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**U · S · DEPARTMENT OF THE INTERIOR
OFFICE OF SURFACE MINING
RECLAMATION AND ENFORCEMENT**

DIRECTIVES SYSTEM

Subject Number:

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Transmittal Number:

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Date:

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Subject: FEDERAL ASSISTANCE MANUAL

Approval:

Title: Director

EXPLANATION OF CHANGES: This change notice:

- Incorporates changes in the Office of Surface Mining Reclamation and Enforcement's (OSM) organizational structure;
- Incorporates changes to national and OSM grants policies;
- Rescinds:
 - Directive AML-9, Use of Deobligated/Unrequested AML Grant Funds and incorporates its pertinent requirements into FAM;
 - Temporary Directive 92-8, Grants Management: Modification to Forms (the MB-212 form and Attachment A have been revised);
- Incorporates the following temporary directives:
 - 90-5, Grants Management: Final Rule on Drug-Free Workplace Requirements;
 - 91-4, Grants Management: Use of Current-Year Grant Funds to Award Subsequent-Year Grants;
 - 92-3, Grants Management: Revision to Abandoned Mine Land Reclamation Administrative Grant Agreement (and Change #1);
 - 92-4, Grants Management: Minority Business Enterprise Reporting Requirements;
 - 92-5, Grants Management: Revision to Abandoned Mine Reclamation Grant Application;
 - 92-6, Grants Management: Stevens Amendment to the Treasury, Postal Service and General Government Appropriations Act, 1992

CHANGE NOTICE

- Draft, Grants Management: Guidance on Classification of Costs in the Abandoned Mine Land Grants Program
- Provides detailed procedures for implementation of the revised AML grant program; and
- Separates existing procedural chapters (Part 5) into "A" chapters for the revised AML grant program and "R" chapters for the regulatory program.

A chapter-by-chapter summary of the **major** changes is attached.

FILING INSTRUCTIONS:

NOTE: Although not all chapters have been revised, the complete **text** of FAM is being provided.

Remove

Insert

Text through Part 6

Text through Part 6

Appendix 27

Appendix 27

Appendix 80

Appendix 80

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Appendix 84

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SUMMARY OF MAJOR CHANGES

Definitions

Definitions of "distribution" and "electronic funds transfer" added; definition of "letter of credit" deleted.

Chapter 1-67, Grant and Cooperative Agreement Award Document

Incorporate temporary directives 92-3, 92-4 and 92-6 conditions. Include, as exhibit, Attachment A. Includes as a standard condition the exemption for submittal of the SF-272, Federal Cash Transactions Report.

Chapter 1-100, Accounting for Cash

Reflect abolishment of letter of credit and Treasury Financial Communication System.

Chapter 1-102, Drawdown Express (DDX) Payment and Procedures

Entire chapter revised to reflect the abolishment of the LOC-TFCS and to provide guidance on DDX.

Chapter 1-510, Drug-Free Workplace

Incorporate guidance on lobbying from temporary directive 90-5. New appendix 84, final rule implementing the Drug-Free Workplace Act of 1988.

Chapter 1-520, Lobbying

New chapter. New appendices 85 and 86, rule and guidance regarding lobbying requirements.

Chapter 3-09, Characteristics of the SOAP Grants

Incorporate SOAP regulations and other SOAP policy issuances; new section on recovered Federal funds.

Chapter 4-01, Characteristics of AMLR Federal Assistance

Incorporate requirements from AML-9 and temporary directive 92-5. Add new sections on "Use of the AML fund to pay certain expenses or claims associated with AML reclamation" and "Water supply projects."

Chapter 4-20, Special Set-Aside Program

Incorporate changes based on AMRA of 1990 and the revised AML grant program.

Chapter 4-40, Acid Mine Drainage Fund

New chapter.

Chapter 4-50, Characteristics of Cooperative Agreements for Federal Reclamation Program Projects

New chapter.

Chapter 5-00, Grant/Cooperative Agreement Numbering System and Files Organization

Revises numbering system to provide grant and subaccount numbering for the revised AML grant.

Chapters 5-10A, 5-20A, 5-30A, 5-60A, and 5-70A

New procedural chapters for the revised AML grant program.

Chapters 5-10R, 5-20R, 5-30R, 5-50R, and 5-70R

Updated procedural chapters for the regulatory grant program.

Chapter 5-11, Environmental Compliance

Expands definition of "point of Federal Action" for construction activities under the revised AML grant program. Chapter will be revised after expanded categorical exclusion is approved.

Chapter 5-55, Drawdown Analysis: Policy and Procedures

Deletes the requirement for grantees to submit the SF-272.

Note: Although comments were requested and received on FAM chapters **3-10**, State/Federal Cooperative Agreements for Regulation on Federal Lands, and **4-30**, Characteristics of Grantee-Administered Emergency Reclamation Activities, and **5-50**, Monitoring and Administration, changes to these chapters will be issued separately.

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Accounting System aids the recipient in the separate identification of receipts, disbursements, assets, liabilities, and provides for the summarization of financial information in a manner which will facilitate the preparation of the periodic reports required by OSM.

Accrual Basis - the basis of accounting under which transactions are recognized when they occur, regardless of the timing of related cash flows.

Acquisition Cost of nonexpendable personal property acquired by purchase means the net invoice price of the property, including any attachments, accessories, or auxiliary apparatus necessary to make the property usable for the purpose for which it was acquired. Ancillary charges such as taxes, duty protective in-transit insurance, freight, or installation shall be included in or excluded from acquisition cost in accordance with the recipient's regular accounting practices.

Administratively Complete - the determination made by the FO grants specialist that all required parts of a grant application are present and that sufficient information is provided to determine that costs are necessary, reasonable, allowable, and allocable.

Alterations and Renovations consist of work required to change the physical characteristics of an existing facility or installed equipment so that it may be more effectively utilized for its currently designated purpose or adapted to a changed use as a result of a programmatic requirement.

Amendment - an amendment to an OSM grant or cooperative agreement is a formal written change to the amount, terms and conditions, performance period or scope of work.

Appeal Procedure - a procedure which permits recipients to request review of a particular issue at OSM Headquarters. Appeals are submitted

to the Director, OSM.

Applicable Credit - a negative-expenditure type of transaction which offsets or reduces an expense item. Examples are purchase discounts, rebates or allowances, and adjustments of overpayments and erroneous charges.

Approval Package - is the set of documents related to a grant/cooperative agreement application which is prepared by the FO grants specialist to justify and support the grant approval recommendation made to the FOD. The approval package consists of a findings and recommendation memorandum; completed OSM-64; two copies of a completed grant agreement/amendment document; and a completed, but unsigned, MB-212 form (not required for non-monetary scope change amendments).

