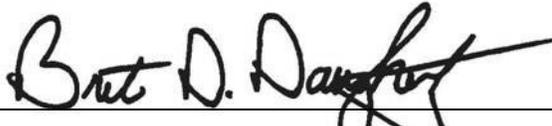




## Department Policy No. FIN-120-23

<b>Title:</b>	Federal Grant and Cooperative Agreement Management
<b>Former Number:</b>	N/A
<b>Authorizing Source:</b>	<ol style="list-style-type: none"><li>1) Federal Regulations<ol style="list-style-type: none"><li>a) <a href="#">2 CFR Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards</a></li><li>b) <a href="#">Government Auditing Standards (Yellow Book)</a></li></ol></li><li>2) State Regulations<ol style="list-style-type: none"><li>a) <a href="#">Revised Code of Washington (RCW) 43.88 - Budgeting, Accounting and Reporting System</a></li><li>b) <a href="#">WA State Administrative and Accounting Manual (SAAM) Chapter 50 – Federal Compliance</a></li><li>c) <a href="#">WA SAAM Chapter 80 – Accounting Policies</a></li><li>d) <a href="#">WA SAAM Chapter 20 – Internal Controls</a></li></ol></li><li>3) WMD Policies<ol style="list-style-type: none"><li>a) <a href="#">DIR-005-08 Public Records Management</a></li><li>b) <a href="#">FIN-104-02 Capital Asset Policy</a></li><li>c) <a href="#">FIN-111-02 Procurement, Contracting and Leasing</a></li><li>d) <a href="#">FIN-112-14 Direct Buy Contracting Requirements</a></li><li>e) <a href="#">FIN-113-19 Time and Effort Reporting</a></li></ol></li></ol>
<b>Information Contact:</b>	Chief Financial Officer Building# 1 (253) 512-7498
<b>Effective Date:</b>	January 5, 2023
<b>Mandatory Review Date:</b>	January 5, 2027
<b>Revised:</b>	January 5, 2023
<b>Approved By:</b>	 Bret D. Daugherty, Major General The Adjutant General Washington Military Department Director

## **Purpose**

To develop, implement and maintain federal grant and cooperative agreement oversight and coordination for the Washington Military Department (WMD), thereby limiting the agency's exposure to federal award-related legal liability and improving the efficiency and impact of services funded through federal grants and cooperative agreements.

This policy is intended to provide a uniform method for managing federal grants and cooperative agreements and identifies baseline requirements for cost principles and use of grant funds; provide a method for determining cost allowability, reasonable costs and allocability; and establish requirements for real property, equipment and small and attractive items, grant closeout, and records retention.

## **Scope**

This policy applies to WMD state and federal employees, including members of the Washington National Guard, that have responsibility for the management, administration, and oversight of federal grants and cooperative agreements. If a federal awarding authority has more restrictive requirements for an award or has approved a State Administrative Plan (SAP), the provisions of the specific federal awarding authority or SAP take precedence over the provisions of this policy.

## **Policy**

WMD procedures used to guide federal grant and cooperative agreement coordination will supplement the requirements prescribed in this policy. WMD will not extend federal regulations to state-funded grants.

### **A. Use of Federal Award Funds**

Federal grant and cooperative agreement funds may only be used for authorized expenses and must be expended within the period of performance identified in the federal award and pursuant to the cost principles set forth in 2 CFR Part 200, §200.400 - §200.476. Federal grant and cooperative agreement funds awarded to the WMD shall not be used to supplant an existing expense so that current funds can be diverted to another use, unless such a use of funds is explicitly identified as allowable in writing by the federal awarding agency. All procurement activity associated with federal grant and cooperative agreement funded projects or programs shall follow the Washington State Administrative and Accounting Manual (SAAM), WMD policy and procedures for procurement, and the federal award procurement requirements.

### **B. Cost Principles, Cost Allowability and Reasonable Costs**

2 CFR Part 200 Cost Principles must be used in determining the allowable costs of work performed by the non-federal entity under federal awards. These principles must also be used by the WMD as a guide in the pricing of fixed price contracts and subcontracts where costs are used in determining the appropriate price. 2 CFR §200.404 establishes the criteria for reasonable costs: A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the specific circumstances. In determining reasonableness of a given cost, consideration must be given to:

1. Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the WMD or the proper and efficient performance of the federal award.

2. The restraints or requirements imposed by such factors as: sound business practices; federal, state, local, tribal, and other laws and regulations; and terms and conditions of the federal award.
3. Market prices for comparable goods and services for the geographic area.
4. Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the WMD, its employees, the public at large, and the federal government.
5. Whether the WMD significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the federal award's cost.

