



U . S . D E P A R T M E N T O F H O M E L A N D S E C U R I T Y

Office of State and Local Government Coordination and Preparedness

Office for Domestic Preparedness

Operation Safe Commerce Phase III

Program and Application Guidelines



U.S. DEPARTMENT OF HOMELAND SECURITY

DEPARTMENT OF HOMELAND SECURITY

Office for Domestic Preparedness (ODP)

Application Instructions for Modifications to Awards under the Operation Safe Commerce (OSC) Cooperative Agreement Program

ODP Announcement Number 04MLS-058-0001

Catalog of Federal Domestic Assistance Number 97.058, Operation Safe Commerce Program

The application closing date and time are February 18, 2005, at 4:00 p.m. Eastern Standard Time. See Section 4.c, Submission Date and Time, of these instructions for more detail.

The OSC Cooperative Agreement Program will explore commercially viable options to enhance cargo security, including business processes and technology prototypes, which support containerized cargo supply chain security management while facilitating the flow of trade. Continuation modifications are expected to have an April 01, 2005 start date and projects should be completed within 18 months. This is a limited competition among the three largest domestic load centers (the Ports of Los Angeles and Long Beach, the Ports of Seattle and Tacoma, and the Port Authority of New York/New Jersey), as indicated by Congressional direction with fiscal year 2002 funding. This program continues work under existing awards; therefore, new projects will be administered by means of a Modification to the existing Federal Assistance Agreements with each of the Load Centers.

CONTENTS

Program Description.....	1
Program and Application Guidelines.....	3
1. Program Information.....	3
2. Eligibility Information.....	3
3. Application and Submission Information.....	5
4. Application Review Information.....	9
5. Funding Priorities.....	11
6. Test Protocols.....	11
7. Award Administration Information.....	11
8. Award Requirements.....	12
9. Contacts.....	12
10. Other Information.....	12
Appendix A General Terms and Conditions	
Appendix B Evaluation Criteria Chart	
Appendix C Testing Phases	

Program Description

Overview. Operation Safe Commerce (OSC) is a collaborative federal grant program that is administered by the Department of Homeland Security (DHS), Office for Domestic Preparedness (ODP), and includes participation by the three largest domestic container load centers, cargo and supply chain security solution providers, and various supply chain “owners” (importers, carriers, terminal operators, etc.). The goal of this partnership is to develop, test, and share best practices in order to improve the security of containerized cargo movements.

Background. OSC is the Department’s primary supply chain security test and deployment program, and as such, is a critical component of DHS efforts to meet the objectives identified in its strategic framework for cargo security. This draft framework was announced on December 16, 2004, at the DHS Cargo Summit, and includes eight major strategic objectives. The strategy continues to be refined based on industry and government input. Nonetheless, OSC projects in total support all of these proposed strategic objectives, and DHS anticipates that the results of the OSC program will contribute to the Department’s efforts to create a unified and coordinated approach to cargo security over the next two years. Specifically, the results of OSC will contribute to determining the viability of commercially available technologies and business process solutions, and will assist DHS with prioritizing short and long-term cargo security measures.

In July 2003, DHS announced the first awards under this program, totaling \$58 million. These funds were provided to the Transportation Security Administration (TSA) for pilot projects involving the three largest container load centers in the United States (the Ports of Seattle and Tacoma, the Port Authority of New York and New Jersey, and the Ports of Los Angeles and Long Beach). These pilot projects addressed the security vulnerabilities posed by containers, and examined the testing and deployment of selected technologies and business practices to improve the security of the supply chain. This collaborative effort (between the government, business interests, and the three largest U.S. container load centers) identified and addressed shortcomings in the security of eighteen (18) separate supply chains. In this phase, projects focused on three critical areas:

1. Reasonable Care and Due Diligence – What was needed to ensure that all parties exerted reasonable care and diligence in packing, securing and manifesting container contents.
2. Secured Data Transmission – The various methods used to transmit data, and ensuring that information and documentation associated with the shipments was complete, accurate, and secure from unauthorized access.
3. Container Security Procedures – Measures that tested supply chain security utilizing a multi-layered approach of technologies, business practices, and data collection.

In July 2004, the department transferred the OSC program from TSA to ODP, consistent with the DHS objective of consolidating its grant management activities into one unified office. Since that time, ODP has worked collaboratively with an inter-agency Executive Steering Committee (ESC) and other DHS interests to ensure that priority vulnerabilities and results of initial tests identified in the initial phases of OSC are serving as the building blocks for Phase Three of the program.

Program and Application Guidelines

1. PROGRAM INFORMATION

- a. Grants Management. ODP has assumed responsibility for the administration of the OSC program as well as oversight of the ESC that provides organizational coordination to OSC. This is a cooperative agreement program. The nature of the federal involvement in the OSC Cooperative Agreement Program may range from joint conduct of a project to prior approval of a new project; or involvement in subsequent phases of an approved project. Examples of substantial involvement may include any of the following:
 - (1) Collaboration, participation, and/or intervention in any activity covered by the cooperative agreement.
 - (2) ODP approval prior to the selection of a new project or commencement of next phase of an approved project.
 - (3) Authority for ODP to halt an activity if detailed performance specifications are not met.
 - (4) Authority for ODP to direct or redirect the scope of work of a project based on new circumstances.
- b. Authorizing Statute. Public Law 108-90, the 2004 appropriations for DHS, provides funding and authority for the OSC Cooperative Agreement Program.
- c. Modifications to these awards will be issued as continuations. This will be Round 3 of the OSC Cooperative Agreement Program.
- d. Fiscal Year 2004 funding available is \$17,000,000.
- e. Modifications are expected to have a start date of April 01, 2005. All projects are expected to be completed within 18 months of the effective date of the cooperative agreement.

2. ELIGIBILITY INFORMATION

- a. Eligible Applicants. The Ports of Los Angeles and Long Beach, the Ports of Seattle and Tacoma, and the Port Authority of New York/New Jersey are invited to submit proposals for funding consideration.
- b. Eligible Projects/Proposals:
 - (1) Projects that verify the integrity of empty containers prior to stuffing.