Audit - a planned approach of evaluating and reporting on the recipient's financial and programmatic operations.

Award Package is the set of documents related to a grant/cooperative agreement award or amendment which is forwarded from the FO to the AD-SC. The award package consists of a findings and recommendation memorandum; completed OSM-64; one copy of the FOD-signed grant agreement/amendment form; one completed copy of DI 1961; one copy of a completed, but unsigned MB-212 (not required for non-monetary scope change amendments).

Budget Period - an interval of time (usually 12 months) into which the grant/cooperative agreement project period is divided for budgetary and reporting purposes.

Budget Revision - a deviation from a grant/cooperative agreement budget approved by OSM to carry out the purposes of the agreement-supported project.

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Budget Underrun - a budget underrun occurs when the amount of Federal funds authorized exceeds the needs of the recipient by more than \$10,000 or ten percent of the total grant amount, whichever is greater. The recipient is required to notify OSM promptly when a budget underrun is expected to occur.

Cash Basis - a basis of accounting under which transactions are recognized only when cash changes hands.

Catalog of Federal Domestic Assistance - a comprehensive listing and description of Federal programs and activities which provide assistance or benefits to the American public.

Closeout of a grant or cooperative agreement means the determination by OSM that all applicable administrative actions (with the possible exception of audit) by the Government and the recipient have been completed.

Conflict of Interest - a principle under which outside activities, relationships, or financial interests of a recipient are determined to be proper or improper to prevent an individual from appearing to be or being motivated by a desire for private gain.

Construction Policy - the special conditions that recipients must comply with for use of construction grants. These include architectural barriers to the handicapped, bidding and award procedures, completion time and liquidated damages, construction management, environmental impact, joint construction projects, labor standards, equal employment opportunity, National Register of Historic Places, relocation assistance, and unclaimed wages.

Consultant - a party engaged to give professional advice or services for a fee, but not as an employee of the party that engages him or her.

Cooperative Agreement - an agreement between a Federal agency and a recipient to achieve a specified public purpose of support or stimulation authorized by Federal statute, involving significant Federal involvement during the period of the agreement.

Cost Analysis - the process of obtaining cost breakdowns, verifying cost data, evaluating specific elements of costs and examining data to determine necessity, reasonableness, and appropriateness of the costs reflected in a grant budget.

Cost Principles are the principles used in determining costs applicable to OSM grants.

Cost Transfers are the reassignment of costs from one project activity to another.

Costs - the cost of a grant-supported activity is comprised of the allowable direct costs incident to its performance, plus the allocable portions of the allowable indirect costs of an organization less allocable credits.

Deviation from Grant Policy is the use of any policy, procedure, form or grant condition which is inconsistent with OSM policies or the failure to use a policy, procedure, form, or grant condition prescribed by the Director.

Disbursements are payments in cash or by check.

Distribution - The process by which OSM assigns specific amounts of the AML grant appropriation to each program State/Tribe based on a formula using the State/Tribal share balance and historical coal production.

Environmental Impact - the probable environmental consequences of any major OSM action.

Equal Employment Opportunity - is the non-discrimination against any person in recruitment, examination, appointment, training, promotion, retention, and discipline because of political or religious opinions or affiliations, or because of race, national origin, or other nonmerit factors.

Equipment - See Property, Nonexpendable.

Expiration Date - the date a grant or cooperative agreement comes to an end.

Extension - a change to the expiration date of a grant or cooperative agreement.

Federal Assistance Award Data Systems - an ADP system that provides information on assistance awards, amendments, and deobligations, on a quarterly basis. (See Chapter 5-90 for reporting instructions.)

Federal Assistance Unit - the OSM unit responsible for managing a grant or cooperative agreement.

Federal Reclamation Program Project - Emergency or high priority AML abatement or reclamation project funded from the Secretary's Discretionary Share of the AML Fund, and undertaken through a Federal contract, a cooperative agreement with a State/Tribe, or an interagency agreement with another Federal agency.

Federal Share - (For programs that have a matching or cost sharing requirement) the percentage of Federal participation. The percentage of the net cost (i.e., total cost less program income earned) of an activity borne by OSM represents the Federal share of the cost of the activity. The Federal share of any grant or cooperative agreement related income produced by that activity is determined by applying the same percentage factor.

Forms Clearance - the process by which an OSM originating unit must obtain prior clearance

from OMB in accordance with 5 CFR 1320 and appropriate OSM forms clearance procedures.

Freedom of Information - policy pertaining to the release of certain requested information on grants to any member of the public regardless of the reason for the request.

Grantee - See Recipient

Grant or Grant-In-Aid - an award of financial assistance, including cooperative agreements, in the form of money, or property in lieu of money, by the Federal Government to an eligible grantee.

Grant Administration - the process in which grant funds are awarded to an organization or an individual to carry out an approved activity or program and progress under the activity or program is monitored.

Grant Budget - the approved financial plan for both the Federal and non-Federal shares to carry out the purpose of the grant or cooperative agreement. This plan is the financial expression of the project or program as approved during the grant or cooperative agreement application and award process.

Grant - Construction - a grant made to provide support for building, expanding, and modernizing of facilities.

Grant - Demonstration - a grant, generally of limited duration, made to establish or demonstrate the feasibility of a theory or approach.

Grant - Formula - a grant in which funds are provided to specified grantees on the basis of a specific formula, prescribed in legislation or regulation, rather than on the basis of an individual project review.

Grant - Planning - a grant made to support planning, developing, designing, and establishing the means for performing research or accompanying other approved objectives.

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Grant – Research - a grant made in support of investigation or experimentation aimed at the discovery and interpretation of facts, revision of accepted theories in the light of new facts, or the application of such new or revised theories.

In-kind Contributions made by the recipient or by third parties which may consist of the value of real property, nonexpendable personal property, and goods and services directly benefitting and specifically identifiable to the grant-supported activity.

Lobbying - any activity designed to influence a Member of Congress to favor or oppose any legislation (including appropriation), whether before or after the introduction of any bill or resolution proposing such legislation. Accordingly, OSM grant funds may not be used to:

- Support an activity by which States/Tribes lobby Congress and/or urge others to lobby Congress;
- Support direct appeals for favorable action or opposition to legislation;
- Pay for publication or distribution of literature to promote public support or opposition to a legislative proposal;
- Urge other individuals or groups to lobby Congress to take a position on a particular project or program.

States may keep special interest groups informed of their activities and of Congressional activities, or retain and pay for services to keep informed of Congressional actions affecting their interests. (See 18 U.S.C. 1913 at Appendix 73)

Minority Business Enterprise - a business concern that is (1) at least 51 percent owned by one or more minority individuals, or, in the case of a publicly owned business, at least 51

percent of the stock is owned by one or more minority individuals; and (2) whose daily business operations are managed and directed by one or more of the minority owners.

