specified as being “RETAINED BY THE FEDERAL AWARDING AGENCY,” as identified below. Subrecipient requests for G&T approval should be submitted through the State for a formula award.

The intention of G&T is not to require approval of all changes within the listed cost categories, but only for those aspects or elements that specifically require prior approval.

Types of Costs Requiring Prior Approval

The following is a list of costs that require prior approval:

- **Construction** - The use of G&T funds for construction is generally prohibited, except as outlined in the specific program guidelines (see program specific guidelines for details). Written approval must be provided by G&T prior to the use of any G&T funds for construction or renovation.
- **Preagreement Costs** - Costs incurred prior to the start date of the award may be charged to the project only if the recipient receives prior approval from G&T. Prior approval is required for costs incurred before the date of the subaward period and costs may be charged to the project only if the award or subaward application specifically requests support for preagreement costs. States may approve preagreement costs for subrecipients if incurred subsequent to the beginning of the Federal fiscal year of award.
- **Proposal Costs** - Unless specifically outlined in program guidance as allowable without prior approval, costs to projects for preparing proposals for potential Federal awards require PRIOR APPROVAL for: (1) the obligation or expenditure of funds; or (2) the performance or modification of an activity under an award/subaward project, where such approval is required.
- **Audit Costs** - Audit costs for audits not required or performed in accordance with OMB Circular A-133 are unallowable. If the grantee did not expend \$500,000 or more in Federal funds in its fiscal year, but contracted with a certified public accountant to perform an audit, these costs may not be charged to the grant.
 - Unless prohibited by law, the cost of audits made in accordance with the provisions of this requirement are allowable charges to Federal awards. The charges may be considered a direct cost or an allocated indirect cost, as determined in accordance with the provisions of applicable OMB cost

principles circulars, the Federal Acquisition Regulation (FAR) (48CFR parts 30 and 31), or other applicable cost principles or regulations.

- The cost of auditing a non-Federal entity which has Federal awards expended of less than \$500,000 per year and is thereby exempted under the A-133 requirement may not charge such costs to their Federal award(s).
- **Interest Expense** - Interest on debt incurred for: (a) acquisition of equipment and buildings; (b) building construction; (c) fabrication; (d) reconstruction; and (e) remodeling is an allowable cost with prior approval. This interest applies only to buildings completed on or after 10/1/80 for State and local units of government and 9/29/95 for non-profit organizations.
- **Foreign Travel** - Direct charges for foreign travel costs are allowable only when the travel has prior approval of G&T. Foreign travel is defined as any travel outside of Canada and the United States and its territories and possessions. However, for organizations located in foreign countries, the term "foreign travel" means travel outside that country.

Note: Indirect charges for foreign travel are allowable without prior approval of G&T when: (a) included as part of a Federally approved indirect cost rate; and (b) such costs have a beneficial relationship to the project. Each separate foreign trip must be approved.

Recipients must comply with the provisions of the Fly America Act (49 USC § 40118). The Fly America Act requires travelers performing U.S. Government-financed foreign air travel to use U.S. flag air carriers to the extent that such service is available. Foreign air carriers may be used only in specific instances, such as when a U.S. flag air carrier is unavailable, or use of U.S. flag air carrier service will not accomplish the mission. If a foreign air carrier is used for any part of foreign travel, the recipient must maintain supporting documentation in the grant files available and specifically identified for review during an audit.

Requests must be in writing and justified with an explanation to permit review of the allowability. They may be submitted:

1. Through inclusion in the budget or other components of an award or subaward application; or
2. As a separate written request to the appropriate authority as described above.

Chapter 11: Procurement

Highlights from this chapter:

- Procurement Standards
- Sole Source Procurement (Non-Competitive)

Procurement

There are times when it may be necessary to procure goods and/or services in order to accomplish the goals of a program. For example, it may be necessary to purchase equipment or subcontract for services that the recipient does not have the required in-house expertise to perform.

