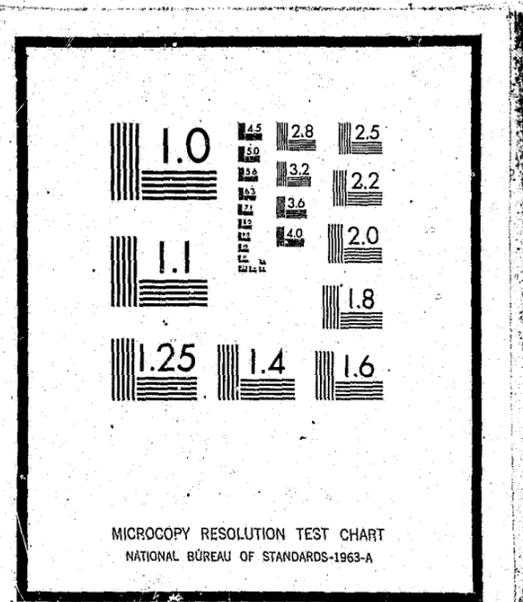


NCJRS

This microfiche was produced from documents received for inclusion in the NCJRS data base. Since NCJRS cannot exercise control over the physical condition of the documents submitted, the individual frame quality will vary. The resolution chart on this frame may be used to evaluate the document quality.



Microfilming procedures used to create this fiche comply with the standards set forth in 41CFR 101-11.504

Points of view or opinions stated in this document are those of the author(s) and do not represent the official position or policies of the U.S. Department of Justice.

**U.S. DEPARTMENT OF JUSTICE
LAW ENFORCEMENT ASSISTANCE ADMINISTRATION
NATIONAL CRIMINAL JUSTICE REFERENCE SERVICE
WASHINGTON, D.C. 20531**

Date filmed

11/19/75



FOREWORD

1. PURPOSE. This guideline manual has been prepared as a complete reference source and guide for financial questions arising in administration of planning grants (Part B funds) and action grants (Part C block, Part E "block" and Parts C and E discretionary funds) under Title I, of the Omnibus Crime Control and Safe Streets Act of 1968, as amended by the Omnibus Crime Control Act of 1970. (See appendix 5 for a copy of the Act.) It builds upon and complements the grant funding and administration structure established in Guideline Manual M 4100, State Planning Agency Grants and other Guidelines. The provisions of this manual are effective as of January 1, 1973.
2. SCOPE. The provisions of this guideline manual apply to all planning and action grants. This manual is of concern to all recipients of LEAA planning and action funds.
3. CANCELLATION. The Financial Guide for Administration of Planning and Action Grants, Guideline Manual, M 7100.1, dated June 19, 1969.
4. CONTENT. The coverage of this guideline manual includes requirements and suggestions as to accounting systems and records, allowability of costs, grantee contributions or matching shares, financial reports, and the award and payment of grant funds. For definitions of terms frequently used throughout this manual, refer to appendix 8. No manual could properly address all fiscal administration problems and needs reasonably expected to arise in the Title I program. Accordingly, the Administration has sought in this manual to relate the Title I program to the Act and the general fiscal policies and procedures applicable to federal aid programs such as reflected in Office of Management and Budget (OMB) Circular Nos. A-87 and A-102.
5. SUBGRANT ADMINISTRATION. A major part of the funds awarded to States for planning and action programs under Title I will ultimately be subgranted or otherwise allocated to local units of government or to specific agencies or subunits of State government. Therefore, guidance as to the obligations of such subgrantees and the subgrant administration responsibilities of State Planning Agencies (SPA) is also provided.
6. DISCRETIONARY GRANTS.
 - a. Guidance. A separate LEAA issuance will deal with those areas in which the special character of "15 percent discretionary grants" may impose new or different fiscal administration requirements.
 - b. Awards. Discretionary awards, as made, will specify the total or partial applicability of this manual in the grant conditions incorporated as part of each award.

7. EXPLANATION OF CHANGES.

- a. Guideline Manual Format. The material in this manual has been arranged in the proper format to comply with LEAA directives system standards for external issuances. Thus the topic lettering and numbering format does not correspond to that used for the previous edition of the Financial Guide.
- b. Major Textual Changes. The following major changes to material contained in the Financial Guide are incorporated in this guideline:
- (1) Special Fiscal Conditions for Construction Program Grants (chapter 1, paragraph 5). To incorporate the new policy specified by OMB Circular No. A-102 making it applicable to all construction activities rather than just Part E.
 - (2) Accounting and Documentation for the Non-Supplanting Requirement (chapter 2, paragraph 7). Paragraph 7a, line 4 has been changed to read "should be to the effect that Federal funds have not been used to replace."
 - (3) Maintenance and Retention of Financial Records (chapter 2, paragraph 9). To incorporate the new policy specified by OMB Circular No. A-102.
 - (4) Cash Depositories (chapter 2, paragraph 10). To incorporate the new policy specified by OMB Circular No. A-102.
 - (5) Automatic Data Processing (chapter 3, paragraph 17). To incorporate the definitions of automatic data processing equipment.
 - (6) Professional (Including Contract and Consultant) Services (chapter 3, paragraph 24). Paragraph 24c implements the fiscal year 1973 policy concerning the use of the Part B planning grant funds for consultant services.
 - (7) Confidential Expenditures (chapter 3, paragraph 25). Paragraph 25, Confidential Expenditures, has been expanded to include the procedures and assurances required by LEAA.
 - (8) Medical Research Conducted with LEAA Funds (chapter 3, paragraph 26). Paragraph 26 incorporates the new policy concerning medical research conducted by LEAA funds.
 - (9) Foreign Travel (chapter 3, paragraph 27). To incorporate LEAA policy regarding foreign travel.

- (10) Equipment (chapter 3, paragraph 41). Paragraph 41(a) and (b) incorporates LEAA policy regarding military type equipment, airplanes and helicopters.
- (11) Cost Allocation Plans and Indirect Costs (chapter 3, paragraphs 45 and 46). To incorporate the HEW Circulars OASC-6 (A Guide for State Governments - Establishing Cost Allocation Plans and Indirect Cost Rates for Grants and Contracts with DHEW) and OASC-8 (A Guide for Local Government Agencies - Establishing Cost Allocation Plans and Indirect Proposals for Grants and Contracts with the Federal Government) into our policy.
- (12) Deviations from Submitted Budgets (chapter 3, paragraph 47). To change the budget deviation to ten percent or \$20,000 in any affected category.
- (13) Grantee Procurement Standards and Procedures (chapter 3, paragraph 49). To incorporate the standards and procedures for procurement of materials and services by State and local units of government.
- (14) Determining Applicable Contribution Formulas (chapter 4, paragraph 4). Paragraph 4a(3) has been changed to read "A single minimum grantee contribution ratio of 25 percent"
- (15) Treatment of Specific Items (chapter 4, paragraph 8). To incorporate the new policy specified by OMB Circular No. A-102 concerning Donated Goods or Voluntary Services; Depreciation, Use and Indirect Cost Allowances; and Charges to Other Federal Programs.
- (16) Project Income (chapter 4, paragraph 17). To incorporate the new policy specified by OMB Circular No. A-102.
- (17) Buy-In and Variable Pass Through (chapter 4, paragraph 18). To incorporate the major changes specified by Section 303(2) of the Act.
- (18) Hard Match (chapter 4, paragraph 19). To incorporate the major change specified by Section 301(c) of the Act.
- (19) Carryforward of Unused Grant Funds (chapter 5, paragraph 8). To clarify our previous policies and also to incorporate the current policy for FY 1972 and subsequent year funds.
- (20) Financial Reports (chapter 6). This chapter is being reserved pending publication of revised Financial Reports.

- (21) Department of Interior Lists of Indian Entities (appendix 7).
This appendix contains the Department of Interior List of Indian Entities issued on February 6, 1973.
- (22) Uniform Administrative Requirements - Property Management Standards (appendix 9). To incorporate the new policy specified by OMB Circular No. A-102.
- (23) Confidential Expenditures (appendix 10). Outline of a guideline on confidential expenditures.

8. FURTHER GUIDANCE. The Administration's regional offices will be pleased to deal with questions not covered by this manual and welcome suggestions calculated to increase the utility of the manual or clarify its content. Active State Planning Agency participation in such efforts can help considerably to build this manual into a superior working tool for discharge of Federal, State, and local government fiscal responsibilities under the Act.

James T. Devine
 JAMES T. DEVINE
 Assistant Administrator
 Office of Criminal Justice Assistance

TABLE OF CONTENTS

	<u>Page No.</u>
CHAPTER 1. GENERAL FISCAL ADMINISTRATION.	1
1. Statutory Requirements <u>re</u> Fiscal Administration	1
2. Grant Fiscal Condition	3
3. General Criteria for Implementation of Audit Requirements	3
4. Conflict of Interest	5
5. Special Fiscal Conditions for Construction Program Grants	5
CHAPTER 2. ACCOUNTING SYSTEMS AND FINANCIAL RECORDS.	1
1. General	1
2. Accounting System Standards	1
3. State Planning Agency Supervision and Monitoring Responsibility	2
4. Elements of Accounting Systems - General Account Structure	4
5. Elements of Accounting Systems - Special LEAA Needs	4
6. Accounting for State and Local Contributions and Matching Shares	5
7. Accounting and Documentation for the Non-Supplanting Requirement	6
8. Accounting and Documentation for State Expenditure of "Local Availability" Funds on Behalf of Local Units of Government	7
9. Maintenance and Retention of Financial Records	8
10. Cash Depositories	10
CHAPTER 3. ALLOWABILITY OF COSTS	1
SECTION 1. GENERAL	1
1. Authority	1
2. Applicability of OMB Circular No. A-87	1
3. Basic Principles	1
4. Cost Related Provisions of the Act	2
5. Contents of OMB Circular No. A-87	2
6. Interpretation and Explanation	3
7. Reasonableness of Cost	4
8-9. <u>RESERVED</u>	4

SECTION 2. COST REVIEW, APPROVAL AND MONITORING	7
10. Prior Cost Approval	7
11. Prior Cost Approval Responsibilities	7
12. General Cost Monitoring Responsibilities	8
13-15. <u>RESERVED</u>	8
SECTION 3. COSTS ALLOWABLE WITH APPROVAL OF GRANTOR AGENCY	11
16. General - Costs Requiring Approval	11
17. Automatic Data Processing	11
18. Building Space and Related Facilities	12
19. Equipment and Other Capital Expenditures	13
20. Insurance and Indemnification	16
21. Management Studies	16
22. Preagreement Costs	16
23. Proposal Costs	16
24. Professional (Including Contract and Consultant) Services	17
25. Confidential Expenditures	18
26. Medical Research Conducted with LEAA Funds	19
27. Foreign Travel	19
28-29. <u>RESERVED</u>	19
SECTION 4. COSTS GENERALLY ALLOWABLE	21
30. Commentary	21
31. Compensation for Personal Services	21
32. Conferences, Symposia and Workshops	22
33-35. <u>RESERVED</u>	22
SECTION 5. COSTS GENERALLY UNALLOWABLE	25
36. Expenditures of More Than One-Third of Action Grants for Compensation of Personnel	25
37. Land Acquisition	26
38. Compensation of Federal Employees	26
39. Travel of Federal Employees	26
40. Bonuses or Commissions	26
41. Military Type Equipment; Helicopters and Airplanes	26
42-44. <u>RESERVED</u>	26
SECTION 6. GENERAL COST PRINCIPLES	29
45. Cost Allocation Plans - Central Support Services	29
46. Indirect Costs	29

47. Deviations from Submitted Budgets	30
48. National Guard Funding Policy	31
49. Grantee Procurement Standards and Procedures	32
CHAPTER 4. GRANTEE CONTRIBUTIONS AND MATCHING SHARES	1
1. General	1
2. Records of Contributions	1
3. Timing of Contributions	1
4. Determining Applicable Contribution Formulas	1
5. Contribution Ratios for Discretionary Fund Awards	3
6. Identification of Construction Programs	3
7. Valuation of Grantee Contributions	4
8. Treatment of Specific Items	4
9. Special (Matching) Requirement on Personnel Compensation	7
10. Acceptable Contributions	8
11-13. <u>RESERVED</u>	8
14. Contributions Furnished by Subgrantees	11
15. Waiver of Required Match for Indian Applications	11
16. Non-Supplanting Requirement and Grantee Matching Shares	12
17. Project Income	12
18. Buy-In and Variable Pass-Through	13
19. Hard Match	14
CHAPTER 5. AWARD AND PAYMENT OF GRANT FUNDS	1
1. Award Document	1
2. Payment of Grant Funds - Annual Requirements Under \$250,000	1
3. Payment of Grant Funds - Annual Requirements Over \$250,000	1
4. Letter of Credit Funding	2
5. Obligating Federal Funds	3
6. Carryforward of Unused Grant Funds	4
Figure 5-1. Maximum Deadline Dates for Obligation and Expenditure of Part B Planning Funds, and Part C Block and Part E "Block" Action Funds	6
7. Subgrantee Cancellation Special Condition	6
CHAPTER 6. FINANCIAL REPORTS (RESERVED)	

Page No.

APPENDIX 1.	TEXT OF OFFICE OF MANAGEMENT AND BUDGET CIRCULAR NO. A-87 - PRINCIPLES FOR DETERMINING COSTS OF GRANTS AND CONTRACTS WITH STATE AND LOCAL GOVERNMENT	1
APPENDIX 2.	TEXT OF OFFICE OF MANAGEMENT AND BUDGET CIRCULAR NO. A-73 - AUDIT OF FEDERAL GRANTS-IN-AID TO STATE AND LOCAL GOVERNMENTS	1
APPENDIX 3.	INSTRUCTIONAL MANUAL FOR P.L. 90-351 GRANTEEES ON LETTER OF CREDIT WITHDRAWALS	1
APPENDIX 4.	COMPTROLLER GENERAL'S ACCOUNTING PRINCIPLES AND STANDARDS FOR FEDERAL AGENCIES AS APPLIED TO GRANT PROGRAMS	1
APPENDIX 5.	TITLE I OF THE OMNIBUS CRIME CONTROL AND SAFE STREETS ACT OF 1968 - P.L. 90-351 AS AMENDED BY THE OMNIBUS CRIME CONTROL ACT OF 1970 - P.L. 91-644	1
APPENDIX 6.	FINANCIAL REPORT FORMS (RESERVED)	
APPENDIX 7.	DEPARTMENT OF INTERIOR LISTS OF INDIAN ENTITIES	1
APPENDIX 8.	ABBREVIATED REFERENCES	1
APPENDIX 9.	ATTACHMENT N, OMB CIRCULAR NO. A-102 -- UNIFORM ADMINISTRATIVE REQUIREMENTS FOR GRANT-IN-AID TO STATE AND LOCAL GOVERNMENTS	1
APPENDIX 10.	GUIDELINES FOR CONFIDENTIAL EXPENDITURES	1

CHAPTER 1. GENERAL FISCAL ADMINISTRATION

1. STATUTORY REQUIREMENTS RE FISCAL ADMINISTRATION.a. Special Financial Limitations on Grant-in-Aid Recipients.

- (1) "Pass-Through" Requirement. An obligation on the part of the States to make:
- (a) Forty percent of all Federal planning grant funds available to local units of government or combinations of local units unless a waiver has been obtained [Section 203(c)], and
- (b) With respect to Federal Part C Block action grants beginning with fiscal year 1973 the States must pass through to units of local government or combinations of local units the percentage of action funds equal to their expenditure in relationship to total non-federal expenditure for law enforcement within the State during the preceding fiscal year. Prior to fiscal year 1973 States were required to pass through 75 percent of their Federal Part C Block action funds available to units of local government or combination of such units.
- (2) Federal Participation Ratios. The prescribed ratio of Federal participation in funding for action programs is 75 percent or 50 percent Federal share depending on type of program or project and for planning programs it is 90 percent Federal share. [Sections 301(c) and 204]
- (3) One-Third Personnel Limitation. The ceiling on use of Part C action grant funds for compensation of police and other regular law enforcement personnel is that not more than one-third of any State's Federal funds may be expended for regular law enforcement personnel compensation, exclusive of time engaged in training programs or in research, development, demonstration, or other short-term projects. The amount of Federal funds expended for regular law enforcement personnel compensation, where not excepted as indicated, shall not exceed the amount of State or local funds made available to increase such compensation. [Section 301(d)]
- (4) Non-Supplanting of State or Local Funds. A State obligation to insure that Federal funds "are so used as not to supplant State or local funds but to increase the amount of such funds that would in the absence of Federal funds be made available for law enforcement." [Section 303(10)]

- (5) Assumption of Costs. State Comprehensive Plans must demonstrate the willingness of the State and units of local government to assume the costs of improvements funded under the Act after a reasonable period of Federal assistance. [Section 303(8)]
- (6) Buy-In Requirements. Beginning with fiscal year 1973 funds, each State will provide in the aggregate not less than 25 percent of the matching funds which must be provided by units of local government. This requirement is applied to the total dollar figure that the State is required to pass through to local units of government. [Section 303(2)]
- (7) Hard Match Requirements. Beginning with fiscal year 1973 funds, 40 percent of the required non-federal funding of the cost of any action program or project shall be new money appropriated in the aggregate, by the State or local unit of government. [Section 301(c)]

b. General Requirements and Principles of Fiscal Administration.

- (1) Financial Records. Each recipient of assistance under this Act shall keep such records as the Administration shall prescribe, including records which fully disclose the amount and disposition by such recipient of the proceeds of such assistance, the total cost of the project or undertaking in connection with which such assistance is given or used, and the amount of that portion of the cost of the project or undertaking supplied by other sources, and such other records as will facilitate an effective audit. These provisions apply to all recipients of assistance, whether by direct grant or contract from the Administration or by subgrant or subcontract from primary grantees or contractors to the Administration.
- (2) State Plans. In addition, States are obligated, in the comprehensive law enforcement plans which they must formulate to qualify for action grants, to: Provide for such fiscal control and fund accounting procedures as may be necessary to assure proper disbursement and accounting of funds received under this part. [Section 303(11)]
- (3) Authority. In support of the foregoing, the Administration is authorized to establish appropriate fiscal regulations, rules and procedures such as provided in this guideline manual (Section 501 of Act). Federal aid recipients are obliged to submit such financial and other reports as the Administration may reasonably require [Section 303(12)].

2. GRANT FISCAL CONDITIONS.

- a. Conditions of Financial Administration. All Title I planning and action grants are awarded subject to "conditions of fiscal administration" to which grantees expressly agree and must adhere. Portions of this guideline manual which prescribe or further delineate rules, policies, or requirements of fiscal administration are incorporated by reference in such conditions of fiscal administration.
- b. Special Conditions. In addition, individual grants may include "special conditions" related to financial administration of grants, and where this is the case, these are to be considered a continuing requirement for eligibility and use of grant funds.
- c. Applicability. General and special conditions prescribed by LEAA for Title I planning and action grants also apply to all subgrants awarded by the State Planning Agency.

3. GENERAL CRITERIA FOR IMPLEMENTATION OF AUDIT REQUIREMENTS. The following audit criteria are tentatively suggested as general policy regarding audit responsibilities. They indicate a general approach, but the detailed audit criteria can be found in LEAA's Audit Manual. This approach is based on the policies to be followed in the audit of Federal grants-in-aid to State and local governments in OMB Circular No. A-73, issued on August 4, 1965. (See Appendix 2 for OMB Circular A-73).

a. Policy.

- (1) Responsibility. The audit function is primarily the responsibility of the States.
- (2) Annual Audits. It is the policy of the LEAA that annual audits be performed of the State Planning Agency responsible for administering Part B planning and Parts C and E action programs. The audits must include a representative (statewide) sample of subgrantees and contractors. The out of State portions of multi-state Discretionary Grants awarded to a State do not require annual audits under the provision.

- b. Performance. The annual audit must be performed by or under the direction of the appropriate State audit agency. The extent of audit work to be performed may vary depending on the extent of internal controls (including the review and monitoring of subgrantees and contractors) established by the SPA. A state may use Part B planning funds in obtaining audit services of existing State audit agency capabilities.

c. Audit Coverage.

- (1) Standards. A reasonable volume (programs and dollar) of total planning and action subgrants must be audited annually. The LEAA Audit Guide and standards as well as other generally accepted State auditing standards should be applied in each audit. The annual audit should be a comprehensive audit and cover financial operations--accountability, compliance with the laws, management operations, and program accountability.
- (2) Receipts and Expenditures. A thorough financial audit, performed in accordance with generally accepted auditing and LEAA standards, should include the receipt and expenditure of planning funds at the State and subgrant levels, and the receipt and expenditure of action and discretionary grant funds at the State and subgrant levels. Audits must include, on a test basis, a sufficient review of the underlying or supporting documentation to enable the audit agency to render an opinion as to the allowability and appropriateness of receipts and expenditures.
- (3) Additional Review. Audit coverage will also include a review of:
 - (a) Managerial policy and direction, organizational structure and functional alignment, delegations of authority, and compliance with applicable Federal, State and local government laws and regulations;
 - (b) Planning and operational procedures and controls to promote efficiency, to encourage adherence to managerial policies (including Federal, State and local government regulations), and to assure the reliability of data contained in operations/performance reports;
 - (c) Technical monitoring and audit of subgrantee organizations to assure that grant and matching funds are properly recorded and controlled, expended for the purposes agreed upon and reported in a complete and reliable manner; and/or
 - (d) Custody, utilization and control over non-financial resources such as property, equipment and supplies.

d. Reporting. A written report shall be prepared upon completion of the annual audit.

- (1) Contents. The report will contain narrative statements, tabulations, schedules or other pertinent data disclosing the deficiencies found and recommendations needed to correct and/or prevent recurrence of the deficiencies and amounts of unallowable costs to be refunded. In addition, the report shall show the names and titles of State and local officials with whom the contents of the reports were discussed and whether or not the officials concurred with the findings.
- (2) Copy Distribution. Copies of the report shall be distributed to the appropriate SPA officials responsible for taking corrective action. A copy of the audit report shall be furnished to LEAA's Office of Audit, appropriate Regional Office, and the Office of General Counsel.

4. CONFLICT OF INTEREST.

- a. No official or employee of a State or unit of local government or of non-government grantees shall participate personally through decision, approval, disapproval, recommendation, the rendering of advice, investigation, or otherwise in any proceeding, application, request for a ruling or other determination, contract, grant, claim, controversy, or other particular matter in which LEAA funds are used, where to his knowledge he or his immediate family, partners, organization other than a public agency in which he is serving as officer, director, trustee, partner, or employee or any person or organization with whom he is negotiating or has any arrangement concerning prospective employment, has a financial interest.
- b. In the use of LEAA grant funds officials or employees of State or local units of government and non-government grantees shall avoid any action which might result in, or create the appearance of:
 - (1) Using his official position for private gain,
 - (2) Giving preferential treatment to any person,
 - (3) Losing complete independence or impartiality,
 - (4) Making an official decision outside official channels, or
 - (5) Affecting adversely the confidence of the public in the integrity of the Government or the program.

