



U.S. Department of Transportation



Grants Management Manual Grantee Version 2

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CHAPTER 1.0 INTRODUCTION

The purpose of this Manual is to provide Grantees with basic resources and knowledge of Grants Management to assist them in applying for and managing Federal Motor Carrier Safety Administration (FMCSA) grants. The term *grant* is used throughout this Manual to refer to both grants and cooperative agreements, unless stated otherwise.

Grantees are an integral part of FMCSA's ability to fulfill its primary mission to reduce fatalities and injuries and prevent commercial motor vehicle-rated fatalities and injuries. As stewards of Federal resources, Grantees are expected to understand and adhere to both programmatic and administrative laws, regulations, policies, and procedures to effectively implement and manage the Federal resources awarded by FMCSA.

This Manual provides a solid foundation on basic grant requirements and FMCSA's expectations regarding Grants Management. There are many resources available to learn more about managing grants and even become certified in the field of Grants Management. Other resources include publications, training courses, and websites devoted to Grants Management which can assist any Grantee reach a high level of proficiency in Grants Management. The procedures described in the Manual are arranged and discussed according to the general Grants Management Lifecycle, which applies to all FMCSA grant programs.

There may be program-specific actions required or unique circumstances which may add to these procedures or call for case-by-case modifications when necessary. These unique circumstances are not captured in the procedures outlined in the Manual; however, they may occur on occasion.

1.1 GUIDING PRINCIPLES AND STEWARDSHIP OF FEDERAL FUNDS

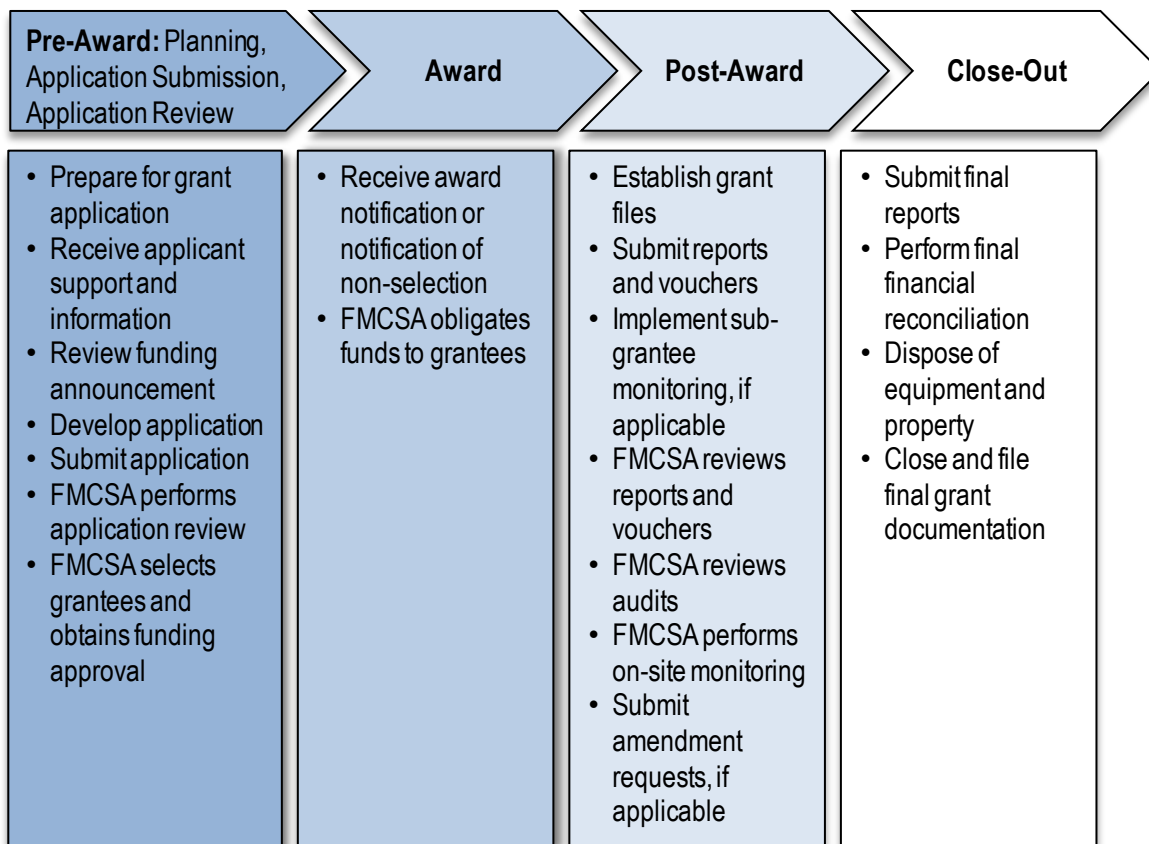
Both the Grantor and Grantee are accountable for proper stewardship of Federal financial assistance award dollars. FMCSA has oversight and monitoring responsibilities to ensure compliance with statutes, regulations, and the Grant Award, which include administrative regulations, cost principles, program requirements, the Single Audit Act (OMB Circular A-133), and terms and conditions of the award. Likewise, the Grantee has the obligation to use the funds according to the terms and conditions of the Grant Award and in adherence with all applicable statutes, regulations and guidance. Per the FMCSA Financial Assistance Agreement General Provisions and Assurances (hereafter referred to as Terms and Conditions), Grantees are encouraged to enhance stewardship of funds by having a thorough understanding of them. Grantees receive them attached to their NGA.

1.2 OVERVIEW OF THE FMCSA GRANT MANAGEMENT PROCESS

FMCSA has adopted a Grants Management Lifecycle approach to managing their Federal grant programs. The Grants Management Lifecycle is structured after the Office of Management and Budget (OMB) Grants Management Line of Business (GMLoB) business model (See Figure 1). The lifecycle approach is determined to be an effective model because it recognizes the interconnectedness of each phase of the process and the continuous nature of grant management activities from award through implementation and monitoring, which feeds the results back into award considerations for subsequent years. The FMCSA Grants Management Lifecycle is based

on a consistent set of rules and procedures, and supported by a centralized electronic processing system that allows for continuous improvement and greater accountability and transparency regarding their operations. Each chapter represents either a distinct phase in the lifecycle and/or a set of sub-phases within one phase (Chapters 2-4 are sub-phases of the Pre-Award Phase).

Figure 1: Grants Management Lifecycle



1.3 PRIMARY SYSTEMS USED IN FMCSA GRANTS MANAGEMENT

In order to submit applications, receive grant awards, and manage FMCSA grants, it is useful to have an understanding of the primary systems utilized by Grantees and FMCSA staff. There are several systems with which Grantees need to become familiar including Grants.gov and GrantSolutions. Grantees will need to obtain access to these systems prior to undertaking various activities within the Grants Management Lifecycle. The instances requiring specific system access are noted throughout the Manual as well as the methods of registrations such as how to obtain User IDs and passwords.

It is important to recognize that all systems are subject to updates and modifications which may alter processes and procedures associated with those systems. Any modifications that affect what is reflected in this Manual will be communicated to users and reflected in training, updated standard operating procedures, and job aids, as appropriate.

1.3.1 *Grants.gov*

The Grants.gov website was established as part of the Government-wide E-Grants Initiative included as part of the President's 2002 Fiscal Year Management Agenda to improve Government services to the public. The concept has its origins in the *Federal Financial Assistance Management Improvement Act of 1999* (Pub. L. 106-107). Grants.gov provides a one-stop electronic internet portal where potential grant recipients can find and apply for Federal grant opportunities from many Federal agencies. Grants.gov provides the capability for Applicants to search grant opportunities, register to receive notices for new opportunities, download application packages and instructions, complete applications offline, and securely upload completed applications. Upon receipt of the application, Grants.gov sends an electronic acknowledgement to the Applicant and delivers the completed application to the Agency.

1.3.2 *GrantSolutions*

GrantSolutions is a lifecycle Grants Management system that FMCSA began using in FY 2011 for all grant and cooperative agreement opportunities. GrantSolutions is managed by the Grants Center of Excellence (COE) through the Administration for Children and Families (ACF) within the Department of Health and Human Services (HHS) in partnership with over 17 Federal agencies. FMCSA uses GrantSolutions to manage all of their grants. GrantSolutions interfaces with Grants.gov allowing FMCSA to post funding announcements and retrieve applications. Once uploaded from Grants.gov, FMCSA is able to use GrantSolutions to review grant applications, process awards, transmit Notices of Grant Award (NGA) to Grantees who, in turn, can accept them electronically. The system also permits electronic communication and Grants Management by both FMCSA and Grantees through the remainder of the Grants Management lifecycle thus making the Grants Management process more efficient.

GrantSolutions is a “role-based” system in which users are assigned a designated role that allows them different levels of access. At this time, FMCSA has activated two different Grantee roles within GrantSolutions. These roles include the Principal Investigator or Program Director (PI/PD) and the Authorized Designated Official (ADO).

Grantee Principal Investigator or Program Director (PI/PD)

The Grantee Principal Investigator or Program Director (PI/PD) is the Grantee person responsible for day-to-day grant operations. With the exception of signing the NGA, the PI/PD role is authorized to perform most functions in GrantSolutions. PI/PDs can only view the grants to which they are assigned in the system.

Authorized Designated Official (ADO)

The Authorized Designated Official (ADO) is the person who may sign, and therefore legally obligate/bind the Grantee organization to the grant award. This representative may also view all of the grants, within GrantSolutions made to the Grantee Organization.

1.3.3 *MarkView¹ and iSupplier*

MarkView is the financial payment processing system currently used by FMCSA. MarkView is operated by the Federal Aviation Administration / Enterprise Service Center (FAA/ESC). Grantees submit invoices (SF-270) and support documentation via email to the FAA/ESC for reimbursement of allowable expenditures. Upon receipt by FAA/ESC, the vouchers and documentation are scanned into MarkView and then processed through FMCSA in MarkView. The Department of Transportation (DOT), and therefore FMCSA, is in the process of transitioning to iSupplier, an electronic web-based payment system to perform the same function with increased efficiencies. In iSupplier, Grantees will enter their SF-270s directly on-line and attach support documentation enabling electronic submissions to be completed directly by Grantees. The iSupplier system is scheduled to begin operation at FMCSA in the last quarter of FY 2012. Upon grant award, Grantees will need to register for iSupplier and obtain the necessary User IDs and passwords.

1.4 FMCSA GRANT-RELATED ROLES AND RESPONSIBILITIES

As noted earlier, the stewardship of Federal grants is a shared responsibility between the Grantor (FMCSA) and the Grantee. Within FMCSA, the responsibilities for issuing and overseeing grants require engagement from multiple offices and partners. The following is a high-level description of the different roles and their general responsibilities in the execution of FMCSA's grant programs. These descriptions present information at an office-wide level, rather than an individual level. Further details regarding these roles will be delineated throughout the Manual.

1.4.1 *Applicant/Grantee*

Applicants include State, county, city, or township governments, Native American Tribal governments,² and institutions of higher education, non-profit organizations, or for-profit organizations that submit applications to be considered for grants. Responsibilities include:

- Submitting an application for an FMCSA grant program
- Responding to any questions or requests for information, clarification, or revision from FMCSA during the review phase
- Signing Grant Awards and amendments
- Complying with applicable laws, regulations, and policies governing grants
- Carrying out the requirements of the Grant Award and achieving the milestones/performance goals
- Submitting quarterly reports, vouchers, audits, and reviews
- Maintaining complete grant files
- Maintaining equipment inventories and property records

¹ Please note that the Department of Transportation (DOT) plans to switch from MarkView to iSupplier, a new automated invoice and voucher system, in FY 2012.

² Native American Tribal governments are only eligible for BEG grants, if it meets the location criteria.

- Providing the non-Federal share of the grant amount
- Overseeing Sub-Grantees, per OMB regulations

1.4.2 FMCSA Grant Manager

FMCSA Grant Managers for field-managed grants are the Division Administrators (DA) who oversees all grant activities within their divisions. The FMCSA Grant Manager may delegate responsibilities to State Program Specialists (SPS) or other staff as they deem appropriate. It is important to note that not all States have SPSs. The DAs serve as the primary point of contact for grantees post-award and ensure that grant activities are compliant with applicable laws, regulations, policies, and administrative and financial requirements. For Headquarter administered grants, the grant manager varies depending on the type of grant. Please refer to the NGA for additional guidance and contact information.

Other FMCSA Grant Manager responsibilities include:

- Reviewing quarterly reports, vouchers, and maintaining financial oversight
- Conducting site visits and other monitoring activities
- Reviewing and concurring on grant award recommendations
- Initiating grant Close-Out

1.4.3 FMCSA Authorizing Official

The FMCSA Authorizing Officials (AO) for field managed grants within their regions is considered the Service Center State Program Managers. The Office of the Chief Financial Officer Staff serve as the AO for Headquarters administered grants. They perform important approval and oversight roles. They coordinate and support FMCSA Grant Manager oversight of policies, programmatic goals, and administrative and financial requirements. They also review and concur on funding memos, grant awards, and amendments. AOs are the FMCSA staff responsible for signing a legally obligating grant awards. They also act as a conduit between FMCSA Grant Managers and the FMCSA Grant Program Manager.

1.4.4 FMCSA Grant Program Manager

The FMCSA Grant Program Manager (GPM) is responsible for administration and delivery of FMCSA grant programs and may delegate responsibilities as they deem appropriate. The GPM is the pre-award point of contact and is identified on the Notice of Funding Availability form. The GPM supports FMCSA grant programs throughout the Grants Management Lifecycle, from Pre-Award through Close-Out.

1.5 STATUTES AND REGULATIONS

In addition to becoming familiar with the FMCSA Grants Management systems and grant-related roles, it is beneficial for FMCSA Grantees to have a working knowledge of the applicable grant-related statutes, regulations, and administrative circulars. These requirements provide the

framework under which FMCSA grants are authorized, awarded, and administered. These requirements are delineated by type of Grantee, in [Table 1](#), Governing Regulations.

The OMB is responsible for establishing grants policy for the Federal government. OMB Circulars, many of which have been codified into the Code of Federal Regulations (CFR), are located online at www.whitehouse.gov/omb/ and provide links to the regulations governing grants as well as many of the standard forms.

Although FMCSA is responsible for monitoring the direct actions of their Grantees, **Grantees are responsible for certifying the compliance with OMB requirements for their Sub-Grantees.** [Table 2](#), Governing Regulations for Sub-Grantees notes the key regulations governing Sub-Grantees. These regulations and their applicability will be noted throughout the Manual; however, a general knowledge is advised.

Table 1: Governing Regulations

Grantee Type	Must Comply With:
State, Local, or Tribal Government	<p>OMB Circular A-102, Uniform Administrative Requirements for Grants and Cooperative Agreements to State and local governments http://www.whitehouse.gov/omb/circulars_a102/</p> <p>2 CFR Part 225 (OMB Circular A-87), Cost Principles for State, local and Indian Tribal Governments http://www.whitehouse.gov/sites/default/files/omb/assets/omb/edreg/2005/083105_a87.pdf</p> <p>OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations http://www.whitehouse.gov/sites/default/files/omb/assets/a133/a133_revised_2007.pdf</p> <p>49 CFR Part 18, 1 DOT Regulations for grants, cooperative agreements and other agreements (Agency Codified OMB Circular A-102) http://www.dot.gov/ost/m60/grant/49cfr18.htm; www.fhwa.dot.gov/hep/49cfr19.htm; www.fhwa.dot.gov/hep/49cfr20.htm</p>

Grantee Type	Must Comply With:
Non-Profit Organization	<p>2 CFR Part 215, Uniform Administrative Requirements for Grants and Cooperative Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations (OMB Circular A-110)</p> <p>2 CFR Part 230 (OMB Circular A-122), Cost Principles for Non-Profit Organizations</p> <p>http://www.whitehouse.gov/sites/default/files/omb/assets/omb/fe_dreg/2005/083105_a122.pdf</p> <p>OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations</p> <p>http://www.whitehouse.gov/sites/default/files/omb/assets/a133/a133_revised_2007.pdf</p> <p>49 CFR Part 19, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations (Agency Codified OMB Circular A-110)</p>
Educational Institution	<p>2 CFR Part 215, Uniform Administrative Requirements for Grants and Cooperative Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations (Agency Codified OMB Circular A-110)</p> <p>2 CFR Part 220 (OMB Circular A-21), Cost Principles for Educational Institutions</p> <p>http://www.whitehouse.gov/sites/default/files/omb/assets/omb/fe_dreg/2005/083105_a21.pdf</p> <p>OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations</p> <p>http://www.whitehouse.gov/sites/default/files/omb/assets/a133/a133_revised_2007.pdf</p> <p>49 CFR Part 19, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations (Agency Codified OMB Circular A-110)</p>

Grantee Type	Must Comply With:
Hospital	<p>2 CFR Part 215, Uniform Administrative Requirements for Grants and Cooperative Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations</p> <p>45 CFR Part 74, Appendix E, Principles for Determining Costs Applicable to Research and Development under Grants and Contracts with Hospitals, or other cost principles designated by the awarding Agency</p> <p>OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations</p> <p>http://www.whitehouse.gov/sites/default/files/omb/assets/a133/a133_revised_2007.pdf</p> <p>49 CFR Part 19, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations</p>
Commercial Organization	<p>Federal Acquisition Regulation (FAR) Subpart 31.2, Contracts with Commercial Organizations</p> <p>Note: Commercial organizations generally are not subject to the audit requirements affecting other Grantee types. The most common audit requirement for profit making Grantees is to have an audit that meets A-133 requirements or a financial audit under the Government Auditing Standards. See 45 CFR Parts 74.26 (d) (2).</p>

Table 2: Governing Regulations for Sub-Grantees

If This Type of Organization Receives a Sub-Award From Any Grantee Type:	Requirements That Apply:
Colleges or Universities	Grantee uses 2 CFR Part 215 (OMB Circular A-110), 2 CFR Part 220 (OMB Circular A-21), and OMB Circular A-133
Non-Profit Organizations	Grantee uses 2 CFR Part 215 (OMB Circular A-110); 2 CFR Part 230 (OMB Circular A-122), and OMB Circular A-133
Profit Making Organization	48 CFR Part 31.2 (FAR)
Hospital	Grantee uses 2 CFR Part 215 (OMB Circular A-110) and the cost principles used by the awarding Agency, usually 45 CFR Part 74, Subpart E
State, Local, or Indian Tribal Government	Grantee uses OMB Circular A-102, 2 CFR Part 225 (OMB Circular A-87), and OMB Circular A-133

1.6 FMCSA GRANT PROGRAMS OVERVIEW

FMCSA administers an array of grant programs to successfully complete its mission to improve Commercial Motor Vehicle (CMV) carrier and driver safety. The Agency is responsible for the award, administration, and monitoring of their grant programs under a variety of legislative authorities, governing regulations, policies, and procedures. FMCSA's grant programs fall into two categories:

1. *Formula or mandatory grants*, which include grant programs with specific purposes, specific Grantees, and/or often specific funding formulas
2. *Discretionary grants*, which include competitive grants and grants awarded at the discretion of the Secretary

FMCSA views its relationships with Grantees as partnerships. In these partnerships, FMCSA provides financial assistance, technical expertise, and oversight. Grantees provide the effort and expertise necessary to carry out the approved activities to improve CMV safety. FMCSA Grantees are responsible for achieving the work described in their grant award, complying with the grant requirements laid out in the grant award and Terms and Conditions, the local administration of the grant, and monitoring and oversight of any Sub-Grantees.

[Table 3](#), Overview of FMCSA Grant Programs, provides a summary of the basic programmatic authority for FMCSA's grant programs. FMCSA has sought reauthorization of its basic programmatic authority in FY 2012. Although FMCSA programs have not yet been

reauthorized, it is anticipated that they will be at some point in the next few years. Any reauthorization proposal could potentially have a significant impact on FMCSA’s authorities, as well as programmatic structures. [Table 3](#) also provides a high-level overview of each FMCSA grant program in terms of its purpose, authorization, eligible Grantees, type of grant, period of obligation and expenditure, and match requirements.

Table 3: Overview of FMCSA Grant Programs

Type of Grant	Overview
Formula Grant Programs	
<p>Motor Carrier Safety Assistance Program (MCSAP) Grants – Basic and Incentive CFDA: 20.218</p>	<ul style="list-style-type: none"> • Purpose: To develop and implement programs to improve CMV safety; reduce the number and severity of accidents and hazardous materials incidents involving CMVs through consistent, uniform, and effective CMV safety programs. • Authorization: Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users, Pub. L. No.109–59, §§ 4101(a), 4106, 119 Stat. 1144, 1714–15, 1717–19 (2005), as amended; • Statute: 49 U.S.C. §§ 31102, 31103, 31104 (2006), as amended. • Funding Amount/Limit: The Funding Amount/Limit is based on the type of grant program and varies each fiscal year. The Funding Amount/Limit for each FMCSA grant program can be found on the grant program Notice of Funding Availability posted on Grants.gov for each fiscal year. • Period to Obligate: One Fiscal Year • Period to Expend: Two Fiscal Years • Grantees: States, US Territories and Puerto Rico , and District of Columbia • Type of Grant: Formula • Match: 20%; the Grantee must fund 20% of the project costs with the exception of the Territories (other than the Commonwealth of Puerto Rico), which are not required to provide a match.
Discretionary Grant Programs	
<p>Motor Carrier Safety Assistance Program (MCSAP) Grants – New Entrant CFDA: 20.218</p>	<ul style="list-style-type: none"> • Purpose: To provide financial assistance to States and local governments to conduct new entrant audits. Increases CMV safety by raising the bar to entry, and prohibits motor carriers determined to be unfit from operating a CMV. • Authorization: Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users, Pub. L. No.109–59, § 4107(b), 119 Stat. 1144, 1720 (2005), amended by SAFETEA-LU Technical Corrections Act of 2008, Pub. L. 110-244, 122 Stat. 1572 (2008). • Statute: 49 U.S.C. § § 31104(a), 31144(g)(5) (2006), as amended. • Funding Amount/Limit: The Funding Amount/Limit is based on the type of grant program and varies each fiscal year. The Funding Amount/Limit for each FMCSA grant program can be found on the grant program Notice of Funding Availability posted on Grants.gov for each fiscal year. • Period to Obligate: One Fiscal Year • Period to Expend: Two Fiscal Years • Grantees: States, local governments, US Territories and Commonwealths, District of Columbia

Type of Grant	Overview
<p>Motor Carrier Safety Assistance Program (MCSAP) Grants –High Priority CFDA: 20.218</p>	<ul style="list-style-type: none"> • Type of Grant: Discretionary • Match: None • Purpose: Reduce the number and severity of accidents and hazardous materials incidents involving CMVs by providing financial assistance on higher priority activities or activities that are national in scope or increase public awareness. • Authorization: Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users, Pub. L. No.109–59, § 4107(a), 119 Stat. 1144, 1719–20 (2005), as amended. • Statute: 49 U.S.C. §31104(k) (2006), as amended. • Funding Amount/Limit: The Funding Amount/Limit is based on the type of grant program and varies each fiscal year. The Funding Amount/Limit for each FMCSA grant program can be found on the grant program Notice of Funding Availability posted on Grants.gov for each fiscal year. Funding limitation at least 90% of amounts must be awarded to State and local governments. • Period to Obligate: One Fiscal Year • Period to Expend: Two Fiscal Years • Grantees: States, local governments, US Territories and Commonwealths, District of Columbia, and organizations representing Government agencies that use and train qualified officers and employees in coordination with State motor vehicle safety agencies. • Type of Grant: Discretionary • Match: 20%; no match is required for grants awarded in support of public information/education/outreach activities. • Purpose: Identify motor carriers responsible for the safety of CMV and monitor the safety fitness of those carriers by linking the vehicle registration process to safety performance monitoring and enforcement. • Authorization: Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users, Pub. L. No.109–59, §§ 4101(c)(3), 4109, 119 Stat. 1144, 1715, 1720–21 (2005), as amended.
<p>Performance and Registration Information Systems Management (PRISM) Grants CFDA: 20.231</p>	<ul style="list-style-type: none"> • Statute: 49 U.S.C. §§ 31106(b), 31109 (2006), as amended. • Funding Amount/Limit: The Funding Amount/Limit is based on the type of grant program and varies each fiscal year. The Funding Amount/Limit for each FMCSA grant program can be found on the grant program Notice of Funding Availability posted on Grants.gov for each fiscal year. • Period to Obligate: One Fiscal Year • Period to Expend: Unlimited • Grantees: States, US Territories and Commonwealths, and District of Columbia • Type of Grant: Discretionary • Match: None

Type of Grant	Overview
<p>Border Enforcement Grants (BEG) CFDA: 20.233</p>	<ul style="list-style-type: none"> • Purpose: The FMCSA BEG Program is a Discretionary grant program which provides funds to entities and States in order to increase and enhance inspections of CMVs entering the United States. The purpose of FMCSA's BEG Program is to ensure motor carriers operating commercial motor vehicles entering the United States from a foreign country are in compliance with the commercial vehicle safety standards and regulations, financial responsibility regulations and registration requirements of the United States, and to ensure drivers of those vehicles are qualified and properly licensed to operate the commercial motor vehicles. • Authorization: Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users, Pub. L. No.109–59, §§ 4101(c)(2), 4110, 119 Stat. 1144, 1715, 1721–22 (2005), as amended. • Statute: 49 U.S.C. § 31107 (2006), as amended. • Funding Amount/Limit: The Funding Amount/Limit is based on the type of grant program and varies each fiscal year. The Funding Amount/Limit for each FMCSA grant program can be found on the grant program Notice of Funding Availability posted on Grants.gov for each fiscal year. • Period to Obligate: One Fiscal Year • Period to Expend: Two Fiscal Years • Grantees: US Entities and States that share a land border with a foreign country. • Type of Grant: Discretionary • Match: None. Maintenance of Expenditure Requirement
<p>Commercial Driver's License Program Improvement (CDLPI) Grants CFDA: 20.232</p>	<ul style="list-style-type: none"> • Purpose: Improve highway safety by ensuring that States are in compliance with the Federal regulations that require drivers of large trucks and buses to be qualified to obtain and hold the commercial driver's license necessary to operate those vehicles. • Authorization: Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users, Pub. L. No.109–59, §§ 4101(c)(1), 4124, 119 Stat. 1144, 1715, 1736–37 (2005), as amended. • Statute: 49 U.S.C. §§ 31311, 31313 (2006), as amended. • Funding Amount/Limit: The Funding Amount/Limit is based on the type of grant program and varies each fiscal year. The Funding Amount/Limit for each FMCSA grant program can be found on the grant program Notice of Funding Availability posted on Grants.gov for each fiscal year. • Period to Obligate: One Fiscal Year • Period to Expend: Unlimited • Grantees: States and District of Columbia; (for high priority activities and emergency issues) persons and other entities capable of conducting eligible work that is national in scope and benefit (higher priority activities and emergency issues). • Type of Grant: Discretionary • Match: None. Maintenance of Expenditure Requirement
<p>Commercial Driver's License Information System (CDLIS) Modernization</p>	<ul style="list-style-type: none"> • Purpose: Improve highway safety by ensuring that the Commercial Driver's License Information System is modernized and that States are capable of transmitting all relevant information related to commercial driver's licenses and the disqualification of CDL holders; to ensure that CDLIS is secure and consistent with Federal Information security standards; and to allow for reporting and self-

Type of Grant	Overview
Grants Program CFDA: 20.238	<p>auditing of the system.</p> <ul style="list-style-type: none"> • Authorization: Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users, Pub. L. No.109–59, § 4123, 119 Stat. 1144, 1734 (2005), as amended. • Statute: 49 U.S.C. §§ 31309, 31311 (2006), as amended. • Funding Amount/Limit: The Funding Amount/Limit is based on the type of grant program and varies each fiscal year. The Funding Amount/Limit for each FMCSA grant program can be found on the grant program Notice of Funding Availability posted on Grants.gov for each fiscal year. • Period to Obligate: One Fiscal Year • Period to Expend: Unlimited • Grantees: States and District of Columbia, organizations representing agencies and officials of a State. • Type of Grant: Discretionary • Match: 20% • Purpose: Advance the technological capability and promote the deployment of intelligent transportation system applications for commercial vehicle operations, including commercial vehicle, commercial driver, and carrier-specific information systems and networks.
Core and Expanded Commercial Vehicle Information Systems and Networks (CVISN) Grants CFDA: 20.237	<ul style="list-style-type: none"> • Authorization: Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users, Pub. L. No.109–59, §§ 4101(c)(4), 4126, 119 Stat. 1144, 1715, 1738–41 (2005), as amended. • Statute: 49 U.S.C. §31106, Historical and Statutory Notes, (2006), as amended. • Funding Amount/Limit: The Funding Amount/Limit is based on the type of grant program and varies each fiscal year. The Funding Amount/Limit for each FMCSA grant program can be located on the grant program Notice of Funding Availability posted on Grants.gov for each fiscal year. • Period to Obligate: One Fiscal Year • Period to Expend: Unlimited • Grantees: States, the District of Columbia, Puerto Rico, and the Territories. • Type of Grant: Discretionary • Match: 50% • Purpose: Improve the quality of bus and truck crash and inspection data reported by the States to FMCSA.
Safety Data Improvement Program (SaDIP) Grants CFDA: 20.234	<ul style="list-style-type: none"> • Authorization: Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users, Pub. L. No.109–59, §§ 4101(c)(5), 4128, 119 Stat. 1144, 1715, 1742 (2005), as amended. • Statute: 49 U.S.C. § 31100, Historical and Statutory Notes (2006), as amended. • Funding Amount/Limit: The Funding Amount/Limit is based on the type of grant program and varies each fiscal year. The Funding Amount/Limit for each FMCSA grant program can be found on the grant program Notice of Funding Availability posted on Grants.gov for each fiscal year. • Period to Obligate: One Fiscal Year • Period to Expend: Unlimited • Grantees: States, US Territories and Commonwealths, and District of Columbia.

Type of Grant	Overview
<p>CMV Operator Safety Training Grants CFDA: 20.235</p>	<ul style="list-style-type: none"> • Type of Grant: Discretionary • Match: 20% • Purpose: Expand the number of Commercial Driver’s License holders possessing enhanced operator safety training in order to reduce the severity and number of crashes on U.S. roads involving CMVs; and assist economically distressed regions of the U.S. by providing workforce training opportunities for qualified individuals to become CMV operators. • Authorization: Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users, Pub. L. No.109–59, § 4134, 119 Stat. 1144, 1744–45 (2005), as amended. • Statute: 49 U.S.C. §§ 31301, 31104(i) (2006), as amended. • Funding Amount/Limit: The Funding Amount/Limit is based on the type of grant program and varies each fiscal year. The Funding Amount/Limit for each FMCSA grant program can be found on the grant program Notice of Funding Availability posted on Grants.gov for each fiscal year. • Period to Obligate: One Fiscal Year • Period to Expend: One Fiscal Year • Grantees: Persons who train operators of CMVs as defined by 31301 of Title 49 (e.g.: accredited post-secondary educational institutions (public or private); such as colleges, universities, vocational-technical schools, associations, truck driver training schools, and State and local governments.) • Type of Grant: Discretionary • Match: 20%

CHAPTER 2.0 PRE-AWARD: PLANNING ACTIVITIES

2.1 SEARCH FOR RELEVANT GRANTS

The first step in a successful grant application is finding appropriate and relevant grants. Each year FMCSA publishes an overall grant-making plan in the Federal Register, which informs prospective applicants about the anticipated funding priorities which will be announced in upcoming grant opportunity announcements in Grants.gov. FMCSA announces all grant and cooperative agreement opportunities through this website and Applicants are encouraged to familiarize themselves with this site to find opportunities and download application packages and instructions. Application packages and instructions on [Grants.gov](https://www.Grants.gov) contain all the information Applicants need to prepare and submit applications. [Grants.gov](https://www.Grants.gov) is the primary source for researching funding opportunities. Prospective Applicants may also research grant and cooperative agreement opportunities on the Catalog of Domestic Federal Assistance (CFDA) at www.CFDA.gov.

2.2 PRE-AWARD APPLICANT PLANNING

In preparing to apply for grants, Applicants should download the Grant Opportunity Announcement from [Grants.gov](https://www.Grants.gov). The Grant Opportunity Announcement is commonly referred to as the NOFA throughout FMCSA and also includes application instructions for relevant grant programs. FMCSA generally posts applications in [Grants.gov](https://www.Grants.gov). Prospective Applicants should review the information to determine if they are eligible, if the grant opportunity fits within their organization's mission, and whether or not their organization has the administrative and financial infrastructure and resources needed to successfully manage a grant throughout the Grants Management Lifecycle. Detailed information about [Grants.gov](https://www.Grants.gov) can be found in Section 2.2.2, [Register with Grants.gov](https://www.Grants.gov).