Procurement Standards

- **General** - A State shall follow the same policies and procedures it uses for procurement from its non-Federal funds. The State shall ensure that every purchase order or other contract includes any clauses required by Federal statutes and executive orders and their implementing regulations. Subrecipients of States shall follow the procurement requirements imposed upon them by the States. Other recipients and subrecipients will follow the appropriate OMB Circular (OMB Circular A-110 or OMB Circular A-102).
- **Standards** - Recipients and subrecipients shall use their own procurement procedures and regulations, provided that the procurement conforms to applicable Federal law and standards.
- **Adequate Competition** - All procurement transactions, whether negotiated or competitively bid and without regard to dollar value, shall be conducted in a manner so as to provide maximum open and free competition. All sole-source procurements in excess of \$100,000 must receive prior written approval of the awarding agency. Interagency agreements between units of government are excluded from this provision.
- **Non-competitive Practices** - The recipient/subrecipient shall be alert to organizational conflicts of interest or non-competitive practices among contractors that may restrict or eliminate competition or otherwise restrain trade. Contractors that develop or draft specifications, requirements, statements of work, and/or Requests for Proposals (RFP) for a proposed procurement shall be excluded from bidding or submitting a proposal to compete for the award of such procurement. Any request for exemption must be submitted in writing to the awarding agency.

Sole Source Procurement (Non-Competitive)

All non-state procurement transactions shall be conducted in such a manner that provides, to the maximum extent practical, open and free competition. However, should a recipient elect to award a contract without competition, sole source justification may be necessary. Justification must be provided for non-competitive procurement and should include a description of the program and what is being contracted for, an explanation of why it is necessary to contract noncompetitively, time constraints and any other pertinent information. G&T will approve sole-source procurements for direct recipients only. Subrecipients must obtain approval from the primary recipient. If the primary recipient's

regulations require approval at a lower dollar threshold than identified above, the subrecipient should abide by the primary recipient's requirements.

Chapter 12: Audits

Highlights from this chapter:

- Audit Requirements for States, Local Governments, and Non-Profit Organizations
- Audits of Commercial/For-Profit Organizations
- Audits of Subrecipients
- Distribution of Reports
- Technical Assistance

Audits

Audit Requirements for States, Local Governments, and Non-Profit Organizations

Grantees and subrecipients are responsible for obtaining audits in accordance with OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations". States, local governments or private, non-profit organizations that expend \$500,000 or more in Federal awards in a fiscal year are required to have an audit performed.

- The audits shall be completed by an independent auditor in accordance with generally accepted government auditing standards covering financial audits.
- Audits are due no later than nine (9) months after the close of each fiscal year during the term of the award.
- Grantee audit reports will be distributed by the Federal Audit Clearinghouse to the organization's Federal Cognizant Agency for review and resolution of any findings.
- Grantees are responsible for follow-up and corrective action on all audit findings.

Awards are subject to conditions of fiscal, program, and general administration to which the recipient expressly agrees. Accordingly, the audit objective is to review the recipient's administration of funds and required non-Federal contributions for the purpose of determining whether the recipient has:

1. Established an accounting system integrated with adequate internal fiscal and management controls to provide full accountability for revenues, expenditures, assets, and liabilities. This system should provide reasonable assurance that the organization is managing Federal financial assistance programs in compliance with applicable laws and regulations.
2. Prepared financial statements that are presented fairly, in accordance with generally accepted accounting principles.
3. Submitted financial reports (which may include Financial Status Reports, Cash Reports, and Claims for Advances and Reimbursements), that contain accurate and reliable financial data, and are presented in accordance with the terms of applicable agreements.
4. Expended Federal funds in accordance with the terms of applicable agreements and those provisions of Federal law or regulations that could have a material effect on the financial statements or on the awards tested.

Independent auditors should follow the requirements prescribed in OMB Circular A-133. If the auditor becomes aware of illegal acts or other irregularities, prompt notice shall be given to recipient management officials above the level of involvement. The recipient, in turn, shall promptly notify the cognizant Federal agency of the illegal acts or irregularities and of proposed and actual actions, if any.

Audits of Commercial/For-Profit Organizations

These organizations shall have financial and compliance audits conducted by qualified individuals who are organizationally, personally, and externally independent from those who authorize the expenditure of Federal funds. This audit must be performed in accordance with Government Auditing Standards, 1994 Revision. The purpose of this audit is to ascertain the effectiveness of the financial management systems and internal procedures that have been established to meet the terms and conditions of the award. Usually, these audits shall be conducted annually, but not less frequently than every two years. The dollar threshold for audit reports established in OMB Circular A-133, as amended, applies.

Audits of Subrecipients

When subawards are made to another organization or organizations, the recipient shall require that subrecipients comply with the audit requirements set forth in OMB Circular A-133.

