
5-65-40 (Continued)

- D. If, without an acceptable explanation, the recipient fails to submit the report(s) by the revised due date, the fund cutoff actions in 5-65-50 may be taken without delay of further warning letters.

5-65-50 FUND CUTOFF

If neither the report nor an acceptable explanation is received within 30 days of the second letter, the FOD shall notify the AD-FO who will coordinate with the AD-FA and AD-RRP. A joint decision will be made whether to make no further payments to the recipient until the overdue report is received.

- A. If the decision is made to make no further payments, the grant or cooperative agreement shall be suspended. The suspension notice shall set a final date by which the report must be received. If the report or an acceptable explanation is not received by that date, the suspension shall be converted into a termination.
- B. The DFM shall send a copy of the notice of payment withholding to the FOD and to AD-FO, and shall ensure that the FOD and AD-FO are kept informed of actions taken.

5-65-60 ADDITIONAL ACTIONS

In addition to the actions previously stated in this chapter, when a recipient is delinquent in submitting a report, the following actions may be appropriate but should be only considered after first consulting with the appropriate AD-FO.

- A. Withholding further payments on all active grants. Cash withheld during the period of delinquency, if otherwise payable, shall be released when payments are resumed.
- B. Withholding any additional awards otherwise approved and pending for the specific program.
- C. Awarding no OSM grant or cooperative agreement funds while the report is overdue for all or some of the other eligible programs conducted by the recipient organization.
- D. Making a site visit to determine whether the recipient is violating other terms of the grant or cooperative agreement or requesting the DOI Inspector General to make a special audit of the recipient.

5-65-60 (Continued)

- E. Converting the recipient to the reimbursement method of payment, if the conditions are met for using this payment method.

- F. Consulting with the Office of the Solicitor to consider legal action for recovery of the grant or cooperative agreement funds and other legal remedies that may be available. (This may be the only recourse available in the case of an overdue final report from an organization no longer receiving or applying for Federal support.)

OVERDUE REPORTS

EXHIBIT X5-65-1

PAGE 5

Dear _____:

This letter confirms our telephone conversation of _____ and outlines the agreement reached regarding the submission of the following delinquent report(s):

Grant No.:

Report Description: *[Financial Status Report, Forms SF 269 or OSM 49 and/or Performance Report, Form OSM 51]*

Report Due for Period:

As you are aware, financial and programmatic reports for the above grant are due 30 days after the end of the reporting period; closeout reports are due 90 days after the end of the performance period.

Acceptance of a grant or cooperative agreement award carries with it the obligation for proper and timely accountability, both programmatic and fiscal. The delay in submitting reports not only places an unnecessary and costly burden upon our grants administration process, but it also delays the dissemination of project program results, and hampers our efforts to promptly and properly account for public funds.

In keeping with the understanding reached in our telephone conversation, we will expect to receive the overdue report(s) by _____.

If you are unable to meet the agreed-to deadline, it is imperative that you inform us as soon as possible of the reasons why you are unable to meet the deadline and when you will submit the report(s).

If you have any questions regarding this matter, or if I can be of assistance in expediting the submission of the report(s), please do not hesitate to contact me at () _____.

Sincerely,

Field Office Director

cc:
AD-FO
AD-SC
DFM

OVERDUE REPORTS

EXHIBIT X5-65-2

PAGE 6

Dear _____:

This letter serves as a notice that the following report(s) are seriously overdue:

Grant No:

Report Description: *[Financial Status Report, Forms SF 269 or OSM 49 and/or Performance Report, Form OSM 51]*

Report Due For Period:

During the last few weeks (months) we have worked with _____ of your office through telephone conversations and correspondence in an attempt to obtain the delinquent report(s). Regrettably, the desired results have not been achieved.

As you are aware, acceptance of an OSM award poses an obligation upon the recipient to provide OSM with proper and timely accountability from both a programmatic and fiscal standpoint. Because of the seriousness of the problem and the lack of any significant progress or effort to correct the reporting deficiency, if the report(s) or an acceptable explanation is not received by [30 days from date of letter], we will refer this matter to the head of your agency for resolution. At that time, we will also consider actions to be taken, including the withholding of grant or cooperative agreement payments or awards.

Should you or your staff have any questions regarding this matter, or if we can be of assistance in expediting the reports, please do not hesitate to contact me. If a site visit by me or my staff would be helpful, we would be pleased to do so.

Sincerely,

Field Office Director

cc:
AD-FO
AD-SC
DFM

CHAPTER 5-70A
AML GRANT PROGRAM
CLOSEOUT POLICY AND PROCEDURES

5-70A-00	Purpose
10	OSM Policy
20	Closeout Requirements
30	Internal Procedures
40	Extension of Final Report Due Dates

5-70A-00 PURPOSE

This chapter provides OSM policy and required procedures for the closeout of completed AML grants.

5-70A-10 OSM POLICY

- A. A grant shall not be closed (1) if the grant is in litigation or under appeal; (2) if, in the event the grant has been terminated, all termination actions have not yet been accomplished; (3) until all allowable, allocable, and reasonable costs have been paid and all excess funds deobligated; and (4) until the AD-SC grants officer administering the grant certifies in writing that all the procedures set forth in this chapter have been accomplished.
- B. The closeout of a grant does not affect the retention period for, or Federal rights of access to, grant records, nor the recipient's responsibility with respect to property or equipment purchased with grant assistance. Grants may be closed without audit; however, a subsequent audit may identify allowable or questioned costs that may require additional administrative action.

CLOSEOUT REQUIREMENTS

A. General

1. Recipients shall submit one signed original and two copies of documentation to close out completed grants within 90 calendar days following the expiration date.
2. Each OSM Federal assistance unit will follow these procedures to close out the grants within its administrative responsibility.

AML GRANT PROGRAM
CLOSEOUT POLICY AND PROCEDURES

PAGE 2

5-70A-20 (Continued)

- B. Closeout Package - Abandoned Mine Land Grant. A complete closeout package for a grant consists of:

<i>Document Name</i>	<i>Form No.</i>	
- Transmittal Letter	--	
- Application for Federal Assistance	SF 424	
- Final Performance Report	OSM 51	
- Final Financial Status Report	OSM 49	
- Report of Government Property	OSM 60	<i>Normally, this will be completed as part of the closeout of the administrative budget/cost category.</i>
- Final Problem Area Description	OSM 76	

- C. Guidance for preparing a complete closeout package for an AML grant is provided at Exhibit X5-70A-1.

5-70A-30 INTERNAL PROCEDURES

- A. Upon receipt of the closeout information, the OSM FO shall review the documentation to ascertain whether the recipient has submitted an acceptable closeout report. The FO shall complete Part A of the Grant/Cooperative Agreement Closeout Checklist, OSM 61A (Exhibit X5-70A-2), when reviewing the closeout material. If the closeout documents are acceptable, the FO shall complete Part B of the OSM 61A. If the closeout documents are unacceptable, the FO may return the documents to the recipient with an explanation of what must be done to make the documents acceptable, request additional information from the recipient, or resolve the problems through telephone conversations.
- B. Within 65 days of receipt of a complete closeout package from the grantee, the FO shall complete all necessary actions and forward the closeout package to the SC. To complete the closeout process at the FO level, the FO shall:

AML GRANT PROGRAM
CLOSEOUT POLICY AND PROCEDURES

PAGE 3

5-70A-3DB (Continued)

1. Verify, in coordination with AD-SC, that all known changes to the grant have been incorporated by appropriate revision or amendment.
2. Notify other Federal agencies involved in the grant, if any, of closeout action.
3. Resolve, in coordination with AD-SC and the recipient, all suspensions, withholdings, disputes and violations of grant clauses and assurances.
4. Compare the total Federal share of outlays and unliquidated obligations (OSM 49) with the cumulative amount of drawdowns reported on ABACIS, and reconcile with the recipient any discrepancies.
5. Forward a copy of the reconciled Financial Status Report, OSM 49, to the DFM.
6. Prepare a brief written evaluation of the recipient's performance. The required evaluation report shall be prepared as a Monitoring Statement in accordance with instructions in Chapter 5-50 and shall be distributed to the grant file and the appropriate AD-SC as part of the closeout documentation.
7. Reconcile the inventory of federally-owned property reported on the OSM 60 to OSM records, and approve the transfer to a subsequent grant. *Normally, this would have been completed previously as part of the closeout of the administrative budget/cost category.*
8. Approve the transfer or disposition of grant-purchased property reported on the OSM 60 to the subsequent grant. *Normally, this would have been completed previously as part of the closeout of the administrative budget/cost category.*
9. For FAADs input, complete the DI-1961, the amount of funds to be deobligated.
10. Prepare an MB 212 to deobligate funds.
11. Certify, by signing the OSM 61A, that the procedures detailed above have been completed.
12. Forward one copy of all closeout documentation, along with a copy of the completed OSM 61A, to the appropriate AD-SC.