2.2.1 *Eligibility Requirement and Considerations*

FMCSA grants are primarily awarded to State and local governments. Certain grants also provide funds to other types of Grantees such as Native American Tribal governments, institutions of higher education, non-profit organizations, and for-profit organizations. Applicants are encouraged to review the eligibility requirements associated with grants to ensure that they apply for opportunities for which they are eligible. Other eligibility considerations such as Cost Share, and Maintenance of Effort (MOE), are described below.

A number of FMCSA grants have cost sharing or match requirements. Applicants should take cost sharing/match requirements into consideration in order to determine whether they have the necessary financial support to submit a grant application. Cost sharing or cost match is the portion of project/program costs not paid for by the Federal Government (i.e., non-Federal participation). The terms are used interchangeably and refer to either a statutorily specified percentage of project/program costs that must be contributed by a grant Applicant to be eligible for funding or any situation where an Applicant voluntarily shares in the costs of a project. Prospective Applicants should also consider the MOE requirement contained in certain FMCSA program legislation, regulations, or administrative policies. MOE is required for MCSAP Basic/Incentive, Commercial Drivers License (CDL) and Border Enforcement Grant (BEG) grant programs. The MOE may stipulate that a Grantee must maintain the average aggregate level of

expenditures (i.e., State, local or non-profit funds), exclusive of Federal funds. This rule ensures that Federal funding supplements State funds and does not supplant, or replace it, which is not allowed.

2.2.2 Register with Grants.gov

All FMCSA Applicants need to register with [Grants.gov](https://www.Grants.gov), in order to submit an application. Grants.gov registration entails completing the Central Contractor Registration (CCR) process and obtaining a Dun & Bradstreet Universal Number System (DUNS) . The registration process can take three to five business days or as long as several weeks, depending on the users' ability to complete all requirements.

Applicants may register for [Grants.gov](https://www.Grants.gov) using the following instructions:

- Go to www.Grants.gov on any internet browser
- Click the **Get Registered** link under Quick Links on the right-hand side of the Grants.gov Home Page
- Follow the directions under Organization Registration

2.2.3 Register with CCR

The CCR is a government-wide registry for vendors conducting business with the Federal government. If an organization is not registered with CCR it may apply on-line at <https://www.bpn.gov/ccr/>.

CCR registrants will need to submit detailed information on their organization in various categories. The CCR User's Guide defines and details specific informational requirements. The User's Guide also provides guidelines on how to obtain the information required to complete the registration process. An organization will be required to identify key individuals to perform various roles within CCR. The person selected as the organization's E-Business Point of Contact (E-Biz POC), must approve someone to become an Authorized Organization Representative (AOR) for grant submission purposes. AORs should verify that the E-Biz POC has completed this step prior to attempting to submit an application.

2.2.4 Verify or Obtain a DUNS Number

Applicants will need to obtain a DUNS number to successfully submit a grant application. Applicants need to enter a DUNS number in a required field on Grants.gov and is also needed to complete the CCR process. A DUNS number is a unique nine-character identification number provided by the commercial company Dun & Bradstreet.

To determine if an organization already has a DUNS number or to obtain one, go to <http://fedgov.dnb.com/webform/displayHomePage.do>. If a search results in an organization having multiple assigned numbers, the organization will need to decide which number will be used exclusively for grant application purposes. Using any DUNS number other than the one registered with [Grants.gov](https://www.Grants.gov) will result in processing errors when submitting applications.

2.3 APPLICANT SUPPORT

The keys to planning for the design of a successful grant application are well-informed and prepared Applicants. FMCSA is committed to providing Applicants with a clear understanding of grant program priorities, management expectations, applicable requirements, application processes, and overall guidance prior to submission of the application. This information is an important tool to successful and sustainable grants. However, FMCSA must continuously balance the requirement to provide for fair and open competition with a commitment to make available the maximum amount of technical assistance and information to prospective Applicants. To enable receipt of the best possible grant submissions, Applicant support is intended to:

- Support FMCSA safety partners
- Increase the technical quality of applications
- Encourage participation by all eligible Grantees
- Encourage open, fair and equal access, and even competition
- Maintain impartiality at all times

Applicant support may include any or all of the following, as appropriate, based on the program and available resources:

2.3.1 *Review of Prior-Year Applications*

FMCSA Grant Managers can assist Applicants during Pre-Award by reviewing prior-year applications. An understanding of the strengths and weaknesses of prior submissions provides Applicants with valuable knowledge that can assist them in preparing current and future applications.

2.3.2 *Funding Opportunity Conferences*

Currently, a Funding Opportunity Conference is provided for select FMCSA grant programs but FMCSA plans on expanding their use to all programs. These conferences are provided to afford prospective Applicants with an opportunity to receive information from the FMCSA Program Office on topics such as:

- How to submit an application
- General program information
- Specific funding year objectives
- Evaluation criteria and other tips regarding the grant program and/or the specific solicitation
- Answers to questions about how to complete forms contained within the guidance.

2.3.3 *Frequently Asked Questions (FAQs)*

Publication of Frequently Asked Questions (FAQs) and their corresponding answers on topics such as how to search for grant opportunities, how to register to apply for grants, eligibility criteria, and preparing grant applications may be issued by FMCSA as a resource for all Applicants. The published FAQs will be provided on the Grantee Resource section of the FMCSA website.

The FMCSA Grant Managers, or their designees, are often the first point of contact for grant Applicants. The relationships they share with Applicants are important to the ongoing success of FMCSA's grant programs and overall mission. However, Applicants must limit their interactions with FMCSA staff to the following:

- Questions regarding the information listed in the Federal Register
- Questions regarding information in the Grants.gov announcement
- Information regarding how to apply
- Information regarding the technical aspects of the FMCSA program at large (i.e., the statutory and regulatory elements of the program)

To ensure a level playing field and fairness to all Applicants FMCSA staff may NOT provide the following types of support:

- Review of current year applications prior to submission
- Discuss other Applicants' current year applications
- Write any portion of or edit current year applications
- Identify specific persons on Technical Review Panels (TRP)
- Discuss the specifics of a discretionary grant
- Discuss the specifics of a discretionary grant TRP

CHAPTER 3.0 PRE-AWARD: PREPARING THE APPLICATION

3.1 PERFORMANCE-BASED PROJECTS

FMCSA seeks to award funding for performance-based projects. When applying for grant opportunities Applicants generally will be asked to describe project goals and impacts before describing the specific tasks necessary to achieve them. By focusing on the outcome and impact of a project the Applicant is better able to explain to FMCSA the need for the financial assistance. When requesting grant funding for more than one project, Applicants are requested to discuss each project individually. Applicants must provide clear and concise problem statements, proposed solutions, explanations of the resources necessary to achieve the desired results, and expected timelines for each project keeping all relevant information separated. Use of this approach allows FMCSA to fully evaluate the merits of each project individually.

3.2 COMPONENTS OF THE APPLICATION PACKAGE

This section provides general guidance on preparing a typical grant application. Please note that each FMCSA announcement will provide specific guidance regarding the format of the application, the required elements, and evaluation criteria.

3.2.1 Project Narrative

The project narrative is comprised of one or more of the sections described below. The Project Narrative section of the application is where the Applicant describes what problem or need they intend to address with grant funds, their methodology or approach, and how they intend to measuring the effectiveness of their project design. The Project Narrative should be succinct, self-explanatory, and well-organized so that reviewers can understand each component of the proposed project.

3.2.1.1 Needs Assessment (Problem Statement)

This section documents the need for the proposed program and describes the community, target population, and unmet needs to be addressed. It is sometimes referred to as the Statement of Need or Self-Assessment as well. Applicants should describe the problem, including demographic data whenever possible, and quantify it, citing data sources and a baseline. The Problem Statement should be easily verifiable and not require additional research on the part of FMCSA staff regarding data verification.

3.2.1.2 Methodology (Project Design)

The Project Design section should cover the methods and implementation strategies that will be used to address the program goals described in the grant opportunity announcement as well as the needs that were identified in the Needs Assessment. The methodology can also be referred to as the Implementation or Program Strategy. The Project Design should also be feasible given the parameters of the grant program. Quality improvement strategies and financial management methods, as applicable, are appropriate topics to describe in this section.

3.2.1.3 Work Plan (Program Activity Plan)/Timeline

A description of the specific activities that will be used to achieve the proposed project outlined in the Methodology section will be detailed in a Work Plan, timeline and/or Program Activity Plan. The Work Plan includes a description of the site where the work will be performed, the duration of the proposed project, a list of required goods or services, and the entire time schedule. The level of detail will vary according to the project; however, the information provided should be concise and sufficient to support the project goal and justify the requested funding. This section identifies the individuals or organizations responsible for tasks, associated timelines specific to these individuals or organizations, and the level of effort needed to achieve the project within the time constraints.

3.2.1.4 Identification / Resolution of Challenges

This section should discuss any challenges that may arise in the design or implementation of the activities described in the Work Plan. Applicants should be sure to include strategies that could be used to address and resolve these challenges. This is a section that often is not included by Applicants; however, it is particularly useful for new grants and/or project designs for which it is unclear how well they will perform. It gives the Applicant an opportunity to identify potential problems and provide strategies for addressing them.

3.2.1.5 Evaluation or Monitoring Plan

This section describes how the proposed project will be evaluated from both a process and an outcome perspective. It should identify program performance measures or goals for those measurements. Process evaluation describes how an organization will remain focused on implementing a quality program on time and within budget. Outcome evaluation describes the types of measures that will be used to document the success of the proposed project. Applicants may describe how they plan to measure the effectiveness of each activity and strategy such as using incremental benchmarks for a multi-year strategy and determining whether targets/milestones were met. The following factors may be used to evaluate performance:

- Review baseline data and compare to new results
- Assess effectiveness of strategy and activities
- Make adjustments as appropriate
- Document for quarterly report or annual update

3.2.1.6 Organizational Information

Organizational Information includes information related to the Applicant's organizational goals, mission statement, structure, or other information relevant to the proposed project. Providing a description of the scope of current activities as well as key elements of previous and/or other motor carrier or highway safety programs shows how these contribute to the ability of the organization to successfully implement program requirements and meet program expectations. This section should also reference any past performance descriptions and/or "credentials."

3.2.2 *Budget Narrative*

The Budget Narrative is an essential part of a grant application. It should thoroughly and clearly justify or explain each Budget Category (Object Class) and follow all guidelines and limitations as provided in the application package, be easy to follow and understand, be mathematically correct, and correspond with the information and figures on the budget forms. A well-written Budget Narrative allows the Applicant and Grantor to fully understand all of the costs within the budget and ultimately monitor the expenditure of funds and determine if the budget items are allowable for reimbursement under the Federal cost principles. Guidance for developing an Object Class Budget can be found in Appendix A, Guidance for Developing an Object Class Budget.

While a comprehensive budget is permitted, individual projects must have a clear budget total that can be distinguished from other projects. Applicants SHOULD NOT provide budget forms that group expenses from the entire application packet (all projects) according to their own internal budget categories (e.g., personnel, programming, contracting). This broad categorization of expenses is not helpful to application reviewers and can lead to a delay in grant awards while clarifying information is requested. Rather, Applicants should group expenses by project using the object class categories provided in Standard Form 424A - Budget Information. This is discussed in greater detail in [Section 3.3, Required Forms](#). Applicants should ensure that detailed narratives are provided for each project in each proposal. Narratives should describe how the Federal funds should be used. For example, a project involving personnel would explain each position to be filled and how it applies to the project and Federal funds. All projects and funding amounts can be included on the same SF-424, as long as each project and its corresponding budget are specified.

In addition to the Project Narrative and the Budget Narrative, all FMCSA applications require a number of standard Federal forms as well as FMCSA-specific forms, comprising the final application package, detailed in the next section. See Appendix B for an Application Submission Checklist.

3.3 REQUIRED FORMS

[Grants.gov](#) uses standard application forms. These forms are accessible on the [Grants.gov](#) website and include instructions for how they should be completed. FMCSA requires the standard forms used for all Federal grant programs as well as FMCSA-specific application requirements. Below, please find a general list of the standard forms required to apply for Federal grants:

Standard Forms include:

- Standard Form 424 - Application for Federal Assistance
- Standard Form 424A - Budget Information - Non-Construction Programs
- Standard Form 424B - Assurances - Non-Construction Programs
- Standard Form LLL - Disclosure of Lobbying Activities

Copies of these forms and their respective instructions can be found in Appendix K, Forms.

3.4 SPECIFIC FORMS REQUIRED BY FMCSA

In addition to the standard grant application forms required of all Applicants, FMCSA may request Applicants to complete forms that are specific to the agency. The FMCSA-specific forms are intended to provide reviewers with additional information that will help them make informed decisions regarding which applications to fund.

3.4.1 Key Contacts Form

Each Applicant is requested to submit a Key Contacts Form, available in Appendix K, Forms, as part of their application for FMCSA grants. This form collects information from Applicants that FMCSA uses to assign Grantee roles and responsibilities in GrantSolutions, thereby helping to assure that the correct Grantee Authorizing Official receives the grant award notification and signs the correct grant award. The timely submission and accurate completion of this form helps facilitate the correct and efficient processing of grant awards. The information required in the Key Contacts Form includes:

- Applicant Organization Name used on the SF-424
- Authorized Person to review, sign, and accept grant awards on behalf of the organization
- The person in the organization who will have daily oversight over implementing the grant
- The person responsible for monitoring grant program finances.³

Additional contact information may be provided at the discretion of the Applicant. This form should be submitted at the time of application. Delayed submission of this form can impact the timely award of the grant.

3.4.2 Administrative Capabilities Questionnaire

Applicants need to complete an Administrative Capabilities Questionnaire which provides documented assurance that the Applicant has adequate and appropriate systems and administrative and fiscal internal controls in place to properly implement a grant award. This questionnaire helps establish that an Applicant is a good steward of Federal resources. The systems referenced in the form include: accounting and financial assistance system;⁴ personnel;

³ This individual should be able to provide clarification on financial information such as budget details, Single Audits, invoice support documentation, and so forth. This role is typically performed by a grant, finance, or administrative/program specialist.

⁴ Grantee accounting systems must meet the requirements of 49 CFR Part 18.20 and 18.36 (local and Indian Tribal governments) or 49 CFR Part 19.21, 19.40-19.48 (universities and other nonprofits)

project management; and travel systems.⁵ The form also provides information about past performance issues, A-133 Single Audit results, indirect cost rate information, and verification of sub-award monitoring and oversight protocols.⁶

FMCSA, as well as Grantees, need to have a system of internal controls in place to properly administer a grant award. Internal controls are designed to provide reasonable assurance that:

- Transactions are recorded properly
- Assets are safeguarded against loss
- Reports are complete and accurate
- Compliance with Federal and grant requirements is ensured

As stewards of Federal resources FMCSA and Grantees need to have internal controls in place in order to provide reasonable assurance that administrative objectives will be met. Best practices include procedures documented in manuals and/or other written documents and costs for Federal and non-Federal activities accounted for separately. Supporting documentation needs to be maintained for all grant funded expenditures.

In addition, Grantees are expected to maintain separate accounts and records for each source of funds (e.g., Federal, State, other) used to support the project, and to maintain separate records for matching funds and program income funds. Grantees are to maintain internal control procedures and to maintain equipment inventory, disposition records for equipment, and maintain grant files.

3.4.3 Other Potential Forms Which May Be Required For Select Grant Programs

Applicants will complete an MOE Calculation Template for all MCSAP Basic/Incentive, BEG, and CDL grant applications to document financial requirements are in adherence with the applicable statute for a given grant program. Grantees are reminded to review the program guidance for required forms and templates.

3.5 GRANT APPLICATION BUDGET DEVELOPMENT

3.5.1 Budget and Cost Development

FMCSA formula and discretionary grant programs require the submission of a complete budget. Budgets should be comprised of the following three components:

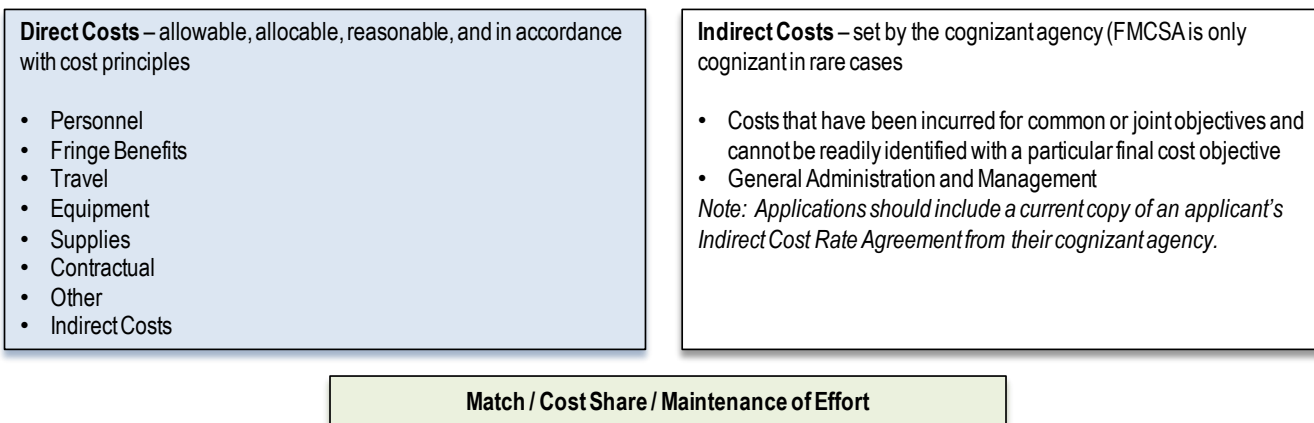
- SF-424A
- Detailed line item budget(s) and
- Budget Narrative (see 3.2.2 for more information on the budget narrative)

⁵ Governmental Grantees subject to 2 CFR Part 225 (OMB Circular A-87) is required to follow the Federal Travel Regulation.

⁶ Sub-award system should meet certain requirements laid out in the Department's regulations and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

The budget is broken down into direct costs, indirect costs, and match/share cost. Figure 2, Budget and Cost Analysis Requirements, delineates the components of these budget requirements.

Figure 2: Budget and Cost Analysis Requirements



The Applicant should develop a budget that provides sufficient detail with regards to the proposed costs to be spent on specific activities and/or items and it should clearly identify how matching costs will be met, if applicable. Additionally, the budget should be delineated by specific activities and cost categories (e.g., funds for automated knowledge-testing system, equipment). The following information may assist Applicants when planning budgets and developing the budget narrative:

- **Personnel:** Describe the labor categories, salaries, rates, fees, etc, associated with the labor costs and avoid including a lump-sum for labor
- **Fringe Benefits:** Include a fringe benefit rate. The rate should be approved by the Cognizant Agency, justified by the State-Wide Cost Allocation Plan (SWCAP), or provided in the Indirect Cost Agreement
- **Travel:** Estimate the number of trips, identify destinations, and staff, by labor category
- **Equipment:** Indicate the specific equipment that will be purchased or leased with grant funds and the estimated costs. Indicate whether the State entity's equipment threshold is less than the Federal government definition of \$5,000. Applicants should indicate their organization's appropriate monetary definition of equipment if it differs from the Federal definition
- **Supplies:** Delineate major supplies and provide estimated costs. Many computers, printers, scales, radar guns, etc. will be considered supplies as opposed to equipment based on statutory definitions
- **Contractual:** Indicate whether consultants are to be used, the anticipated number of hours, skills needed, rates, and total cost. This direct labor category also includes contracts for leased cars, fuel, etc.

- **Other:** Include those direct costs that do not fit any of the aforementioned categories such as rent for buildings used to conduct grant activities, utilities, computer software, communication costs, leased equipment, transportation expenses such as bus tokens, tuition for training, conference registration fees, memberships, postage, printing, etc.
- **Indirect Costs:** Determine if the Applicant intends to seek reimbursement for indirect costs. If so, the Applicant must have a formal approved rate from their Cognizant Agency that covers the grant period, see details in [Section 3.5.4, Indirect Cost Rates](#)

3.5.2 Cost Principles⁷

Costs charged to an FMCSA grant must be in accordance with the applicable cost principles for the Grantee type. These standards are described in the applicable cost principles:

- 2 CFR Part 220 (formerly OMB Circular A-21), Cost Principles for Educational Institutions
- 2 CFR Part 225 (formerly OMB Circular A-87), Cost Principles for State, Local, and Tribal Governments
- 2 CFR Part 230 (formerly OMB Circular A-122), Cost Principles for Non-Profit Organizations
- 48 CFR 31.2,⁸ Cost Principles for For-Profits (Contracts with Commercial Organizations)

The Federal cost principles provide a comprehensive list of allowable costs. Additionally, each FMCSA grant program defines allowability beyond the more general categories listed in the cost principles. Applicants should become familiar with the cost principles and the authorizing legislation for FMCSA grant programs and use their best judgment in determining the allowability of costs. For assistance during the Pre-Award phase, Applicants may contact the FMCSA Grant Program Manager listed in the NOFA or their local FMCSA Division Office for guidance on any questioned activities or items.

Grant budget analysis should use the “Selected Items of Costs” attachment to the OMB Circulars in tandem with the “General Criteria for Determining Allowable Costs” provided below. The *Selected Items of Cost*, providing the principles to be applied in establishing allowability or unallowability, can be found in Appendix D, Selected Items of Cost.

In general, costs are allowable if they are:

- In conformance with the Project Description and the Project Budget
- Aligned with Federal guidelines or regulations and Federal cost principles
- Treated uniformly and consistently under generally accepted accounting principles (GAAP)⁹

⁷ Additional Financial Considerations can be found in Appendix C

⁸ 48 CFR 31.2, Cost Principles for For-Profits: https://www.acquisition.gov/far/current/html/Subpart%2031_2.html

- Authorized under State or local laws or regulations
- Accorded consistent treatment. For example, a cost may not be assigned as a direct cost in one situation and as an indirect cost in another like circumstance
- Determined to be necessary to accomplish the project
- Deemed reasonable for the goods and services purchased
- Not included as a cost or used to meet cost-sharing or matching requirements of any other Federal award, in either the current or a prior period, except as specifically provided by Federal law or regulation
- Incurred after the effective date of the Grant Award, unless allowed under specific authorization from FMCSA¹⁰
- Documented adequately

In general, unallowable costs include costs that are associated with:

- Organized fundraising
- Lobbying
- General public relations
- Governance, including types of services normally provided to the general public such as police and fire
- Contingency reserves for bad debts
- Prosecuting claims against the Federal government
- Advertising to promote the governmental unit
- Alcoholic beverages
- Entertainment
- Fines and penalties
- Memorabilia, promotional materials (other than marketing)
- Certain travel costs (e.g., first-class)
- Donations to other parties
- “Golden Parachute” severance payments
- Unused leave payments as direct costs
- Interest on borrowed capital (money) including government owned funds

⁹ Grantees should note that the cost principles also pertain to any Sub-Grantees, as applicable. The cost principles that apply to the entity are determined by the type of Grantee.

¹⁰ Allowable circumstances could include a grant that becomes effective following the grant period of performance and therefore some costs, such as labor, may be retroactive to the beginning of the performance period.

- Memberships in social, country clubs, civic or community organizations
- Late Fees

These lists are not comprehensive; rather, they provide the basis for a determination of allowability, which should be based on the treatment or standards provided for similar or related items of cost.

A cost is *allocable* to a grant if the goods or services involved may be assigned directly to a specific grant versus the more general operations of the Applicant in accordance with the relative benefits received. To determine allocability, Applicants should consider the following cost-related questions:

- Are costs incurred solely to advance the work proposed within the application?
- Do the costs benefit both the work proposed as well as other work performed by the organization in proportions that can be approximated through the use of reasonable methods?
- Are the costs necessary to the overall operation of the organization and deemed to be assignable in part to the proposed Agency in accordance with the relative benefits received?
- Can the budget be calculated on the basis of “relative benefits received” (i.e., does the Grantee demonstrate that the program benefitted from the cost in proportion to the amount charged to the budget)?

Costs may be considered reasonable and necessary if they are¹¹:

- Recognized as ordinary and necessary for the operation of the grant or the performance of the Federal award
- Based on costs previously determined to be reasonable through prior experience with the Applicant
- Comparable to market prices for comparable goods or services
- Incurred with prudence under the circumstances
- Absent of significant deviations from the established practices of the Federal awarding agency
- Within the constraints or requirements imposed by factors such as sound business practices, arms-length bargaining, Federal and State laws or regulations, and Federal award Terms and Conditions

¹¹ The reasonableness standard is particularly important when an organization is predominantly funded by the Federal Government.

3.5.3 *Matching/Cost Sharing*

Cost matching or cost sharing is the portion of project/program costs not borne by the Federal Government (i.e., non-Federal participation). The terms are used interchangeably and refer to either a statutorily specified percentage of project/program costs that must be contributed by an Applicant to be eligible for funding or any situation where an Applicant voluntarily shares in the costs of a project.

Cash and in-kind contributions included in the budget of the award must be valued in accordance with the applicable administrative requirements and are subject to the appropriate cost principles.

Cost sharing must be:

- Verifiable from Grantee records¹²
- Necessary, allocable, and reasonable for the project¹³
- Not paid by the Federal Government under another award (unless authorized by statute)

Cost sharing should be listed in the approved budget and changes to planned cost sharing must be approved by the FMCSA Grant Manager. All proposed third-party, in-kind contributions (e.g., services or items), and other items counting towards the cost-sharing requirement, must be verifiable from Applicant records. The records should document how the value of the contribution was derived. If an Applicant intends to derive income from a Federal program, the monies may be applied to satisfy a matching requirement. The applicant must provide a letter verifying the contribution and its value. The records must show how the value of the contribution was derived. If a Grantee derives income from a Federal program, the money can be applied to satisfy a matching requirement. Refer to 49 CFR 18.24 and 19.23 for specific rules regarding valuation of the following for cost-sharing purposes: donated property, buildings, or equipment, voluntary services, and donated supplies.

3.5.4 *Indirect Cost Rates*¹⁴

Indirect costs are those incurred by a Grantee for common objectives that cannot be readily and specifically identified with a particular grant project or other institutional activity without effort disproportionate to the results achieved. Examples of indirect costs include:

- Costs related to operating and maintaining facilities, equipment, and grounds that are considered “facilities costs”
- Depreciation or use allowances that are also part of “facilities costs”

¹²Verification from Applicants may take the form of a pledge letter from the provider of the match confirming the amount and conditions of the match.

¹³ For clarification, refer to the definition of allowable costs in the Cost Principles section above.

¹⁴ For further guidance and/or clarification in regard to Indirect cost rates refer to (contact) the FMCSA Office of the Chief Financial Officer.

- Salaries of administrators and services such as payroll and personnel expenses that are considered “administrative costs”

Indirect cost rate (IDCR) agreements are established by the appropriate Cognizant Agency. Indirect cost rates approved by a Federal Cognizant Agency must be accepted by other agencies, unless otherwise negotiated with the Cognizant Agency.¹⁵ See Appendix E, Procedures for Establishing and Managing Indirect Cost Rates When the Cognizant Agency is Not Identified, for guidance on determining the Cognizant Agency. Any proposed limitations to indirect costs must be published in the Federal Register and/or Grants.gov or found in a program regulation. Each agency must have an approved IDCR. The Prime Applicant, which will become FMCSA’s contractual Grantee, must ensure that agreements and monitoring methods with partner agencies are in place.

The Cognizant Federal Agency is the Agency that provides the largest amount of direct grant funds to a particular Applicant. For most FMCSA Applicants, either the Federal Highway Administration (FHWA) or the Department of Justice (DOJ) is the Cognizant Agency. FMCSA is Cognizant to a small number of Grantees. The inclusion of the indirect cost rate in the Applicant’s budget should be checked against the rate approved by the Cognizant Agency to ensure that it has been properly calculated as described in an approved indirect cost rate (IDCR) agreement. A copy of the current negotiated IDCR agreement signed by the Cognizant Agency will suffice for this purpose. If one is not provided it should be submitted prior to final selection.

There are three basic rate types of IDCRs that may be used for indirect cost claims: 1) Provisional/Final, 2) Predetermined, and 3) Fixed with carry-forward. An organization’s IDCR agreement should specify which type of IDCR has been approved for use in budgeting indirect cost expenditures.

Other elements of the IDCR agreement include the period of coverage, rate percentage, the direct base to which the percentage is applied, and a possible fringe benefit rate. The applicable OMB cost principles and circulars should be used in determining the appropriate grant monitoring and Close-Out responsibilities for each type of IDCR. Federal agencies may not establish IDCRs unless they are designated as the assigned Cognizant Agency.

After an award is made, any requests from FMCSA to the Grantee or from the Grantee to FMCSA for changes to the IDCR require an amendment and must first be approved by the Cognizant Agency. The Grant Program Manager must consult with the FMCSA Office of the Chief Financial Officer and the Office of Chief Counsel before approving/limiting or modifying IDCRs in any way to include IDCRs for interim use.¹⁶

Indirect costs should be identified in the budget if the Grantee plans to be reimbursed for those costs or plans to use them as matching funds. Reimbursement may not occur until an IDCR is

¹⁵ If program regulations specifically restrict the recovery of certain indirect cost, the program agency must contact the Cognizant Agency to negotiate a change to the pre-established indirect cost rate. Without approval from the Cognizant Agency, the program agency may not modify the indirect cost rate accepted.

¹⁶ Requests for changes to the indirect cost rates during pre-award (i.e., during the application review) and/or post-award must be approved by the Cognizant Agency first.

secured. An interim rate may be used as a budget place-holder until an approved rate can be determined. The actual indirect costs must be calculated annually since indirect cost rates cover an organization's entire fiscal year. Organizations that have previously established IDCRCs must submit a new indirect cost proposal to the Cognizant Agency within six months after the close of each of fiscal year.¹⁷

If the Applicant has an established Cognizant Agency then the Applicant will need to provide a copy of the negotiated IDCRC agreement or a copy of the transmittal letter submitted to the Cognizant or oversight Federal Agency requesting a negotiated rate agreement with their application.

If the Applicant does not submit the required documentation (e.g., indirect cost proposal, cost allocation plan) to FMCSA within 90 days of the award start date, the Grant Program Manager may need to amend the award to preclude the recovery of any indirect costs under the award. If FMCSA or the Cognizant Federal Agency determines there is a finding of good and sufficient cause to excuse the Grantee's delay in submitting the documentation, an extension of the 90-day due date may be approved by the Grant Program Manager. Additional resources regarding IDCRCs may be found in Appendix F, Sample Indirect Cost Rate.

3.5.5 Conflicting Guidelines

In the event of any discrepancy between the summary information contained in this chapter and any specific provision of the applicable Federal cost principles the cost principles in effect as of the effective date of the FMCSA grant will govern. In the case of a discrepancy between the special provisions of an FMCSA grant and the standards of the applicable cost principles, the special provisions of the grant will govern.

3.5.6 Maintenance of Effort

Maintenance of Effort (MOE) is a statutory requirement to ensure that FMCSA Grantees maintain a certain level of expenditure (exclusive of Federal funds) for eligible program activities as a precondition of award. The MOE is usually calculated as an average aggregate level of Grantee expenditures over a prescribed period of time. The MOE is legislatively mandated to ensure Federal funding supplements State funds and does not supplant, or replace it. **If the Grantee does not expend their MOE by the end of the grant period of performance, the Grantee must reimburse all Federal monies received from the grant.** The three FMCSA grant programs that have MOE requirements are MCSAP Basic and Incentive, CDL, and BEG.

