



PORT AUTHORITY OF GUAM
FINANCIAL MANAGEMENT
POLICY AND PROCEDURES



FEMA



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**Subject: PAG Financial Management
Policy and Procedures**

Adopted By PAG Board of Directors:

FRANCISCO G. SANTOS
Board Chairman

Port Authority of Guam

Financial Management Policy and Procedures

Summary

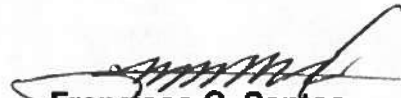
The Port Authority of Guam (PAG) **Financial Management Policy and Procedures (FMPP)** is a guide to how the PAG will conduct its programmatic and financial management responsibilities in the planning, development, applying, acquisition, oversight, execution, and overall administration of all US Department of Homeland Security (DHS) and Federal Emergency Management Agency (FEMA) grants.

Since the terrorist attacks to our nation on September 11, 2001, Congress increased focus and assistance to state and local jurisdictions by establishing and authorizing DHS to administer federal homeland security grant programs. Administered by different DHS entities, the grant programs addressed preparedness, mitigation, response, and recovery activities that PAG can apply for and acquire funding to enhance its emergency management and response capabilities. **Since 2003, DHS has awarded over \$31 Billion in grants to state and local governments.**

One of these grant opportunities is the Port Security Grant Program (PSGP). The PAG has been proactive and very aggressive in its efforts to competitively apply for and acquire funding from the PSGP. Since 2007, the PAG has been awarded over \$11.82 Million in projects that has enhanced its core capabilities, bolster its port resiliency, and improved its maritime and port security posture.

As stewards of the public funds that has been entrusted to FEMA, the PAG shares this fiduciary responsibility through prioritization of projects, sound calculated planning, and accurate financial management, control, and disbursement of funds.

Although the FMPP was developed to ensure that FEMA taxpayer dollars are used for the purposes for which they were initially proposed and awarded, it is also being used as a guidance for any and all Federal grants acquired by the PAG. Patterned after the Federal Financial Management Guide, it serves as the primary reference and day-to-day management tool in all programmatic and financial activities that the PAG undertakes.



Francisco G. Santos
Chairman

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Chapter 1: Introduction

What is the purpose of the PAG FMPP?

The FMPP is intended to be used for the management of PSGP awards administered by FEMA's Grants Program Directorate (GPD) in conjunction with references to the policies and guidance issued by the Office of Management and Budget (OMB) through circulars and government-wide common rules applicable to grants and cooperative agreements, program guidelines, application kits, special conditions, terms and conditions, GPD information bulletins, and DHS policy, regulations and statutes.

On December 26, 2013, OMB issued new guidance that provides a government-wide framework for grants management. The new guidance, the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR Part 200), streamlines the Federal Government's administrative, cost, and audit requirements, and has been adopted on December 19, 2014 and implemented on December 26, 2014 by DHS/FEMA.

Unless prohibited by law, the costs of audits made in accordance with the provisions of this requirement are allowable charges to FEMA 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.

PAG records will be made available and complete for review or audit by appropriate officials or representatives of FEMA, pass-through entity, and Government Accountability Office (GAO). These organizations will 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 \$750,000 per year and is thereby exempted under the A-133 requirement may not charge such costs to its Federal award(s).

Who is the FMPP designed for?

This document is provided for the use of the PAG in the administration of its PSGP grant funds. It serves as the primary reference for financial management and grants administration.

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

Chapter 2: 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. GPD grant program announcements can also be found at 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 provides the PAG, 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 the GPD.
- Match Requirements
- Program Description
- Funding Availability
- Program Specific Requirements
- Application Deadlines
- Application Requirements
- Application Forms
- Reporting Requirements

Application Review

SF 424 Analysis:

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

- ***Employer Identification Number (EIN).*** This number includes the PAG's employer identification numbers (EIN)
- The SF 424 includes a question about whether there is Federal debt. This kind of debt is defined to include delinquent audit disallowances, loans, and taxes.
- ***DUNS number.*** All PAG grant applications 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:

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 will be resolved prior to awarding additional discretionary funds.