AML GRANT PROGRAM
CLOSEOUT POLICY AND PROCEDURES

PAGE 4

5-70A-30 (Continued)

- C. Within 20 days of receipt of a complete closeout package from the FO, the AD-SC shall complete all required actions and forward the closeout package to DFM. To complete the closeout process, AD-SC shall:
1. Review the documentation for completeness and adherence to established policy and procedures.
 2. Conduct a closeout analysis using the OSM 62A (Exhibit X5-70A-3). Certify, by signing the OSM 62A, that the closeout procedures have been completed.
 3. Complete the funding and the action date (date MB 212 signed) and send to DFM to officially close out the agreement.
 4. Notify the FO and AD-RRP that the agreement has been closed by sending them a copy of the MB 212.
- D. Within 5 days of receipt of a complete closeout package from a SC, DFM shall complete all required actions to officially close out the grant and, if required, deobligate funds.
- E. The FO shall notify the recipient of OSM action and of the record maintenance requirements.

5-70A-40 EXTENSION OF FINAL REPORT DUE DATES

- A. The FO may, at its discretion, extend the due date for the final financial/performance reports upon receiving written justification from the recipient. Approval of requests to extend the due date is contingent upon receipt of an interim OSM 49 no later than 30 calendar days after the end of the performance period. The recipient shall, however, make every reasonable effort to close out the grant no later than 90 calendar days following its expiration.
- B. FOs shall transmit to AD-SC one copy of the letter approving the extension of the closeout date along with an MB 212 showing the revised closeout date. AD-SC will sign the MB 212 and send copies to DFM, FO and DRP.
- C. DFM shall prepare a monthly report of delinquent closeout packages and forward the report to the responsible FO and SC.

**GUIDANCE ON PREPARING DOCUMENTATION TO CLOSEOUT
AML GRANTS**

<i>Document/Form No.</i>	<i>See Page(s)</i>
Transmittal Letter	6
Application for Federal Assistance, SF 424	##
Final Performance Report, OSM 51	#
Final Financial Status Report, OSM 49	#
Report of Government Property, OSM 60 *(separate report required for grant-purchased and federally-owned property)	6,7-9
Final Problem Area Description, OSM 76	###

Instructions for completing form found in AML-4

Instructions for completing form found in Chapter 5-10A

Instructions for completing forms found in Chapter 5-60A

AML GRANT PROGRAM
CLOSEOUT POLICY AND PROCEDURES

EXHIBIT X5-70A-1
PAGE 6

GUIDANCE FOR CLOSING OUT AML GRANTS

Transmittal Letter

- Provide a statement in the transmittal letter that the grant is considered complete; that payments from OSM for all allowable costs have been made; and that OSM is released from all obligations under or arising from the grant, subject to final audit, if any.

SF 424

- Submit an SF 424 showing the amount of funds to be deobligated (items 15a, 15c and 15g, as appropriate).

OSM 49

- The Federal share of all obligations incurred under the grant must be liquidated.
- Report all program income in accordance with the program income option designated in the grant award.

OSM 60 (Grant Acquired Property)

- Submit a Report of Government Property, OSM 60 (Exhibit X5-70A-1), if property was authorized and subsequently acquired under the grant program, suggesting disposal or transfer of appropriate property. (If disposal of the property, rather than the transfer of the property to a subsequent grant, is suggested, the recipient shall follow the instructions in FAM Chapter 1-410-40A for equipment purchased under a grant approved prior to October 1, 1988 and FAM Chapter 1-410-40B for equipment purchased under a grant approved on or after October 1, 1988). A cumulative listing of all property acquired under the grant and all property transferred into the grant from previous grants shall be reported on the OSM 60.

OSM 60 (Government Furnished Equipment)

- Submit a Report of Government Property, OSM 60 (Exhibit X5-70A-1), listing all federally-owned property provided for use under the grant.

**AML GRANT PROGRAM
CLOSEOUT POLICY AND PROCEDURES**

EXHIBIT X5-70A-1
PAGE 7

U.S. DEPARTMENT OF THE INTERIOR Office of Surface Mining Reclamation and Enforcement REPORT OF GOVERNMENT PROPERTY										
This form is to be submitted at the completion of a grant or cooperative agreement and is to provide a listing of personal, expendable and non-expendable grant purchased or federally-owned property. This report covers <input type="checkbox"/> expendable <input type="checkbox"/> nonexpendable - <input type="checkbox"/> grant-purchased <input type="checkbox"/> Federally-owned property.										
6. List Below Each Item of Government Property										
Government ID No. and FPMR ID	Description of Item	MFR Serial No.	Quantity	Condition	Location	Cost	Date Rec'd	Management Disposition Request	Approved	Fee Use By OIG/DOJ Only (see)
									Yes () No ()	
									Yes () No ()	

DSM 90

AML GRANT PROGRAM
CLOSEOUT POLICY AND PROCEDURES

EXHIBIT X5-704-1
PAGE 8

INSTRUCTIONS FOR COMPLETING THE FORM OSM-60

General Instructions.

Grant-Purchased Equipment. Recipients are required to account for equipment* purchased with Federal funds for use under a specific grant program. Recipients may use the Form OSM-60, Report of Federal Property, or submit computer-generated records for this purpose. If computer-generated records are submitted, all items on the OSM-60 must be included.

* If purchased under a grant approved prior to October 1, 1988, equipment is defined as tangible, nonexpendable, personal property with a useful life of more than one year and an acquisition cost of \$500 or more per unit.

As of October 1, 1988, equipment is defined as tangible, nonexpendable, personal property with a useful life of more than one year and an acquisition cost of \$5,000 or more per unit.

A grantee may use its own definition of equipment provided that such definition at least includes all equipment defined above.

Government-Furnished Property. Recipients are also required to account for all property provided by the Federal Government for use under a specific grant program. Recipients may use the Form OSM-60 for this purpose. Computer-generated records also may be used, as long as all items on the OSM-60 are included.

Detailed Instructions.

Item 1, 3,

4 and 5. Self-explanatory.

Item 2. Enter the grant number.

Items 6(a), (b) Self-explanatory.

Items 6(c), (d) Enter the manufacturer's name and manufacturer's serial number for each item.

Item 6(e) Self-explanatory.

AML GRANT PROGRAM
CLOSEOUT POLICY AND PROCEDURES

EXHIBIT X5-704-1
PAGE 9

Instructions for Completing the Form OSM-60 (Continued)

- Item 6(f) Describe the present condition of the equipment being reported.
- Item 6(g) List where each item of equipment is physically maintained.
- Item 6(h) List the purchase price of the equipment, less credits and rebates.
- Item 6(i) Enter the date purchased or received by the recipient.
- Item 6(j) Enter the suggested disposition of each item of equipment.
- Item 6(k), (l),
and (m) If appropriate, OSM shall provide specific disposition instructions and return a copy of Form OSM-60 to the recipient. If the recipient is not requesting to dispose of or trade-in the equipment, the equipment should be transferred to the next grant or cooperative agreement, and continue to be used to support the funded program.

