

**Northeastern Area
State and Private Forestry**

**Domestic Grants
Cooperative Agreements**

How to Complete an Application Package

Companion Document to Webinar

Conducted

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Introduction

Processing grants and cooperative agreements are an integral part of the mission of the Northeastern Area. It is a collaborative effort between the Forest Service Grants and Program Staffs along with our Partners.

The Grants and Program staff in the Northeastern Area processes 250 to 300 new grant awards each federal fiscal year. Due to the many complications of the federal budget process, the bulk of the grant work is done in the last 5 months of the fiscal year.

One of the biggest obstacles to timely processing of the grant application is inaccurate and/or incomplete packages. Many of our recipients process grants from multiple Federal agencies, all with their own nuances in grant requirements.

This document serves as a comprehensive overview of the Forest Service requirements, along with the an overview of what the Forest Service staff, both Grants Specialists and Program Managers look for to ensure that all application packages are in compliance with both Forest Service and Office of Management and Budget (OMB) regulations.

If you have any questions related to grant processes, the Grants Staff is here to help and will be able to respond to your questions or refer to you the Program Manager, as needed. Please click on the link below to find your point of contact.

<http://www.na.fs.fed.us/fap/Grants%20and%20Agreements%20Office%20Contacts.doc>

Substantial Involvement: Choosing Between a Grant or Cooperative Agreement

Cooperative Agreements are the same as Grants, except that Forest Service personnel will have substantial involvement in carrying out the activities specified in the agreement. The Forest Service should limit the amount of Federal involvement to the minimum consistent with program requirements.

See below for a listing of what is consider substantial involvement and what is considered a part of the normal monitoring of an award.

The following bullets are examples of substantial involvement by the Forest Service:

- Review and approval of one stage of work before a subsequent stage may begin during the performance period;
- Review and approval of proposed subgrants and contracts, in excess of those authorized by the OMB Circular direction, prior to the award;
- Involvement in the selection of key recipient personnel;
- Joint participation and collaboration by both the Forest Service and the recipient. Clearly identify specific tasks to be accomplished by each party in the narrative section of the Cooperative Agreement award letter;
- Providing specific direction or redirection of the work during performance because of interrelationships with other projects;
- Participating in the collection and/or analysis of data;
- Participating in the selection and approval of analysis mechanisms;
- Participating in the presentation of results in publications;
- Forest Service does not permit the recipient's principal investigator or project manager to change methods and procedures employed in performing the project without prior approval of the authorized Forest Service program manager, unless the methods and procedures employed are stated as specific objectives in the project narrative.

Below are examples of normal Forest Service stewardship on an award instrument and are **not considered substantial involvement:**

- Approval of recipient plans prior to award;
- Technical assistance prior to the start of the activity;

- Technical assistance to correct deficiencies in project or financial performance when reports or monitoring indicate some sort of problem;
- Site visits;
- Review of financial, performance, and audit reports;
- Technical reviews to determine whether to continue funding the next budget period;
- Review of performance to ensure that the objectives, terms, and conditions of the award are accomplished;
- General administrative oversight, such as prior approvals required by the financial assistance regulations and/or Office of Management and Budget (OMB) Circulars;
- Review of performance after completion.

Forest Service Review of the Application Package

The Grants Specialists administering the grant or cooperative agreement reviews the entire application for completeness and accuracy. The Specialist will also review the budget, budget justification in the narrative along with any supporting documents to determine if the award may be made under the proposed authority to the applicant. Both the Grants Specialists and Program Manager will review each application with special emphasis on allowable costs in the budget and application, identifying any items for adjustment or further explanation.

Initial Screening of the Applicant and the Application

The following basic elements of the applicant and proposed activity are reviewed prior to an in-depth review of the application:

Statutory Authority/CFDA. The Grants Specialist verifies that the application is for the correct grant program and the correct Catalog of Federal Domestic Assistance (CFDA) is cited. Based on that is funding that is supporting the project, the Specialist ensures the he application meets the provisions of the Forest Service statute which includes any matching or cost-sharing requirements. If the project proposed does not meet the statutory and program requirements, a grant or cooperative agreement may not be awarded. The Program Manager will work with the applicant to make necessary corrections.

Recipient's Eligibility. The Grant Specialist ensures that the applicant is an eligible recipient under the cited statutory authority, as outlined in the Program Guideline (for example, State and Private Forestry's *Principle Laws for State and Private Forestry Programs* located at http://www.fs.usda.gov/Internet/FSE_DOCUMENTS/stelprdb5315811.pdf) or as listed

in the applicable CFDA. Some authorities or grant programs are only available for funding certain entities.

Geographical Location. The Grant Specialist verifies that the geographical region where the proposed project or activity will take place is consistent with the authorizing legislation and CFDA, and identify whether the award is domestic or international.