Recipients are responsible for ensuring that subrecipient audit reports are received and for resolving any audit findings. Known or suspected violations of any law encountered during audits, including fraud, theft, embezzlement, forgery, or other serious irregularities, must be communicated to the recipient and to DHS. Criminal violations must also be reported to the appropriate law enforcement agencies.

For subrecipients who are not required to have an audit as stipulated in OMB Circular A-133, the recipient is still responsible for monitoring the subrecipients' activities to provide reasonable assurance that the subrecipient administered Federal awards in compliance with Federal requirements.

Distribution of Reports

The submission of audit reports for all grantees shall be as follows:

1. **State and Local Governments, Institutions of Higher Education, and Non-Profit Institutions** - All completed audit reports for State and local governments, institutions of higher education, and non-profit institutions should be mailed to the Federal Audit Clearinghouse, Bureau of the Census, 1201 East 10th Street, Jeffersonville, IN 47132.
2. **Commercial Organizations and Individuals** - One copy of all audit reports for commercial organizations and individuals should be mailed to the Department of Homeland Security, Office of Grants and Training, Office of Grant Operations, 810 7th Street NW, Washington, DC 20531.

Technical Assistance

The DHS Office of the Inspector General is available to provide technical assistance to recipients in implementing the audit requirements when DHS is the assigned cognizant

agency or has oversight responsibilities because it provided the preponderance of direct Federal funding to the recipient. This assistance is available for areas such as:

1. Review of the audit arrangements and/or negotiations;
2. Review of the audit program or guide to be used for the conduct of the audit; and
3. On-site assistance in the performance of the audit, when deemed necessary, as a result of universal or complex problems that arise.

Chapter 13: Close Out

Highlights from this chapter:

- Close Out Process
- Retention and Maintenance of Records
- Access to Records

Close Out

Close Out Process

Within **90 days after the end date of the award** or any approved extension thereof (revised end date), the recipient must submit the required close-out documents to G&T. Prior to submission of these documents, the recipient should do the following:

1. **Cash Reconciliation** - The recipient should request reimbursement for any funds due to cover expenditures and obligations (incurred prior to the grant expiration date and liquidated within 90 days after the grant expiration date) at award closeout. The recipient expenditures (outlays) must be equal to or greater than the cash disbursements from G&T.
2. **Drawdown of Funds** – The recipient should request final payment for reimbursement of expenditures made within the approved period in conjunction with the final financial status report.

In order to close-out an award, the recipient must submit the following documents to G&T:

1. **Final Financial Status Report** - This final report of expenditures must have no unliquidated obligations and must indicate the exact balance of unobligated funds. Any unobligated/unexpended funds will be deobligated from the award amount by G&T.
2. **Final Progress Report** - This report should be prepared in accordance with instructions provided by G&T.
3. **Invention or Patent Report** - All inventions that were conceived or first actually reduced to practice during the course of work under the award project must be listed on this report before closeout. (if applicable)
4. **Disposition or recovery of Federally owned assets.**
5. **Federally owned property report.**
6. Any other documents as required by the program guidance or award terms and conditions.

If funds must be returned at award closeout, award recipients should remit their check with a cover letter indicating the grant award number, the unobligated balance, and the itemization of returned monies, e.g., excess payments, interest income, program income, questioned costs, payments to vendors, etc. Award recipients should contact the Office of Grant Operations (ASK-OGO@DHS.GOV or 1-866-9ASK-OGO) for further instructions.

Retention and Maintenance of Records

In accordance with the requirements set forth in the OMB administrative requirements circulars, all financial records, supporting documents, statistical records, and all other records pertinent to the award shall be retained by each organization for at least three years from the date of submission of the final expenditure report. In cases where litigation, a claim, or an audit is initiated prior to expiration of the three year period,

records must be retained until completion of the action and resolution of issues or the end of the three year period, whichever is later. Retention is required for purposes of Federal examination and audit. Records may be retained in an automated format. State or local governments may impose record retention and maintenance requirements in addition to those prescribed.

1. **Coverage** - The retention requirement extends to books of original entry, source documents supporting accounting transactions, the general ledger, subsidiary ledgers, personnel and payroll records, cancelled checks, and related documents and records. Source documents include copies of all awards, applications, and required recipient financial and narrative reports. Personnel and payroll records shall include the time and attendance reports for all individuals reimbursed under the award, whether they are employed fulltime or part-time. Time and effort reports are also required for consultants, as well as justification of consultant rates in accordance with market value.
2. **Retention Period** - The three year retention period starts from the date of submission of the final expenditure report. If any litigation, claim, negotiation, audit, or other action involving the records has been started before the expiration of the three year period, the records must be retained until completion of the action and resolution of all issues that arise from it or until the end of the regular three year period, whichever is later.