### **C. Cost Allocability**

2 CFR Part 200 Cost Principles must be used in determining the allocable costs of work performed by the WMD under federal awards. 2 CFR §200.405 (a)-(e) establishes the criteria for determining allocable costs, as follows:

1. A cost is allocable to a federal award or cost objective if the goods or services involved are chargeable or assignable to that federal award or cost objective in accordance with the relative benefits received. This standard is met if the cost:
  - a. Is incurred specifically for federal award,
  - b. Benefits both the federal award and other work of the WMD and can be distributed in proportions that may be approximated using reasonable methods, and
  - c. Is necessary to the overall operation of the WMD and is assignable in part to the federal award.
2. When the federal award allows, all activities which benefit from services funded by the WMD's indirect cost, including unallowable activities and donated services by the WMD or third parties, will receive an appropriate allocation of indirect costs.
3. Any cost allocable to a particular federal award under the principles provided for in Part A may not be charged to other federal awards to overcome fund deficiencies, to avoid restrictions imposed by federal statutes, regulations, or terms and conditions of the federal awards, or for other reasons. However, this prohibition would not preclude the WMD from shifting costs that are allowable under two or more federal awards in accordance with existing federal statutes, regulation, or the terms and conditions of the federal awards.
4. If a cost benefits two or more projects or activities in proportions that can be determined without undue effort of costs, the cost must be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then, notwithstanding "3" of this section, the costs may be allocated or transferred to benefitted projects on any reasonable documented basis. Where the purchase of equipment or other capital asset, except real property, is specifically authorized under a federal award, the costs are assignable to the federal award regardless of the use that may be made of the equipment or other capital asset involved when no longer needed for the purpose for which it was originally required.

5. If the federal award is subject to Cost Accounting Standards (CAS), costs must be allocated to the contract pursuant to the CAS. To the extent that CAS is applicable, the allocation of costs in accordance with CAS takes precedence over the allocation provisions in this part.

#### **D. Real Property**

Except as otherwise provided by federal statutes or by the federal awarding agency, real property will be used for the originally authorized purpose as long as needed for that purpose, during which time the WMD must not dispose of or encumber its title or other interests. When real property is no longer needed for the originally authorized purpose, the WMD must obtain disposition instructions from the federal awarding agency and conduct one of the following alternatives in accordance with 2 CFR §200.311:

1. Retain the title after compensating the federal awarding agency;
2. Sell the property and compensate the federal awarding agency; or
3. Transfer the title to the federal awarding agency or to a third party designated/approved by the federal awarding agency.

#### **E. Equipment and Small & Attractive Items**

Equipment and small and attractive items purchased with federal award funds shall be used for the project or program for which it was acquired during the life of the award or until the property is no longer needed for its intended function. The WMD shall follow 2 CFR §200.313 for the use and disposition of federal award-funded property. Equipment and small and attractive items purchased using federal award funds must be properly maintained and safeguarded, and equipment records must be submitted to the WMD's Inventory Control Manager, who consolidates the inventory for all state-owned WMD property. The designated grant or cooperative agreement manager must seek disposition instructions from the federal awarding agency, should the equipment no longer be needed for its original intended purpose. The WMD policy and procedure for capital asset and inventory management (FIN-104-02) must also be followed. If state, WMD, and/or federal asset management requirements do not align, the most restrictive requirements take precedence.

#### **F. Federal Award Reporting**

Performance and financial reporting requirements are expected for every federal grant and cooperative agreement. The WMD must follow the specific reporting requirements of each federal award, regularly submitting performance reports that reflect award-funded operational progress.

#### **G. Federal Award Close-out and Records Retention**

The "close-out" is the final official process of the federal award cycle. A federal grant or cooperative agreement is officially closed when the federal awarding agency determines that all applicable administrative acts and required work associated with the award agreement have been completed. Retention of all federal award records extend beyond the closing date in accordance with state and federal record retention requirements. Washington State requires a minimum record retention of six years after the fiscal period in which the federal award is closed. If state and federal grant programmatic record retention requirements differ, the longest required retention date takes precedence.

## Definitions

**Cooperative Agreement:** a legal instrument of financial assistance between a federal awarding agency and a recipient or a pass-through entity and a subrecipient to carry out a public purpose authorized by a law of the United States, and that provides for substantial involvement between the federal awarding agency and the recipient in carrying out the activity contemplated by the federal award.

**Direct Cost:** Costs that can be specifically identified with a particular cost objective or program and charged directly as a part of the cost of the program.

**Equipment:** Tangible personal property (including information technology systems) having a useful life of more than one (1) year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-federal entity for financial statement purposes, or \$5,000.

**Federal Award:** The federal financial assistance that a recipient receives directly from a federal awarding agency or indirectly from a pass-through entity.

**Federal Awarding Agency:** The federal agency that provides a federal award directly to a non-federal entity.

**Grant Agreement:** A legal instrument of financial assistance between a federal awarding agency or pass-through entity and a non-federal entity.

**Grantee:** The direct recipient of a grant award who is legally bound by the grantor's award or contract.

**Indirect Cost:** Costs that are incurred by a grantee organization for common or joint objectives and which therefore cannot be identified specifically with a particular project or program.

**Period of Performance:** The total time for which support of a funded project has been programmatically approved. A project period may consist of one (1) or more budget periods.

**Real Property:** Land, including land improvements, structures, and appurtenances thereto, but excludes moveable machinery and equipment.

**State Administrative Plan:** A state's roles, responsibilities, processes, and procedures for administering specific federal grant awards.

**Supplanting:** Federal law prohibits recipients of federal funds from replacing state, local, or agency funds with federal funds. Existing funds for a project and its activities may not be displaced by federal funds and reallocated for other organizational expenses. "Supplant" means to "replace" or "take the place of." "Supplement" means to "build upon" or "add to."