Review of Applicant's Financial Health. Grantees must have an adequate management and financial management systems in place to ensure that grants and cooperative agreements are implemented for intended purposes and in accordance with regulations. The Office of Management and Budget (OMB) has established principles and standards for grantee's financial systems, located in Title 2 CFR 200 Subpart D. Prior to awarding a grant or cooperative agreement, the Grants Specialist will ask the recipient to complete and submit one of the following forms. The Grants Specialist will be available to respond to the recipient if there are any questions regarding the items in the form or the requirements in the OMB Circulars.

Financial Capability Questionnaire. The questionnaire form (FS-1500-22) will be used for new or infrequent grantees. The questionnaire will also be used for a grantee where there are concerns about their ability to manage federal grant funds. The Grants Specialist will assess the information provided and incorporate the document in the official record. The questionnaire only has to be completed once per fiscal year.

The Financial Capability Checklists. The checklists are designed for use with long term grantees to serve as a reminder of the regulations to the management of federal funds. One of the following checklists will be used, depending upon the type of entity applying for funds. Only one checklist per fiscal year has to be completed.

- Financial Capability Checklist for State Government Agencies FS-1500-22B
- Financial Capability Checklist, FS-1500-22A; for use by non-profits and for-profits

The objective of the checklists and the questionnaire is twofold. The information provided by the grantee will allow the Forest Service Grants Specialist to identify weaknesses in the grantees financial management system, and will also serve as a resource for the grantee regarding the regulations that apply to financial management of grant funds. The Albuquerque Service Center, Audit & Assurance Branch may be contacted to assist the G&A Specialist with questions related to any of the documents collected, recipient's questions concerning their financial system, and other assessment questions which arise in the review.

Indepth Review of the Application Package

The Forest Service uses the SF-424 family of forms for domestic grant applications.

- Application for Federal Assistance (SF-424)
- Budget Information – Non Construction Programs (SF-424A)

For the Forest Legacy and Community Forest Programs the following application forms are used:

- Application for Federal Assistance (SF-424)
- Budget Information – Construction Programs (SF-424C)

Recipients have to include the proper assurances and certifications in the application package prior to the Forest Service awarding a grant or cooperative agreement. Assurances and certifications are sworn statements and must be signed by an official with the authority to bind the applicant organization. The matrix on the next page outlines the assurances and certifications required for new award packages. If a recipient is requesting an increase in funding to an existing instrument, these certification do not have to be resubmitted. However, if the increase in funds brings the total Federal dollars to \$100,000 or more, one of the lobbying certificates must be submitted as part of the application package.

Assurances

FORM NUMBER	FORM TITLE	REQUIREMENT TO USE
SF-424B	Assurances – Non Construction Programs	Required for all S&PF programs except the two listed below.
SF-424D	Assurances – Construction Programs	Required for Forest Legacy and Community Forest Programs.

Debarment and Suspension Certification

FORM NUMBER	FORM TITLE	REQUIREMENT TO USE
AD-1047	Certification Regarding Debarment, Suspension, and Other Responsibility Matters	Always required.
AD-1048	Certification Regarding Debarment, Suspension, and Other Responsibility Matters – Lower Tier Covered Transactions	ONLY for use with a subrecipient. The recipient keeps the form in their records and does not submit to the Forest Service.

Drug Free Work Place Certifications (select one)

FORM NUMBER	FORM TITLE	REQUIREMENT TO USE
AD-1049	Certification Regarding Drug-Free Workplace Requirements	Required for all new packages, except for individuals and State governments.
AD-1052	Certification Regarding Drug-Free Workplace Requirements, State and State Agencies	Required for all new packages that are with State agencies.

Lobbying Forms (select one)

FORM NUMBER	FORM TITLE	REQUIREMENT TO USE
FS-1500-35	Certification Regarding Lobbying	Required for all awards over \$100,000.
SF-LLL	Disclosure of Lobbying Activities	This form is required, but is completed ONLY IF the award is over \$100,000 and the grantee engages in lobbying.

Other Certifications/Representations

FORM NUMBER	FORM TITLE	REQUIREMENT TO USE
AD-3030-FS	Representations Regarding Felony Conviction And Tax Delinquent Status For Corporate Applicants	Required for all domestic awards where the entity is a corporation (for-profit or non-profit).
FS-1700-0006	Civil Rights Compliance Review Record – Federally Assisted Programs	An entity has to have a form completed each Fiscal Year.

Review of the Application for Federal Assistance (SF-424)

All information on Application for Federal Assistance must be completed accurately for the specific project being funding. Listed below are some key components to take into consideration to ensure that your application is processes smoothly:

System for Award Management

The Grant Specialist will verify if the non-Federal entity is eligible to receive Federal funding by checking System of Award Management (SAM) at <https://www.sam.gov/portal/public/SAM/>. Every non-Federal entity must be registered in SAM prior to receiving any Federal funding. If not registered, the Grant Specialist will provide the cooperator with information and website for registration. An award or agreement with out-going funding will not be executed until it is verified the non-Federal entity has an active registration in SAM. A copy of the search listing from SAM.gov will be retained in the official grant file.