5. SPECIAL FISCAL CONDITIONS FOR CONSTRUCTION PROGRAM GRANTS. Grant or subgrant funds for construction or facility improvement which require letting a contract amounting to \$100,000 or more to a private company or individual in order to accomplish the objective of the grant, in addition to the requirements enumerated in chapter 3, paragraph 49, shall require:
- a. A bid guarantee equivalent to five percent of the bid price. The bid guarantee shall consist of a firm commitment such as a bid bond, certified check, or other negotiable instrument accompanying a bid as assurance that the bidder will, upon acceptance of his bid, execute such contractual documents as may be required within the time specified after the forms are presented to him.
 - b. A performance bond on the part of the contractor for 100 percent of the contract price. A "performance bond" means a bond executed in connection with a contract to secure fulfillment of all the contractor's obligation under such contract.
 - c. A payment bond on the part of the contractor for 100 percent of the contract price. "Payment bond" means a bond executed in connection with a contract to assure payment as required by law of all persons supplying labor and material in execution of the work provided for in the contract.
 - d. Where the Federal Government guarantees the payment of money borrowed by a grantee or subgrantee, the State Planning Agency may, at its discretion, require adequate bonding and insurance if the bonding or insurance requirements of the grantee or subgrantee are not deemed sufficient to protect adequately the interest of the Federal Government. In those instances wherein construction of facility improvements for less than \$100,000 are contemplated and the subgrantee does not have any requirements for bid guarantees, performance bonds and payment bonds, the State Planning Agency will impose State requirements on the subgrantees.

CHAPTER 2. ACCOUNTING SYSTEMS AND FINANCIAL RECORDS

1. GENERAL.

- a. Purpose. This chapter offers guidance as to the establishment and maintenance of suitable accounting systems for grantees, subgrantees, and contractors executing Title I programs. States are free to provide the means through which compliance with fiscal requirements of Title I grants can be achieved and verified. See Appendix 4 for accounting principles and standards for Federal agencies, issued by The Comptroller General of the United States.
- b. Requirements. It is essential that the State's grant accounting system provide effective financial controls. Grantees should recognize that audits of grants will be made and unless commonly accepted standards of financial responsibility have been followed, these audits may result in the disallowance of expenditures for which the grantee will be liable. The grantee may be requested to return the funds either to the State or to the Law Enforcement Assistance Administration. Failure to maintain adequate financial controls could make the grantee criminally liable under Sections 651, 652, and 653 of the Act. To the extent that minimum accounting system requirements are set forth in subsequent text, due consideration was given in their formulation to the financial and reporting requirements of the Act as well as other reporting and statutory requirements of the Congress, the Treasury Department, the Office of Management and Budget and the General Accounting Office. Continuing review and revision of these requirements will be undertaken as developing experience reveals the need for improvement or the potential for greater effectiveness.

2. ACCOUNTING SYSTEM STANDARDS. The financial responsibility of grantees, their subgrantees and contractors is parallel to that of the Administration. Each must govern its affairs so that it may properly discharge the public trust which accompanies the authority to expend public funds. The State Planning Agency must therefore establish and maintain fiscal control and accounting procedures which assure that Federal and State/local funds available for the conduct of the grant programs and projects are properly disbursed.

- a. Criteria. Adequate accounting systems should meet the following criteria.

- (1) Accounting records should provide the information needed to adequately identify the receipt of funds under each grant awarded and the expenditure of funds for each grant, for each action program covered by a State's grants and for each subgrant awarded by the State.

Apr. 30, 1973

- (2) Entries in accounting records should refer to subsidiary records and/or documentation which support the entry and which can be readily located.
- (3) The accounting system should provide accurate and current financial reporting information.
- (4) The accounting system should be integrated with an adequate system of internal controls to safeguard the funds and assets covered, check the accuracy and reliability of accounting data, promote operational efficiency, and encourage adherence to prescribed management policies.

b. Management Information. In addition to the control and documentation of financial activities, the financial system can be an important instrument for managerial decision. Proper use of financial information will assist in determining what activities merit priority or emphasis, where efficiency can be improved, and how resources can best be utilized.

c. Objectives. The objectives of any accounting system are to:

- (1) Provide management with financial data to assist in the planning, control, measurement, and evaluation required for the efficient and economical operation of the organization and its programs;
- (2) Provide management control of funds and other assets so as to insure that the expenditure of funds and use of other property is in conformance with applicable laws and regulations;
- (3) Insure, by means of cost and property control and prudent management, that optimal use is made of all resources;
- (4) Meet any requirements for reporting periodically on financial operations; and
- (5) To classify and present projected and historical costs as required for budgeting purposes.

3. STATE PLANNING AGENCY SUPERVISION AND MONITORING RESPONSIBILITY. The State Planning Agency has primary responsibility for assuring proper administration of planning and action funds awarded under Title I. This includes responsibility for the proper conduct of the financial affairs of any subgrantee or contractor insofar as they relate to programs or projects for which Title I funds have been made available -- and for default in which the State Planning Agency may be held accountable for improper use of grant funds.

Apr. 30, 1973

M 7100.1A

- a. Delegation of Responsibility. Grantees may delegate to another organization all or a significant portion of the responsibility for carrying out a program or project component. In such cases, the agreement between the grantee and its subgrantee or contractor should indicate the agreed scope of work to be performed by the latter.
- b. Grantee Responsibilities for Accounting by Delegate Agencies. Where the conduct of a program or program component is so delegated, the grantee is, nevertheless, responsible for performance of all aspects of the program, including proper accounting for expenditure of funds by the delegate agencies. These responsibilities also include:

- (1) Review of Subgrantee Financial Operations. The grantee should be familiar with and should periodically monitor subgrantee financial operations, records, systems, and procedures. The grantee should see, among other things, that adequate records are maintained in current condition. For State Planning Agencies which will be making subgrant or contract awards to a number of agencies, it will be useful to assign at least one finance office employee to review and assist such agencies in accounting and financial matters.
- (2) Centralized Accounting for Subgrantee Agencies. Where State Planning Agencies fund programs or parts of programs for a number of small subgrantees, it may be possible, through the State Planning Agency or State fiscal office, to provide centralized accounting services for such subgrantees. Centralized disbursement, procurement, and payroll operations might also be considered where the capacity or resources of subgrantees for proper fiscal administration is uncertain.
- (3) Recording Subgrantee Financial Activities. The subgrantee award or other contract obligation, as well as advances and financial activities, should be recorded upon the books of the grantee in summary form. Subgrant expenditures should be recorded on the books of the grantee, or evidenced by report forms duly filed by subgrantees, according to the major object categories used for LEAA reporting and budgeting. Non-federal contributions applied to programs or projects by subgrantees must likewise be recorded as should any program income resulting from subgrantee program operations.

- (4) Budgeting and Budget Review of Subgrantee Financial Operations. The grantee should, in most cases, see that each subgrantee prepares an adequate budget, on which its award commitment will be based. The detail of each subgrantee project budget should be maintained on file by the grantee.
- (5) Non-Federal Contributions. In some cases, the State Planning Agency may furnish required non-federal matching shares without requiring the subgrantee to furnish a contribution. In many cases, however, subgrantees will be required by the terms of their awards to furnish non-federal contributions. The rules, requirements, limitations, and regulations pertinent to non-federal contributions will, in such cases, apply to the subgrantees.
- (6) Reporting Irregularities. State Planning Agencies and their subgrantees are responsible for reporting promptly to the LEAA the nature and circumstances surrounding any financial irregularities discovered. Failure to report known irregularities may result in suspension of the governing grant or other remedial action.

14. ELEMENTS OF ACCOUNTING SYSTEMS - GENERAL ACCOUNT STRUCTURE.

- a. General System Elements. Accounting systems involve a series of operations relating to the classifying, recording, summarizing, and reporting of transactions performed. The elements of the system should consist of an account structure, the accounting records, source documents, financial reports, and the procedures that prescribe the manner in which these operations are performed.
- b. Minimum Accounting Requirements. This guideline manual seeks to identify minimum accounting requirements for grants awarded under Title I of the Act. Compliance with these requirements will assure that State Planning Agencies and their subgrantees can meet the financial report requirements of the Act and prepare internal financial reports to satisfy program information needs. At the outset an account structure adequate to the demands of the Act and grantee fiscal responsibilities must be developed and utilized.

5. ELEMENTS OF ACCOUNTING SYSTEMS - SPECIAL LEAA NEEDS. The financial requirements and formulas of the Act, as well as the need of State Planning Agencies to separately account for planning and action

grants, will require a special program account structure extending beyond normal classification by type of receipts, expenditures, assets and liabilities.

a. Types of Grant Awards. States will receive:

- (1) Planning grants of which 40 percent must be made available to local units of government to participate in State Plan formulation, unless this requirement is waived by the Administration, upon a finding that the requirement is inappropriate and would not contribute to the efficient development of the State Plan.
- (2) Action grants formulated within the dimension of an approved comprehensive plan beginning with fiscal year 1973 require that the State pass through to local units of government or combination of such units the percentage of Part C block funds equal to their expenditure in relationship to total non-federal expenditures for law enforcement with the State during the preceding fiscal year. Prior to fiscal year 1973 States were required to pass through 75 percent of their Part C block funds available to units of local government or combinations of such units.

b. Program Accounts. To properly account for these awards, "program accounts" should be established and maintained by State Planning Agencies which accomplish the following:

- (1) Separately account for and identify the disposition and use of planning awards;
- (2) Separately account for and identify funds utilized for the local planning programs and projects;
- (3) Separately account for and identify the use and disposition of action funds;
- (4) Separately account for and identify funds utilized for the local action programs and projects;
- (5) Separately account for the funds applied to each "action program" included within the State's approved plan;
- (6) Separately identify funds awarded to or which benefit high crime law enforcement areas (see Guideline Manual M 4100.1A, State Planning Agency Grants, paragraph 78).

6. ACCOUNTING FOR STATE AND LOCAL CONTRIBUTIONS AND MATCHING SHARES.

- a. Total Cost Budgeting and Accounting. Accounting for both planning and action grants under the Act should be structured and executed on a "total program cost" basis. That is, total program costs, including

Apr. 30, 1973

Federal grant funds, State and local matching shares, and any other fund sources (other Federal grants, private foundation grants, etc.) should be the foundation for fiscal administration and accounting for Title I planning and action programs. LEAA grant applications and action plan submissions will always require budget and cost estimates on this basis. The "total cost" structure will serve the action goals of the program since States and localities must be aware of the total costs and resources required to execute programs. It will also serve the statutory requirement that States contribute to the costs of federally supported programs because total cost accounting will establish required supplementation of Federal grants per applicable matching formulas. Section 521(a) of the Act, moreover, stipulates that grantee records must disclose total project costs.

b. Identification of Required Matching Contributions. Total cost budgeting and accounting will necessitate means of identification of properly designed and maintained "income" or "receipts" account structure for:

- (1) Each LEAA planning grant under Part B of the Act,
- (2) Each "action program" or project supported by LEAA action grant under Parts C, and E of the Act, and
- (3) See chapter 4, paragraphs 18 and 19 for identification and accounting of the buy-in and hard match requirements.

7. ACCOUNTING AND DOCUMENTATION FOR THE NON-SUPLANTING REQUIREMENT. The Act requires that Federal funds made available under Title I be used so as "not to supplant State or local funds."

a. Certification. To comply with this requirement State Planning Agencies may rely on written certifications by State agencies and local government units receiving subgrant awards. Certification should be to the effect that Federal funds have not been used to replace State or local funds that would, in the absence of such Federal aid, be made available for law enforcement. Such certification may be incorporated in prescribed subgrantee reports to the State Planning Agency, and should be provided not less than annually. It should include in addition to the basic certification:

- (1) A certification that subgrantee expenditures for law enforcement, for the annual period covered, are at least as great as for the preceding year plus the average annual increment in such expenditures for the past two, three, four, or five years (the length of the averaging period to be left to subgrantee option); or

Chap 2
Par 6

Apr. 30, 1973

M 7100.1A

(2) Where the certification in chapter 2, paragraph 7a(1) cannot be made and there is a reduced or unchanged local investment in law enforcement, there should be an explanation demonstrating that the subgrantee's reduced or unchanged commitment would have been necessary even if Federal financial support under Title I had not been made available.

b. Documentation. Such certifications shall be held in file by the State Planning Agencies for purposes of audit. Any certifications involving special explanations, as provided in chapter 2, paragraph 7a(2) above, should be forwarded to LEAA for information purposes within a reasonable period after receipt. Subgrantee records in support of the certifications should contain estimates of total funds annually made available for law enforcement for the year of certification and the years used to determine average annual increment. Subgrantee records should also identify the source or basis for such estimates.

c. Combination of Local Units. Where subgrantees are "combinations of local units" certifications should cover the combined law enforcement expenditures of the participating units.

8. ACCOUNTING AND DOCUMENTATION FOR STATE EXPENDITURE OF "LOCAL AVAILABILITY" FUNDS ON BEHALF OF LOCAL UNITS OF GOVERNMENT. The Act requires that 40 percent of Federal planning grant funds and the percentage of Part C block funds equal to the State's expenditure in relationship to total non-federal expenditures for law enforcement with the State during the preceding fiscal year be made available to units of general local government or combinations of such units. [Sections 203(c) and 303(2)]

a. State Provided Services or Outlays Charged Against "Local Availability" Funds. The Administration has determined that costs of services provided by the State or direct outlays by the State for or on behalf of local units of government may not be charged as funds made "available" to local units without the specific approval of:

- (1) The State Planning Agency's supervisory board, and
- (2) The local units to which the services will be made available.

b. Documentation of Consent. State Planning Agency records should, therefore, contain explicit documentation of such consent with regard to all programs under which the cost of State services or direct State money outlays are to be charged against "local availability" funds. No special form of documentation, accounting, or recording of such consent need be used. However, an appropriate written record must be obtained or made for each required consent:

Chap 2
Par 7

Apr. 30, 1973

- (1) SPA Supervisory Board Approval. In the case of SPA supervisory board approvals, signed certifications by board officers, or official minutes of board meetings at which approval action is taken, would be adequate.
- (2) Local Government Approval.
 - (a) In the case of local government approvals, duly signed consents or waivers by individual local governments which will receive State provided services or the benefit of direct State outlays would be the normal form of documentation.
 - (b) A written record or certification of group action (e.g., general approval by a class of local government units at meetings called for the purpose) or legislative mandate (action by the State legislature requiring local units, under stipulated programs, to accept funds made available to them in form of State provided services) could also operate to provide the necessary consent.
 - (c) Other mechanisms for documentation of consent might be acceptable in appropriate circumstances. State Planning Agencies are encouraged to consult with the Administration, and seek its advance approval, when uncertain about the adequacy of procedures for obtaining and documenting local government consent with respect to specific law enforcement improvement programs.

9. MAINTENANCE AND RETENTION OF RECORDS.

- a. Retention Period. Records of the grantee and its subgrantees and contractors, including books of original entry, source documents supporting accounting transactions, the general ledger, subsidiary ledgers, personnel and payroll records, cancelled checks, and related documents and records must be retained for a period of at least three years. The retention period starts from the date of the submission of the final expenditure report or, for grants which are renewed annually from the date of the submission of the annual expenditure report. The three-year retention period is qualified as follows:
 - (1) Records for nonexpendable property acquired with Federal grant funds shall be retained for three years after its final disposition.

Apr. 30, 1973

- (2) When grant records are transferred to or maintained by the Federal grantor agency, the three-year retention requirement is not applicable to the grantee.
- (3) Records must be retained beyond the three-year period if an audit is in progress and/or the findings of a completed audit have not been resolved satisfactorily. If an audit is completed and the findings are resolved prior to the three-year period, records will be retained until the end of the three-year period. If the three-year period has passed and no audit has been initiated, the records will be retained in accordance with other State and local law. If State or local law requires a longer period of record retention, access to the records will be allowed for purposes of a Federal audit.
- (4) The Law Enforcement Assistance Administration may request transfer of certain records to its custody from State and local governments when it determines in conjunction with the State Planning Agency that the records possess long-term retention value.
- (5) Unless otherwise required by law, no State Planning Agency will place restrictions on State and local governments which will limit public access to the State and local governments' records except when records must remain confidential for the following reasons:
 - (a) Prevent a clear unwarranted invasion of personal privacy.
 - (b) Specifically required by Executive Order or statute to be kept secret.
 - (c) Commercial or financial information obtained from a person or a firm on a privileged or confidential basis.
 - (d) Any other information which can be exploited for the purpose of illegal gains.
- b. Coverage. Source documents would, for LEAA grant administration purposes, also include copies of all subgrants and subgrant awards, applications and required subgrantee fiscal reports. Adequate time and attendance accounting for full-time, part-time and intermittent employees, and for individual consultants whose compensation is charged to grant programs and subgrant projects is important.

Apr. 30, 1973

- c. Maintenance. Records shall be maintained in an orderly manner and shall be available, for audit purposes, to the Administration or the Comptroller General of the United States or their authorized representatives. Grantees are expected to see that records of different Federal fiscal periods are separately identifiable and so maintained that information desired can be readily located. Grantees are also obliged to protect records adequately against fire or other damage. When records are stored away from the grantee's principal office, a written index of the location of records stored should be on hand and ready access should be assured.
10. CASH DEPOSITORIES. Recipients of Federal funds shall deposit these funds in a bank with FDIC coverage and must be collaterally secure, as provided for in 12 U.S.C. 265. Although LEAA does not require physical segregation or the establishment of any eligibility requirement for cash depositories, it does recommend the following:
- A separate bank account may be used when payments under letter of credit are made on a "check-paid" basis in accordance with agreements entered into by a grantee, the Federal Government, and the banking institutions involved.
 - Consistent with the national goal of expanding the opportunities for minority business enterprises, State and local governments shall be encouraged to use minority banks.

Apr. 30, 1973

CHAPTER 3. ALLOWABILITY OF COSTS

SECTION 1. GENERAL

- AUTHORITY. This chapter deals with the rules and principles applicable in determining costs properly chargeable to planning and action grants awarded to State Planning Agencies and their State and local government subgrantees under Title I of the Act. It is based on the standardized cost allocation and allowability principles prescribed for all Federal grant-in-aid programs dealing with State and local government in OMB Circular No. A-87 issued on May 9, 1968. (See Appendix 1 for OMB Circular No. A-87.)
- APPLICABILITY OF OMB CIRCULAR No. A-87. Circular No. A-87 was promulgated to provide the basis and standards "for a uniform approach to the problem of determining costs and to promote efficiency and better relationships between State and local grantees and their Federal counterparts". The Administration has made Circular No. A-87 applicable to all planning and action grants under the Act by a grant condition incorporated in all individual awards. Accordingly, and notwithstanding other "effective dates" contemplated by Circular No. A-87, that directive is to be regarded as applicable to all grant and subgrant recipients receiving Title I planning or action funds and will guide LEAA administration, audit, and cost determinations with respect to such funds and their use by State and local government.
- BASIC PRINCIPLES. The policy guides and general allocability and allowability principles set forth in Circular No. A-87 adequately define Administration policies and assumptions concerning cost determinations in connection with Title I planning and action grants and the programs and projects to which they relate. The basic LEAA focus in determining or examining allowability of costs within the A-87 framework will be the extent to which cost items contribute to the purposes and execution of the grant program and are so applied. It will be assumed:
 - That Federal, State and local units of government will each bear their appropriate share of allocated costs as allowable not only under Circular No. A-87 but also under State and local law or regulation.
 - That State Planning Agencies and their subgrantees will accept responsibility for expending and accounting for LEAA funds in a manner consistent with:
 - Pertinent agreements and program objectives, and
 - Policies and procedures that apply uniformly both to federally assisted and other activities of the grantee units of government.

- c. That State Planning Agencies and their subgrantees have the primary responsibility for employing whatever form of organization and management techniques necessary to assure proper and efficient fiscal administration and cost allocation, including accounting, budgeting, reporting, auditing and other review controls.
- d. That costs pertinent to carrying out unrelated functions of government (i.e., unrelated to law enforcement programs receiving grant support) are not allowable and there can be no recognition of "profit" or other increment above true cost to State or local government in executing Title I grants.
- e. That allowable costs under subgrants or contracts with educational institutions will be determined by LEAA and State Planning Agencies in accordance with the cost principles set forth in OMB Circular No. A-21 entitled "Principles for Determining Costs Applicable to Research and Development and Educational Services Under Grants and Contracts with Educational Institutions".
4. COST RELATED PROVISIONS OF THE ACT. It should be noted that Circular No. A-87 does not identify the circumstances or dictate the extent of Federal and State or local participation in the financing of particular grants programs. Matching requirements of various Federal programs are unaffected by the Circular and where authorizing legislation contains explicit restrictions on the reimbursement of particular costs, such restrictions are also unaffected. Accordingly, chapter 3, section 1 of this manual will incorporate discussion of Title I statutory cost restrictions (i.e., the "one-third" allowability limit for costs of personnel compensation under Sec. 301). Chapter 3, sections 2, 3, 4, 5, and 6 should be examined for further cost-relevant provisions of the Act (e.g., the non-supplanting requirement in chapter 2 and matching share requirements in chapter 4).
5. CONTENTS OF OMB CIRCULAR No. A-87. The full text of Circular No. A-87 entitled "Principles for Determining Costs Applicable to Grants and Contracts with State and Local Government" will be found in Appendix 1 to this manual. The circular has two attachments.

- a. Attachment A deals with general principles for determining costs. It elaborates on the Circular's purpose and scope and:
- (1) Provides certain definitions;
 - (2) Sets forth basic guidelines;
 - (3) Treats the subjects of composition of cost, direct costs, and indirect costs (including limitations on the latter);
 - (4) Deals with costs incurred by agencies other than the grantee and costs incurred by the grantee for others;
 - (5) States the general requirements and approvals related to cost allocation plans for distribution of central support or other joint costs among benefited grant programs.
- b. Attachment B of the Circular deals with standards for selected items of cost. Costs, as discussed in this attachment, are divided into three categories:
- (1) Costs which are generally allowable.
 - (2) Costs which are allowable with grantor agency approval (LEAA approval as regards Title I); and
 - (3) Costs which are not allowable.

6. INTERPRETATION AND EXPLANATION.

- a. Costs Allowable with LEAA Approval. Subsequent discussion will deal primarily with definition of LEAA policies and rules concerning those costs to which prior LEAA approval is contemplated (see chapter 3, paragraph 5b). Here guidance is needed by grantees to facilitate grant fund administration, define precisely when prior approval is required and how requests must be made, minimize the necessity for individual approval requests through blanket approval policies applicable to such costs, and outline the responsibilities of State Planning Agencies in the approval process with regard to subgrantees.
- b. Costs Generally Allowable and Unallowable. In addition to costs in chapter 3, paragraph 5b(2), limited interpretation and expansion of Circular No. A-87 text with respect to overall cost allocation or composition principles, costs generally allowable [see chapter 3, paragraph 5b(1)] and costs generally unallowable [see chapter 3, paragraph 5b(3)] has been provided in those areas where questions have been frequently raised or ambiguities identified by LEAA grantees which prevent them from proceeding with assurance as to correct adherence to Circular No. A-87 or proper interpretation of A-87 requirements.

Apr. 30, 1973

Apr. 30, 1973

M 7100.1A

c. Future Modification or Adjustment. Where no amplification of A-87 text is deemed necessary, no commentary has been offered in Chapter 3. It is only with reference to A-87 questions or subjects which call for further explanation or policy definition that additional guidance has been provided. In such cases, LEAA rules and policies will be subject to modification or adjustment to conform to future issuances or instructions applicable to all Federal grant-in-aid programs which seek to further elaborate and standardize the cost allowability principles of Circular No. A-87.

7. REASONABLENESS OF COST. These definitions of reasonable are added as an amplification of OMB Circular No. A-87. A cost is reasonable if, in its nature or amount, it does not exceed that which would be incurred by an ordinarily prudent person in the conduct of business or Government service. The question of reasonableness of specific costs must be scrutinized with particular care in connection with procurement which may be not subject to effective competition. What is reasonable depends upon a variety of considerations and circumstances involving both the nature and amount of the cost in question. In determining the reasonableness of a given cost, consideration shall be given to:

- a. Whether the cost is of a type generally recognized as ordinary and necessary for the conduct of the contractor's business or the performance of the contract or necessary for Government service or the grant;
- b. The restraints or requirements imposed by such factors as generally accepted sound business practices, arm's length bargaining, Federal and State laws and regulations, and contract and grant terms and specifications;
- c. The action that a prudent manager would take in the circumstances considering his responsibilities to his employees, the Government and the public at large; and
- d. Significant deviations from the established practices of the Government or contractor which may unjustifiably increase the grant or contract costs.