- (2) Projects that verify the integrity of cargos stuffed into containers.
- (3) Projects that verify and maintain the integrity of the containers and cargos throughout the supply chain.
- (4) Projects that verify and maintain integrity of supply chain management information and information systems.
- (5) Projects that demonstrate and record the information exchange for OSC container documents with appropriate U.S. Customs and Border Protection (CBP) program requirements (i.e. 24-Hour Advance Notification, In-bond Shipments, FAST, etc.)
- (6) Projects that test the viability of commercially available technologies to address one or more of the supply chain primary and secondary nodal goals, as identified in Appendix B.

c. Ineligible Projects/Proposals.

- (1) Proposals that do not comply with the terms of these instructions.
- (2) Proposals in which there is a real or apparent conflict of interest.
- (3) Proposals that do not support existing DHS and U.S. Department of Transportation (DOT) regulatory programs and initiatives concerning the security and safety of intermodal movement of containerized cargo.
- (4) Proposals that contain technologies, practices and procedures that conflict with U.S. and international laws and regulations concerning the security and safety of intermodal movement of containerized cargo without a waiver or letter of acceptance from the responsible regulatory party or agency prior to commencement of funding priority 3.

d. Ineligible Costs.

- (1) Personnel Costs as a separate line item. (Personnel costs may be included in the Management and Administrative Costs line item, which is limited to 3%. See 4.f.(4)(k)1 of these instructions.)
- (2) Maintenance costs.
- (3) Monthly service charges or recurring costs.

e. Cost Sharing or Matching.

- (1) ODP encourages the Load Centers to consider cost sharing through cash matches.
- (2) Matching funds shall be obligated during the project period.

(3) Matching funds obligated in support of OSC shall be reflected on line 11.f. of each Request for Advance or Reimbursement, SF 270, and on line 10.b of each Financial Status Report, SF 269A.

(4) Federal funds shall not be used for matching purposes.

(5) Matching funds are subject to audit.

f. Other.

(1) Federal employees are prohibited from serving in any capacity (paid or unpaid) on any proposal submitted under this program.

(2) Federal employees may not receive funds under these awards.

3. APPLICATION AND SUBMISSION INFORMATION

The Load Centers shall review their completed application for adherence to the terms of these application instructions, prepare and sign the SF-424, "Application for Federal Assistance," and submit the application by the closing date.

- a. Address to Request Application Package. Application material and information about the funding opportunity will be provided to the Load Centers by the ODP Program Manager.
- b. Content and Form of Application Submission. Applicants shall submit one electronic copy of their completed applications on a password-protected compact disk. The password should be sent separately via e-mail to Kenneth.Concepcion@dhs.gov so that the password is received before the compact disk. Applicants may submit one application, with original signature, containing one proposal each for multiple projects. Signature on the SF-424 serves to verify renewal of all assurances and certificates previously submitted for the awards. When multiple proposals are submitted under a single application, each proposal must not exceed fifty (50) single-spaced pages (including any figures, tables, references, appendices, resumes, etc.), and the type size shall not be smaller than 12 pitch/10 point type; page margins shall be no less than 1 inch from top and bottom, and left and right. All proposal pages must be numbered. The application forms listed in subparagraph (1) below shall not count against the 50-page proposal limit.

(1) Each application shall consist of the following items:

(a) Signed SF-424, Application for Federal Assistance.

(b) SF-424A, Budget Information, Non-Construction Programs.

- (c) Signed Cost Share Commitment Letter (if cost sharing is offered).
 - (d) Indirect Costs Rate Agreement - Indicate indirect cost rate(s), approving agency, and date approved, if applicable.
- (2) Each proposal shall consist of the following items:
- (a) Technical Proposal (project plan).
 - (b) Budget Breakdown.
 - (c) Budget Justification.
 - (d) National Environmental Policy Act (NEPA) Compliance Information.
- (3) Submission Date and Time. The closing date and time for applications is February 18, 2005, at 4:00 P.M. The Load Centers must mail one paper copy of the application with original signatures, to ODP along with a password protected compact disk containing the proposal. This material must be received by ODP prior to the closing date and time. Packages should be addressed to:

Kenneth Concepcion
Transportation Infrastructure Security Division
Office for Domestic Preparedness
810 7th Street, NW
Washington, D.C. 20531

- c. Intergovernmental Review. This program is not covered under Executive Order 12372, “*Intergovernmental Review of Federal Programs.*”
- d. ODP must analyze the potential environmental impacts, as required by NEPA, for projects being considered for federal funding. The purpose of the NEPA review is to weigh the impacts of major federal actions (such as security enhancements) on elements such as adjacent communities, water supplies, historical buildings, or culturally sensitive areas prior to construction. Consequently, applicants may be required to provide additional detailed information on the activities to be conducted, locations, sites, possible construction activities, and any environmental concerns that may exist. Results of the NEPA Compliance Review could result in a project not being approved for funding.
- e. Funding Restrictions. Load Centers must comply with Appendix A, Special Terms and Conditions. Cost principles applicable to the awards are OMB Circular No. A-21 for institutions of higher education, OMB Circular No. A-87 for State and local governments, OMB Circular No. A-122 for nonprofit organizations, and 48 CFR Part 31 for commercial organizations.

f. Other Submission Requirements.

(1) Application for Federal Assistance, Standard Form (SF) 424.

Use the SF 424 as the cover sheet for the application. The Catalog for Federal Domestic Assistance (CFDA) number is 97.058 and the program title is Operation Safe Commerce Program.

(2) Cost Share Commitment Letter (if cost sharing is offered). The applicant shall provide a cost-sharing agreement (letter) signed by an official authorized to commit applicant to a cost share or a third party, in-kind contribution signed by an official authorized to commit the third party.

(3) Proposals. Each proposal shall consist of the following elements:

(a) Title: Concise but descriptive.

(b) Applicant: Provide organizational name; organizational unit; street address; and city, state, zip code.

(c) Applicant Data Universal Numbering System (DUNS) Number: An applicant may obtain a DUNS number by contacting Dun & Bradstreet at 1-888-814-1435 or registering online at <http://www.dnb.com>.

(d) Authorized Organization Representative: Name, Title, Telephone Number, Email Address.