For all instruments, if a non-Federal entity or any principals of the award or agreement are cited on the suspension and debarment list, the Grant Specialist shall immediately inform the Program Manager, retain a copy of the search listing in the agreement file, and temporarily cease with executing the instrument. The Grant Specialist shall coordinate with the Program Manager to inform the prospective recipient/cooperator of the finding.

Executive Order 12372 Review, Intergovernmental Review of Federal Programs

Executive Order 12372 (E.O. 12372), “Intergovernmental Review of Federal Programs,” structures the federal government's system of consultation with state and local governments on its decisions involving grants, other forms of financial assistance, and direct development. The Forest Service only has two CFDA's that require the complete of this section of the SF424:

- 10.664 – Cooperative Forestry
- 10.680 – Forest Health Protection

There are some states that have opted out of this review. Refer to the link below for a listing of participating states: https://www.whitehouse.gov/omb/grants_spoc

Catalog of Federal Domestic Assistance (CFDA)

Ensure the correct CFDA number is reflected on the SF424 aligns with the program authority funding the project. The Grants Specialist or Program Manager can assist, if needed.

Funding Levels

Ensure that both the Federal and non-Federal share of funding is accurately reflected. As a reminder, the cost share ratio is determined based on the total cost of the project.

Review of the Budget on the SF-424A and Budget Justification in the Grant Narrative

Project budgets will be displayed on the Budget Information form (SF 424A). Additionally, the budget should be supported by a budget detail or budget justification in the grant narrative.

The Grants Specialists will verify that the budget justification included in the narrative agrees with the budget summary on the Budget Information form (SF-424A). They will closely review each budget cost element on the SF-424A and ensure any additional cost breakdown supporting each of the budget cost elements is included in the budget justification. The Grants Specialists will also verify that the costs are appropriately categorized.

From a programmatic standpoint, the review of the budget and the budget justification is to determine whether the budget plan is reasonable and sufficient to achieve the stated project objectives. For this reason, the budget is an estimate, not an exact cost document. The budget should not over-estimate or underestimate costs needed to sufficiently carry out the activities as proposed in the narrative. The Program Manager examines cost elements to ensure they are necessary, reasonable, and appropriate for the completion of the activity. For reasonableness, the Program Manager should use the prudent person test (for example, it does not exceed an amount that any reasonable person would incur under similar circumstances) when looking at cost amounts. Verifying costs against the applicable cost principle is the responsibility of both the Program Manager and the Grants Specialist.

All costs, both federal and matching dollars, must be in accordance with the Cost Principles and must meet certain basic criteria to be charged to an award. Basic cost review criteria includes:

- Is the cost element reasonable and necessary;
- It is permissible under the authority;
- It is allocable to the project;
- The cost is not included as a cost or a match/cost-share for another federal program, unless specifically authorized
- It is consistently treated as either a direct or an indirect cost:
 - ✓ Direct costs are those that can be readily designated as benefiting one particular federally funded project or activity.
 - ✓ Indirect costs are those that are not easily assigned to a particular project but which are necessary to the operation of the recipient and the performance of the project. Examples are salaries of administrative staff, basic office supplies, and utilities.

Description of Costs Elements on the Budget Information Form (SF-424A)

The following is a summary of budget elements on the SF-424A. The descriptions below are not all inclusive and depending upon each individual grant or cooperative agreement, situations may deviate from the examples below. However, all costs, both federal and matching funds, must align with the guidance in the Omni Circular.

Personnel and Fringe Benefits. This category includes only direct costs for the salaries of those individuals who will perform work directly for the organization. Ensure that the proposed rates for various personnel are reasonable based on local wages paid for the work being performed. The Bureau of Labor Statistics website at <http://www.bls.gov/> may assist in determining reasonability.

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 cost of leave, employee insurance, pensions and unemployment benefit plans. Fringe benefit costs are allowable to the extent that the benefits are reasonable and are required by law, governmental unit employee agreement, or an established policy. The budget narrative should identify the applicant's fringe benefit costs. In instances where the applicant has combined the Fringe Benefit costs with direct salaries and wages in the personnel category, the Grant Specialist or grant monitor may request the applicant to provide a breakout of the fringe benefit costs.

Personnel costs **do not include:** costs for services of consultants, contractors, consortia members, or other partner organizations, which are included in the "Contractual" category; costs for employees of subrecipients under sub-awards, which are included in the "Other" category; or effort that is not directly in support of the proposed project, which may be covered by the organization's negotiated indirect cost rate.

Travel. Travel costs are allowable where it provides a direct benefit to and in support of the program or activity outlined in the project narrative. The budget justification should breakout the estimated travel costs to determine reasonableness, for example, subsistence and airfare costs. The applicant must also provide a narrative description of the types and purpose of the proposed travel, estimated number of trips, planned destinations and estimated number of travelers. Ensure that the level and location of travel is appropriate for the level of work projected. When charging travel costs to an award, a recipient must adhere to their internal travel policies

Note that the rules governing travel for conferences and meetings that the Forest Service conducts, and those carried out by recipients under grants and cooperative agreements, are significantly different.