Recipients of funds are expected to see that records of different Federal fiscal periods are separately identified and maintained so that information desired may be readily located. Recipients are also obligated to protect records adequately against fire or other damage. When records are stored away from the recipient's principal office, a written index of the location of records stored should be on hand and ready access should be assured.

Access to Records

G&T, DHS, the DHS Office of the Inspector General, the Comptroller General of the United States, or any of their authorized representatives, will have the right of access to any pertinent books, documents, papers, or other records of recipients that are pertinent to the award, in order to make audits, examinations, excerpts, and transcripts. The right of access must not be limited to the required retention period, but shall last as long as the records are retained.

However, only under extraordinary and rare circumstances would such access include review of the true name of confidential informants or victims of crime. When access to the true name of confidential informants or victims of crime is necessary, appropriate steps to protect this sensitive information must and will be taken by the recipient and G&T. Any such access, other than under a court order or subpoena pursuant to a bona fide confidential investigation, must be approved by G&T.

Appendix: Glossary of Terms

Glossary of Terms

Accrual Basis is the method of recording revenues in the period in which they are earned, regardless of when cash is received, and reporting expenses in the period when the charges are incurred, regardless of when payment is made.

Administrative Requirements are standards for consistency and uniformity in the administration of grants, cooperative agreements, and subawards.

Amusement/social event is an informal gathering that is not mandatory for all participants to attend to obtain the necessary information. An indicator of a social/amusement event is a cash bar.

Awarding agency is the Federal government or the next highest authority, i.e., the State agency administering the formula award or the Federal agency administering the discretionary award.

Awards may include funding mechanisms such as grants, cooperative agreements, interagency agreements, contracts, and/or other agreements.

Breaks are short pauses in an ongoing informational program at trainings, meetings, conferences, or retreats. Typically, an all-day event may include one break during a morning session and one break during an afternoon session.

Break foods consist of cookies, sodas, and fruits or other snack items, and may be served at a training program, a meeting, or a conference.

Budget Period is the period for which a budget is approved for an award. The budget period may be equal to or shorter than the project period for an award, but cannot be longer than the project period.

Cash Basis is the method of reporting revenues and expenses when cash is actually received or paid out.

Closeout is a process in which G&T determines that all applicable administrative actions and all required work of the award have been completed by the recipient and G&T.

Cognizant Federal agency is the Federal agency that generally provides the most Federal financial assistance to the recipient of funds. Cognizance is assigned by the Office of Management and Budget (OMB). Cognizant agency assignments for the largest cities and counties are published in the Federal Register. The most recent publication was dated January 6, 1986. The cognizant agency is generally the agency that will negotiate an organization's indirect cost rate agreement. The cognizant agency is also responsible for resolution of A-133 audit findings.

Conference or meeting is a formal event involving topical matters of general interest (i.e., matters that will contribute to improved conduct, supervision, or management of the agency's functions or activities) to Federal agency and non-Federal agency participants, rather than a routine business meeting primarily involving day-to-day agency operations

and concerns. "Meeting" includes other designations, such as a conference, congress, convention, seminar, symposium, training for grantees or contractors, and workshop.

Consultant is an individual who provides professional advice or services.

Continental breakfast means a light breakfast that may include a selection of coffees, teas, juices, fruits, and assorted pastries, and is allowable provided several hours of substantive material directly follows the continental breakfast. Grant recipients are reminded that the least expensive of the available selections should be chosen. If a meal is provided to the recipient, per diem must be reduced accordingly.

Contracts are entered into by the awarding agency, recipients or subrecipients, and commercial (profit making) and non-profit organizations. With the exception of a few justified sole source situations, contracts are awarded via competitive processes to procure a good or service.

Cooperative agreements are awarded to States, units of local government, or private organizations at the discretion of the awarding agency or as stipulated by law. Cooperative agreements are utilized when substantial involvement is anticipated between the awarding agency and the recipient during performance of the contemplated activity.