The awarding agency will obtain credit reports before making awards to new Grantees or to those Subgrantees 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, the GPD may impose additional monitoring and/or reporting requirements.

GPD 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 GPD.

Cost Analysis

GPD 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 GPD 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

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 PAG;
- Date of award;
- Project/performance period;
- Vendor/PAG number;
- Amount of Federal funds;
- Award/agreement number;
- Method of payment; and
- Terms and conditions, as appropriate, that the PAG will 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 FEMA funds for use by the PAG in executing the program or project covered by the award. Acceptance of a FEMA award of funds means that the PAG agrees to abide by all applicable laws, regulations, program guidance and special conditions. This obligation may be voided without further cause if the PAG fails to accept the award in a timely manner.

All awards will include terms and conditions that include requirements concerning compliance with this FMPP and compliance with the audit requirements. A number of other standard or special conditions may be attached to the award. ***The PAG is aware of the urgency to carefully review and understand all terms and conditions of the award prior to award acceptance. Furthermore, the PAG is also aware that 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.***

If the PAG 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, GPD may take one or more of the following actions, as appropriate in the circumstances.

1. Temporarily withhold cash payments pending correction of the deficiency by the PAG.
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 PAG 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 GPD 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 GPD 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 will be tied. (Refer to specific grant program guidelines for requirements.)

The PAG has employed pre-planning strategies, to include such activities as threat and vulnerability assessments, needs assessments, and gap analyses prior to making an application for a grant award. Based upon the results of these activities, priorities for funding were introduced and subsequently endorsed by PAG Management and the Guam Area Maritime Security Committee. The priorities were enforced and established. The PAG leveraged all relevant funding and resources from multiple sources wherever possible that will support and sustain program efforts. Program budgets were developed in a manner that maximizes all resources, not restrictive to Federal funding alone, avoids duplication of spending, help achieve identified priorities, and account for expenditures.

Chapter 4: Managing Federal Funds

Financial Management System Requirements

The PAG is required to establish and maintain accounting systems and financial records to accurately account for funds awarded to them. These records will include both FEMA funds and all matching funds of State, local, and private organizations, when applicable. The PAG will expend and account for grant funds in accordance with Guam laws and procedures for expending and accounting for its own funds. Although currently not applicable to the PAG, Subgrantees will follow the financial management requirements imposed on them by the local government, which will comply with the requirements GPD has imposed on all jurisdictions.

Funds specifically budgeted and/or received for one project may not be used to support another without prior written approval from FEMA. Where the PAG's accounting system cannot comply with this requirement, the PAG will 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 Subgrantee, the PAG is responsible for all aspects of the program, including proper accounting and financial recordkeeping by the Subgrantees. Responsibilities include the accounting of receipts and expenditures, cash management, maintenance of adequate financial records, and refunding expenditures disallowed by audits.

Although the PAG does not have any Subgrantee, the aforementioned is included as reference.

PAG Accounting Responsibilities

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

- ***Reporting Irregularities*** – The PAG will promptly notify FEMA 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 the PAG 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*** – The PAG will not award or permit any award at any level to any party that is debarred or suspended from participation in Federal assistance programs.
- ***Bonding*** – FEMA may require adequate fidelity bond coverage where the PAG 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, the PAG is responsible for all aspects of the program, including proper accounting and financial recordkeeping. Responsibilities include accounting for receipts and expenditures, cash management, maintaining adequate financial records, and refunding expenditures disallowed by audits.

Commingling of Funds

FEMA will not require physical segregation of cash deposits or the establishment of any eligibility requirements for funds that are provided to the PAG. However, the PAG's accounting system will ensure that FEMA funds are not commingled with funds from other awards or Federal agencies. Each award will be accounted for separately. The PAG is 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

PAG Responsibilities:

The PAG has full responsibility for the conduct of the project or activity supported and for the results achieved. The PAG will 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. If applicable in the future, the PAG is responsible for monitoring the activities of and pass-through requirements to any Subgrantees.