Nonfederal Employee Travel. Assistance funds can be used to defray transportation and subsistence expenses for nonfederal attendees for conferences that the recipient carries out. The decision as to who receives transportation and subsistence expenses is the recipient's, not the Forest Service's, and the Forest Service should avoid the appearance of directing the recipient to provide travel to specific individuals.

Federal Employee Travel. Assistance funds cannot be used to fund travel for Federal employees as this would circumvent limits on government travel ceiling. The Forest Service may use its own travel funds to enable a federal employee to

attend a conference relating to matters that would improve the conduct, supervision, or management of Agency functions or activities.

Equipment. Equipment is nonexpendable personal property with an acquisition cost of at least \$5,000 per unit and a useful life of more than one year. Equipment should be clearly needed for the project. Leasing of equipment should be considered. Another alternative may be for the applicant to purchase equipment with their own funds as a part of their contribution and redistribute requested funds to other cost elements (if appropriate and justified). See Page 13 for more details related to equipment purchased with federal funds

Supplies. Supplies are items with an acquisition cost of less than \$5,000 per unit or with a useful life of less than one year that are consumed in performance of the project. An itemized breakdown of supplies should be included in the budget narrative. Only materials and supplies actually used for the performance of the award may be charged as a direct cost. Ensure that the level and cost of supplies proposed are reasonable and justified and that they are not being “stockpiled” for future use.

Contractual. Contractual services are those services to be carried out by an individual or organization, other than the applicant, in the form of a procurement. These services may fall under direct costs such as an environmental consultant or indirect costs such as janitorial services. All subcontracts should be described in the narrative.

Construction. If costs are included in this element, ensure the authority and funds for the award of the grant allow for construction. Forest Legacy Acquisition and Community Open Space grants are considered construction grants.

Other. This category should include only those types of direct costs that do not fit in any of the other budget categories listed above. Examples of costs that may be in this category are: sub-awards, rental/lease of equipment, and printing or photocopying costs. Take a close look at any costs placed in this category. The costs in this section must be captured in the budget detail in the narrative. Ensure the costs are explained appropriately, and are necessary and properly allocated to the proposed grant or cooperative agreement.

Indirect Charges. The Grant Specialist will work with the applicant to ensure that an approved negotiated indirect cost rate agreement (NICRA) is in place. See Page 14 for more detailed information about indirect costs.

Program Income. Program or grant-related income is the anticipated amount the applicant may generate through an award activity. Income may include, but is not limited to, conference fees, fees for services performed, use fees or rental fees, patent or copyright royalties, or third party reimbursement. See Page 15 for more details related to program income

Review of the Narrative or Scope of Work

The Program Manager will review the narrative, budget, budget justification, and supporting documents to determine the appropriateness of activities outlined in the application and the reasonableness of proposed resources to accomplish the project. The narrative should provide an in-depth explanation of the proposed project, personnel involved in the award, and resources to be used. Additionally, the narrative and budget should clearly identify how the proposed activities will support activities covered in the award authority.

The narrative should clearly describe the total project to be accomplished, methodology, measurable objectives to be accomplished, time frame for completion, anticipated sub-grant or subcontracting activity, and desired results. Elements of a well-constructed narrative can include the following:

Performance Period. The period of performance should be accurately reflected on the SF-424 and narrative. Ensure that the proposed period of performance provides sufficient time for completion of all activities as outlined in the scope of work.

Needs Assessment. A statement describing the current situation and identifies the problems that the proposed project will address.

Stated Objectives. A clear description of the stated objectives and how the activities and expected results will benefit the identified beneficiaries.

Proposed Activities. Description of how the proposed activities will meet the stated objectives and lessen the problems identified in the needs assessment statement. Ensure that proposed activities and tasks are consistent with the objectives of the award, are reasonable to complete in the award timeframe, and are consistent with the activities permissible by the cited authorizing statute.

Methodology. Include a section that outlines the program design and rationale for choosing the particular method.

Schedule or Timeline. Include an outline of major milestones for the project with target completion dates for meeting each milestone.

Personnel. Include a narrative biographical description of each key person in the proposed project staff, as applicable. The description may identify related experiences and qualifications or a copy of the key personnel's resume. The role of each person should be identified and their estimated hours and rate will be captured in the budget narrative.

Resources and Needs. Include a description identifying the resources required for the proposed activity or project, including equipment, facilities, and training requirements, among others.

Geographic Location. The project should identify where the activity will take place.

Monitoring and Evaluation of Results. The narrative should describe the methods the applicant will use to monitor project process and how the project's results will be evaluated.

Special Conditions. Statement of special considerations relevant to the project, such as special treatment for proprietary or privileged information, matters affecting individual privacy, and other requirements related to the project.

Pre-Award Costs

Pre-Award Costs. Pre-award costs incurred 90 calendar days prior to award are allowed. Costs incurred more than 90 calendar days prior to award must have prior approval of the Program Manager to be considered allowable costs. The Northeastern Area uses a Program Manager Checklist to obtain approval from the Program Manager for pre-award costs more than 90 calendar days.