Obligation Control Point - a point established in the Financial Operations Branch in OSM to receive obligating documents for grants to verify the availability of funds and to assure that the obligation is recorded in the accounting system.

Obligations - grants and cooperative agreements awarded and applicable transactions during a given period which legally bind OSM to payment.

Office of Management and Budget - the principal staff office in the Office of the President for administrative and financial matters.

Outlays Under Grants - charges made to the grant.

Payment Methods - mechanisms by which Federal payments are made to recipients: Electronic Transfer Fund, Advance by Treasury Check, and Reimbursement by Treasury Check.

- a. Electronic Transfer of Funds - An on-line request for funds certified by a designated official of the Federal agency. This request is irrevocable to the extent that the recipient has obligated funds in good faith thereunder for the execution of its authorized or approved Federal program or project.
- b. Advance by Treasury Check - an advance by Treasury check is a payment to a recipient upon its request before cash outlays are made by the recipient or through the use of predetermined payment schedules before payments are made by the recipient.
- c. Reimbursement by Treasury Check - a reimbursement by Treasury check is a payment made to a recipient upon its request after the recipient has made outlays from its own cash for authorized or approved

Federal program or project expenditures.

Pre-award Costs - costs incurred prior to the award of the grant.

Privacy Act of 1974 refers to Federal legislation mandating that personal information about individuals collected by Federal agencies be limited to that which is legally authorized and necessary and is maintained in a manner which precludes unwarranted intrusions upon individual privacy.

Prior Approval - written authorization provided by an authorized official and obtained in advance of the performance of an act which would result in a time extension, the obligation or expenditure of funds, or change the scope or the objectives of the grant supported project.

Program Income represents gross earnings by the recipient and subrecipient realized from grant or cooperative agreement supported activities.

Project - as used in the AML program, a delineated area containing one or more abandoned mine land problems. A project may be a group of related reclamation activities with a common objective within a political subdivision of a State or within a logical, geographically defined area, such as a watershed, conservation district, or county planning area. For tracking purposes, OSM equates a project to a subaccount.

Property

- a. **Real property** - land, land improvements, structures and appurtenances thereto, excluding movable machinery and equipment.
- b. **Personal property** - property of any kind except real property.

c. **Tangible personal property** - personal property having physical existence.

d. **Intangible personal property** - personal property without physical existence such as patents, inventions, and copyrights.

e. **Expendable personal property** is all personal property other than nonexpendable personal property.

f. **Nonexpendable personal property** is tangible personal property having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit.

NOTE: A grantee may use its own definition of equipment provided that such definition would at least include all equipment as defined above.

Recipient - the organizational entity that receives a grant and assumes legal and financial responsibility and accountability both for the awarded funds and for the performance of the grant-supported activity.

Recipient Organization - the entity that receives a grant award or cooperative agreement.

Regulations - governmental orders having the force of law. These are published in the Federal Register and the Code of Federal Regulations as the official notification to the public of the implementation of a program or the establishment of rules or procedures.

Scope Change - a programmatic change in the work to be performed under a grant or cooperative agreement that is outside the range of work contemplated at the time of award. A scope change requires a formal amendment to the agreement.

Site Visit - visit by consultant, program, or management staff to the recipient organization or to the construction site stipulated in a grant application.

State - any of the several States of the United States, the District of Columbia, Puerto Rico, any territory or possession of the United States, or any instrumentality

DEFINITIONS

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of a State, including State Institutions of higher education and hospitals, but not including the governments of the political subdivisions of the State.

Statement of Effects - a brief public document that analyzes the environmental effects a proposed project may have on ten specific resources. It is prepared only if the proposed project is coal-related, is of one or more of the generic types described in OSM-EIS-11, and has only negligible effects on those specific resources.

State Plan consists of the information submitted by the recipient to OSM as required by Public Law 95-87 to describe the proposed use of grant funds.

Subgrant - an award of financial assistance in the form of money, or property in lieu of money, made under a grant by a grantee to an eligible subgrantee. The term includes financial assistance when provided by contractual legal agreement, but does not include procurement purchases, nor does it include any form of assistance which is excluded from the definition of "grant".

Supplies - See Property, Expendable.

Suspension - an action which temporarily suspends Federal assistance under a grant pending corrective action by the grantee or pending a decision to terminate the grant.

Technical Assistance - the process of increasing the effectiveness and problem solving capability of the grantee's program and/or administrative staff.

Termination - the withdrawal of support through the cancellation of Federal assistance, in whole or in part, under a grant at any time prior to the date of completion.

Third Party Reimbursements - the payments for goods or services which are paid to a grantee by an organization or individual other than the recipient of the goods or services.

Unobligated Balance - the portion of the total funds authorized which is available for obligation.

Unpaid Obligations - the amount of obligations incurred which have not been paid, including obligations for which there is evidence of a commitment or promise to pay for goods, facilities, or services in any category of expenditure, whether or not the goods have been received or a bill rendered.

Withholding Support - to decline funding a noncompeting continuation application within a previously approved project period.

Women's Business Enterprise - a business concern that is, (1) at least 51 percent owned by one or more women, or, in the case of a publicly owned business, at least 51 percent of the stock is owned by one or more women; and (2) whose daily business operations are managed and directed by one or more of the women owners.

ACRONYMS USED IN THE FEDERAL ASSISTANCE MANUAL

Abandoned Mine Land	AML
Abandoned Mine Reclamation Act of 1990	AMRA
ALO Audit Coordinator	ALOAC
Advanced Budget Accounting Control and Information System	ABACIS
Assistant Director, Administration	AD-A
Assistant Director, Eastern Support Center	AD-ESC
Assistant Director, Field Operations	AD-FO
Assistant Director, Finance and Accounting	AD-FA
Assistant Director, Reclamation and Regulatory Policy	AD-RRP
Assistant Director, Western Support Center	AD-WSC
Audit Action Official	AAO
Audit Liaison Officer	ALO
Automated Clearinghouse	ACH
Department of the Interior	DOI
Deputy Director, Administration and Finance	DD-AF
Deputy Director, Operations and Technical Services	DD-OTS
Division of Abandoned Mine Land	DAMLR
Division of Financial Management	DFM
Division of Regulatory Programs	DRP
Drawdown Express	DDX
Electronic Funds Transfer	EFT
Federal Assistance Award Data Systems	FAADS
Federal Assistance Manual	FAM
Federal Management Circulars	FMC
Federal Managers' Financial Integrity Act	FMFIA
Federal Reclamation Program	FRP
Field Office	FO
Field Office Director	FOD
General Accounting Office	GAO
Grants Information Financial Tracking Systems	GIFTS
Grants Management	GMT
Grants Tracking System	GTS
Management Controls Staff	MCS
National Environmental Policy Act of 1969	NEPA
Office of Inspector General	OIG
Office of Management and Budget	OMB
Office of Surface Mining Reclamation and Enforcement	OSM
Public Law	P.L.
Single Point of Contact	SPOC
Small Operator Assistance Program	SOAP
State Program Assistance	SPA
Surface Mining Control and Reclamation Act	SMCRA
Technical Assistance	TA

**CHAPTER 1-00
PLAN OF THE MANUAL**

1-00-00	Purpose
10	Structure
20	Revising the Manual
30	Deviatlons

1-00-00 PURPOSE

- A. The Federal Assistance Manual (FAM) is the official repository of policies and procedures for the management and administration of the Office of Surface Mining Reclamation and Enforcement's (OSM) financial assistance programs.
- B. This chapter discusses the organization of the FAM and the procedures for updating it.