(e) Total Project Cost: Provide total Federal amount and total non-federal amount.

(f) Project Period: Not to exceed 18 months.

(g) Project Director: Provide name, company/organization, email address, and telephone number.

(h) Project Information: Project Information shall be no longer than ten (10) single-spaced pages, should include identification of the problem and a summary of the approach, project objectives, anticipated results, and the implications of the project results. All activity protocols and procedures for success shall be outlined and described for each step. All costs associated for these steps and solution sets shall be submitted in a detailed budget. Budgets should reflect the cost of each step as described under Section 1.a., Appendix C, of these instructions.

(i) Proposed Budget: If more than one task is proposed, the budget should include a breakdown of costs by task or project. The proposed budget for each project/task shall be prepared in the following order and must include the amount proposed for each of the following items:

- 1 Management and Administrative (M&A) Costs. No more than 3% of the federal total direct costs may be retained for management and administrative purposes.
- 2 Equipment. Show the cost of all special-purpose equipment necessary for achieving the objectives of the project. “Special-purpose equipment” means scientific equipment having a useful life of more than 1 year and having an acquisition cost of \$5,000 or more per item. Each item should be itemized and include a full justification. (General purpose equipment must be purchased from the applicant’s operating funds.)
- 3 Supplies. Enter the cost for all tangible property. Include the cost of office, laboratory, computing, and field supplies separately. Provide detail on any specific item, which represents a significant portion of the proposed amount. If fabrication of equipment is proposed, list parts and materials required for each and show costs separately from the other items.
- 4 Services or Consultants. Identify the tasks or problems for which such services would be used. List the contemplated sub recipients by name (including consultants), the estimated amount of time required, and the quoted rate per day or hour. If known, state whether the consultant’s rate is the same as he/she has received for similar services or under government contracts or assistance awards.
- 5 Travel. State the purpose of the trip and itemize the estimated travel costs to show the number of trips required, the destinations, the number of people traveling, the per diem rates, the cost of transportation, and any miscellaneous expenses for each trip. Calculations of other special transportation costs (such as charges for use of applicant – owned vehicles or vehicle rental costs).

NOTE: Load Centers must comply with the provisions of the Fly America Act (49 USC § 40118). The implementing regulations of the Fly America Act are found at 41 CFR §§ 301-10.131 through 301-10.143. The Fly America Act requires that federal travelers and others performing U.S. Government-financed foreign air travel must use U.S. flag carriers, to the extent that such carrier 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 a U.S. flag air carrier service will not accomplish the mission. In addition, Load Centers must comply with allowable costs concerning use of first-class air accommodations.

- 6 Audits. The fair share of the cost of the single audit is an allowable cost provided that the audit was conducted in accordance with the requirements of OMB Circular A-133, the OMB Circular A-133 Compliance Supplement, and Government Auditing Standards.

- 7 Other direct costs. Itemize the different types of costs not included elsewhere; such as, shipping, computing, equipment – use charges, or other services. Provide breakdowns showing how the cost was estimated; for example, computer time should show the type of computer, estimated time of use, and the established rates.
 - 8 Total direct cost. Total items 1 – 7.
 - 9 Total project cost. Total federal and non-federal amounts.
- (j) Significance of the project: Discuss the specific problem being addressed and its importance. Include a discussion of the significant contributions the project will make to enhance national security.
- (k) NEPA Compliance Information.

4. APPLICATION REVIEW INFORMATION

Applications will be initially screened for overall completeness, and conformance with the requirements of these instructions.

- a. Criteria. Projects will be reviewed for merit based on the following criteria. Each criterion (factor) will carry equal importance in the evaluation. Incomplete applications will not be considered for funding.
- (1) Relevance and importance. This factor considers the relevance and importance of the proposed activities as they relate to the program. This factor also considers the extent to which the overall risk mitigation methodologies address the provisions and goals identified in Appendix B.
 - (2) Technical quality of the proposal. This factor considers the technical merit of the proposed approach and the probability of achieving positive results within the designated period.
 - (a) Proposed schedule is reasonable.
 - (b) Methodology is realistic.
 - (c) High probability of successful implementation.
 - (3) Appropriateness and reasonableness of the budget. This factor considers whether the proposed budget is commensurate with the level of effort needed to accomplish the project objectives and whether the cost of the project is reasonable relative to the value of the anticipated results.
 - (a) Proposed cost/request for funding is realistic compared to the proposed solution.
 - (b) Cost sharing for the proposed project.

- (c) Cost effectiveness of the proposed project.
 - (4) Proposals will be further evaluated against criteria, as discussed below and the provisions listed in Appendix B.
 - (a) Many provisions in the table at Appendix B rely on the verb “detect”. When used as an OSC provision, the term “detect” implies the “use of technology, policies, and/or procedures to sense, assess, and effectively communicate.” All three must be present for detection to occur, but all three need not be done at the same place and time.
 - (b) It should be noted that some provisions have been designated as primary goals while others have the designation as secondary. For the purposes of OSC, primary goals must be satisfied either directly or by a measure at another node that consequentially satisfies the provision. A secondary provision has been deemed as a measure that complements the primary provisions, and if satisfied, provides additional security in depth and thereby reduces overall risk. Some nodes do not have secondary provisions. (See Appendix B for more details)
 - (5) Stakeholders Involvement: description of roles, responsibilities, and commitment of all stakeholders and partnerships.
 - (6) Complexity of the supply chain route from point of origin through final destination and all of waypoints and types of cargo being shipped.
- b. Review and Selection Process.
- (1) Each proposal will be evaluated by ODP in coordination with the ESC in accordance with the criteria listed above. Proposals recommended for funding will be forwarded to the Director, Office for State and Local Government Coordination and Preparedness. Final approval will be made based on availability of funding, balance/distribution of funds (e.g., type of projects) and other considerations that may include program goals and objectives, NEPA review results, and the best interests of the Government.
 - (2) The DHS Border and Transportation Security (BTS) Directorate has established a Policy Memorandum that addresses container security policy priorities as they relate to OSC. As this is a continuance to an existing cooperative agreement award, the achievement of these specifications is not mandatory. However, they are desirable and, those solution sets that meet some or all of those specifications as outlined in the BTS Policy Memorandum will be given added consideration during the selection process. The Policy Memorandum will be forwarded to the Load Centers in separate correspondences as the material contained within is Sensitive.