All pre-award costs are incurred at the recipient's risk. The Forest Service is under no obligation to reimburse such costs if for any reason the recipient does not receive an award or if the award is less than anticipated and inadequate to cover such costs.

Matching or Cost Share

Cost-share or match refers to the resources a recipient contributes toward project completion. The amount of match is often dictated by the authority the grant is awarded under, and may also be used as criteria in ranking competitive grant proposals. Cost-share becomes a condition of an award when it is part of the approved award budget. Recipient expenditures used for cost-share must meet the same standards for allowability as grant expenditures, outlined in the applicable cost principles and administrative requirements in the Omni Circular.

Almost all of the State and Private Forestry authorities require the grantee to provide a non-federal match to the federal funding. Ensure that the proposed match is included as part of the project budget and is captured in the budget narrative or justification similar to the federal funding. Recipients may provide their cost-share in any of the following ways:

Non-Cash Contributions. Nonfederal funds used for some or all of the costs of an activity or project. Federal funds may be used as a match only when the appropriations language specifically permits matching federal dollars in Grants or Cooperative Agreements.

In-Kind Contribution. In-kind contributions may consist of donated time and effort, real nonexpendable personal property, and goods and services directly benefiting and specifically identifiable to the supported activity or project.

Program Income. Grant-related program income, if it is specifically authorized in the award, may be used toward cost-share. The method of accounting for program income must be identified in the award letter. See Page 15 for more details on program income.

Combination of Sources. Recipients may use a combination of any of the three methods describe to meet the matching requirement.

Equipment Purchased with Federal Grant Funds

There are different requirement stated in the Omni Circular for the purchase of equipment with Federal grant funds between a State partner and other non-Federal agencies. The Northeastern Area has developed a summary matrix of these differences. The matrix can be found at our Frequently Asked Questions section of our website: <http://www.na.fs.fed.us/fap/fap-faq.shtm>

Listed below are highlights of the information to be aware of when considering using federal dollars for equipment purchase in your budget narrative.

The Difference Between Supplies and Equipment

Supplies are personal tangible property other than equipment which an acquisition cost of less than \$5,000. Equipment is tangible, non-expendable personal property with an acquisition cost of \$5000 or more and has a useful life of one year or longer.

General Guidelines

Title to the equipment purchased with Federal grant funds rests with the recipient. The Federal Government retains and interest in the equipment until certain conditions are met. Within the Forest Service, equipment purchase requires justification and approval. The Program Manager has to complete the Equipment Justification Form, FS-1500-31. Approval or disapproval of the equipment will be noted on the Equipment Justification form and is included in the official grant file.

The recipient must ensure that adequate safeguarding and maintenance procedures are in place to keep the equipment in good condition. Equipment maintenance is an allowable cost *if* it's in the approved budget. The recipient must provide for security from theft and vandalism in accordance with standard industry practices.

The recipient is required to make a physical inventory of any equipment purchased with Federal grant funds biennially (i.e., every two years). This inventory will be documented on Tangible Personal Property Report (form series SF-428A, B, C, and S as appropriate). These forms are to be submitted to the Forest Service for review by the Grants Specialist and Program Manager then filed in the official grant folder.

The recipient shall not encumber the title to the equipment. Encumbrance is a claim or liability attached to a piece of equipment or property. The recipient cannot use the equipment as collateral for a loan as long as there is a Federal interest in the equipment. This is why the Forest Service requires the Uniform Commercial Code (UCC) filing.

The UUC filing records the Federal government's interest in the equipment. The recipient must provide evidence of the UCC filing for each piece of equipment purchased with Federal grant funds. Evidence of the UCC filing must be maintained by the recipient until the equipment is disposed of following the direction of the Forest Service.

The equipment is to be used for the project or program for which it was acquired. It may be used to support other federally funded projects or program or non-Federal projects or program for similar work. It may not be used to provide services for a fee that will compete unfairly with the private sector. Any income earned from the use of the equipment must be consider program income and be addressed in the grant budget.

All primary recipients, including States, are responsible for the proper approval, management, inventory and disposition of equipment purchased by subrecipients using Federal grant funds.

Indirect Cost Rate

Indirect costs are those incurred by the recipient for a common or joint purpose that benefits more than one cost objective and are not readily assignable to specific cost objectives as a direct cost. In order for indirect costs to be allowable, the applicant must have a negotiated indirect cost rate agreement (NICRA) or must have submitted a proposal to their cognizant Federal agency.

Cognizance is determined by the grantee, based on the Federal agency that awarded the greatest amount of direct awards to the entity over the previous three years. If there are no direct awards, the Federal agency that awarded the greatest amount of indirect awards will be the cognizant agency. The Department of Interior is the cognizant Federal agency for tribal organizations.

If a valid NICRA or indirect cost proposal is not included with the application, the Grant Specialist will contact the applicant and request the documentation. If documentation is not provided, then the budget must be modified to remove indirect costs.