1-00-10 STRUCTURE

- A. The FAM is broadly structured and delineates policies and guidelines in the following parts:
1. Part 1 -- GENERAL POLICIES describes the governing Office of Management and Budget (OMB) circulars, other Federal laws and requirements developed by Executive directives affecting the Federal assistance programs of all Federal agencies.
 2. Part 2 -- RESERVED
 3. Part 3 -- REGULATORY PROGRAMS POLICIES describes the management responsibilities of the Headquarters' Division of Regulatory Programs (DRP) in the administration of the Federal assistance programs for carrying out an approved regulatory program.
 4. Part 4 -- ABANDONED MINE LAND RECLAMATION PROGRAM POLICIES describes the management responsibilities of the Headquarters' Division of Abandoned Mine Land Reclamation (DAMLR) in the administration of the Federal assistance programs for carrying out OSM's Federal Reclamation Program and the objectives of the Abandoned Mine Land Reclamation Fund.

1-00-10 (Continued)

- 5. Part 5 -- GRANTS AND COOPERATIVE AGREEMENTS POLICIES AND PROCEDURES describes the submission, review, processing, and approval of requests for OSM financial assistance actions and related revisions and amendments; and monitoring, administration and closeout.
- 6. Part 6 -- COST PRINCIPLES describes policies which deal with the determination and reimbursement of costs and fiscal management procedures and responsibilities of OSM.

B. The numbering system of the FAM is:

Part.....1
Chapter.....1-00
Section.....1-00-10
Paragraph.....1-00-10A
Subparagraph.....1-00-10A.1

1-00-20 REVISING THE MANUAL

- A. Responsibility for the development, maintenance and distribution of the FAM (OSM Directive GMT-10) is assigned to the Division of Regulatory Programs (DRP).
- B. The FAM will be revised periodically by DRP to reflect changes in the policies and procedures for implementation of OSM's Federal assistance programs. Revisions to the FAM also may be suggested by recipients, OSM employees and the public. Suggested revisions shall be submitted to the Assistant Director, Reclamation and Regulatory Policy (AD-RRP) for processing and coordination.
- C. Proposed revisions to the FAM will be circulated and responses to suggested revisions and/or comments will be addressed in accordance with the OSM directives system guidelines. In between the scheduled revisions, temporary directives may be issued to provide new or revised policy or procedures, and then incorporated in the next FAM revision.
- D. Changes will be transmitted via change notices to the Directive. The change notice will transmit the revised FAM pages marked with the effective date of the change, will explain the change, and will provide filing instructions.

1-00-30 DEVIATIONS

In the interest of maintaining uniformity to the greatest extent feasible, deviations from the FAM not mandated by Federal statute shall be kept to a minimum and controlled, as follows:

1. In individual cases (i.e., where only a single grant is involved), deviations may be authorized by the AD-RRP. In each instance, the grant file shall disclose the nature of the deviation, the reason for it, and the name and title of the authorizing official.
2. Deviations in classes of cases not authorized by Federal statute may be made only with the approval of the Director or Deputy Director. These shall be reported promptly through the AD-FO to the AD-RRP. The report shall cite the program or programs affected, the FAM provision involved, and the precise nature of the deviation.



CHAPTER 1-02

RESPONSIBILITIES FOR THE ADMINISTRATION OF GRANTS AND COOPERATIVE AGREEMENTS

1-02-00	Purpose
10	Background
20	Assistant Director, Field Operations
30	Assistant Directors, Support Centers
40	Assistant Director, Reclamation and Regulatory Policy
50	Assistant Director, Finance and Accounting
60	Management Controls Staff

1-02-00 PURPOSE

The purpose of this chapter is to establish and delineate the responsibilities associated with the management of OSM's Federal assistance programs in order to ensure consistency in the administration of grants and cooperative agreements throughout OSM.

1-02-10 BACKGROUND

- A. Effective administration of Federal assistance programs requires the active participation of staff who are trained and experienced in a variety of professional disciplines. Close coordination by these various participants and an understanding of their responsibilities are vital in order to achieve OSM program objectives.
- B. A major component of effective administration, especially in a decentralized operation, is consistent communication. It is particularly important that all offices involved in grants administration establish and maintain open, clear and effective channels of communication for the exchange of information, especially information regarding decisions, interpretations and other matters having wide applicability to the grants operations of the Field Offices.

1-02-20 ASSISTANT DIRECTOR, FIELD OPERATIONS

- A. The Assistant Director, Field Operations (AD-FO), located in OSM Headquarters, is responsible for oversight of State programs and has direct supervisory authority over the Field Offices (FO). The AD-FO has the following responsibilities:

RESPONSIBILITIES FOR THE ADMINISTRATION OF
GRANTS AND COOPERATIVE AGREEMENTS

PAGE 2

1-02-20 (Continued)

1. Approve grant and cooperative agreement suspension/ termination actions, in coordination with the Assistant Director, Reclamation and Regulatory Policy (AD-RRP).
 2. Provides policy, procedures and direction for the conduct of reviews or special studies to determine FO compliance with applicable laws, regulations, policies and procedures.
 3. Participate in evaluations of grants recipients and OSM field operations.
- B. The FOs are organizationally located under the AD-FO and have the primary responsibility for day-to-day grants management. These responsibilities include:
1. Provide technical assistance and advice to grant recipients, as required.
 2. Receive and review grant applications; work with grant recipient to resolve all issues; approve and sign grant awards.
 3. Coordinate with AD-SC on the availability of grant funds and notification of grant award.
 4. Administer the awarded grants, including the processing and approval of necessary amendments and budget revisions.
 5. Receive, review and take any necessary action on grant expenditure and performance reports.
 6. Conduct reviews of grant recipient financial and operational systems. Resolve issues with grant recipients.
 7. Work with grant recipients to resolve issues raised during audits; provide recommended resolution to AD-FO through AD-SC.
 8. Work with grant recipients to provide grant budget estimates; provide analysis of and recommendations on grant recipients' budget estimates.
 9. Recommend grant and cooperative agreement termination/ suspension actions to the AD-FO, with an information copy to the AD-SC.