Discretionary awards are made to States, units of local government, or private organizations at the discretion of the awarding agency or as stipulated by law. Most discretionary awards are competitive in nature in that there are limited funds available and a large number of potential recipients.

Domestic travel includes travel within and between Canada and the United States and its territories and possessions.

Equipment is tangible, nonexpendable, personal property having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit. A recipient/subrecipient may use its own definition of equipment provided that such definition would at least include all equipment defined above.

Federal contractor is a person or entity that contracts with the Federal government to provide supplies, services, or experimental, developmental, or research work. Entities may include commercial organizations, educational institutions, construction and architectural engineering companies, State and local governments, and non-profit organizations.

Federal employees are people employed in or under an agency of the United States Federal Government.

Federal grantee means the component of a State, local, or Federally recognized Indian tribal government, educational institution, hospital, or a for profit or non-profit organization that is responsible for the performance or administration of all or some part of a Federal award.

Focus group means a gathering of Federal government employees to discuss results and improvements of programs in the field. The focus group should follow a prepared agenda, be led by an expert in the subject matter, and serve to educate Federal employees.

Food and/or beverages retain their common meanings. Food or beverages are considered in the context of formal meals and in the context of refreshments served at short, intermittent breaks during an activity. Beverages do not include alcoholic drinks.

Foreign travel includes any travel outside of Canada and the United States and its territories and possessions. For an organization located in a foreign country, this means travel outside that country.

Formal agenda provides a list of all activities that shall occur during the event, using an hour-by-hour time line. It must specifically include the times during the event when food and beverages will be provided.

Formula awards are awarded to the States to provide assistance to State and local units of government for programs in accordance with legislative requirements.

Grants are awarded to States, units of local government, or private organizations at the discretion of the awarding agency or on the basis of a formula. Grants are used to support a public purpose of support or stimulation authorized by Federal statute.

High risk is a determination made by the awarding agency of a recipient's ability to financially administer Federal project funds. Additional requirements, such as reporting and/or monitoring, may be imposed.

Incidental means relating to a formal event where full participation by participants mandates the provision of food and beverages.

Indirect costs are costs of an organization that are not readily assignable to a particular project, but are necessary to the operation of the organization and the performance of the project. The cost of operating and maintaining facilities, depreciation, and administrative salaries are examples of the types of costs that are usually treated as indirect.

Interagency agreements and purchase of service arrangements are usually entered into by two governmental units or agencies. Such funding arrangements are negotiated by the entities involved.

Match is the recipient share of the project cost. Match may either be "in-kind" or "cash." In-kind match includes the value of donated services. Cash match includes actual cash spent by the recipient and must have a cost relationship to the Federal award that is being matched.

Nonexpendable personal property includes tangible personal property having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit. A recipient may use its own definition of nonexpendable personal property provided that the definition would at least include all tangible personal property.

Obligation means a legally binding liability to pay under a grant, subgrant, and/or contract determinable sums for services or goods incurred during the grant period.

Pass-through is an obligation on the part of the States to make funds available to units of local governments, combinations of local units, or other specified groups or organizations.

Personal property means property of any kind except real property. It may be tangible (having physical existence) or intangible (having no physical existence, such as patents, inventions, and copyrights).

Preagreement/Pre-award costs are defined as costs that are considered necessary to the project but occur prior to the starting date of the award period.

Prior approval means written approval by the authorized official (the next highest authority except for sole source) evidencing consent prior to a budgetary or programmatic change in the award.

Program income means gross income earned by the recipient during the funding period as a direct result of the award. Direct result is defined as a specific act or set of activities that are directly attributable to grant funds and that are directly related to the goals and objectives of the project. Determinations of "direct result" will be made by the awarding agency for discretionary grants and by the State for formula subawards. Fines/penalties are not considered program income. Program income may be used only for allowable program expenses.

Project Period is the period for which implementation of a project is authorized. The project period may be equal to or longer than the budget period for an award, but cannot be shorter than the budget period.

Real property means land, land improvements, structures, and appurtenances thereto, excluding movable machinery and equipment.

Reasonable costs are costs that a prudent person would have incurred under the circumstances prevailing at the time the decision to incur the cost was made. Costs to consider when making judgments about reasonableness include the cost of food and beverage, total cost of the event, and costs incurred relative to costs in the geographical area. The exception to this definition is lodging costs for events of 30 or more participants, when the event is funded with a G&T award. For these events, reasonable is defined as the Federal per diem rate for lodging.