**AML GRANT PROGRAM
CLOSEOUT POLICY AND PROCEDURES**

**EXHIBIT X5-70A-2
PAGE 10**

GRANT AND COOPERATIVE AGREEMENT CLOSEOUT CHECKLIST

Part A. Has the recipient:	YES	NO	N/A
1. Stated in the transmittal of the closeout reports that it considers the grant to be complete, that payments from OSM to the recipient for all allowable costs have been made, and that OSM is released from all obligations under or arising from the grant?			
2. Submitted the final performance report?			
3. Submitted the final Financial Status Report, OSM 49?			
4. Submitted an inventory of federally-owned property received under the grant?			
5. Submitted an inventory of grant-purchased property, requesting disposal or transfer of property, as appropriate?			
6. Reported program income in accordance with the program income option in the grant award?			

Part B. Has the Field Office:	YES	NO	N/A
1. Verified that all known changes have been incorporated into the grant by appropriate revisions or amendments?			
2. Notified other Federal agencies involved in the grant of closeout action?			
3. Resolved all suspensions, withholdings, disputes and violations of grant clauses and assurances in coordination with AD-SC and the recipient?			
4. Reconciled the OSM 49 with ABACIS?			
5. Forwarded a copy of the reconciled closeout OSM 49 to DFM?			
6. Prepared a brief written evaluation of the recipient's performance and placed a copy in the grant file?			
7. If appropriate, approved the transfer or disposition of grant-purchased property to another grant?			
Certified by Field Office	Date		

OSM 51A

AML GRANT PROGRAM
CLOSEOUT POLICY AND PROCEDURES

EXHIBIT X5-70A-3
PAGE 11

AML CLOSEOUT ANALYSIS

State/Tribe _____ Grant Number _____

ACTION	DATE
<p>1. Documentation received from Field Office</p> <p>_____ Form MB 212 - Award Report</p> <p>_____ Form OSM 49 - Final Financial Status Rpt</p> <p>_____ Form 51 - Performance Report</p> <p>_____ OSM 60 - Grant-Purchased Equipment</p> <p>_____ OSM 60 - Federally Owned Property</p> <p>_____ OSM 61A - Field Office Closeout Checklist</p> <p>_____ DI-1961 - FAADS Reporting Form</p> <p>_____ FO Evaluation Report (Monitoring Statement)</p> <p>_____ Other (Explain) _____</p>	<p>_____</p>
<p>2. Financial Information</p> <p style="padding-left: 40px;">Amount Awarded \$ _____</p> <p style="padding-left: 40px;">Less Expenditures \$ _____</p> <p style="padding-left: 40px;">Amount of Deobligation \$ _____</p>	<p>_____</p>
<p>3. Financial information agree with ABACIS _____</p>	<p>_____</p>
<p>4. MB 212 completed and forwarded to DFM</p>	<p>_____</p>
<p>5. MB 212 forwarded to FO and DAMLR</p>	<p>_____</p>

Prepared by _____ Date Prepared _____

OSM62A



CHAPTER 5-70R
REGULATORY GRANT PROGRAM
CLOSEOUT POLICY AND PROCEDURES

5-70R-00	Purpose
10	OSM Policy
20	Closeout Requirements
30	Internal Procedures
40	Extension of Final Report Due Dates

5-70R-00 PURPOSE

This chapter provides OSM policy and required procedures for the closeout of completed grants.

5-70R-10 OSM POLICY

- A. A grant shall not be closed (1) if the grant is in litigation or under appeal; (2) if, in the event the grant has been terminated, all termination actions have not yet been accomplished; (3) until all allowable, allocable, and reasonable costs have been paid and all excess funds deobligated; and (4) until the AD-SC grants officer administering the grant certifies in writing that all the procedures set forth in this chapter have been accomplished.
- B. The closeout of a grant does not affect the retention period for, or Federal rights of access to, grant records, nor the recipient's responsibility with respect to property or equipment purchased with grant assistance. Grants may be closed without audit; however, a subsequent audit may identify allowable or questioned costs that may require additional administrative action.

5-70R-20 CLOSEOUT REQUIREMENTS

A. General

1. Recipients shall submit one signed original and two copies of documentation to close out completed grants within 90 calendar days following the expiration date.
2. Each OSM Federal assistance unit will follow these procedures to close out the grants within its administrative responsibility.

REGULATORY GRANT PROGRAM
CLOSEOUT POLICY AND PROCEDURES

PAGE 2

5-70R-20 Continued)

- B. Closeout Package - Regulatory Grant. A complete closeout package for a nonconstruction grant consists of:

<i>Document Name</i>	<i>Form No.</i>
- Transmittal Letter	--
- Application for Federal Assistance	SF 424
- Final Performance Report	OSM 51
- Quantitative Information Reports	OSM 51 A, B, C
- Final Financial Status Report	SF 269 or 269A
- Property Report (Grantee-Purchased)	OSM 60
- Property Report (Federally-Owned)	OSM 60

- C. Guidance for preparing a complete closeout package for a regulatory grant is provided at Exhibit X5-70R-1.

5-70R-30 INTERNAL PROCEDURES

- A. Upon receipt of the closeout information, the OSM FO shall review the documentation to ascertain whether the recipient has submitted an acceptable closeout report. The FO shall complete Part A of the Grant/Cooperative Agreement Closeout Checklist, OSM 61R (Exhibit X5-70R-2), when reviewing the closeout material. If the closeout documents are acceptable, the FO shall complete Part B of the OSM 61R. If the closeout documents are unacceptable, the FO may return the documents to the recipient with an explanation of what must be done to make the documents acceptable, request additional information from the recipient, or resolve the problems through telephone conversations.
- B. Within 65 days of receipt of a complete closeout package from the grantee, the FO shall complete all necessary actions and forward the closeout package to the SC. To complete the closeout process at the FO level, the FO shall:
1. Verify, in coordination with AD-SC, that all known changes to the grant have been incorporated by appropriate revision or amendment.

REGULATORY GRANT PROGRAM
CLOSEOUT POLICY AND PROCEDURES

PAGE 3

5-70R-30B. (Continued)

2. Notify other Federal agencies involved in the grant, if any, of closeout action.
 3. Resolve, in coordination with AD-SC and the recipient, all suspensions, withholdings, disputes and violations of grant clauses and assurances.
 4. Compare the total Federal share of outlays and unliquidated obligations (SF 269 - item n, SF 269A - item g) with the cumulative amount of drawdowns reported on the ABACIS report, and reconcile with the recipient any discrepancies.
 5. Forward a copy of the reconciled Financial Status Report, SF 269 or SF 269A to the DFM.
 6. Prepare a written evaluation of the recipient's performance. The required evaluation report shall be prepared as a Monitoring Statement in accordance with instructions in Chapter 5-50 and shall be distributed to the grant file and the appropriate AD-SC as part of the closeout documentation.
 7. Reconcile the inventory of federally-owned property reported on the OSM 60 to OSM records, and approve the transfer to a subsequent grant.
 8. Approve the transfer or disposition of grant-purchased property reported on the OSM 60 to the subsequent grant.
 9. For FAADs Input, complete the DI-1961, the amount of funds to be deobligated.
 10. Prepare an MB 212 to deobligate funds.
 11. Certify, by signing the OSM 61R, that the procedures detailed above have been completed.
 12. Forward one copy of all closeout documentation, along with a copy of the completed OSM 61R, to the appropriate AD-SC.
- C. Within 20 days of receipt of a complete closeout package from the FO, the AD-SC shall complete all required actions and forward the closeout package to DFM. To complete the closeout process, AD-SC shall:
1. Review the documentation for completeness and adherence to established policy and procedures.

REGULATORY GRANT PROGRAM
CLOSEOUT POLICY AND PROCEDURES

PAGE 4

5-70R -30 (Continued)

2. Conduct a closeout analysis using the OSM 62R (Exhibit X5-70R-3). Certify by signing the OSM 62R that the closeout procedures have been completed.
 3. Prepare and sign the MB 212; send to DFM to officially close out the agreement.
 4. Notify the FO and AD-RRP that the agreement has been closed by sending them a copy of the MB 212.
- D. Within 5 days of receipt of a complete closeout package from a SC, DFM shall complete all required actions to officially close the grant and, if required, deobligate funds.
- E. The FO shall notify the recipient of OSM action and of the record maintenance requirements.