1-02-20 (Continued)

10. Maintain the official grant files.

1-02-30 ASSISTANT DIRECTORS, SUPPORT CENTERS

The Assistant Directors, Support Centers (AD-SCs) are the Assistant Director, Eastern Support Center, located in Pittsburgh, Pennsylvania, and the Assistant Director, Western Support Center, located in Denver, Colorado. The AD-SCs play a key role in supporting the operations of the grants program. Their major responsibilities are as follows:

1. In accordance with guidance and requirements from AD-RRP or AD-FO, perform reviews and special studies of FO operations to determine compliance with applicable laws, regulations, policies and procedures.
2. Provide interpretive advice to FOs on established grants policy and procedures.
3. Assure that information on grant awards, amendments, deobligations and closeouts is provided to the Division of Financial Management (DFM) for inclusion in agency grants information system.
4. Assist in the collection of grant information needed for budget preparation. Review and consolidate information from FODs regarding grant recipients' budget requests, and transmit grant budget recommendations to the AD-RRP.
5. Determine availability of grant funds for award. Sign the MB-212 form to approve obligation/deobligation of grant funds.
6. Coordinate between FOs and Congressional Liaison and Public Affairs staffs regarding notification of grant awards.
7. Coordinate with DFM on grant funding and financial management issues.
8. Process the FO-recommended resolution of issues raised during audits of grants and cooperative agreements.
9. Initiate, participate or assist in grants training sessions for FO and grant recipient personnel.

RESPONSIBILITIES FOR THE ADMINISTRATION OF
GRANTS AND COOPERATIVE AGREEMENTS

PAGE 4

1-02-30 (Continued)

10. Provide information to the Department of the Interior to meet various grant reporting requirements.
11. Maintain an information copy of grant files.

1-02-40 ASSISTANT DIRECTOR, RECLAMATION AND REGULATORY POLICY

A. The Assistant Director, Reclamation and Regulatory Policy (AD-RRP), located in OSM Headquarters, is responsible for the policy, programmatic and administrative aspects of OSM grants program. Under the AD-RRP, the Divisions of Abandoned Mine Land Reclamation and Regulatory Programs have the following programmatic responsibilities related to grants:

1. Develop policies and procedures for the administration of the abandoned mine land (AML) and regulatory programs. Provide programmatic policy guidance to the AD-FO, AD-SCs and FOs.
2. Develop procedures for the allocation of AML and regulatory grants.
3. Prepare the annual regulatory grant allocations. In coordination with DFM, prepare the annual AML grant distributions.
4. Participate in evaluations of grant recipients and OSM field operations.
5. Participate in training of grant recipients and Field staff.

B. The Division of Regulatory Programs has the following responsibilities for grants policy and administration:

1. Develop, maintain and coordinate national policy and uniform procedures for grants administration. Provide grants policy and administrative guidance to the AD-FO, AD-SCs and FOs.
2. Provide policy, procedures and direction for the conduct of reviews or special studies to determine FO compliance with applicable laws, regulations, policies and procedures.
3. Prepare decision documents and advise OSM management on grants issues.

RESPONSIBILITIES FOR THE ADMINISTRATION OF
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1-02-40 (Continued)

4. Maintain liaison with the Department of the Interior, Department of the Treasury, the Office of Management and Budget and other Federal agencies on grants policy issues and procedures.
5. Initiate, participate or assist in grants training sessions for grant recipients and FOs.
6. Develop agency-wide guidance on the management control of the grants program.

1-02-50 ASSISTANT DIRECTOR, FINANCE AND ACCOUNTING

The Assistant Director, Finance and Accounting (AD-FA), located in OSM Headquarters, is responsible for providing financial management support to the agency. Under the AD-FA, the Division of Financial Management (DFM), located in Denver, Colorado, supports OSM's grants program by:

1. Calculate the annual AML grant distributions in coordination with the Division of Abandoned Mine Land Reclamation.
2. Establish and operate the transfer of funds system.
3. Develop and maintain a system to track and report grant information.
4. Maintain official accounting records for grant transactions.

1-02-60 MANAGEMENT CONTROLS STAFF

The Management Controls Staff (MCS), located in OSM Headquarters, is assigned the responsibilities (1) to serve as the OSM Audit Liaison Officer for audit reports issued by the General Accounting Office (GAO) and the Office of the Inspector General (OIG) and (2) to implement the OSM management controls review program.

- A. In the conduct of its audit liaison responsibilities, the MCS supports the grants program by:
1. Ensure timely responses are made to all audit reports in accordance with OMB Circular A-50, Audit Follow-up.

RESPONSIBILITIES FOR THE ADMINISTRATION OF
GRANTS AND COOPERATIVE AGREEMENTS

PAGE 6

1-02-60 (Continued)

2. Ensure that resolution actions are consistent with law, regulation and administrative policy; and include written justification and, when applicable, the legal basis for decisions not agreeing with the audit recommendation.
3. Provide for periodic analysis of audit recommendations, resolutions and corrective actions; and recommend appropriate solutions to any system-wide problems or trends.
4. Provide monthly reports to agency officials on the status of active GAO surveys and all audits issued to OSM by GAO and OIG. Ensure that the status of each GAO/OIG report is reflected on the MCS monthly active audit reports until the audit is resolved and recommendations implemented.
5. Maintain the Audit Policy and Procedures Manual, OSM Directive AFC-2.

See Chapter 10, Sections 10-3 and 10-4, of OSM Directive AFC-2 for a complete listing of audit liaison responsibilities.

B. Management Control Review Program

In 1982, Congress passed P.L. 97-255, Federal Managers' Financial Integrity Act (FMFIA), and OMB issued Circular A-123, Internal Control Systems. The circular and the Act require agencies to evaluate management controls on an ongoing basis and to submit an annual report to Congress on whether or not adequate controls are in place to assist managers in reaching program objectives and in protecting Federal Government resources efficiently and effectively. In the conduct of its management control responsibilities, the MCS supports the grants program by:

1. Ensure that OSM management control systems are adequate and will reliably safeguard the efficient and effective use of Government resources.
2. Determine whether the policies and standards established in accordance with OMB Circular A-123 and the FMFIA are being properly implemented.
3. Promote a control-conscious environment within OSM that keeps managers constantly aware of the need to establish systematic controls, monitor their application and periodically review their effectiveness.