3.6 RECOMMENDED APPLICANT REVIEW STEPS

The manner in which Applicants review their application package for responsiveness, adherence to technical requirements, and accurate form completion is entirely at their discretion. Some best practices include:

- **Peer Review** – When a grant proposal is written, a thorough review by subject matter experts (SME) not involved in the process may be requested to provide insights on the

¹⁷ For more information Grantees should review Section 16.e of the "FMCSA Grant Provisions and Assurances" located in the NGA.

responsiveness of the submission to the guidance requirements

- **Technical Requirements** – Similar to subjecting applications to peer review, individuals may be asked to review application package components for adherence to technical submission requirements and ensure that the forms are completed accurately
- **Budget Review** – Review budget calculations to ensure they are mathematically correct. This should include the Object Class Budget¹⁸ and any Match or MOE and Indirect Cost Calculations. Also, Applicants should cross-check the numbers in any budget narrative to ensure correlation to the numbers on SF-424A

¹⁸ Sample Object Class Budget provided in Appendix A

CHAPTER 4.0 PRE-AWARD: FMCSA APPLICATION REVIEW

4.1 FMCSA APPLICATION REVIEW

FMCSA Application Review activities include the receipt and review of grant applications submitted by potential Grantees to ensure applications comply with statutory and regulatory requirements and Grants Management policies. All applications, but particularly those for discretionary funding, will be evaluated for compliance to programmatic and financial requirements and scored to determine which applications best meet FMCSA program goals. Applications are also evaluated to determine which proposals offer the maximum potential for success based upon the evaluation plan provided as well as their soundness with financial requirements. Applications are reviewed to verify that the costs are allowable, allocable, and reasonable based on the nature of the project. In addition, Applicants are evaluated for the soundness of their business and grant management, and financial and managerial capabilities particularly when it comes to Federal programs and funds.

Applications for funding under any of FMCSA’s grant programs are reviewed by a Technical Review Panel (TRP), comprised of FMCSA program staff and technical experts, as needed. Figure 3, Application Review Process, shows the full application review process.

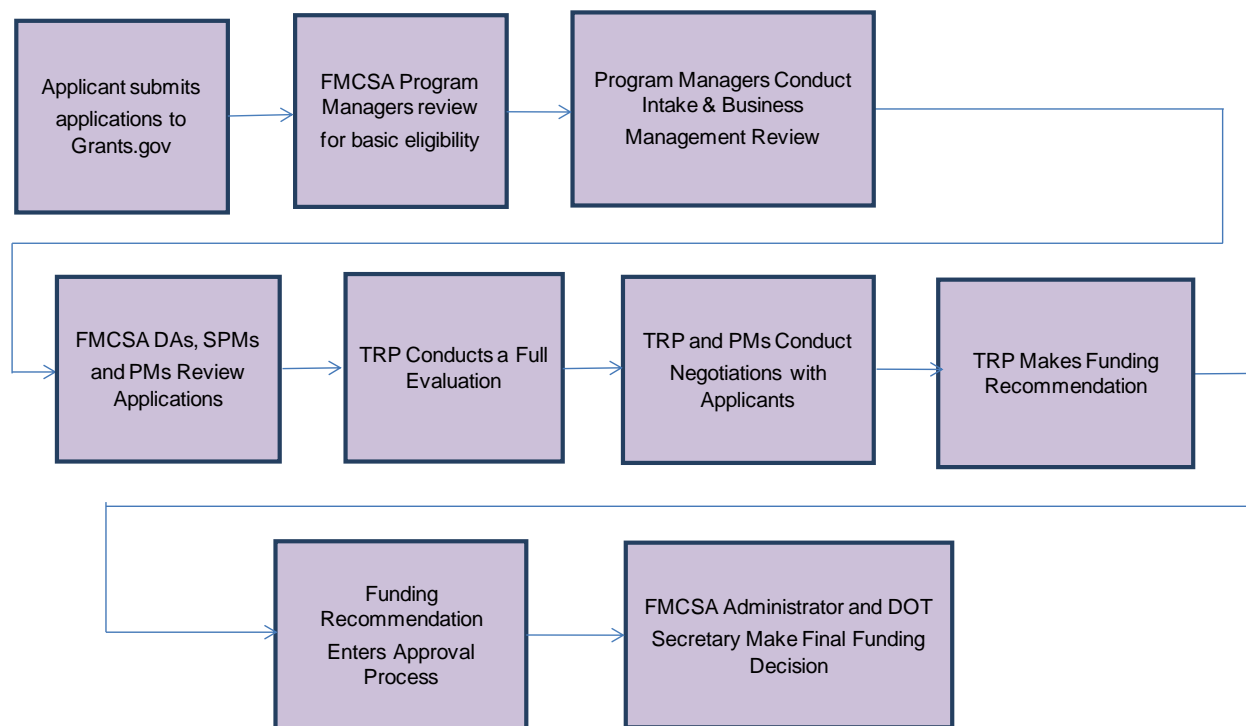


Figure 3: Application Review Process

4.2 OVERVIEW OF THE INTAKE AND BUSINESS MANAGEMENT REVIEW PROCESS

Agency policy stipulates that FMCSA pursue full and open competition for the award of discretionary funds. Each application for financial assistance, whether discretionary or otherwise, will receive a fair, equitable, and objective review.

4.2.1 *Application Receipt*

FMCSA requires Applicants to apply for financial assistance through [Grants.gov](https://www.grants.gov). After applications are submitted in [Grants.gov](https://www.grants.gov), applications are transferred to GrantSolutions. If the Grantee does not receive an email from Grants.gov that the Agency retrieved the application, they should contact FMCSA to confirm that the application was successfully submitted. Upon receipt in GrantSolutions, FMCSA performs an Intake Review of applications to ensure that applications conform to the minimum standards stipulated in the NOFA. If an application does not meet the minimum standards of the initial screening FMCSA will notify the Applicant of the status of their application for further consideration.

When appropriate, the Applicant may be allowed to submit a new or revised application. However, any “post-award” submissions, such as revised budgets and missing forms should be sent directly to the FMCSA Grant Program Manager rather than through [Grants.gov](https://www.grants.gov), unless the original submission is completely rejected and an entirely new submission is required. Application requirements may vary from year to year with the addition or change of forms, or changes in program priorities or eligibility criteria. It is recommended that Applicants pay close attention to current requirements so that their applications can be as current and competitive as possible.

4.2.2 *Basic Intake Review*

The Basic Intake Review determines whether the applications contain the following minimum general required documentation and that the documentation is complete. Please note that this list is illustrative and may vary slightly depending upon the specific FMCSA grant opportunity and annual modifications by FMCSA.¹⁹

- Standard Form 424 – Application for Federal Assistance
- Standard Form 424A – Budget Information - Non-Construction Programs
- Standard Form 424B – Assurances - Non-Construction Programs
- Standard Form LLL – Disclosure of Lobbying Activities
- Administrative Capability Questionnaire
- Maintenance of Efforts (MOE) calculations, if applicable

¹⁹ Grantees who act as pass-through entities should submit within their grant application a Sub-Grantee Monitoring Plan that explains how they will ensure Sub-Grantees' compliance with Federal laws and OMB circulars.

- Applicant noted the correct allocation of matching funds and the source of funds, if applicable

Upon acceptance of the applications and completion of the Basic Intake Review, FMCSA begins a Business Management Review of applications. At this time FMCSA staff also review the application to verify that it is in conformance with the statutory and regulatory eligibility requirements for the program which are stated in the NOFA and the basic eligibility standards.

4.2.3 Business Management Review

While the FMCSA technical review of applications is underway, the FMCSA Grant Program Manager completes a Business Management Review (BMR) to determine whether the Applicant has the management, organization, personnel, and other systems in place to appropriately manage and safeguard FMCSA funds.

The following list includes the items that are considered part of an FMCSA BMR:

- Debarment and Suspension/Conflict of Interest/Hatch Act/Lobbying Restriction Reviews
- Delinquent Federal Debt Analysis
- Previous FMCSA Grant Performance
- Previous Audit Analysis
- Additional Resource Review, as needed

Upon completion of the BMR, the results of the review will be provided to the FMCSA Technical Review Panel (TRP) for consideration when conducting their analysis of the applications. Then the entire application package, with the results of the BMR and the TRP, is provided with the final recommendations for funding contained in a Funding Memo. The Funding Memo is approved by FMCSA program, financial, and legal staff, as well as key Agency leadership.

4.2.3.1 Debarment and Suspension²⁰

A Debarment and Suspension Review is comprised of a review of the Management Self-Certification Form and search of key personnel and the name of the applicant organization against the Excluded Parties List (www.epls.gov). The Debarment and Suspension Review helps maintain the integrity of financial assistance programs by making awards only to Grantees that are competently managed and prevents waste, fraud, and abuse in Federal procurement and non-procurement actions.

NOTE: It is important to note that Applicants that are currently debarred or suspended from participating in Federal financial assistance awards and Federal procurement or Applicants with outstanding debts will not be considered for financial assistance awards.

²⁰ The SF-424B-Standard Form Assurances, submitted by all applicants, contains signed assurances pertaining to the Hatch Act and the Management Self-Certification, submitted with all applications, requires the Applicant to certify adherence to anti-lobbying policies and any debarment and suspension issues.

Debarred or suspended applicants may be considered for award on a unique, exception basis.**4.2.3.2 Organizational Code of Conduct**

An organizational conflict of interest occurs when the nature of the work to be performed under a proposed third party contract, may, without some restrictions on future activities, result in an unfair competitive advantage to the contractor or impair the grantee's objectivity in performing the contract work. As a result, applicants are required to disclose any potential organizational conflicts of interest.

4.2.3.3 Organizational Conflict of Interest

An organizational conflict of interest occurs when the nature of the work to be performed under a proposed third party contract, may, without some restrictions on future activities, result in an unfair competitive advantage to the contractor or impair the contractor's objectivity in performing the contract work. A conflict of interest:

- Exists when a person participates in a matter which is likely to have a direct and predictable effect on his personal or financial interests
- Exists where there is an appearance that a person's objectivity in performing his responsibilities is impaired
 - From an organizational conflict where, because of other activities or relationships with other persons or entities, a person is unable, or potentially unable, or perceived to be unable to render impartial assistance or advice to the government
 - Non-financial gain to the individual, such as benefit to reputation or prestige in a professional field.

Grants and cooperative agreements are not to be used as legal instruments for consultant services, for the purpose of performing in-house organizational studies, or other studies for internal government use unless allowed by statute. FMCSA grantees are required to follow the procurement requirements contained in 49 CFR 18.36 and 19.42 as they pertain to contracts and sub-grantees. Violation of these procurement requirements could be a basis for debarment, suspension, or termination of an award, or other appropriate action. Unresolved conflicts of interest have the potential to undermine the integrity of the financial assistance process; therefore, it is important that such conflicts be identified prior to award. FMCSA applies this requirement to sub-grantees as well.

4.2.3.4 Lobbying Restriction Reviews

The Government-wide Guidance for New Restrictions on Lobbying is covered in 49 CFR Part 20. Applicants are required to submit a disclosure form when applying for Federal funds, identifying any lobbying activities. Please note that Federal funds may not be used for lobbying purposes.

4.2.3.5 Delinquent Federal Debts

The SF-424 contains a declaration regarding delinquent Federal debt. When completing this portion of the form, the Applicant is certifying whether or not they have delinquent Federal debt. As previously noted, FMCSA will not award additional Federal funds to Applicants with outstanding Federal debt, but will review on an exception basis. FMCSA will also cross-check the Federal debt status with any previous audit findings. For new Grantees, or as needed, FMCSA may also conduct additional research into an Applicant's Federal debt and/or credit status. It is important that Applicants be sure to respond to this issue correctly on the SF-424 since an error could jeopardize grant funding, as well as make every attempt to avoid delinquent Federal debt.

4.2.3.6 Previous FMCSA Grant Performance²¹

FMCSA Grant Managers work closely with FMCSA AOs and Grant Program Managers to ascertain whether or not a current or recent prior FMCSA Grantee possesses a positive performance record. Positive past grant performance may be based on obligation and expenditure rates, timely submission of quarterly financial and performance reports and invoices, results of Program and Process Reviews; and overall grant standing with FMCSA. Past performance is determined by the FMCSA Grant Manager, reviewed by the Grant Program Manager, and provided to the TRP to be considered as part of the overall application evaluation. Current FMCSA Grantees should recognize that their past and present performance may impact their potential for future grant awards.

4.2.3.7 Previous Audits

Under the Single Audit Act, any non-Federal entity (e.g., a State, local government, Tribal entity, educational institution, or nonprofit organization) that expends \$500,000 or more in Federal funding in a fiscal year (FY) must have an audit performed in accordance with OMB Circular A-133, Audits of States, Local Governments and Nonprofit Organizations. Grantees that expend less than \$500,000 a year in total Federal assistance funds are exempt from Single Audit requirements. However, all Grantees must retain appropriate records to document their compliance with the requirements of their Federal assistance awards.

As part of the BMR, FMCSA staff review prior Single Audits to identify any findings that may impact an Applicant's management of grant funds. Significant previous audit findings may impact an Applicant's receipt of new FMCSA funds. All Applicants should maintain current A-133 audit and/or audit records unless exempt from the Single Audit Act.

4.3 OVERVIEW OF TECHNICAL REVIEW PROCESS

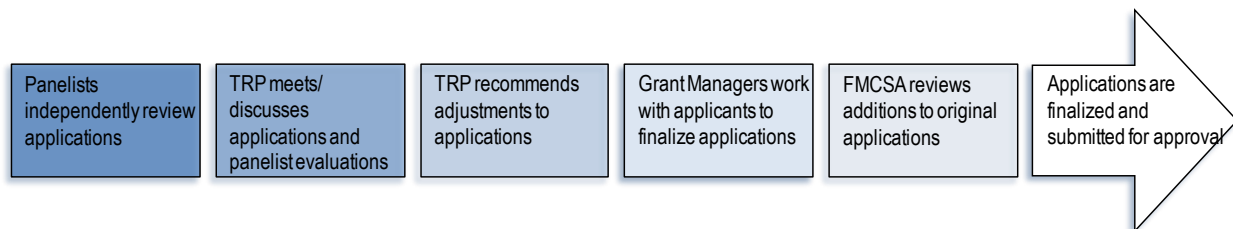
All FMCSA grant programs are required to utilize TRPs to evaluate applications for grant awards. TRPs, whether for mandatory or discretionary grants, utilize evaluation criteria

²¹ Applies to prior FMCSA Grantees, does not apply to new Grantees or Grantees for which FMCSA has not provided funding in the past five years.

developed at the outset of the Grants Management Lifecycle and referenced in the NOFA on [Grants.gov](https://www.fmcsa.gov/grants). FMCSA will use these evaluation criteria to determine the quality of the applications submitted their compliance with statutory and regulatory requirements, compliance with program objectives as well as technical merit and budgetary soundness. See the sections below regarding the specific elements of formula and discretionary TRPs. All TRP members are certified by FMCSA legal staff to be absent of any conflict of interest prior to participation on the Technical Review Panel.

4.3.1 *Technical Review Process for Formula (Non-Discretionary) Grant Applications for Awards Mandated or Limited by Statute*

Figure 4: Mandatory/Formula TRP Process



The MCSAP Basic and Incentive grants are FMCSA’s only formula grants. These grants are called formula grants because distribution of the grant funding is calculated by a formula which is provided in the regulations. Formula grants are not subject to a full and open competition process. Likewise, the only Applicants who are eligible to receive these grants are identified in a process outlined in 49 CFR Part 350.

Due to the fact that Applicants do not compete for formula grants, FMCSA may provide technical assistance to statutorily authorized Applicants during any part of the grant process. This technical assistance typically comes in the form of regional Commercial Vehicle Safety Plan (CVSP) workshops, National MCSAP Leadership meetings, and local meetings between Applicants and FMCSA Division personnel. Applicants are encouraged to participate in one or all of these forums.

All Applicants who are eligible to receive MCSAP formula grants (Basic and Incentive) are notified in writing each year of the availability of funds in the form of a MCSAP Planning Memo, Federal Register Notice, and the NOFA posted on [Grants.gov](https://www.fmcsa.gov/grants). The annual MCSAP Planning Memo details information such as the estimated MCSAP funding levels, program emphasis areas, the awards process, reporting requirements, and the estimated distribution to each authorized Applicant based on the statutory formula.

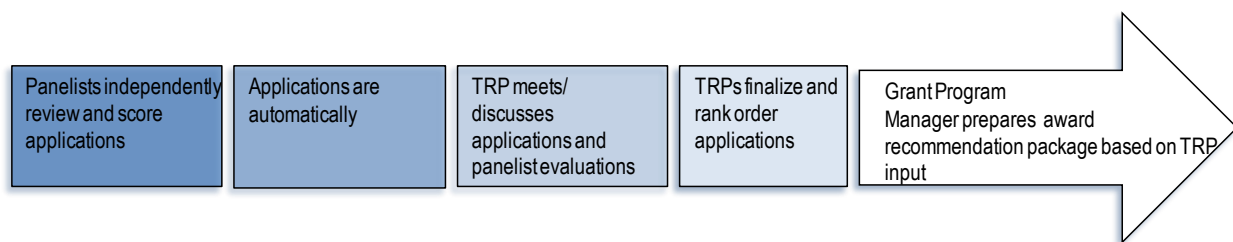
In accordance with 49 CFR Part 350.205, MCSAP Basic and Incentive Applicants must submit their CVSP on or before August 1st of each year. FMCSA may extend this deadline for up to 30 calendar days; however, this extension is granted for good cause and should be submitted in writing.

MCSAP Basic and Incentive TRPs have the responsibility for determining whether the application meets the MCSAP grant requirements as detailed in U.S.C. §§31102-31104 and 49

CFR §§350.209-213. The TRPs will also analyze the applications and submit comments aimed at improving the form and/or substance of the applications.

When TRPs finish their analysis of applications, FMCSA will finalize the recommendations for funding. In accordance with 49 CFR Part 350.207, FMCSA will notify the Applicant in writing whether their plan is approved or if approval of the plan is withheld because it does not meet requirements within 30 days of receipt of the application. If the application does not meet requirements, FMCSA will contact the Applicant and ask them to revise the application accordingly. If approval is withheld, the Applicant will have 30 days from the date of the notice to modify and resubmit the plan. Disapproval of a resubmitted plan is final.

Figure 5: Discretionary TRP Process



4.3.2 Technical Review Process for Discretionary Grants

Unlike formula grant programs, discretionary grant applications are solicited and reviewed by means of an open and competitive process. Any eligible entity may submit an application for Agency review. FMCSA then uses its judgment in selecting whom to award funds based on the technical and programmatic merits of grant applications. After the initial review of an application, it must undergo an independent/objective review through a TRP to determine the overall merit of the proposal and its ranking compared to the other proposals submitted. The technical review is conducted in accordance with stated evaluation criteria set forth in the applicable program regulations, Federal Register, NOFA posted on [Grants.gov](https://www.grants.gov), and/or procedures set forth by FMCSA.

Assistance award decisions are based on the extent to which applications and proposed activities adhere to the specific grant program requirements and selection criteria in the NOFA. Included within these criteria should be an evaluation to determine whether the project achieves the public purpose for which the grant was originally established.

4.3.3 Selection and Funding Approval

Once the TRP has completed its initial scoring and deliberation, there may be need for additional clarification by the Applicant, budget adjustments, and/or resubmission of some documents based upon errors found, and clarifications required. FMCSA staff will notify the Applicant for additional information, as needed. Once these discussions have occurred, the TRP will then finalize its recommendations, FMCSA will prepare a Funding Memo for review and approval by both FMCSA Headquarters and Field staff, as well as financial and legal staff and key agency

leadership. Upon approval of the Funding Memo and approval from the Secretary, FMCSA will process the Notices of Grant Award.

CHAPTER 5.0 AWARD PROCESS

5.1 ACCEPTING THE AWARD

5.1.1 *Grantees Receive the Notification*

Successful Applicants will receive a Notice of Grant Award (NGA) from FMCSA electronically via GrantSolutions.²² The notification will include the Grant Award document reflecting the amount of the award, or portion thereof, depending upon the level of funding appropriated to FMCSA to date and the legally binding obligations and requirements of the assistance. The Grantee will receive an email from GrantSolutions that the NGA is ready for an electronic signature. The Grantee AO is required to accept and sign the award. Then the NGA is sent to the FMCSA AO for final signature. After final signature, grant award funds may be released for obligation to Grantees.

The Grantee AO is the Grantee representative with the authority to legally bind the organization to award and the Terms and Conditions. The Grantee AO must be listed on the Key Contact Form submitted with application. It is the applicant's responsibility to notify FMCSA of changes to Grantee Authorizing Officials as it may impact processing awards and/or amendments. Prior to the issuance of the NGA, FMCSA will attempt to confirm the appropriate authorizing official. Grantees are obligated to ensure the correct Grantee AO signs the NGA. **Note: Grantee AOs have the ADO (Authorized Designated Official) role in GrantSolutions.**

Upon receipt of the NGA, the Grantee should review the NGA, the Terms and Conditions of the grant, any approved budgetary constraints and/or special conditions, and ensure the accuracy of all information. The NGA may only be issued for the portion of the award presently funded by Congress. Therefore, when an award period precedes a final appropriation from Congress discretionary grant Applicants may receive incremental awards to reflect funding levels provided through a Continuing Resolution (CR). Once the program is fully funded through the enactment of an Appropriations Act and funds are apportioned the original award will be amended to reflect the full funding amount approved by FMCSA or the remaining portion of it that is funded through the appropriation for that fiscal year.

Before accepting the NGA, the Grantee should ensure that the Award contains the correct recipient name, Internal Revenue (IRS) number, DUNS number, correct period of performance, funding and match amounts, and the actual award amount.

²² Job Aids regarding specific processes in GrantSolutions will be made available to Grantees directly through the Division Office or SC SPM, or Headquarters Program Manager, as appropriate to the specific FMCSA program.

5.1.2 *The Notice of Grant Award Details*

When an Applicant receives a notice concerning the approval of funding, they are provided with a grant number corresponding to the funding they will be provided. When an Applicant accepts the award they become a Grantee. If a Grantee is unable to sign electronically then FMCSA will accept a signed, hard-copy document sent to the appropriate FMCSA Grant Program Manager. FMCSA will scan the document and upload it to GrantSolutions and move the electronic version of the NGA forward for final signature by the FMCSA AO.

Prior to issuance of the grant award, FMCSA will contact the Grantee to establish a user account in GrantSolutions and determine the name, title and contact information of the Grantee's authorizing official and Grantee designee for quarterly report submission. Access and instructions pertaining to GrantSolutions will be provided to the appropriate authorizing person.²³ New Grantees are required to submit an ACH form SF-3881. FMCSA will request this form prior to issuance of the NGA and a delay in receipt of this form can delay the issuance of the NGA.

Once established as a user in GrantSolutions, the Grantee AO will receive a notice via GrantSolutions that the review of the application for a grant award has been completed and there is a Grant Award awaiting acceptance. Upon acceptance of the grant award by the Applicant, the NGA will then be ready for signature and completion by the FMCSA AO. The signature on the NGA by the FMCSA Authorizing Official/Deputy CFO constitutes an obligation of Federal funding. After the Authorizing Official signs the NGA by means of an electronic signature in Grant Solutions the obligation is officially registered in the system. Then, the Grantee can begin to spend the awarded funds for the project.

The person who receives access to GrantSolutions and instructions should be authorized within the Grantee organization to execute the Terms and Conditions, and grant awards or have the formal delegation in which to do so and should provide a copy of such delegation to FMCSA.

Grantees are responsible for providing the non-Federal share of the grant amount. The amount of cost share (or match) for all programs, if any, is provided in the grant guidance.

5.2 NON-SELECTED APPLICANT NOTIFICATION

The FMCSA Grant Program Manager will notify all non-selected Applicants. The debriefing will consist of constructive feedback which may assist Applicants in developing improved proposals in the future. FMCSA considers these correspondences as opportunities to provide technical assistance and in-depth feedback to enable an unsuccessful Applicant to create a more successful application for the next round of funding.

²³ Determination of the Grantee Authorizing Official and issuance of the GrantSolutions access and information can be done at any point in the application process, once the application is submitted. It is recommended that it is done in sufficient time to allow for dissemination of the GrantSolutions access information so that it does not hold up the Grant Award.

5.3 HIGHLIGHTS OF FMCSA FINANCIAL ASSISTANCE AGREEMENT GENERAL PROVISIONS AND ASSURANCES

Grantees have a duty to comply with reporting requirements and all requirements as noted within the FMCSA “General Provisions and Assurances”, otherwise referred to as the Terms and Conditions.

Grantees should become familiar with the FMCSA Terms and Conditions as they are legally binding and are one of the key documents to which the grantee is expected to comply. Some of the major highlights include the following:

- Section 2 defines the effective date and clarifies that Federal funds are obligated on the effective date of the Grant Award. The effective date is the date on which the Grant Award contains the signatures of both parties to this Award (date of final signature of FMCSA)
- Section 4 requires the Grantee to adhere to all of the applicable Federal, State, and local laws and regulations. Section 4(c) is new and specifically calls out the Grantee’s obligations with regards to Sub-Recipients (Sub-Grantees)
- Section 5 informs the Grantee that they must agree to maintain a written code or standards of ethical conduct that shall govern the performance of its officers, employees, board members, or agents engaged in the award and administration of contracts supported by Federal funds
- Section 9 articulates a notification requirement for the procurement of goods and services with an aggregate value of \$500,000 or more, the Grantee agrees to specify the use of Federal funds in the announcement and not the percentage of total costs
- Section 10 obligates the Grantee to obtain certifications on debarment and suspension from their third party contractors and Sub-Grantees and otherwise comply with U.S. DOT regulations, Government-wide Debarment and Suspension (Non-procurement) and Government-wide Requirements for Drug-Free Workplace (Grants) per 49 CFR Part 32
- Section 13 states that Grantees must retain all grant records for three years and allow FMCSA access at any time. Parts 18 and 19 provide the details regarding record retention
- Section 14 discusses an organizations’ requirement to adhere to the Single Audit Act A-133 or if not applicable the use of annual audits to help FMCSA review the organizations financial management capability
- Section 15 states that the Grantee agrees to notify DOT of any instances of fraud, waste, and abuse including known acts of Sub-Grantees
- Section 16 refers to the fact that Grantees must carry out the project in accordance with the original approved budget and that written approval is necessary for transfer of funds between budget categories exceeding ten percent (10%). Written approval is also needed

if budget changes involve expenditures not originally in the budget, would result in the need for additional funding, or would change the scope of the project

- Section 17 b. speaks to the requirement that, at a minimum, invoices must be submitted quarterly and on the SF-270
- Section 18 speaks to the quarterly financial and performance progress reporting requirements
- Section 22 references the requirements associated with the use of, maintenance, record keeping and disposition of property
- Section 30 references FMCSA's rights to terminate all or part of the financial assistance provided
- Section 31 discusses all of the requirements from Part 18 and 19 regarding Close-Out, submissions and the remittance of excess funds
- Section 38 states that by signing the NGA (which includes the Terms and Conditions), the grantee certifies that the statements it made in the grant application are true and correct and the grantee understands that any false statements made as part of these certifications can be prosecuted.

CHAPTER 6.0 POST-AWARD: GRANT REPORTING AND OVERSIGHT

6.1 POST-AWARD GRANTEE RESPONSIBILITIES

After Federal grant funding awards have been distributed, Grantees are subject to responsibilities associated with implementing grants. Grantees are encouraged to prepare systems and processes that will ensure the proper use of awarded funding. FMCSA recommends Grantees maintain regular communication with their FMCSA Grant Managers to receive the most up-to-date information, obtain amendments, discuss project completion concerns, and any issues in the furtherance of the projects using Federal funding. Grantees are also responsible for adherence to all applicable laws and regulations in the administration of their grants. Post-Award Grantee responsibilities are discussed in more depth in this chapter.

6.1.1 *Defining the Grantee Role*

Upon award, roles and responsibilities for Grantees include:

- Maintaining user roles in GrantSolutions as requested by FMCSA
- Carrying out the agreed upon project plan and achieving the milestones or performance goals as stated in the application
- Identifying appropriate authorized signatories for electronic Grant Award
- Signing Grant Awards and amendments
- Submitting accurate and complete financial and program performance reports in a timely fashion
- Submitting accurate and complete vouchers with appropriate backup documentation in a timely fashion
- Accounting for the use of the funds provided by FMCSA and responding to any progress, status, data, or other inquiries from FMCSA staff
- Conducting Single Audits (by grant as required) and providing copies to FMCSA upon completion
- Maintaining Grant files (See [Section 6.1.4, Establishing Grant Files](#))
- Maintaining equipment inventories, reports regarding disposition, and other records related to the disposition of equipment and/or property
- Providing the non-Federal share of the grant amount, if applicable
- Overseeing Sub-Grantees and submitting Federal Funding Accountability and Transparency Act (FFATA) reports on Sub-Grantees as per OMB regulations (See [FFATA Sub-Award Reporting System \(FSRS\)](#) for more details)
- Overseeing and monitoring Sub-Grantees to ensure programmatic performance and compliance with required administrative and fiscal policies and procedures
- Using methods and procedures in accordance with Federal Cash Management Improvement Act (CMIA) requirements
- Complying with reporting requirements and all requirements as noted within the FMCSA Terms and Conditions
- In order to adhere to proper grant standards, Grantees must review State laws, regulations, administrative procedures, and operational practices to ensure compliance with: 1) Surface Transportation Assistance Act (STAA) of 1982 as amended, 2)

implementing regulations in 49 CFR 350, and 3) compatibility regulations in 49 CFR 355, for MCSAP and BEG grant programs

Note: Grantees have the PI/PD (Principal Investigator/Program Director) role in GrantSolutions.

6.1.2 Defining the Grantor Role

FMCSA Grant Managers are the DAs for field managed grants and Headquarter employees for Headquarter managed grants. Upon award, an FMCSA Grant Manager's responsibilities include:

- Overseeing the administrative and financial management aspects of grants and cooperative agreements throughout the Grants Management Lifecycle
- Acting as the primary point of contact for communications with Grantees on most post-award activities
- Reviewing quarterly Performance Progress Reports (PPR) and Federal Financial Reports (FFR) to verify that they are accurate and timely and advising AOs of any reporting deficiencies
- Conducting programmatic compliance monitoring of Grantees including site visits and monitoring Corrective Action Plans (CAP)
- Monitoring project activities to ensure that funds are being obligated and expensed, goals are being achieved, the project is being carried out properly, and the Grantee is compliant
- Conducting process and program reviews, in accordance with the FMCSA Grant Manager's Monitoring Plan.

6.1.3 Establishing Grant Files

As part of the Post-Award process, Grantees are required to maintain official Grant Files.²⁴ Each grant should have a separate official file. The Grant File should include all administrative documents associated with applying for and fulfilling the grant as well as any documents necessary for record-keeping and audit preparations. Documents may include the application, Grant Award, vendor information and contracts, Sub-Grantee Award documents, self-monitoring processes, and records of any interactions with FMCSA staff, such as amendments or approvals. Grant Files may also contain the following:

- Application submissions
- Program regulations/guidelines
- Original award documents (fully executed) and amendments
- Cost-Share/Match and MOE documents, if applicable
- Memoranda of negotiations with grantor, if applicable
- All reports and financial records submitted by Grantee
- Property records, as applicable
- Audit reports

²⁴ Section 13a of the Terms and Conditions states that: During the course of the Project and for three years thereafter, the Recipient agrees to retain intact and to provide any data, documents, reports, records, contracts, and supporting materials relating to the Project as FMCSA may require. Reporting and record-keeping requirements are set forth in (1) 49 CFR Part 18 for governmental Recipients; and (2) 49 CFR Part 19 for private non-profit and for-profit Recipients. Project closeout does not alter these requirements.

- Close-Out and de-obligation documents
- Indirect Cost Rate Agreements
- Sub-Grantee monitoring reports and other Sub-Grantee records
- Program Monitoring and Evaluation Reports
- Other correspondence regarding the project
- Supporting documentation down to the source level for each grant expenditure
- Financial accounting information for submitting SF-424 forms and any other required records.

6.2 GRANTEE OVERSIGHT

The purpose of grant reporting and oversight is to ensure that the Terms and Conditions of awards are fulfilled and project activity occurs as planned in the application and grant award.

Reporting is the responsibility of the Grantee and consists of quarterly program performance status on the Performance Progress Report (SF-PPR) and financial reports on the Federal Financial Report FFR also referred to as the SF-425. These forms document changes in budget, activities, timing, and outcomes. Reimbursement requests (SF-270s) are also part of the reporting process, providing FMCSA another opportunity to determine the status of the project. Data and program activity submission reports, informal and formal meetings, and any other form of communication used to keep FMCSA apprised of the Grantee's progress may also be requested as needed to monitor the grant.

Monitoring and Oversight is the primary responsibility of FMCSA, but involves the Grantee and/or their designees as well. Sub-Grantees are subject to the same regulations and requirements as the Grantee. Therefore, it is the responsibility of the Grantee to monitor its Sub-Grantees in a fashion similar to that of FMCSA's monitoring of the Grantee. Oversight includes reviews of written reports and data submissions. It also includes the use of other formal monitoring activities such as scheduled Program and Process Reviews conducted in accordance with the FMCSA Grant Manager's Monitoring Plan. FMCSA monitoring includes any informal communications that ensure that projects are progressing in accordance with the grant.