If the recipient does not have a NICRA issued by their cognizant agency nor have they submitted a proposed NICRA prior to the award, the recipient shall submit its initial indirect cost proposal to its cognizant agency no later than three months (such as 90 days) after the effective date of the award. Until the indirect cost proposal has been approved, the recipient may be reimbursed for indirect costs at the tentative rate reflected in the budget. If the approved NICRA reflects a rate different than the tentative rate, adjustments to past reimbursements and/or budgets may be needed.

Alternatively, recipients that have never received a NICRA may elect to use a 10% de minimus rate, as allowed in 2 CFR 200.414 (f). The rate will be calculated against their modified total direct cost (MTDC), which excludes equipment, capital expenditures, subcontracts in excess of \$25,000, rental costs, and other costs specific to Institutions of Higher Education. The de minimus rate is available to any recipient that has never had a NICRA and receives less than \$35 million in direct Federal funding per year. This includes State, local, and Tribal Governments as long as they meet the criteria.

Rate Modifications during the Grant Award Period. Addressing the change in an indirect rate received during the grant period depends on whether the indirect rate has increased or decreased. If the increase creates a material budget change, generally 10% or more, then it may be appropriate to revise the budget and approve it through a formal modification to the award.

A formal modification is not required to incorporate a new NICRA, during the grant award period. However, a formal modification may be prudent when a material budget change has occurred.

1. Decreased Rate: If the rate in the new NICRA is less than the rate in effect for the award, then the recipient must implement the lower rate from the effective date of the NICRA forward. If the recipient continues to charge the higher rate, the recipient may have to pay back excess indirect cost reimbursements. If the difference creates a material budget change, generally 10% or more, then it may be appropriate to revise the budget and approve it through a modification to the award. If the budget change is minor, then formal budget modification is not necessary.

2. Increased Rate: If the rate in the new NICRA is greater than the rate in effect in the award, then the recipient has two options available. The recipient may elect to use the new rate or continue to apply the original rate to costs incurred. Regardless of the option selected, the same level of performance as agreed to in the award, is required. The Federal share of the budget will not be increased to reflect the increased indirect costs; however, approved indirect costs in excess of the rate charged may be used as match.

Program Income

Program income is the gross revenue generated by a Federal grant-funded activity that takes place during the performance period of the grant. Program income may be earned by recipients from fees charged for conference or workshop attendance, from rental fees earned from real property or equipment acquired with federal funds, or from the sale of commodities or items developed under the grant or cooperative agreement. Interest earned by the recipient on funds advanced by the Forest Service is not considered program income.

If the Forest Service and the applicant chose to use program income as match, or in addition to funds designated for the proposed project, the method must be identified in the award letter or the deduction alternative will serve as the default and any program income will be deducted from the Forest Service share of the project. Anticipated program income must be included in the budget and described in the narrative. See the matrix below for program income alternatives: deduction, cost sharing and addition. For more information on program income, see 2 CFR 200.307.

ALTERNATIVE TYPE	DEFINITION
Deduction Alternative	Ordinarily program income must be deducted from total allowable costs to determine the net allowable costs, unless otherwise approved by the signatory official. Program income must be used for current costs unless the Federal agency authorizes otherwise. Program income which the grantee did not anticipate at the time of the award must be used to reduce the Federal agency and grantee contributions rather than to increase the funds committed to the project.
Cost sharing or Matching Alternative	When authorized, program income may be used to meet the cost sharing or matching requirement of the Grant or Cooperative Agreement. The amount of the Federal Grant award remains the same.
Addition Alternative	When authorized, program income may be added to the funds committed to the Grant or Cooperative Agreement by the Federal agency and the grantee. The program income must be used for the purposes and under the conditions of the Grant or Cooperative Agreement.

Sub-Awards

Often, grant funded work is completed by sub-recipients. If the prime recipient intends to complete work through sub-awards, then those funds must be and identified in the Budget Information Form (SF-424A) in the “Other” category and outlined in the budget detail in the narrative. It is not required that each sub-recipient be identified by name at the time of application, but the amount of funding must be identified and approved by the Program Manager. The term sub-award does not include subcontracts which must be included in the contractual category on the SF-424A.

The prime recipient or pass-through entity accepts responsibility for determining that the sub-recipient is capable of managing federal funds. Policies and procedures for awarding and managing sub-awards must be in place and followed. The Grants Specialist or Program Manager should ask for evidence of the recipient’s sub-award policies and procedures if they have not been previously provided. Documentation should be placed in the file. This should be part of the pre- or post-award review.

Pass-through recipients are also required to ensure that any sub-recipient has not been suspended or debarred from doing business with the federal government. The Certification Regarding Debarment, Suspension and Other Responsibility Matters – Lower Tier Covered Transactions (AD-1048) must be completed and signed by each subrecipient and kept on file by the recipient. Additionally, the recipient should check the Excluded Parties List to ensure that a subrecipient is not debarred or suspended. That list may be accessed at www.sam.gov.