Federal (FEMA) Responsibilities:

It is FEMA's practice to limit involvement between itself and the PAG 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 PAG 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 the PAG 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. FEMA requires financial assistance to the PAG 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 PAG 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 FEMA funded programs will adhere to the following FEMA requirements imposed to all state, local, and tribal jurisdictions:

No official or employee of a State or unit of local government or a non-governmental Grantee or Subgrantee will 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 FEMA project funds, officials or employees of State or local units of government and non-governmental Grantees or Subgrantees will 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 the PAG 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

The PAG will not replace funding appropriated from its resources or from the Government of Guam with its FEMA grant funding. It is the purpose of these grants to increase the overall amount of resources available to any GPD funded organization in order to bolster preparedness and to increase services and opportunities. Current levels of activities or programs funded by the State, local or non-governmental entity resources should only be

increased by receipt of FEMA funding. The PAG therefore will ensure that it does not reduce the current overall level of funding support to preparedness missions, absent exigent circumstances.

For example, if the PAG pays the salaries of three intelligence analysts, it cannot begin to pay the salary of one of them with FEMA 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 PAG will be required to supply documentation demonstrating that the reduction in non-FEMA resources occurred for reasons other than the receipt or expected receipt of Federal funds.

A confirmation during the application process may be requested from the PAG stating that FEMA funds will not be used to supplant State or local funds.

Chapter 5: 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 the PAG in the program guidance and/or post award instructions. For assistance in determining the method to be used for payment requests, the PAG can contact the Office of Grant Operations at 1-866-9ASK-OGO or ASK-OGO@DHS.GOV.

Request for Advance/Reimbursement

The PAG 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. The PAG will time its 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, the PAG may elect to drawdown funds up to 120 days prior to expenditure/disbursement.** However, GPD strongly encourages the PAG to draw down funds as close to expenditure as possible to avoid accruing interest.

Although it does not apply to the PAG. Fund requests from Subgrantees create a continuing cash demand on award balances of the State. The State should keep in mind that idle funds in the hands of Subgrantees will impair the goals of sound cash management. The PAG will develop procedures for the disbursement of funds to ensure that FEMA cash on hand is kept at a minimal balance.

Withholding of Funds

GPD may withhold payments to the PAG 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 will pay interest in the event that the States draw down funds before the funds are needed to pay for program expenses.

Please note: Although the PAG may draw down funds up to 120 days in advance of expenditure, it is **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 for program purposes. The PAG should request funds based on an immediate cash needs basis.

Interest

The PAG will minimize the time elapsing between the transfer and disbursement of funds.

1. A State, its Subgrantees 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) WILL 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. Subgrantees under formula grant programs are held accountable for interest earned on advances.
2. All local units of government (political subdivisions of a State, including cities, towns, counties and special districts created by State law) will 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.

Chapter 6: 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 PAG during the same or a future period.

Period of Availability

The award period is the period of time when FEMA funding is available for obligation by the PAG. The PAG may charge to the grant only allowable costs resulting from obligations incurred during the funding period and any pre-award costs authorized by GPD. 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 PAG within the grant award period will lapse and revert to GPD. 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

If the PAG properly obligates funds by the end of the award period, it 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 GPD, 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 will be liquidated/expended by 12/29/2005.

Suspension and Termination

GPD may terminate any project, in whole or in part, for the convenience of the Government or when the PAG 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 PAG's POC of record, or when the PAG and GPD agree to do so. In the event that the decision has been made to terminate a project, GPD will:

1. Notify the PAG in writing of its decision;
2. Specify the reason; and
3. Afford the PAG 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

GPD requires the PAG 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, GPD requires the PAG 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 GPD 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.

The SF269a quarterly Financial Status Report will be submitted on-line using the Payment & Reporting System (PARS). The link to submit this report is <https://isource.fema.gov/sf269/execute/Home>. For assistance using this system, the PAG can contact the PARS PAG Help Desk at 1-888-457-3362.

Programmatic Reporting

All PSGP funds require that the PAG report on the performance and progress of grant activities. Reporting requirements may vary in format and in time frame, so reference is recommended to the specific guidance for each program for full details on the required program report(s).

The PAG is required to submit the semi-annual Categorical Assistance Progress Report (CAPR). This report will be submitted on-line using ND Grants. The link to submit this report is <https://portal.fema.gov/famsVuWeb/home>. For assistance using this system, PAGs may contact the GMD Help Desk at 1-887-611-4700.