FMCSA has established an integrated approach to monitoring Grantee performance which includes Post-Award reporting, oversight, site visits, general communications, and meetings conducted as a means to ensure that projects are progressing in accordance with the grant. As a result of monitoring, enforcement actions or amendments may be required.

6.2.1 FMCSA Oversight/Monitoring Methodology

The purpose of monitoring is to ensure that the Grantee's activities are performed in accordance with the Grant Agreement, established FMCSA guidelines and applicable regulations with the intent to safeguard Federal resources. Monitoring should be a continuous process, based upon the information shared between the Grantee and FMCSA. FMCSA Monitoring activities take two primary forms:

- Basic Mandatory Monitoring, which includes the quarterly review of performance and progress reports and financial reports, as well as a final cumulative report at close-out, the review of quarterly vouchers and budget changes, review of annual A-133 audits, data submissions as requested and on-going communication with the grantee
- Periodic On-Site Monitoring, such as Program Reviews, Process Reviews and general on-site observations, file reviews and programmatic and operational reviews

6.3 BASIC MONITORING

6.3.1 Overview of Quarterly Progress and Financial Reports

Reporting requirements for Grantees are outlined in the Grant Award and 49 CFR Parts 18.40 and 18.41 or 19.51 and 19.52, as applicable. The standard FMCSA Grant Award requires quarterly reporting on the SF-PPR and SF-425. More frequent reporting may be required only if the Grantee has been determined to be high-risk (the definition of high risk and mitigation strategies for such Grantees are discussed later in this chapter).

The first quarterly SF-PPR and SF-425 reports should be submitted by a Grantee in the first quarter following the execution of a Grant Award/grant effective date (e.g., if the Grant Award is signed November 30th, the first quarterly report will be due January 30th for the quarter ending December 30th). The FMCSA Grant Manager will provide a report schedule to the Grantee at the time of award. The Grantee's reports should reflect the activity from the beginning of the period of performance through the date of the first report. Quarterly status reports must be submitted to report on the progress of the grant even if there has been no activity on the grant during that period.

If a Grantee needs additional time to submit a quarterly report, the Grantee may submit a request to the FMCSA Grant Manager with written justification for an extension to the due date. If the Grantee fails to submit quarterly reports as required, and the Grantee has not been granted an extension to the due date, the FMCSA Grant Manager provides a formal notification of past-due reports to the Grantee in writing (e.g., email, fax, mailed letter). If the Grantee still fails to submit required reports, the FMCSA Grant Manager may withhold payment until submission of the required reports, as permitted in 49 CFR Parts 18.43-44, 49 CFR Parts 19.60-62, and 49 CFR Part 350. Although FMCSA does not want to develop a punitive relationship with Grantees, the submission of correct, complete, and timely reports is a priority for the FMCSA. Grantees are expected to comply with these requirements to the same degree as any other requirements stated within the grant award. SF-425s and SF-PPRs are sent to directly to the FMCSA Grant Manager.

6.3.2 Quarterly Performance Progress Reports

FMCSA requires that all Grantees submit SF-PPRs no later than 30 days after the end of each Federal fiscal quarter to their designated FMCSA Grant Manager (within the Division Office

and/or Program Office).²⁵ The SF-PPR is a standard government-wide performance progress reporting format consisting of a coversheet and a series of standard attachments implemented by Federal agencies to collect performance information from Grantees.

The FMCSA Grant Manager may also request any additional documentation (e.g., travel request policies) from the Grantee, if they believe these are necessary to fully determine the progress and performance of the Grantee. The requirements for these quarterly reports are outlined in Appendix K, Forms.

Quarterly Progress Reports for each grant must be submitted separately. If a Grantee has multiple grant awards from FMCSA, the progress of each grant must be reported separately even if the grant awards support the same grant program.²⁶ This remains true even if/when the periods of performance of the grant awards overlap. The SF-PPR should provide answers to the following questions:

Programmatic Progress

- Is the project meeting the requirements and objectives of the program?
- Is the project accomplishing the specific objectives noted in the original application?
- Is the project programmatically compliant?

Administrative Progress

- Is the project meeting its milestones?
- Are the expenditures commensurate with the original budget?
- Are reports and vouchers being submitted correctly and on a timely basis?

The purpose of the PPR is to determine whether the Grantee is moving forward with their project(s) in a manner consistent with that described in the Grant Award. The SF-PPR and supporting documents should be formatted to clearly compare the work described in the application, including the milestones and objective dates, with the Grantee's progress toward meeting those objectives. Timely receipt and review of PPRs are extremely important. If a Grantee has not submitted the required reports the FMCSA Grant Manager will advise the appropriate FMCSA Authorizing Official and the Grant Program Manager. If the Grantee is not making progress as expected, the FMCSA Grant Manager will work with the Grantee to eliminate obstacles to success and, when appropriate, schedule site visits to more closely evaluate the work in process by the Grantee. If quarterly reports are consistently tardy or incomplete, FMCSA may initiate a Corrective Action Plan (CAP).

²⁵ In addition to the SF-PPR Grantees must also provide the appropriate SF-PPR Attachment, which is program specific. FMCSA will utilize two formats: (1) the SF-PPR Cover Sheet and SF-PPR Attachment B will be used for ALL Non-MCSAP grants, with the exception of CVISN and SaDIP which will use the SF-PPR Coversheet and PRISM which will use a PRISM specific SF-PPR Attachment B and (2) the SF-PPR Cover Sheet and a customized attachment (one that looks like and feeds into the CVSP template) will be used for ALL MCSAP formula and discretionary (i.e., High Priority & New Entrant) grants.

²⁶ The activity reported should be associated with the grant funds used for the activity, and based on a rule of "first in, first out," the oldest grant funds should be supporting the activity first. For example, if FY2010 funds and FY2011 funds will both be used to support the inspection labor hours, all FY2010 funds should be used first and reported on the FY2010 grant activity, prior to the use of the FY2011 funds and activity reported.

6.3.3 *Quarterly Performance Progress Report Format*

The basic required format for the FMCSA PPR includes both an Executive Summary as well as a more substantive description of the project progress against the outcomes and performance measures indicated in the grant application and Grant Award documentation. The format consists of the following:

- **Executive Summary** – Summary of trends and progress towards program-specific objectives. The report must also include a high-level description of the safety or performance challenges/problems encountered and how those have been addressed during the reporting period.
- **Program Objectives and Progress** – A brief description of the project’s objective(s) in narrative form, followed by progress towards achieving that objective during this reporting period. The program objective should be clearly defined and measurable; describe the expected outcome/result of the project’s strategies and activities; and include a date by which the outcome is expected. If the project includes more than one program objective, list each separately. Supporting tables can be added at the grantee’s discretion. For the MCSAP formula programs, the report will also include reference to the national program elements and the process towards achieving them during this reporting period.

6.3.4 *Quarterly Federal Financial Reports*

The SF-425 should be aligned with the SF-270 (discussed in the Reimbursement Request Reviews section) and should address the following questions and/or topic areas:

- Expenditures: Are they excessively over the anticipated or budgeted amount or significantly under?
- Cost Sharing: Does cost sharing demonstrate that the Grantee is contributing to the project(s), as agreed, and in accordance with the approved application? Is the cost sharing/match evenly distributed across the grant on each voucher?²⁷
- Direct Costs: Are direct costs in line with the definitions shown in 2 CFR Part 225 for grants to government entities, 2 CFR Part 230 for grants to non-profits, and 2 CFR Part 220 for grants to educational institutions (colleges and universities)?
- Indirect Costs: Are indirect costs calculated in accordance with an approved rate agreement that applies to the grant period?

Indirect costs are applied to direct cost activities on a percentage basis. Indirect costs are negotiated by the Grantee with their appropriate Cognizant Agency and should be represented as a percentage of the direct costs (e.g., indirect costs may be 23 percent of the direct costs). See [Section 3.5.4, Indirect Cost Rates](#) for details regarding IDCRCs and related policies.

The Grantee is generally responsible for approving IDCRCs, where necessary, with Sub-Grantees and subcontractors under grant awards. The Grantee is not required to approve IDCRCs for sub-awards when the sub-award does not provide reimbursement of indirect costs or the sub-award is awarded to an organization which receives IDCRC approval by the Government. In these

²⁷ Even distribution of cost sharing should either be in accordance with the distribution laid out in the application/budget if that applies or distributed in a manner appropriate to the costs, preferably not heavily loaded on the final vouchers.

situations, the rates approved by the Government will apply to all Federally-supported activities including those conducted under sub-awards.

Grantees should clearly show how their indirect costs are applied in their SF-425s and verify that they are in alignment with the rates approved by the Cognizant Agency. Final reports and the voucher review will be described, in detail, in the Close-Out Process provided in [Chapter 7.0, Grant Close-Out](#).

6.3.5 Data Submissions to the Agency

When needed to confirm compliance with grant terms, the FMCSA Grant Manager may request that Grantees provide additional data or documentation. Grantees are required to provide data and information as requested by FMCSA, providing that it is accessible and reasonable and does not violate personal privacy requirements. For example, the FMCSA Grant Manager may request that the Grantee provide a spreadsheet that identifies all of the costs claimed on the past year's vouchers to provide supporting documentation for reconciliation purposes. All efforts will be made to limit any undue burden by FMCSA on the Grantee.

6.3.6 Audit Reviews

6.3.6.1 Audits Overview²⁸

FMCSA Grantees are subject to various internal reviews and audits. These include reviews by the FMCSA Finance Division to verify internal controls and outside auditing by organizations such as the Office of the Inspector General (OIG) or the Government Accountability Office (GAO). Audits may also be required by the Cognizant Agency to ensure that the Grantee is in compliance with OMB Circular A-133. These are referred to as *Single Audits*. The FMCSA Grant Manager may or may not be involved in these audits.

FMCSA Grantees must comply with the requirements of these audits and should provide copies of the audits to the FMCSA Grant Manager. The FMCSA Grant Manager is responsible for reviewing these audits to determine whether there are any findings pertinent to the operation and management of FMCSA grants. If any material weaknesses are identified in the audits, the Grantee is responsible for developing and executing a CAP to address these weaknesses.

The FMCSA Grant Manager reviews CAPs to determine if the actions are appropriate and sufficient. Once a CAP is approved, the FMCSA Grant Manager ensures implementation of the CAP and monitor progress against the CAP, ensuring resolution of all corrective actions until they are completed and tested. For more information regarding the Single Audit Act, see Appendix G, Single Audit Act. FMCSA Grant Managers may also provide information to Grantees regarding A-133 audits, how to prepare for them, typical content, and basic advice regarding audits.

²⁸ Audit follow-up and implementation should be conducted in accordance with the requirements of OMB Circular A-50, Audit Follow-up and the Inspector General Act Amendments of 1988 as implemented for FMCSA.

6.3.6.2 Grantee Preparation for Annual Single Audits

The Single Audit encompasses the examination of a Grantee's financial records, financial statements, Federal award transactions and expenditures, the general management of their operations, their internal control systems, and the Federal assistance received during the audit period. The typical period of time examined during a Single Audit covers either a calendar year or a fiscal year.

Grantees who expend \$500,000 or more in Federal awards annually may be subject to an annual audit. Grantees are responsible for verifying that their State or locality obtain and annually submit single audits to the Federal government. The FMCSA Grant Manager is responsible for reviewing single audits to determine if there are any findings pertinent to the operation and management of the FMCSA grant. This is usually done at the State level and different departments and grant programs are audited each year.

An independent auditor must conduct the audit. An auditor may be a private Certified Public Accountant (CPA) or the Cognizant Agency, if applicable. If a Grantee expends more than \$50 million a year in Federal awards, a Cognizant Agency is designated for the Grantee's audit. Single audit results are summarized in a Data Collection Form, which is made public on the Federal Audit Clearinghouse website located at <http://harvester.census.gov/sac>.

The audit reporting package should consist of: the schedule or findings and questioned costs, audited financial statements, schedule of expenditures of Federal funds, auditor opinions and reports on the financial statements, internal controls, and compliance, summary schedule of prior audit findings, and CAP. For more information see Appendix G, Single Audit Act.

6.3.6.3 Corrective Action Plans (CAP)

An audit may discover a material weakness, which is a condition in which the design or operation of the organization's internal control structure is deficient, resulting in a higher-than-acceptable risk of errors or irregularities in financial management. For example, if the auditor determines that a Grantee does not have an effective internal control system to ensure adequate safeguards in preventing loss or theft of property this finding could be reported as a material weakness. If problems are deemed significant, the Grantee may be classified as high-risk and the Grant Award may be reviewed for possible termination or the addition of special conditions. For Grantees designated as high-risk, the CAP helps confirm that a Grantee has corrected deficiencies and that the high-risk designation and accompanying requirements should be removed. If any material weaknesses are identified in the audits, the Grantee is responsible for developing and executing a CAP to address these weaknesses. FMCSA reviews for findings that directly relate to FMCSA programs. However, when audits are performed at the agency level, FMCSA will review a Grantee's audit with particular emphasis on universal activities such as finance and procurement. If a State audit reporting package does not include a CAP and one is needed, FMCSA will assist the Grantee with developing a CAP.

The CAPs should be sufficiently detailed with dates and actions so that FMCSA can monitor progress against them. CAPs should include any policies or procedures that must be submitted by a specific date. If a Grantee is unwilling or unable to correct the deficiencies within a

reasonable period of time, the FMCSA Grant Manager may take more significant action. This is discussed in greater detail in [Section 6.6, Enforcement Activities](#).

6.4 ON-SITE MONITORING

6.4.1 On-Site Monitoring Overview

On-site monitoring²⁹ is directly related to the basic mandatory monitoring conducted on a regular basis by FMCSA Grant Managers and may be a result of any of the following:

- Demonstrated program need
- Non-compliance with reporting requirements
- Problems identified in quarterly progress reports
- Prior grant performance issues/significant problems
- Routine/scheduled site visits or Program Reviews as determined by grant program-specific regulations or requirements or compliance reviews (e.g., Title VI)
- Findings of discrimination
- State or local Grantees designated high-risk pursuant to 49 CFR Part 18.12 or based upon the FMCSA Annual Risk Assessment or in the specific terms of the Grant Award
- Response to a Grantee request; or as deemed appropriate by the FMCSA Grant Manager.

The general objectives of on-site monitoring are to:

- Obtain an evaluation of the administration of FMCSA grants
- Ensure consistency, timeliness, and uniformity in the administration of grants
- Identify present and future needs
- Promote Federal/State cooperation
- Facilitate the exchange of ideas and promote operational efficiency and effectiveness
- Ensure that Grantee programs are conducted in accordance with the terms of the Grant Award.

On-site monitoring may focus on performance, compliance, or both, and may be program, grant, or process-specific. On-site monitoring may be driven either by programmatic requirements or specific observations and could therefore include reviews of any or potentially all of the following operations and areas:

- Compliance with Grant Award and grant Terms and Conditions
- Quality of grant outcomes – program performance
- Compliance with program requirements
- Compliance with MOE requirements, if applicable
- Enforcement performance measures (e.g., inspections, compliance reviews, traffic enforcement)
- Compliance with information technology and data quality standards

²⁹ Pursuant to 49 CFR Section 18.40(e) and 49 CFR Section 19.51(g).

- Sub-award system
- Financial Management system
- Property Management system
- Travel and/or Personnel system.

At a minimum, all Grantees should expect to receive some form of programmatic, grant, and process on-site monitoring at least once every three years that focuses on programmatic and grants management. High-risk grantees should expect to receive on-site monitoring until they are no longer deemed high-risk.

6.4.2 Preparing for On-Site Monitoring

[Table 4, Site Visit Checklist](#), is a suggested Site Visit Checklist that may be used for site visits, or amended as appropriate depending upon the purpose of a site visit. Most on-site monitoring is initiated by the FMCSA Grant Manager; however, there may be exceptions to this based upon the specific nature of the on-site monitoring. Monitoring teams may be comprised of an assortment of different FMCSA staff depending upon the nature of the visit. Monitoring teams typically include the AO and the FMCSA Grant Program Manager. However, they may include other FMCSA personnel depending upon the nature of the site visit.

Table 4: Site Visit Checklist

Complete	Preparation
	The Grantee will be contacted via email or letter and conduct a conference call to plan the visit
	Grantee will be asked for input on their goals for the visit (e.g., specific areas where technical assistance is needed depending upon the purpose of the site visit)
	Grantee documents will be requested
	Projects and activities for observation will be identified
	A letter or email will be sent confirming the decisions made during the conference call
	Grantees may prepare for the site visit by reviewing documents in the Grant Award File including the approved application, any requests for approval to change budget or scope, financial reports, progress reports, audits, and any notes on routine phone or email contacts
Complete	Onsite Activities
	An Entrance Conference will be conducted, including a meeting with project/program/Agency leadership
	Participants will review key award, grant, and program documents
	Staff interviews will be conducted
	Project activities will be observed
	An exit conference will be completed, including a meeting with project/program/Agency leadership to discuss findings of site visit, share the summary of results and possible follow-up, next steps, or areas of corrective action and due dates
Complete	Post-Visit

	A Site Visit Report will be completed, using the checklist and notes. Results of the visit will be summarized to include any best practices or areas for improvement, non-compliance, Corrective Action Plan with due dates, responsible parties
	The report will be shared with the Grantee and with FMCSA leadership
	Follow-ups on findings will be completed
	The final report will be discussed with the Grantee

On-site monitoring reviews may take anywhere from a few hours to more than a week. Grantees should expect to be notified at least 30 days in advance of a site visit and provided with a document request list within two weeks of an impending on-site visit. The Grantee can expect the on-site monitoring team to review all of the pre-visit materials, such as quarterly reports (e.g., Financial and Progress); recent financial activity at large (e.g., invoices, financial records in Mark View);³⁰ audit results; documented communications with the FMCSA Grant Manager; prior monitoring reports; pertinent performance data; and other documents or reports, as appropriate.

6.4.3 Process Reviews

A Process Review is a detailed examination of a limited area of the grant. This may include the examination of specific policies, procedures, practices, and/or controls of the area reviewed.

FMCSA Grant Managers may also take advantage of being on-site for a program or process review or other purposes to look at a different process or to verify the data provided in quarterly reports if the time and opportunity allows. These “ad hoc” reviews are done more informally, but are documented and shared with the Grantee, just as the more formal program or process review reports. These more informal process or verification reviews may include a review of time sheets and receipts compared to vouchers or other financial documentation reviews. They may also include verification of project progress and activities compared to the program performance reports.

There is no minimum number of Process Reviews that may be conducted in a particular time period. A Process Review does not fulfill Program Review requirements, but may be used to initiate a subsequent Program Review.

6.4.4 Program Reviews

On-site monitoring may be a part of or the result of a Program Review. A Program Review is a broad examination of a Grantee’s management of grant funds. There are several different types of grant-specific Program Reviews at FMCSA.

MCSAP and BEG Reviews – The goals of MCSAP and BEG grants are to reduce CMV-involved crashes, fatalities, and injuries through consistent, uniform, and effective CMV safety programs. The State MCSAP and BEG review programs are a national, standardized process for evaluating safety programs receiving Federal MCSAP and BEG grant funding. Reviews of each Grantee’s MCSAP and BEG programs are generally performed every four to five years.

³⁰ In FY 2012 the functions performed in MarkView will be transitioned to iSupplier.

The MCSAP and BEG Program Reviews include:

- Assessment of State compliance with Federal requirements and evaluation of the Grantee's overall safety performance
- Development of FMCSA recommendations for CVSP improvements and the effectiveness of MCSAP based upon the review
- FMCSA documentation of noteworthy practices observed during the reviews that the Agency can share with all States participating in the MCSAP

Reviews consist of three primary components: Regulatory, Financial, and Safety and Program Performance. These are described in more detail below:

- Regulatory component reviews determine whether State laws, regulations, administrative procedures, and operational practices are in compliance with the provisions of the STAA Act of 1982), as amended, and the implementing regulations in 49 CFR Part 350 – Commercial Motor Carrier Safety Assistance Program, and 49 CFR Part 355 – Compatibility of State Laws and Regulations Affecting Interstate Motor Carrier Operations. Incompatibilities or variances in the Grantee's adoption or enforcement of the Federal Motor Carrier Safety Regulations (FMCSR) and Federal Hazardous Materials Regulations (HMR) or State rules and regulations are identified during Program and Process Reviews
- Financial component reviews determine whether the State is in compliance with FMCSA MCSAP Grant Awards, Federal Financial Regulations, FMCSA State Program Policy Memoranda, and applicable OMB Circulars
- Safety and Program Performance component reviews determine whether the State's administrative and operational procedures are in compliance with 49 CFR Part 350

Deliverables from each MCSAP Review include a MCSAP Review Report documenting the State's MCSAP implementation and a Findings Report documenting the findings such as areas out of regulatory/policy compliance, recommendations, and noteworthy practices. Each State responds with a CAP, which is monitored until all findings are brought into compliance.

Outside of a formal Program or Process Review, FMCSA Grant Managers can also validate grantee performance, progress, and compliance with program requirements and the Grant Agreement when on-site at the grantee for other reasons. This can be to look at areas that have already been identified through other means as weaknesses or to review different process areas each time or different FMCSA grant programs each time. The results of these more informal monitoring activities will be recorded in a brief memorandum that is shared internal to FMCSA as well as with the Grantee.

6.4.4.1 Title VI Monitoring⁷³

FMCSA is also required to uphold Title VI of the Civil Rights Act of 1964 which prohibits discrimination on the basis of race, color, or national origin in programs and activities receiving Federal financial assistance, to include grants. As a result, periodically FMCSA will conduct Title VI monitoring as well. Specifically, Title VI provides that: No person in the United States

shall, on the ground of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance (42 U.S.C. §2000d).⁷⁴ All entities that receive Federal financial assistance indirectly or directly are subject to Title VI. The review activities under Title VI generally are:

- Pre-Award Reviews
- Post-Award Compliance Reviews
- Investigation of complaints

Within FMCSA, the Office of Civil Rights (OCR)⁷⁵ is the lead for all Title VI monitoring. FMCSA grantees are required to cooperate and comply with any and all Title VI review activities deemed necessary and in accordance with their grant agreement.

6.5 SUB-GRANTEE OVERSIGHT AND REPORTING RESPONSIBILITIES

6.5.1 Sub-Grantee Oversight and Reporting Responsibilities

Grantees are responsible for monitoring their Sub-Grantees by assessing their quality of performance and determining adherence to administrative and fiscal compliance. Grantees are also responsible for addressing Sub-Grantee management deficiencies and developing corrective actions, and documenting monitoring activities so that FMCSA can validate monitoring activities and results. Grantees should report any problems with Sub-Grantees to FMCSA.

6.5.2 Sub-Grantee Management

If the Sub-Grantee uses a competitive process for sub-awards, it should be full and open and peer reviewed. Grantees must also verify that Sub-Grantees are not on the Excluded Parties List, debarred or suspended, or have outstanding Federal debt. Grantees are expected to advise Sub-Grantees regarding the Federal cost principles and ensure their compliance. Grantees must require Sub-Grantees to provide the same invoice documentation that FMCSA requires of the Grantee.³¹ Sub-Grantees need to adhere to the uniform administrative requirements and regulations that pertain to their particular type of organization.

As a general rule, Sub-Grantees should sign a sub-grant award similar to the FMCSA Grant Award with the same or similar Terms and Conditions. Any terms and conditions included in the Grant Award for the Grantee flow down to the Sub-Grantee. Sub-Grantees must perform Pre-Award due diligence and utilize as many aspects of the FMCSA process and requirements as possible. Grantees and Sub-Grantees should develop monitoring plans and Grantees may consider using the FMCSA training slides to train Sub-Grantees. The *Financial Assistance Agreement General Provisions and Assurances*, attached to the NGA, detail General Requirements pertaining to Sub-Grantees, in Section 4c.

³¹ 49 CFR 18.40 - Monitoring and reporting program performance

6.6 ENFORCEMENT ACTIVITIES

6.6.1 *Enforcement Activities*

FMCSA views its grant programs as a partnership between the grantee and the Federal government, however, some actions or malperformance on the part of the grantee may warrant enforcement actions on the part of FMCSA. FMCSA believes that enforcement measures should only be taken when necessary and should match the seriousness of the problem, but always keep the government's interests and stewardship of the Federal funds first and foremost in mind.

Enforcement activities reference any actions on the part of FMCSA to ensure compliance with the Grant Award and the basic requirements of the grant program. Enforcement actions for minor compliance issues may include phone conversations, informal emails, formal written notifications, and the establishment of a corrective action and timeline. More serious infractions may include formal written warnings, timelines, corrective action measures, and if problems continue, withholding of grant payments.

The FMCSA Grant Manager will apply sound judgment in determining what grant enforcement and compliance measures are appropriate for a particular situation (e.g., a minor problem could be handled with a telephone call or email to the grantee). If reminders do not have the desired effect, or if there is a chronic pattern of late reports or lack of compliance with the quarterly reports or voucher submissions, FMCSA might determine that it is appropriate to temporarily withhold grant payments until the report is received. But, if a grantee fails to materially comply with award terms and conditions, FMCSA may decide to take additional enforcement actions.

Section 2 of the Terms and Conditions provide new reporting requirements regarding fraud, waste, and abuse. The Grantee understands that the Federal government may pursue administrative, civil, or criminal action under a variety of statutes relating to fraud and making false statement or claims. The Grantee should contact the DOT or the Office of Inspector General (OIG) if the Grantee becomes aware of the existence (or apparent existence) of fraudulent activity, waste, or abuse. The DOT OIG maintains a post office box and a toll-free hotline for receiving information from individuals concerning fraud, waste, or abuse under HHS grants and cooperative agreements. The hotline is available 24 hours a day, 7 days a week at: <http://www.oig.dot.gov/Hotline>. The identity of the caller is kept confidential, and callers are not required to give their names.

Examples of fraud, waste, and abuse that should be reported include, but are not limited to, embezzlement, misuse, or misappropriation of grant funds or property, and false statements, whether by organizations or individuals. Other examples include theft of grant funds for personal use; using funds for non-grant-related purposes; theft of Federally-owned property or property acquired or leased under a grant; charging inflated building rental fees for a building owned by the Grantee; submitting false financial reports; and submitting false financial data in bids submitted to the Grantee (for eventual payment under the grant).

If a Grantee fails to materially comply with any of the award Terms and Conditions, FMCSA may decide to take additional enforcement actions.³² These may include, but are not limited to:

³² Remedies for non-compliance are provided under Department regulations at 49 CFR Part 18.43 and 19.62.

- Temporarily withholding cash payments pending correction of the deficiency by the Grantee
- Disallowing all or part of the cost of the activity or action not in compliance;
- Withholding further awards
- Imposing a high-risk designation or special award conditions
- Suspension of the award, suspension of payment, or both
- Termination of the award
- Debarment and suspension of the Grantee pursuant to 2 CFR Parts 180 and 1200

FMCSA should provide the Grantee an opportunity for such hearing, appeal, or other administrative proceedings to which the Grantee or Sub-Grantee is entitled under any statute or regulation applicable to the action involved.

6.7 PROJECT AMENDMENTS

Throughout the lifespan of an award there may be a need to amend the original terms of the Grant Award. FMCSA awards may only be amended, changed or modified by the authorized/responsible Authorizing Official. Amendments should follow the same approval procedures as the original grant award itself. The amendment types do not require competition and should be submitted and approved prior to the expiration date of the period of performance, even no-cost amendments. Amendments fall into five basic categories:

- Changes in funding or budget (to include incremental funding)
- Changes in period of performance (LIMITED)
- Changes to the NGA itself (changes in POCs, Special Conditions, etc.)
- Close-Out (to include De-Obligation)
- Changes in Activities/Scope

[Table 5](#) delineates in the detail the different types of FMCSA Amendments.

Table 5: FMCSA Amendment Types

Amendments	
Budget Revision	A Budget Revision amendment is needed when making any revisions to the approved project budget that (1) would require any transfer of funds between object class budget categories that results in a greater than 10 percent (10%) deviation of the total approved budget; (2) involve expenditures for items or services not approved in the scope of the original project plan; (3) require additional funding. As previously mentioned, Grantees are encouraged to use the “FMCSA Amendment Request Template,” when submitting requests for revisions to their budgets. ³³

³³ Prior approval and Budget Revision amendments are not needed from FMCSA when the budget changes are less than 10 percent of the total project budget and are reasonable, necessary, and allocable to the Grantee conducting the activities established in the scope of the approved project. See Appendix H, Amendment Request Template.

Amendments	
Request for Incremental Funding	<p>Incremental funding is needed (for example, when under a Continuing Resolution (CR)).</p> <p>Grantees are not required to initiate requests for incremental funding; FMCSA Grant Managers may initiate these amendments based upon a presumed incremental funding schedule.</p> <p>Grantees cannot expend funds beyond the grant award funding limit and period of performance (some initial awards can be incrementally funded and activity should be suspended once initial grant funds or period of performance expires).</p>
Extension with New Funds	<p>Unless restricted by statutes or regulations, this type of amendment extends the funding period of availability and provides additional funding for an award period that has been previously approved, such as when multi-year funding was approved at the time of award.</p> <p>A Grantee must request and submit a justification for extension, including the progress to date, in writing (email is sufficient), to the FMCSA Grant Manager prior to the expiration date of the award.</p>
No-Cost Grant Extension without New Funds	<p>Unless restricted by statutes, regulations, or the provisions of an award, a Grantee may request an extension of the grant project without new funds.</p> <p>A Grantee must request and submit a justification for extension, including the progress to date, in writing (email is sufficient), to the FMCSA Grant Manager prior to the expiration date of the award.</p>
Modification of Activities with New Funds	<p>Unless restricted by statutes, regulations, or the provisions of an award, a Grantee may request a modification of activities and new funding as needed, as long as the purpose and objective of the grant does not change and the request is made prior to the expiration of the grant.</p> <p>These amendments should be recommended by the FMCSA Grant Manager and follow the standard amendment process.</p> <p>Competition is not necessary; however, official grant program and award files must contain appropriate documentation to explain and justify the decision not to require competition.</p> <p>A Grantee must request and submit a justification for activities changes, including the progress to date, in writing (email is sufficient), to the FMCSA Grant Manager.</p>
Modification of Activities without New Funds	<p>Unless restricted by statutes, regulations, or the provisions of an award, a Grantee may request a modification of activities with no new funding, as needed, providing that the purpose and objective of the grant does not change and the request was made prior to the expiration of the grant.</p> <p>Modifications of Activities without New Funds should be recommended by the FMCSA Grant Manager and follow the standard amendment process.</p> <p>Competition is not necessary; however, official grant program and award files should contain appropriate documentation to explain and justify the decision not to require competition.</p> <p>A Grantee must request and submit a justification for activities change, including the progress to date, in writing (email sufficient), to the FMCSA Grant Manager.</p>
NGA Revision	<p>NGA revisions are appropriate when specific information about the Grant Award needs to be updated, such as grantee name, address, etc. The Grantee or FMCSA Grant Manager must submit a request and the Grant Program Manager will initiate amendment, as needed.</p>

Amendments	
Grant Close-out (Deobligation)	<p>Close-out (De-obligation) amendments are appropriate when the grant has ended and should be closed-out and funds remain unexpended on the grant.</p> <p>The FMCSA Grant Manager should perform necessary close-out activities and contact the Grant Program Manager to initiate this type of amendment.</p>
Other	<p>Any change to the grant that may occur that is not addressed by the amendment types above (e.g., a change in the lead MCSAP Agency).</p>

FMCSA acknowledges that events may legitimately prevent a grantee from completing a project, as described in its original approved application. Except when prohibited by statute, FMCSA has the option to approve modifications to either the grant’s funding levels, itemized expenditure estimates (as described in the budget), period of performance, and/or modification to grant activities (as long as they do not alter the specific stated purpose provided in the grant application and applicable to the particular FMCSA grant program). However, FMCSA is prohibited from changing the scope of a grant after the period of obligation.

A “change in scope” is when the purpose of the grant changes. Scope changes are not allowed. For example, if the original grant was to provide training for inspectors to increase the capacity of the inspectors and the requested change is to pay for overtime for inspectors to increase the number of inspections, this is a change in the purpose of the grant and, therefore, is considered a change in scope and will not be allowed. However, if the purpose of the original grant is to provide inspector training and the main activity calls for in-person training of inspectors to increase the capacity of the inspection staff and the recommended change is to create on-line training and webinars, then it is still meeting the original purpose of the grant and is considered a change in activity, but not scope.