Exhibit A - Common Errors on Application Packages

Listed below are examples of common errors that are made on the application package which impact the timeliness of processing the grant award. These errors have to be corrected in order for the paperwork to be in compliance with OMB and FS regulations.

Application for Federal Assistance (SF-424)

- Incorrect CFDA number annotated
- The Executive Order 12372 section for CFDA's 10.644 and 10.680 is not completed (this applies only to states that participate in this review)

Budget Information (SF-424A)

- Section A - Budget Summary
 - Not completed at all
 - CFDA title not listed in Column (a)
 - CFDA number not listed in Column (b)
- Section B – Budget Categories
 - Cost of supplies are annotated in the equipment category
 - Cost share does not match the amount on the SF-424
 - Errors in math
- Section C – Non-Federal Resources
 - CFDA title not listed in block (a)

Certifications

- Assurances, Drug-Free Workplace, Debarment and Suspension:
 - One or more missing from package
 - Certifications not signed
- Lobbying (awards of \$100,000 or more)
 - For entities that do not lobby, SF-LLL form is completed instead of the Lobby Certificate

Narrative

- Time lines in the narrative do not match the period of performance (start and end dates) on the Application for Federal Assistance (SF-424)
- Budget detail figures don't correlate to the amounts listed on the SF-424 and/or SF-424A

General

- Registration in SAM.gov has lapsed. This affects the timely obligation of the project funds

Exhibit B – Sample Budget Justification to Include in Project Narrative

The following is an example of a budget justification that would meet Northeastern Area State and Private Forestry requirements. This example demonstrates how the budget justification aligns with the Budget Information Form (SF-424A). The total amount that is reflected in each category on the SF-424A must match the amount for that category in this justification

a. Personnel:

Funding in the amount of \$XXXX is requested to cover the cost of Mr. X's salary for X months.

Funding in the amount of \$X is requested for graduate student salary for X months. The student is critical to the project and will assist Dr. X in the analysis of imagery and samples.

b. Fringe Benefits:

Fringe benefits for the salaries of the personnel listed above equal \$XXXX and were calculated at a rate of XX%.

c. Travel:

Two one-way tickets (Dr. X and student) to city X ($\$XXX \times 2 = \XXX) and return tickets from city Y ($\$XXX \times 2 = \XXX), plus X days per diem for each traveler. An additional \$X is requested for renting a vehicle for transporting supplies and equipment to and from the ship. Travel costs for Dr. X to travel to city X for presenting preliminary results after the cruise is over are estimated at \$XXX (round-trip airfare and X days per diem).

d. Equipment (provide description and estimated cost per unit (if appropriate) for items \geq \$5000):

Funding in the amount of \$XXXX is requested for two widgets (\$XXXX each), one backhoe (\$XXX), and a digital audio recorder (\$XXX).

e. Supplies:

Funding in the amount of \$XXXX is requested to cover chemicals (\$XXXX); sampling jars and labels (\$XXX); specialized collection traps (\$XXXX); mini-DV tapes (\$XXX); instruments for dissecting organisms (\$XXX); and miscellaneous supplies (\$XXX).

f. Contractual:

Funding in the amount of \$XXXXXX is requested for a subcontract with ZZZ Company for lease of a portable multibeam unit and crew to operate the system for a period of XX days during the cruise, and for post-processing the data collected (provide separate sole-source justification if necessary).

g. Construction (doesn't typically apply to State and Private Forestry grants)

h. Other:

A total of \$XXXX is requested for other items to support the project including \$XXX to cover the cost of communications from ship-to-shore (phone and Email), \$XXX for shipping samples from the ship to laboratories, and \$XXX for publication costs. Tuition totaling \$XXXX is requested for two semesters at the non-resident rate at University X for the graduate student.

j. Indirect Charges: (must also submit a Negotiated Indirect Cost Rate Agreement)

Indirect charges totaling \$XXXX for University X at the fixed rate of XX% (provide separate document containing information on the most current rate agreement for indirect charges and fringe benefits)

Exhibit C – Guidelines for Identifying and Calculating Matching Funds

It's the responsibility of both the Grants Specialist and the Program Manager to ensure all costs, both federal and matching, are in accordance with the cost principles as outline in the Omni Circular.

Matching funds are raised from non-federal, outside sources to increase the level of support provided by the funding agency. Such funds must be identified by the donor or funding source for use as matching funds. Examples of in-kind contributions are non-employee volunteer labor, donation of meeting facilities, or performance of services at a reduced cost.

Basic Guidelines

Matching share (or “cost sharing”) represents that portion of total project or program costs not borne by the Federal Government. Cash or in-kind (non-cash) matching share may consist of:

- Charges incurred by the grantee as costs during the grant period.
- Costs financed with cash contributed or donated to the grantee by other nonfederal third parties.
- Costs represented by services and real and personal property, or use of these, contributed or donated by nonfederal third parties during the grant period. Where in-kind contributions are made by the Federal Government, they may be included in the grantee's matching share only if the Federal legislation authorizes such inclusion.