Chapter 8: Adjustments to Awards

Modifications and Revisions (including Grant Adjustment Notices)

All requests for programmatic and/or administrative changes will be submitted in a timely manner by the PAG. All requests for changes to the approved award will 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

The PAG will give notification in writing to GPD of events or proposed changes that may require an adjustment/notification. In requesting an adjustment, the PAG will set forth the reasons and basis for the proposed change and any other data deemed helpful for GPD review. PAG requests will be reviewed by GPD 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 – The PAG is required to notify GPD of changes to their mailing address.
- Changes in Award Period – The PAG 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 will be submitted with the project or program extension request on agency letterhead. Complete details will 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 GPD, 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 GPD 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 will 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 will include, at minimum, a final Financial Status Report (SF-269a) and a final program report. It is GPD 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 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 GPD, the newly designated SAA will be permitted to apply for the remaining funds through the Grants Management System.

Chapter 9: Other Program Funds

Program Income

Program income is potential gross income earned by the PAG 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 FEMA 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 FEMA is **not** program income.

Accounting for and Reporting Program Income

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

1. Added to funds committed to the project by FEMA and the PAG and used to further eligible project or program objectives.
2. Used to finance the non-FEMA 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 will be expended prior to additional drawdowns.

Use and Disposition of Program Income

Unless specified by GPD, program income should be used as earned and expended as soon as possible. If the cost is allowable under the PSGP 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 PAG should request a no-cost extension of the grant period to provide 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 PAG. The FEMA portion of program income will be accounted for up to the same ratio of FEMA participation as funded in the project or program. For example:

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

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

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 will be used to support a FEMA funded project and will 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 will 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 will include those costs that are allowable with FEMA 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. 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
3. Funds earned from seized assets and forfeitures (adjudicated by a State court, as State law permits), or
4. 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
5. 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: The PAG will 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 PAG will maintain records of them in the same manner as it does the awarding agency funds and required matching shares.

Waiver of Match Requirement: In accordance with 48 USC §1469a, congressional declaration of a policy regarding insular areas, FEMA, in its discretion, will 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

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 will be reasonable, allocable, necessary to the project, and comply with the funding statute requirements. The PAG will 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 GPD 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, the PAG is generally not required to conform with the restrictions of the Buy American Act (41 U.S.C. 10a). However, grants authorized under the Stafford Act, including the *Port Security Grant Program*, will 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:

2 CFR Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements For Federal Awards
"Subpart E – Cost Principles"

Equipment

For GPD programs that include the purchase of equipment, the PAG is encouraged to review FEMA's 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>. Any concerns that the PAG may have concerning the eligibility of equipment not specifically addressed in the SEL or AEL will be brought up to its Program Analyst for or Preparedness Officer for clarification.

Acquisition, Maintenance, Transfer, and Survey of Fixed Assets

Purpose

1. To provide procedures and guidelines to facilitate accurate record keeping on the acquisition, maintenance, control and disposition of PAG equipment and property.
2. To maintain consistency in all Port divisions and adopt standardized equipment and property accounting procedures for fixed assets.
3. The combination of accurate accounting records and strong internal controls must be in place to protect against and detect the unauthorized use of Port assets.

Scope

The provisions of these guidelines shall be used by employees who are responsible for acquiring, safeguarding, record keeping and surveying Port equipment and properties that are classified as Fixed Assets.

Discussion

Division heads, supervisors and employees are expected to exercise due care in the use of Port assets and to utilize such equipment and properties only for authorized purposes. The value of fixed assets for the Port, including the very smallest ones, is substantial. Maintaining a complete and accurate accounting for fixed assets with significant value is important for several reasons:

1. Adequate accounting procedures and records for fixed assets are essential to effective equipment and property management and control;
2. The stewardship responsibility involved in safeguarding such a large public investment is of the utmost importance to sound financial administration; and
3. Unauthorized removal or release of Port equipment and properties from the premises is in violation of this policy.