8-9. RESERVED.

SECTION 2. COST REVIEW, APPROVAL, AND MONITORING.

10. PRIOR COST APPROVAL.

a. Requirement. Written approval of planning and action grant costs will be required for cost items listed in Section C, Attachment B of Circular No. A-87 under the heading "Costs Allowable With Approval of Grantor Agency" and for cost determinations specified in other sections of Circular No. A-87 as requiring explicit grantor approval except as limited or modified by subsequent paragraphs of this section of the guideline manual.

b. Form. Requests offering adequate justification or description to permit review of allowability must be in writing either:

- (1) Through inclusion in the budget or other component of a grant or subgrant application, or
- (2) As a separate letter or written request.

11. PRIOR COST APPROVAL RESPONSIBILITIES

a. Administrative Authorities. Consistent with the "block grant" structure of the Act and primary grant administration responsibilities vested by the Act in State Planning Agencies, administration of Circular No. A-87 principles and standards will be vested in two authorities:

- (1) The Administration. Review of those costs requiring A-87 grantor approval reserved for LEAA are enumerated in paragraphs 17 - 27 of this chapter.
- (2) State Planning Agencies. Review of costs requiring A-87 grantor approval under planning and action subgrants to local units of government or other State agencies or units will, unless specified in this manual as requiring LEAA approval (see Chapter 3, paragraphs 18e, 19b(2), 22b, 23, 24b, 25, 26 and 27), be conducted by State Planning Agencies (or their fiscal designees) and written approvals will be requested from and issued by the State Planning Agencies.
 - (a) State Planning Agencies will be expected to issue cost allowability regulations and procedures consistent with Circular No. A-87 and this manual in discharge of the responsibilities outlined above.

Apr. 30, 1973

(b) Where State Planning Agencies desire to promulgate general standards of policies governing their review of "grantor approval" items which reduce the need for individual requests or review beyond the limits established in this manual, these standards or policies must be submitted to LEAA for prior approval.

b. State Assumption of Responsibility. Since the bulk of Title I planning and action funds will be made available and utilized as subgrants from State Planning Agencies to other State agencies and local units of governments, the foregoing policies vest substantial responsibility for A-87 cost allowability review and monitoring in the State Planning Agencies.

(1) State assumption of such responsibilities can commence as soon as the regulations and procedures referred to in Chapter 3, paragraph 11a(2)(b) have been submitted to and approved by that State Planning Agency fiscal review capabilities are adequate to handle the function.

(2) The Administration is prepared to work closely with the States in developing adequate procedures and systems to discharge this responsibility and to respond promptly to cost allowability questions referred to LEAA for advisory review or guidance.

12. GENERAL COST MONITORING RESPONSIBILITIES. Circular No. A-87 provides a broad framework for recognition of proper costs associated with the execution of Title I planning and action grant programs and projects. It presents a challenge and opportunity to States to seek to maximize the effectiveness of Federal funds so allocated for improved law enforcement and crime control effectiveness. Accordingly, States may establish suitable policies, consistently and uniformly applied, which may be more restrictive than the cost allowability "boundaries" of Circular No. A-87 to effectuate State and local priorities, adhere to and otherwise conserve dollars for direct application to crime control programs (e.g., limitations on capital equipment, alterations, travel, in indirect costs, etc.) This is a State and local prerogative, subject only to the principle of consistent, fair and reasonable limitation in relation to needs and programs of subgrantees. In this manner, States may achieve an impact for limited Title I funds well beyond that afforded by unsupervised allowance of costs. Similar opportunity lies in the administration of grantee matching shares or contributions (discussed in Chapter 4).

13-15. RESERVED.

Chap 3
Par 11

Apr. 30, 1973

M 7100.1A

SECTION 3. COSTS ALLOWABLE WITH APPROVAL OF GRANTOR AGENCY

16. GENERAL - COSTS REQUIRING APPROVAL

a. Cost Categories. Several types of grant costs (eight basic categories) requiring prior Federal approval are listed in Section C of Attachment B, Circular A-87. Three additional types of costs have been added by LEAA. Section 3 addresses the eleven specific types of grant costs requiring prior approval (see paragraphs 17 through 27). It was not the intention of LEAA to require "grantor agency approval" of all charges falling within the listed cost categories but only for those aspects or elements which specifically require grantor agency approval. Thus, for example, although automatic data processing costs are discussed generally in this section and are deemed allowable, it is only the purchase or other acquisition of automatic data processing equipment that requires "specific prior approval of the grantor Federal agency."

b. Expenditure Levels. The establishment of dollar expenditure levels in this section below which individual grantor approval is not required is intended to furnish blanket LEAA approval for modest grant-related outlays within the pertinent cost category. It should not be taken to imply that costs above such levels will not receive "grantor approval" upon submission of appropriate data and justification.

17. AUTOMATIC DATA PROCESSING.

a. Requirement. Prior approval is required only for the acquisition of equipment, whether by outright purchase, rental purchase agreement or other method of purchase. Such approval, for State Planning Agencies must be provided by LEAA.

b. Definition. The following is the definition of automatic data processing equipment as used in OMB Circular No. A-87: General purchase, commercially available ADP components and the equipment created from them, regardless of use, size, capacity or price, which are designed to be applied to the solution or processing of a variety of problems or applications. This definition includes:

(1) Digital, analog or hybrid computer equipment;

Chap 3
Par 16

Apr. 30, 1973

(2) Auxiliary or accessorial equipment such as data communications terminals, source data automation recording equipment (e.g., optical character recognition equipment, and other data acquisition devices), and data output equipment (e.g., digital plotters, computer output microfilms) etc., to be used in support of digital, analog, or hybrid computer equipment; whether cable connected, wire connected, radio connected or self-standing, and whether selected or acquired with a computer or separately;

(3) PCAM (Punch Card Accounting Machines) whether used in conjunction with or independently of digital, analog, or hybrid computers.

c. Qualifications and Exclusions.

(1) Analog computers are covered only when computers of this type are being used as equipment peripheral to a digital computer.

(2) Items of ADP equipment that are (a) physically incorporated in a weapon, or (b) manufactured under a developmental contract, are excluded from the above definition.

(3) Accessories such as tape cleaners, tape testers, magnetic tapes, paper tapes, disc packs and the like are excluded.

18. BUILDING SPACE AND RELATED FACILITIES.

a. Rental Cost. Prior written approval is not required where:

(1) The total rental space requirement, including space for file, conference, mail, supply, reproduction, and storage rooms, is not in excess of 150 square feet per employee (space required for intermittent and/or part-time employees may be included).

(2) The rental charge is certified in writing by the grantee or subgrantee (document on file with grant fiscal records) to be consistent with the prevailing rates in the area and not in excess of \$7 annually per square foot.

b. Maintenance and Operation. Prior approval is not required where maintenance and operation expenses as defined in Circular No. A-87, when added to any space rental costs, are estimated not to exceed an aggregate total of \$10 annually per square foot of space occupied.

Apr. 30, 1973

c. Rearrangements and Alterations. Prior approval is not required when the total estimated outlay for rearrangement and alteration costs under any grant or subgrant is less than \$1,500. For costs in excess of such amount, justification must normally show that:

(1) The building involved is in reasonably good condition with a life expectancy of five or more years,

(2) The costs are true rearrangement or renovation costs as distinguished from new construction or expansion of an existing building (see Chapter 4, paragraph 6),

(3) Total costs do not exceed 25 percent of the current value of the building.

d. Depreciation and Use Allowances on Publicly Owned Buildings. Charges in conformity with the principles and rules on "depreciation and use allowances" set forth in section B.11 of Attachment B, Circular No. A-87, are allowable. Prior LEAA approval is required only when depreciation or use allowances are to be charged, for appropriate reason, on temporarily idle or excess facilities.

e. Occupancy Under Rental Purchase or Lease with Option to Purchase Agreement. Prior approval of costs of occupancy under arrangements of this type for both grantees and subgrantees must be provided by LEAA and may require application of special matching share requirements applicable under the Act to construction programs.

19. EQUIPMENT AND OTHER CAPITAL EXPENDITURES (See paragraph 49 of this chapter for Grantee Procurement Standards and Procedures). Title I grant funds may be expended for equipment. Because of the Act's "one-third" limitation on personnel compensation under action grants, a major portion of such funds is expected to be awarded for programs or projects involving equipment acquisition. Therefore, this cost category is of prime concern to State Planning Agencies and their State and local government subgrantees. Circular No. A-87 provides that the cost of equipment and other capital assets, including repairs which materially increase their useful life, is allowable "when such procurement is specifically approved by the Federal grantor agency." LEAA approval requirements will be as follows:

Apr. 30, 1973

a. Planning Grants.

- (1) SPA Equipment Expenditures. Prior approval of items to be acquired for exclusive use in authorized State Planning Agency activities and operations is not required for annual equipment expenditures up to \$5,000. This would normally consist of furniture, office equipment, vehicles, and other items required for an administrative effort such as Part B plan development and coordination.
- (2) Equipment Acquisition by Subgrantees. Approval of equipment acquisition by subgrantees administering local planning funds will be the responsibility of the State Planning Agency which may adopt the \$5,000 prior approval exclusion or a lower limit or may require review of all proposed equipment acquisitions to insure the most effective utilization of planning funds.
- (3) Obtaining Approval. As previously indicated, approval may be obtained from LEAA (for State Planning Agency purchases) or the State Planning Agency (for subgrantee purchases) by:
 - (a) Inclusion of equipment in the grant application budget with sufficient detail to indicate the types, quantity and estimated costs of items desired or
 - (b) Submission of a separate request for approval providing similar information.

b. Action Grants.

- (1) Specific Provisions on the Grant Agreement. Typically, approval of expenditures for equipment required for direct action programs or projects (e.g., radio equipment, vehicles, ordinance, laboratory equipment, teaching machines, etc.) will be effected by coverage of the proposed equipment acquisition in the budget and descriptive portions of subgrant applications. The State Planning Agency should require such cost specification from the applicant, including information on type, quantity, and estimated price (or may itself provide this data as part of the specifications or terms of the subgrant). Where this is the case, the favorable subgrant award will provide the required approval through what Circular No. A-87 refers to as "specific provision in the grant agreement". There will be no necessity of further Federal approval beyond the State Planning Agency determination assuming that:

Apr. 30, 1973

- (a) The general action program under which the equipment is being acquired has been included in the State's Comprehensive Plan and its approved Part C action grant application, and
 - (b) The equipment is not of such character (e.g., automatic data processing equipment) as will require LEAA approval under some other cost allowability provision.
- (2) Cost Allowability Principles. Where State Planning Agencies directly administer action programs or projects, prior approval of equipment purchases under such efforts must be obtained from LEAA. In reviewing equipment acquisition budgets and proposals, the following cost allowability principles should be kept in mind:
 - (a) Equipment required for the conduct of Title I grants or subgrant projects should be purchased only after determination by responsible State or local officials that no other equipment owned by the grantee is available for the effort.
 - (b) Grant funds should not be used to provide reimbursement for the purchase price of equipment already owned by the grantee or subgrantee other than through permissible depreciation or use allowances actually charged to the grantee. This would not apply to equipment owned by a State or local government central purchasing department and held in stock available for issuance and sale to the grantee or other government offices.
 - (c) If equipment purchased is used commonly for two or more Federal grant programs or for a Federal grant program and a non-federally supported State or local government activity, appropriate proration of cost to each activity involved must be effected.
 - (d) Allowability of the costs of equipment purchased with Federal funds will be reduced to the extent of resale or recovery value where use of such equipment for carrying out the purposes of the grant project is discontinued (during the life of the project) or use for law enforcement purposes is discontinued (after completion of the project) unless all credits relating to such contingencies as set forth in section C.3 of Circular No. A-87 ("Applicable Credits") are applied to offset or reduce grant charges. This requirement should be made a specific condition of all subgrants which include Federal funds for the purchase of equipment.

Apr. 30, 1973

20. INSURANCE AND INDEMNIFICATION. As indicated in Circular No. A-87, inclusion of insurance or indemnification costs in the approved grant or subgrant budget or award is normally a precondition for allowability of such costs. However, separate requests for approval may also be made. Also, prior approval of insurance costs incurred in accordance with standard State or local government policy in the conduct of its activities (i.e., both federally and non-federally related) and consistent with sound business practice, such as bonding of employees or liability insurance for staff, is not required.
21. MANAGEMENT STUDIES. Prior approval of costs of management studies as defined in Circular No. A-87 is required only if the studies are to be performed by agencies other than the grantee or subgrantee.
22. PREAGREEMENT COSTS. Prior approval is required for "preagreement costs" either by inclusion in the grant or subgrant application and award or by separate submission and approval. It should be noted that:
- Planning Grants. The LEAA grant conditions for Part B planning grants specifically permit charges of otherwise allowable costs incurred for authorized State Planning Agency activities or for establishment of State Planning Agencies even if incurred prior to the date of grant award. Thus, LEAA planning awards may be deemed to have approved "preagreement" or "preaward" costs back to the beginning of the grant period set forth in the grant award document (i.e., the beginning of the fiscal year of award unless the grantee has elected a later date).
 - Action Grants. Costs of action programs or projects funded by State Planning Agencies from Part C and E action grants which were incurred prior to the date of the subgrant award may be charged to the project where the subgrant application specifically requests support for preaward costs. State Planning Agencies may approve preagreement costs if incurred subsequent to the beginning of the fiscal year of award. LEAA approval is required for any preagreement costs incurred prior to the beginning of the fiscal year of award.
23. PROPOSAL COSTS. Prior approval by LEAA, for both State Planning Agencies and subgrantees, is required for proposal costs, either by inclusion in the grant or by separate submission.

Apr. 30, 1973

24. PROFESSIONAL (INCLUDING CONTRACT AND CONSULTANT) SERVICES. (See paragraph 49 of this chapter for Grantee Procurement Standards and Procedures.)
- The requirements of professional services with respect to arrangements with individuals, other government units and non-government organizations are as follows:
 - Arrangements with INDIVIDUALS shall insure that:
 - It is LEAA policy that as a general rule the maximum daily rate for consultants and specialists will not exceed \$135 per day including fringe benefits. Under unusual circumstances up to \$200 per day may be paid to individual consultants. Any amounts exceeding \$135 per day must have prior LEAA approval. This rate is based upon an eight-hour day. It is recognized an eight-hour day may include preparation, evaluation and travel time in addition to the actual performance.
 - The individual is not an employee of the executive branch of State government,
 - Dual compensation is not involved (i.e., the individual may not receive compensation from his regular employer and the retaining LEAA grantee or subgrantee for work performed during a single period of time even though the services performed benefit both),
 - The compensation is reasonable and consistent with that paid for similar work in other activities of the State or local government,
 - The retainer arrangement is formal and proper and otherwise consistent with the grantee's usual practices for obtaining such services,
 - Time and/or services for which payment will be made and rates of compensation will be supported by adequate documentation, and
 - Transportation and subsistence costs for travel performed are at an identified rate consistent with the grantee's general travel reimbursement practices.
 - Arrangements with OTHER GOVERNMENT UNITS shall insure that the work or services for which reimbursement is claimed must be directly and exclusively devoted to grant purposes and charged at rates not in excess of actual cost to the "contractor" government agency.

Apr. 30, 1973

Apr. 30, 1973

M 7100.1A

(3) Arrangements with NON-GOVERNMENT ORGANIZATIONS shall insure that:

- (a) The arrangement is formal and proper and consistent with the usual practice and policies of the grantee or sub-grantee government in contracting for or otherwise obtaining services of the type required;
 - (b) Indirect costs or overhead charges in cost-type arrangements are based on an audited or negotiated rate previously approved by a State or Federal agency or are based on an indirect cost submission, reflecting actual cost experience during the contractor's last annual or other recently completed fiscal period; and
 - (c) The fixed fee or profit allowance in cost-type arrangements, does not exceed 10 percent of total estimated costs.
 - (d) On Part B planning grants, the SPA shall also comply with the special requirement that not more than one-third of the State's annual Part B grant is used for contracted planning services or assistance by non-governmental organizations.
 - (e) Beginning with fiscal year 1973 funds, not more than 20 percent of the States total Federal Planning Grant (State and local portions or 20 percent of either the State or a local unit's portion) may be used for contracted planning services or assistance by non-governmental organizations. (See Guideline Manual M 4100.1A, State Planning Agency Grants, paragraph 17c(2).)
- (4) A grantee should not circumvent the requirements of Chapter 3, paragraph 24a(1) and (3) by contracting for a fixed product which would not be subject to the professional services fee limitation. This is particularly significant in contracting for the services of the individuals.

- b. If any of the requirements outlined in Chapter 3, paragraph 24a(1), (2) or (3) are not met, prior approval must be obtained from LEAA.

25. CONFIDENTIAL EXPENDITURES.

- a. Prior approval by LEAA is required for the use by State Planning Agencies or subgrantees of Part C action funds for confidential

expenditures. Confidential expenditures would be payment to informants, purchase of materials as evidence (such as narcotics), or other uses as may be required by law enforcement personnel working in an undercover capacity.

- b. Confidential expenditures will be considered in subgrants to State law enforcement agencies and law enforcement agencies serving counties and cities with populations in excess of 50,000 on submission of special information, procedures, and assurances established by LEAA for proper accounting and administration of this cost item. Information outlining guidelines on confidential expenditures (see Appendix 10) must be supplied to the grant award recipients for any grant providing support for confidential expenditures.
- c. Those confidential expenditures, other than informant fees, that are seized and revert to a State or local unit of government as a result of grants which use confidential expenditures shall be deemed program income pursuant to the Office of Management and Budget Circular No. A-102, Attachment E, paragraph 7 up to the total amount of such confidential expenditures under such grant. This income will be returned to the State Planning Agency and used to support other projects under the appropriate program.

26. MEDICAL RESEARCH CONDUCTED WITH LEAA FUNDS. Medical research conducted by any grantee or subgrantee financed with LEAA funds and not specifically detailed in the State Plan as to type of research; place and persons conducting the research; amount of research funds available; and research methodology, including data on use of chemical agents or medical procedures, use of human volunteers or animal subjects, and a description of any anticipated experiments, must receive prior approval by LEAA.

27. FOREIGN TRAVEL. Foreign travel is defined as any travel outside of Canada and the United States and its territories and possessions. Foreign travel costs are allowed only when:

1. The travel has received specific prior approval by LEAA.
2. Each separate foreign trip must be specifically approved by LEAA.

28-29. RESERVED.

SECTION 4. COSTS GENERALLY ALLOWABLE

30. COMMENTARY. This section supplements A-87 text and responds to points on which questions have been frequently raised.
31. COMPENSATION FOR PERSONAL SERVICES.
- a. Two or More Federal Grant Programs. Where salaries apply to execution of two or more grant programs, a contingency particularly likely in connection with planning or action programs under the Act and the Juvenile Delinquency Prevention and Control Act of 1968, proration of cost to each grant involved must be made, and written LEAA permission obtained to permit charges of salaries to one grant in cases where two or more grants constitute one identified activity or "program".
- b. Extra Work.
- (1) A State or local government employee may be employed by a State Planning Agency or subgrantee in addition to his full-time job provided the work is performed on the employee's own time and:
- (a) The compensation is reasonable and consistent with that paid for similar work in other activities of State or local government;
- (b) The employment arrangement is approved and proper under State or local regulations; and
- (c) The time and/or services provided is supported by adequate documentation.
- (2) Such employment arrangements should normally be made by the State Planning Agency or subgrantee directly with the individual (to avoid problems arising from overtime, holiday pay, night differential or related payroll regulations) unless there has been a transfer or loan of the employee for which his regular as well as overtime services provided are to be charged to or reimbursed by the State Planning Agency or subgrantee. Overtime and night differential payments are allowed only to the extent that payment for such services is in accordance with the policies of the State agency or unit of local government and has the prospective approval of the State Planning Agency. The overtime should be prorated among the various jobs and not charged exclusively to LEAA funds.
- (3) Payment of these premiums will be for work performed by grant or subgrant employees in excess of the established work week (usually 40 hours). Payment of continued overtime is subject to the periodic review by the State Planning Agency.

Apr. 30, 1973

- c. Grant Purposes and Dual Compensation. Charges of the time of State and local government employees assigned to grant programs may be reimbursed or recognized only to the extent they are directly and exclusively related to grant purposes or proper for inclusion in indirect cost bases. In no case is dual compensation allowable (see note). That is, an employee of a unit of government may not receive compensation from his unit or agency of government and from an LEAA grantee or subgrantee for work purportedly performed during a single period of time (e.g., 1 p.m. to 5 p.m.) even though such work may benefit both activities.

NOTE: Full time university academic appointments do not preclude paid reimbursement for consultant services under the dual compensation ban where university arrangements specifically permit the faculty member to consult during a specified number of days or portions of the work week or other employment period.

32. CONFERENCES, SYMPOSIA AND WORKSHOPS. Charges to a grant may include conference or meeting arrangements, publicity, registration, salaries of personnel, rental of staff offices and conference space, recording or translation services, postage and telephone charges, and travel expenses (including transportation and subsistence) for faculty, speakers, or participants. Each of these items, when related to grant purposes, are otherwise allowable costs under Circular A-87. Grant funds may not be used for honoraria (i.e., payments to participating individuals or guests other than for documented professional services actually rendered at reasonable compensation rates), entertainment, sports, visas, passport charges, tips, bar charges, personal telephone calls, or laundry charges of participants or guests.

33-35. RESERVED.

Apr. 30, 1973

SECTION 5. COSTS GENERALLY UNALLOWABLE

36. EXPENDITURES OF MORE THAN ONE-THIRD OF ACTION GRANTS FOR COMPENSATION OF PERSONNEL. As required by Section 301(d) of the Act, not more than one-third of any action grant made under Part C of Title I may be expended for compensation of police and other regular law enforcement personnel exclusive of time engaged in training programs or in research, development, demonstration, or other short term projects. It is intended that the use of Part C block grant funds for the salaries of personnel whose primary responsibility is to provide assistance, maintenance, or auxiliary services or administrative support to the regular operational components of law enforcement agencies shall not be subject to the limitations set forth in Section 301(d). Expenditures above this one-third limit are not allowable as a charge on Federal funds but may be allowed as a grantee contribution.
- a. Applicability.
- (1) For fiscal year 1971 and subsequent years subgrant projects may individually provide for expenditure of more than one-third of Federal funds for compensation of personnel so long as the combined expenditures for all programs and projects supported by the block grant to the State Planning Agency does not exceed the limit. This limitation is applicable to discretionary grants on an individual basis.
 - (2) Prior to fiscal year 1971 this restriction applied to the total amount of action grants made to the State Planning Agencies in the form of block and discretionary grant awards received during a single fiscal year. This restriction did, therefore, not apply individually to State programs or projects or to subgrants by State Planning Agencies.
- b. Exclusions. In applying the "one-third" limitation, only the wages and salaries of grantee or subgrantee employees need be counted and not fees or other remuneration of non-employee consultants or personnel costs of private or educational institution contractors providing services to grantees or subgrantees. The limitation does not apply to personnel compensation under Part B planning grants. (See Chapter 4, paragraph 9 regarding additional statutory requirement that grant funds expended for increased compensation of existing personnel be matched by State or local funds to increase such compensation.) Replacement or substitute costs for personnel in training are not within the statutory exclusion but where Federal funds are used to reimburse the subgrantee for compensation of personnel "undergoing training programs" this is within the exclusion and the resulting savings can often be applied toward replacement manpower.