All contributions, whether cash or in-kind will be accepted as an eligible part of the grantee's matching share when such contributions meet all of the following criteria:

- Are verifiable from the grantee's records;
- Are not included as matching contributions for any other federally assisted program or any Federal contract (i.e., are not double counted);
- Are necessary and reasonable for proper and efficient accomplishment of approved grant objectives;
- Are incurred and contributed within the grant period;
- Are types of costs which are allowable under the applicable Federal cost principles;
- Are not paid by the Federal Government directly or indirectly under another assistance agreement unless authorized by Federal law to be used for cost sharing or matching;
- Are provided for in the approved grant agreement.

Allowability

The standards for allowability are: **Allocable** – treated consistently with other costs incurred for the same purpose in like circumstances and meets one of the following criteria: **Incurred** specifically for the award; **Benefits** both the award and other work and can be distributed in reasonable proportion to the benefits received; **Necessary** to the overall operation of the project or organization.

General principles for establishing the allowability of matching share are as follows:

- Either cash or in-kind contributions of goods, property, services, or combinations of these, can qualify for and meet matching share requirements of the program funding the project.
- In-kind contributions must be fairly valued and must be of such nature that, if the Federal share had been used to pay for the contribution, the grantee would have incurred the allowable costs. In-kind contributions are eligible only to the extent that they represent actual necessary costs for which Federal funds could be applied for project or program objectives. Any grant funds applied in excess of actual cost would constitute an unallowable profit to the grantee or sub-grantee. .

Valuation of In-Kind Contributions

In-kind contributions will be valued at the actual costs incurred in accordance with the cost principles for determining costs.

Valuation of In-kind Contributions from Non-federal Third Parties

Valuation of Volunteer Services. Volunteer services may be furnished by professional and technical personnel, consultants, and other skilled and unskilled labor. Volunteer services may be counted as matching share if they are an integral and necessary part of the approved work.

Rates for Volunteer Services.

- Volunteer services charged to the grant must be such as will make a meaningful and desirable contribution. Volunteers must possess the required qualifications in the skill or professional involved, and must actually perform that specific work. Rates claimed for volunteer services must be consistent with those regular rates paid for similar work in other activities of the State Government. In those instances in which the skills required for are not found in the State Government, rates used must be consistent with those paid for similar work in the labor market in which grantee competes for the kind of services involved.
- If a volunteer performs services outside his profession or trade, this volunteer time must be valued at the Federal minimum wage rate unless a higher rate can be documented as applicable.

- The use of volunteer services must be documented by the same methods used by the grantee, sub-grantee, or other third party for its own employees, although stricter accountability standards may be agreed to by the grantee and third parties.

Guidance on Costs

Recipients of assistance awards are expected to use the assistance funds for the purposes for which they were awarded, subject to any conditions that may attach to the award.

1. Any cost being charged to a grant must satisfy the following criteria: The cost must be **allowable** as defined by the Cost Principles.
2. The cost must be **allocable**, that is, the project which paid the expense must benefit from it.
3. The expense must be **reasonable**, that is, the cost reflects what a “prudent person” might pay.
4. **Consistent Application and Treatment** – costs must be consistent with policies and procedures that apply.

If costs are not allowable, allocable and reasonable, then they cannot be charged to a project. Costs must also be *authorized and legal – not prohibited under state or local laws or regulations*.

How to Calculate the Cost Share

Cost sharing is calculated as a percentage of the total project cost. Almost all of the federal financial assistance instruments awarded by the Northeastern Area require a match.

- A 50/50 cost share is a dollar-for-dollar match of federal and non-federal funding
- To determine the amount of match for an 80/20 cost share, multiply the federal amount of funds by .25
- To determine the amount of match for a 75/25 cost share, multiply the federal amount of funds by .33333

Basically, you find the multiple to use by determining the factor between the two cost share figures. For example:

For an 80/20 cost share: $20 \text{ divided by } 80 = .25$
 For a 75/25 cost share: $25 \text{ divided by } 75 = .33333$

Exhibit D – Helpful Websites

Northeastern Area State and Private Forestry Grant Administration

<http://www.na.fs.fed.us/fap/fap.shtm>

Title 2 Code of Federal Regulations:

http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2tab_02.tpl

Part 200 Omni Circular

Part 400 – Department of Agriculture Codified Circular

- Part 415 – General Program Administrative Regulations
- Part 416 – General Program Administrative Regulations for Grants and Cooperative Agreements to State and Local Governments
- Part 417 – Non-procurement Debarment and Suspension
- Part 418 – New Restrictions on Lobbying
- Part 421 – Requirements for Drug-Free Workplace (Financial Assistance)

Catalog of Federal Domestic Assistance

<https://www.cfda.gov/>

Intergovernmental Review Executive Order 12372 on SF-424

https://www.whitehouse.gov/omb/grants_spoc

Council on Financial Assistance Reform

<https://cfo.gov/cofar/>