Reception means an informal gathering that is not mandatory for all event participants to obtain necessary information. Indicators of a reception include a cash bar, inadequate seating for the entire group, food items from a reception menu (such as finger foods), and a longer break (than utilized throughout the day) between the substantive meetings and the reception. Receptions are expressly prohibited and are considered to be an unallowable cost with Federal funds.

Recipient is an individual and/or organization that receives Federal financial assistance directly from the Federal agency.

Social event is any event with alcoholic beverages served, available, or present. Social events are expressly prohibited and are considered to be an unallowable cost with Federal funds.

Stipend is an allowance for living expenses. Examples of these expenses include, but are not limited to, rent, utilities, incidentals, etc.

Subaward is an award of financial assistance in the form of money to an eligible subrecipient or a procurement contract made under an award by a recipient.

Subrecipient is an individual and/or organization that receives Federal financial assistance from the direct recipient of Federal funds. This may include entities receiving funds as a result of formula awards.

Supplanting is to deliberately reduce State or local funds because of the existence of Federal funds. For example, when State funds are appropriated for a stated purpose and Federal funds are awarded for that same purpose, the State replaces its State funds with Federal funds, thereby reducing the total amount available for the stated purpose.

Working dinner means a formal and mandatory dinner necessary for all participants to have full participation in the conference or event. A working dinner must include a formal agenda including a program or speakers that will impart necessary information important for full understanding of the subject matter of the conference. There should be several hours of informative sessions providing substantive information scheduled both before and after a working dinner. Indicators of a working dinner include seating for all participants. If a meal is provided to the recipient, per diem must be reduced accordingly.

Working lunch is a formal and mandatory lunch necessary for all participants to have full participation in the conference or event. A working lunch must include a formal agenda including a program or speakers that will impart necessary information important for full understanding of the subject matter of the conference. There should be several hours of informative sessions providing substantive information scheduled both before and after a working lunch (exhibits are not included). Indicators of a working lunch include seating for all participants. If a meal is provided to the recipient, per diem must be reduced accordingly.

Work-related event is a conference or meeting involving a topical matter of interest within the purview of the agency's mission and function.

Index

Index

Access to Records, 6, 54, 56
Accounting Responsibilities, 5, 19, 20
Accounting System, 13
Accrual, 61
Adjustments to Awards, 5, 32, 33
Administrative Requirements, 8, 61
Audit, 6, 9, 21, 45, 50, 51, 52
Award Document, 5, 15, 16
Bonding, 21
Bonuses or Commissions, 43
Buy American Act, 40
Cash Management Improvement Act, 5, 24, 25
Close Out, 6, 54, 55
Commingling of Funds, 5, 19, 21
Compensation of Federal Employees, 43
Conflicts of Interest, 5, 19, 22
Construction or Renovation, 45
Consultant, 41, 62
Cooperative agreements, 17, 62
Cost Analysis, 5, 11, 14
Direct Recipients, 9
Drawdown, 55
Dun & Bradstreet (D&B), 13
DUNS, 13
Equipment, 40, 62
Financial Status Report, 31, 34, 36, 37, 55
Fly America Act, 46
Foreign Travel, 46
Fund Raising, 44
Grants, 1, 3, 4, 8, 12, 17, 26, 31, 34, 52, 58, 63
Indirect Costs, 41
Individuals, 10, 13, 52
Interest, 5, 24, 26, 36, 45
Lobbying, 44
Management and Administrative, 41, 42
Match, 12, 35, 37, 38, 63
Monitoring, 5, 19, 21, 22
Obligation of Funds, 5, 27, 28
OMB Circulars, 8, 9, 10, 17, 21, 37, 40, 44, 45, 48, 51, 52, 61
Payments, 5, 24, 25
Preagreement Costs, 45
Procurement, 6, 47, 48
Program Income, 6, 35, 36, 37
Reporting requirements, 31
Retention and Maintenance of Records, 6, 54, 55
Sole Source, 6, 48
Special Conditions, 8, 16, 25, 34
Subrecipients, 4, 6, 9, 10, 17, 20, 21, 22, 25, 26, 34, 37, 38, 41, 44, 45, 48, 49, 50, 51, 52, 62
Supplanting, 5, 19, 23, 65
Suspension, 5, 27, 28
Termination, 5, 27, 28
Waiver of Match Requirement, 38