5. FUNDING PRIORITIES

Based on the findings from the previous round of funding results, a working group comprised of DHS officials from several agencies as well as Sandia National Laboratories, and Battelle personnel (on behalf of TSA’s Transportation Security Lab) developed a table of provisions listing primary and secondary goals (See Appendix B) for this funding. The provisions table identified thirteen key supply chain transportation nodes. To develop this list, the working group reviewed the results of the final reports that were available as of October 2004; considered views and input from participants in refining priorities that would best address known; and sought input from the load centers and solution providers at specific venues in July and September of 2004, respectively.

6. TEST PROTOCOLS

A major component of OSC is testing the validity of proposed solutions. See Appendix C for additional detail on the testing protocols that will be utilized in this phase.

7. AWARD ADMINISTRATION INFORMATION

- a. Notice of Funding. An ODP official will notify applicants concerning final approval of funding.
- b. Administrative and National Policy Requirements. Awards are administered in accordance with applicable OMB Circulars or DOT grant related regulations, which include 49 CFR Parts 17-21, and 29. DOT regulations may be superseded by corresponding or applicable new regulations issued by DHS for this program. Uniform administrative requirements are contained in OMB Circular A-102, “*Grants and Cooperative Agreements with State and Local Governments,*” and OMB Circular A-110, “*Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations.*”
- c. Reporting. Reports will be required in accordance with the terms and conditions of the award. The following chart illustrates general reporting requirements.

Report	Destination	Due Date
Quarterly Progress Report	ODP Program Officer	Last day of the month following completion of the quarter
Final Project Report	ODP Program Officer	Within 90 days after completion of the project
Final SF-269A, “Financial Status Report”	ODP Program Officer	Within 90 days after completion of the project

8. AWARD REQUIREMENTS

- a. **Monitoring.** Load Centers will be monitored periodically by ODP to ensure that the project goals, objectives, timelines, budgets, and other related program criteria are being met. Monitoring will be accomplished through a combination of office-based and on-site monitoring visits. Monitoring will involve the review and analysis of the financial, programmatic, and administrative issues relative to each program, and will identify areas where technical assistance and other support may be needed.
- b. **Sub-Award Monitoring Requirements.** The Load Center is responsible for monitoring sub-recipient activities to provide reasonable assurance that the sub-recipient administers federal awards in compliance with federal and state requirements. Responsibilities include the accounting of receipts and expenditures, cash management, the maintaining of adequate financial records, and the refunding of expenditures disallowed by audits.
- c. **Close-Out Process.** Within 90 days after the end of the award period, the Load Centers will submit a final Financial Status Report (SF-269A), and a final performance report detailing all accomplishments throughout the project. After both of these reports have been reviewed and approved by ODP, the Load Center will be notified that the award is completed. The notification will indicate the project has been closed and address the requirement of maintaining the award records for three years from the date of the final SF-269A.

9. CONTACTS

For further information about these instructions, contact Mr. Kenneth Concepcion at kenneth.concepcion@dhs.gov or 202-616-5164.

10. OTHER INFORMATION

- a. These are the initial application instructions under OSC program using fiscal year 2004 funds. Future funding will be dependent upon appropriations from Congress.
- b. ODP anticipates that information contained in the application will be protected as “Sensitive Security Information” or SSI pursuant to 49 U.S.C. § 114(s) and 49 C.F.R. § 1520.7(k). Once this information is designated as SSI, ODP will not publicly release it in response to a Freedom of Information Act (FOIA) request or otherwise, pursuant to 5 U.S.C. § 552 (b)(3) and 49 C.F.R. § 1520.3(a). All applications must be marked with the following legend upon submission:

WARNING: THIS DOCUMENT CONTAINS SENSITIVE SECURITY INFORMATION THAT IS CONTROLLED UNDER THE PROVISIONS OF 49 CFR PART 1520. NO PART OF THIS DOCUMENT MAY BE RELEASED WITHOUT THE WRITTEN PERMISSION OF THE ADMINISTRATOR OF THE TRANSPORTATION SECURITY ADMINISTRATION, WASHINGTON DC. UNAUTHORIZED RELEASE MAY RESULT IN CIVIL PENALTY OR OTHER ACTION. FOR U.S. GOVERNMENT AGENCIES, PUBLIC AVAILABILITY IS DETERMINED UNDER 5 U.S.C. 552.

- c. Funds will be obligated through a modification. Please note that the Government is not liable for any costs incurred prior to the signing of an award by the Grants Officer. ODP will provide full or partial funding for selected projects based upon comments received from the evaluators and program manager. ODP encourages applicants to cost share proposed costs. All projects should be completed within 18 months of the effective date of the cooperative agreement.
- d. Definitions.
 - (1) Anomaly refers to any unexpected alert or deviation from the common established parameters in installed technology regardless of the cause.
 - (2) Budget Period means the interval of time (usually 12 months) into which the project period is divided for budgetary and reporting purposes.
 - (3) Cooperative Agreement means a grant award with substantial programmatic involvement and collaboration with the load center recipients and DHS.
 - (4) Cost Sharing means that portion of allowable project costs not borne by the Federal Government, including the value of in-kind contributions.
 - (5) CSI (Container Security Initiative) refers to the CBP program. CSI is a four-part program designed to achieve the objective of a more secure maritime trade environment while ensuring the need for efficiency in global commerce. The four core elements of the program are: (1) establishing security criteria to identify high-risk containers; (2) pre-screening those containers identified as high-risk prior to arrival at U.S. ports; (3) utilizing technology to quickly pre-screen high-risk containers; and (4) developing and using smart and secure containers.
 - (6) C-TPAT (Customs and Trade Partnership Against Terrorism) C-TPAT is a CBP supply chain security program for international cargo and conveyances. Through partnership with the trade community, C-TPAT increases the security measures, practices and procedures of international supply chains while increasing facilitation (reduced inspections) for legitimate compliant traders.