5-70R -40 EXTENSION OF FINAL REPORT DUE DATES

- A. The FO may, at its discretion, extend the due date for the final financial/performance reports upon receiving written justification from the recipient. Approval of requests to extend the due date is contingent upon receipt, no later than 30 calendar days after the end of the performance period, of an interim SF 269 or SF 269A. The recipient shall, however, make every reasonable effort to close out the grant no later than 90 calendar days following its expiration.
- B. FOs shall transmit to AD-SC one copy of the letter approving the extension of the closeout date along with an MB 212 showing the revised closeout date. AD-SC will sign the MB 212 and send copies to DFM, FO and DRP, as appropriate.
- C. DFM shall prepare a monthly report of delinquent closeout packages and forward the report to the responsible FO.

**GUIDANCE ON PREPARING DOCUMENTATION TO CLOSEOUT
REGULATORY GRANTS**

Document/Form No.	See Page(s)
Transmittal Letter	6
Application for Federal Assistance, SF 424	6 ##
Final Performance Report, OSM 51	#
Quantitative Report, OSM 51 A, B, * (required for administration and enforcement grants only)	#
Quantitative Report, OSM 51 C * (required for SOAP operational grants only)	#
Final Financial Status Report, SF 269	6 #
Final Financial Status Report, SF 269 A	6 #
Report of Government Property, OSM 60 * (Individual report required for grant-purchased and federally-owned property)	6, 7-8

Instructions for completing form found in Chapter 5-10R.

Instructions for completing forms found in Chapter 5-60R.

REGULATORY GRANT PROGRAM
CLOSEOUT POLICY AND PROCEDURES

EXHIBIT X5-70R-1
PAGE 6

GUIDANCE FOR CLOSING OUT REGULATORY GRANTS

Transmittal Letter

- Provide a statement in the transmittal letter that the grant is considered complete; that payments from OSM for all allowable costs have been made; and that OSM is released from all obligations under or arising from the grant, subject to final audit, if any.

SF 424

- Submit an SF 424 showing the amount of funds to be deobligated (items 15a, 15c and 15g, as appropriate).

SF 269 or SF 269A

- The Federal share of all obligations incurred under the grant must be liquidated.
- Report all program income in accordance with the program income option designated in the grant award.

OSM 60 (Grant Acquired Property)

- Submit a Report of Government Property, OSM 60 (Exhibit X5-70R-2), if property was authorized and subsequently acquired under the grant program, suggesting disposal or transfer of appropriate property. (If disposal of the property, rather than the transfer of the property to a subsequent grant, is suggested, the recipient shall follow the instructions in FAM Chapter 1-410-40A for equipment purchased under a grant approved prior to October 1, 1988 and FAM Chapter 1-410-40B for equipment purchased under a grant approved on or after October 1, 1988). A cumulative listing of all property acquired under the grant and all property transferred into the grant from previous grants shall be reported on the OSM 60.

OSM 60 (Government Furnished Equipment)

- Submit a Report of Government Property, OSM 60 (Exhibit X5-70R-2), listing all federally-owned property provided for use under the grant or cooperative agreement.

**REGULATORY GRANT PROGRAM
CLOSEOUT POLICY AND PROCEDURES**

EXHIBIT X5-70R-2
PAGE 7

U.S. DEPARTMENT OF THE INTERIOR Office of Surface Mining Reclamation and Enforcement REPORT OF GOVERNMENT PROPERTY											
This form is to be submitted at the completion of a grant or cooperative agreement and is to provide a listing of unreturned responsibilities and non-assignable grant-purchased or Federally owned property. This report covers: <input type="checkbox"/> assignable <input type="checkbox"/> nonassignable <input type="checkbox"/> grant-purchased <input type="checkbox"/> Federally-owned property.											
B. List Below Each Item of Government Property											
Government ID No. and FCIM (A)	Description of Item (A)	MFR (B)	MFR Serial No. (B)	Quantity (C)	Condition (C)	Location (D)	Cost (E)	Date Rec'd (F)	Recipient's Disposition Request (G)	Approval (H)	For Use By OSM Only (I)
										Yes (H) No (H)	

OSM 80

**REGULATORY GRANT PROGRAM
CLOSEOUT POLICY AND PROCEDURES**

EXHIBIT X5-70R-2
PAGE 8

INSTRUCTIONS FOR COMPLETING THE FORM OSM-60

General Instructions:

Grant-Purchased Equipment. Recipients are required to account for equipment* purchased with Federal funds for use under a specific grant program. Recipients may use the Form OSM-60, Report of Federal Property, or submit computer-generated records for this purpose. If computer-generated records are submitted, all items on the OSM-60 must be included.

- * If purchased under a grant approved prior to October 1, 1988, equipment is defined as tangible, nonexpendable, personal property with a useful life of more than one year and an acquisition cost of \$500 or more per unit.

As of October 1, 1988, equipment is defined as tangible, nonexpendable, personal property with a useful life of more than one year and an acquisition cost of \$5,000 or more per unit.

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

Government-Furnished Property. Recipients are also required to account for all property provided by the Federal Government for use under a specific grant program. Recipients may use the Form OSM-60 for this purpose. Computer-generated records also may be used, as long as all items on the OSM-60 are included.

Detailed Instructions:

- Item 1, 3,
4 and 5. Self-explanatory.
- Item 2. Enter the grant number.
- Items 6(a), (b) Self-explanatory.
- Items 6(c), (d) Enter the manufacturer's name and manufacturer's serial number for each item.
- Item 6(e) Self-explanatory.
- Item 6(f) Describe the present condition of the equipment being reported.
- Item 6(g) List where each item of equipment is physically maintained.
- Item 6(h) List the purchase price of the equipment, less credits and rebates.
- Item 6(i) Enter the date purchased or received by the recipient.
- Item 6(j) Enter the suggested disposition of each item of equipment.
- Item 6(k), (l),
and (m) If appropriate, OSM shall provide specific disposition instructions and return a copy of Form OSM-60 to the recipient. If the recipient is not requesting to dispose of or trade-in the equipment, the equipment should be transferred to the next grant or cooperative agreement, and continue to be used to support the funded program.

REGULATORY GRANT PROGRAM
CLOSEOUT POLICY AND PROCEDURES

EXHIBIT X5-70R-2
PAGE 9

GRANT AND COOPERATIVE AGREEMENT CLOSEOUT CHECKLIST

Part A. Has the recipient:

YES NO N/A

1. Stated in the transmittal of the closeout reports that it considers the grant to be complete, that payments from OSM to the recipient for all allowable costs have been made, and that OSM is released from all obligations under or arising from the grant?
2. Submitted the final performance report?
3. Submitted the final Financial Status Report, SF 269 or SF 269A as appropriate?
4. Indicated on the SF 269 or SF 269A liquidation of the Federal share of all obligations incurred?
5. Submitted an inventory of federally-owned property received under the grant, if appropriate?
6. Submitted an inventory of grant-purchased property, requesting disposal or transfer of property, as appropriate?
7. Reported program income in accordance with the program income option in the grant award?

Part B. Has the Field Office:

1. Verified that all known changes have been incorporated into the grant by appropriate revisions or amendments?
2. Notified other Federal agencies involved in the grant of closeout action?
3. Resolved all suspensions, withholdings, disputes and violations of grant clauses and assurances in coordination with AD-SC and the recipient?
4. Reconciled the SF 269 or SF 269A as appropriate, with ABACIS?
5. Forwarded a copy of the reconciled closeout SF 269 or SF 269A to DFM?
6. Prepared a brief written evaluation of the recipient's performance and placed a copy in the grant file?
7. If appropriate, approved the transfer or disposition of grant-purchased property to another grant?