Definitions

For purposes of this policy,

- ***Fixed Assets*** (Capitalized Equipment and Properties): A tangible, non-consumable equipment or property, which is capitalized. A fixed asset has an acquisition cost of at least \$1,000, has a useful life of at least one year and is used to conduct Port business. The cost of a fixed asset includes the purchase price plus all costs to acquire (shipping & handling), installation, and preparing the equipment or property for its intended use. These assets may be subject to depreciation.
- ***Federal Capital Assets*** – (Capitalizable assets with a unit cost of \$5,000 or more purchased with federal grant funding). See Section VII below for additional information on transfer, disposal or sale of moveable federal capital equipment.

Responsibilities

1. Finance Division

- a. The Property Control Officer (PCO) shall be responsible for maintaining appropriate records of all fixed assets. The PCO's duties also include conducting periodic physical counts and affixing inventory number tags to the fixed assets.
- b. Any transfer of fixed assets shall be processed through the PCO and approved by the General Manager.
- c. Assets that are obsolete, damaged or lost which are recommended for disposal or written off from the books must be processed through the PCO and approved by the General Manager.
- d. Documentation for transfer and disposal of assets must have the concurrence of the Financial Affairs Controller and Deputy General Manager, Finance and Administration prior to the approval of the General Manager.

2. General Manager

- a. To decide and give approval for write-off when a fixed asset is lost, damaged, or obsolete and subject to compliance of lost or stolen and property survey procedures.
- b. To give approval for the transfer of fixed assets from one employer to another, transfer from one section to another and loan assets of the Port to another Government of Guam department or agency.
- c. To decide and give approval on capital expenditures (whether it be included in the annual Capital Expenditure Budget or outside the budget).

3. Division Heads

- a. Assign an employee as their Division Property Contact Person (PCP) to maintain records regarding placement and movement of equipment and property. The PCP coordinates with the Finance Division on the initial placement or movement of assets assigned to their respective division.
- b. Recommend transfer or survey of assets from the General Manager's approval.

Policies

1. Acquisition of Fixed Assets

Acquisition of Fixed Assets will not be made unless first proposed and approved in accordance with the policies and procedures.

Prior to the procurement process of purchasing an asset, a proposal must be submitted in a prescribed form (attached). The form will be forwarded to the Finance Division for review and concurrence by the Financial Affairs Controller. Once the signature has been obtained, it will be forwarded to the General Manager for final approval.

For those items included in the Port's fiscal year budget, the above process for approval must be complied with regardless if it has been initially approved in the budget.

The application for capital expenditure must be submitted no less than 7 working days to the General Manager for assessment before entering the requisition in the computerized procurement system. A copy of the approved application must be submitted to Finance and Procurement & Supply Division before a requisition to purchase such item is inputted into the computerized procurement system.

The Finance Division must ensure that all invoices for fixed assets are attached to the "Application for Capital Expenditure" form.

2. Equipment Tagging

All fixed assets and computer related equipment (defined in prior sections) will be tagged with a PAG identification number prior to delivery to the ordering Division.

The Finance Division must be notified of any delivery by the Procurement & Supply Division that is classified as an asset or Port property. A tag bearing the identification number should be affixed on the top left corner or next logical location or other conspicuous position. Any additional identification by a division should be applied in a manner that avoids confusion with the Port property number. Should the identification number be accidentally or mistakenly removed, the property will be retagged. The original property record will reference the new identification number assigned to the property.

Assigned identification numbers are recorded on all applicable receiving, shipping, disposal documents, and other records that are related to the property control system. Should the item be transferred to a different Division, the identification number will remain the same. The property record will be updated with the new location.

3. Procedure for Tagging Equipment

- a. Upon receipt of an equipment, an e-mail will be sent to the Property Control Officer and the Finance Controller notifying the Finance Division that equipment has been received. The e-mail should contain a summary of the equipment received (description, manufacturer, model) along with unique identifiers (serial number).
- b. A copy of the purchase order will be sent electronically or by fax.
- c. The Finance Division PCO will visit the location of the asset to inspect and tag the equipment. Employee or Division/Section Head who is responsible for the asset must read and sign the Property Receipt.

4. Location/Relocation of Equipment/Property

The location of each item of equipment or property is recorded into the Property data base and Fixed Assets JD Edwards Financial System. Current records regarding placement and movement of equipment are maintained in such a manner that any item of equipment can be located for inspection, audit, or inventory purposes within a reasonable time frame. Notification of initial placement or movement of equipment should be sent to the Finance Division as soon as possible.