RESPONSIBILITIES FOR THE ADMINISTRATION OF
GRANTS AND COOPERATIVE AGREEMENTS

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1-02-60 (Continued)

4. Develop standards and procedures, guidelines and reporting requirements necessary to establish and maintain effective management controls.
5. Ensure that all agency operations are periodically assessed for vulnerability to fraud, abuse and waste.
6. Ensure that corrective actions are implemented as scheduled.



CHAPTER 1-10
DISTINGUISHING AND PROVIDING SPECIFIC GUIDELINES
FOR CONTRACTS, GRANTS AND COOPERATIVE AGREEMENTS

1-10-00	Background
02	Purpose
05	Applicability
10	Policy
15	Distinguishing Procurement and Assistance Relationships
20	Guidelines for Contracts
25	Guidelines for Grants and Cooperative Agreements
30	Deviations

1-10-00 BACKGROUND

The Federal Grant and Cooperative Agreement Act of 1978 was repealed in 1982 and replaced by Public Law 97-258, Using Procurement Contracts and Grant and Cooperative Agreements, 31 U.S.C. §§6301-6308. P.L. 97-258 distinguishes Federal assistance relationships from Federal procurement relationships. The statute also authorizes and directs agencies to enter into and use contracts, grants, and cooperative agreements as appropriate.

1-10-02 PURPOSE

This chapter provides OSM guidance to implement the provisions of the statute.

1-10-05 APPLICABILITY

- A. This chapter applies to all OSM assistance programs.
- B. Relationships not included within the coverage of this chapter include instruments such as intra-agency and interagency agreements, international agreements, memoranda of understanding, and, when not for the purpose of public support or stimulation, licenses, sale documents, leases and special use permits.

DISTINGUISHING AND PROVIDING SPECIFIC GUIDELINES
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1-10-10 POLICY

The criteria outlined in this chapter shall be used consistently to determine the proper legal instrument for each OSM transaction: contract, grant or cooperative agreement.

1-10-15 DISTINGUISHING PROCUREMENT AND ASSISTANCE RELATIONSHIPS

- A. **A procurement contract** is to be used as the legal instrument reflecting a relationship between the Federal Government and a recipient whenever the principal purpose is the acquisition, by purchase, lease or barter of property or services **for the direct benefit or use of the Federal Government.**
- B. **An assistance agreement** is to be used as the legal instrument when the relationship between the Federal Government and a recipient has as its principal purpose the transfer of money, property, services or anything of value to the recipient **in order to accomplish a public purpose of support or stimulation authorized by Federal statute.**
1. **A grant agreement** is the preferred assistance instrument if **no substantial involvement is anticipated** between the Federal Government and the recipient during the performance of the contemplated assistance activities.
 2. **A cooperative agreement** is the preferred assistance instrument if **substantial involvement is anticipated** between the Federal Government and the recipient during the performance of the contemplated assistance activities.
- C. Any program announcement, public notice, solicitation, or request for applications or proposals should indicate whether the intended relationship will be procurement or assistance and which type of instrument(s) will be used: contract, grant or cooperative agreement.
- D. Federal assistance units should make every effort to ensure their relationships conform with those specified in the statute. If, however, major individual transactions or programs should contain elements of both procurement and assistance in such a way that they cannot be characterized as having a principal purpose of one or the other, initial guidance should be sought from the AD-RRP, which will coordinate with the Assistant Director, Administration (AD-A) and the Solicitor. If necessary.

1-10-20 GUIDELINES FOR CONTRACTS

- A. The statute requires the use of a procurement contract when the principal purpose of a transaction is acquisition, by purchase, lease, or barter of property or services for the direct benefit or use of the Federal Government. The statute also allows the use of contracts "whenever an executive agency determines in a specific instance that the use of a type of emergency project procurement contract is appropriate." This provision accommodates situations in which an agency determines that specific public needs can be satisfied best by using the procurement process. However, because the provision does not allow agencies to circumvent the criteria for use of procurement or assistance instruments, use of this authority is restricted to extraordinary circumstances, and only with the prior approval of the AD-RRP, in coordination with the AD-A.
- B. Procurement contracts would normally be used for the following purposes:
1. Assessment of the performance of Federal Government programs or projects or recipient activity desired by the Federal Government. It does not include research of an evaluative character unless the request for its performance is initiated by the Federal Government.
 2. Professional or technical support services provided by or on behalf of the Federal Government or any third party. Third party does not include services rendered by a State or local government, Indian tribe, or professional group to its own constituency or membership.
 3. Surveys, studies, and research which provide specific information desired by the Federal Government for its direct activities or for dissemination to the public.
 4. Training projects where the Federal Government selects the individual or specific groups whose members are to be trained or specifies the content of the curriculum (not applicable to fellowship awards).
 5. Planning for Federal Government use.
 6. Production of publications or audio-visual materials other than the results of research projects or the proceedings of scientific conferences which are not being procured for use by the Federal Government.

DISTINGUISHING AND PROVIDING SPECIFIC GUIDELINES
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1-10-20A (Continued)

7. Design or development of items for Federal Government use or pursuant to agency definition of specifications.
8. Conferences conducted on behalf of the Federal Government.
9. The development of management information or other data for Federal Government use.

1-10-25 GUIDELINES FOR GRANTS AND COOPERATIVE AGREEMENTS

- A. Grants or cooperative agreements will normally be used for the following purposes:
1. General financial assistance (stimulation or support) to eligible recipients under specific legislation authorizing such assistance.
 2. Financial assistance (stimulation or support) to a specific program activity eligible for such assistance under specific legislation authorizing such assistance.
- B. In all cases, the determination of when to use cooperative agreements will be based on the need for substantial Federal programmatic involvement in the assisted activity. Some programs (e.g., the Federal Lands Program) require the use of cooperative agreements exclusively. This determination will always be based on statutory requirements or policy level determinations of substantial Federal programmatic involvement in the performance of the assisted project. Other programs may use a mix of grant and cooperative agreements, depending on the nature of the project or the abilities of recipients. For example, some projects may start out as cooperative agreements in the first year and may be converted to grants after recipient capabilities have been established.
- C. The criteria for distinguishing between grants and cooperative agreements is that substantial involvement is anticipated between the agency and the recipient during performance of the contemplated activity. As a guide to making this determination, anticipated involvement during performance would exist and, depending on the circumstances, could be substantial, where the relationship includes, for example:
1. A Federal Government option to immediately halt an activity (e.g., construction specifications are not met).