Certified by Field Office

Date

OSM 61R

REGULATORY GRANT PROGRAM
CLOSEOUT POLICY AND PROCEDURES

EXHIBIT X5-70R-3
PAGE 10

REGULATORY CLOSEOUT ANALYSIS

State/Tribe _____

Grant Number _____

ACTION	DATE
<p>1. Documentation received from Field Office</p> <p>___ Form MB 212 - Award Report</p> <p>___ Form 269 or SF 269A - Financial Status Rpt.</p> <p>___ Form 51 - Performance Report</p> <p>___ Form 51A, 51B, 51C - Quantitative Information</p> <p>___ OSM 60 - Grant-Purchased Equipment</p> <p>___ OSM 60 - Federally Owned Property</p> <p>___ OSM 61 - Field Office Closeout Checklist</p> <p>___ DI-1961 - FAADS Reporting Form</p> <p>___ FO Evaluation Report (Monitoring Statement)</p> <p>___ Other (Explain) _____</p>	<p>_____</p>
<p>2. Financial Information</p> <p>Amount Awarded \$ _____</p> <p>Less Expenditures \$ _____</p> <p>Amount of Deobligation \$ _____</p>	
<p>3. Financial information agree with ABACIS _____</p>	
<p>4. MB 212 completed and forwarded to DFM</p>	<p>_____</p>
<p>5. MB 212 forwarded to FO and DRP</p>	<p>_____</p>

Prepared by _____

Date Prepared _____

OSM62R

CHAPTER 5-90
FEDERAL ASSISTANCE AWARD DATA SYSTEM

5-90-00	Purpose
10	Background
20	Applicability
30	Procedures
40	FAADS Data Element Coding

5-90-00 PURPOSE

The purpose of this chapter is to provide policy and procedures for reporting information on Federal assistance awards.

5-90-10 BACKGROUND

- A. The FAADS program is authorized by P.L. 97-326, the Consolidated Federal Funds Report Act of 1982. Information collected in the FAADS is used in the Consolidated Federal Funds Report to provide data on Federal Government expenditures of obligations to the Congress, the Executive Branch, and other political and private interest groups.
- B. FAADS has replaced Treasury Circular 1082 as the means of notifying States of Federal assistance awards. FAADS is an automatic data processing (ADP) based system that provides information on assistance awards on a quarterly basis.
- C. FAADS aids the Federal agencies in their compliance with Section 201 of the Intergovernmental Cooperation Act of 1968 (P.L. 90-577). FAADS also provides data consistent with the requirements and intents of the Federal Program Information Act, the Federal Grant and Cooperative Agreement Act of 1977 (P.L. 92-244); the Legislative Reorganization Act of 1970 (P.L. 91-510), as amended by the Congressional Budget Act of 1974 (P.L. 344); and Executive Order 12372 (July 1982). The authorities and intents of these statutes require notification to States and the Congress of fiscal, budgetary, and program-related information.
- D. In October 1989, the Department of the Interior issued the form DI 1961, FAADS Reporting Form (Exhibit X5-90-1), to replace the SF 424 (Rev. 4/88) as the form on which to report FAADS data elements. The DI-1961 form shall be used to report all OSM financial assistance beginning with the first quarter FY 1990 report.

5-90-20 APPLICABILITY

The FAADS reporting requirements are applicable to all OSM financial assistance actions that involve funding (award, amendment, deobligation, closeout) and changes in scope and performance period.

5-20-30 PROCEDURES

- A. After approval of a financial assistance action, the FO shall input the required FAADS coding on the DI-1961, and send the completed DI-1961 forms to the appropriate AD-FO.
- B. The AD-FOs shall, by the sixth day after the end of the fiscal quarter *, complete an Agency Reporting Compliance Sheet (Exhibit X5-90-2) for each OSM Catalog of Federal Domestic Assistance (CFDA) program to reflect all financial assistance actions for the most recent quarter and forward them, with the final submission of DI-1961s to:

Department of the Interior
Office of Acquisition and Property Management
Division of Acquisition and Assistance
18th and C Streets, NW
Washington, DC 20240
ATTN: Thomasine Cox

- * If the due date falls on a Saturday, the submission is due on Friday; if the due date falls on a Sunday, the submission is due on Monday.
- C. All DI-1961s found to be in error will be returned to the AD-FO by the 14th calendar day after the end of the quarter. The AD-FO shall obtain the correct data and resubmit the corrected DI-1961s to the Division of Acquisition and Assistance by the 24th calendar day after the end of the quarter.
- D. If occasions arise where, after the ending date, an audit is conducted and a change in the dollar amount results, the ending and action dates (Items #22 and 20) shall be changed to reflect the day the change was made. In addition, item #10 (Project Description) should indicate that the dollar change is because of the findings of a program audit.

5-90-40 FAADS DATA ELEMENT CODING

The following is a list of the reportable data elements, along with instructions for verifying the data for FAADS.

5-90-40 (Continued)

<u>DI-1981 ITEM</u>	<u>FAADS REQUIREMENTS</u>
1. CATALOG OF FEDERAL DOMESTIC ASSISTANCE NUMBER	Enter the 6 character number from the CFDA for the OSM program under which financial assistance is being provided: 15.250 Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining
2. STATE APPLICATION IDENTIFIER	15.252 Abandoned Mine Land Reclamation Program Enter the number assigned by the State clearinghouse. OMB has established a standard 13 character format for voluntary use in assigning State Application Identifier (SAI) numbers. SAI numbers must be reported for all awards under programs that the Department has determined are covered by Executive Order (E.O.) 12372. For awards under covered programs for which no SAI number was supplied, "SAI NOT AVAILABLE" should be entered. For awards under programs not covered by E.O. 12372, "SAI EXEMPT" should be entered.
3. RECIPIENT NAME	Enter the name of the organization receiving the award of financial assistance. The name should identify the specific organizational element (sub-division) as well as the parent organization. Only these two organizational elements should be used, even though other organizational elements may exist in the intervening hierarchical structure of the organization. The first word of a recipient name should <u>never</u> be abbreviated. Abbreviations should be used only when the recipient name exceeds the field length, which is 45. When abbreviations are necessary, the following guidelines should be used:

FEDERAL ASSISTANCE AWARD DATA SYSTEM

PAGE 4

5-90-40 (Continued)

- a. Abbreviate from the right side of the name.
 - b. Abbreviate only one word, if possible.
 - c. Abbreviate the most commonly used word.

4. RECIPIENT CITY CODE Enter the appropriate code for the city or township in which the recipient is located. The code used should be the 5 character numeric Federal Information Processing Standards (FIPS) code. (See Exhibit X5-90-3)

5. RECIPIENT CITY NAME Enter the specific name of the city or township in which the recipient is located.

6. RECIPIENT COUNTY CODE Enter the appropriate code for the county in which the recipient is located. The 3 character numeric FIPS code should be used. (See Exhibit X5-90-3.)

7. RECIPIENT COUNTY NAME Enter the specific name of the county in which the recipient is located.

8. RECIPIENT STATE CODE Enter the appropriate 2 character numeric FIPS code for the state in which the recipient is located. (See Exhibit X5-90-3.)

9. RECIPIENT ZIP CODE Enter the 5 character numeric code from the U.S. Postal Service manual. Positions 6 through 9 can be filled if the ZIP plus 4 digit code is known.

10. PROJECT DESCRIPTION THIS DATA ELEMENT IS VERY IMPORTANT. Provide a brief description of the project or purpose for which funds are being obligated. Only using the CFDA title is not adequate since it does not allow the user to distinguish among other awards being made from the same CFDA program. Only the first 145 characters of the description will be recorded. Therefore, begin the description with the most relevant information and eliminate all information beyond 145 characters.

5-90-40 (Continued)

11. TYPE OF RECIPIENT

In the upper right corner, enter the numeric 2 character code which depicts the recipient. These numeric coding designations are not the same as found on the DI-1961.