Regarding the bulk placement of computers/electronic equipment by the Information Technology Department, notification will be emailed to Property Controller Officer with the information available in spreadsheets form.

5. Physical Inventory

Each year the Finance Division will furnish to the Division's PCP via the Division Heads a schedule for their rotating inventory. A computer print-out of the property reflected in the Property database (sorted by division) and inventory instruction will be furnished to each Division at inventory time.

The Finance Division may perform an inventory of all the assets assigned to the division or on the basis of statistical sampling. If the sample shows gross discrepancies, the Finance Division may conduct a complete physical inventory.

6. Reconciliation

The PCO will submit to each division a summary that properly identifies all discrepancies disclosed by the physical inventory. Division PCPs may review the discrepancies and dispute the findings to make appropriate corrections before it is finalized. Corrections must be verified by the Fixed Assets Accountant.

The summary will include a signed statement that a physical inventory of all Port property was completed on a given date and that the official property records were found to be in agreement with the physical inventory, except for discrepancies reported. The summary and signed statement will be furnished with a minimum delay at the completion of the physical inventory.

If necessary, following the physical inventory and items are not located, the appropriate steps regarding lost/stolen property should then be executed by the responsible Division/Section.

7. Loan of Port Owned Equipment and Property:

Loans of Port owned equipment and property must be properly documented.

- a. Loan of Port Equipment from One Division to Another. If an equipment is loaned to another division/section for a short period, a Property Loan Agreement (see Attachment) should be filed with the Finance Division.
- b. Loan of Port Equipment to External Organization, Employee or Other Individuals. Any loan of Port equipment to an external organization or to an individual, including employees, must have prior approval by the General Manager. All loaned equipment shall be listed on a Property Loan Agreement Form, and filed with the Finance Division.
- c. Inter-Division Transfer: When equipment is transferred between divisions, a Property Action Request Form (see Attachment) must be completed and signed by the Division head transferring the equipment. This form should then be forwarded to the division that has accepted the equipment. The accepting division should record the new location of the equipment. The Division head of the accepting division will sign the form. The completed form should be forwarded to the Finance Division. The Finance Division will then update the Property data base to reflect the transfer.

8. Property Survey

In order to remove or delete items from Fixed Assets/ Property Inventory Records, a process known as a "survey" must be completed. The following procedures must be taken:

- A Request for Property Survey form (see attachment) to dispose of surplus property must be prepared and submitted to the Finance Division (See Attachment). A complete description of the item, including the item number and serial number, if available, should be furnished. This form can be obtained from the Finance Division for approval and signature.
- Upon approval, the Finance Division will transfer the property record from the Main Inventory database to the Archive database.
- The Finance Division will also submit a work order to either Transportation Division or Facility Maintenance Division to remove the equipment or property from the division and place it in a storage/controlled area or until ultimate disposition occurs through the General Services Agency (GSA),'

The proposed disposal of property be cannibalizing or surveying these items must also be recorded on a Property Survey Report form following the above procedures.

9. Lost or Stolen Property Procedure

As soon as possible after determining the Port property has been lost or stolen, the division of record should contact the Port Authority Police or local Police Department to file a police report. The employee or division must then complete an Equipment Loss Report (see attachment) to submit the Finance Division. A Request for Property Survey Form (see attachment) should be submitted in addition to the Equipment Loss Report to the Property Department. Employees will be charged with any lost or damage to Port property due to their negligence or unauthorized use. (see Authorization)

10. Divisional Responsibilities

Each section is charged with the responsibility for Port property assigned to or purchased by their division.

The division is also responsible for communication with the Finance Division on the receipt of property that is to be tagged and notification of loss, destruction, or transfer of property.

Warranty information and supporting documentation is to be maintained by the originating division. Inventoried property will have minimal backup information maintained in the Property records.