- (7) Destination refers to the location where the packaged shipment is opened and deconsolidated.
- (8) Detect means the “use of technology, policies, and/or procedures to sense, assess, and effectively communicate.” All three must be present for detection to occur, but all three need not be done at the same place and time.
- (9) Dray refers to the intra-city movement of the container(s) by motor carriage/truck.
- (10) E-Seals refers to an electronic device designed to electronically monitor the integrity status of a container with a primary focus on the container doors.
- (11) Grants Officer is the sole individual authorized to modify the award document, including terms and conditions and obligations of federal funds for the project.
- (12) Intermodal refers to the interchange movement of containers through multiple modes of transportation (truck, rail, and vessel).
- (13) International Ship and Port Facility Security Code (ISPS) refers to the IMO adopted amendments to the 1975 SOLAS Convention to enhance the security of ships and port facilities.
- (14) Mapping for the purpose of this cooperative agreement is a descriptive diagram of the supply chain from point of origin (See Origin) to the end of the supply chain (See Destination). Mapping will include identification of way points, stop points, means of transportation throughout the supply chain, and descriptions of existing security procedures in place for all nodes and transportation modes used throughout the supply chain prior to the implementation of the solution sets.
- (15) Origin refers to the starting point of the supply chain where a finished product is packaged and prepared for shipping.
- (16) Program Manager is the individual designated by ODP who will work with the Load Center to ensure that technical requirements, as detailed in the cooperator’s proposal are being met. The Program Manager’s responsibilities include, but are not limited to, providing technical guidance on the project, resolving Load Center questions about ODP technical standards, and coordinating schedules, project objectives, and exchange of materials.
- (17) Project Director is the individual designated by the Load Center responsible for the technical direction of the project. The Project Director cannot be changed or become substantially less involved than indicated in the approved proposal without prior written agreement of the Grants Officer.

- (18) Project Period means the total length of time, as stated in the award document and modifications thereto, if any, during which federal sponsorship begins and ends.
 - (19) Radiation Detection Devices refers to any device that is used to conduct non-invasive inspection of cargo to analyze the presence of radioactive particles and meets the standards recognized by DHS (ANSI N42.32; ANSI N42.33; ANSI N42.34; ANSI N42.35).
 - (20) Radio frequency identification (RFID) refers to technologies that remotely stores and retrieves data using devices that communicates through readers and tags.
 - (21) Trusted Agent refers to an authorized third party who provides on site oversight (at Origin) and verification of the legitimacy of the containerized cargo.
 - (22) Supply Chain Event Management System (SCEM) refers to the process of cohesively coordinating and integrating all the nodes of the supply chain from point of Origin to Destination. This includes providing the user with a centralized location for data collection, business rule sets, transit status visibility, and alarm protocols associated with the movement of a container through the supply chain.
- e. FOIA Disclosure. FOIA, 5 U.S.C. 552, sets forth requirements to make material, information, and federal records publicly available. However, information submitted by the Load Centers under the OSC program will be considered “Sensitive Security Information” for FOIA purposes. Information on the “Sensitive Security Information” FOIA category is contained in 49 CFR Part 1520, published in the 22 February 2002 *Federal Register* (67 FR 8340). Applications may also contain “trade secret and commercial or financial information” which would not be publicly released under Exemption (b)(4). ODP will not publicly release information in the application in response to a FOIA request or otherwise, pursuant to 5 U.S.C. § 552(b)(3) and 49 C.F.R. § 1520.3(a). ODP will publicly release only the identity of the Load Center, the amount of the funding, and the location.

APPENDIX A

GENERAL TERMS AND CONDITIONS

GENERAL TERMS AND CONDITIONS

A. Compliance.

This award is subject to the laws and regulations of the United States. The Recipient and any sub-recipients must, in addition to the assurances made as part of the application, comply and require each of its contractors and subcontractors employed in the completion of the project to comply with all applicable statutes, regulations, executive orders, Office of Management and Budget (OMB) circulars, terms and conditions, and approved applications.

B. Uniform Administrative Requirements.

1. State, local governments, and Indian tribal governments are subject to the provisions of 49 CFR Part 18, “*Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments.*” This document can be located on the Internet at <http://www.dot.gov/ost/m60/grant/49cfr18.htm>.
2. Institutions of higher education, hospitals, other non-profit organizations, and for-profit organizations are subject to the provisions of 49 CFR Part 19, “*Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations.*” This document can be located on the Internet at <http://www.dot.gov/ost/m60/grant/49cfr19.htm>.

C. Cost Principles.

A copy of the cost principles discussed below can be found online at the OMB web site located at http://www.whitehouse.gov/omb/grants/grants_circulars.html.

1. Institutions of higher education are subject to the provisions of OMB Circular A-21, “*Cost Principles for Educational Institutions.*”
2. State, local or Indian tribal governments are subject to the provisions of OMB Circular A-87, “*Cost Principles for State, Local and Indian Tribal Governments.*”
3. Non-profit organizations are subject to the provisions of OMB Circular A-122, “*Cost Principles for Nonprofit Organizations.*”
4. For-profit organizations are subject to the provisions of 48 CFR Part 31, “*Contract Cost Principles and Procedures.*”

D. Audit Requirements.

1. Organization-wide or program-specific audits shall be performed in accordance with the Single Audit Act Amendments of 1996, as implemented by OMB Circular A-133, “Audits of States, Local Governments, and Non-Profit Organizations.” OMB Circular A-133 can be found at http://www.whitehouse.gov/omb/grants/grants_circulars.html.
2. For-profit recipients that expend \$500,000 or more of federal funding in one year must have a program-specific audit performed. The auditor should follow Generally Accepted Government Auditing Standards and the requirements for a program-specific audit as described in OMB Circular A-133 § .235. The Generally Accepted Government Auditing Standards can be found on the Internet at <http://www.gao.gov/govaud/ybk01.htm>.

E. Other Requirements. The provisions listed below are applicable to awards funded by Maritime and Land Security. These documents can be found online at <http://www.dot.gov/ost/m60/grant/regs.htm>.