6.7.1.1 Amendment Submission Process

Amendment requests must be made, in writing, to the FMCSA Grant Manager with sufficient explanatory information. It is recommended that Grantees use the FMCSA Amendment Template when requesting an amendment. See Appendix H, Amendment Template Request. Amendments must be approved prior to the change in activity and the period of performance expiration date. Period of performance extension amendments should be submitted at least three months prior to expiration deadlines.

All Amendments on FY 2011 awards and beyond are processed using GrantSolutions.. Amendments on any pre-FY2011 awards will be processed by the FMCSA Grant Manager manually. The grantee submission requirements remain the same regardless of whether the amendment is processed through GrantSolutions or manually, however any manual amendments must be signed in hard copy. Upon review and approval of the Amendment, the FMCSA Program Manager will issue a revised NGA which follows the same approval workflow as that of the original NGA.

In general when requesting a budget modification or change in activities, the request should include:

- A statement of the original purpose of the grant, i.e., the individual projects and budgets allocated for those projects
- A summary of the work performed thus far in the grant and the costs incurred to date, including completion dates (if any) for specific projects or other milestone accomplishments
- A summary spreadsheet showing the changes from the original budget (to include the project and budget line items and their costs) and/or list of activities (essentially a simple chart showing the movement of funding from “x” to “y”, etc.) – showing the original categories and costs as compared to the new categories and costs
- A revised action plan with new milestones and final completion dates, if relevant

A Budget Revision amendment is needed when making any revisions to the approved project budget that (1) would require any transfer of funds between object class budget categories that results in a greater than 10 percent (10%) deviation of the total approved budget; (2) involve expenditures for items or services not approved in the scope of the original project plan; (3) require additional funding. As previously mentioned, Grantees are encouraged to use the “FMCSA Amendment Request Template,” when submitting requests for revisions to their budgets. Although approvals are not needed for amendments under 10 percent, Grantees are recommended to notify FMCSA when such budget adjustments occur. Notification of under 10% budget changes will facilitate the review and approval of vouchers.

Grantees may also request to extend the period of performance and these are sometimes referred to as “no-cost extensions”. No-cost extensions allow the grantee a longer period of time to complete the grant project without additional Federal funding. However, the specific obligation and expenditure requirements of each grant program still apply and may prevent the applicability of a “no-cost extension.” **An amendment to extend must be approved prior to the expiration of the period of performance -- otherwise, the funds will expire and will no longer be available.**

These requests should include:

- A statement of the original purpose of the grant, e.g., the individual projects and budgets allocated for those projects
- A summary of the work performed thus far in the grant, including completion dates (if any) for specific projects or other milestone accomplishments
- An explanation of the delays that have necessitated the extension
- An explanation of how the above obstacles have been overcome or will be overcome
- A revised action plan with new milestones and final completion dates
- A spreadsheet showing the original approved budget vs. the expenditure in each line item

6.7.1.2 Amendment Template

FMCSA will provide Grantees with an Amendment Template which they are encouraged to use. See Appendix H, Amendment Request Template. However, the information may be provided in another format as long as it contains the same information, is organized in a similar format, and it is submitted in writing. This template or "amendment package" will be an attachment to the formal amendment or new Grant Award which FMCSA will issue and the Grantee will sign. Once FMCSA receives an amendment package it will be reviewed by the FMCSA Grant Manager. If approved, it will be added to the additional support documents. The FMCSA Grant Manager will send the package to the FMCSA Authorizing Official for review and approval and ultimately to the Grant Program Manager where it will be processed as an amendment. Ultimately, a new Grant Award will be issued. Grantees should allow three months or more for approval. The information regarding what should be included in requests for amendments is listed below and all the elements must be addressed, as applicable to the amendment type.

Section I: General Information – Includes Grantee contact information; grant award details; grant financial details; current project description, purpose and objectives; and, project progress.

Section II: Amendment Type – Describes type of amendment; high-level description of modification; and any impact on the original purpose of the grant.

Section III: Justification of Amendment

- Subsection A: Extension Request
- Subsection B: Modification of Activities Request
- Subsection C: Budget Revision Request

All Subsections Include:

- Period of Performance Information/Description of Activities Modified or Budget Revision (budget worksheet)
- Justification for Extension Request or Justification for Activities or Budget Change
- Description of Potential Obstacles/Mitigation Strategies

Section IV: Amendment Submission Approval - Supporting Documentation includes:

- Most recent quarterly reports (SF-425, SF-PPR)
- Up to date project plan
- Budget tracking spreadsheet (if applicable)

6.8 REIMBURSEMENT REQUESTS

Grantees are allowed to request reimbursement for the Federal share of allowable costs and must do so by submitting an SF-270. Such requests must be submitted from the appropriate Grantee representative to the FAA/ESC via email.³⁴ Items listed in the initially approved budget are considered approved and the Grantee may request reimbursement for those expenses. If a cost that is not included in the original approved budget occurs, such as the

³⁴ This process will change slightly in FY12 with the FMCSA migration to iSupplier, which will require Grantees to submit their SF-270 vouchers and supporting documentation on-line directly to iSupplier.

addition of equipment purchase when none was originally planned, the Grantee must request the change in writing and a formal amendment must be approved before incurring the cost.

The SF-270 (<http://www.whitehouse.gov/omb/grants/sf270.pdf>) is the form all Grantees use when requesting reimbursement for grant expenses it should be accompanied by supporting documentation. The supporting documentation must include a spreadsheet that shows the expenses aligned to the original budget and, if applicable, the modified budget, as well as back-up documentation, as deemed necessary to support the requested reimbursement. The FMCSA Grant Manager may request and grantees must be able to immediately produce any documentation deemed necessary to support the cost reimbursement requests submitted by the grantee.

At a minimum, vouchers must be submitted quarterly. Grantees may submit vouchers more frequently if so desired.³⁵

The SF-270 submission should contain the following items:

- Grant Award number, also called the Purchase Order (PO) number, or the grant project number
- Grantee name and billing address
- Point of contact for billing questions
- Total cost for the project to date
- Total Federal share of the project costs to date
- Total Grantee share and Federal share of the project costs to date; matching funds must be shown on each invoice, evenly distributed
- Total payments to date
- General breakdown of expenses that supports the payment requested
- Period of performance for the payment requested
- Amount of payment Grantee is requesting

If the Grantee has additional expenses from a prior invoice period, then a separate SF-270 should be submitted for the additional prior period expenses. This packet would include the same items as listed above.

Once the FMCSA AO receives the invoice and back-up documentation, it will be reviewed to determine accuracy and appropriateness, and whether approval is possible. Any discrepancies found in the course of the review will be addressed accordingly. The AO will then sign the invoice in MarkView.

³⁵ The Grantee must submit requests for reimbursements (SF-270) directly to the FAA/ESC. Requests for reimbursement must not be submitted by anyone other than the Grantee to the FAA/ESC on behalf of the Grantee. Grantees may send a preview copy to the Grant Manager to allow for more review time, however, the official voucher must be submitted through FAA/ESC by the Grantee.

Grantee supporting documentation may vary based on the Grantee's budget. However, all Grantees must present their vouchers and supporting documentation so it is possible to compare vouchers to the approved budget and the performance of grant activities. In general, supporting documentation for vouchers should group labor and expenses according to the line items in the final approved budget. Labor costs should include the name or position, unit cost, and number of hours worked during the specified time period. Identify the quantity and unit price for expenses. Grantees should ensure that the voucher addresses the following questions or considerations.³⁶

- Does the amount requested reasonably correlate to the effort expended and/or progress attained against the grant statement of work?
- Is the request in compliance with the financial and program progress reporting requirements of the grant? (e.g., Have reports been submitted in a timely manner?)
- Are the Federal funds requested reasonable in relationship to the matching share requirements?
- Are there any costs that require further clarification or documentation to determine whether the costs are allowable?
- Are there sufficient funds remaining on the PO to pay the reimbursement?
- Does the invoice have the correct PO number?
- Does the request for reimbursement include costs that were not approved/required per the Grant Award?
- Does the request include adequate supporting documentation? Are there any duplicate items (i.e., has the item already been reimbursed previously under this or any other grant)?
- Is the IDCR and base for billing the same as the one in the approved Grant Award?

Allowable Costs

Grantees confirm that all costs submitted in the invoice are allowable. Allowability is determined by assessing the costs using the following guidelines:

- Conformity with project description and budget
- Necessary to accomplish the project
- Reasonable for goods and services purchased
- Actual net costs to the Grantee
- Incurred during the period of the grant and
- Satisfactorily documented.

The cost principle documents listed in [Chapter 3, Preparing the Application](#), define certain costs as unallowable, allowable only under certain conditions, and allowable depending on

³⁶ Prior to approval of final voucher, the Grant Manager will perform a final file review.

type of Grantee.³⁷ Generally speaking, if the voucher costs are in line with the original budget, they should be allowable, given that the original budget was reviewed and approved at the outset.

Once an invoice is complete, the FMCSA Grant Manager will electronically sign the invoice and process the payment.³⁸ If the FMCSA Grant Manager discovers any errors or deficiencies within an invoice, the invoice will be rejected and a rejection letter will be transmitted via email to the email address of the individual that originally submitted the invoice. Once the Grantee corrects the errors, the invoice should be resubmitted to FAA/ESC for final approval and processing.

³⁷ Grants are not for Federal use purposes. An agency is generally barred from accepting funds from a Grantee to pay transportation, travel, or any other expenses for any Federal employee unless specifically approved in the terms of the award. Use of award funds (Federal or non-Federal) or the provision of in-kind goods or services, for the purposes of transportation, travel, or any other expenses for any Federal employee may raise appropriation augmentation issues. In addition, Department policy prohibits the acceptance of gifts, including travel payments for Federal employees, from Grantees or applicants regardless of the source. Program Managers and Grant Managers should contact MC-CC for guidance on such issues.

³⁸ Payment cannot be made until the invoice is approved in MarkView.

CHAPTER 7.0 GRANT CLOSE-OUT

7.1 OVERVIEW OF FEDERAL GRANT CLOSE-OUT POLICIES AND REQUIREMENTS

Proper and prompt close-out is required for all FMCSA financial assistance awards and is a critical component of the total Grants Management Lifecycle. Immediately following the expiration of an award, steps must be taken to ensure that all grant-related activities are completed and that FMCSA and the Grantee met all requirements imposed by applicable laws, regulations, OMB Circulars, and award Terms and Conditions. General procedures for award Close-Out are contained in 49 CFR Part 18.50 and 49 CFR Part 19.71. Prompt close-out of awards is important so that accurate Agency financial reports can be prepared and unused award funds may be made available for other awards for the same fiscal year or returned to the Treasury, as appropriate.³⁹

Grants are considered officially closed-out when all required grant project work and all administrative and financial procedures described in 49 CFR Part 18 or 49 CFR Part 19, as applicable, are complete, and when FMCSA releases the Grantee from any further responsibility under the grant. However, close-out of the grant does not automatically cancel any requirements for property accountability, record retention, or financial accountability. As the awarding agency, FMCSA has the authority to disallow and/or recover funds based on subsequent audits or other reviews. Grantees have 90 days to submit all paperwork/final reports for Close-Out. No-cost extensions can be approved for those grant programs that do not have an authorized expenditure period, but a period of performance extension amendment must be requested and approved prior to the end of the period of performance and a new close-out date established. It is recommended that no-cost extensions be requested more than three months prior to the end of the period of performance.

Grantees should complete the following steps prior to Close-Out:⁴⁰

- Submit and obtain approval of a final request for reimbursement, final voucher, SF-270 (See Chapter 6, Post Award: Grant Reporting and Oversight, for further details about Request for Reimbursement)
- Submit all required quarterly SF-PPRs under the award to include a final cumulative account of all performance conducted (See Chapter 6, Post Award: Grant Reporting and Oversight, for further details about Quarterly Performance reports)
- Submit all required financial reports under the award, including the final SF-425 to include a cumulative account of all expenditures of grant funds during the period of performance (See Chapter 6, Post Award: Grant Reporting and Oversight, for further details about Quarterly Financial reports)
- Account for all required cost sharing, if applicable. If required cost sharing was not met, the proportionate share of the Federal funding must be returned to the government prior to Close-Out

³⁹ An award expires at midnight Eastern Time on the date listed on the award document as the End/Completion Date.

⁴⁰ A final Close-Out Checklist is available in Appendix J, Final Close-Out Checklist.

- Dispose of equipment/property properly (See details in [Section, 7.3 Equipment Disposition](#))
- Correct any areas of non-compliance.

Once FMCSA has completed their review and approval of all close-out documents, the Agency will send a letter to the Grantee indicating that no further claims will be accepted on the grant funds and will issue a Close-Out Amendment in GrantSolutions. If funds remain, FMCSA will issue a De-obligation Amendment.

Approximately 90 days prior to the end of the period of performance, FMCSA will send a Close-Out Notice providing guidance to the Grantee regarding their responsibilities for grant Close-Out. Although FMCSA sends out letters to initiate Close-Out, it is ultimately the responsibility of the Grantee to know when to Close-Out their grants and how to do so. Grantees should refer to their Grant Award to identify the end of a grant period of performance or any approved Amendments extending the period of performance for their grants.

Ongoing and open communication between FMCSA staff and Grantees can facilitate the Close-Out process. Grantees share responsibility for keeping track of reporting requirements including close-out activities at the end of the grant period of performance.

7.2 FINAL VOUCHER AND REPORTING SUBMISSION AND RECONCILIATION

As part of the Close-Out process, the FMCSA Grant Manager must verify that the Grantee submitted all required performance and financial reports and met all of the other reporting and submission requirements under the award. Final reports and vouchers are due no later than 90 days after the completion of the project, expiration of the grant's period of performance, or termination of the grant by FMCSA, whichever is earlier. Extensions to this reporting deadline may be allowed for extenuating circumstances, but only with the written approval of the FMCSA Grant Manager.

The FMCSA Grant Manager must ensure that all reports and deliverables were received and acceptable, prior to payment of the final voucher. Final reports and invoices will be reviewed against the agency's financial records to ensure that official records match, therefore Grantees should do their own internal reconciliation process prior to submission of the final vouchers and reports.

If there are any discrepancies, the FMCSA Grant Manager will contact the Grantee and request resubmission. SF-425s and SF-PPRs from the last quarter of a period of performance are considered the Final Report if they include cumulative information for the entire grant.

Prior to submitting the final set of reports the Grantee should confirm the following:

- All SF-PPRs have been submitted and represent the full level of activity described in the currently approved Grant Award

- All SF-425s have been submitted and accurately report requests for reimbursement and payments from FMCSA throughout the period of performance.
- All prior vouchers have been submitted and approved and the final voucher has been submitted with all necessary documentation. It may be advisable for the Grantee to submit the final invoice no later than 30 days following the end of the grant period of performance to account for outstanding invoices or contractor invoices
- The final SF-425 and SF-270 reconcile with each other and the Grantee financial records and if any funds are remaining the Grantee is in agreement with the deobligation of those funds
- There are no outstanding activities or reports still required under NGA

All costs charged to the grant, including any approved services contributed by the Grantee or others, must be supported by properly executed payrolls, time records, invoices, contracts, or vouchers describing in detail the nature and propriety of the charges. Match, in-kind, and other contributed services that are connected to the FMCSA grant objectives should be supported by appropriate documentation. The Grantee should also maintain and make available to FMCSA accurate records of all program income derived from Project implementation, if applicable. The Grantee agrees that all checks, payrolls, invoices, contracts, vouchers, orders, or other accounting documents pertaining in whole or in part to the grant should be clearly identified, readily accessible, and, to the extent feasible, kept separate from documents not pertaining to the Project. More information on grant financial management requirements can be found in the FMCSA Financial Assistance Agreement General Terms and Conditions that all Grantees receive upon acceptance of award. These provisions and assurance can be found online at:

<http://www.fmcsa.dot.gov/about/offices/cc/about-cc/grant.aspx>

7.2.1 Financial Reconciliation Practices

Grantees perform reconciliation of financial records for expenditures and obligations against the Federal funds disbursed. The FMCSA Grant Program Manager is responsible for ensuring that grants are closed-out properly and that the necessary documentation is collected from the Grantee. Documentation should include reconciliation between the final SF-270 and the final SF-425. Grantees should also note the following:

- FMCSA funds may not be expended after the expiration date of the grant except to liquidate valid commitments made on or before the expiration date
- Acceptance of the final Federal Financial Report and completion of the Close-Out Amendment will not occur until all finances and financial records reconcile

Once FMCSA completes the reconciliation, if the total payment amount to the Grantee is less than the total grant project obligated amount, FMCSA will de-obligate the remaining balance. If funds remain, FMCSA will issue a De-obligation Amendment.

In determining disallowed costs, FMCSA will exclude:

- Any Project costs incurred by the Grantee before the obligation date of the Grant Award or modification thereof, whichever is later, unless otherwise permitted by Federal law or

regulation, or unless an authorized representative of FMCSA states in writing to the contrary

- Any costs incurred by the Grantee that were not included in the final approved Project Budget
- Any costs attributable to goods or services received under a contract or other arrangement that is required to be, but have not been, concurred in or approved in writing by FMCSA

Reimbursement of any cost under the "Payment by FMCSA," part of the Grant Award does not constitute a final FMCSA decision about the allowability of that cost and does not constitute a waiver of any violation by the Grantee of the terms of the Grant Award. FMCSA will not make final determinations about the allowability of any cost until an audit of the Project has been completed. If FMCSA determines that a Grantee is not entitled to receive any part of the Federal funds requested, FMCSA will notify the Grantee stating the reasons.

Project Close-Out will not alter the Grantee's obligation to return any funds due to FMCSA as a result of later refunds, corrections, or other transactions. Project Close-Out will also not alter FMCSA's right to disallow costs and recover funds on the basis of a later audit or other review. Unless prohibited by law, FMCSA may offset any Federal assistance funds to be made available under this Project as needed to satisfy any outstanding monetary claims that the Federal Government may have against the Grantee. Exceptions pertaining to disallowed costs will be assessed based on their applicability, as set forth in the applicable Federal cost principals or other written Federal guidance.

7.2.2 Sub-Grantee Closeout

Grantees are responsible for completing a Close-Out certification process for their Sub-Grantees. Please note that the process for Sub-Grantees should mirror the same due diligence and reconciliation that FMCSA conducts in Close-Out for their Grantees.

7.2.3 Match Requirement Verification

Grantees are responsible for accounting for all required cost sharing, if applicable and verifying that grant match requirements were met.

7.3 EQUIPMENT DISPOSITION

7.3.1 Equipment Disposition Details

Generally, the title to equipment acquired under financial assistance awards will vest (become the Grantee's property) upon acquisition by the Grantee (See 49 CFR Part 18.32 and/or 19.34). Equipment that is purchased under FMCSA grant programs belong to the Grantee, however, the Grantee is responsible for using the equipment for the purpose stated in the Grant Award, both during and after the award period, for the duration of its useful life. Most States have Useful Life tables associated with their equipment disposition regulations/procedures. The Grantee should provide these tables at the time of purchase with the voucher submission. FMCSA will then monitor against the stated useful life to verify when it expires and; therefore, when the State is no longer obligated to report on its use. States are entrusted to use, manage, and dispose of

equipment in accordance with their own State laws and procedures for equipment disposition. **A transfer of the equipment from the Grantee to FMCSA is not necessary.**

If the Grantee no longer needs the equipment for the original project, then the equipment should be used for another project that serves the same purpose within FMCSA, DOT, or by another Federal Agency per 49 CFR Part 18.32(c)(1) and 49 CFR Part 19.34. If the equipment can no longer be used for the original purpose of the program, then the availability of the equipment should be reported to the General Services Administration to determine whether a requirement for the equipment exists in other Federal Agencies. If this occurs at any time other than award Close-Out, such as during the award period or after Close-Out, the Grantee should submit an SF-428 Disposition Request/Report Form to the FMCSA Grant Manager.

Once disposition instructions have been issued by FMCSA and carried out by the Grantee, there should be no further obligations by either party related to equipment. The Grantee must notify FMCSA immediately when equipment is withdrawn from appropriate use if it is prior to useful life expiration and follow the determination of fair market value as noted in the Grant Award assurances. Grantees must ensure that they maintain proper property records as instructed in 49 CFR Part 18.32(d) (1) and/or 19.34.

Federally-owned equipment will remain vested with the Federal Government, but Grantees will manage the equipment in accordance with Federal agency rules and procedures, and submit an annual inventory list (49 CFR Part 19.34(f), 49 CFR Part 18.32(f)).⁴¹ Property records must be maintained to include: a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property. Equipment disposition flow charts are available in Appendix I, Equipment Disposition Flow Charts.

Table 6: Disposition Table by Grantee Type

	States	Local Governments	Non-Profits, Educational Institutions
Use	In accordance with State Law, with use caveat.	Must be used for the purpose for which it was acquired "as long as needed," regardless of whether project is still supported by Federal funding. 49 Part 18.32(c).	The project or program for which it was acquired as long as needed, whether or not the project or program continues to be Federally funded
Management	In accordance with State Law, with use caveat.	Grantee must maintain records, inventory, etc. until disposition.	Grantee must maintain records, inventory, etc. until disposition.
Disposition	In accordance with State Law, with use caveat.	When no longer needed for the original project or purpose, equipment must be sold or retained and compensated	When no longer needed for the original project or purpose, equipment must be sold or retained and compensated

⁴¹ Generally speaking, this provision does not apply to FMCSA grants, but is more relevant to FMCSA Cooperative Agreements.

7.3.2 Common Rule on Grant Administration for State and Local Governments and Tribes

The Uniform Administrative Requirements for Grants to State and Local Governments, OMB Circular A-102,⁴² (also known as the Common Rule), establishes consistency and uniformity among Federal agencies in the management of grants and cooperative agreements with State, local, and Federally recognized Indian tribal governments.

7.4 POST CLOSE-OUT AUDIT REPORT ACTIONS

OMB Circular A-133 requires that Grantees receiving more than \$500,000 in awards complete their audits within nine months after the end of their fiscal year. For more information see Appendix G, Single Audit Act). It is common for audits to be completed after the end of the project period and potentially after Close-Out. If there are audit findings related to the FMCSA grant, the designated FMCSA Grant Program Manager is still responsible for issuing management decisions on those findings within six months after receiving the audit report and following up on any required corrective actions (OMB Circular A-133).

It is the responsibility of the Grantee to obtain the audit and the responsibility of the FMCSA Grant Program Manager to determine how the findings apply to the specific FMCSA grant and what grant-related corrective actions are appropriate. Not all findings will require a full CAP (See Section 6.6, Enforcement Activities) for enforcement activities to include CAPs). The FMCSA Grant Manager is responsible for continuing to follow-up on any outstanding CAPs created as a result of an audit finding. It is the responsibility of the Grantee to work closely and cooperatively with FMCSA to report on and ultimately clear these findings (if any).

7.5 GRANT RECORDS ACCESS AND RETENTION

7.5.1 Record Retention Requirements

During the course of the grant, and for three years thereafter, the Grantee is required to retain records and to provide any data, documents, reports, records, contracts, and supporting materials relating to the grant as FMCSA may require. Reporting and record-keeping requirements are set forth in (1) 49 CFR Part 18 for Governmental Grantees; and (2) 49 CFR Part 19 for Private Non-Profit and For-Profit Grantees. Project close-out does not alter these requirements.

7.5.2 Access to Grantee Records

The Grantee must provide FMCSA, the Secretary of Transportation, the Comptroller General of the United States, or any of their duly authorized representatives, and, if appropriate the State, through any authorized representative, access to and the right to examine all records, books, papers or documents related to the award, and will establish a proper accounting system in accordance with generally accepted accounting standards.

7.5.3 Access to Records in Negotiated Agreements

The Grantee must provide all negotiated contracts, upon request, (except those of \$10,000 or less) awarded by the Grantee to FMCSA, the Secretary of Transportation, the Comptroller

⁴² OMB Circular A-102, Uniform Administrative Requirements for Grants and Cooperative Awards to State and Local Governments' http://www.whitehouse.gov/omb/circulars_a102/

General of the United States, or any of their duly authorized representatives, and, if appropriate, the State, through any authorized representative, shall have access to any books documents, papers and records of the contractor which are directly pertinent to the program for the purpose of making audits, examinations, excerpts, and transcriptions.

Financial records, supporting documents, statistical records, and all other records pertinent to the grant should be retained for a period of three years, with the following exceptions:

- If any litigation, claim, or audit is started before the expiration of the 3-year period, the records shall be retained in their entirety until all litigation claims, or audit findings involving the records have been resolved
- Records for nonexpendable property, if any, acquired with Federal funds shall be retained for three years after its final disposition

When records are transferred to or maintained by FMCSA, the 3-year retention requirement is not applicable to the Grantee. The retention period starts from the date of the submission of the final expenditure report.

APPENDIX A GUIDANCE FOR DEVELOPING AN OBJECT CLASS BUDGET

Guidance concerning questions about the fringe benefit amount to be placed in an Object Class Budget on Line 6b can be found in the Frequently Asked Questions ([FAQ](#)) within this appendix.

- 6a. Personnel:** Personnel is defined as wages and salaries paid to employees of the grantee organization who are directly involved in implementing activities in the approved project plans. This includes overtime.

Helpful Hints

- This line item should not include personnel hired by a sub-grantee, employees hired from a temporary staffing agency or specialized support provider, or consultants; those costs are included in the “Contractual” line item. For government grantees, the budget including employees funded out of an interagency transfer of funds would be included in the Contractual line item
- If an organization is paying overtime to personnel the overtime and regular pay lines should be clearly delineated in a budget narrative
- Only include personnel for whom a W-2 is provided.

- 6b. Fringe Benefits:** Fringe benefits are defined as cost of benefits paid to the personnel on the grant, including the cost of employer’s share of costs including, but not limited to, FICA, health insurance, workers’ compensation, and vacation. This would include fringe benefits associated with overtime costs. Rates can be the summed actual rates for all employees or an approved organizational rate. Only Fringe Benefits associated with personnel paid out of direct costs would be placed here.

- 6c. Travel:** Program travel is defined as the travel costs that are reasonable and necessary to effectively manage and carry out grant activities expended by the type of personnel covered in 6a (Personnel).

Helpful Hints

- Air travel, when necessary, should be obtained at the lowest possible customary standard (coach or equivalent fare)
- Travel costs may be charged on an actual basis, or on a per-diem, or mileage basis in lieu of actual costs
- Air and Hotel costs associated with attending a conference associated with the defined project objectives and activities.

- 6d. Equipment:** Equipment is defined as non-expendable personal property that has a useful life of more than one year and a per-unit cost of \$5,000 or more (Federal); however, State governments use their own definition of equipment for State grantees.

Helpful Hints

- The only type of equipment that may be acquired with Federal funds is equipment necessary for the operation of the grant
- Shipping, delivery, accessories purchases as part of the equipment purchase, and installation, if necessary, are a normal part of the cost of equipment and should be included in the budgeted amount
- Generally, computers, faxes, printers, cell phones and other electronic equipment all have a per unit cost below \$5,000 and thus would be considered supplies unless otherwise defined as equipment by State law.

- 6e. Supplies:** Supplies are defined as all consumable materials costing less than \$5,000 per unit or an organization's equipment threshold, whichever is less.

Helpful Hints

- Goods such as copy paper, pens and pencils, computers, computer supplies, cell phones, faxes, radar guns, ticket writing devices, uniforms needed to perform activities associated with the grant implementation are generally categorized as supplies
- Training materials
- Promotional items are not allowed unless pre-approved by FMCSA General Law per 2 CFR 225, Appendix B, 1. f. (3) (formerly OMB Circular A-87).

- 6f. Contractual:** Contractual costs are defined as costs for consultants, vendors, sub-awards, inter-agency transfer of funds, and temporary staffing agencies or specialized support providers. Please note the following exception: Departments within the same government entity that submit a collaborative application may include all costs within each Object Class Category rolled up into one total as long as each Department includes a separate budget breakdown using different columns on the same SF-424a, or by submitting a separate SF-424A for each Department.

Helpful Hints

- Fuel provided by a vendor under contract to the grantee organization is a contractual cost
- Vehicle Maintenance provided by a vendor under contract to the grantee organization is a contractual cost
- Evaluation services provided by another entity is a contractual cost.

- 6g. Construction:** Construction costs are defined as cost associated with the actual construction of a building, parking lot, or similar structures (e.g., bricks, mortar). FMCSA does not generally provide for construction costs in their financial assistance programs.

- 6h. Other:** Includes those direct costs that do not fit any of the aforementioned categories such as rent for buildings used to conduct grant activities, utilities, computer software, communication costs, leased equipment, transportation expenses such as bus tokens, tuition for training, conference registration fees, memberships, postage, printing, etc.

- 6i. Total Direct Charges:** Show the totals of Lines 6a to 6h in each column.
- 6j. Indirect Charges:** Enter the total request up to the amount allowed by your approved and current indirect cost rate letter/agreement. Grantees must have an approved indirect cost rate letter from their Cognizant agency to be reimbursed for indirect costs. The Federal agency that awards the most in direct awards to an organization is, in most cases, Cognizant. For further information contact agency grant management personnel.
- 6k. Total:** Enter the total of the amounts on Lines 6i and 6j.

Additional Guidance

- Personnel Supplies should be included in Supplies
- Vehicles purchased should be included in Equipment
- Leased equipment including cars and SUVs should be included in Other, not Equipment
- Mileage costs should be included in Travel, not Equipment
- Maintenance and Repairs provided by a contract or inter-agency transfer of funds to another State agency should be included in Contractual or Other
- Fuel expenses may be dealt with in different ways. If a grantee charges mileage fuel then it should be included in the rate and should be in Travel. If a grantee has a methodology to track actual fuel consumption bought through a contract then the grantee may bill directly and that charge would go under contractual. Finally, if fuel is bought, as needed, through a credit card that can be direct charged the costs may be documented as either Supplies or Other.

Frequently Asked Questions about the Fringe Benefit amount to be placed in Object Class Budget Line 6b

- 1. How can Fringe benefits associated with salaries and wages of personnel working directly on a grant be calculated?**

Fringe benefits can be calculated using two different methods:

Direct/Actual – An applicant may *sum up all the actual fringe benefits* for each person charged to the award. Sum up means fringe benefits are identified to individual employees and charged in the same manner as salary and wages are recorded. Typical examples of fringe benefits included in a fringe benefit package are group insurance (e.g., life, health, dental), retirement, social security payroll tax, Medicare tax, unemployment compensation tax, annual leave, sick leave, and transportation allowance. Examples of fringe benefits that would not be included are unused leave, entertainment, and interest associated with late pension contributions, and contributions.

Approved Rate(s) by a Cognizant Agency – An applicant may also choose to use *approved fringe benefit rate(s)*. Approved rates simplify the fringe benefit calculations

as they are applied to the total salary and wages of classes of employees charged to the award (e.g., uniformed v. non-uniformed employees). For example, organization X has an approved fringe benefit rate of 38 percent and a total personnel budget (line 6a) of \$1,000,000. The fringe benefit amount placed in line 6b would be \$380,000. If the \$1,000,000 was split \$700,000 for uniformed employees with an approved rate of 48% and \$300,000 for non-uniformed employees with a rate of 30% the amount placed in 6b would be \$336,000 ($\$700,000 \times .48$) plus \$90,000 ($\$300,000 \times .30$) totaling \$426,000.

2. How does an organization obtain an approved fringe benefit rate?

Fringe benefit rates are obtained in different ways depending on the type of organization:

State Agencies may be covered by State-wide rates through the established State-wide Cost Allocation Plan (SWCAP) process through the U.S. Department of Health and Human Services (DHHS). DHHS is the Cognizant agency for all State governments in the SWCAP process. It is important to note that while every State is required to have an approved SWCAP they will only be provided an approved fringe benefit rate if they submit one for approval in their SWCAP proposal. Alternatively, if a State does not elect to have a State-wide fringe benefit rate, Departments/Agencies may obtain approval of department-wide rate(s) from their Cognizant agency as part of the indirect cost rate process. It is the responsibility of the State Agency to include a proposed fringe benefit computation to their Cognizant agency in order for it to be reviewed, approved and included on your approved indirect cost rate agreement/letter.