Government Codes

- 00 = State government
- 01 = County government
- 02 = Municipal or Township government
- 04 = Special district government
- 05 = Independent school district
- 06 = State controlled institutions of higher education

Nongovernment Codes

- 11 = Indian tribe
- 12 = Nonprofit agency
- 20 = Private higher education institution
- 21 = Individual
- 22 = Profit organization
- 23 = Small business
- 25 = All other

12. TYPE OF ACTION

Enter the appropriate character representing the nature of the award transaction:

A = new assistance award

B = continuation (funding in a succeeding budget period which stemmed from prior agreement to fund)

C = revision (any change in the Federal Government's financial obligation or contingent liability from an existing obligation) e.g., deobligation as part of closeout

D = funding adjustment to completed project e.g., funding adjustments as a result of audit findings

5-90-40 (Continued)

13. RECIPIENT CONGRESSIONAL DISTRICT
Enter the 2 position numeric code for the district of the recipient. For a congressional district at large, enter a "00." For jurisdictions with a nonvoting delegate, enter a "98." For jurisdictions with no representative, enter a "99." (See Exhibit X5-90-3.)
14. FEDERAL AGENCY
Enter the 4-character FIPS code for OSM: 1438
15. FEDERAL AWARD IDENTIFIER NUMBER
Enter the OSM number which uniquely identifies the assistance award transaction. The entry should omit hyphens and other special characters. The number cannot exceed 16 characters.
- A. CORE NUMBER
Enter the OSM grant number for each award.
- B. MODIFICATION NUMBER
Enter the OSM number which represents each amendment to an award of financial assistance, as applicable. The entry cannot exceed 4 characters in length.
16. FEDERAL FUNDING SIGN
If funding amount is positive, no entry is necessary. If funding amount is negative (such as for a decrease in the obligation), enter a minus (-) sign.
17. FEDERAL FUNDING AMOUNT
Enter the dollar amount of the OSM's total obligation for each assistance award in whole dollars.
18. NON-FEDERAL FUNDING SIGN
If funding amount is positive, no entry is necessary. If funding amount is negative (such as for a decrease in the obligation) enter a minus (-) sign.

5-90-40 (Continued)

19. NON-FEDERAL FUNDING AMOUNT
Enter the dollar amount of the funds supplied by the recipient or the recipient's parent government, local, and/or other entities, in order to meet the total cost of the project being funded. The numeric entry should be in whole dollars. This amount should reflect the total amount of non-Federal obligation.
20. ACTION/OBLIGATION DATE
Enter the year, month, and day this action was approved. The numeric entry should be in the form of yy mm dd.
21. STARTING DATE
Enter the year, month, and day of actual beginning of the performance period. The numeric entry should be in the form of yy mm dd.
22. ENDING DATE
Enter the year, month, and the day of scheduled completion date of the project or activity related to the action. The numeric entry should be in the form of yy mm dd.
23. TYPE OF ASSISTANCE
Enter the appropriate 2 code depicting the type of financial assistance.
- 04 Project Grant *(All Title IV and V grants)*
- 05 Cooperative Agreements *(All Title IV and V Cooperative Agreements)*
- 06 Direct payment *(If a SOAP grant is awarded directly to a small operator)*
24. RECORD TYPE
Enter a numeric "2" (indicating individual action reporting).

FEDERAL ASSISTANCE AWARD DATA SYSTEM

PAGE 6

5-90-40 (Continued)

25. CORRECTION OR LATE
INDICATOR

In the lower left corner, enter the appropriate code indicating that the award transaction being reported is either a correction or a late record which was omitted from a previous quarter's submission. For a current financial assistance award, this field is left blank.

C Correction to award transaction reported in previous quarter's submission.

L Late reporting of a record which was omitted from a previous quarter's submission.

26. FISCAL YEAR AND QUARTER OF
CORRECTED OR LATE RECORD

Enter the appropriate numeric designation of Federal fiscal year and quarter to which the correction applies, or in which the record should have been submitted. The entry should be in the format representing the abbreviated federal fiscal year and the quarter of the fiscal year, (FY-Q). Do not report late/corrected records that are more than two years old.

27. PRINCIPAL PLACE OF
PERFORMANCE

Enter the location of the project being funded. For OSM programs, all projects are considered State-wide. Therefore, provide a 7 character code of the principal place of performance as follows:

The 2 character FIPS state code should be designated in the first two positions, with the remainder of the field containing asterisks (*). (This indicates the impact area is statewide.)

28. RESERVE

No entry required.

DI 1961

FEDERAL ASSISTANCE AWARD DATA SYSTEM

FEDERAL ASSISTANCE AWARD DATA SYSTEM
AGENCY REPORTING COMPLIANCE SHEET

AGENCY _____ REPORTING PERIOD _____

1. COVERAGE

_____ All agency financial assistance award programs are covered in agency's FAADS sources.

_____ Partial coverage of agency financial assistance award programs in agency's FAADS sources. Attach a list of the agency programs, by CFDA number and title, that are not covered (i.e., for which no information can be reported to FAADS).

Number of covered programs reported this quarter: _____. List of covered programs not reported this quarter (for which no awards have been made):

2. PSEUDO CODES ___ YES ___ NO

Attach a list of programs for which pseudo codes were used (indicating pseudo code along with program title and description).

3. DEGREE OF DATA ELEMENT REPORTING (Describe)

_____ Total (all data elements provided)

_____ Partial (blanks for some data elements). List of missing data elements by field number:

_____ Deviation(s) (some data elements deviate from reporting requirements). List of deviations by field number:

FEDERAL ASSISTANCE AWARD DATA SYSTEM

EXHIBIT X5-90-3

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STATE/TRIBE	CODE	COUNTY	CODE	CITY	CODE	CONG. DIST.
ALABAMA (AML)	01	MONTGOMERY	101	MONTGOMERY	51000	02
ALABAMA (A&E)	01	WALKER	127	JASPER	38416	04
ALASKA	02	ANCHORAGE	020	ANCHORAGE	03000	00
ARIZONA	04	MCKINLEY	001	WINDOW ROCK (NAVAJO)	83720	04
ARIZONA	04	NAVAJO	017	KYKOTSMOVI (HOPI)	39100	04
ARKANSAS	05	PULASKI	119	LITTLE ROCK	41000	02
COLORADO	08	DENVER	031	DENVER	20000	01
ILLINOIS	17	SANGAMON	167	SPRINGFIELD	72000	20
INDIANA	18	MARION	097	INDIANAPOLIS	36000	06
IOWA	19	POLK	153	DES MOINES	21000	04
KANSAS	20	SHAWNEE	117	TOPEKA	71000	02
KENTUCKY	21	FRANKLIN	073	FRANKFORT	28900	06
LOUISIANA	22	E BATON ROUGE	033	BATON ROUGE	05000	06
MARYLAND (AML)	24	ALLEGANY	001	FROSTBURG	30900	06
MARYLAND (A&E)	24	ANNE ARUNDEL	003	ANNAPOLIS	01600	04
MICHIGAN	26	INGHAM	065	LANSING	46000	03
MISSISSIPPI	28	HINDS	049	JACKSON	36000	04
MISSOURI	29	COLE	051	JEFFERSON CITY	37000	04
MONTANA	30	LEWIS & CLARK	049	HELENA	35600	01
MONTANA	30	BIGHORN	003	CROW AGENCY	18325	02
MONTANA	30	BIGHORN	003	LAME DEER	54550	02
NEW MEXICO	35	SANTA FE	049	SANTA FE	70500	03
NORTH DAKOTA	38	BURLEIGH	015	BISMARCK	07200	00
OHIO	39	FRANKLIN	049	COLUMBUS	18000	12
OKLAHOMA	40	OKLAHOMA	109	OKLAHOMA CITY	55000	05
PENNSYLVANIA	42	DAUPHIN	043	HARRISBURG	32800	17
RHODE ISLAND	44	PROVIDENCE	007	PROVIDENCE	59000	01
SOUTH DAKOTA	46	DEWEY	041	EAGLE BUTTE	17620	00
TENNESSEE	47	DAVIDSON	037	NASHVILLE	52000	05
TEXAS	48	TRAVIS	453	AUSTIN	05000	10
UTAH	49	SALT LAKE	035	SALT LAKE CITY	67000	02
VIRGINIA	51	WISE	195	BIG STONE GAP	07480	09
WASHINGTON	53	THURSTON	067	OLYMPIA	51300	03
WEST VIRGINIA	54	KANAWHA	039	CHARLESTON	14600	03



CHAPTER 6-00
COST PRINCIPLES

6-00-00	Purpose
10	Cost Principles
20	Allowable Costs
30	Costs Allowable with Approval of OSM
40	Unallowable Costs
50	Deviations from Cost Standards

6-00-00 PURPOSE

This Chapter establishes the basic principles to be used in determining the allowable costs applicable to OSM grants or cooperative agreements and the allowable costs applicable to subgrants and cost-type contracts awarded under OSM grants or cooperative agreements.