1. 49 CFR Part 20, “*New Restrictions on Lobbying.*”
2. 49 CFR Part 21, “*Nondiscrimination in Federally-Assisted Programs of the Department of Transportation – Effectuation of Title VI of the Civil Rights Act of 1964.*”
3. 49 CFR Part 29, “*Government-wide Debarment and Suspension (Non-Procurement) and Government-wide Requirements for Drug Free Workplace (Grants)*”

F. Publications. All publications produced as a result of this funding which are submitted for publication in any magazine, journal, or trade paper shall carry the following notice:

The views and conclusions contained in this document are those of the authors and should not be interpreted as necessarily representing the official policies, either expressed or implied, of the U.S. Government.

G. Administration and Responsibilities.

This award will be administered by:

1. Transportation Security Administration (TSA) Grants Officer:

The Grants Officer is the sole authority designated to obligate federal funds and to negotiate terms and conditions of the award.

2. Office for Domestic Preparedness (ODP) Program Manager:

The Program Manager is the individual designated by ODP who will work with the Recipient to ensure that technical requirements, as detailed in the Recipient's proposal, are being met.

3. Recipient Project Director:

The Recipient Project Director is the individual designated by the Recipient with concurrence from ODP who is responsible for the technical direction of the project. The Project Director cannot be changed or become substantially less involved than was indicated in the Recipient's application without the prior written approval of the Grants Officer.

If a grant award contains multiple projects, Project Managers and/or Director for individual efforts (name, address, phone, fax and email) shall be identified by the Recipient in the electronic grants system during the award finalization process).

The Recipient shall make reference to the grant award number and project number (when applicable) in any written communications about this award.

Neither the Recipient Project Director, nor the ODP Program Manager, has the authority to:

- issue any technical direction that constitutes an assignment of additional work outside the scope of the award;
- in any manner cause a change in the total cost or the time required for performance of the award; nor
- make changes to any of the terms and conditions or general provisions of the award.

H. Budget Changes and Transfer of Funds. Prior approval of the Grants Officer is not required for transfer of funds between direct cost categories when the cumulative amount of the transfer(s) during the performance period does not exceed ten percent (10%) of the total TSA award. Prior written approval is required from the Grants Officer for transfers of funds in excess of the ten percent limitation or to transfer funds between projects within an award.

I. Method of Payment.

1. Payment under this award will be authorized by the advance or reimbursement payment method using the SF-270, "*Request for Advance or Reimbursement.*" The Recipient shall submit the request no more frequently than monthly and advances shall be approved for periods to cover only expenses anticipated over the next 30 days. Advances shall be limited to the minimum amounts necessary to meet immediate disbursement needs.

2. The SF 270s shall be submitted to the following address:

Transportation Infrastructure Security Division

Office for Domestic Preparedness
810 7th Street, NW
Washington, DC 20531

3. The original signature document should be provided to the above address with a copy to the Program Manager. ODP will make every attempt to expedite payment requests and approve payment within one week of receipt. Once approved, SF 270s are forwarded to the pay center for payment and may be expected within 30 days.
4. Payment shall be made by electronic funds transfer to a financial institution designated by the Recipient.

J. Project Extension.

1. A request for change in the project period requires advance written approval. The request must be submitted in writing at least 60 calendar days prior to the end of the award by the Project Director to the ODP Program Manager and must state the basis for the request.
2. The Grants Officer will notify the Project Director in writing within 10 work days after receipt of the request whether the request has been approved.

K. Pre-Agreement Costs. Pre-agreement costs are not authorized under this award unless they are specifically stipulated in a Special Award Condition.

L. Modifications. The scope of work and terms and conditions of the award may be modified at any time by mutual consent of the signatory authorities.

M. Reporting Requirements.

1. The Recipient shall submit quarterly performance (technical) reports in triplicate (one original and two copies) to the Program Manager on the last day of the month following completion of the calendar quarter, or provide reports electronically if so instructed in a Special Award Condition.
2. The Recipient shall submit the final SF-269-A, "Financial Status Report," to the Program Manager within 90 calendar days after completion of the project, or provide the report electronically if so instructed in a Special Award Condition.
3. The Recipient shall submit an electronic copy of the final performance (technical) report in triplicate to the Program Manager within 90 calendar days after completion of the project, or provide the report electronically if so instructed in a Special Award Condition.

N. Applicable Documents Incorporated by Reference.

1. SF-424, “Application for Federal Assistance”
2. SF-424A, “Budget Information – Non-Construction Programs”
3. SF-424B, “Assurances – Non-Construction Programs”
4. SF-LLL, “Disclosure of Lobbying Activities”

O. Special Award Conditions.

1. The Federal Government will not provide funding for the analysis of any supply chain vulnerabilities or risks.
2. Federal funds may be used for mapping of supply chains. (See definitions for a description of mapping.)
3. The Operation Safe Commerce operational test sponsors that are under contract to the Load Centers (LCs) will work with the LCs and the Department of Homeland Security to establish common protocols for recording and reporting all anomalies from container intrusion or security device alarms to the appropriate DHS officials.
4. The Federal Government will not intervene or negotiate with any foreign government, company or entity on behalf of any OSC supply chain participant. The ODP Program Manager, working in conjunction with other U.S. concerned federal agencies, will communicate with those foreign governments on the goals and objectives of the OSC program. In addition, the ODP Program Manager will provide those foreign governmental agencies the proposed solution testing plans to ensure that the testing plans are not in violation of their country’s laws or regulations.
5. The ODP Program Manager will verify that the requirements for each testing phase have been satisfactorily met and will coordinate with concerned federal agencies for participation in the evaluation process of the testing phases. No project will be allowed to proceed to the next testing phase without receiving written approval from the ODP Program Manager.
6. Documentation on all technologies, reports, procedures, testing, and protocols must be made available to ODP Program Manager prior to conducting such testing. Any testing procedures, protocols and plans or any parts of those plans may be required to be modified to ensure that the overall goals and objectives of the program will be achieved.
7. For determination of whether to continue a project to the next testing phase, documentation of primary results of tests will be required to be submitted to the ODP Program Manager within 30 days or sooner upon completion of the that testing phase. The final report of such testing will be required to be submitted within 90 days from the end of that testing phase.