37. LAND ACQUISITION. Section 301(c) of the Act specifies that no Federal grant for renting, leasing, or constructing buildings or other physical facilities shall be used for land acquisition. Accordingly, land acquisition costs are unallowable against Title I planning and action grants.
38. COMPENSATION OF FEDERAL EMPLOYEES. Salary payments, consulting fees or other remuneration of full-time Federal employees are unallowable costs under Title I planning and action grants.
39. TRAVEL OF FEDERAL EMPLOYEES. Costs of transportation, lodging, subsistence, and related travel expenses of LEAA employees are unallowable charges against Title I planning and action grants. Travel expenses of other Federal employees may be reimbursed from grant funds when the services of such employees for advisory committees or other program or project duties or assistance have been:
- Approved by the Federal employee's department or agency, and
 - Included as an identifiable item in the funds budgeted for the project or subsequently submitted for grantor approval (LEAA for State Planning Agencies or State Planning Agencies for subgrantees).
40. BONUSES OR COMMISSIONS. The grantee or subgrantee is prohibited from paying any bonus or commission to any individual for the purpose of obtaining approval of an application for LEAA assistance.
41. EQUIPMENT.
- Military Type Equipment. Costs for such items as automatic weapons, armored vehicles, explosive devices, and other items typically associated with the military arsenal are unallowable against Title I action grants.
 - Helicopters and Airplanes. The acquisitions, use, or maintenance cost of helicopters or airplanes for non-law enforcement purposes are unallowable.
- 42-44. RESERVED.

SECTION 6. GENERAL COST PRINCIPLES

45. COST ALLOCATION PLANS - CENTRAL SUPPORT SERVICES. State Planning Agencies may not charge the cost of central support services supplied by the State except pursuant to a "cost allocation plan" approved by the Department of Health, Education and Welfare as provided in Section J of Attachment A, Circular No. A-87. This provision also applies to all other State agencies. This may be on a provisional, final or predetermined rate basis.
46. INDIRECT COSTS.
- Approved Plan Available.
 - The Administration may accept any indirect cost rate or allocation plan previously approved for any State agency or local unit of government by any Federal granting agency on the basis of allocation methods substantially in accord with those set forth in Circular A-87.
 - Where federally approved rates are used as the basis for charging indirect costs to Title I grant funds, a copy of the Federal agency approval document should be promptly furnished to the State Planning Agency.
 - No Existing Approved Plan.
 - Where there is no existing federally approved rate for the State agency indirect costs may not be charged to Title I grant funds on the basis of predetermined fixed rates or a negotiated lump sum unless the rate is approved by LEAA. It will be necessary for all State agencies desiring actual indirect costs and not having a federally approved rate to submit their proposals to the cognizant LEAA Regional Office.
 - In lieu of submitting actual indirect cost proposals, flat amounts not in excess of ten percent of direct labor costs (including fringe benefits) or five percent of total direct costs may be allowed by the State Planning Agency as a predetermined rate based on general experience with respect to minimum overhead support levels required for governmental agency operation.

Apr. 30, 1973

- (3) Where flat rates are accepted in lieu of actual indirect costs, subgrantees may not also charge expenses normally included in overhead pools, e.g., accounting services, legal services, building occupancy and maintenance, etc., as direct costs. State Planning Agencies are encouraged to seek maximum indirect cost absorption by all Title I grantees and subgrantees as a means for broader and more concentrated application of Federal funds to direct crime control activities.

c. Indirect Cost Proposals

- (1) The HEW Circulars - A Guide for State Government Agencies Establishing Cost Allocation Plans and Indirect Cost Rates for Grants and Contracts with the Department of Health, Education and Welfare (OACS-6) and A Guide for Local Government Agencies Establishing Cost Allocation Plans and Indirect Cost Proposals for Grants and Contracts with the Federal Government (OASC-8) are the guidelines to be used for indirect cost proposals prepared by State and local units of government.

- (2) In order for State agencies to recover actual indirect costs, an indirect cost proposal must be submitted annually. Local units of government will not normally submit their government-wide cost allocation plans or indirect cost proposals for prior Federal approval unless specifically requested to do so by the cognizant Federal agency. As stated earlier, flat amounts of ten percent of direct labor costs (including fringe benefits) or five percent of total direct costs may be allowed by the State Planning Agency in lieu of an established rate.

47. DEVIATIONS FROM SUBMITTED BUDGETS - ALLOWABILITY OF COSTS. The Administration recognizes the needs which will arise for departure from or adjustment of previously submitted budget estimates in Title I planning and action grants. The most carefully formulated estimates must respond to future events, experience, and special contingencies, problems or costs not always susceptible of advance determination.

a. Planning Grants.

- (1) State Planning Agencies. In grant applications, State Planning Agencies are required only to submit gross cost estimates in five broad expenditure categories - personnel, consultant services, travel, amounts available to local units of government, and other expenses. Advance approval for substantial deviations from these gross estimates, i.e., deviations in excess of either ten percent or \$20,000 whichever is less, in any effected category, has been prescribed (see Guideline Manual M 4100.1A, State Planning Agency Grants, Appendix 2-1).

Apr. 30, 1973

M 7100.1A

- (2) Subgrantees. Policies concerning budget deviations by planning subgrantees, and the need for prior SPA approval, shall be determined by the State Planning Agency subject only to adherence to the advance approval requirements of Circular No. A-87 as amplified in this chapter.

b. Action Grants.

- (1) Budget Modification. State Planning Agencies are currently required to submit only total cost estimates for each program for which an action grant is requested under Section 301 of the Act. Thus, no restrictions exist as to modification of budgeted costs or expenditures within a program except as may be imposed by the normal cost allowability rules and approval requirements of Circular No. A-87 as amplified by this chapter.
- (2) Reprogramming of Funds. Reprogramming of funds which result in an increase or decrease in the budgeted total cost for any action program by more than 15 percent or \$10,000, whichever is greater, must be approved by LEAA prior to the expenditure of funds for the increased program components. Such reprogramming will be deemed an amendment of the grant application and award requiring prior grantor concurrence. LEAA will consider retroactive approval only in extremely unusual circumstances. When such retroactive approval is not considered warranted, LEAA will exercise its option to reduce the grant by the amount of the unauthorized reprogrammed funds.

48. NATIONAL GUARD FUNDING POLICY.

- a. Subgrants. Any subgrants to State National Guard forces for projects related to acquisition of equipment or training of personnel shall meet the following requirements.

- (1) Such projects will be supportive of State or local law enforcement agencies and will not replace or supplant duties properly assigned to law enforcement agencies;
- (2) Such projects will be directly and primarily related to civil disorders or natural disaster response;
- (3) Such funds will not duplicate or supplant funds or equipment available to State National Guard units through the Department of Defense;
- (4) The State National Guard Adjutant General shall supply certifications of compliance with the above conditions.

Apr. 30, 1973

M

- b. Service Contracts. There are no restrictions against contracts with National Guard units for services to local or State law enforcement units such as training or technical assistance in planning.

49. GRANTEE PROCUREMENT STANDARDS AND PROCEDURES.

- a. Purpose. The following paragraphs provide standards for use by the State and local governments in establishing procedures for the procurement of supplies, equipment, construction, and other services with LEAA grant funds. These standards are furnished to insure that such materials and services are obtained in an effective manner and in compliance with the provisions of applicable Federal law and Executive Orders.
- b. Content. The policies set forth in this paragraph supplement paragraphs 19 and 24 of this chapter of the manual. These policies and standards do not relieve the grantee of the contractual responsibilities arising under its contracts. The grantee is the responsible authority, without recourse to the grantor agency regarding the settlement and satisfaction of all contractual and administrative issues arising out of procurements entered into, in support of a grant. This includes but is not limited to: disputes, claims, protests of award, source evaluation or other matters of a contractual nature. Matters concerning violation of law are to be referred to such local, State, or Federal authority as may have proper jurisdiction.
- c. Minimum Requirements. Grantees may use their own procurement regulations which reflect applicable State and local law, rules and regulations provided that procurements made with Federal grant funds adhere to the standards set forth in this paragraph.
- d. Standards of Conduct. The grantee shall maintain a code or standard of conduct which shall govern the performance of its officers, employees, or agents in contracting with and expending LEAA grant funds. Grantee's officers, employees or agents, shall neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or potential contractors. To the extent permissible by State or local law, rules or regulations, such standards shall provide for penalties, sanctions, or other disciplinary actions to be applied for violations of such standards by either the grantee officers, employees, or agents, or by contractors or their agents.

Apr. 30, 1973

M 7100.1A

- e. Adequate Competition. All procurement transactions regardless of whether negotiated or advertised and without regard to dollar value shall be conducted in a manner so as to provide maximum open and free competition. The grantee should be alert to organizational conflicts of interest or noncompetitive practices among contractors which may restrict or eliminate competition or otherwise restrain trade. Contractors that develop or draft specifications for a proposed procurement shall be excluded from bidding or submitting a proposal to compete for the award of such procurement.
- f. Procurement Procedures. The grantee shall establish procurement procedures which provide for, as a minimum, the following procedural requirements:
- (1) Proposed Procurement Actions shall be reviewed by grantee officials to avoid purchasing unnecessary or duplicative items. Where appropriate, an analysis shall be made of lease and purchase alternatives to determine which would be the most economical and practical procurement.
 - (2) Invitations for Bids or Requests for Proposals shall be based upon a clear and accurate description of the technical requirements for the material, product, or service to be procured. Such description shall not, in competitive procurements, contain features which unduly restrict competition. "Brand name or equal" description may be used as a means to define the performance or other salient requirements of a procurement, and when so used, the specific features of the named brand which must be met by offerors should be clearly specified.
 - (3) Positive Efforts shall be made by the grantees to utilize small business and minority owned business sources of supplies and services. Such efforts should allow these sources the maximum feasible opportunity to compete for contracts to be performed utilizing LEAA grant funds. Such positive efforts may include small business and minority set-asides; should include, where feasible, the breakout of work that could be readily handled by small business or minority firms; and shall include the aggressive recruitment of small business and minority firms for bidders list.
 - (4) The Type of Procuring Instruments used (i.e., fixed price contracts, cost reimbursable contracts, purchase orders, incentive contracts, etc.), shall be appropriate for the particular procurement and for promoting the best interest of the grant program involved. The "cost-plus-a-percentage-of-cost" method of contracting shall not be used.

- (5) Formal Advertising. With adequate purchase description sealed bids, and public openings shall be the required method of procurement unless negotiation pursuant to paragraph 49f(6) is necessary to accomplish sound procurement. However, procurements of \$2,500 or less need not be so advertised unless otherwise required by State or local law or regulations. Where such advertised bids are obtained the awards shall be made to the responsible bidder whose bid is responsive to the invitation and is most advantageous to the grantee, price and other factors considered. (Factors such as discounts, transportation costs, taxes, may be considered in determining the lowest bid.) Invitations for bids shall clearly set forth all requirements which the bidder must fulfill in order for his bid to be evaluated by the grantee. Any or all bids may be rejected when it is in the grantees's interest to do so, and such rejections are in accordance with applicable State and local law, rules, and regulations.
- (6) Procurements May be Negotiated if it is impracticable and unfeasible to use formal advertising. Notwithstanding the existence of circumstances justifying negotiation, competition shall be obtained to the maximum extent practicable. Generally, procurements may be negotiated by the grantee if:
- The public exigency will not permit the delay incident to advertising;
 - The material or service to be procured is available from only one person or firm; (all contemplated sole source procurements where the aggregate expenditure is expected to exceed \$5,000 shall be referred to the grantor agency for prior approval.) Proposed formal advertised or competitive negotiated procurements for which only one bid or proposal is received is deemed to be, for purposes of this paragraph, a sole source procurement.
 - The aggregate amount involved does not exceed \$2,500;
 - The contract is for personal or professional services, or for any service to be rendered by a university, college, or other educational institutions;
 - No acceptable bids have been received after formal advertising;

- (f) The purchases are for highly perishable materials or medical supplies, for material or services where the prices are established by law, for technical items or equipment requiring standardization and interchangeability of parts with existing equipment, for experimental, developmental or research work, for supplies purchased for authorized resale, and for technical or specialized supplies requiring substantial initial investment for manufacture;
- (g) Otherwise authorized by law, rules, or regulations.
- g. Contracts. Contracts shall be made only with responsible contractors who possess the potential ability to perform successfully under terms and conditions of a proposed procurement. Consideration shall be given to such matters as contractor integrity, record of past performance, financial and technical resources, or accessibility to other necessary resources.
- h. Procurement Records. Procurement records or files for purchases in amounts in excess of \$2,500 shall provide at least the following pertinent information: justification for the use of negotiation in lieu of advertising, contractor selection, and the basis for the cost or price negotiated.
- i. Contract Administration. A system for contract administration shall be maintained to assure contractor conformance with terms, conditions and specifications of the contract or order, and to assure adequate and timely follow-up of all purchases.
- j. Provisions for Contracts and Subgrants. The grantee shall include, in addition to provisions to define a sound and complete agreement, the following provisions in all contracts and subgrants:
- Contracts shall contain such contractual provisions or conditions which will allow for administrative, contractual or legal remedies in instances where contractors violate or breach contracts terms, and provide for such sanctions and penalties as may be appropriate.
 - All contracts, amounts for which are in excess of \$2,500, shall contain suitable provisions for termination by the grantee including the manner by which it will be effected and the basis for settlement. In addition, such contracts shall describe conditions under which the contract may be terminated for default as well as conditions where the contract may be terminated because of circumstances beyond the control of the contractor.

Apr. 30, 1973

- (3) In all contracts for construction or facility improvement awarded in excess of \$100,000, grantees shall observe the bonding requirements provided in Attachment B of OMB Circular No. A-102.
- (4) All contracts and subgrants in excess of \$10,000 shall include provisions for compliance with Executive Order No. 11246, entitled, "Equal Employment Opportunity," as supplemented in Department of Labor Regulations (41 CFR, Part 60). Each contractor or subgrantee shall be required to have an affirmative action plan which declares that it does not discriminate on the basis of race, color, religion, creed, national origin, sex, and age and which specifies goals and target dates to assure the implementation of that plan. The grantee shall establish procedures to assure compliance with this requirement by contractors or subgrantees and to assure that suspected or reported violations are promptly investigated.
- (5) All contracts and subgrants for construction or repair shall include a provision for compliance with the Copeland "Anti-Kick Back" Act (18 U.S.C. 874) as supplemented in Department of Labor Regulations (29 CFR, Part 3). This Act provides that each contractor or subgrantee shall be prohibited from inducing, by any means, any person employed in the construction, completion or repair of public work, to give up any part of the compensation to which he is otherwise entitled. The grantee shall report all suspected or reported violations to the grantor agency.
- (6) Where applicable, all contracts awarded by grantees and subgrantees in excess of \$2,000 for construction contracts and in excess of \$2,500 for other contracts which involve the employment of mechanics or laborers shall include a provision for compliance with sections 103 and 107 of the Contract Work Hours and Safety Standards Act (40 U.S.C. 327-330) as supplemented by Department of Labor regulations (29 CFR, Part 5). Under Section 103 of the Act, each contractor shall be required to compute the wages of every mechanic and laborer on the basis of a standard work day of 8 hours and a standard work week of 40 hours. Work in excess of the standard workday or workweek is permissible provided that the worker is compensated at a rate of not less than 1-1/2 times the basic rate of pay for all hours worked in excess of 8 hours in any calendar day or 40 hours in the work week. Section 107 of the Act is applicable to construction work and provides that no laborer or mechanic

Apr. 30, 1973

M 7100.1A

- shall be required to work in surroundings or under working conditions which are unsanitary, hazardous or dangerous to his health and safety as determined under construction, safety, and health standards promulgated by the Secretary of Labor. These requirements do not apply to the purchases of supplies or materials or articles ordinarily available on the open market, or contracts for transportation or transmission of intelligence.
- (7) Contracts or agreements, the principal purpose of which is to create, develop, or improve products, processes or methods; or for exploration into fields which directly concern public health, safety, or welfare; or contracts in the field of science or technology in which there has been little significant experience outside of work funded by Federal assistance, shall contain a notice to the effect that matters regarding rights to inventions, and materials generated under the contract or agreement are subject to the regulations issued by the Federal grantor agency and the grantee.
- (8) All contracts awarded by grantees shall include a provision to the effect that the grantee, LEAA, and the Comptroller General of the United States, or any or their duly authorized representatives, shall have access for purpose of audit and examination to any books, documents, papers, and records of the contractor that are pertinent to the grants received under Title I. On all negotiated contracts pertinent records are deemed to include all cost estimating and actual cost data.
- (9) Each contract of an amount in excess of \$2,500 awarded by a grantee or subgrantee shall provide that the recipient will comply with applicable regulations and standard of the Cost of Living Council in establishing wages and prices. The provision shall advise the recipient that submission of a bid or offer or the submittal of an invoice or voucher for property, goods, or services furnished under a contract or agreement with the grantee shall constitute a certification by him that amounts to be paid do not exceed maximum allowable levels authorized by the Cost of Living Council regulations or standards. Violations shall be reported to LEAA and the local Internal Revenue Service field office.
- (10) Contracts and subgrants of amounts in excess of \$100,000 shall contain a provision which requires the recipient to agree to comply with all applicable standards, orders, or regulations issued pursuant to the Clean Air Act of 1970. Violations shall be reported to LEAA and the Regional Office of the Environmental Protection Agency.

Apr. 30, 1973

Apr. 30, 1973

M 7100.1A

k. Discretionary and Planning Grant Applications. The procurement procedure and selection basis to be used for contracts over \$2,500 or the proposed contract must be included as part of the application. On all sole source procurements over \$2,500, a justification for the use of this method must be included and if the contemplated sole source procurement aggregate expenditure is expected to exceed \$5,000, prior LEAA approval of the contract is required.

1. Contracts Under Block and Planning Subgrants. The SPA's must develop procedures to review and approve the subgrantees procedures and selection basis to be used to award contracts to ensure compliance with paragraph 49. The selection basis for contracts must be included as part of the application. The SPA's may require review and approval of contracts prior to expenditure of funds if they deem it necessary to ensure compliance with this paragraph. On all sole source procurements over \$2,500 a justification for use of this method must be included in the application and if the contemplated sole source procurement aggregate expenditure is expected to exceed \$5,000, prior LEAA approval of the contract is required.

CHAPTER 4. GRANTEE CONTRIBUTIONS AND MATCHING SHARES

1. GENERAL. The Act stipulates that planning and action grants awarded under Title I be matched by grant recipients on the basis of prescribed formulas and that Federal funds not be used to pay the entire cost of authorized grant programs and activities. This chapter sets forth instructions and principles for determining the amount of State and local contributions required as matching shares and for determining the value and appropriateness of State and local contributions actually made. The allowability of costs funded with State and local contributions is determined in the same manner and under the same principles as the allowability of costs funded from the Federal grant. Guidance for specific items and relevant accounting rules is included.
2. RECORDS OF CONTRIBUTIONS. Since the requirement for State and local matching of Federal grant funds is statutory, records must be maintained which show the amount and timing of contributions. These records are subject to audit and exceptions in the same manner and to the same extent as books and records dealing with the receipt and disposition of Federal grant funds. As with other aspects of fiscal administration of action and planning grants, it is the State, the direct recipient of Title I grant funds, to which the Administration will look for primary compliance with requirements regarding matching shares.
3. TIMING OF CONTRIBUTIONS. State and local contributions need not be made in exact time concurrence and proportion with withdrawal and expenditure of Federal funds. During the first months of program or project operation, for example, the grantee may spend a greater proportion of its matching funds to meet program expenses than may be required by the applicable statutory ratio--or it may spend a larger proportion of Federal funds. However, the full grantee matching share must be expended by the end of the period that Federal funds are available for expenditure under an approved program or project. (For carryforward time limits on Title I planning and action grants, see chapter 5, paragraph 8.)
4. DETERMINING APPLICABLE CONTRIBUTION FORMULAS.
 - a. Statutory Ratios. Depending on the purpose for which a grant is awarded, one of three statutory ratios will apply in determining the amount of State and local contributions required to match Federal planning or action grants.
 - (1) Planning Grants. A single ratio, 90 percent Federal funds to 10 percent State and local funds, applies to all planning grants awarded under Part B of Title I. This means that at the end of the period for which the grant was awarded, the books and

Apr. 30, 1973

records of the grantee must show that Federal expenditures from the planning grant did not exceed 90 percent of the allowable cost of establishment and operation of the State Planning Agency and the conduct of planning activities by State or local government.

- (2) Action Grants. One of two ratios applies to determine the relative Federal State shares of the cost of action programs funded out of fiscal year 1971 or later for Part C sources of Title I pursuant to comprehensive law enforcement plans approved by the Administration.
- (a) Construction Programs. The minimum grantee contribution ratio for costs of programs for construction of law enforcement facilities within Section 301(b)(4) of the Act is 50 percent State and local funds to 50 percent Federal funds.
- (b) Operational Programs. The minimum grantee contribution ratio for operational law enforcement action programs activated under Part C of the Act is 25 percent State and local funds to 75 percent Federal funds.
- (3) Correctional Institution and Facilities Grants. A single minimum grantee contribution ratio of 25 percent applies to all grants awarded under Part E of Title I.
- (b) Greater Contributions Encouraged. The foregoing grantee shares are referred to as minimum contributions because the Act provides that Federal funds may provide up to 50 percent or 75 percent of the costs of programs or projects receiving grant support. Notwithstanding reference in this manual to these required minimum contributions, grantees and subgrantees are encouraged to consider and provide greater contributions wherever possible to maximize the impact and leverage of LEAA grant funds.
- (c) Project Subgrant Contributions. State Planning Agencies will be required to account to LEAA for matching shares on the basis if programs presented for Title I action grants in each years comprehensive plan, but may require the minimum contribution on each project subgrant to assure that the full required non-federal cost contribution is provided.

5. CONTRIBUTION RATIOS FOR DISCRETIONARY FUND AWARDS. The grantee contribution to the total cost of projects funded in part by grants made by the Administration with "15 percent funds" available under Section 306 of the Act or "50 percent funds" available under Section 455 of Part E of the Act, shall be subject to the same grantee contribution requirements as specified in chapter 4, paragraph 4a(3).
6. IDENTIFICATION OF CONSTRUCTION PROGRAMS.
- a. Requirement. Any program or project, or component thereof, which involves the erection, acquisition, expansion, or repair of new or existing buildings or other physical facilities should be deemed a construction program for purposes of applicability of the minimum 50 percent grantee contribution to costs [Section 601(f) of Act]. To the extent that construction is included in any law enforcement action program submitted for a Part C action grant and such construction is not described as a separate program, the State Planning Agency must specify in its program description that a dual contribution ratio will be applied to construction costs (50-50) and other program costs (75-25) within the larger program.
- b. Qualifications. The following should be noted:
- (1) Minor remodeling or repairs to existing facilities need not be treated as construction programs subject to the 50 percent contribution minimum. Any such work totalling in excess of \$5,000 for any building or facility should be submitted to LEAA for written determination that the "minor remodeling and repair" exception is applicable and that the construction matching ratio need not be applied.
- (2) Construction includes the acquisition or installation of initial equipment for new or existing buildings or facilities. Initial equipment includes heating, plumbing and air-conditioning equipment and electrical, elevator, and other building-related equipment and fixtures but does not include removable machinery or equipment (e.g., office equipment, reproduction equipment, etc.) not inherently a part of the building or facility. The latter may be funded at applicable statutory ratios for the programs in which such equipment and machinery will be used.