6-00-10 COST PRINCIPLES

- A. The basic principles to be used in determining the allowable costs applicable to OSM grants or cooperative agreements, and to subgrants and cost-type contracts awarded under OSM grants or cooperative agreements, are prescribed in:
1. OMB Circular A-87 - for State and Local Governments.
 2. OMB Circular A-21 - for Institutions of Higher Education
- B. These Circulars will be cited in the provisions of all grants or cooperative agreements awarded by OSM. This citation will cover the activities conducted by the recipient as well as those conducted by any subrecipients or cost-type contractors awarded funds under the grant or cooperative agreement. Recipients will also cite the appropriate principles in the subgrant or contract.
- C. The principles to be used in determining the allowable costs of work performed by commercial organizations under cost-type contracts awarded to them under OSM grants or cooperative agreements are set forth in the Federal Procurement Regulations, 41 CFR Subpart 1.15.2. When such contracts are awarded under OSM grants or cooperative agreements, the principles in 41 CFR Subpart 1.15.2 will be cited in the provisions of the grants or cooperative agreements as being applicable to the work performed by the contractor. Recipients will also cite these principles in subcontracts.

6-00-20 ALLOWABLE COSTS

- A. Allowability of costs shall be determined in conformance with the principles and standards set forth in OMB Circulars A-21 and A-87. In general, costs are allowable if:
1. They are necessary and reasonable for the proper and efficient execution of the project and are in accordance with the grant or cooperative agreement contract and the most recently approved project budget;
 2. They are not prohibited under Federal, State and local statutes or regulations;
 3. They are treated uniformly and consistently in accounting policies and procedures approved or prescribed by OSM for the recipient, and those approved or prescribed by the recipient for its contracts;
 4. They are not allocable to, or included as a cost of any other Federally financed program in either the current or a previous period;
 5. They represent net costs, after all applicable credits are deducted;
 6. They are in accord with budgetary or other restrictions on expenses established by OSM;
 7. They are incurred (and are for work performed) after the date of the contract, unless other specific authorization is made in writing by OSM;
 8. As preagreement costs, they are specifically provided for in the grant or cooperative agreement;
 9. As proposal costs, they are specifically provided for in the grant or cooperative agreement; and
 10. They are fully documented.

6-00-30 COSTS ALLOWABLE WITH APPROVAL OF OSM

- A. Each Circular establishes a set of cost principles that identifies certain costs that are allowable to the extent that they are approved by the granting agency. The specific requirements and procedures for obtaining approval of these costs from OSM are described below:

6-00-30 (Continued)

1. When the costs are treated as indirect costs (or, in the case of a State or local government, are allocated pursuant to a State-wide or local government-wide cost allocation plan), approval of the costs as part of the negotiation of the organization's indirect cost rate or cost allocation plan will be deemed as having met the approval requirements. In these cases, a specific request for approval is not required.
2. When the costs are treated as direct costs, they must be approved in advance by OSM. In these cases, if the costs requiring approval are included in the grant budget, approval of the budget will constitute approval of the costs. If they are not included in the budget, the recipient must obtain specific prior approval from OSM in accordance with the procedures described in Chapter 5-30.

6-00-40 UNALLOWABLE COSTS

- A. For some types of costs, the determination of allowability or unallowability will depend on the nature of the circumstances under which they were incurred. For such doubtful cases, the guidelines and standards of OMB Circular No. A-21 and A-87 should be applied. Some costs which are clearly unallowable are the following:
1. Bad debts. Any losses arising from uncollectible accounts and other claims, and related costs, are unallowable.
 2. Contingencies. Contributions to a contingency reserve or any similar provision for unforeseen events are unallowable.
 3. Contributions and donations. Unallowable.
 4. Entertainment. Costs of amusements, social activities, and incidental costs relating thereto, such as meals, beverages, lodgings, rentals, transportation, and gratuities, are unallowable.
 5. Fines and penalties. Costs resulting from violations of, or failure to comply with Federal, State and local laws and regulations are unallowable.
 6. Governor's expenses. The salaries and expenses of the Office of the Governor of a State or the chief executive of a political subdivision are considered a cost of general State or local government and are unallowable.

6-00-40A. (Continued)

7. Interest and other financial costs. Interest on borrowings (however represented), bond discounts, cost of financing and refinancing operations, legal and professional fees paid in connection therewith, are unallowable except when authorized by Federal legislation.
8. Legislative expenses. Salaries and other expenses of the State legislature or similar local governmental bodies such as county supervisors, city councils, school boards, etc., whether incurred for purposes of legislation or executive direction, are unallowable.
9. Underrecovery of costs under grant agreements. Any excess of cost over the Federal contribution under one grant or cooperative agreement is unallowable under other grants or cooperative agreements.
10. Individual Membership and License Fees. Individual bar association and professional engineering society dues and license fees are not an allowable program cost. A-87 provides that the cost of membership in civic, business, technical and professional organizations is allowable provided the expenditure is for agency membership.

6-00-50 DEVIATIONS FROM COST STANDARDS

- A. Each set of cost principles includes general standards for selected items of cost. These standards are normally prefaced with a statement indicating that in the case of discrepancy between the provisions of a specific grant or cooperative agreement and the applicable standards, the provisions of the grant or cooperative agreement should govern. OSM staff responsible for the award and administration of grants or cooperative agreements shall not include provisions in grant awards which conflict with applicable standards unless they are clearly justified in light of the particular circumstances involved. A deviation shall be considered to be either of the following, except when specifically mandated by Federal legislation:
 1. Use of any policy, procedure, form, grant or cooperative agreement condition which is inconsistent with an applicable provision of the grant or cooperative agreement.
 2. Failure to use when applicable any policy, procedure, form, standard, or grant condition which is required by this part.

6-00-50 (Continued)

- B. In the interest of maintaining uniformity to the greatest extent feasible, deviations shall be kept to a minimum. A deviation, whether proposed by an applicant for a grant, a recipient, or an official of the granting agency, may be authorized only when necessary to meet programmatic objectives or to conserve grant funds, or is otherwise essential in the public interest.



CHAPTER 6-05 COST TRANSFERS

6-05-00	Purpose
05	Background
10	Applicability
20	Policy

6-05-00 PURPOSE

The purpose of this chapter is to prescribe the conditions under which cost transfers from one funding source to another may be accepted as charges to OSM grants or cooperative agreements. This includes transfers within and between grants and cooperative agreements.

6-05-05 BACKGROUND

Recent audit reports have cited instances where recipients have transferred costs from other projects or programs to OSM grants many months after the original charges had been recorded in the recipient's accounting records. In many cases, the transfers were not supported by documentation which adequately explained why the transfers were made. OSM recognizes that transfers of costs from one project to another are occasionally necessary to correct bookkeeping or clerical errors in the original charges. OSM also recognizes that closely related work may be supported by more than one funding source and that in such cases a transfer of costs from one funding source to another may be proper. However, frequent, tardy or unexplained (or inadequately explained) transfers, particularly where they involve projects with significant cost overruns or unexpended fund balances, raise serious questions about the propriety of the transfers themselves as well as the overall reliability of the recipient's accounting system and internal controls.

6-05-10 APPLICABILITY

This chapter is applicable to all OSM grants and cooperative agreements.

6-05-20 POLICY

A. Correction of Errors

Transfers of cost to OSM grants and cooperative agreements which represent corrections of clerical or bookkeeping errors must be made promptly after the errors are discovered and, where possible, prior to the submission of the grant expenditure report. The transfer must be supported by documentation which contains a full explanation of how the error occurred and a certification of the correctness of the new charge. An explanation which merely states that the transfer was made "to

COST TRANSFERS

PAGE 2

6-05-20 (Continued)

correct error" or "to transfer to correct project" is not sufficient. It should be noted that frequent errors in the recording of costs may indicate the need for improvements in the recipient's accounting system and/or internal controls. Therefore, where such errors occur, recipients are encouraged and may be required to evaluate the need for improvements in these areas and to make what improvements are deemed necessary.