8. Cost Benefits Analyses for each selected supply chain will be required. ODP will review all existing OMB guidance and policy on cost benefit analyses and will work with the load centers to establish the criteria to be used for these analyses for all selected supply chains prior to finalization of the award. ODP is aware of the uniqueness and dynamics of the supply chains and understand that they are subject to change prior to during and after a solution set has completed all priority funding elements. ODP also acknowledges the fact that much of the information required for these analyses is proprietary and can not be obtained.
9. The final report format will be developed prior to finalization of the modification renewing award. The ODP Program Manager will work with the Load Centers to ensure that all final reports follow specific guidelines and formats and that key information is presented in such a way that the government can fully evaluate the results of the selected supply chains' testing and performance. ODP recognizes that some supply chains or sub-contractors may wish to supply additional supporting information. This will be allowed and a format will be provided for such additional information if so desired in the final reports. The Load Centers will be required to submit a draft of the final report to the ODP Program Manager for review within 30 days after the completion of all solution set testing. The final version of this final report will be required to be submitted to the ODP Program Manager within 60 days after the 30-day submittals.

APPENDIX B

EVALUATION CRITERIA CHART

EVALUATION CRITERIA CHART

Based on the findings from the previous round of funding, a working group developed a table of provisions listing primary and secondary goals that will need to be addressed for the listed funding priorities. The primary and secondary measures used to meet these goals may be directed either at the node or at the supply chain upstream and/or downstream of the node.

Many requirements in the following table rely on the verb *detect*. When used as an OSC requirement, the term *detect* implies the “use of technology, policies, and/or procedures to sense, assess, and effectively communicate.” All three must be present for detection to occur, but all three need not be done at the same place and time.

It should be noted that some goals have been designated as primary goals while others have the designation as secondary. For the purposes of this program, it is felt that primary goals must be satisfied either directly or by a measure at another node that consequentially satisfies the goal. A secondary goal is deemed as a measure that complements the primary goal, and if satisfied, provides additional security in depth for that node. It is also conceivable that a solution measure (either primary or secondary) will provide a layered approach over several nodes and thereby reduce overall risk. Such layered approaches are desirable.

It should also be noted that the following list of nodes is not necessarily sequential. While all supply chains are different, they do share common elements. Some supply chains may not contain all of the nodes listed below; others may contain multiples of some of the nodes.

OSC Trade Lane Provisions

Node	Primary Goals	Secondary Goals
Supplier	Verify material and sub-assembly integrity	Positively identify commercial legitimacy of suppliers
Factory/Packaging	Verify integrity of packaged product	Positively identify commercial legitimacy of suppliers
Empty container storage/dray	Verify that no threat item is inserted or attached to the empty container	Positively identify legitimacy of container supplier
Drayage of cargo to consolidator (before container stuffing)	Detect unauthorized cargo access	Deter attempts to gain unauthorized access to cargo
	Detect threat item in cargo before loading into the container	
Container stuffing/sealing	Detect threat items inserted into the stuffed container prior to sealing	Control access to container stuffing area
	Seal container securely prior to departure from the stuffing point	
	Detect threat items inserted or attached into/on the container	

Node	Primary Goals	Secondary Goals
Container storage (foreign)	Detect modification of container	Control access to the stuffed container storage area
	Detect substitution of an illegitimate container for a legitimate one	
	Detect all instances of entry into container	
Drayage (of full container) to terminal	Detect tampering during authorized access	Deter attempts to gain unauthorized access to cargo
	Detect substitution of an illegitimate container for a legitimate one	Deter attempts to misuse authorized access to cargo
	Detect attempts to breach container and cargo integrity upon entry to the terminal	
Foreign terminal	Detect substitution of an illegitimate container for a legitimate one	Verify container authenticity at terminal entry
	Detect threat item in container prior to loading on vessel	Verify container authenticity at vessel loading
	Detect all instances of entry into container	
Ocean commerce	Detect tampering during authorized access	Deter attempts to gain unauthorized access to cargo
	Detect substitution of an illegitimate container for a legitimate one at intermediate port	Deter attempts to misuse authorized access to cargo
	Detect container with threat item before it leaves the terminal	
US terminal	Detect attempts to breach container and cargo integrity at the terminal	Verify container authenticity at unloading
	Detect substitution of an illegitimate container for a legitimate one	Verify container authenticity at terminal exit
	Protect against unauthorized removal of container with threat item	Deter attempts to gain unauthorized access to containers
	Detect tampering during authorized access	Deter attempts to misuse authorized access to cargo
	Detect all instances of entry into container	
Inland drayage or rail transfer/transport	Detect tampering during authorized access	Deter attempts to gain unauthorized access to cargo
	Detect attempts to steal container with threat item	Deter attempts to misuse authorized access to cargo
	Verify integrity of cargo at devanning	Deter attempts to steal container with threat item
Deconsolidation	Detect attempts to retrieve contraband	

Node	Primary Goals	Secondary Goals
	from deconsolidation warehouse Detect unauthorized modification of shipment documentation	
Business process/information transmission	Detect creation of counterfeit shipment documentation Establish information protection mechanisms and protocols to limit access to authorized users Establish information authentication procedures to verify correctness and origin of information	

APPENDIX C

TESTING PHASES

TESTING PHASES

(1) **Bench Testing.** Cost for actual physical testing is the responsibility of the Load Centers. The three Load Centers have selected Sandia National Laboratories as the responsible entity for conducting all bench testing. The funding for this activity will be included in the modification to the Los Angeles/Long Beach Load Center. The bench testing activity will consist of a series of “laboratory” tests designed to assess the ability of the proposed demonstration technologies and procedures to perform in the manner intended. Specifically, bench testing will be focused on accomplishing three objectives:

- The first objective is to ensure that the proposed technology and/or procedure satisfies functional requirements. This will typically involve the testing of the technology as it is to be configured for field deployment. Testing may involve, among other things, assessing basic sensor performance, communications and software capability and compatibility, compliance with safety standards across all transportation modes, and power management capabilities.
- The second objective is to establish preliminary performance values to assist in evaluating proposed demonstration technologies and procedures. Specific evaluation metrics may include Probability of Detection (PD), Nuisance Alarm Rate (NAR), and False Alarm Rate (FAR).
- The third objective is to determine the degree to which the proposed demonstration technologies and procedures can be readily defeated by an adversary. This will typically involve commissioning one or more knowledgeable adversaries to neutralize the proposed security mechanisms in a controlled environment.