Apr. 30, 1973

- (3) Projects for architectural studies or design which do not include a construction component may be funded at the 75-25 contribution ratio. Where the project includes both actual construction and architectural or other design costs the 50-50 contribution ratio must be used.
- (4) Section 301(c) of the Act provides that no portion of Federal construction grant funds shall be used for the acquisition of land. States should, therefore, consider absorbing land acquisition costs within their share of construction project costs. However, the cost or value of (a) land already beneficially owned by the State prior to the fiscal year in which a construction project is approved or (b) which the State holds under a grant or patent from the United States for which no consideration was given, may not count as a matching share contribution. Land for which consideration was given to the United States must be valued at acquisition cost.
- (5) The cost of a construction project includes the cost of site preparation, including demolition of existing structures. Any proceeds realized from site preparation activities (e.g., salvage value of structures demolished or the proceeds from sale of timber) should be applied to reduce the total cost of the construction project.
- (6) The costs associated with Uniform Relocation Assistance and Real Property Acquisition Policy Act of 1970. (See Guideline G 4061.1A, dated November 28, 1972, for costs for relocation assistance and relocation payments.)
- (7) For special fiscal conditions for construction program grants see chapter 1, paragraph 5.
7. VALUATION OF GRANTEE CONTRIBUTIONS. All non-cash items constituting the grantee's share shall be valued in the same manner as like items constituting charges to Federal grant funds are valued, in accordance with the cost allowability principles of OMB Circular No. A-87.
8. TREATMENT OF SPECIFIC ITEMS.
- a. Donated Goods or Voluntary Services.
- (1) Donated Goods and Property. Goods or property donated by private organizations may, like cash donations, be counted as matching contributions to program costs when such contributions meet the following criteria:

Apr. 30, 1973

- (a) Are identifiable from the grantee's records;
- (b) Are not included as contributions for any other federally assisted program;
- (c) Are necessary and reasonable for proper and efficient accomplishment of programs, objectives; and
- (d) Conform to the provisions of OMB Circular Nos. A-87 and A-102.
- (2) Volunteer Services Counted as Matching Contributions.
- (a) Criteria.
- 1 The value of services voluntarily rendered to a project by private businesses, agencies, associations or firms which perform commercially the services donated, may be counted as matching contribution. The services donated must be necessary for the performance of the program or project. Those services -- voluntarily rendered by organizations, individuals, or groups of individuals which have only incidental or no value associated with their performance may not be counted as contributions to program costs. Privately donated services may not be counted as matching contributions to planning activities funded with Part B grants.
- 2 Volunteer services furnished by professional and technical personal consultants and other skilled and unskilled labor may be counted as matching share if the service is an integral and necessary part of an approved program.
- (b) Rates.
- 1 Rates for volunteer services should be consistent with those rates paid for similar work or activities of the State or local units of government. If these types of skills are not found in the State or local units of government, rates used should be those consistent with those paid for similar work in the labor market in which the grantee competes for these services.

Apr. 30, 1973

- 2 When an employer other than the grantee furnishes the services of an employee, these services shall be valued at the employee's regular rate of pay, provided that the employee's services are those of the type that he normally performs for his employer.
- (3) Contributed Materials. Contributed materials include office supplies, maintenance supplies or workshop and classroom supplies. Prices assessed to donated materials should be reasonable and should not exceed the cost of the materials to the donor or current market prices, whichever is less, at the time they are charged to the project.
- (4) Donated Equipment, Building, and Land.
- (a) Method of Charging Matching Share. The method used for charging matching share for donated equipment, building, and land may differ depending upon the purpose of the grant as follows:
- 1 If the purpose of the grant is to furnish equipment, buildings or land to the grantee or otherwise provide a facility, the total value of the donated property may be claimed as a matching share.
- 2 If the purpose of the grant is to support activities that require the use of equipment, building or land on a temporary or part-time basis, depreciation or use charges for equipment and buildings may be made; and fair rental charges for land may be made provided that the grantor agency has approved the charges.
- (b) Valuation. The value of donated property will be determined as follows:
- 1 Equipment and buildings. The value of donated equipment or buildings should be based on the donor's cost less depreciation or the current market prices of similar property, whichever is less.
- 2 Land or use of space. The value of donated land or its usage charge should be established by an independent appraiser (i.e., private realty firm or GSA representatives and certified by the responsible official of the grantee.

- (5) Valuation of Other Charges. Other necessary charges incurred specifically for and in direct benefit to the grant program in behalf of the grantee may be accepted as matching shares provided that they are adequately supported and permissible under the law. Such charges must be reasonable and properly justifiable.
- (6) Effective Date. The above policy permits the cost or value of services donated to a project. This policy is effective for those grants which were active as of January 25, 1972. LEAA will permit an ex post facto application on a case-by-case basis on request by the grantee or subgrantee.
- b. Depreciation, Use and Indirect Cost Allowances. As indicated in Circular A-87, depreciation, use and indirect cost allowances constitute allowable costs in grant projects. Hence, the State Planning Agency may charge or account for such items, valued or allocated as specified in the circular, as part of the grantee share.
- c. Charges to Other Federal Programs. Costs charged as matching contributions or shares to grants under other Federal programs may not be charged as grantee contributions under Title I action and planning grant programs. This does not preclude proration or division of grantee contributions among more than one Federal program. In addition it does not preclude the use of Federal funds received under the Demonstration Cities and Metropolitan Development of 1966 and the Appalachian Regional Development Act of 1965 (construction of equipment or facilities) to match Title I planning and action grants. In other cases, however, grantees may not use Federal funds derived from other programs to provide required matching shares for Title I funds.
9. SPECIAL (MATCHING) REQUIREMENT ON PERSONNEL COMPENSATION. Section 301(d) of the Act specifies that not more than one-third of any action grant may be expended for compensation of police and other regular law enforcement personnel, except for compensation of those engaged in training programs or in research, development, demonstration, or other short-term projects. It further provides that amounts so expended from grant funds for personnel compensation "....shall not exceed the amount of State or local funds made available to increase such compensation."
- a. Applicability. A grantee or subgrantee shall be deemed to meet this requirement to match Federal fund outlays for personnel compensation if its expenditures to increase the non-training compensation of existing personnel during the grant or subgrant period is at least equal to the personnel compensation charged to Federal funds under

Apr. 30, 1973

M 7100.1A

its action grant or subgrant for such existing personnel. The grantee or subgrantee is not required to match the Federal fund outlay applied to the hiring of new personnel during the grant or subgrant period. Thus, if a subgrant project conducted in a particular law enforcement agency involves an outlay of \$5,000 from grant funds to increase the compensation of existing personnel and an outlay of \$20,000 from grant funds to hire new personnel, the subgrantee will be deemed to have met the special matching requirement if local funds of \$5,000 were made available during the project period to increase the compensation by the agency of its existing employees.

NOTE: The subgrantee, or the State, would, of course, also have to meet the regular grantee cost contribution requirements for the project (75-25 or 50-50 as applicable) prescribed in Section 301(c) of the Act (see paragraph 4 of this chapter).

b. Subsequent Project Periods. The exclusion of new personnel from the special (matching) requirement applies only during the project period in which such personnel are hired. If Federal grant funds are to be applied to increase the compensation of such personnel during subsequent project periods, they would be considered existing personnel and the special (matching) requirement would be applicable to such increases.

c. Planning Grants. Planning grants are not subject to this special (matching) requirement.

10. ACCEPTABLE CONTRIBUTIONS. Although the Administration prefers and encourages grantees to make required contributions in cash (or its equivalent, appropriated funds), in-kind contributions of goods, facilities, or services, or combinations of these, can qualify for and meet grantee contribution requirements. Cash contributions by grantees are to be treated exactly like Federal grant funds. In-kind contributions shall be fairly valued (see paragraph 7 of this chapter) and will qualify to the extent that procurement of the item concerned would otherwise constitute an allowable cost.

11-13. RESERVED.

Chap 4
Par 9

Apr. 30, 1973

M 7100.1A

14. CONTRIBUTIONS FURNISHED BY SUBGRANTEES.

a. Acceptability. When the required grantee contribution is furnished by the subgrantee or from a source other than the State Planning Agency:

- (1) The State Planning Agency should not require that the contribution be made all in cash unless the State Planning Agency has, with respect to its own contribution responsibilities, proceeded on a similar basis in comparable situations;
- (2) The subgrantee should be permitted to value in-kind contributions in the same manner as the State Planning Agency values similar items; and
- (3) Items which constitute acceptable contributions as to the State Planning Agency should normally be considered acceptable as to subgrantees and other recipients of funds.

b. Special Requirements. The foregoing shall not prevent State Planning Agencies from applying special contribution requirements or considering additional contribution commitments in grant programs where the nature of the program or limited fund availability dictate selective consideration of potential subgrantees. However, where such requirements place subgrantees in a more restrictive position than State Planning Agencies as contemplated in chapter 4, paragraph 11a above, the Administration should be advised and its clearance sought.

15. WAIVER OF REQUIRED MATCH FOR INDIAN APPLICATIONS.

a. Authority. The Omnibus Crime Control Act of 1970 (P.L. 91-644), in Section 301(c) and Section 306 stipulates that: In the case of a grant under this section to an Indian tribe or other aboriginal group, if the Administration determines that the tribe or group does not have sufficient funds available to meet the local share of the cost of any program or project to be funded under the grant, the Administration may increase the Federal share of the cost thereof to the extent it deems necessary.

b. Lists of Indian Entities. The current Department of Interior List of Indian Entities is included as appendix 7 of this manual.

Chap 4
Par 14

Apr. 30, 1973

- c. LEAA Policy - Indian Applicants. The policy of the Law Enforcement Assistance Administration concerning Indian applicants under Sections 301(c) and 306 (as amended) is as follows:
- (1) Letter of Certification. Requests for a waiver of matching funds from Indian tribes or other aboriginal groups must be supported by a formal letter of certification stipulating that match for the Indian application cannot be provided. This certification must be executed in name and title by the recognized Indian leader(s) of the applicant Indian group.
 - (2) Authorization. LEAA may waive the match for Indian applications under Sec. 301(c) and Sec. 306 submitted by those Indian entities enumerated in appendix 7. LEAA shall provide a written response to SPA Directors (for applications under discretionary funding) certifying that a waiver of match has been authorized.
 - (3) Fiscal Year Waivers. LEAA may grant a blank fiscal year waiver to a State Planning Agency. It may cover some or all of the Indian entities in a State. The waiver will permit the State Planning Agency Director to approve all applications for 100 percent funding from those Indian entities during the fiscal year, provided the certification required by paragraph 15c(1) above is obtained for each application and forwarded to the Regional Office. Applications for such fiscal year waivers must be supported by a finding of fact by the State Planning Agency Director, approved by the Governor of the State, that each Indian entity covered by the application is unable to provide non-federal funding for that fiscal year, together with supporting documentation, such as fiscal year budget information concerning the Indian entities.
16. NON-SUPLANTING REQUIREMENT AND GRANTEE MATCHING SHARES. The Act's non-supplanting requirement (see chapter 2, paragraph 7) for contents of the annual certification of this provision relates to total expenditures for law enforcement by State and local governments. It stipulates that Federal funds under Title I may not be used to supplant State or local funds for law enforcement, but rather to increase the amounts of such funds that would be available for law enforcement.
17. PROJECT INCOME. State and local government grantees are required to account for program income related to projects financed in whole or in part with Federal funds.

Apr. 30, 1973

- a. Interest. The State and any agency of the State shall not be held accountable for interest earned on grant funds, pending their disbursement for program purposes. Units of local government shall be required to return to the Federal Government interest earned on advances of grant funds.
 - b. Royalties.
 - (1) Royalties received from copyrights and patents during the grant period shall be retained by the grantee and, in accordance with the grant agreement, be either added to the funds already committed to the program or deducted from total project costs for the purpose of determining the net costs on which the Federal share of costs will be based.
 - (2) After termination or completion of the grant, the Federal share of royalties in excess of \$200 received annually shall be returned to the Federal grantor agency in the absence of any specific agreements. The Federal share of royalties shall be computed on the ratio basis as the Federal share of the total project cost.
 - c. Sale of Property. The policy governing the proceeds from the sale of real and personal property purchased with project funds is covered in Attachment N of OMB Circular No. A-102 (see appendix 9 of this manual).
 - d. Other. All other program income earned during the grant period shall be retained by the grantee and, in accordance with the grant agreement, shall be:
 - (1) Added to funds committed to the project by the grantor and grantee and be used to further eligible program objectives; or
 - (2) Deducted from the total project costs for the purpose of determining the net costs on which the Federal share of costs will be based.
18. BUY-IN AND VARIABLE PASS-THROUGH. Beginning with fiscal year 1973 funds, Section 303(2) of the Act provides that the State will provide in the aggregate not less than 25 percent of the matching funds which must be provided by units of local government.
- a. Applicability. This provision is applied to the total aggregate dollar figure of Part C block funds which the State is required to pass-through to local units of government. It is not applicable to fiscal years 1971 or 1972 awards made during fiscal year 1973 or to any amount of local pass-through funds by which the State exceeds the required pass-through.

Apr. 30, 1973

- b. Source and Type of Funds. The State contribution may be cash or in-kind goods, services or facilities. It must be directly related to the funded program. The source of the buy-in funds would ordinarily be a State appropriation, a group of State appropriations or funds identified in State agency budgets for the purpose of matching LEAA funds and being provided to local units of government for purposes directly related to the local program being funded with LEAA funds. Another source could be the new fund appropriation of the single State appropriation which funds an individual local project or program which also receives funds from the SPA's block allocation.
- c. Variable Pass-Through Requirements. Beginning with fiscal year 1973, the amount of funds that will be available to units of general local government or combinations of such units will be the percent of State and local law enforcement expenditures funded and expended in the immediately preceding fiscal year by units of general local government. This percentage will be determined by the Bureau of the Census under criteria set by LEAA. (See Guideline G 4340.1 for variable pass-through percentages.)
- d. Delay in Meeting the Requirements. Fiscal year 1973 Part C block action grant funds may be carried forward for expenditure for a period of two years, beginning with the date of the full action award. The buy-in requirements must also be met during that period. Federal fund expenditures may be incurred prior to the expenditure of State buy-in funds as long as the requirement is met in total at the end of the two-year period.

19. HARD MATCH. Beginning with fiscal year 1973 funds, Section 301(c) of the Act provides that at least 40 percent of the required non-federal funding of the cost of any program or project shall be new money appropriated in the aggregate, by the State or local unit of government.

- a. Applicability. This provision is applicable to all Part C State or local level projects funded by block or discretionary funds. It is not applicable to Part E funds.

(1) For block grants it may be applied on the following:

- (a) A project-by-project basis;
- (b) A unit of government basis, i.e., by city, county, or by State Agency;

Apr. 30, 1973

- (c) On a program-by-program basis in accord with approved programs set out in the comprehensive plan;
- (d) On a combination of the above, with prior approval of the Regional Office.
- (2) For discretionary grants it may be applied on:
- (a) A project-by-project basis; or
- (b) On an overall program basis when a specific unit of government receives discretionary funds for coordinated program funds.
- (3) The accounting for matching contributions cannot be on a basis broader than the "program" base set out in the approved comprehensive plan. Hard match requirements may likewise not be accounted for or satisfied on a functional category or total State or local aggregation base.
- b. Source and Type of Funds.
- (1) Hard match must be new funds for law enforcement purposes and can be from the following sources:
- (a) Funds from State and local units of government. These funds must be identified in local or State agency budgets or appropriations and must be for the express purpose of matching LEAA funds. Identification requires an earmarking in some document associated with the appropriation or budget process, which by State or local government law or practice binds the State or local unit of government to use the funds for the purpose of the Act.
- (b) Funds from the Demonstration Cities and Metropolitan Development Act of 1966.
- (c) Funds contributed by private sources.
- (2) New funds may be calculated on the basis of:
- (a) the extent to which the current cash input exceeds the previous cash input to a project or program (exclusive of the previous year's required hard match) plus the amount represented by deleted or non-recurring items; or

Apr. 30, 1973

- (b) the extent to which the current cash input exceeds the average cash input into a project or program over the three previous years (exclusive of the previous year's required hard match) plus the amount represented by deleted or non-recurring items.
- (3) The State buy-in funds may be used to satisfy the hard match requirement, provided that they meet the hard match requirements concerning new funds and earmarking.
- c. Delay in Meeting the Requirements. Fiscal year 1973 Part C block action grant funds may be carried forward for expenditure for a period of two years, beginning with the date of the full action award. The hard match requirements must also be met during that period. Federal fund expenditures may be incurred prior to the expenditure of hard match funds as long as the requirement is met in total at the end of the two-year period or within the period of the program or project.

Apr. 30, 1973

M 7100.1A

CHAPTER 5. AWARD AND PAYMENT OF GRANT FUNDS

1. AWARD DOCUMENT.

- a. Statement of Award. As grant applications are approved by the Administration, State Planning Agencies will receive formal "grant award statements" evidencing such action and indicating the amount and type of grant (i.e., planning under Part B or action under Part C and E) and any special conditions of the grant. The award statement will incorporate by reference or attachment the grant application to which it relates. When issued and accepted by the grantee, it will constitute the operative document obligating and reserving Federal funds for use by the grantee in execution of the program covered by the award.
- b. Acceptance. The grantee must indicate acceptance of the grant and any special conditions by returning a signed copy of the award statement to the Administration. This will confirm its contractual obligation to utilize funds for purposes contemplated by the award and grant application and to comply with grant conditions and applicable statutory requirements and regulations.
- c. Grant Number. Each grant will be numbered by the LEAA and all future correspondence and references to a grant should include this number.

2. PAYMENT OF GRANT FUNDS - ANNUAL REQUIREMENTS UNDER \$250,000. Grantees whose annual fund requirement for all types of grants is less than \$250,000 will receive Federal funds on a "check issued" basis. That is, upon receipt of a written request (monthly) for funds from the grantee a check covering the amount requested will be mailed direct to the grantee or its designated fiscal agent. Requests must be limited to the grantee's monthly fund requirements and should be received at least ten days prior to the close of the month.

3. PAYMENT OF GRANT FUNDS - ANNUAL REQUIREMENTS OVER \$250,000.

- a. Letter of Credit. Grantees whose annual fund requirements for all types of grants exceeds \$250,000 will operate under a "letter of credit" procedure. Any State Planning Agency awarded funds in excess of \$250,000 under all grants received in a single fiscal year will be deemed to fall in this category. Eventually, all State Planning Agencies will, by virtue of the levels of Part B and Part C aid contemplated by the Act, be obliged to utilize the letter of credit procedure. This is a general fund and interest conservation technique prescribed for all major grant-in-aid programs by Treasury regulations.

- b. Procedure. Under the letter of credit procedure, a letter of credit is issued by the Administration in favor of the State Planning Agency (or other State office designated as its financial agent) which enables the State to draw planning and action grant funds when actually needed for disbursements. This is done through any selected commercial bank against payment vouchers honored by Federal Reserve Banks for the U.S. Treasury Department. Appendix 3 sets forth detailed instructions and forms for establishment and utilization of the letter of credit funding procedures.

4. LETTER OF CREDIT FUNDING.

a. Estimating Requirements.

- (1) Quarterly Authorization Request. The grantee will submit to LEAA a Grantee's Quarterly Authorization Request Under Letter of Credit Funding. (See appendix 3 for Letter of Credit method of financing.) This will show all currently active award balances and estimated expenditures during the coming quarter. The total estimated expenditure shown on this form will be the maximum amount which the SPA is authorized to drawdown during the quarter under the letter of credit.
- (2) Revision Requirements. The SPA will not be required to revise its quarterly drawdown authorization if award funds for individual grants are expended at a higher rate than anticipated. A revised quarterly drawdown authorization will only be required where the SPA will expend more than its total quarterly drawdown authorization as requested on the form.
- (3) Newly Awarded Funds. In the event an SPA receives a new grant award during a quarter, and anticipates expenditures of the newly awarded funds during the remainder of the quarter, approval will be obtained by submitting a letter to the cognizant LEAA Regional Office giving the grant number and the amount to be expended.

b. Drawdowns and Carryovers.

- (1) Quarterly Drawdown Limitation. At the time its letter of credit (Form SF 1193) is established or revised to reflect new grant awards, the grantee will be sent a copy of the Form SF 1193 showing the applicable quarterly drawdown limitation. Grantees are to keep cash on hand as close to actual working needs as possible and avoid idle balances, recognizing, however, that individual vouchers on the letter of credit should not be for amounts less than \$10,000. Grantees should allow ten days from the certified date on the new Form SF 1193 before initiating a drawdown against the new authorized amount.

- (2) Example. Assuming, for illustration, that a grantee's quarterly requirements have been established at \$400,000. A letter of credit authorizing this amount will be established and remain in effect until revised by the LEAA. During each quarter, the grantee can issue and present a number of payment vouchers--monthly, bi-monthly, weekly, or even more frequently if cash needs and disbursement patterns dictate--for drawdowns against the letter of credit. In the aggregate, however, these vouchers may not exceed \$400,000 for any single quarter.

- (3) Funds Not Carried Over. Funds not drawdown during a current quarter do not carry over so as to be available for the succeeding quarter. That is, if the grantee presents vouchers drawing down only \$350,000 of a possible \$400,000 during a given quarter, the \$50,000 balance does not increase the succeeding quarter's fund availability.

- c. Payments to Subgrantees. Fund requests from subgrantees of State Planning Agencies will provide, like other expenses, a continuing cash demand on grant balances. State Planning Agencies, however, should keep in mind that idle funds in the hands of subgrantees will impair the goals of the Federal letter of credit system as much as idle funds in the hands of State Planning Agencies. Accordingly, subgrantee requests for funds should conform to substantially the same "as needed" timing as the State Planning Agency is required to follow. That is, State Planning Agencies, or their fiscal agents, should develop some procedure for disbursement of grant funds to subgrantees that will provide funds as and when actually needed and thus approximate the results of "letter of credit" funding system. Minimum payments for small grants or minimum installments such as the \$10,000 letter of credit minimum drawdown may be considered for administrative ease and economy (e.g., a \$5,000 minimum on individual subgrantee requests).

5. OBLIGATING FEDERAL FUNDS. Federal funds are obligated and thereby made available to the grantee at the time the grant is awarded, but only for purposes contemplated in the grant application and award, and only for expenditure or obligation by the State or its subgrantees within the period stipulated in the grant award or generally prescribed by the Administration for the type of grant involved.

- a. Federal Obligation Process. Once a grant award has been signed by the Administration and accepted by the grantee, the amount of the award is entered in the accounts of LEAA as an obligation of the Federal Government. Appropriated funds are thereby reserved against the grant until all monies are withdrawn by the grantee or, in case of non-utilization of funds within statutory or other time limits, revert to LEAA through cancellation of the unused balance.

b. Payment to Grantees. Actual payment of funds to grantees, either by "direct disbursement" or under "letter of credit" procedures, is handled by the Treasury Department acting on the basis of LEAA certifications.

c. Expenditures/Obligations by State/Subgrantees. Funds are expended or obligated, respectively, by a State or its subgrantees when actually disbursed or when a definite commitment is made or a legal liability incurred to pay determinable sums for services or goods furnished or to be furnished.

6. CARRYFORWARD OF UNUSED GRANT FUNDS.

a. Part B Planning Grant Funds.

(1) Obligated Funds. Part B planning grant funds, must be obligated by the end of the Federal fiscal year in which awarded (June 30) by the State Planning Agency and by its subgrantees. These funds refer not only to those of the State Planning Agencies, but also to the 40 percent made available to units of general local government or combinations of such units.

(2) Unobligated Funds. Funds not disbursed or legally obligated by a State Planning Agency and its subgrantees by the end of the Federal fiscal year (June 30) in which awarded, may be carried forward for obligation in succeeding fiscal years. Unobligated planning grant funds may be carried forward for obligation into the succeeding fiscal year, based on a prior written request by the State Planning Agency and approved by LEAA, indicating the continued use of such funds for Part B purposes.