1-10-25C (Continued)

2. Federal Government review and approval of one stage before work can begin on a subsequent stage during the period covered by the assistance instrument. (This principle is not intended to suggest the use of cooperative agreement merely because the Federal Government had reserved the right to approve or disapprove an operational grant following a planning grant--provided each grant is a separate instrument.)
3. Federal Government participation or approval in the selection or award of subgrants or contracts let under the assistance instrument, if such involvement is clearly indicated by statute or authorized by waiver.
4. Federal Government involvement in the selection of key recipient personnel. (Provision in the award for the participation of a named principal investigator for research projects would not, by itself, warrant use of a cooperative agreement).
5. Federal Government and recipient collaboration or joint participation in the performance of the assisted activities.
6. Direct Federal Government operational involvement or participation to ensure compliance with such general statutory requirements as civil rights, environmental protection, and provisions for the handicapped. Such provisions go beyond the normal enforcement described in D.4. below.
7. Federal Government monitoring to permit specified kinds of direction or redirection of the work.
8. Federal Government requirements prior to award limiting the recipient's discretion with respect to scope of services offered, organizational structure, staffing, mode of operation, and other management processes, coupled with close Federal Government monitoring or operational involvement during performance over and above the normal exercise of Federal stewardship responsibilities to ensure compliance with these requirements.

DISTINGUISHING AND PROVIDING SPECIFIC GUIDELINES
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1-10-25 (Continued)

- D. Conversely, anticipated substantial involvement during performance does not include:
1. Federal Government approval of recipient's plans prior to award.
 2. Exercise of normal Federal stewardship responsibilities during performance to ensure that the objectives, terms and conditions of the award are accomplished. This could include site visits, and review and response to performance, financial, and audit reports.
 3. Unanticipated Federal Government involvement to correct deficiencies in programmatic or financial performance by the recipient.
 4. Enforcement of public policy and socioeconomic statutory requirements such as civil rights, environmental protection, and provision for the handicapped.
 5. Federal Government review of performance after completion.
 6. Enforcement of general fiscal and administrative requirements such as those included in OMB circulars or Federal Government regulations.
- E. The practice of some Federal assistance units of providing technical assistance, advice, or guidance to recipients, of financial assistance does not constitute substantial involvement during performance, if:
1. It is provided at the request of the recipient; or
 2. The recipient is not required to follow it; or
 3. The recipient is required to follow it, but it is provided prior to the start of the assisted activity and the recipient understood this prior to the financial assistance award.
- F. There may be a few cases of assistance programs where neither a grant nor cooperative agreement is suitable. In such cases, an OMB exception should be requested through the AD-RRP.

**DISTINGUISHING AND PROVIDING SPECIFIC GUIDELINES
FOR CONTRACTS, GRANTS AND COOPERATIVE AGREEMENTS**

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1-10-25 (Continued)

- G. A project funded under the Joint Funding Simplification Act that includes more than one type of assistance relationship, e.g., some components funded by grants and others by cooperative agreements, is entirely permissible. P.L. 97-258 provides the opportunity and authority to participate in jointly funded projects in any number of funding relationships to serve the best interests of the participating agencies' programs.

1-10-30 DEVIATIONS

- A. There shall be no deviations from the policy without prior approval from the Director, OSM. Where severe disruption to a program or serious consequences to recipient would result, Federal assistance units should request initial advice from the AD-RRP who will coordinate with AD-A.
- B. In isolated instances, it may be necessary for the AD-RRP to seek an "exception" from OMB. OMB grants exceptions only on the basis of agency requests that include strong justification and an indication of the harm that will result if an exception is not granted.
- C. Request from FODs for an exception should be sent to the AD-RRP, through the AD-FO, who will coordinate with the AD-A. The request should include:
1. Whether the exception is requested for a complete program, a class of actions or an individual transaction;
 2. An explanation of why an exception is requested, including statutory, program policy or other reasons;
 3. A statement of what OSM will do if an exception is not granted and what the implications would be if this action were taken; and
 4. An indication of how OSM will handle the situation if the OMB exception expires before there are any changes to either the Public Law as amended or OSM statutes.

DISTINGUISHING AND PROVIDING SPECIFIC GUIDELINES
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There were no substantive grant policy changes but this chapter does reflect the 1982 statute. Also, Appendix 80, the Federal Grant and Cooperative Agreement Act, has been replaced with P.L. 97-258.

CHAPTER 1-11
INFORMATION COLLECTION FROM RECIPIENTS

1-11-00	Purpose
10	Scope and Applicability
20	Definitions
30	OMB Clearance Requirements
40	OSM Policy
50	OSM Responsibilities

1-11-00 PURPOSE

- A. This chapter sets forth OSM policy on the collection of information from a recipient of a grant or cooperative agreement.
- B. It also further informs OSM staff about the clearance requirements of OMB at 5 CFR Part 1320, which implements the Paperwork Reduction Act of 1980 and the Paperwork Reduction Reauthorization Act of 1986.

1-11-10 SCOPE AND APPLICABILITY

- A. This chapter is applicable to all OSM grant and cooperative agreement programs and will not interfere with any requirements for submission of reports documenting proper stewardship of OSM funds.
- B. This chapter requires the OSM Information Collection Clearance Officer, located in the Division of Technical Services, to submit requests for clearance for new or revised plans or report forms to OMB for review and approval.

1-11-20 DEFINITIONS

Certain definitions are critical to the understanding of this chapter and, therefore, are provided below:

- A. Interagency reporting. Any requirement that an agency report information to another agency or agencies.

INFORMATION COLLECTION FROM RECIPIENTS

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1-11-20 (Continued)

- B. Internal reporting. Any reporting prepared and used within a department or agency regulated by the Paperwork Reduction Act.
- C. Plan. Any specific requirement or guide for the reporting of information or the establishment or maintenance of records (including management and classification systems) which are to be used or be available for use in the collection of information; any such requirement or instruction affecting the content, preparation, return, or use of a plan or report form; or any contract or agreement which will result in the collection of information on identical items from 10 or more respondents.
- D. Public reporting. Any reporting or recordkeeping required of any non-Federal government, business, institution, group or individual, and which is subject to the provisions of the Paperwork Reduction Act. Reports from Federal agencies, instrumentalities and employees are also included if they call for information which is to be used for statistical compilations of general public interest.
- E. Report Form. Any application or other administrative form, questionnaire, schedule, interview guide, telegraphic request or other similar device for the collection of information.

1-11-30 OMB CLEARANCE REQUIREMENTS

- A. OMB has established government-wide policy and promulgated regulations to assure continuing effective management of Federal reporting requirements in the Executive Branch. (See 5 CFR 1320, Public Law 96-511, "Paperwork Reduction Act", Chapter 35, Coordination of Federal Information Policy.)
- B. Federal reporting requirements include:
 - 1. Public reporting;
 - 2. Interagency reporting; and
 - 3. Internal reporting.
- C. No plan or report form (whether repetitive or single) can be used or prescribed by OSM in the collection or recording of information from 10 or more persons without first obtaining clearance from OMB. Any recordkeeping or reporting requirement contained in a rule of general applicability is deemed to involve ten or more persons, and any collection of information addressed to all or a

1-11-30 (Continued)

substantial majority of an industry is presumed to involve ten or more persons. Reference 5 CFR 1320.7(s)

1-11-40 OSM POLICY

No OSM grant or cooperative agreement shall be awarded with the objective of collecting information primarily for the use of OSM or another party designated by OSM.