Local governments also have two methods of obtaining an approved rate. Local governments that have completed a Local Cost Allocation Plan (LOCAP) which includes a local government-wide rate on file for review by their Cognizant agency may provide that plan to FMCSA Grants Management Office for review and approval of the fringe benefit rate(s) for inclusion in FMCSA grant application budgets and invoicing. Federal agencies are provided this leeway as the Federal government does not currently have a list developed identifying which Federal agency is Cognizant to which local government for this purpose. The second method is the same as the process used by State agencies. Local government departments may request approved rate(s) by submitting proposed fringe benefit rate(s) with their indirect cost rate proposal.

Not for Profit Entities, Hospitals, and Educational Institutions may obtain approved rates through the indirect cost rate processes described above.

3. How do grantees determine their Cognizant agency for requesting an indirect cost rate agreement/letter that also includes a fringe benefit rate?

The Federal agency that provides a grantee's State government Department with the most direct Federal assistance is considered the Cognizant agency. Direct Federal assistance means that the Department that submitted the application for funding is the entity that ultimately receives the grant award. Please note: If another entity received the award

and provides “pass-through” funding to your Department it is **not** considered direct Federal assistance.

4. Will FMCSA monitor the cost allowability of fringe benefit submissions during application review?

Yes and No. One of the advantages to an applicant organization having an approved rate is that the allowability of its use has already been officially sanctioned by the Federal government for use in budget submissions to all Federal agencies. Similarly, for local governments that have a LOCAP approved rate from FMCSA the cost allowability will have been pre-approved for use in all FMCSA grant application budget submissions. FMCSA will have to review components of fringe benefit budgets for compliance with Federal cost principles for cost allowability whenever the sum of actual fringe benefits for each employee method is used.

5. Will FMCSA monitor a grantee’s fringe benefits when they submit invoices for reimbursement of expenses?

Yes. As the steward of Federal funds, FMCSA will review and approve grantee invoices for payment. The level of monitoring for approved rates is less complicated in that it consists of ensuring that the correct rate(s) and base were used in the calculation included on the invoice. When an actual fringe benefit method is used FMCSA will need to verify that the components adhere to the benefit package proposed in the application budget submission and approved in the Notice of Grant Agreement.

Specifics for three major types of grantees

State Grantees

1. Actual fringe benefits summed and charged to grant
2. Approved rates
 - Statewide fringe benefit rate provided as a percentage approved by the U.S. Department of Health and Human Services in the document known as a (SWCAP) State-wide Cost Allocation Plan
 - Department wide fringe benefit rate provided as a percentage requested by States as part of their indirect costs proposal and approved by their Cognizant agency.

Local Grantees

1. Actual fringe benefits summed and charged to grant
2. Approved rate
 - Department wide fringe benefit rate provided as a percentage requested by a local agency as part of their indirect costs proposal and approved by their Cognizant agency
3. LOCAP rate
 - City or County-wide fringe benefit rate provided as a percentage as part of a local cost allocation plan known as a LOCAP kept on file for inspection by awarding agencies.

Not for Profit Entities

1. Actual fringe benefits summed and charged to grant
2. Fringe Benefit rate approved by a Cognizant agency as part of an indirect cost proposal.

Scenarios**1. No Approved Rate**

When an entity uses a fringe benefit rate without an approved rate they should be instructed to charge the benefits as true costs summed up for the employees on the grant. An entity may propose a fringe benefit rate to their Cognizant agency and FMCSA will include that amount as a placeholder in the approved budget but will not authorize reimbursement until a rate is approved.

2. Monitoring Responsibilities when Actual Expenses are Used

The administrative circulars guidance related to allowability apply when actual expenses are charged. The FMCSA Grant Manager must look at the actual components used to come up with the amount charged to the grant. The FMCSA Grant Manager will examine the components such as payroll taxes, life insurance, and leave to determine if the charges are reasonable, necessary, and allocable to the grant. In addition, the consistency rule applies in that the fringe benefit package charged to the grant must mirror the fringe benefit package available to personnel with salaries not paid through the grant. In other words, grantees must treat Federally funded activities in the same manner as their own funded activities.

APPENDIX B APPLICATION SUBMISSION CHECKLIST

Checklist	Completed	Not Completed
Standard Form 424 - Application for Federal Assistance		
Did you complete Box 17 of SF 424 related to Federal Debt?		
Did you complete Box 16 of SF 424 related to EO 12372?		
Standard Form 424A - Budget Information - Non-Construction Programs – if applicable		
Standard Form 424B - Assurances - Non-Construction Programs – if applicable		
Standard Form LLL - Disclosure of Lobbying Activities		
Administrative Capabilities Questionnaire		
Maintenance of Efforts (MOE) calculations – if applicable		
Applicant noted the correct allocation of matching funds and the source of funds - if applicable.		
Program Narrative		
Budget Narrative		
Key Contact Form		
Indirect Cost Agreement - Current		

APPENDIX C ADDITIONAL FINANCIAL CONSIDERATIONS

DIRECT COSTS

When reviewing the Direct Costs consider the following parameters as described in [2 CFR §215.34, OMB Circular A-87](#).

Salaries and Wages - All grantees. All remuneration paid currently or accrued by the organization for employees working on the FMCSA-supported project during the grant period is allowable to the extent that:

- Total compensation to individual employees is reasonable for the work performed and conforms to the established policy of the organization consistently applied to both government and non-government activities
- The charges for work performed directly under grants and for other work allocable as indirect costs are determined and documented as provided in the applicable Federal cost principles
- Colleges and Universities. Chapter J.10 of OMB Circular A-21 establishes criteria for compensation for work performed on government projects by faculty members during and outside the academic year.

Fringe benefits are allowable as a direct cost (if not included as an indirect cost)¹ in proportion to the salary charged to the grant, to the extent that such payments are made under formally established and consistently applied organizational policies.

Equipment definitions (derived from and [2 CFR §215.34, OMB Circular A-87](#)) apply to most FMCSA grants:

- Acquisition cost of equipment is the net invoice price of the equipment, including the cost of modifications, attachments, accessories, or auxiliary apparatus necessary to make the property usable for the purpose for which it was acquired. Other charges, such as the cost of installation, transportation, taxes, duty, or protective in-transit insurance, should be included in the unit acquisition cost consistent with the grantee's regular accounting practices
- Equipment is tangible nonexpendable personal property including exempt property charged directly to the grant having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit. However, consistent with grantee policy, lower limits may be established
- General-purpose equipment is permanent equipment that is usable for other than research, medical, scientific, or technical activities, whether or not special modifications are needed to make it suitable for a particular purpose. Examples of general-purpose equipment include office equipment and furnishings, air conditioning equipment, reproduction and printing equipment, motor vehicles, and computer

¹ Fringe benefits can be applied as either a direct or indirect cost, just not included in both calculations. If applied as a direct cost confirmation should be made that fringe is not included in the indirect cost rate, as determined by the Cognizant agency.

equipment. General purpose equipment expenditures are unallowable as direct costs unless approved in advance

- Special-purpose equipment is permanent equipment, which is usable only for research, scientific, or technical activities.

Special-Purpose Equipment - Expenditures for special-purpose equipment are allowable as direct costs provided the acquisition of items with a unit cost of \$5,000 or more is:

- Necessary for the research or activity supported by the grant
- Not otherwise reasonably available and accessible
- Of the type normally charged as a direct cost to sponsored agreements
- Acquired in accordance with organizational practice.

Review and approval is required for all equipment purchases by small business or other commercial organizations.

Computer Services - The costs of services involving the use of highly complex or specialized facilities operated by the organization, such as computing facilities, are allowable provided the charges meet the conditions of the governing cost principles. Grantees should address lease versus purchase factors as required by [2 CFR §215.44](#) (Procurement Procedures for services).

Consultant Services - (A-122, Attachment B, Chapter 39, A-21, Chapter J, Subchapter 37 and A-87, Attachment B, Chapter 32.)

Outside Consultants

- Grantees normally are expected to utilize the services of their own officers or employees to the maximum extent in managing and performing the activities supported by FMCSA grants. Where it is necessary for a grantee to enter into a sub-award for the services of persons who are not its officers or employees, it is expected to do so in accordance with written organizational standards which provide for consideration of the factors outlined in the governing cost principles
- Costs of professional and consultant services rendered by persons who are members of a particular profession or possess a special skill and who are not officers or employees of the performing organization are allowable when reasonable in relation to the services rendered. Payment for consultant services should be comparable to the normal or customary fees charged and received by the consultant for comparable services, especially on non-government contracts and grants
- For all funds awarded prior to March 15, 2006, payment for a consultant's services may not exceed the daily equivalent of the then current maximum rate paid to an Executive Schedule Level IV Federal employee (exclusive of indirect cost, travel, per diem, clerical services, fringe benefits and supplies). See <http://www.opm.gov/oca/10tables/pdf/ex.pdf>
- In determining the allowability of costs in a particular case, no single factor or any special combination of factors is necessarily determinative. However, the following factors, among others, are relevant:

- The nature and scope of the service rendered in relation to the service required
- The necessity of issuing a sub-award for the service considering the organization's capability in the particular area
- The past pattern of such costs, particularly in the years prior to the award of government contracts and grants
- The impact of government contracts and grants on the organization's total activity (e.g., what new problems have arisen)
- Whether the proportion of government work to the organization's total activity is such as to influence the organization in favor of incurring the cost, particularly where the services rendered are not of a continuing nature and have little relationship to work under government contracts and grants
- Whether the service can be performed more economically by employment rather than by consulting
- The qualifications of the individual or concern rendering the service and the normal/customary fees charged and received by the individual for comparable services, especially on non-government contracts and grants
- The adequacy of the contractual agreement for the service (e.g., description of the service, estimate of time required, rate of compensation and termination provisions)
- In addition, to be allowable retainer fees must be supported by evidence of bona fide services available or rendered
- Costs of legal, accounting and consulting services and related costs incurred in connection with organization and reorganization, defense of antitrust suits and the prosecution of claims against the government are unallowable. Costs of legal, accounting, and consulting services and related costs incurred in connection with patent infringement litigation are unallowable unless otherwise provided for in the grant
- Grantees may hire consultants not identified in the grant proposal or award, provided:
 - It is in accordance with written organizational standards
 - Grant funds are reallocated in accordance with the grantee's policies which are consistent with the governing cost principles
 - It is within the limits of the grant funding.

Intra-University Consulting - Intra-university consulting is assumed to be undertaken as a university obligation requiring no compensation in addition to the full-time salary, as well as to those who function as consultants or otherwise contribute to a project conducted by another faculty member of the same institution. However, in unusual cases where consultation is across departmental lines or involves a separate or remote operation, and the work performed by the consultant is in addition to his regular appointment, any charges for such work representing extra compensation above the salary are allowable if consistent with established university policy and the applicable cost principles.

Federal Employees - Employees of the Federal Government (other than DOT) may be utilized as lecturers or staff members on a project and may receive compensation and/or expenses if they obtain prior approval from their agencies to participate, and if services to the project are performed outside their regular working hours or while they are on leave status from official duties. Under no circumstances may DOT employees receive compensation from a DOT- supported project.

COST REIMBURSEMENT GRANTS

Expenditures under FMCSA cost reimbursement grants are governed by the Federal cost principles⁹⁷ and must conform to FMCSA policies, grant special provisions, and grantee internal policies. Grantees should ensure that costs claimed under FMCSA grants are necessary, reasonable, allocable, and allowable under the applicable cost principles, FMCSA policy, and/or the program solicitation. In the event a grantee anticipates charging an item of direct cost that might subsequently be disputed, an authorized official of the grantee organization should discuss the matter with the appropriate Program Manager, and document the conditions or factors surrounding the item in order to avoid possible subsequent disallowability.

PROGRAM INCOME

For program income, FMCSA uses the "deduction" alternative for most assistance awards to State and local governments.² The "deduction" alternative is also the standard for awards to institutions of higher education, hospitals, and nonprofit organizations, except for research awards, for which the "additive" alternative is the standard.³

Program income includes fees for services performed including:

- The use or rental of real or personal property acquired with grant funds
- The sale of commodities or items fabricated under a Grant Agreement
- The payments of principal and interest on loans made with grant funds
- Program income generally does not include interest on grant funds, rebates, credits, discounts, refunds, and interest earned on any of them
- Program income is deducted from outlays which may be both Federal and non-Federal, as described below, unless the Grant Agreement specifies another alternative (or a combination of the alternatives). If the additional cost sharing or matching alternatives are authorized, program income in excess of any limits stipulated shall also be deducted from outlays.

PRE-AWARD COSTS

A grantee must receive prior approval to charge pre-award costs to an award. There are three scenarios in which it is allowable, but generally it is only permitted in unusual and compelling circumstances.

- 1) The most allowable scenario is when the program authority is enacted and the appropriation has become available; in this case, the risk to the grantee is lower

² In accordance with 49 CFR Part 18.25(g) (1)

³ In accordance with 49 CFR Part 19.24(d).

- 2) Another scenario is when the program authority is enacted, but the appropriation has not yet become available. The allowability for such a situation is strictly on a case-by-case basis and is limited
- 3) The final scenario is when neither the program authority nor the appropriate is available and under this scenario most pre-award costs would not be allowed.

In all cases, the request and the costs much be approved by the Division Administrator and others at FMCSA.

Grantees may incur allowable pre-award costs within the 90-day-period immediately preceding the effective date of the grant providing:

- The approval of pre-award spending is made and documented in accordance with the FMCSA procedures
- The advanced funding is necessary for the effective and economical conduct of the project
- ***Pre-award expenditures are made at the grantee's risk.*** Grantee authority to approve pre-award costs does not impose an obligation on FMCSA in the absence of appropriations, if an award is not subsequently made or if an award is made for a lesser amount than the grantee anticipated.

MAXIMUM OBLIGATION

The maximum obligation of FMCSA for support of the project will not exceed the amount specified in the grant, as amended. FMCSA does not amend grants to provide additional funds for such purposes as reimbursement for unrecovered indirect costs resulting from the establishment of final negotiated rates or for increases in salaries, fringe benefits, and anticipated other costs.

POST-EXPIRATION COSTS

FMCSA funds may not be expended subsequent to the expiration date of the grant except to liquidate valid commitments that were made on or before the expiration date. For example, commitment of project funds is valid when specialized (research) equipment is ordered well in advance of the expiration date but where, due to unusual or unforeseen circumstances, delivery of such equipment is delayed beyond the expiration date. The costs of equipment ordered after the expiration date, however, may not be charged to the project.

APPENDIX D SELECTED ITEMS OF COST

2 CFR, Part 225 (OMB Circular A -87)

Cost Principles for State, Local, and Indian Tribal Governments

(Similar lists can be found as appendices in 2 CFR, Part 220, Cost Principles for Educational Institutions and 2 CFR, Part 230, Costs Principles for Non-Profit Agencies)

1. Advertising and public relations costs
2. Advisory councils
3. Alcoholic beverages
4. Audit costs and related services
5. Bad debts
6. Bonding costs
7. Communication costs
8. Compensation for personal services
9. Contingency provisions
10. Defense and prosecution of criminal and civil proceedings, and claims
11. Depreciation and use allowances
12. Donations and contributions
13. Employee morale, health, and welfare costs
14. Entertainment costs
15. Equipment and other capital expenditures
16. Fines and penalties
17. Fund raising and investment management costs
18. Gains and losses on disposition of depreciable property and other capital assets and substantial relocation of Federal programs
19. General government expenses
20. Goods or services for personal use
21. Idle facilities and idle capacity
22. Insurance and indemnification
23. Interest
24. Lobbying
25. Maintenance, operations, and repairs
26. Materials and supplies costs
27. Meetings and conferences
28. Memberships, subscriptions, and professional activity costs
29. Patent costs
30. Plant and homeland security costs
31. Pre award costs
32. Professional service costs
33. Proposal costs
34. Publication and printing costs
35. Rearrangement and alteration costs
36. Reconversion costs
37. Rental costs of building and equipment
38. Royalties and other costs for the use of patents

39. Selling and marketing
40. Taxes
41. Termination costs applicable to sponsored agreements
42. Training costs
43. Travel costs

Sections 1 through 43 provide principles to be applied in establishing the allowability or unallowability of certain items of cost. These principles apply whether a cost is treated as direct or indirect. A cost is allowable for Federal reimbursement only to the extent of benefits received by Federal awards and its conformance with the general policies and principles stated in the Circular. Failure to mention a particular item of cost in these sections is not intended to imply that it is either allowable or unallowable; rather, determination of allowability in each case should be based on the treatment or standards provided for similar or related items of cost.

1. Advertising and public relations costs.

- a. The term advertising costs means the costs of advertising media and corollary administrative costs.

Advertising media include magazines, newspapers, radio and television, direct mail, exhibits, electronic or computer transmittals, and the like.

- b. The term public relations includes community relations and means those activities dedicated to maintaining the image of the governmental unit or maintaining or promoting understanding and favorable relations with the community or public at large or any segment of the public.
- c. The only allowable advertising costs are those which are solely for:
 - (1) The recruitment of personnel required for the performance by the governmental unit of obligations arising under a Federal award
 - (2) The procurement of goods and services for the performance of a Federal award
 - (3) The disposal of scrap or surplus materials acquired in the performance of a Federal award except when governmental units are reimbursed for disposal costs at a predetermined amount
 - (4) Other specific purposes necessary to meet the requirements of the Federal award.
- d. The only allowable public relations costs are:
 - (1) Costs specifically required by the Federal award
 - (2) Costs of communicating with the public and press pertaining to specific activities or accomplishments which result from performance of Federal awards (these costs are considered necessary as part of the outreach effort for the Federal award)
 - (3) Costs of conducting general liaison with news media and government public relations officers, to the extent that such activities are limited to communication and liaison necessary keep the public informed on matters of public concern, such as notices of

Federal contract/grant awards, financial matters, etc.

- e. Costs identified in subsections c and d if incurred for more than one Federal award or for both sponsored work and other work of the governmental unit, are allowable to the extent that the principles in Attachment A, sections E. ("Direct Costs") and F. ("Indirect Costs") are observed.
- f. Unallowable advertising and public relations costs include the following:
 - (1) All advertising and public relations costs other than as specified in subsections c, d, and e
 - (2) Costs of meetings, conventions, convocations, or other events related to other activities of the governmental unit, including:
 - (a) Costs of displays, demonstrations, and exhibits
 - (b) Costs of meeting rooms, hospitality suites, and other special facilities used in conjunction with shows and other special events
 - (c) Salaries and wages of employees engaged in setting up and displaying exhibits, making demonstrations, and providing briefings
 - (3) Costs of promotional items and memorabilia, including models, gifts, and souvenirs
 - (4) Costs of advertising and public relations designed solely to promote the governmental unit.

2. *Advisory councils.* Costs incurred by advisory councils or committees are allowable as a direct cost where authorized by the Federal awarding agency or as an indirect cost where allocable to Federal awards.

3. *Alcoholic beverages.* Costs of alcoholic beverages are unallowable.

4. *Audit costs and related services.*

- a. The costs of audits required by, and performed in accordance with, the Single Audit Act, as implemented by Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" are allowable. Also see 31 USC 7505(b) and Section 230 ("Audit Costs") of Circular A-133.
- b. Other audit costs are allowable if included in a cost allocation plan or indirect cost proposal, or if specifically approved by the awarding agency as a direct cost to an award.
- c. The cost of agreed-upon procedures engagements to monitor subrecipients who are exempted from A-133 under section 200(d) are allowable, subject to the conditions listed in A-133, section 230 (b)(2).

5. *Bad debts.* Bad debts, including losses (whether actual or estimated) arising from uncollectable accounts and other claims, related collection costs, and related legal costs, are unallowable.

6. Bonding costs.

- a. Bonding costs arise when the Federal Government requires assurance against financial loss to itself or others by reason of the act or default of the governmental unit. They arise also in instances where the governmental unit requires similar assurance. Included are such bonds as bid, performance, payment, advance payment, infringement, and fidelity bonds.
- b. Costs of bonding required pursuant to the terms of the award are allowable.
- c. Costs of bonding required by the governmental unit in the general conduct of its operations are allowable to the extent that such bonding is in accordance with sound business practice and the rates and premiums are reasonable under the circumstances.

7. Communication costs. Costs incurred for telephone services, local and long distance telephone calls, telegrams, postage, messenger, electronic or computer transmittal services and the like are allowable.

8. Compensation for personal services.

- a. General. Compensation for personnel services includes all remuneration, paid currently or accrued, for services rendered during the period of performance under Federal awards, including but not necessarily limited to wages, salaries, and fringe benefits. The costs of such compensation are allowable to the extent that they satisfy the specific requirements of this Circular, and that the total compensation for individual employees:
 - (1) Is reasonable for the services rendered and conforms to the established policy of the governmental unit consistently applied to both Federal and non Federal activities
 - (2) Follows an appointment made in accordance with a governmental unit's laws and rules and meets merit system or other requirements required by Federal law, where applicable
 - (3) Is determined and supported as provided in subsection h.
- b. Reasonableness. Compensation for employees engaged in work on Federal awards will be considered reasonable to the extent that it is consistent with that paid for similar work in other activities of the governmental unit. In cases where the kinds of employees required for Federal awards are not found in the other activities of the governmental unit, compensation will be considered reasonable to the extent that it is comparable to that paid for similar work in the labor market in which the employing government competes for the kind of employees involved. Compensation surveys providing data representative of the labor market involved will be an acceptable basis for evaluating reasonableness.
- c. Unallowable costs. Costs which are unallowable under other sections of these principles shall not be allowable under this section solely on the basis that they constitute personnel compensation.

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- d. Fringe benefits.
- (1) Fringe benefits are allowances and services provided by employers to their employees as compensation in addition to regular salaries and wages. Fringe benefits include, but are not limited to, the costs of leave, employee insurance, pensions, and unemployment benefit plans. Except as provided elsewhere in these principles, the costs of fringe benefits are allowable to the extent that the benefits are reasonable and are required by law, governmental unit employee agreement, or an established policy of the governmental unit
 - (2) The cost of fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as for annual leave, sick leave, holidays, court leave, military leave, and other similar benefits, are allowable if: (a) they are provided under established written leave policies; (b) the costs are equitably allocated to all related activities, including Federal awards; and, (c) the accounting basis (cash or accrual) selected for costing each type of leave is consistently followed by the governmental unit
 - (3) When a governmental unit uses the cash basis of accounting, the cost of leave is recognized in the period that the leave is taken and paid for. Payments for unused leave when an employee retires or terminates employment are allowable in the year of payment provided they are allocated as a general administrative expense to all activities of the governmental unit or component
 - (4) The accrual basis may be only used for those types of leave for which a liability as defined by Generally Accepted Accounting Principles (GAAP) exists when the leave is earned. When a governmental unit uses the accrual basis of accounting, in accordance with GAAP, allowable leave costs are the lesser of the amount accrued or funded
 - (5) The cost of fringe benefits in the form of employer contributions or expenses for social security; employee life, health, unemployment, and worker's compensation insurance (except as indicated in section 22, Insurance and indemnification); pension plan costs (see subsection e.); and other similar benefits are allowable, provided such benefits are granted under established written policies. Such benefits, whether treated as indirect costs or as direct costs, shall be allocated to Federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable to such Federal awards and other activities.
- e. Pension plan costs. Pension plan costs may be computed using a pay as you go method or an acceptable actuarial cost method in accordance with established written policies of the governmental unit.
- (1) For pension plans financed on a pay as you go method, allowable costs will be limited to those representing actual payments to retirees or their beneficiaries
 - (2) Pension costs calculated using an actuarial cost based method recognized by GAAP are allowable for a given fiscal year if they are funded for that year within six months after the end of that year. Costs funded after the six month period (or a later period agreed to by the Cognizant agency) are allowable in the year funded. The Cognizant

- agency may agree to an extension of the six month period if an appropriate adjustment is made to compensate for the timing of the charges to the Federal Government and related Federal reimbursement and the governmental unit's contribution to the pension fund. Adjustments may be made by cash refund or other equitable procedures to compensate the Federal Government for the time value of Federal reimbursements in excess of contributions to the pension fund
- (3) Amounts funded by the governmental unit in excess of the actuarially determined amount for a fiscal year may be used as the governmental unit's contribution in future periods
 - (4) When a governmental unit converts to an acceptable actuarial cost method, as defined by GAAP, and funds pension costs in accordance with this method, the unfunded liability at the time of conversion shall be allowable if amortized over a period of years in accordance with GAAP
 - (5) The Federal Government shall receive an equitable share of any previously allowed pension costs (including earnings thereon) which revert or inure to the governmental unit in the form of a refund, withdrawal, or other credit.
- f. Post retirement health benefits. Post retirement health benefits (PRHB) refers to costs of health insurance or health services not included in a pension plan covered by subsection e. for retirees and their spouses, dependents, and survivors. PRHB costs may be computed using a pay as you go method or an acceptable actuarial cost method in accordance with established written policies of the governmental unit.
- (1) For PRHB financed on a pay as you go method, allowable costs will be limited to those representing actual payments to retirees or their beneficiaries
 - (2) PRHB costs calculated using an actuarial cost method recognized by GAAP are allowable if they are funded for that year within six months after the end of that year. Costs funded after the six month period (or a later period agreed to by the Cognizant agency) are allowable in the year funded. The Cognizant agency may agree to an extension of the six month period if an appropriate adjustment is made to compensate for the timing of the charges to the Federal Government and related Federal reimbursements and the governmental unit's contributions to the PRHB fund. Adjustments may be made by cash refund, reduction in current year's PRHB costs, or other equitable procedures to compensate the Federal Government for the time value of Federal reimbursements in excess of contributions to the PRHB fund
 - (3) Amounts funded in excess of the actuarially determined amount for a fiscal year may be used as the government's contribution in a future period
 - (4) When a governmental unit converts to an acceptable actuarial cost method and funds PRHB costs in accordance with this method, the initial unfunded liability attributable to prior years shall be allowable if amortized over a period of years in accordance with GAAP, or, if no such GAAP period exists, over a period negotiated with the Cognizant agency
 - (5) To be allowable in the current year, the PRHB costs must be paid either to:
 - (a) An insurer or other benefit provider as current year costs or premiums
 - (b) An insurer or trustee to maintain a trust fund or reserve for the sole purpose of providing post retirement benefits to retirees and other beneficiaries

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- (6) The Federal Government shall receive an equitable share of any amounts of previously allowed post retirement benefit costs (including earnings thereon) which revert or inure to the governmental unit in the form of a refund, withdrawal, or other credit.
- g. Severance pay.
- (1) Payments in addition to regular salaries and wages made to workers whose employment is being terminated are allowable to the extent that, in each case, they are required by (a) law, (b) employer employee agreement, or (c) established written policy
 - (2) Severance payments (but not accruals) associated with normal turnover are allowable. Such payments shall be allocated to all activities of the governmental unit as an indirect cost
 - (3) Abnormal or mass severance pay will be considered on a case by case basis and is allowable only if approved by the Cognizant Federal agency.
- h. Support of salaries and wages. These standards regarding time distribution are in addition to the standards for payroll documentation.
- (1) Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit
 - (2) No further documentation is required for the salaries and wages of employees who work in a single indirect cost activity
 - (3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee
 - (4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the Cognizant Federal agency. Such documentary support will be required where employees work on:
 - (a) More than one Federal award
 - (b) A Federal award and a non Federal award
 - (c) An indirect cost activity and a direct cost activity
 - (d) Two or more indirect activities which are allocated using different allocation bases
 - (e) An unallowable activity and a direct or indirect cost activity
 - (5) Personnel activity reports or equivalent documentation must meet the following standards:

- (a) They must reflect an after the fact distribution of the actual activity of each employee
- (b) They must account for the total activity for which each employee is compensated
- (c) They must be prepared at least monthly and must coincide with one or more pay periods
- (d) They must be signed by the employee
- (e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:
 - (i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed
 - (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent
 - (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.
- (6) Substitute systems for allocating salaries and wages to Federal awards may be used in place of activity reports. These systems are subject to approval if required by the Cognizant agency. Such systems may include, but are not limited to, random moment sampling, case counts, or other quantifiable measures of employee effort
 - (a) Substitute systems which use sampling methods (primarily for Temporary Assistance to Needy Families (TANF), Medicaid, and other public assistance programs) must meet acceptable statistical sampling standards including:
 - (i) The sampling universe must include all of the employees whose salaries and wages are to be allocated based on sample results except as provided in subsection (c)
 - (ii) The entire time period involved must be covered by the sample
 - (iii) The results must be statistically valid and applied to the period being sampled
 - (b) Allocating charges for the sampled employees' supervisors, clerical and support staffs, based on the results of the sampled employees, will be acceptable
 - (c) Less than full compliance with the statistical sampling standards noted in subsection (a) may be accepted by the Cognizant agency if it concludes that the amounts to be allocated to Federal awards will be minimal, or if it concludes that the system proposed by the governmental unit will result in lower costs to Federal awards than a system which complies with the standards
- (7) Salaries and wages of employees used in meeting cost sharing or matching requirements of Federal awards must be supported in the same manner as those claimed as allowable costs under Federal awards.

i. Donated services.

- (1) Donated or volunteer services may be furnished to a governmental unit by professional and technical personnel, consultants, and other skilled and unskilled labor. The value of these services is not reimbursable either as a direct or indirect

- cost. However, the value of donated services may be used to meet cost sharing or matching requirements in accordance with the provisions of the Common Rule
- (2) The value of donated services utilized in the performance of a direct cost activity shall, when material in amount, be considered in the determination of the governmental unit's indirect costs or rate(s) and, accordingly, shall be allocated a proportionate share of applicable indirect costs
 - (3) To the extent feasible, donated services will be supported by the same methods used by the governmental unit to support the allocability of regular personnel services.

9. Contingency provisions. Contributions to a contingency reserve or any similar provision made for events the occurrence of which cannot be foretold with certainty as to time, intensity, or with an assurance of their happening, are unallowable. The term "contingency reserve" excludes self-insurance reserves (see Attachment B, section 22.c.), pension plan reserves (see Attachment B, section 8.e.), and post-retirement health and other benefit reserves (see Attachment B, section 8.f.) computed using acceptable actuarial cost methods.

10. Defense and prosecution of criminal and civil proceedings and claims.

- a. The following costs are unallowable for contracts covered by 10 U.S.C. 2324(k), "Allowable costs under defense contracts"
 - (1) Costs incurred in defense of any civil or criminal fraud proceeding or similar proceeding (including filing of false certification brought by the United States where the contractor is found liable or has pleaded nolo contendere to a charge of fraud or similar proceeding (including filing of a false certification)
 - (2) Costs incurred by a contractor in connection with any criminal, civil or administrative proceedings commenced by the United States or a State to the extent provided in 10 U.S.C. 2324(k).
- b. Legal expenses required in the administration of Federal programs are allowable. Legal expenses for prosecution of claims against the Federal Government are unallowable.

11. Depreciation and use allowances.

- a. Depreciation and use allowances are means of allocating the cost of fixed assets to periods benefiting from asset use. Compensation for the use of fixed assets on hand may be made through depreciation or use allowances. A combination of the two methods may not be used in connection with a single class of fixed assets (e.g., buildings, office equipment, computer equipment, etc.) except as provided for in subsection g. Except for enterprise funds and internal service funds that are included as part of a State/local cost allocation plan, classes of assets shall be determined on the same basis used for the government-wide financial statements.
- b. The computation of depreciation or use allowances shall be based on the acquisition cost of the assets involved. Where actual cost records have not been maintained, a reasonable estimate of the original acquisition cost may be used. The value of an asset donated to the governmental unit by an unrelated third party shall be its fair market value at the time

of donation. Governmental or quasi-governmental organizations located within the same State shall not be considered unrelated third parties for this purpose.

- c. The computation of depreciation or use allowances will exclude:
 - (1) The cost of land
 - (2) Any portion of the cost of buildings and equipment borne by or donated by the Federal Government irrespective of where title was originally vested or where it presently resides
 - (3) Any portion of the cost of buildings and equipment contributed by or for the governmental unit, or a related donor organization, in satisfaction of a matching requirement.
- d. Where the depreciation method is followed, the period of useful service (useful life) established in each case for usable capital assets must take into consideration such factors as type of construction, nature of the equipment used, historical usage patterns, technological developments, and the renewal and replacement policies of the governmental unit followed for the individual items or classes of assets involved. In the absence of clear evidence indicating that the expected consumption of the asset will be significantly greater in the early portions than in the later portions of its useful life, the straight line method of depreciation shall be used.

Depreciation methods once used shall not be changed unless approved by the Federal Cognizant or awarding agency. When the depreciation method is introduced for application to an asset previously subject to a use allowance, the annual depreciation charge thereon may not exceed the amount that would have resulted had the depreciation method been in effect from the date of acquisition of the asset. The combination of use allowances and depreciation applicable to the asset shall not exceed the total acquisition cost of the asset or fair market value at time of donation.