(3) FY 1971 and Subsequent Years. Planning grant funds may be carried forward and obligated during the first six months of the succeeding fiscal year. Planning grant funds which are not obligated during that period will lapse and revert to the LEAA. Funds which were obligated as of the deadline date will have 90 days in which to be liquidated (expended).

b. Part C Block and Part E "Block" Action Grant Funds.

(1) FY 70-71. Fiscal years 1970 and 1971 block action grant funds may be carried forward by the State Planning Agency for expenditure in the two succeeding fiscal years, respectively, but not beyond.

Within this period, monies should actually be obligated for ultimate program use by the subgrantee State or local unit of government. This means that grants by LEAA to the State Planning Agency must be obligated, and the subgrant awards must be obligated by recipients within the two-year period.

(2) FY 72 and Subsequent Years. For FY 72 and subsequent years, said funds must be obligated within two years of the date of the full action award. These funds refer not only to those to be utilized by the State Planning Agency, but also to the subgrantee State or local unit of government.

(3) Six Month Lead Time for Subgrants. The mere making of a subgrant by the State Planning Agency to a local government unit or combination of units with no expenditure action by the latter will not meet this requirement. Accordingly, subgrants of action funds for a given fiscal year should be affected by State Planning Agencies at least six months prior to the close of the two-year expenditure period so that subgrant recipients will have an opportunity to obligate their funds for program purposes before the end of the two-year period.

(4) Expenditure Period for Obligated Funds. Action grant funds which have been obligated as of the deadline date will have 90 days in which to be liquidated (expended). Those funds which are not liquidated at the end of the 90-day period will lapse and revert to LEAA.

(5) Obligation and Expenditure Deadline Dates. For use in determining conformance to LEAA policy, the following are the obligation and expenditure deadline dates for Part B planning funds, Part C block and Part E "block" action funds:

Apr. 30, 1973

FIGURE 5-1. Maximum Deadline Dates for Obligation and Expenditure of Part B Planning Funds and Part C Block and Part E "Block" Action Funds

FY		PART B PLANNING	PART C & E ACTION
69	Obligated	6/30/70	6/30/71
	Expended	9/30/70	10/31/71
70	Obligated	6/30/71	6/30/72
	Expended	10/31/71	9/30/72
71	Obligated	12/31/71	6/30/73
	Expended	3/31/72	9/30/73
72	Obligated	12/31/72	2 years from date of full award
	Expended	3/31/73	90 days after obligation date

7. SUBGRANTEE CANCELLATION SPECIAL CONDITION. The SPA will special condition each Part C and Part E action award to implement, when necessary, the following cancellation procedures:
- If a project has not commenced within 60 days after the acceptance of the grant award, the subgrantee will report by letter the steps taken to initiate the project, the reasons for delay, and the expected starting date.
 - If a project is not operational within 90 days after acceptance of the award, a further statement explaining the implementation delay will be submitted by the subgrantee to the State Planning Agency. Upon the receipt of the 90-day letter the SPA may cancel the project and redistribute the funds to other project areas. The SPA, where warranted by extenuating circumstances, may request approval from the LEAA Regional Office to extend the implementation date of the project past the 90-day period.

Apr. 30, 1973

CHAPTER 6. FINANCIAL REPORTS

This chapter is being reserved. State Planning Agencies will continue to use the current 150 series until such time as OMB approves or disapproves LEAA's revised financial reporting forms.

Apr. 30, 1973

M 7100.1A
Appendix 1

APPENDIX 1. TEXT OF OFFICE OF MANAGEMENT
AND BUDGET CIRCULAR No. A-87

EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
WASHINGTON, D. C. 20503

May 9, 1968

CIRCULAR NO. A-87

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Principles for determining costs applicable to grants and contracts with State and local governments

1. Purpose. This Circular promulgates principles and standards for determining costs applicable to grants and contracts with State and local governments. They are designed to provide the basis for a uniform approach to the problem of determining costs and to promote efficiency and better relationships between grantees and their Federal counterparts.
2. Coverage. This Circular applies to all Federal agencies responsible for administering programs that involve grants and contracts with State and local governments. However, it does not apply to grants and contracts with (a) publicly financed educational institutions subject to Bureau of the Budget Circular No. A-21, and (b) publicly owned hospitals and other providers of medical care subject to requirements promulgated by the sponsoring Federal agencies. Any other exceptions will be approved by the Bureau of the Budget in particular cases where adequate justification is presented.
3. Cost principles. The principles to be followed in determining costs are set forth in Attachment A. Standards with respect to the allowability of selected items of cost are set forth in Attachment B.
4. Effective date. The principles will be applied at the earliest practicable date but not later than January 1, 1969, with respect to State governments and January 1, 1970, with respect to local governments. This arrangement will permit prompt implementation in programs where that is possible, but also allow time for study and development of necessary procedures in more complex programs.

PHILLIP S. HUGHES
Acting Director

Attachments

Table of Contents

Attachment A - PRINCIPLES FOR DETERMINING COSTS APPLICABLE TO GRANTS AND CONTRACTS WITH STATE AND LOCAL GOVERNMENTS

	<u>Page</u>
A. <u>Purpose and scope</u>	
1. Objectives.....	1
2. Policy guides.....	1
3. Application.....	1
B. <u>Definitions</u>	
1. Approval or authorization of the grantor Federal agency.....	1
2. Cost allocation plan.....	1
3. Cost.....	2
4. Cost objective.....	2
5. Federal agency.....	2
6. Grant.....	2
7. Grant program.....	2
8. Grantee.....	2
9. Local units.....	2
10. Other State or local agencies.....	2
11. Services.....	2
12. Supporting services.....	2
C. <u>Basic guidelines</u>	
1. Factors affecting allowability of costs.....	3
2. Allocable costs.....	3
3. Applicable credits.....	3
D. <u>Composition of cost</u>	
1. Total cost.....	4
2. Classification of costs.....	4
E. <u>Direct costs</u>	
1. General.....	4
2. Application.....	4
F. <u>Indirect costs</u>	
1. General.....	5
2. Grantee departmental indirect costs.....	5
3. Limitation on indirect costs.....	6
G. <u>Cost incurred by agencies other than the grantee</u>	
1. General.....	6
2. Alternative methods of determining indirect cost.....	6
H. <u>Cost incurred by grantee department for others</u>	
1. General.....	6
J. <u>Cost allocation plan</u>	
1. General.....	6
2. Requirements.....	7
3. Approval of cost allocation plan.....	7

Table of Contents

Attachment B - STANDARDS FOR SELECTED ITEMS OF COST

	<u>Page</u>
A. <u>Purpose and applicability</u>	
1. Objective.....	1
2. Application.....	1
B. <u>Allowable costs</u>	
1. Accounting.....	1
2. Advertising.....	1
3. Advisory councils.....	1
4. Audit service.....	1
5. Bonding.....	1
6. Budgeting.....	2
7. Building lease management.....	2
8. Central stores.....	2
9. Communications.....	2
10. Compensation for personal services.....	2
11. Depreciation and use allowances.....	3
12. Disbursing service.....	4
13. Employee fringe benefits.....	4
14. Employee morale, health and welfare costs.....	4
15. Exhibits.....	4
16. Legal expenses.....	4
17. Maintenance and repair.....	4
18. Materials and supplies.....	5
19. Memberships, subscriptions and professional activities.....	5
20. Motor pools.....	5
21. Payroll preparation.....	5
22. Personnel administration.....	5
23. Printing and reproduction.....	5
24. Procurement service.....	5
25. Taxes.....	6
26. Training and education.....	6
27. Transportation.....	6
28. Travel.....	6
C. <u>Costs allowable with approval of grantor agency</u>	
1. Automatic data processing.....	6
2. Building space and related facilities.....	6
3. Capital expenditures.....	7
4. Insurance and indemnification.....	7
5. Management studies.....	8
6. Preagreement costs.....	8
7. Professional services.....	8
8. Proposal costs.....	8

Apr. 30, 1973

Apr. 30, 1973

ATTACHMENT A
Circular No. A-87

D. <u>Unallowable costs</u>	Page
1. Bad debts.....	8
2. Contingencies.....	8
3. Contributions and donations.....	8
4. Entertainment.....	8
5. Fines and penalties.....	8
6. Governor's expenses.....	8
7. Interest and other financial costs.....	9
8. Legislative expenses.....	9
9. Underrecovery of costs under grant agreements.....	9

PRINCIPLES FOR DETERMINING
COSTS APPLICABLE TO GRANTS AND CONTRACTS
WITH STATE AND LOCAL GOVERNMENTS

A. Purpose and scope.

1. Objectives. This Attachment sets forth principles for determining the allowable costs of programs administered by State and local governments under grants from and contracts with the Federal Government. The principles are for the purpose of cost determination and are not intended to identify the circumstances or dictate the extent of Federal and State or local participation in the financing of a particular grant. They are designed to provide that federally assisted programs bear their fair share of costs recognized under these principles, except where restricted or prohibited by law. No provision for profit or other increment above cost is intended.

2. Policy guides. The application of these principles is based on the fundamental premises that:

a. State and local governments are responsible for the efficient and effective administration of grant and contract programs through the application of sound management practices.

b. The grantee or contractor assumes the responsibility for seeing that federally assisted program funds have been expended and accounted for consistent with underlying agreements and program objectives.

c. Each grantee or contractor organization, in recognition of its own unique combination of staff facilities and experience, will have the primary responsibility for employing whatever form of organization and management techniques may be necessary to assure proper and efficient administration.

3. Application. These principles will be applied by all Federal agencies in determining costs incurred by State and local governments under Federal grants and cost reimbursement type contracts (including subgrants and subcontracts) except those with (a) publicly financed educational institutions subject to Bureau of the Budget Circular A-21, and (b) publicly owned hospitals and other providers of medical care subject to requirements promulgated by the sponsoring Federal agencies.

B. Definitions.

1. Approval or authorization of the grantor Federal agency means documentation evidencing consent prior to incurring specific cost.

2. Cost allocation plan means the documentation identifying, accumulating, and distributing allowable costs under grants and contracts together with the allocation methods used.

Apr. 30, 1973

2

3. Cost, as used herein, means cost as determined on a cash, accrual, or other basis acceptable to the Federal grantor agency as a discharge of the grantee's accountability for Federal funds.

4. Cost objective means a pool, center, or area established for the accumulation of cost. Such areas include organizational units, functions, objects or items of expense, as well as ultimate cost objectives including specific grants, projects, contracts, and other activities.

5. Federal agency means any department, agency, commission, or instrumentality in the executive branch of the Federal Government which makes grants to or contracts with State or local governments.

6. Grant means an agreement between the Federal Government and a State or local government whereby the Federal Government provides funds or aid in kind to carry out specified programs, services, or activities. The principles and policies stated in this Circular as applicable to grants in general also apply to any federally sponsored cost reimbursement type of agreement performed by a State or local government, including contracts, subcontracts and subgrants.

7. Grant program means those activities and operations of the grantee which are necessary to carry out the purposes of the grant, including any portion of the program financed by the grantee.

8. Grantee means the department or agency of State or local government which is responsible for administration of the grant.

9. Local unit means any political subdivision of government below the State level.

10. Other State or local agencies means departments or agencies of the State or local unit which provide goods, facilities, and services to a grantee.

11. Services, as used herein, means goods and facilities, as well as services.

12. Supporting services means auxiliary functions necessary to sustain the direct effort involved in administering a grant program or an activity providing service to the grant program. These services may be centralized in the grantee department or in some other agency, and include procurement, payroll, personnel functions, maintenance and operation of space, data processing, accounting, budgeting, auditing, mail and messenger service, and the like.

Apr. 30, 1973

3

C. Basic guidelines.

1. Factors affecting allowability of costs. To be allowable under a grant program, costs must meet the following general criteria:

a. Be necessary and reasonable for proper and efficient administration of the grant program, be allocable thereto under these principles, and, except as specifically provided herein, not be a general expense required to carry out the overall responsibilities of State or local governments.

b. Be authorized or not prohibited under State or local laws or regulations.

c. Conform to any limitations or exclusions set forth in these principles, Federal laws, or other governing limitations as to types or amounts of cost items.

d. Be consistent with policies, regulations, and procedures that apply uniformly to both federally assisted and other activities of the unit of government of which the grantee is a part.

e. Be accorded consistent treatment through application of generally accepted accounting principles appropriate to the circumstances.

f. Not be allocable to or included as a cost of any other federally financed program in either the current or a prior period.

g. Be net of all applicable credits.

2. Allocable costs.

a. A cost is allocable to a particular cost objective to the extent of benefits received by such objective.

b. Any cost allocable to a particular grant or cost objective under the principles provided for in this Circular may not be shifted to other Federal grant programs to overcome fund deficiencies, avoid restrictions imposed by law or grant agreements, or for other reasons.

c. Where an allocation of joint cost will ultimately result in charges to a grant program, an allocation plan will be required as prescribed in section J.

3. Applicable credits.

a. Applicable credits refer to those receipts or reduction of expenditure-type transactions which offset or reduce expense items allocable to grants as direct or indirect costs. Examples of such transactions are:

Apr. 30, 1973

4

urchase discounts; rebates or allowances; recoveries or indemnities on losses; sale of publications, equipment, and scrap; income from personal or incidental services; and adjustments of overpayments or erroneous charges.

b. Applicable credits may also arise when Federal funds are received or are available from sources other than the grant program involved to finance operations or capital items of the grantee. This includes costs arising from the use or depreciation of items donated or financed by the Federal Government to fulfill matching requirements under another grant program. These types of credits should likewise be used to reduce related expenditures in determining the rates or amounts applicable to a given grant.

D. Composition of cost.

1. Total cost. The total cost of a grant program is comprised of the allowable direct cost incident to its performance, plus its allocable portion of allowable indirect costs, less applicable credits.

2. Classification of costs. There is no universal rule for classifying certain costs as either direct or indirect under every accounting system. A cost may be direct with respect to some specific service or function, but indirect with respect to the grant or other ultimate cost objective. It is essential therefore that each item of cost be treated consistently either as a direct or an indirect cost. Specific guides for determining direct and indirect costs allocable under grant programs are provided in the sections which follow.

E. Direct costs.

1. General. Direct costs are those that can be identified specifically with a particular cost objective. These costs may be charged directly to grants, contracts, or to other programs against which costs are finally lodged. Direct costs may also be charged to cost objectives used for the accumulation of costs pending distribution in due course to grants and other ultimate cost objectives.

2. Application. Typical direct costs chargeable to grant programs are:

- a. Compensation of employees for the time and effort devoted specifically to the execution of grant programs.
- b. Cost of materials acquired, consumed, or expended specifically for the purpose of the grant.
- c. Equipment and other approved capital expenditures.
- d. Other items of expense incurred specifically to carry out the grant agreement.

Apr. 30, 1973

5

e. Services furnished specifically for the grant program by other agencies, provided such charges are consistent with criteria outlined in Section G. of these principles.

F. Indirect costs.

1. General. Indirect costs are those (a) incurred for a common or joint purpose benefiting more than one cost objective, and (b) not readily assignable to the cost objectives specifically benefited, without effort disproportionate to the results achieved. The term "indirect costs," as used herein, applies to costs of this type originating in the grantee department, as well as those incurred by other departments in supplying goods, services, and facilities, to the grantee department. To facilitate equitable distribution of indirect expenses to the cost objectives served, it may be necessary to establish a number of pools of indirect cost within a grantee department or in other agencies providing services to a grantee department. Indirect cost pools should be distributed to benefiting cost objectives on bases which will produce an equitable result in consideration of relative benefits derived.

2. Grantee departmental indirect costs. All grantee departmental indirect costs, including the various levels of supervision, are eligible for allocation to grant programs provided they meet the conditions set forth in this Circular. In lieu of determining the actual amount of grantee departmental indirect cost allocable to a grant program, the following methods may be used:

a. Predetermined fixed rates for indirect costs. A predetermined fixed rate for computing indirect costs applicable to a grant may be negotiated annually in situations where the cost experience and other pertinent facts available are deemed sufficient to enable the contracting parties to reach an informed judgment (1) as to the probable level of indirect costs in the grantee department during the period to be covered by the negotiated rate, and (2) that the amount allowable under the predetermined rate would not exceed actual indirect cost.

b. Negotiated lump sum for overhead. A negotiated fixed amount in lieu of indirect costs may be appropriate under circumstances where the benefits derived from a grantee department's indirect services cannot be readily determined as in the case of small, self-contained or isolated activity. When this method is used, a determination should be made that the amount negotiated will be approximately the same as the actual indirect cost that may be incurred. Such amounts negotiated in lieu of indirect costs will be treated as an offset to total indirect expenses of the grantee department before allocation to remaining activities. The base on which such remaining expenses are allocated should be appropriately adjusted.

Apr. 30, 1973

4

6

3. Limitation on indirect costs.

a. Federal grants may be subject to laws that limit the amount of indirect cost that may be allowed. Agencies that sponsor grants of this type will establish procedures which will assure that the amount actually allowed for indirect costs under each such grant does not exceed the maximum allowable under the statutory limitation or the amount otherwise allowable under this Circular, whichever is the smaller.

b. When the amount allowable under a statutory limitation is less than the amount otherwise allocable as indirect costs under this Circular, the amount not recoverable as indirect costs under a grant may not be shifted to another federally sponsored grant program or contract.

G. Cost incurred by agencies other than the grantee.

1. General. The cost of service provided by other agencies may only include allowable direct costs of the service plus a prorata share of allowable supporting costs (section B.12.) and supervision directly required in performing the service, but not supervision of a general nature such as that provided by the head of a department and his staff assistants not directly involved in operations. However, supervision by the head of a department or agency whose sole function is providing the service furnished would be an eligible cost. Supporting costs include those furnished by other units of the supplying department or by other agencies.

2. Alternative methods of determining indirect cost. In lieu of determining actual indirect cost related to a particular service furnished by another agency, either of the following alternative methods may be used provided only one method is used for a specific service during the fiscal year involved.

a. Standard indirect rate. An amount equal to ten percent of direct labor cost in providing the service performed by another State agency (excluding overtime, shift, or holiday premiums and fringe benefits) may be allowed in lieu of actual allowable indirect cost for that service.

b. Predetermined fixed rate. A predetermined fixed rate for indirect cost of the unit or activity providing service may be negotiated as set forth in section F.2.a.

H. Cost incurred by grantee department for others.

1. General. The principles provided in section G. will also be used in determining the cost of services provided by the grantee department to another agency.

J. Cost allocation plan.

1. General. A plan for allocation of costs will be required to support the distribution of any joint costs related to the grant program. All costs

Attachment A

Apr. 30, 1973

8

included in the plan will be supported by formal accounting records which will substantiate the propriety of eventual charges.

2. Requirements. The allocation plan of the grantee department should cover all joint costs of the department as well as costs to be allocated under plans of other agencies or organizational units which are to be included in the costs of federally sponsored programs. The cost allocation plans of all the agencies rendering services to the grantee department, to the extent feasible, should be presented in a single document. The allocation plan should contain, but not necessarily be limited to, the following:

a. The nature and extent of services provided and their relevance to the federally sponsored programs.

b. The items of expense to be included.

c. The methods to be used in distributing cost.

3. Approval of cost allocation plan. The allocation plan for a given cost area or objective will serve all the Federal agencies involved.

a. At the State level, the Department of Health, Education, and Welfare will be responsible for the negotiation and approval of the cost allocation plans for central support services to grant programs. The approved plans will be accepted by other Federal agencies, unless an agency determines that the approved plan would result in significant inequitable or improper charges to programs for which it is responsible. The Department of Health, Education, and Welfare will collaborate with the other Federal agencies concerned in the development of guidance material concerning the cost allocation plan and in the negotiation and approval of the plan. It will also collaborate with the States concerning procedures for the administration of the cost allocation plan. The Department of Health, Education, and Welfare will be responsible for the audit of costs resulting from the cost allocation plan, the results of which will be accepted by other Federal agencies.

b. At the grantee department level in a State, and for local governments, Federal agencies will work towards the objective of designating a single Federal agency, the one with predominant interest, which will have responsibility similar to that set forth in a. above for the negotiation and approval of the cost allocation plan and for the audit of costs.

Attachment A

STANDARDS FOR SELECTED ITEMS OF COST

1

A. Purpose and applicability.

1. Objective. This Attachment provides standards for determining the allowability of selected items of cost.

2. Application. These standards will apply irrespective of whether a particular item of cost is treated as direct or indirect cost. Failure to mention a particular item of cost in the standards is not intended to imply that it is either allowable or unallowable, rather determination of allowability in each case should be based on the treatment of standards provided for similar or related items of cost. The allowability of the selected items of cost is subject to the general policies and principles stated in Attachment A of this Circular.

B. Allowable costs.

1. Accounting. The cost of establishing and maintaining accounting and other information systems required for the management of grant programs is allowable. This includes cost incurred by central service agencies for these purposes. The cost of maintaining central accounting records required for overall State or local government purposes, such as appropriation and fund accounts by the Treasurer, Comptroller, or similar officials, is considered to be a general expense of government and is not allowable.

2. Advertising. Advertising media includes newspapers, magazines, radio and television programs, direct mail, trade papers, and the like. The advertising costs allowable are those which are solely for:

- a. Recruitment of personnel required for the grant program.
- b. Solicitation of bids for the procurement of goods and services required.
- c. Disposal of scrap or surplus materials acquired in the performance of the grant agreement.
- d. Other purposes specifically provided for in the grant agreement.

3. Advisory councils. Costs incurred by State advisory councils or committees established pursuant to Federal requirements to carry out grant programs are allowable. The cost of like organizations is allowable when provided for in the grant agreement.

4. Audit service. The cost of audits necessary for the administration and management of functions related to grant programs is allowable.

Attachment B

5. Bonding. Costs of premiums on bonds covering employees who handle grantee agency funds are allowable. 2

6. Budgeting. Costs incurred for the development, preparation, presentation, and execution of budgets are allowable. Costs for services of a central budget office are generally not allowable since these are costs of general government. However, where employees of the central budget office actively participate in the grantee agency's budget process, the cost of identifiable services is allowable.

7. Building lease management. The administrative cost for lease management which includes review of lease proposals, maintenance of a list of available property for lease, and related activities is allowable.

8. Central stores. The cost of maintaining and operating a central stores organization for supplies, equipment, and materials used either directly or indirectly for grant programs is allowable.

9. Communications. Communication costs incurred for telephone calls or service, telegraph, teletype service, wide area telephone service (WATS), centrex, telpak (tie lines), postage, messenger service and similar expenses are allowable.

10. Compensation for personal services.

a. General. Compensation for personal services includes all remuneration, paid currently or accrued, for services rendered during the period of performance under the grant agreement, including but not necessarily limited to wages, salaries, and supplementary compensation and benefits (section B.13.). The costs of such compensation are allowable to the extent that total compensation for individual employees: (1) is reasonable for the services rendered, (2) follows an appointment made in accordance with State or local government laws and rules and which meets Federal merit system or other requirements, where applicable; and (3) is determined and supported as provided in b. below. Compensation for employees engaged in federally assisted activities will be considered reasonable to the extent that it is consistent with that paid for similar work in other activities of the State or local government. In cases where the kinds of employees required for the federally assisted activities are not found in the other activities of the State or local government, compensation will be considered reasonable to the extent that it is comparable to that paid for similar work in the labor market in which the employing government competes for the kind of employees involved. Compensation surveys providing data representative of the labor market involved will be an acceptable basis for evaluating reasonableness.

b. Payroll and distribution of time. Amounts charged to grant programs for personal services, regardless of whether treated as direct or indirect costs, will be based on payrolls documented and approved in accordance with generally accepted practice of the State or local agency. Payrolls

Attachment B

Page 13

Apr. 30, 1973

3

must be supported by time and attendance or equivalent records for individual employees. Salaries and wages of employees chargeable to more than one grant program or other cost objective will be supported by appropriate time distribution records. The method used should produce an equitable distribution of time and effort.