1-11-50 OSM RESPONSIBILITIES

A. The Information Collection Clearance Officer will:

1. Evaluate management of Federal reporting through review of OSM plans and forms for the collection of information from recipients of OSM grants and cooperative agreements.
2. Provide for clearance of recipient reporting requirements and forms.

B. The AD-RRP will:

1. Issue procedures for the management of recipient reporting consistent with the requirements at 5 CFR Part 1320 and this chapter.
2. Provide data to Information Collection Clearance Officer for the clearance of OSM forms consistent with the OMB regulations.
3. Coordinate the clearance of all recipient reporting requirements and forms.
4. Implement effective controls on all reporting by OSM recipients.

C. The AD-A is responsible for the design and procurement of forms.



CHAPTER 1-43
RETENTION, ACCESS AND CUSTODIAL REQUIREMENTS
FOR GRANT AND COOPERATIVE AGREEMENT RECORDS

1-43-00	Purpose
10	Applicability
20	Retention Requirements

1-43-00 PURPOSE

- A. The purpose of this chapter is to outline the records retention requirements for grants and cooperative agreements awarded by OSM.
- B. The Grants Management Common Rule, 43 CFR 12, Subpart C, establishes retention and access requirements for records.

1-43-10 APPLICABILITY

- A. The requirements in this chapter are applicable to all financial and programmatic records, supporting documents, statistical records and all other records pertaining a grant or cooperative agreement.
- B. This chapter does not apply to contracts and subcontracts under grants. Record retention and access requirements for contracts or subcontracts are found in the Grants Management Common Rule under the section "Procurement."

1-43-20 RETENTION REQUIREMENTS

- A. OSM requires that applicable grant or cooperative agreement records shall be retained for a period of three years, with the following qualifications:
 - 1. If any litigation, claim, negotiation, audit or other action involving the records is started before the expiration of the 3-year period, the records shall be retained until completion of the action and resolution of all issues which arise from it, or until the end of the regular 3-year period, whichever is later.
 - 2. To avoid duplicate recordkeeping, OSM may make special arrangements with grantees and subgrantees to retain any records which are continuously needed for joint use. OSM will request transfer of records to its custody when it determines that the records possess long-term retention value. When the records are transferred to or maintained by OSM, the 3-year retention requirement is not applicable to the grantee or subgrantee.

RETENTION, ACCESS AND CUSTODIAL REQUIREMENTS FOR
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1-43-20 (Continued)

- B. The starting date of the retention period for the various grant records is as follows:
1. Except as noted in 1-43-20B.2. below, the retention period starts on the day the grantee submits to OSM its final expenditure report.
 2. The retention period for real property and equipment records starts from the date of the disposition, replacement or OSM-directed transfer.
- C. Recipients may substitute copies made by microfilming, photocopy or other similar methods for the original records.
- D. OSM and the Comptroller General of the United States, or any of their authorized representatives, shall have the right of access to any books, documents, papers or other records of the grantee and subgrantee which are pertinent to the OSM grant, in order to make audit, examination, excerpts and transcripts. The right of access shall not be limited to the required retention period, but shall last as long as the records are retained.
- E. The Freedom of Information Act (5 U.S.C. 552) does not apply to grant-related records maintained by grantees and subgrantees. Unless required by Federal, State or local law, grantees and subgrantees are not required to permit public access to their records.

CHAPTER 1-44
ALTERATION AND RENOVATION OF FACILITIES WITH OSM FEDERAL
ASSISTANCE FUNDS APPROPRIATED FOR OTHER THAN CONSTRUCTION

1-44-00	Purpose
10	Applicability
20	Background
40	Policy
50	Allowable Costs
60	Cost Analyses

1-44-00 PURPOSE

This chapter establishes policies which will govern the allowance of the expenditure of grant and cooperative agreement funds (other than construction or cooperative agreement funds) for the alteration and renovation of facilities needed to accommodate grant or cooperative agreement supported activities.

1-44-10 APPLICABILITY

The requirements of this chapter apply to all OSM grants and cooperative agreements.

1-44-20 BACKGROUND

OSM frequently supports research, training, service, demonstration, and other activities which cannot be undertaken without some modification of the facilities which the recipient will use to accomplish the project. The modifications may involve changes in the building's interior layout, environment, or utilities. Such costs are not normally included in the computation of indirect cost rates, but are charged to individual grants or cooperative agreements as a separate category of direct costs. With certain exceptions, the statutory authorities under which OSM makes research, training, service, and demonstration grants do not authorize the use of grant or cooperative agreement funds for construction. Consequently, the extent to which grant or cooperative agreement funds for alteration and renovation of the recipient's facilities can be permitted must be limited by policy.

ALTERATION AND RENOVATION OF FACILITIES WITH OSM FEDERAL ASSISTANCE
FUNDS APPROPRIATED FOR OTHER THAN CONSTRUCTION

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1-44-40 POLICY

A. General Provisions:

1. Alteration and renovation costs may be charged to an OSM grant or cooperative agreement or included as allowable costs for matching or cost sharing purposes provided:
 - a. For each alteration or renovation that exceeds a total value of \$75,000, a cost analysis shall be performed and submitted to OSM to justify alteration or renovation rather than lease or purchase in accordance with section 1-44-60 below and Chapter 1-410.
 - b. The grant or cooperative agreement is not awarded to a foreign institution or to an individual.
 - c. The building has an useful life consistent with program purposes and is architecturally suitable for conversion to the type of space required.
 - d. The alteration and renovation is essential to the project supported by the grant or cooperative agreement and the space involved will actually be occupied by the designated project.

B. Expenditure Limitations:

1. OSM will review each request for alterations and renovations to determine the total amount allowable under an OSM grant or cooperative agreement.
2. Waivers and class deviations from the provisions of this paragraph will be made in accordance with the requirements of Chapter 1-00.

C. Application Format:

1. Application for alteration and renovation costs shall comply with the construction activity requirements of Chapter 5-10A.
2. Construction information shall be completed and submitted to OSM for any project that encompasses modifications to structures except for minor leasehold improvements and renovation (under \$1,000). This includes construction projects applied for within an administrative grant/cooperative agreement.

FEDERAL ASSISTANCE MANUAL

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