Sandia National Laboratories will provide the bench testing results (draft within 30 days and final within 60 days) to the Load Centers and the ODP Program Manager. Based on these results, a determination will be made on the effectiveness of the technology. A demonstration project will need to pass the bench testing activity prior to moving on to integration prototype testing. Specific criteria for testing and testing outcomes will be developed and submitted, along with procedures to provide guidance in assessing test outcomes, to the Load Centers and the ODP Program Manager for review and approval prior to actual testing.

(2) **Integration Prototype Testing.** The integration prototype testing activity will consist of actual field testing of an individual container with designated technologies, procedures, anomaly protocols and agents applied to enhance/ensure container security. All elements of the proposed solution will be exercised, including installation and operational protocols; supply chain management data collection and data fusion; and operational response capabilities and protocols. This testing activity is intended to accomplish several objectives:

- a. Institutional and infrastructure impediments to solution set installation and operation will be identified, and ideally completely remedied. Where necessary, coordination protocols with other elements of the federal government and foreign governments will be defined and formalized for each transportation mode. Coordination with various industry associations and labor organizations will also be undertaken as needed.
- b. Operational incompatibilities and integration issues will be identified, assessed, and remedied prior to a more ambitious roll out of the solution. This includes issues with equipment installation in various environments and cultures.
- c. A defeat test activity, conducted in a field experimental environment, will be applied in order to identify and assess pre-determined threat scenarios that could be deployed to counter the security solution. All defect testing is to be conducted prior to the solution being implemented in the supply chain.

It is anticipated that this testing activity will result in one of three outcomes:

1. Outcome one is a successful test with little to no design modification required. With this outcome, the demonstration would move on to the third testing activity.
2. The second outcome would entail the need to incorporate moderate to significant design changes to remedy short comings in the demonstration project. This activity would typically result in the need to repeat the integration prototype testing activity. Depending on the scope of the retest, load testing may or may not be precluded.
3. The third outcome would entail a conclusion that the demonstration was significantly flawed, and the best interest of the government would be served by termination of the entire solution or specific components of the solution prior to load testing. Specific criteria for testing and testing outcomes are to be developed along with procedures to provide guidance in assessing test outcomes by the Load Centers and submitted to the ODP Program Manager for review and approval prior to actual testing.

The Load Centers will provide the preliminary results (draft in 30 days or sooner and the final within 60 days) of the Integration Prototype testing to the ODP Program Manager for verification that the requirements have been satisfactorily met. These results will be evaluated by the ODP Program Manager.

- (3) Sample Run/Pilot Testing.** Those solution sets that have passed the Integration Prototype Testing must provide test protocols that demonstrate that the solution set is operating along the various supply chain nodes. (No less than 12 containers are to be tested during this phase and no more than 25.) Before the sample run/pilot testing begins, test protocols must be developed by the Load Centers and approved by the ODP Program Manager. This activity/step will require that a complete cycle of the proposed supply chain be run with the solution set to ensure commercial

application and use of the solution set is viable. The Load Centers may substitute evaluation of the first 10% (or a percentage thereof that is acceptable to the OPD Program Manager) of the Load Testing phase total number of containers in lieu of the sample run/pilot testing.

The Load Centers will provide the results of the sample run/pilot testing to the ODP Program Manager for verification that the requirements have been satisfactorily met. These results will be evaluated by the ODP Program Manager who will make the determination along with the Load Centers whether the results are satisfactory and that full load testing may commence.

- (4) Load Testing.** The load testing activity will consist of field testing the complete demonstration solution set on a significant number of containers with a diverse set of cargo. It is anticipated that the number of containers will fall within a range of not less than 250 containers and preferably upwards of 1000 or more containers. Each container must be equipped with the complete demonstration solution set.

Projects that enter the load testing activity will not be allowed to modify features of the solution set without prior review and acceptance by the ODP Program Manager as the test is being undertaken. In addition, the intent of this test activity is to define various scenarios under which the solution set can be evaluated. These conditions will enable Department of Homeland Security (DHS) to draw some limited conclusions concerning the deployment readiness of the solution set. For technology components, actual field performance values will be established under various circumstances and scenarios. In addition, some rough assessments (e.g., based on acceptance criteria) concerning solution technical effectiveness, cost effectiveness, and compatibility with existing commercial practices may be facilitated.

The Load Centers will provide the results of the load testing activities to the ODP Program Manager for verification that the requirements have been satisfactorily met. These results will be evaluated by the ODP Program Manager. It is also anticipated that some, if not all, of the test results will be preliminary in nature, and may require further testing and analysis. For example, a given solution might “pass” the integration prototype testing, but fail to adequately perform in the actual environment. In these instances, the ODP Program Manager will stop the test and the solution will be re-evaluated.

The Load Centers will develop and submit to the ODP Program Manager scheduling dates for all testing. The ODP Program Manager will conduct the following activities in preparation for the testing:

- (a) Consult and work with all concerned federal and foreign agencies that may be impacted by the proposed supply chains routes.
- (b) Supply copies of the testing documentation prior to each testing phase to ensure that such testing and solution set applications do not conflict with laws or regulations or existing federal programs.
- (c) Supply scheduling information for attendance purposes to all concerned federal and foreign agencies for all testing phases of the proposed solution sets.

Attendance at any of the above listed testing phases must be coordinated with the ODP Program Manager, who in turn will coordinate with the Load Centers. Neither ODP nor the Load Centers will be responsible for the cost of travel for attendance at testing activities by any federal or foreign agencies, or other interested/designated parties who may be allowed to attend such testing. It should also be noted that federal and foreign agencies through normal regulatory or procedural practices may subject any container to inspections as they deem necessary. Such inspections are to be considered normal to the operations of supply chain container movement, and are not subject to pre-notifications to the Load Centers and the ODP Program Manager.