11. Depreciation and use allowances.

a. Grantees may be compensated for the use of buildings, capital improvements, and equipment through use allowances or depreciation. Use allowances are the means of providing compensation in lieu of depreciation or other equivalent costs. However, a combination of the two methods may not be used in connection with a single class of fixed assets.

b. The computation of depreciation or use allowance will be based on acquisition cost. Where actual cost records have not been maintained, a reasonable estimate of the original acquisition cost may be used in the computation. The computation will exclude the cost or any portion of the cost of buildings and equipment donated or borne directly or indirectly by the Federal Government through charges to Federal grant programs or otherwise, irrespective of where title was originally vested or where it presently resides. In addition, the computation will also exclude the cost of land. Depreciation or a use allowance on idle or excess facilities is not allowable, except when specifically authorized by the grantor Federal agency.

c. Where the depreciation method is followed, adequate property records must be maintained, and any generally accepted method of computing depreciation may be used. However, the method of computing depreciation must be consistently applied for any specific asset or class of assets for all affected federally sponsored programs and must result in equitable charges considering the extent of the use of the assets for the benefit of such programs.

d. In lieu of depreciation, a use allowance for buildings and improvements may be computed at an annual rate not exceeding two percent of acquisition cost. The use allowance for equipment (excluding items properly capitalized as building cost) will be computed at an annual rate not exceeding six and two-thirds percent of acquisition cost of usable equipment.

e. No depreciation or use charge may be allowed on any assets that would be considered as fully depreciated, provided, however, that reasonable use charges may be negotiated for any such assets if warranted after taking into consideration the cost of the facility or item involved, the estimated useful life remaining at time of negotiation, the effect of any increased maintenance charges or decreased efficiency due to age, and any other factors pertinent to the utilization of the facility or item for the purpose contemplated.

Apr. 30, 1973

4

12. Disbursing service. The cost of disbursing grant program funds by the Treasurer or other designated officer is allowable. Disbursing services cover the processing of checks or warrants, from preparation to redemption, including the necessary records of accountability and reconciliation of such records with related cash accounts.

13. Employee fringe benefits. Costs identified under a. and b. below are allowable to the extent that total compensation for employees is reasonable as defined in section B.10.

a. Employee benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as for annual leave, sick leave, court leave, military leave, and the like, if they are: (1) provided pursuant to an approved leave system, and (2) the cost thereof is equitably allocated to all related activities, including grant programs.

b. Employee benefits in the form of employers' contribution or expenses for social security, employees' life and health insurance plans, unemployment insurance coverage, workmen's compensation insurance, pension plans, severance pay, and the like, provided such benefits are granted under approved plans and are distributed equitably to grant programs and to other activities.

14. Employee morale, health and welfare costs. The costs of health or first-aid clinics and/or infirmaries, recreational facilities, employees' counseling services, employee information publications, and any related expenses incurred in accordance with general State or local policy, are allowable. Income generated from any of these activities will be offset against expenses.

15. Exhibits. Costs of exhibits relating specifically to the grant programs are allowable.

16. Legal expenses. The cost of legal expenses required in the administration of grant programs is allowable. Legal services furnished by the chief legal officer of a State or local government or his staff solely for the purpose of discharging his general responsibilities as legal officer are unallowable. Legal expenses for the prosecution of claims against the Federal Government are unallowable.

17. Maintenance and repair. Costs incurred for necessary maintenance, repair, or upkeep of property which neither add to the permanent value of the property nor appreciably prolong its intended life, but keep it in an efficient operating condition, are allowable.

Apr. 30, 1973

5

18. Materials and supplies. The cost of materials and supplies necessary to carry out the grant programs is allowable. Purchases made specifically for the grant program should be charged thereto at their actual prices after deducting all cash discounts, trade discounts, rebates, and allowances received by the grantee. Withdrawals from general stores or stockrooms should be charged at cost under any recognized method of pricing consistently applied. Incoming transportation charges are a proper part of material cost.

19. Memberships, subscriptions and professional activities.

a. Memberships. The cost of membership in civic, business, technical and professional organizations is allowable provided: (1) the benefit from the membership is related to the grant program, (2) the expenditure is for agency membership, (3) the cost of the membership is reasonably related to the value of the services or benefits received, and (4) the expenditure is not for membership in an organization which devotes a substantial part of its activities to influencing legislation.

b. Reference material. The cost of books, and subscriptions to civic, business, professional, and technical periodicals is allowable when related to the grant program.

c. Meetings and conferences. Costs are allowable when the primary purpose of the meeting is the dissemination of technical information relating to the grant program and they are consistent with regular practices followed for other activities of the grantee.

20. Motor pools. The costs of a service organization which provides automobiles to user grantee agencies at a mileage or fixed rate and/or provides vehicle maintenance, inspection and repair services are allowable.

21. Payroll preparation. The cost of preparing payrolls and maintaining necessary related wage records is allowable.

22. Personnel administration. Costs for the recruitment, examination, certification, classification, training, establishment of pay standards, and related activities for grant programs, are allowable.

23. Printing and reproduction. Cost for printing and reproduction services necessary for grant administration, including but not limited to forms, reports, manuals, and informational literature, are allowable. Publication costs of reports or other media relating to grant program accomplishments or results are allowable when provided for in the grant agreement.

24. Procurement service. The cost of procurement service, including solicitation of bids, preparation and award of contracts, and all phases of contract administration in providing goods, facilities and services for grant programs, is allowable.

Apr. 30, 1973

6

25. Taxes. In general, taxes or payments in lieu of taxes which the grantee agency is legally required to pay are allowable.

26. Training and education. The cost of in-service training, customarily provided for employee development which directly or indirectly benefits grant programs is allowable. Out-of-service training involving extended periods of time is allowable only when specifically authorized by the grantor agency.

27. Transportation. Costs incurred for freight, cartage, express, postage and other transportation costs relating either to goods purchased, delivered, or moved from one location to another are allowable.

28. Travel. Travel costs are allowable for expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business incident to a grant program. Such costs may be charged on an actual basis, on a per diem or mileage basis in lieu of actual costs incurred, or on a combination of the two, provided the method used is applied to an entire trip, and results in charges consistent with those normally allowed in like circumstances in nonfederally sponsored activities. The difference in cost between first-class air accommodations and less-than-first-class air accommodations is allowable except when less-than-first-class air accommodations are not reasonably available.

C. Costs allowable with approval of grantor agency.

1. Automatic data processing. The cost of data processing services to grant programs is allowable. This cost may include rental of equipment or depreciation on grantee-owned equipment. The acquisition of equipment, whether by outright purchase, rental-purchase agreement or other method of purchase, is allowable only upon specific prior approval of the grantor Federal agency as provided under the selected item for capital expenditures.

2. Building space and related facilities. The cost of space in privately or publicly owned buildings used for the benefit of the grant program is allowable subject to the conditions stated below. The total cost of space, whether in a privately or publicly owned building, may not exceed the rental cost of comparable space and facilities in a privately owned building in the same locality. The cost of space procured for grant program usage may not be charged to the program for periods of nonoccupancy, without authorization of the grantor Federal agency.

a. Rental cost. The rental cost of space in a privately owned building is allowable.

b. Maintenance and operation. The cost of utilities, insurance, security, janitorial services, elevator service, upkeep of grounds, normal repairs and alterations and the like, are allowable to the extent they are not otherwise included in rental or other charges for space.

Apr. 30, 1973

c. Rearrangements and alterations. Cost incurred for rearrangement and alteration of facilities required specifically for the grant program or those that materially increase the value or useful life of the facilities (section C.3.) are allowable when specifically approved by the grantor agency.

d. Depreciation and use allowances on publicly owned buildings. These costs are allowable as provided in section B.11.

e. Occupancy of space under rental-purchase or a lease with option-to-purchase agreement. The cost of space procured under such arrangements is allowable when specifically approved by the Federal grantor agency.

3. Capital expenditures. The cost of facilities, equipment, other capital assets, and repairs which materially increase the value or useful life of capital assets is allowable when such procurement is specifically approved by the Federal grantor agency. When assets acquired with Federal grant funds are (a) sold, (b) no longer available for use in a federally sponsored program, or (c) used for purposes not authorized by the grantor agency, the Federal grantor agency's equity in the asset will be refunded in the same proportion as Federal participation in its cost. In case any assets are traded on new items, only the net cost of the newly acquired assets is allowable.

4. Insurance and indemnification.

a. Costs of insurance required, or approved and maintained pursuant to the grant agreement, is allowable.

b. Costs of other insurance in connection with the general conduct of activities is allowable subject to the following limitations:

(1) Types and extent and cost of coverage will be in accordance with general State or local government policy and sound business practice.

(2) Costs of insurance or of contributions to any reserve covering the risk of loss of, or damage to, Federal Government property is unallowable except to the extent that the grantor agency has specifically required or approved such costs.

c. Contributions to a reserve for a self-insurance program approved by the Federal grantor agency are allowable to the extent that the type of coverage, extent of coverage, and the rates and premiums would have been allowed had insurance been purchased to cover the risks.

d. Actual losses which could have been covered by permissible insurance (through an approved self-insurance program or otherwise) are unallowable unless expressly provided for in the grant agreement. However, costs incurred because of losses not covered under nominal deductible insurance coverage provided in keeping with sound management practice, and

CONTINUED

1 OF 2

minor losses not covered by insurance, such as spoilage, breakage and disappearance of small hand tools which occur in the ordinary course of operations, are allowable.

e. Indemnification includes securing the grantee against liabilities to third persons and other losses not compensated by insurance or otherwise. The Government is obligated to indemnify the grantee only to the extent expressly provided for in the grant agreement, except as provided in d. above.

5. Management studies. The cost of management studies to improve the effectiveness and efficiency of grant management for ongoing programs is allowable except that the cost of studies performed by agencies other than the grantee department or outside consultants is allowable only when authorized by the Federal grantor agency.

6. Preagreement costs. Costs incurred prior to the effective date of the grant or contract, whether or not they would have been allowable thereunder if incurred after such date, are allowable when specifically provided for in the grant agreement.

7. Professional services. Cost of professional services rendered by individuals or organizations not a part of the grantee department is allowable subject to such prior authorization as may be required by the Federal grantor agency.

8. Proposal costs. Costs of preparing proposals on potential Federal Government grant agreements are allowable when specifically provided for in the grant agreement.

D. Unallowable costs.

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.

Apr. 30, 1973

9

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.

7. Interest and other financial costs. Interest on borrowings (however represented), bond discounts, cost of financing and refinancing operations, and 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 agreement is unallowable under other grant agreements.

Apr. 30, 1973

APPENDIX 2. TEXT OF OFFICE OF MANAGEMENT
AND BUDGET CIRCULAR A-73

EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
WASHINGTON, D.C. 20503

August 4, 1965

CIRCULAR NO. A-73

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Audit of Federal grants-in-aid to State and local governments

1. Purpose. This Circular sets forth policies to be followed in the audit of Federal grants-in-aid to State and local governments. The primary objectives of this Circular are to promote improved audit practices, and to achieve more efficient use of manpower through improved coordination of the efforts of Federal, State, and local government audit staff. To the extent appropriate, the policies should also be applied to contracts with, and loans to, State and local governments.

2. Coverage. This Circular applies to all Federal agencies responsible for administering programs that involve grants-in-aid to State and local governments.

3. Audit policies. Federal agencies are responsible for providing adequate audit coverage of grant programs, as a constructive aid in determining whether Federal funds have been applied effectively and in a manner that is consistent with related Federal laws, program objectives, and underlying agreements.

a. Determination of audit requirements. Each Federal agency conducting grant programs will establish audit policies for guidance of its internal or independent auditors. For this purpose, the agency will review its individual grant programs to determine the coverage, frequency, and priority of audit required for each program. Such review should include consideration of the following factors:

(1) The dollar magnitude and duration of the grant program.

(2) The extent of Federal matching requirements.

(3) The Federal management needs to be met, as developed in consultation with the responsible program officials.

(4) Prior experience in auditing the program, including the adequacy of the financial management system and controls.

The audit policies of Federal agencies will provide for relying, to the maximum extent feasible, on internal or independent audits performed at the State and local levels and for appropriate use of the principles of statistical sampling.

Apr. 30, 1973

b. Scope of individual audits. To assist in deciding on the scope of Federal audit required for each grant program, determinations will be made of the adequacy of the internal management control system employed by the grantee--including consideration of whether the accounting records are maintained, and reports are prepared, in accordance with generally accepted accounting principles, and whether audits are carried out in accordance with generally accepted auditing standards. This involves an evaluation of the grantee's organizational arrangements, financial systems, and facilities for audit and other reviews. The aim is to determine whether the management controls provide an effective system that promotes efficient administration and satisfies governing laws and regulations, the audit service is provided on a timely basis by qualified staff, and the auditors have sufficient independence of operations to permit a comprehensive and objective service to management.

Where grantee practices are considered to be acceptable under such standards, Federal audits will be oriented toward establishing the adequacy of the system and controls in operation, supported by a testing of transactions to verify the reliability of the system.

Where the grantee's internal management control system does not meet these standards, Federal agencies will encourage the grantee to review existing practices and bring about necessary improvements, and will cooperate by lending such assistance as may be feasible in developing an appropriate system and orienting grantee staff.

Each Federal agency will make available--on request from another Federal agency--the results and findings of previous audits that identify the adequacy of a grantee's system of financial management and control as well as such other information as will assist in establishing audit requirements and the scope of audit.

c. Arrangements for conduct of audits. In order to conserve manpower, promote efficiency, and minimize the impact of required audits on the operations of grantee organizations, the audit of all grant programs administered under the jurisdiction of a single Federal department should be coordinated in all cases where related authorities and responsibilities are delegated to constituent organizations.

In addition, each grantor agency will give full consideration to establishing cross-servicing arrangements under which one Federal agency would conduct audits for another--whenever such arrangements are in the best interests of the Federal Government and the grantee. This is particularly applicable where two or more Federal agencies are auditing programs in the same State agency or local unit, or in offices located within the same geographical area. Under such circumstances, it will be the responsibility of the Federal agencies involved to collaborate in

Apr. 30, 1973

determining the feasibility of one of the agencies conducting audits for others, and to work out mutually agreeable arrangements for carrying out the required audits on the most efficient basis. To the extent that problems are encountered which cannot be resolved through such collaboration, the Bureau of the Budget will lend assistance as required.

d. Coordination of Federal, State, and local audits. Federal agencies responsible for conducting audits of grant operations will foster close cooperation and coordination among the auditors of the respective jurisdictions. Continuous liaison, including the exchange of audit standards and objectives, should be maintained among the Federal, State, and local audit groups involved. As a minimum, these groups will collaborate in the development of audit schedules to minimize the amount of effort required, as well as the impact on operations of the grantee offices. While the Federal Government cannot automatically accept audits performed by a representative of the grantee, maximum use should be made of audits performed by the grantee's internal or independent auditors, so as to avoid unnecessary duplication by Federal auditors.

4. Implementation action. Federal agencies administering grants to State and local governments are requested to make a critical review of policies and practices currently followed in the audit of grant programs, and to take such action as is necessary to comply with the policies set forth in this Circular. For this purpose, the head of each agency should designate a central point in the agency to be responsible for seeing that this is done expeditiously.

Each Federal agency subject to this Circular will submit a report (original and one copy) to the Bureau of the Budget by March 31, 1966, as to the actions taken and progress made toward: (a) establishing and publishing statements of audit requirements; (b) coordination of audits within the agency; (c) establishing cross-servicing arrangements; and (d) coordinating Federal audit work with that of the State and local governments concerned.

CHARLES L. SCHULTZE
Director

APPENDIX 3. INSTRUCTIONAL MANUAL FOR P.L.
90-351 GRANTEE'S ON LETTER OF
CREDIT WITHDRAWALS

TABLE OF CONTENTS

<u>Paragraph</u>	<u>Page</u>
I. General.....	2
A. Scope and Applicability	2
B. Nature of Letter of Credit.....	2
C. Summary of Procedures.....	2
II. Operating Procedures.....	3
A. General.....	3
B. Selection of Commercial Bank.....	3
C. Signatures of Individuals Authorized to Sign Payment Vouchers.....	4
D. Issuance of Letter of Credit.....	5
E. Establishment of Accounting Records.....	6
F. Use of Payment Vouchers to Obtain Federal Funds.....	7
III. Federal Funds Status Report Relative to Letter of Credit.....	9
IV. Exhibits	
1. Standard Form 1194 and Instructions for Preparation.....	10
2. Standard Form 1193, Letter of Credit.....	12
3. Form TUS 5401, Payment Voucher on Letter of Credit - Instructions for Preparation and Distribution.....	15

Apr. 30, 1973

I. General

The purpose of the letter-of-credit method of financing, as generally employed by Federal aid programs, is to reduce Federal debt levels and the interest costs of short-term borrowing by:

- (i) postponing the withdrawal of funds from the U.S. Treasury until the time when funds are needed to cover disbursements, and
- (ii) limiting the amount withdrawn at any time to the amount needed for disbursements expected to be made immediately or within a few days.

The Treasury Department (Circular No. 1075, Second Revision, 1969 and Chapter 1000 of the Treasury Fiscal Requirements Manual) has determined that all Government agencies making advance payments will utilize the letter-of-credit method of financing whenever such use contributes to the foregoing objectives.

A. Scope and Applicability

Awards of Title I funds will be made available to States and other grantees under the letter-of-credit procedure in those instances when the recipient's annual advances from all Title I awards will be at least \$250,000.

B. Nature of Letter of Credit

A letter of credit is a commitment prepared and certified by the Law Enforcement Assistance Administration. It specifies an amount which a State Planning Agency or other authorized recipient organization may draw, through any commercial bank it selects, by the issuance of payment vouchers. Payment on a letter of credit is by delegation of the Treasury Department at the request of the LEAA through a designated Federal Reserve Bank or branch from the general account of the Treasurer of the United States.

C. Summary of Procedures

In order to implement the letter-of-credit method of advancing funds, the following steps are necessary:

Apr. 30, 1973

1. Recipient organization selects a commercial bank for collection of payment vouchers.
2. Recipient organization obtains signatures of individuals authorized to draw payment vouchers against letter of credit and signature of an official who has authority to designate the individuals so authorized.
3. The LEAA issues letter of credit stating a quarterly limitation based on the recipient organization's anticipated needs.
4. Recipient organization establishes accounting records to assure compliance.
5. Recipient organization presents payment vouchers periodically according to actual disbursement needs.
6. Recipient organization submits periodic reports accounting for funds withdrawn under the letter-of-credit procedure.

II. Operating Procedures

A. General

Under Public Law 90-351 the recipient of the letter of credit may be the State Planning Agency or State Treasurer or other designated officer of the grant recipient. Therefore, officials other than those of the State Planning Agency may be responsible for carrying out some or all of these procedures. The LEAA will look to the State Planning Agency director to see that these procedures are implemented and that participating state officials are familiar with and understand the procedures.

B. Selection of Commercial Bank

The State Planning Agency director or other authorized official will arrange with a commercial bank to receive payment vouchers drawn on the Treasurer of the United States and forward such vouchers to its servicing Federal Reserve Bank or branch for collection as a non-cash item. The commercial bank may, if it agrees, credit the account at the time the voucher is submitted rather than waiting until advised by the Federal Reserve Bank or branch that the payment voucher has been accepted.

Apr. 30, 1973

The state planning agency director or other authorized state official is responsible for notifying the LEAA in writing of the (1) name and address of the commercial bank selected; (2) the account title and number, and (3) the city location of the Federal Reserve Bank or branch which services the designated commercial bank, and any changes in the foregoing. In the event it is subsequently found necessary to use a commercial bank serviced by a different Federal Reserve Bank or branch, the state planning agency director shall notify the LEAA sufficiently in advance to permit revocation of the existing letter of credit and issuance of a new letter of credit.

C. Signatures of Individuals Authorized to Sign Signature Card

1. In order that payment vouchers may be honored, the signatures of individuals designated to sign payment vouchers must be on file with the letter of credit at the Federal Reserve Bank or branch. A signature card, Form SF-1194, should be submitted for the person(s) authorized to sign payment vouchers. Exhibit I contains a sample form and detailed instructions for completion. The card should contain signatures of two or more authorized payees in order to provide for an alternate in case of illness or other emergencies. The authority to sign payment vouchers should be limited to a practical number of individuals. The signature card provides for a countersignature, if desired; however, the card must be appropriately noted as explained in the instructions. A countersignature is not required by U.S. Treasury and need not be used unless required by the recipient organization. An official of the recipient organization who has the authority to designate the payees must certify that the signatures appearing on the card are the signatures of the authorized payees.
2. The completed signature card should be returned under cover of transmitting letter providing the information as to selected commercial bank, account number, etc. specified on the previous page to the cognizant LEAA Regional Office.

Apr. 30, 1973

3. When the signature card is received by LEAA it will be signed by an authorized certifying officer and forwarded through the U.S. Treasury to the Federal Reserve Bank with the Letter of Credit when it is issued.
 4. A new signature card must be submitted whenever there is any change in the individuals authorized to sign payment vouchers. A change in position or title of a payee does not warrant a resubmission of a signature card. When transmitting a new card, be sure to specify on the transmittal letter that the signature card previously furnished is to be revoked. Send requests for additional signature cards to the cognizant LEAA Regional Office.
 5. Newly authorized signers should not sign payment vouchers for at least ten working days after the new card is sent to LEAA. This is necessary to allow time for the new card to reach the Federal Reserve Bank or branch which honors the payment vouchers.
- D. Issuance of Letter of Credit
1. Letter of Credit, SF-1193 (Exhibit 2), is an authorization to a Federal Reserve Bank to pay funds to the designated organization on behalf of the LEAA upon presentation of payment vouchers to a commercial bank for collection through the Federal Reserve System.
 2. LEAA will establish the letter of credit system for each recipient organization upon receipt of the following: (1) (SF-1194) signature card along with the name and account number of the commercial bank, and the name of the Federal Reserve Bank, (2) award of funds to the recipient and (3) the grantee's Quarterly Authorization Request under Letter of Credit Funding indicating its needs for the quarter involved. (All documents should be forwarded through the cognizant regional office.) Two copies of the SF-1193 will be forwarded to the Treasury Department, one copy to the recipient organization, and two copies retained by LEAA.
 3. Amending Letters of Credit - A change in the name of the recipient organization and/or title of the bank account requires an amended letter of credit signed by an authorized LEAA certifying officer. Amendments will not interrupt the progression of the numbers assigned to payment vouchers by the drawer. The amendment number will not be shown on the payment vouchers.

Apr. 30, 1973

In the event an SPA receives a new grant award during a quarter, and anticipates expenditures of the newly awarded funds during the remainder of the quarter, approval will be obtained by submitting a letter to the cognizant LEAA Regional Office giving the grant number and the amount to be expended.

If a recipient organization's total balance of funds under all active grants falls below the quarterly amount authorized under the Letter of Credit, LEAA will reduce the quarterly amount authorized and notify the recipient organization of the new maximum drawdown limitation.

E. Establishment of Accounting Records

Control records should be established to ensure that:

1. The total monetary amount of payment vouchers issued during the quarter does not exceed the maximum quarterly withdrawal established by the letter of credit.
2. Funds drawn are properly allocated between planning and action grant awards. Therefore, memorandum accounts should be established to separate the respective benefit payments. Planning awards are those awards made partially and/or completely for the establishment and operation of State law enforcement planning agencies and the preparation and development of State plans. (Part B of Title I).

Action awards are those awards made for the purpose of carrying out the comprehensive plans submitted by planning agencies and approved by the Law Enforcement Assistance Administration. (Part C and Part E of Title I).