- e. When the depreciation method is used for buildings, a building's shell may be segregated from the major component of the building (e.g., plumbing system, heating, and air conditioning system, etc.) and each major component depreciated over its estimated useful life, or the entire building (i.e., the shell and all components) may be treated as a single asset and depreciated over a single useful life.
- f. Where the use allowance method is followed, the use allowance for buildings and improvements (including land improvements, such as paved parking areas, fences, and sidewalks) will be computed at an annual rate not exceeding two percent of acquisition costs. The use allowance for equipment will be computed at an annual rate not exceeding $6\frac{2}{3}$ percent of acquisition cost. When the use allowance method is used for buildings, the entire building must be treated as a single asset; the building's components (e.g., plumbing system, heating and air condition, etc.) cannot be segregated from the building's shell.

The two percent limitation, however, need not be applied to equipment which is merely attached or fastened to the building but not permanently fixed to it and which is used as

furnishings or decorations or for specialized purposes (e.g., dentist chairs and dental treatment units, counters, laboratory benches bolted to the floor, dishwashers, modular furniture, carpeting, etc.). Such equipment will be considered as not being permanently fixed to the building if it can be removed without the destruction of, or need for costly or extensive alterations or repairs, to the building or the equipment. Equipment that meets these criteria will be subject to the 6 2/3 percent equipment use allowance limitation.

- g. A reasonable use allowance may be negotiated for any assets that are considered to be fully depreciated, after taking into consideration the amount of depreciation previously charged to the government, the estimated useful life remaining at the time of negotiation, the effect of any increased maintenance charges, decreased efficiency due to age, and any other factors pertinent to the utilization of the asset for the purpose contemplated.
- h. Charges for use allowances or depreciation must be supported by adequate property records. Physical inventories must be taken at least once every two years (a statistical sampling approach is acceptable) to ensure that assets exist, and are in use. Governmental units will manage equipment in accordance with State laws and procedures. When the depreciation method is followed, depreciation records indicating the amount of depreciation taken each period must also be maintained.

12. Donations and contributions.

- a. Contributions or donations rendered. Contributions or donations, including cash, property, and services, made by the governmental unit, regardless of the recipient, are unallowable.
- b. Donated services received:
 - (1) Donated or volunteer services may be furnished to a governmental unit by professional and technical personnel, consultants, and other skilled and unskilled labor. The value of these services is not reimbursable either as a direct or indirect cost. However, the value of donated services may be used to meet cost sharing or matching requirements in accordance with the Federal Grants Management Common Rule
 - (2) The value of donated services utilized in the performance of a direct cost activity shall, when material in amount, be considered in the determination of the governmental unit's indirect costs or rate(s) and, accordingly, shall be allocated a proportionate share of applicable indirect costs
 - (3) To the extent feasible, donated services will be supported by the same methods used by the governmental unit to support the allocability of regular personnel services.

13. Employee morale, health, and welfare costs.

- a. The costs of employee information publications, health or first-aid clinics and/or infirmaries, recreational activities, employee counseling services, and any other expenses incurred in accordance with the governmental unit's established practice or custom for the

improvement of working conditions, employer-employee relations, employee morale, and employee performance are allowable.

- b. Such costs will be equitably apportioned to all activities of the governmental unit. Income generated from any of these activities will be offset against expenses.

14. Entertainment. Costs of entertainment, including amusement, diversion, and social activities and any costs directly associated with such costs (such as tickets to shows or sports events, meals, lodging, rentals, transportation, and gratuities) are unallowable.

15. Equipment and other capital expenditures.

- a. For purposes of this subsection 15, the following definitions apply:
 - (1) "Capital Expenditures" means expenditures for the acquisition cost of capital assets (equipment, buildings, land), or expenditures to make improvements to capital assets that materially increase their value or useful life. 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. Ancillary charges, such as taxes, duty, protective in transit insurance, freight, and installation may be included in, or excluded from the acquisition cost in accordance with the governmental unit's regular accounting practices
 - (2) "Equipment" means an article of nonexpendable, tangible personal property having a useful life of more than one year and an acquisition cost which equals or exceeds the lesser of the capitalization level established by the governmental unit for financial statement purposes, or \$5000
 - (3) "Special purpose equipment" means equipment which is used only for research, medical, scientific, or other technical activities. Examples of special purpose equipment include microscopes, x-ray machines, surgical instruments, and spectrometers
 - (4) "General purpose equipment" means equipment, which is not limited to research, medical, scientific or other technical activities. Examples include office equipment and furnishings, modular offices, telephone networks, information technology equipment and systems, air conditioning equipment, reproduction and printing equipment, and motor vehicles.
- b. The following rules of allowability shall apply to equipment and other capital expenditures:
 - (1) Capital expenditures for general purpose equipment, buildings, and land are unallowable as direct charges, except where approved in advance by the awarding agency
 - (2) Capital expenditures for special purpose equipment are allowable as direct costs, provided that items with a unit cost of \$5000 or more have the prior approval of the awarding agency

- (3) Capital expenditures for improvements to land, buildings, or equipment which materially increase their value or useful life are unallowable as a direct cost except with the prior approval of the awarding agency
- (4) When approved as a direct charge pursuant to Attachment B, section 15.b (1), (2), and (3) above, capital expenditures will be charged in the period in which the expenditure is incurred, or as otherwise determined appropriate and negotiated with the awarding agency. In addition, Federal awarding agencies are authorized at their option to waive or delegate the prior approval requirement
- (5) Equipment and other capital expenditures are unallowable as indirect costs. However, see section 11, Depreciation and use allowance, for rules on the allowability of use allowances or depreciation on buildings, capital improvements, and equipment. Also, see section 37, Rental costs, concerning the allowability of rental costs for land, buildings, and equipment
- (6) The unamortized portion of any equipment written off as a result of a change in capitalization levels may be recovered by continuing to claim the otherwise allowable use allowances or depreciation on the equipment, or by amortizing the amount to be written off over a period of years negotiated with the Cognizant agency
- (7) When replacing equipment purchased in whole or in part with Federal funds, the governmental unit may use the equipment to be replaced as a trade-in or sell the property and use the proceeds to offset the cost of the replacement property.

16. *Fines and penalties.* Fines, penalties, damages, and other settlements resulting from violations (or alleged violations) of, or failure of the governmental unit to comply with, Federal, State, local, or Indian Tribal laws and regulations are unallowable except when incurred as a result of compliance with specific provisions of the Federal award or written instructions by the awarding agency authorizing in advance such payments.

17. *Fund raising and investment management costs.*

- a. Costs of organized fund raising, including financial campaigns, solicitation of gifts and bequests, and similar expenses incurred to raise capital or obtain contributions are unallowable, regardless of the purpose for which the funds will be used.
- b. Costs of investment counsel and staff and similar expenses incurred to enhance income from investments are unallowable. However, such costs associated with investments covering pension, self insurance, or other funds which include Federal participation allowed by this Circular are allowable.
- c. Fund raising and investment activities shall be allocated an appropriate share of indirect costs under the conditions described in subsection C.3.b. of Attachment A.

18. *Gains and losses on disposition of depreciable property and other capital assets and substantial relocation of Federal programs.*

- a. (1) Gains and losses on the sale, retirement, or other disposition of depreciable property shall be included in the year in which they occur as credits or charges to the asset cost grouping(s) in which the property was included. The amount of the gain or loss to be included as a credit or charge to the appropriate asset cost grouping(s) shall be the difference between the amount realized on the property and the undepreciated basis of the property
- (2) Gains and losses on the disposition of depreciable property shall not be recognized as a separate credit or charge under the following conditions:
 - (a) The gain or loss is processed through a depreciation account and is reflected in the depreciation allowable under sections 11 and 15
 - (b) The property is given in exchange as part of the purchase price of a similar item and the gain or loss is taken into account in determining the depreciation cost basis of the new item
 - (c) A loss results from the failure to maintain permissible insurance, except as otherwise provided in subsection 22.d
 - (d) Compensation for the use of the property was provided through use allowances in lieu of depreciation.
- b. Substantial relocation of Federal awards from a facility where the Federal Government participated in the financing to another facility prior to the expiration of the useful life of the financed facility requires Federal agency approval. The extent of the relocation, the amount of the Federal participation in the financing, and the depreciation charged to date may require negotiation of space charges for Federal awards.
- c. Gains or losses of any nature arising from the sale or exchange of property other than the property covered in subsection a., e.g., land or included in the fair market value used in any adjustment resulting from a relocation of Federal awards covered in subsection b. shall be excluded in computing Federal award costs.

19. *General government expenses.*

- a. The general costs of government are unallowable (except as provided in Attachment B, section 43, Travel costs). These include:
 - (1) Salaries and expenses of the Office of the Governor of a State or the chief executive of a political subdivision or the chief executive of Federally recognized Indian Tribal government
 - (2) Salaries and other expenses of a State legislature, Tribal council, or similar local governmental body, such as a county supervisor, city council, school board, etc., whether incurred for purposes of legislation or executive direction
 - (3) Costs of the judiciary branch of a government

- (4) Costs of prosecutorial activities unless treated as a direct cost to a specific program if authorized by program statute or regulation (however, this does not preclude the allowability of other legal activities of the Attorney General)
- (5) Costs of other general types of government services normally provided to the general public, such as fire and police, unless provided for as a direct cost under a program statute or regulation.

- b. For Federally recognized Indian Tribal governments and Councils Of Governments (COGs), the portion of salaries and expenses directly attributable to managing and operating Federal programs by the chief executive and his staff is allowable.

20. Goods or services for personal use. Costs of goods or services for personal use of the governmental unit's employees are unallowable regardless of whether the cost is reported as taxable income to the employees.

21. Idle facilities and idle capacity.

- a. As used in this section the following terms have the meanings set forth below:
 - (1) "Facilities" means land and buildings or any portion thereof, equipment individually or collectively, or any other tangible capital asset, wherever located, and whether owned or leased by the governmental unit
 - (2) "Idle facilities" means completely unused facilities that are excess to the governmental unit's current needs
 - (3) "Idle capacity" means the unused capacity of partially used facilities. It is the difference between: (a) that which a facility could achieve under 100 percent operating time on a one-shift basis less operating interruptions resulting from time lost for repairs, setups, unsatisfactory materials, and other normal delays; and (b) the extent to which the facility was actually used to meet demands during the accounting period. A multi-shift basis should be used if it can be shown that this amount of usage would normally be expected for the type of facility involved
 - (4) "Cost of idle facilities or idle capacity" means costs such as maintenance, repair, housing, rent, and other related costs, e.g., insurance, interest, property taxes and depreciation or use allowances.
- b. The costs of idle facilities are unallowable except to the extent that:
 - (1) They are necessary to meet fluctuations in workload
 - (2) Although not necessary to meet fluctuations in workload, they were necessary when acquired and are now idle because of changes in program requirements, efforts to achieve more economical operations, reorganization, termination, or other causes which could not have been reasonably foreseen. Under the exception stated in this subsection, costs of idle facilities are allowable for a reasonable period of time, ordinarily not to exceed one year, depending on the initiative taken to use, lease, or dispose of such facilities.

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- c. The costs of idle capacity are normal costs of doing business and are a factor in the normal fluctuations of usage or indirect cost rates from period to period. Such costs are allowable, provided that the capacity is reasonably anticipated to be necessary or was originally reasonable and is not subject to reduction or elimination by use on other Federal awards, subletting, renting, or sale, in accordance with sound business, economic, or security practices. Widespread idle capacity throughout an entire facility or among a group of assets having substantially the same function may be considered idle facilities.

22. Insurance and indemnification.

- a. Costs of insurance required or approved and maintained, pursuant to the Federal award, are allowable.
- b. Costs of other insurance in connection with the general conduct of activities are allowable subject to the following limitations:
- (1) Types and extent and cost of coverage are in accordance with the governmental unit's policy and sound business practice
 - (2) Costs of insurance or of contributions to any reserve covering the risk of loss of, or damage to, Federal Government property are unallowable except to the extent that the awarding agency has specifically required or approved such costs.
- c. Actual losses which could have been covered by permissible insurance (through a self insurance program or otherwise) are unallowable, unless expressly provided for in the Federal award or as described below. However, the Federal Government will participate in actual losses of a self insurance fund that are in excess of reserves. Costs incurred because of losses not covered under nominal deductible insurance coverage provided in keeping with sound management practice, and minor losses not covered by insurance, such as spoilage, breakage, and disappearance of small hand tools, which occur in the ordinary course of operations, are allowable.
- d. Contributions to a reserve for certain self insurance programs including workers compensation, unemployment compensation, and severance pay are allowable subject to the following provisions:
- (1) The type of coverage and the extent of coverage and the rates and premiums would have been allowed had insurance (including reinsurance) been purchased to cover the risks. However, provision for known or reasonably estimated self insured liabilities, which do not become payable for more than one year after the provision is made, shall not exceed the discounted present value of the liability. The rate used for discounting the liability must be determined by giving consideration to such factors as the governmental unit's settlement rate for those liabilities and its investment rate of return
 - (2) Earnings or investment income on reserves must be credited to those reserves
 - (3) Contributions to reserves must be based on sound actuarial principles using historical experience and reasonable assumptions. Reserve levels must be

analyzed and updated at least biennially for each major risk being insured and take into account any reinsurance, coinsurance, etc. Reserve levels related to employee related coverages will normally be limited to the value of claims (a) submitted and adjudicated but not paid, (b) submitted but not adjudicated, and (c) incurred but not submitted. Reserve levels in excess of the amounts based on the above must be identified and justified in the cost allocation plan or indirect cost rate proposal

- (4) Accounting records, actuarial studies, and cost allocations (or billings) must recognize any significant differences due to types of insured risk and losses generated by the various insured activities or agencies of the governmental unit. If individual departments or agencies of the governmental unit experience significantly different levels of claims for a particular risk, those differences are to be recognized by the use of separate allocations or other techniques resulting in an equitable allocation
 - (5) Whenever funds are transferred from a self insurance reserve to other accounts (e.g., general fund), refunds shall be made to the Federal Government for its share of funds transferred, including earned or imputed interest from the date of transfer.
- e. Actual claims paid to or on behalf of employees or former employees for workers' compensation, unemployment compensation, severance pay, and similar employee benefits (e.g., subsection 8.f. for post retirement health benefits), are allowable in the year of payment provided (1) the governmental unit follows a consistent costing policy and (2) they are allocated as a general administrative expense to all activities of the governmental unit.
 - f. Insurance refunds shall be credited against insurance costs in the year the refund is received.
 - g. Indemnification includes securing the governmental unit against liabilities to third persons and other losses not compensated by insurance or otherwise. The Federal Government is obligated to indemnify the governmental unit only to the extent expressly provided for in the Federal award, except as provided in subsection d.
 - h. Costs of commercial insurance that protects against the costs of the contractor for correction of the contractor's own defects in materials or workmanship are unallowable.

23. Interest.

- a. Costs incurred for interest on borrowed capital or the use of a governmental unit's own funds, however represented, and are unallowable except as specifically provided in subsection b. or authorized by Federal legislation.
- b. Financing costs (including interest) paid or incurred which are associated with the otherwise allowable costs of building acquisition, construction, or fabrication, reconstruction or remodeling completed on or after October 1, 1980 is allowable subject

to the conditions in (1) through (4) of this section 23.b. Financing costs (including interest) paid or incurred on or after September 1, 1995 for land or associated with otherwise allowable costs of equipment is allowable, subject to the conditions in (1) through (4).

- (1) The financing is provided (from other than tax or user fee sources) by a bona fide third party external to the governmental unit
- (2) These assets are used in support of Federal awards
- (3) Earnings on debt service reserve funds or interest earned on borrowed funds pending payment of the construction or acquisition costs are used to offset the current period's cost or the capitalized interest, as appropriate. Earnings subject to being reported to the Federal Internal Revenue Service under arbitrage requirements are excludable
- (4) For debt arrangements over \$1 million, unless the governmental unit makes an initial equity contribution to the asset purchase of 25 percent or more, the governmental unit shall reduce claims for interest cost by an amount equal to imputed interest earnings on excess cash flow, which is to be calculated as follows. Annually, non-Federal entities shall prepare a cumulative (from the inception of the project) report of monthly cash flows that includes inflows and outflows, regardless of the funding source. Inflows consist of depreciation expense, amortization of capitalized construction interest, and annual interest cost. For cash flow calculations, the annual inflow figures shall be divided by the number of months in the year (i.e., usually 12) that the building is in service for monthly amounts. Outflows consist of initial equity contributions, debt principal payments (less the pro rata share attributable to the unallowable costs of land) and interest payments. Where cumulative inflows exceed cumulative outflows, interest shall be calculated on the excess inflows for that period and be treated as a reduction to allowable interest cost. The rate of interest to be used to compute earnings on excess cash flows shall be the three-month Treasury bill closing rate as of the last business day of that month
- (5) Interest attributable to fully depreciated assets is unallowable.

24. Lobbying.

- a. General. The cost of certain influencing activities associated with obtaining grants, contracts, cooperative agreements, or loans is an unallowable cost. Lobbying with respect to certain grants, contracts, cooperative agreements, and loans shall be governed by the common rule, "New Restrictions on Lobbying" published at 55 FR 6736 (February 26, 1990), including definitions, and the Office of Management and Budget "Government wide Guidance for New Restrictions on Lobbying" and notices published at 54 FR 52306 (December 20, 1989), 55 FR 24540 (June 15, 1990), and 57 FR 1772 (January 15, 1992), respectively.
- b. Executive lobbying costs. Costs incurred in attempting to improperly influence either directly or indirectly, an employee or officer of the Executive Branch of the Federal Government to give consideration or to act regarding a sponsored agreement or a

regulatory matter are unallowable. Improper influence means any influence that induces or tends to induce a Federal employee or officer to give consideration or to act regarding a Federally sponsored agreement or regulatory matter on any basis other than the merits of the matter.

25. *Maintenance, operations, and repairs.* Unless prohibited by law, the cost of utilities, insurance, security, janitorial services, elevator service, upkeep of grounds, necessary maintenance, normal repairs and alterations, and the like are allowable to the extent that they: (1) keep property (including Federal property, unless otherwise provided for) in an efficient operating condition, (2) do not add to the permanent value of property or appreciably prolong its intended life, and (3) are not otherwise included in rental or other charges for space. Costs which add to the permanent value of property or appreciably prolong its intended life shall be treated as capital expenditures (see sections 11 and 15).

26. *Materials and supplies costs.*

- a. Costs incurred for materials, supplies, and fabricated parts necessary to carry out a Federal award are allowable.
- b. Purchased materials and supplies shall be charged at their actual prices, net of applicable credits. Withdrawals from general stores or stockrooms should be charged at their actual net cost under any recognized method of pricing inventory withdrawals, consistently applied. Incoming transportation charges are a proper part of materials and supplies costs.
- c. Only materials and supplies actually used for the performance of a Federal award may be charged as direct costs.
- d. Where Federally donated or furnished materials are used in performing the Federal award, such materials will be used without charge.

27. *Meetings and conferences.* Costs of meetings and conferences, the primary purpose of which is the dissemination of technical information, are allowable. This includes costs of meals, transportation, rental of facilities, speakers' fees, and other items incidental to such meetings or conferences. But see Attachment B, section 14, Entertainment costs.

28. *Memberships, subscriptions, and professional activity costs.*

- a. Costs of the governmental unit's memberships in business, technical, and professional organizations are allowable.
- b. Costs of the governmental unit's subscriptions to business, professional, and technical periodicals are allowable.
- c. Costs of membership in civic and community, social organizations are allowable as a direct cost with the approval of the Federal awarding agency.

- d. Costs of membership in organizations substantially engaged in lobbying are unallowable.

29. Patent costs.

- a. The following costs relating to patent and copyright matters are allowable:
 - (1) cost of preparing disclosures, reports, and other documents required by the Federal award and of searching the art to the extent necessary to make such disclosures
 - (2) cost of preparing documents and any other patent costs in connection with the filing and prosecution of a United States patent application where title or royalty-free license is required by the Federal Government to be conveyed to the Federal Government
 - (3) general counseling services relating to patent and copyright matters, such as advice on patent and copyright laws, regulations, clauses, and employee agreements (but see Attachment B, sections 32, Professional service costs, and 38, Royalties and other costs for use of patents and copyrights).
- b. The following costs related to patent and copyright matter are unallowable:
 - (1) Cost of preparing disclosures, reports, and other documents and of searching the art to the extent necessary to make disclosures not required by the award
 - (2) Costs in connection with filing and prosecuting any foreign patent application, or (ii) any United States patent application, where the Federal award does not require conveying title or a royalty-free license to the Federal Government (but see Attachment B, section 38., Royalties and other costs for use of patents and copyrights).

30. Plant and homeland security costs. Necessary and reasonable expenses incurred for routine and homeland security to protect facilities, personnel, and work products are allowable. Such costs include, but are not limited to, wages and uniforms of personnel engaged in security activities; equipment; barriers; contractual security services; consultants; etc. Capital expenditures for homeland and plant security purposes are subject to section 15., Equipment and other capital expenditures, of this Circular.

31. Pre award costs. Pre award costs are those incurred prior to the effective date of the award directly pursuant to the negotiation and in anticipation of the award where such costs are necessary to comply with the proposed delivery schedule or period of performance. Such costs are allowable only to the extent that they would have been allowable if incurred after the date of the award and only with the written approval of the awarding agency.

32. Professional service costs.

- a. Costs of professional and consultant services rendered by persons who are members of a particular profession or possess a special skill, and who are not officers or employees of the governmental unit, are allowable, subject to subparagraphs b and c when reasonable

in relation to the services rendered and when not contingent upon recovery of the costs from the Federal Government.

In addition, legal and related services are limited under Attachment B, section 10.

- b. In determining the allowability of costs in a particular case, no single factor or any special combination of factors is necessarily determinative. However, the following factors are relevant:
- (1) The nature and scope of the service rendered in relation to the service required
 - (2) The necessity of contracting for the service, considering the governmental unit's capability in the particular area
 - (3) The past pattern of such costs, particularly in the years prior to Federal awards
 - (4) The impact of Federal awards on the governmental unit's business (i.e., what new problems have arisen)
 - (5) Whether the proportion of Federal work to the governmental unit's total business is such as to influence the governmental unit in favor of incurring the cost, particularly where the services rendered are not of a continuing nature and have little relationship to work under Federal grants and contracts
 - (6) Whether the service can be performed more economically by direct employment rather than contracting
 - (7) The qualifications of the individual or concern rendering the service and the customary fees charged, especially on non-Federal awards
 - (8) Adequacy of the contractual agreement for the service (e.g., description of the service, estimate of time required, rate of compensation, and termination provisions).
- c. In addition to the factors in subparagraph b, retainer fees to be allowable must be supported by available or rendered evidence of bona fide services available or rendered.

33. *Proposal costs.* Costs of preparing proposals for potential Federal awards are allowable. Proposal costs should normally be treated as indirect costs and should be allocated to all activities of the governmental unit utilizing the cost allocation plan and indirect cost rate proposal. However, proposal costs may be charged directly to Federal awards with the prior approval of the Federal awarding agency.

34. *Publication and printing costs.*

- a. Publication costs include the costs of printing (including the processes of composition, plate-making, press work, binding, and the end products produced by such processes), distribution, promotion, mailing, and general handling. Publication costs also include page charges in professional publications.
- b. If these costs are not identifiable with a particular cost objective, they should be allocated as indirect costs to all benefiting activities of the governmental unit.

c. Page charges for professional journal publications are allowable as a necessary part of research costs where:

- (1) The research papers report work supported by the Federal Government
- (2) The charges are levied impartially on all research papers published by the journal, whether or not by Federally sponsored authors.

35. *Rearrangement and alteration costs.* Costs incurred for ordinary and normal rearrangement and alteration of facilities are allowable. Special arrangements and alterations costs incurred specifically for a Federal award are allowable with the prior approval of the Federal awarding agency.

36. *Reconversion costs.* Costs incurred in the restoration or rehabilitation of the governmental unit's facilities to approximately the same condition existing immediately prior to commencement of Federal awards, less costs related to normal wear and tear, are allowable.

37. *Rental costs of buildings and equipment.*

- a. Subject to the limitations described in subsections b. through d. of this section, rental costs are allowable to the extent that the rates are reasonable in light of such factors as: rental costs of comparable property, if any; market conditions in the area; alternatives available; and, the type, life expectancy, condition, and value of the property leased. Rental arrangements should be reviewed periodically to determine if circumstances have changed and other options are available.
- b. Rental costs under "sale and lease back" arrangements are allowable only up to the amount that would be allowed had the governmental unit continued to own the property. This amount would include expenses such as depreciation or use allowance, maintenance, taxes, and insurance.
- c. Rental costs under "less-than-arms-length" leases are allowable only up to the amount (as explained in Attachment B, section 37.b) that would be allowed had title to the property vested in the governmental unit. For this purpose, a less-than-arms-length lease is one under which one party to the lease agreement is able to control or substantially influence the actions of the other. Such leases include, but are not limited to those between (i) divisions of a governmental unit; (ii) governmental units under common control through common officers, directors, or members; and (iii) a governmental unit and a director, trustee, officer, or key employee of the governmental unit or his immediate family, either directly or through corporations, trusts, or similar arrangements in which they hold a controlling interest. For example, a governmental unit may establish a separate corporation for the sole purpose of owning property and leasing it back to the governmental unit.
- d. Rental costs under leases which are required to be treated as capital leases under GAAP are allowable only up to the amount (as explained in subsection b) that would be allowed had the governmental unit purchased the property on the date the lease agreement was

executed. The provisions of Financial Accounting Standards Board Statement 13, Accounting for Leases, shall be used to determine whether a lease is a capital lease. Interest costs related to capital leases are allowable to the extent they meet the criteria in Attachment B, section 23. Unallowable costs include amounts paid for profit, management fees, and taxes that would not have been incurred had the governmental unit purchased the facility.

38. *Royalties and other costs for the use of patents.*

- a. Royalties on a patent or copyright or amortization of the cost of acquiring by purchase a copyright, patent, or rights thereto, necessary for the proper performance of the award are allowable unless:
 - (1) The Federal Government has a license or the right to free use of the patent or copyright
 - (2) The patent or copyright has been adjudicated to be invalid, or has been administratively determined to be invalid
 - (3) The patent or copyright is considered to be unenforceable
 - (4) The patent or copyright is expired.
- b. Special care should be exercised in determining reasonableness where the royalties may have been arrived at as a result of less-than-arm's-length bargaining, e.g.:
 - (1) Royalties paid to persons, including corporations, affiliated with the governmental unit
 - (2) Royalties paid to unaffiliated parties, including corporations, under an agreement entered into in contemplation that a Federal award would be made
 - (3) Royalties paid under an agreement entered into after an award is made to a governmental unit.
- c. In any case involving a patent or copyright formerly owned by the governmental unit, the amount of royalty allowed should not exceed the cost which would have been allowed had the governmental unit retained title thereto.

39. *Selling and marketing.* Costs of selling and marketing any products or services of the governmental unit are unallowable (unless allowed under Attachment B, section 1. as allowable public relations costs or under Attachment B, section 33. as allowable proposal costs.

40. *Taxes.*

- a. Taxes that a governmental unit is legally required to pay are allowable, except for self assessed taxes that disproportionately affect Federal programs or changes in tax policies that disproportionately affect Federal programs. This provision becomes effective for taxes paid during the governmental unit's first fiscal year that begins on or after January 1, 1998, and applies thereafter.

- b. Gasoline taxes, motor vehicle fees, and other taxes that are in effect user fees for benefits provided to the Federal Government are allowable.
- c. This provision does not restrict the authority of Federal agencies to identify taxes where Federal participation is inappropriate. Where the identification of the amount of unallowable taxes would require an inordinate amount of effort, the Cognizant agency may accept a reasonable approximation thereof.

41. Termination costs applicable to sponsored agreements. Termination of awards generally gives rise to the incurrence of costs, or the need for special treatment of costs, which would not have arisen had the Federal award not been terminated. Cost principles covering these items are set forth below. They are to be used in conjunction with the other provisions of this Circular in termination situations.

- a. The cost of items reasonably usable on the governmental unit's other work shall not be allowable unless the governmental unit submits evidence that it would not retain such items at cost without sustaining a loss. In deciding whether such items are reasonably usable on other work of the governmental unit, the awarding agency should consider the governmental unit's plans and orders for current and scheduled activity.

Contemporaneous purchases of common items by the governmental unit shall be regarded as evidence that such items are reasonably usable on the governmental unit's other work. Any acceptance of common items as allocable to the terminated portion of the Federal award shall be limited to the extent that the quantities of such items on hand, in transit, and on order are in excess of the reasonable quantitative requirements of other work.

- b. If in a particular case, despite all reasonable efforts by the governmental unit, certain costs cannot be discontinued immediately after the effective date of termination, such costs are generally allowable within the limitations set forth in this Circular, except that any such costs continuing after termination due to the negligent or willful failure of the governmental unit to discontinue such costs shall be unallowable.
- c. Loss of useful value of special tooling, machinery, and equipment is generally allowable if:
 - (1) Such special tooling, special machinery, or equipment is not reasonably capable of use in the other work of the governmental unit
 - (2) The interest of the Federal Government is protected by transfer of title or by other means deemed appropriate by the awarding agency
 - (3) The loss of useful value for any one terminated Federal award is limited to that portion of the acquisition cost which bears the same ratio to the total acquisition cost as the terminated portion of the Federal award bears to the entire terminated Federal award and other Federal awards for which the special tooling, machinery, or equipment was acquired.

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- d. Rental costs under unexpired leases are generally allowable where clearly shown to have been reasonably necessary for the performance of the terminated Federal award less the residual value of such leases, if:
- (1) The amount of such rental claimed does not exceed the reasonable use value of the property leased for the period of the Federal award and such further period as may be reasonable
 - (2) The governmental unit makes all reasonable efforts to terminate, assign, settle, or otherwise reduce the cost of such lease. There also may be included the cost of alterations of such leased property, provided such alterations were necessary for the performance of the Federal award, and of reasonable restoration required by the provisions of the lease.
- e. Settlement expenses including the following are generally allowable:
- (1) Accounting, legal, clerical, and similar costs reasonably necessary for:
 - (a) The preparation and presentation to the awarding agency of settlement claims and supporting data with respect to the terminated portion of the Federal award, unless the termination is for default (see Subpart __.44 of the Grants Management Common Rule implementing OMB Circular A-102)
 - (b) The termination and settlement of subawards
 - (2) Reasonable costs for the storage, transportation, protection, and disposition of property provided by the Federal Government or acquired or produced for the Federal award, except when grantees or contractors are reimbursed for disposals at a predetermined amount in accordance with Subparts __.31 and __.32 of the Grants Management Common Rule implementing OMB Circular A-102.
- f. Claims under subawards, including the allocable portion of claims which are common to the Federal award, and to other work of the governmental unit are generally allowable.

An appropriate share of the governmental unit's indirect expense may be allocated to the amount of settlements with subcontractors and/or subgrantees, provided that the amount allocated is otherwise consistent with the basic guidelines contained in Attachment A. The indirect expense so allocated shall exclude the same and similar costs claimed directly or indirectly as settlement expenses.

42. Training costs. The cost of training provided for employee development is allowable.

43. Travel costs.

- a. General. Travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the governmental unit. Such costs may be charged on an actual cost basis, on a per diem or mileage basis in lieu of actual costs incurred, or on a combination of the two, provided the method used is applied to an entire trip and not to selected days of the trip, and results

in charges consistent with those normally allowed in like circumstances in the governmental unit's non-Federally sponsored activities. Notwithstanding the provisions of Attachment B, section 19, General government expenses, travel costs of officials covered by that section are allowable with the prior approval of an awarding agency when they are specifically related to Federal awards.