List of Property Control Forms

- FA FORM 01- Application for Capital Expenditure
- FA FORM 02- Property Action Request Form
- FA FORM 03- Division Inventory Report
- FA FORM 04- Property Loan Agreement
- FA FORM 05- Property Loss Report
- FA FORM05- Property Survey Report

Additional Information – Federal Grants/Sponsored Projects

The Property Control Officer (PCO) is responsible for the care and maintenance of Port equipment acquired with federal funds. The Accountant II maintains an asset database of all capital items on federal grants equipment and is required to perform a biennial inventory. The PCO is responsible for notifying Finance on any movement, disposal or sale of equipment and ensuring the Asset Disposition Form is completed and signed. If a grant requires additional reporting or management procedure, the PCO accepts responsibility for monitoring adherence of these additional requirements under the terms and conditions of the award.

Before using federally-funded equipment for other activities, disposing of the equipment, or transferring equipment to another institution, please contact General Manager and Finance. Once the Asset Disposition Form is completed and approvals are verified, the Asset Disposition Form is sent to Finance where the information will be processed in the AS400 fixed asset database.

When transferring equipment to another institution or disposing of assets acquired through federal funds, PCO is responsible to comply with federal regulation 2 CFR 200 Uniform Guidance sections 200.313 for equipment purchased on federal awards. Port Authority General Manager must approve the removal of any equipment.

Equipment value must be reviewed by General Accounting Supervisor and approved by Financial Affairs Controller.

For transfers, documentation of receipts and acceptance by the new Division is required prior to removal of the equipment from AS400 fixed asset master file.

Federal agencies differ in specific guidelines and as such the Port will follow the specific guidelines of the specific federal awarding agency. Federally owned equipment may not be transferred, disposed of or removed from the Port without prior written approval from the federal agency.

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.

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.

Although the PAG does not execute its option to use this allowable cost, for future reference the following requirements must be met.

In order to be reimbursed for indirect costs, the PAG will confirm if its current indirect cost rate is approved. To do this, the PAG will prepare an indirect cost rate proposal and submit it to FEMA. FEMA is assigned by OMB or is determined based on the preponderance of Federal dollars received by the PAG. If an indirect cost proposal for recovery of actual indirect costs is not submitted to FEMA 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 the PAG has a FEMA approved indirect cost rate agreement, GPD will accept any current indirect cost rate or allocation plan previously approved for the PAG by any Federal awarding agency on the basis of allocation methods substantially in accord with those set forth in the applicable cost circulars. Per the OMB guidelines, GPD does not approve indirect cost rates beyond PAG's level. For information on how to obtain an approved indirect cost rate, the PAG is aware that it can 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 PAG 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 the PAG 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 GPD 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 will 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 PAG 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 2 CFR Part 200 cost principles, the PAG refers to program guidelines to determine what program costs are not allowed for that specific program. Costs that are unallowable under one GPD 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.

Bonuses or Commissions

The PAG 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

The PAG will comply with the provisions of the government-wide Common Rule on Restrictions on Lobbying, as appropriate.

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 2 CFR Part 200 Subpart E Cost Principles, Section 200.407 or costs that contain special limitations.

Where prior approval is required, GPD will be the approval authority for all discretionary grants awarded to the PAG. Where prior approval authority for Subgrantees is required, it will be vested in the State unless specified as being "RETAINED BY THE FEDERAL AWARDING AGENCY," as identified below. Subgrantee requests for GPD approval should be submitted through the State for a formula award.

The intention of GPD 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 GPD funds for construction is generally prohibited, except as outlined in the specific program guidelines (see program specific guidelines for details). Written approval will be provided by GPD prior to the use of any GPD 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 PAG receives prior approval from GPD. 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 Subgrantees 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 2 CFR Part 200 Subpart F – Audit Requirements, Section 200.501 are unallowable. If the PAG did not expend \$750,000 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 2 CFR Part 200, 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 \$750,000 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 GPD. 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 GPD 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 will be approved.

PAG will 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 PAG will maintain supporting documentation in the grant files available and specifically identified for review during an audit.

Requests will 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

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 PAG may not have the procurement delegation authority. Unless a professional or construction procurement is required, all procurement processes will be administered and facilitated by the local General Services Agency (GSA).