B. Closely Related Work

1. When closely related work is supported by more than one funding source, a cost transfer from the originally charged funding source to an OSM grant may be made provided that the transfer meets all of the following conditions:
 - a. The cost is a proper and allowable charge to the grant.
 - b. The transfer is supported by documentation which contains a full explanation and justification for the transfer and a certification of the propriety of the transfer by the principal investigator, project director or other responsible program official of the recipient organization.
 - c. The transfer is reviewed and approved by a responsible financial or administrative official of the organization.
2. To the maximum extent possible, cost transfers involving closely related work should be made within 120 days of the original charge. Recipients are cautioned that transfers made long after the original charge raise serious questions concerning the propriety of the transfers. Therefore, if a transfer is made after the 120-day period, the supporting documentation described in 6-05-20B.1.b, in addition to the normal explanation and justification for the transfer, must also include an explanation of why the transfer was tardy.

C. Retention of Documentation

The documentation described in paragraphs 6-05-20 A and B must be retained by the recipient for the period stipulated in OSM's record retention procedures and be made available for verification during the course of an audit or other review made by, or on behalf of OSM. Recipients are expected to make all pertinent documentation regarding the transfers of costs available to the auditor at the time of the audit.

CHAPTER 6-10
CHARGES FOR LEASED FACILITIES AND EQUIPMENT

6-10-00	Purpose
05	Background
10	Applicability
20	Definitions
30	Policy

6-10-00 PURPOSE

The purpose of this Chapter is to establish OSM's policy on the extent to which the costs of leased facilities and equipment may be charged to OSM grants and cooperative agreements.

6-10-05 BACKGROUND

- A. Activities supported by OSM grants and cooperative agreements are normally performed in or with facilities and equipment owned by the performing organization. The costs of these facilities and equipment are generally charged to the grants through depreciation or use of charges as provided for in the cost principles applicable to the particular type of organization involved. See Chapter 6-00.
- B. In some cases, however, the leasing of facilities or equipment is more economical or is otherwise necessary in light of the particular circumstances involved; for example, where:
1. A project is of short duration and space or equipment is not available in owned facilities;
 2. There are specific program objectives or requirements which cannot be met with owned facilities;
 3. Cost reductions will materialize which will produce identifiable savings in direct or indirect costs; or
 4. There is an increase in workload volume which cannot be accommodated efficiently by modifying or augmenting owned facilities.

6-10-10 APPLICABILITY

This Chapter is applicable to all OSM grants and cooperative agreements.

CHARGES FOR LEASED FACILITIES AND EQUIPMENT

PAGE 2

6-10-20 DEFINITIONS

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

- A. Short-Term Lease is a lease under which the cumulative term of the use or occupancy is two years or less for personal property and five years or less for real property.
- B. Long-Term Lease is a lease under which the cumulative term of the use or occupancy is more than two years for personal property and more than five years for real property. A lease with an initial term of two years or less for personal property, and five years or less for real property, becomes a long-term lease as of the effective date of the document which extends the cumulative term to more than two or five years, and shall be treated as a short-term lease prior to such date and as a long-term lease on and after such date.
- C. Sale and Leaseback Arrangement is an arrangement under which property owned by the lessee organization is sold to and leased back from another organization.
- D. Less Than Arms Length Lease is a lease under which one party to the lease agreement is able to control or substantially influence the actions of the other. Such leases include those between (a) divisions of an organization; (b) organizations under common control through common officers, directors or members and (c) an organization and a director, trustee, officer or key employee of the organization or his immediate family either directly or through corporations, trusts or similar arrangements in which they hold a controlling interest.
- E. Lease Which Creates a Material Equity In Property is a lease under which the lessee acquires a material equity in the leased property. A material equity in the property exists if the lease is noncancelable or is cancelable only upon the occurrence of some remote contingency and has one or more of the following characteristics:
 - 1. The term of the lease corresponds substantially to the estimated useful life of the property (i.e., the period of economic usefulness to the legal owner of the property).
 - 2. The initial term is less than the useful life of the property and the lessee has the option to renew the lease for the remaining useful life at substantially less than fair rental value.
 - 3. The lessee has the right, during or at the expiration of the lease, to purchase the property at a price which at the inception of the lease appears to be substantially less than the probable fair market value at the time the lessee is permitted to purchase the property.
 - 4. Title to the property passes to the lessee at some time during or after the lease period.

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5. The property was acquired by the lessor to meet the special needs of the lessee and will probably be usable only for that purpose and only by the lessee.

6-10-30 POLICY

A. Short-Term Leases -- Rental costs under short-term leases are allowable to the extent that:

1. The rates are reasonable at the time of the decision to lease in light of such factors as: rental costs of comparable property, if any; market conditions in the area; the type, life expectancy, condition and value of the property leased; alternatives available, etc. and
2. They do not give rise to a material equity in the property but represent charges only for the current use of the property including, but not limited to, and incidental service costs such as maintenance, insurance and applicable taxes.

B. Long-Term Leases

1. Rental costs under long-term leases are allowable only up to the amount the lessee would be allowed under applicable OSM cost principles had it purchased the property on the date the lease agreement is executed. However, if the lessee can demonstrate, based on the facts existent at the time of the decision to lease on a long-term basis, that such leasing (a) will result in less cost to the lessee over the total period that the property will be used in the lessee's operations or (b) is clearly necessary in light of the particular circumstances involved, the rental costs for the term of the lease shall be subject to the same criteria set forth for short-term leasing. If the lessee subsequently renews the lease, it must again demonstrate that leasing will result in less cost or is clearly necessary in light of the circumstances involved, if it wishes to continue having rental costs evaluated by the criteria for short-term leasing.
2. A lessee's justification for charging rental costs under long-term leases in excess of the amount that would be allowed had it purchased the property shall, at a minimum, consist of the following supporting documentation prepared prior to leasing:
 - a. Analysis of the utilization of existing property.
 - b. Comparative cost analysis for the total period that the property will be used in the lessee's operations.
 - c. Specific objectives or requirements.

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- d. Solicitation of proposals from available sources, and
- e. Proposals received in response to the solicitation and reasons for selection of the property chosen and for the decision to lease.

In performing a comparative cost analysis, the cumulative costs that would be incurred if the lessee owned the property should be compared with the cumulative costs that would be incurred under the leasing arrangement. This analysis should include all applicable costs associated with ownership of the property (e.g., operation, maintenance, insurance, taxes, depreciation or use charges, etc.) except interest and other unallowable costs stipulated in applicable OSM cost principles. The analysis should also include all applicable costs under the leasing arrangement (e.g., rental costs, leasehold improvements, maintenance, if the lessee is required to maintain the property, etc.). In those situations where leasing was formerly classified as short-term leasing, the purchase cost, for purposes of cost comparison, will be the price at which the property could be purchased on the date that the agreement meets the qualifications for long-term leasing. If purchase is determined to be the method of acquisition which would result in less cost to the lessee, such determination shall not be applied to the years when the leasing was classified as short-term leasing.

- 3. The documentation described above shall be retained by the lessee for the period stipulated in OSM's records retention regulations and be made available for verification during the course of an audit or other review made by, or on behalf of, OSM. It need not be submitted to OSM unless it is specifically requested.
- C. Sale and Leaseback Arrangements -- Rental costs under sale and leaseback arrangements are allowable only up to the amount that would be allowed under applicable OSM cost principles had the lessee retained legal title to the property. However, if the lessee can demonstrate and document based on the comparative cost analysis described in subparagraph B.2 above that the arrangement will result in less cost to the lessee over the total period that the property will be used in the lessee's operation, rental costs will be subject to the same criteria set forth for short-term leasing.
- D. Less Than Arms Length Leases -- In all cases, rental costs under less than arms length leases are allowable only up to the amount that would be allowed under applicable OSM cost principles had title to the property vested in the lessee.
- E. Leases Which Create Material Equity in Property -- In all cases, rental cost under leases which create a material equity in the leased property are allowable only up to the amount that would be allowed under applicable OSM cost principles had the lessee purchased the property on the date the lease agreement is executed.