- b. Lodging and subsistence. Costs incurred by employees and officers for travel, including costs of lodging, other subsistence, and incidental expenses, shall be considered reasonable and allowable only to the extent such costs do not exceed charges normally allowed by the governmental unit in its regular operations as the result of the governmental unit's written travel policy. In the absence of an acceptable, written governmental unit policy regarding travel costs, the rates and amounts established under subchapter I of Chapter 57, Title 5, United States Code ("Travel and Subsistence Expenses; Mileage Allowances"), or by the Administrator of General Services, or by the President (or his or her designee) pursuant to any provisions of such subchapter shall apply to travel under Federal awards (48 CFR 31.205-46(a)).
- c. Commercial air travel.
 - (1) Airfare costs in excess of the customary standard commercial airfare (coach or equivalent), Federal Government contract airfare (where authorized and available), or the lowest commercial discount airfare are unallowable except when such accommodations would:
 - (a) require circuitous routing
 - (b) require travel during unreasonable hours
 - (c) excessively prolong travel
 - (d) result in additional costs that would offset the transportation savings
 - (e) offer accommodations not reasonably adequate for the traveler's medical needs.The governmental unit must justify and document these conditions on a case-by-case basis in order for the use of first-class airfare to be allowable in such cases
 - (2) Unless a pattern of avoidance is detected, the Federal Government will generally not question a governmental unit's determinations that customary standard airfare or other discount airfare is unavailable for specific trips if the governmental unit can demonstrate either of the following: (a) that such airfare was not available in the specific case; or (b) that it is the governmental unit's overall practice to make routine use of such airfare.
- d. Air travel by other than commercial carrier. Costs of travel by governmental unit-owned, -leased, or -chartered aircraft include the cost of lease, charter, operation (including personnel costs), maintenance, depreciation, insurance, and other related costs. The portion of such costs that exceeds the cost of allowable commercial air travel, as provided for in subsection c., is unallowable.
- e. Foreign travel. Direct charges for foreign travel costs are allowable only when the travel has received prior approval of the awarding agency. Each separate foreign trip must receive such approval. For purposes of this provision, "foreign travel" includes any

travel outside Canada, Mexico, the United States, and any United States territories and possessions. However, the term "foreign travel" for a governmental unit located in a foreign country means travel outside that country.

APPENDIX E PROCEDURES FOR ESTABLISHING AND MANAGING INDIRECT COST RATES WHEN THE COGNIZANT AGENCY IS NOT IDENTIFIED

In the absence of current and accurate OMB information on indirect cost cognizance assignments, each Federal agency is responsible for determine specific cognizance responsibilities for individual Grantees. The cognizance determinations are generally based on which Federal agency provides the most direct Federal funding to the organization. The funding information should be identified by the CDFFA program number and is usually available in the organization's finance office, audited financial statements, or schedule of Federal expenditures that is part of the organization's OMB Circular A-133 audit, if applicable. In some cases, the Grantee may be a lower tier agency within a Department, such as a Division of State Police within the State Department of Public Safety. In this organizational alignment, the cognizance determination is made at the higher tier or Departmental level.

Indirect cost rates for Universities and institutions of higher education are determined by either the Department of Health and Human Services (HHS) or the Office of Naval Research (ONR). The ONR is the cognizant agency for the organizations listed at www.onr.navy.mil.

The Department of Justice and the Federal Highway Administration within the Department of Transportation serve as cognizant agency for the majority of FMCSA Grantees. If the Grantee believes that FMCSA is the cognizant agency, the Grantee must send in financial documentation (e.g., Schedule of Federal award expenditures by CDFFA number and funding provider) to FMCSA Headquarters proving that FMCSA provides the majority of Federal funding. Without this documentation, FMCSA cannot accept cognizant agency status.

For those organizations for which FMCSA is the cognizant agency for indirect costs, contact the Office of the Chief Financial Officer to negotiate an approved rate. Indirect cost rate and cost allocation methodology reviews are subject to future audits. The Grantee should be advised to provide a copy of its proposal for a negotiated rate when FMCSA is the cognizant agency. For non-profit organization guidance on developing indirect cost rate proposals, visit <http://www.dol.gov/oasam/programs/boc/costdeterminationguide/main.htm>. For State and local Grantee guidance on developing indirect cost rate proposals, visit <http://www.aqd.nbc.gov/Services/ICS.aspx>.

Within 90 days of the award start date, the Grantee shall submit to the Office of the Chief Financial Officer documentation (indirect cost proposal, cost allocation plan, etc.) necessary to perform the indirect cost review. The Grantee shall provide the Program Office with a copy of the transmittal letter.

FMCSA may approve an interim indirect cost rate as a budget place holder until an indirect cost rate has been approved by the cognizant agency. However, indirect costs cannot be reimbursed pending establishment of the indirect cost rate by the cognizant agency for the grant period.

SINGLE AUDIT

The cognizant agency is not only responsible for reviewing, negotiating and establishing the indirect cost rate, but is also responsible for monitoring that rate as well and overseeing the single audit. The management/audit responsibilities include the following:

- Provide technical audit advice and serve as liaison between Grantees and auditors.
- Consider Grantee's request for extensions for audit report submissions. The cognizant agency may grant extensions for good cause.
- Obtain or conduct quality control reviews of selected audits made by non-Federal auditors, and provide the results to other interested organizations.
- Advise the auditor and, where appropriate, the Grantee of any deficiencies found. When advised of deficiencies, the Grantee should work with the auditor to take corrective action. If corrective action is not taken, the cognizant agency should notify the auditor, Grantee, and applicable Federal awarding agencies of the facts and make recommendations for follow-up actions.

Additional responsibilities are stated in OMB Circular A-133. The Federal awarding agency's responsibilities are the following:

- Advise Grantees of requirements imposed on them by Federal laws, regulations, and the provisions of contracts or Grant Agreements.
- Ensure that audits are completed and reports are received in a timely manner and in accordance with the requirements of this part.
- Provide technical advice and counsel to auditees and auditors as requested.
- Issue a management decision on audit findings within six months after receipt of the audit report and ensure that the Grantee takes appropriate and timely corrective action.
- Provide annual updates of the compliance supplement to OMB.

APPENDIX F SAMPLE INDIRECT COST RATE

INDIRECT COST RATE AGREEMENT STATE AGENCY

[STATE] Department of Motor Vehicles

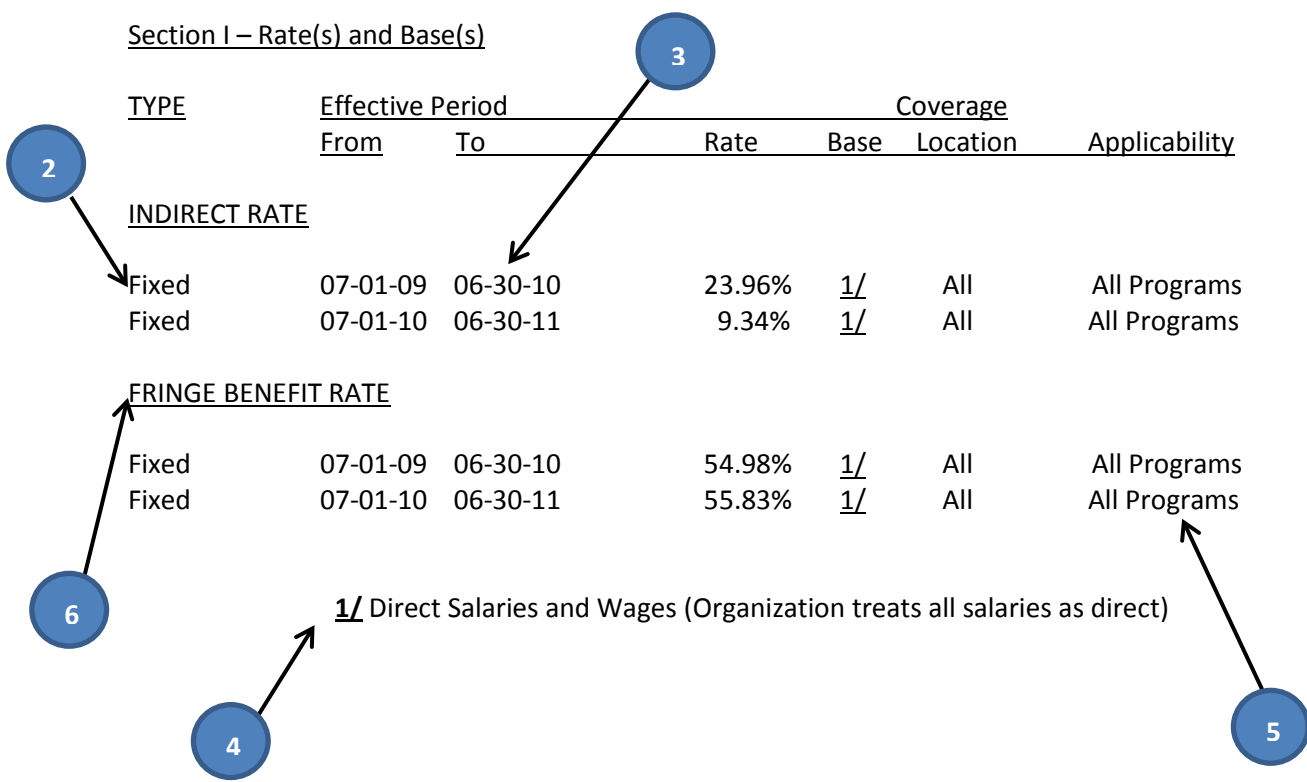
AGREEMENT NO. 2011 (1)
 FILING REFERENCE: This replaces
 previous Agreement No. 2011
 Dated: December 17, 2012

December 20, 2010

The purpose of this Agreement is to establish indirect cost rates for use in awarding and managing Federal contracts, grants, and other assistance arrangements to which the Office of Management and Budget (OMB) Circular A-87 applies. This agreement is issued by the U.S. Department of Transportation **Federal Motor Carrier Safety Administration (FMCSA)** pursuant to the authority cited in Attachment A of OMB Circular A-87.

This Agreement consists of three parts: Section I – Rates and Bases; Section 2 – Special Remarks; and, Section III – Approvals.

Section I – Rate(s) and Base(s)



TYPE	Effective Period		Rate	Base	Coverage		Applicability
	From	To			Location		
<u>INDIRECT RATE</u>							
Fixed	07-01-09	06-30-10	23.96%	<u>1/</u>	All		All Programs
Fixed	07-01-10	06-30-11	9.34%	<u>1/</u>	All		All Programs
<u>FRINGE BENEFIT RATE</u>							
Fixed	07-01-09	06-30-10	54.98%	<u>1/</u>	All		All Programs
Fixed	07-01-10	06-30-11	55.83%	<u>1/</u>	All		All Programs

1/ Direct Salaries and Wages (Organization treats all salaries as direct)

Section I – Rate(s) and Base(s) – continued

DEPARTMENT/AGENCY:
[STATE] Department of Motor Vehicles



TREATMENT OF FRINGE BENEFITS

Fringe benefits are specifically identified to each employee and are charged individually as direct costs. The directly claimed fringe benefits are listed below.

TREATMENT OF PAID ABSENCES

Vacation, holiday, sick leave pay, and other paid absences are included in salaries and wages and are claimed on grants, contracts, and other agreements as part of the normal cost for salaries and wages. Separate claims for the costs of these paid absences are not made.

FRINGE BENEFITS:

- FICA
- Retirement
- Group Insurance
- Worker’s Compensation
- Unemployment Insurance



OTHER: The State Agency capitalization threshold for equipment is \$2,000.

Look For:

1. Cognizant Agency
2. Rate Types
3. Period Covered
4. What is the direct base the rate is applied to?
5. Make sure the rate is applicable to your program
6. Fringe Benefits Rate(s), **OR**
7. Fringe Benefit Treatment
8. Equipment Threshold
9. Signature Execution

DEPARTMENT/AGENCY:
[STATE] Department of Motor Vehicles

Section II – Special Remarks

1. This Agreement is effective on the date of signature by the authorized representative of the Federal Government.
2. Questions regarding this Agreement should be directed to Jane Tamai by e-mail jane.tamai@dot.gov or telephone 202-366-6779.
3. Approval of the rate(s) contained herein does not establish acceptance of the Organization’s total methodology for the computation of indirect cost rates for years other than the year(s) herein cited.

Section III – Approvals

For the State Agency

[State] Department of Motor Vehicles

Signature

Name

Title

Date

For the Federal Government

U.S. Department of Transportation
Federal Motor Carrier Safety Administration (FMCSA)
1200 New Jersey Ave, SE
400 Maryland Ave, SW, UCP-021M4
Washington, DC 20590

Signature

Daphne Jefferson
Name

Chief Financial Officer (Acting)
Title

Date



APPENDIX G SINGLE AUDIT ACT

OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, implements the Single Audit Act Amendments of 1996, establishing uniform audit requirements for non-Federal entities that administer Federal awards. For-profit entities are not covered by the Single Audit Act or Circular A-133. Organizations not covered by the audit provisions of OMB Circular A-133 should be subject to the audit requirements as stipulated in the award or sub-award document. The Circular requires States, local governments, and non-profit organizations (including nonprofit educational institutions and non-profit hospitals) that expend \$500,000 or more in Federal awards annually to have an annual single or program-specific audit. A “Single Audit” is so called because Federal programs may no longer require individual audits. All grants are now reviewed through one audit, thereby saving the government money and the grantee unnecessary burden.

The Single Audit encompasses the examination of a grantee’s financial records, financial statements, Federal award transactions and expenditures,¹ the general management of its operations, the systems of internal control, and the Federal assistance itself received during the audit period (the time period of grantee operations which will be examined in the Single Audit, which usually covers a natural or fiscal year).

The Single Audit is divided into two areas:

- Compliance - Component of a Single Audit that covers the study and understanding (planning stage) as well as the testing and evaluation (exam stage) of the grantee with respect to Federal assistance usage, operations and compliance with laws and regulations
- Financial - Component is a financial audit of a non-Federal entity which includes the audit of the financial statements and accompanying notes.

An independent auditor must conduct the audit in accordance with the requirements in Circular A-133, and the Generally Accepted Government Auditing Standards, as well as guidance provided in the OMB Circular A-133 Compliance Supplement. The [OMB Circular A-133: Compliance Supplement](http://www.whitehouse.gov/omb/circulars_a133-lead) (http://www.whitehouse.gov/omb/circulars_a133-lead) is a large and extensive guide created by the OMB for Single Audits, and is considered the most important tool of both the auditor and the grantee when performing, or being subject to, a Single Audit.

Cognizant Agency

If a grantee expends more than \$50 million a year in Federal awards, a Cognizant agency is designated for the grantee’s audit. The designated Cognizant agency for the audit is the

¹ The examination is of those funds expended during the audit period regardless of the grant year awarded.

Federal awarding agency that provides the predominant amount of direct funding to the grantee, unless OMB designates a specific agency to serve as the Cognizant agency.²

Single Audit Reporting

At the audit's completion, the results of an A-133 audit are summarized in a Data Collection Form, which is made public on the Federal Audit Clearinghouse. The auditor prepares and submits the Data Collection Form, Reporting on Audits for States, Local Governments, and Non-profit Organizations (SF-SAC), and reporting package to the grantee. The grantee submits the SF-SAC and reporting package to the Federal Audit Clearinghouse designated by OMB. The Federal Audit Clearinghouse maintains a database of completed audits, provides appropriate information to Federal agencies, and follows up with those grantees that have not submitted the required data collection forms and reporting packages. If any findings result from the Single Audit, the applicable Federal awarding agency coordinates with the grantee to resolve these findings. To determine whether the report is available, go to the Federal Audit Clearinghouse at <http://harvester.census.gov/sac/>.

Single Audit Act Activities

The DOT OIG serves as the National Single Audit Coordinator for the Department and has the responsibility of regularly downloading Single Audit submissions from the Federal Audit Clearinghouse and providing them to the respective Operating Administrations. For the Single Audits that pertain to FMCSA grants, the OIG provides the audits to the FMCSA Chief Safety Officer, Chief Financial Officer, and the Audit Liaison to the OIG (FMCSA Office of Policy and Program Development). In accordance with the DOT Office of the Senior Procurement Executive's Financial Assistance Guidance Manual and the May 1, 2009, DOT Policy and Procedures for Expediting Action on Single Audit Report, FMCSA is required to resolve Single Audits within 30 days and issue management decisions on audit recommendations and findings within six months of receipt. Resolution is accomplished by the Audit Liaison providing an email to OIG stating: (1) the report was received and reviewed; (2) FMCSA is in tentative agreement or disagreement with the audit recommendations and/or findings, and (3) a milestone plan reflecting needed action is provided. Unresolved Single Audit recommendations older than 30 days will be tracked as past due. FMCSA Grant Managers, as the individuals primarily responsible for monitoring grantees' administration of Federal funds, are often called upon to assist with audit resolutions. Audit resolutions are usually handled by the OIG. Audit resolution frequently results in both cost disallowability and requirements for corrective action by the grantee.

Audit Driven Corrective Action Plans

² FMCSA is the Cognizant agency for very few Grantees. See Appendix E for more details regarding determination of Cognizant agency status as well as the role of the Cognizant agency in the Single Audit.

FMCSA requires that the recommended or required plan of corrective action identified in the audit report be undertaken immediately by the grantee to eliminate all deficiencies. If the audit reporting package does not include a Corrective Action Plan, as required by A-133, the audit resolution official (CFO) should develop one with the grantee, the FMCSA Grant Manager and Service Center SPM and/or Program Manager, as needed, along with a timetable for completing the corrective actions.

When an agreement on the corrective actions is reached, the FMCSA Grant Manager should confirm this agreement in a letter to the grantee, a copy of which should be signed, returned, and placed in the official Grant Award File. All agreements on corrective actions should, at a minimum, include the following information:

- Specific actions taken or planned to correct each deficiency
- Dates(s) the actions have been, or will be, implemented
- Reference to any implementing policies, procedures, and forms or requirements that must be submitted by a specified date
- A requirement that the grantee obtain the audit resolution official's advance approval of any agreement modifications.

The following additional information should also be included in the agreement, as necessary, if deficiencies are serious or complex, or if the corrective actions will take a significant amount of time to implement:

- Statement indicating that a follow-up review will be made
- Description of any staff training needed to operate elements of the revised internal control system
- Requirement that the organization conduct periodic independent reviews to determine whether the internal controls are operating effectively and provide the results of these reviews to the FMCSA Grant Manager
- Time-phased implementation plan, including a description of each implementation phase and target dates
- Requirement that progress reports be submitted to report on the progress of the corrective action at specified intervals to coincide with the implementation plan.

If the grantee is unwilling or unable to correct the deficiencies within a reasonable period of time, the FMCSA Grant Manager, in consultation with the SPM and Program Manager, should immediately initiate a process leading to the establishment of safeguards to protect the government's interest. Depending on the nature and seriousness of the deficiencies, these safeguards may include special restrictions, limitations, or controls; more frequent and detailed financial reporting; a requirement for submission of documentation to support reimbursement claims prior to payment, and, in extreme cases, termination of current awards or denial of future awards.

Section I. General Information

To be completed by all Grantees

A. Grantee Contact Information	
Date:	
Prepared by:	
State Grantee Point of Contact:	Name:
	Title:
	Email:
	Phone:

B. Grant Award Details	
Grant Program Name:	
Grantee Name:	
Project Name(s) ¹ :	
Grant Purchase Order Number:	
Current Period of Performance:	

C. Grant Financial Details	
<i>Grantees may choose to submit their most recent SF-425 to support this information</i>	
Current Award Amount:	
Expenditures to Date:	
Balance:	

D. Project Description, Purpose, and Objectives	
<i>Please use this space to describe the project purpose and objectives as approved in the Grant Agreement and all subsequent amendments</i>	

E. Project Progress	
<i>Please use this space to describe the progress made towards the project goals as approved in the Grant Agreement and all subsequent amendments including dates of completion. Additionally, please note any delays in meeting milestones and expending funds and the impacts on project progress. Grantees may choose to submit their most recent SF-PPR to support this information</i>	

¹ Grantees should complete the section "Project Name(s)" if there are several approved projects within their grant award

Section II. Amendment Type

To be completed by all Grantees. Grantees should check all modifications that apply to this amendment. Please note that all modification of activity requests should include budget revision requests and vice versa. Grantees are expected to indicate how these changes will impact activities and finances.

A.	Type of Amendment	Required Sections/Parts
<input type="checkbox"/>	Extension of Project without budget change	III. A. and III. B. (if applicable)
<input type="checkbox"/>	Modification of Activities	III. B. and III. C.
<input type="checkbox"/>	Budget Revision	III. B. and III. C.

B.	High-Level Description of Modification
	<i>Please use this space to describe the desired modification(s) to the project as approved in the Grant Agreement</i>

C.	Impact on the Original Purpose of the Grant
	<i>Please use this space to describe how the desired modification(s) will impact the original purpose of the grant as approved in the Grant Agreement</i>

Section III. Justification of Amendment(s)

To be completed by the grantee for the amendment(s) being requested. To support the amendment justification, Grantees must submit updated project plans with revised milestones.

A.	Extension Request	
1. Period of Performance Information		
Current Period of Performance (start and end date):		
Requested Period of Performance (start and end date):		
Length of Extension Requested: (e.g., 6 months)		
2. Justification for Extension Request <i>Please explain the delays that prompted this extension request</i>		
3. Description of Potential Obstacles and Mitigation Strategies		

B.	Modification of Activities Request	
1. Description of Activities to be Modified		
2. Justification for Activities to be Modified		
3. Description of Potential Obstacles and Mitigation Strategies		

**FEDERAL MOTOR CARRIER SAFETY ADMINISTRATION (FMCSA)
AMENDMENT REQUEST DOCUMENT**

C. Budget Revision Request							
1. Description of Budget Revision							
2. Budget Revisions							
<i>Grantees should include the major cost categories in this table as well as the line items from their current, approved budget</i>							
2.1 SF-424A Object Class Category	2.2 Original Amount Awarded	2.3 Current Amount Awarded ²	2.4 Amount of Funds Expended	2.5 Unexpended Balance	2.6 Proposed Amount Removed ³	2.7 Proposed Amount Added ⁴	2.8 Revised Budget Requested
a. Personnel							
b. Fringe Benefits							
c. Travel							
d. Equipment							
e. Supplies							
f. Contractual							
g. Construction							
h. Other							
i. Total Direct Charges <i>(sum of a-h)</i>							
j. Indirect Charges							
k. TOTALS <i>(sum of i and j)</i>							
3. Percent Change in Budget – Grantees should complete this section if they are moving funds across cost categories							
Equation			Amount				
Proposed Change (÷) <i>(sum from column 2.7)</i>							
Current Amount Awarded <i>(sum from column 2.3)</i>							
Percent Change							

² The “Current Award Amount” should be the same as the “Original Award Amount” unless the budget has been previously modified by an amendment

³ The “Proposed Amount Removed” should be the amount to be subtracted from the original Object Class Category

⁴ The amounts subtracted in the “Proposed Amount Removed” rows should be added to the new Object Class Category in the “Proposed Amount Added” column

**FEDERAL MOTOR CARRIER SAFETY ADMINISTRATION (FMCSA)
AMENDMENT REQUEST DOCUMENT**

C. Budget Revision Request	
4. Justification for Budget Revision	
5. Description of Potential Obstacles and Mitigation Strategies	

Section IV. Amendment Submission Approval

Authorized Grantee Official Approving this Amendment Request:

Name: _____ Date: _____

**FEDERAL MOTOR CARRIER SAFETY ADMINISTRATION (FMCSA)
AMENDMENT REQUEST DOCUMENT**

Section V. FMCSA Amendment Recommendation

To be completed by the applicable FMCSA staff

A. Division Administrator (DA) Feedback	
1. Recommendation	
Approve <input type="checkbox"/>	Do Not Approve <input type="checkbox"/>
2. Justification for Recommendation	

DA Name: _____

Date: _____

The FMCSA DA must include the following in their transmittal of this amendment request to the State Program Manager at their Service Center:

- ✓ Copy of original grant agreement and all amendments
- ✓ Copy of the original grant application (to include the SF-424A budget form)
- ✓ Copy of the award memorandum
- ✓ Copy of a current Delphi Purchase Order (PO) status report

B. State Program Manager (SPM) Feedback	
1. Recommendation	
Approve <input type="checkbox"/>	Do Not Approve <input type="checkbox"/>
2. Justification for Recommendation	

SPM Name: _____

Date: _____

C. Headquarters Program Manager (PM) Feedback	
1. Recommendation	
Approve <input type="checkbox"/>	Do Not Approve <input type="checkbox"/>
2. Justification for Recommendation	

HQ PM Name: _____

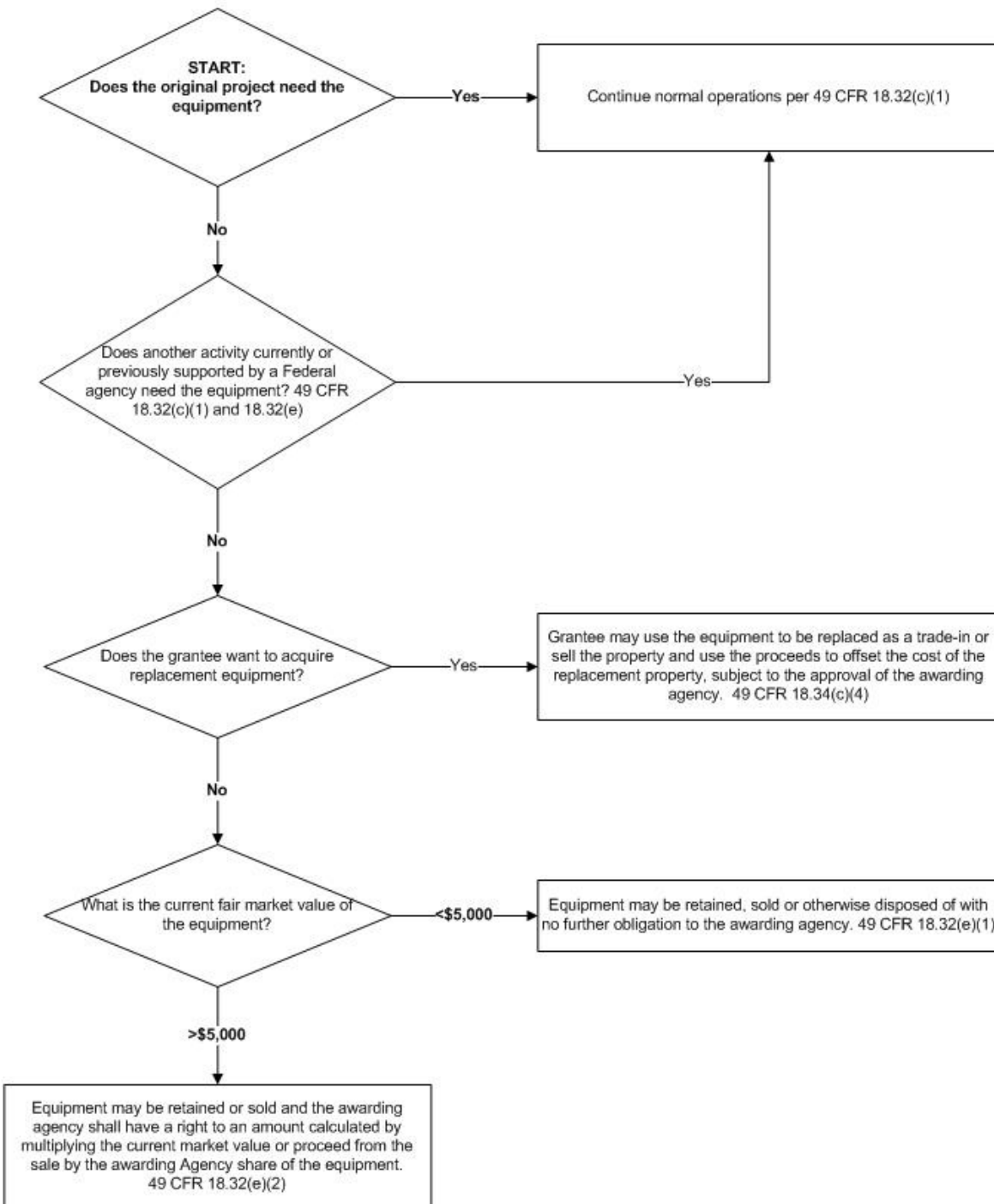
Date: _____

APPENDIX I EQUIPMENT DISPOSITION FLOW CHARTS

Equipment Disposition Flowchart under 49 CFR Part 18.32 *Applicable to States, Local Governments and Indian Tribes*

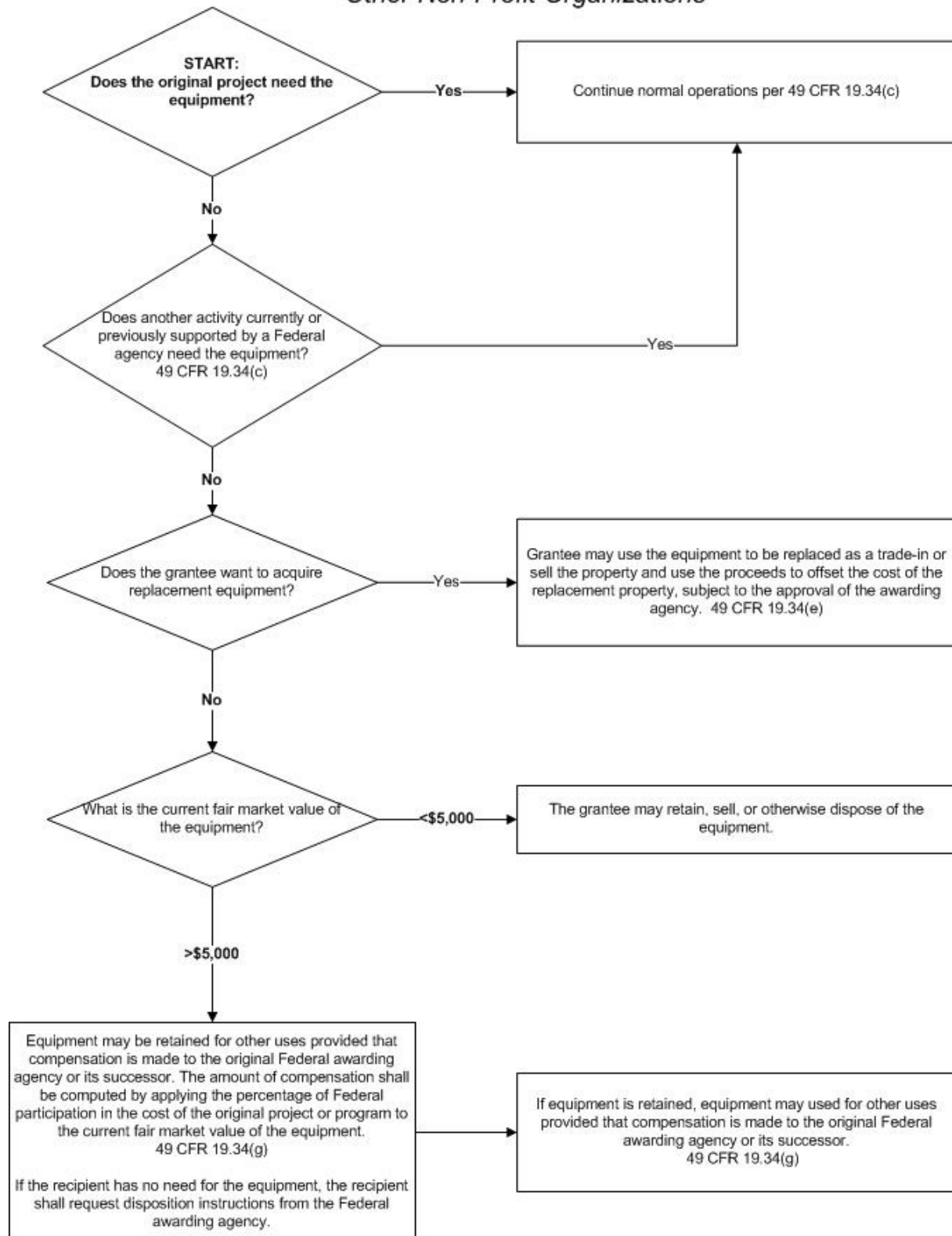
State grantees may use, manage and dispose of equipment in accordance with State laws and procedures. 49 CFR 18.32(b).

During the project period, the equipment must be used for the grant purpose.



Equipment Disposition Flowchart under 49 CFR Part 19.34

*Applicable to Institutions of Higher Education, Hospitals and
Other Non-Profit Organizations*



APPENDIX J FINAL CLOSE-OUT CHECKLIST

Have You Completed:	Yes/No	Comments
Have the final SF-270 been submitted? If no, please explain.		
Has the final SF-425 been submitted? If no, please explain.		
Have you submitted all of the required quarterly reports (SF-425 and SF-PPR)? If no, please explain.		
Has all equipment been disposed of or inventoried and sufficient documentation provided? If no, please explain.		
Based on your responses to the prior questions within the checklist, do you consider this grant closed-out? If no, please explain.		

Prepared by _____

Date _____