Procurement Standards

- **General** – the PAG will follow the same policies and procedures it uses for procurement from its non-Federal funds. The PAG will ensure that every purchase order or other contract includes any clauses required by Federal statutes and executive orders and their implementing regulations.
- **Standards** – the local GSA will use its own procurement procedures and regulations for equipment purchases, 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, will be conducted in a manner so as to provide maximum open and free competition. All sole-source procurements in the amount of \$500,000 or over must receive prior written approval from Guam's Attorney General Office.
- **Non-competitive Practices** - The PAG will 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 will be excluded from bidding or submitting a proposal to compete for the award of such procurement. Any request for exemption will be submitted in writing to the awarding agency.

Sole Source Procurement (Non-Competitive)

All procurement transactions will be conducted in such a manner that provides, to the maximum extent practical, open and free competition. However, should the PAG elect to award a contract without competition, sole source justification is necessary. Justification will 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.

NOTE:

In addition to the aforementioned, the Procurement Policy and Procedures manual provides a more descriptive and comprehensive guidance on the PAG's procurement processes.

Chapter 12: Audits

Audit Requirements

The PAG is responsible for obtaining audits in accordance with 2 CFR Part 200 Subpart F – Audit Requirements. Any expenditure of \$750,000 or more in Federal awards in a fiscal year are required to have an audit performed.

- The audits will 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.
- PAG audit reports will be distributed by the Federal Audit Clearinghouse to the organization's Federal Cognizant Agency for review and resolution of any findings.
- The PAG is 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 PAG expressly agrees. Accordingly, the audit objective is to review the PAG's administration of funds and required non-Federal contributions for the purpose of determining whether the PAG has:

1. Established an accounting system integrated with adequate internal fiscal and management controls to provide full accountability for revenues, expenditures, assets, and liabilities. The system will 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 will follow the requirements prescribed in the 2 CFR Part 200. If the auditor becomes aware of illegal acts or other irregularities, prompt notice will be given to PAG management officials above the level of involvement. Subsequently, The PAG will further prompt and notify US FEMA of the illegal acts or irregularities and of proposed and actual actions, if any.

Distribution of Reports

The submission of audit reports for the PAG will follow FEMA and OMB's requirements as indicated:

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 the PAG 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 PAG. 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

Close Out Process

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

1. **Cash Reconciliation** - The PAG will 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 PAG expenditures (outlays) will be equal to or greater than the cash disbursements from GPD.
2. **Drawdown of Funds** – The PAG will 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 PAG will submit the following documents to GPD:

1. **Final Financial Status Report** - The final report of expenditures will have no unliquidated obligations and will indicate the exact balance of unobligated funds. Any unobligated/unexpended funds will be de-obligated from the award amount by GPD.
2. **Final Progress Report** - This report will be prepared in accordance with instructions provided by GPD.
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 will 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 are to be returned at award closeout, the PAG will remit a 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. In addition, the PAG will contact its Program Analyst 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 will be retained 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 will 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.

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 PAG financial and narrative reports. Personnel and payroll records will 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 will 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.

The PAG will see that records of different Federal fiscal periods are separately identified and maintained so that information desired may be readily located. The PAG is also obligated to protect records adequately against fire or other damage. When records are stored away from the PAG'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

GPD, 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 the PAG that are pertinent to the award, in order to make audits, examinations, excerpts, and transcripts. The right of access will not be limited to the required retention period, but will 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 will be taken by the PAG and GPD. Any such access, other than under a court order or subpoena pursuant to a bona fide confidential investigation, will be approved by GPD.

Appendix: 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 GPD determines that all applicable administrative actions and all required work of the award have been completed by the PAG and GPD.

Cognizant Federal agency is the Federal agency that generally provides the most Federal financial assistance to the PAG 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 PAGs 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 PAGs are reminded that the least expensive of the available selections should be chosen. If a meal is provided to the PAG, per diem will be reduced accordingly.

Contracts are entered into by the awarding agency, the Grantee or Subgrantee, 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 PAG 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 PAGs.

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 Grantee/Subgrantee 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 PAG 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 will occur during the event, using an hour-by-hour time line. It will 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 PAG'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 PAG 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 PAG and will 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 PAG 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 PAG 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 GPD 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.

PAG 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 Subgrantee or a procurement contract made under an award by a PAG.

Subgrantee is an individual and/or organization that receives Federal financial assistance from the direct PAG 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 will 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 PAG, per diem will 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 will 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 PAG, per diem will 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.