3. Funds drawn for disbursement needs do not exceed the awards as shown in Item 7 of Letter of Credit.
4. The recipient organization is constantly aware of its cash position as related to its current disbursement needs.
5. Cash on hand is the minimum needed for disbursements to be made immediately or within a few days.

Apr. 30, 1973

F. Use of Payment Vouchers to Obtain Federal Funds

1. To obtain Federal funds, a recipient organization will prepare a payment voucher, Form TUS 5401, and present it to the selected commercial bank. Exhibit 3 contains a sample form and detailed instructions for completion. The commercial bank will credit the recipient's account upon acceptance of the payment voucher by the Federal Reserve Bank holding the letter of credit. This may be the same day, or may take longer, depending on the location of the Federal Reserve Bank in relation to the commercial bank.
2. A supply of payment vouchers, Form TUS 5401, has been provided to each grantee operating through letter-of-credit procedures. An additional supply of payment vouchers may be ordered from the cognizant LEAA Regional Office.
3. It is intended that payment vouchers will be drawn only in accordance with the grantee's actual immediate or current needs for cash. However, a payment voucher should not be drawn for amounts less than \$10,000.
4. The block "Agency Station Symbol" on the Form TUS 5401 will show the Department of Justice Station Symbol, "15-01-9701."
5. Each Form TUS 5401 drawn will contain the number of the related letter of credit and a number identifying the particular payment voucher. The number of the payment voucher will commence with "1" for each letter of credit and will progress in consecutive order. Alphabetical designations will not be used as part of the voucher number. Amendments to the letter of credit will not interrupt the progression of the numbers assigned to the payment vouchers by the drawer.
6. Payment vouchers will not be presented to the commercial banks until the recipient organization has need for the requested funds. The date presented to the bank will be the "date drawn" on the Form TUS 5401, Payment Voucher on Letter of Credit. A xerox copy of the Form TUS 5401 will be sent by the drawer to the cognizant LEAA Regional Office.

If the recipient organization has its account in a commercial bank located in the District of Columbia, payment vouchers will be sent through the commercial bank to the Cash Division, Office of the Treasurer of the United States.

Apr. 30, 1973

7. Payment vouchers not accepted by the Federal Reserve Bank or Branch will be sent to the Treasury Department, Bureau of Accounts. A copy of the payment voucher together with a letter stating the reasons for non-acceptance will be sent to the LEAA by the Treasury Department.
8. Copies of payment vouchers will be distributed as follows:
 - A. Original and two copies sent to commercial bank for forwarding to Federal Reserve Bank.
 - B. Xerox copy of both sides of voucher sent to LEAA Regional Office.
 - C. Quadruplicate retained for files.
9. Payment vouchers must show the distribution of cash used by state planning agency grant number on the reverse of the voucher. For example, if against a payment voucher in the amount of \$16,000, \$4,000 will be used against grant number 27 and \$12,000 against grant number 113, the cash distribution must be shown accordingly.

III. Federal Funds Status Report Relating to Letters of Credit

A. Quarterly Reporting Requirements

Each calendar quarter, the recipient organization shall submit, in duplicate, the Federal Funds Status Report. The report must be submitted no later than thirty days following the close of the calendar quarter to the cognizant LEAA Regional Office.

IV. Revocation Provision

The failure of the recipient organization to (1) request cash drawdowns only as and when actually needed for its disbursement and (2) to report the status of funds on a timely manner as required by the Law Enforcement Assistance Administration, may cause the unobligated portion of the letter of credit to be revoked. (The Department of the Treasury, Circular No. 1075 (Second Revision) 1969, Section 205.5(c)).

Apr. 30, 1973

EXHIBIT 1
STANDARD FORM 1194 and INSTRUCTIONS
FOR PREPARATION

Standard Form 1194 U.S. Treasury Form 1000 Fiscal Service Bureau of Accounts		AUTHORIZED SIGNATURE CARD FOR PAYMENT VOUCHERS ON LETTER OF CREDIT		Letter of Credit Number 1 Federal Reserve Bank 2
Letter of Credit Issued in Favor of (Recipient) 3		Issued by (Federal Agency) 4		
SIGNATURES OF INDIVIDUALS AUTHORIZED TO DRAW ON THE CITED LETTER OF CREDIT		<input type="checkbox"/> ONLY ONE SIGNATURE REQUIRED ON PAYMENT VOUCHERS OR <input type="checkbox"/> ANY TWO SIGNATURES REQUIRED TO SIGN OR COUNTERSIGN		
Typed Name and Signature 6		Typed Name and Signature 6		
Typed Name and Signature 6		Typed Name and Signature 6		
I CERTIFY THAT THE SIGNATURES ABOVE ARE OF THE INDIVIDUALS AUTHORIZED TO DRAW PAYMENT VOUCHERS FOR THE CITED LETTER OF CREDIT. 7 DATE AND SIGNATURE OF AUTHORIZING OFFICIAL (Recipient)		APPROVED: 8 DATE AND SIGNATURE OF AGENCY CERTIFYING OFFICER		

1194-101

U.S. GOVERNMENT PRINTING OFFICE: 1967 OF-285-144 (75-6)

- (1) Letter of Credit number will be assigned by the LEAA. If the recipient is submitting revised signature cards, the recipient should fill in the Letter of Credit number previously assigned by the LEAA.
- (2) Enter the city location of the Federal Reserve Bank or branch serving the selected commercial bank. If the recipient organization has its account in a commercial bank located in the District of Columbia, enter in block 2 "Cash Division, Office of the Treasurer, U.S."
- (3) Enter the name of the recipient organization account in whose favor the Letter of Credit will be issued.

A State recipient will enter (a) the title (not name) of the official authorized by the recipient's governing body to receive Title I funds; (b) the name of the State agency; and (c) the title of the bank account which will be credited when the payment voucher is drawn.

Apr. 30, 1973

(4) This block will be filled in by the Department of Justice, Law Enforcement Assistance Administration. However, if the recipient is submitting revised signature cards, the recipient may fill in this block (if not pre-printed), with the name of the "Issuing Agency" as shown on the Letter of Credit.

(5) Check the appropriate block.

First Block - A check in this block will authorize any one of the signatures in item (6) to issue a payment voucher (Form TUS 5401).

Second Block - A check in this block will indicate that the recipient requires a countersignature. Any combination of two authorized signatures on the payment voucher will be considered an adequate countersignature.

If the recipient wants to authorize certain individuals only to countersign payment vouchers, the notation "countersign only" must be shown next to their signatures on the signature card in item (6). Countersignatures are not required, however, by the Treasury Department.

(6) Enter the typed names and written signatures of persons authorized to sign payment vouchers. Facsimile signatures are not permitted. If more than four persons are authorized, use additional signature cards.

(7) Enter the date, signature, and title of the official who has been delegated authority from the governing body to approve the persons designated in the blocks in item (6). The authorizing officer must sign each card submitted.

If the authorizing officer will also sign payment vouchers, his name and signature must also appear in a block in item (6).

(8) To be completed by the authorized certifying officer, LEAA.

NOTE: Two completed signature cards are required to be submitted to the cognizant LEAA Regional Office.

Apr. 30, 1973

Standard Form 1194
U.S. Treasury Department
Fiscal Service Bureau of Accounts

EXHIBIT 2

ISSUING AGENCY 1	LETTER OF CREDIT Auth. TREASURY DEPARTMENT CIRCULAR No. 1075 Revised	LETTER OF CREDIT NUMBER 2
AGENCY STATION SYMBOL 4		AMENDMENT NUMBER 3
TO The Federal Reserve Bank,		EFFECTIVE DATE
		BRANCH BANK AT

In accordance with the authorization of the Fiscal Assistant Secretary, Treasury Department, there is hereby authorized for the account and responsibility of the issuing agency a letter of credit:

IN FAVOR OF 5		FOR DEPOSIT ONLY TO 6	
AMOUNT AUTHORIZED \$ 7		PRIOR AUTHORIZATION \$	THIS CHANGE Increase \$ Decrease \$
<input type="checkbox"/> EACH MONTH <input checked="" type="checkbox"/> EACH QUARTER <input type="checkbox"/> WITHOUT TIME LIMIT <input type="checkbox"/> _____			

The unpaid balance of this letter of credit will remain available until you are advised in writing by the Treasury Department that this letter has been revoked.

OR

The unpaid balance of this letter of credit is revoked at the end of each period indicated and the full amount re-established at the beginning of the following period until you are advised in writing by the Treasury Department that this letter has been revoked.

The amount of this letter of credit is hereby certified to be drawn against, upon presentation to you of Standard Form 218 Payment Voucher on Letter of Credit, by the official(s) of the recipient organization whose signature(s) appear on the Standard Form 1194, Authorized Signature Card for Payment Vouchers on Letter of Credit, attached hereto or previously or subsequently furnished you through the Treasury Department.

The amount of each payment voucher paid by a Federal Reserve Bank or branch to a designated commercial bank for credit to the account of the recipient organization shall constitute payment to the recipient organization by the United States.

I certify to the Treasury Department that the payments authorized herein are correct and proper for payment from the appropriations or funds legally committed and available for the purpose when paid in accordance with the terms and conditions cited above.

DATE CERTIFIED _____

AUTHORIZED CERTIFYING OFFICER

Part No. 1 - Send to Treasury Department
1193-101

TYPED NAME AND TITLE

Apr. 30, 1973

EXHIBIT 2 (continued)

INFORMATION CONCERNING USE OF LETTER OF CREDIT, SF 1193

(1) The Letter of Credit is prepared by the Law Enforcement Assistance Administration of the Department of Justice.

(2) The basic 8 digit number of the Letter of Credit is illustrated as follows:

First 2 digits 15-01-15-01, identifies the Department of Justice.

Second 2 digits 15-01-15-01, identifies the organization within the Department of Justice administering the grant program.

Third 2 digits 15-01-15-01, identifies the Department of Justice.

Last 2 digits 15-01-15-01, identifies the State.

The Letter of Credit number is required to be shown on each payment voucher in the block provided for that purpose.

(3) The Letter of Credit must be amended for (a) any increase or decrease in the amount authorized; (b) a change in the name of the recipient organization; (c) a change in the title of the bank account; or (d) a change in the commercial bank which requires a change in the Federal Reserve Bank or branch. A statement should be included in the amending Letter of Credit to explain any amendment other than a change in the amount authorized.

(4) The AGENCY STATION SYMBOL (15-01-9701) identifies the accounting station of the Department of Justice which is administering the Letter of Credit. The agency station symbol is required on each payment voucher (Form TUS 5401).

(5) For State recipients, the Letter of Credit is issued in favor of the title (not name) of the official authorized by the recipient's governing body to

Apr. 30, 1973

Receive Federal funds. For a municipality or other institution, the Letter of Credit is issued in favor of the name of the recipient municipality or institution.

(6) The name of the bank account (including the name of bank), as specified on the signature card by the recipient, is entered here.

(7) The Letter of Credit is issued by LEAA for an amount which represents the maximum the recipient can draw each quarter. This will normally be based on cash flow estimates provided by the recipient. Any unused balance of the authorized amount is automatically canceled at the end of the quarter, and the full authorized amount is reinstated at the beginning of the following quarter. A change in the maximum quarterly amount authorized can be obtained by submitting to LEAA a Grantee's Quarterly Authorization Request Under Letter of Credit Funding.

EXHIBIT 3

FORM TUS 5401 (Rev. 12-67) Treasury Department F. FORM 1000		PAYMENT VOUCHER ON LETTER OF CREDIT (TO BE COLLECTED AS A NON-CASH ITEM) The drawer's bank shall be the agent of the drawer for the collection of this instrument and each subsequent collecting commercial bank shall be the agent of the drawer.		1199957 SERIAL NO. SYMBOL 17-865	
VOUCHER NO. 1	LETTER OF CREDIT NO. 2	AGENCY STATION SYMBOL 3	DATE VOUCHER DRAWN 4	AMOUNT \$ 5	
NAME AND ADDRESS OF DRAWER 6		NAME AND ADDRESS OF DRAWER'S BANK		FEDERAL RESERVE BANK OR BRANCH 8	
NAME AND ADDRESS OF U. S. AGENCY 9		I certify that this payment voucher has been drawn in accordance with the terms and conditions of the letter of credit cited and that the amount for which drawn is properly for credit to the account of the drawer at the drawer's bank.			
		10 (Signature)		(Title)	
		(Countersignature)		(Title)	
Per authorization of Fiscal Assistant Secretary, Treasury Department, debit the general account of the Treasurer of the U. S. and pay to the presenting bank the amount shown above.			FOR FEDERAL RESERVE BANK USE ONLY		
11			(Date Debited)		(Authorized Signature)

- (1) Enter the payment voucher number. Payment vouchers are numbered sequentially beginning with "1". Alphabetic or fiscal year designations will not be used. Neither the closing of fiscal years nor amendments to the Letter of Credit will interrupt the sequential numbering of payment vouchers.
- (2) Enter the Letter of Credit number from the Letter of Credit. Do not enter amendment numbers which may appear on the Letter of Credit.
- (3) Enter the Agency Station Symbol "15-01-9701" in this block.
- (4) Enter the date the payment voucher is presented to the commercial bank. This space may have to be left blank when the payment voucher is initially typed and filled in later by the final signatory to show the date the voucher is presented to the commercial bank.
- (5) Enter the amount needed to meet current disbursement requirements, but not to exceed availability under program (grant) authorizations.

- (6) Enter the title of the recipient official or the name of the organization as shown on the Letter of Credit (see item 5 of Exhibit 2). Also, enter the name of the account as shown on the Letter of Credit (see item 6 of Exhibit 2). The information entered in this block must be identical to the recipient name and account name shown on Letter of Credit.
- (7) Enter the name and address of the commercial bank that will process the payment voucher to the Federal Reserve Bank or branch.
- (8) Enter the city location of the Federal Reserve Bank or branch shown on the Signature Card and the Letter of Credit.
- (9) Enter the name and address of the U. S. agency in this block as:

Budget and Finance Office
Law Enforcement Assistance Administration
U. S. Department of Justice
Washington, D. C. 20530
- (10) Obtain signature (and countersignature, if necessary) of authorized official(s), for whom signature cards have been submitted.
- (11) Leave blank. (For use by Federal Reserve Bank).

NOTE: If the recipient organization has its account in a commercial bank located in the District of Columbia, complete block 8, as follows:

Cash Division
Office of the Treasurer
of the United States

APPENDIX 4. ACCOUNTING PRINCIPLES AND STANDARDS FOR
FEDERAL AGENCIES (1968 REVISIONS) ISSUED
BY THE COMPTROLLER GENERAL OF THE
UNITED STATES.

1. CONTENT OF APPENDIX. This appendix contains an excerpt on "Grants" from Chapter 2, Section 16, - Costs, of the GAO Manual for Guidance of Federal Agencies (Title 2). The following material is part of the larger body of principles and standards for accounting which have been prescribed by the Comptroller General for observance by all federal agencies. It is the full section dealing with accounting for grants and is reproduced here to inform grantees as to prevailing federal concepts on the character and status of grants and the obligations of agencies like LEAA charged with grant administration.
2. ADVANCE PAYMENT GRANTS. It should be noted, in the textual discussion, that Title I planning and action grants fall within the category "advance payment grants" with respect to accounting and reporting responsibilities.

Definition

Except as otherwise expressly authorized by law, Federal grants are payments in cash or in kind made to provide assistance for specified purposes.

The acceptance of a grant from the United States creates a legal duty on the part of the grantee to use the funds or property made available in accordance with the conditions of the grant. Grant payments may be made in advance of work performed or as a reimbursement for work performed or costs incurred by grantees.

The United States generally has a reversionary interest in the unused balances of advance payment grants, in any funds improperly applied whether received as an advance or reimbursable payment, and in property or facilities purchased or otherwise made available under the conditions of the grants, unless title thereto is specifically vested unconditionally in the grantee by the terms of the grant under authority of law.

Responsibility of grantor agency

The grantor department or agency is responsible for seeing that:

Grants are applied solely in accordance with the conditions of the grants.

Apr. 30, 1973

Unused balances of grants, including funds improperly applied, are returned to the United States.

Property or facilities purchased with such funds, or otherwise made available, are utilized and disposed of in accordance with the terms of the grant or other instructions of the grantor agency.

Advance payments made to grantees under the terms of the grants do not exceed the current or revised needs of grantees.

Accounting and reporting

Accounting for grants shall include all aspects of grant transactions from approval of the proposed grants to final action by the grantees and grantors.

Accounting for a grant begins with the execution of an agreement or the approval of an application or similar document in which the amount and purposes of the grant, the performance periods, the obligations of the parties to the grant, and other applicable basic terms are set out. This action establishes a commitment of funds and the agreement, application or similar document is the obligating instrument, provided that the United States is bound thereunder to disburse the grant funds either unconditionally or under conditions solely within the control of the grantee.

Payments to grantees in advance of work performed shall be accounted for as advances of the grantor agencies until evidence of performance has been received from the grantees.

Payments to grantees as reimbursement for work performed or costs incurred shall be accounted for as reductions of liabilities to pay for such work or costs.

Payments to grantees under grants where no performance or reporting by grantees is required or where the payments are scheduled to correspond approximately with performance shall be accounted for as liquidations of the obligations and as costs incurred.

Apr. 30, 1973

Reports under advance payment grants shall be required of grantees at reasonably frequent periods and to show, as a minimum, how the funds or property were applied, details of property acquired, and unused fund balances. Upon acceptance by the grantor agencies, such reports shall be used as the bases for liquidating obligations, reducing the advance accounts, and making charges to appropriate cost and property accounts.

Reports under reimbursable grants also shall be required at reasonably frequent periods and used as support for recording the agency liability for costs incurred and for liquidating the obligation under the grant.

Estimates may be used in lieu of reports where necessary for monthly reporting purposes.

Where title to grantee-acquired property vests or may vest in the Government, appropriate property records shall be established.

At termination of a grant, unused and improperly applied funds shall be collected by the grantor agency or appropriately adjusted by offset or otherwise utilized in accordance with the conditions of the grant and arrangements shall be made for disposition of Government-owned property.

APPENDIX 5. TITLE I OF THE OMNIBUS CRIME CONTROL
AND SAFE STREETS ACT OF 1968 -
P.L. 90-351 AS AMENDED BY THE OMNIBUS
CRIME CONTROL ACT OF 1970 - P.L. 91-644

TITLE I—LAW ENFORCEMENT ASSISTANCE

DECLARATIONS AND PURPOSE

Congress finds that the high incidence of crime in the United States threatens the peace, security, and general welfare of the Nation and its citizens. To prevent crime and to insure the greater safety of the people, law enforcement efforts must be better coordinated, intensified, and made more effective at all levels of government.

Congress finds further that crime is essentially a local problem that must be dealt with by State and local governments if it is to be controlled effectively.

It is therefore the declared policy of the Congress to assist State and local governments in strengthening and improving law enforcement at every level by national assistance. It is the purpose of this title to (1) encourage States and units of general local government to prepare and adopt comprehensive plans based upon their evaluation of State and local problems of law enforcement; (2) authorize grants to States and units of local government in order to improve and strengthen law enforcement; and (3) encourage research and development directed toward the improvement of law enforcement and the development of new methods for the prevention and reduction of crime and the detection and apprehension of criminals.

"Sec. 101.(a) There is hereby established within the Department of Justice under the general authority of the Attorney General, a Law Enforcement Assistance Administration (hereinafter referred to in this title as 'Administration') composed of an Administrator of Law Enforcement Assistance and two Associate Administrators of Law Enforcement Assistance, who shall be appointed by the President, by and with the advice and consent of the Senate. Beginning after the end of the term of either of the present incumbents, one of the Associate Administrators shall be a member of a political party other than that of the President.

"(b) The Administrator shall be the executive head of the agency and shall exercise all administrative powers, including the appointment and supervision of Administration personnel. All of the other functions, powers, and duties created and established by this title shall be exercised by the Administrator with the concurrence of either one or both of the two Associate Administrators."

PART B—PLANNING GRANTS

SEC. 201. It is the purpose of this part to encourage States and units of general local government to prepare and adopt comprehensive law enforcement plans based on their evaluation of State and local problems of law enforcement.

SEC. 202. The Administration shall make grants to the States for the establishment and operation of State law enforcement planning agencies (hereinafter referred to in this title as "State planning agencies") for the preparation, development, and revision of the State plans required under section 303 of this title. Any State may make application to the Administration for such grants within six months of the date of enactment of this Act.

Apr. 30, 1973

Apr. 30, 1973

SEC. 203. (a) A grant made under this part to a State shall be utilized by the State to establish and maintain a State planning agency. Such agency shall be created or designated by the chief executive of the State and shall be subject to his jurisdiction.

"The State planning agency and any regional planning units within the State shall, within their respective jurisdictions, be representative of the law enforcement agencies, units of general local government, and public agencies maintaining programs to reduce and control crime."

(b) The State planning agency shall—

(1) develop, in accordance with part C, a comprehensive state-wide plan for the improvement of law enforcement throughout the State;

(2) define, develop, and correlate programs and projects for the State and the units of general local government in the State or combinations of States or units for improvement in law enforcement; and

(3) establish priorities for the improvement in law enforcement throughout the State.

(c) The State planning agency shall make such arrangements as such agency deems necessary to provide that at least 40 per centum of all Federal funds granted to such agency under this part for any fiscal year will be available to units of general local government or combinations of such units to enable such units and combinations of such units to participate in the formulation of the comprehensive State plan required under this part.

"The Administration may waive this requirement, in whole or in part, upon a finding that the requirement is inappropriate in view of the respective law enforcement planning responsibilities exercised by the State and its units of general local government and that adherence to the requirement would not contribute to the efficient development of the State plan required under this part. In allocating funds under this subsection, the State planning agency shall assure that major cities and counties within the State receive planning funds to develop comprehensive plans and coordinate functions at the local level."

Any portion of such 40 per centum in any State for any fiscal year not required for the purpose set forth in this subsection shall be available for expenditure by such State agency from time to time on dates during such year as the Administration may fix, for the development by it of the State plan required under this part.

SEC. 204. A Federal grant authorized under this part shall not exceed 90 per centum of the expenses of the establishment and operation of the State planning agency, including the preparation, development, and revision of the plans required by part C. Where Federal grants under this part are made directly to units of general local government as authorized by section 305, the grant shall not exceed 90 per centum of the expenses of local planning, including the preparation, development, and revision of plans required by part C.

SEC. 205. Funds appropriated to make grants under this part for a fiscal year shall be allocated by the Administration among the States for use therein by the State planning agency or units of general local government, as the case may be. The Administration shall allocate \$100,000 to each of the States; and it shall then allocate the remainder of such funds available among the States according to their relative populations.

PART C—GRANTS FOR LAW ENFORCEMENT PURPOSES

SEC. 301. (a) It is the purpose of this part to encourage States and units of general local government to carry out programs and projects to improve and strengthen law enforcement.

(b) The Administration is authorized to make grants to States having comprehensive State plans approved by it under this part, for—

(1) Public protection, including the development, demonstration, evaluation, implementation, and purchase of methods, devices, facilities, and equipment designed to improve and strengthen law enforcement and reduce crime in public and private places.

(2) The recruiting of law enforcement personnel and the training of personnel in law enforcement.

(3) Public education relating to crime prevention and encouraging respect for law and order, including education programs in schools and programs to improve public understanding of and cooperation with law enforcement agencies.

(4) Constructing buildings or other physical facilities which would fulfill or implement the purpose of this section, including local correctional facilities, centers for the treatment of narcotic addicts, and temporary courtroom facilities in areas of high crime incidence."

(5) The organization, education, and training of special law enforcement units to combat organized crime, including the establishment and development of State organized crime prevention councils, the recruiting and training of special investigative and prosecuting personnel, and the development of systems for collecting, storing, and disseminating information relating to the control of organized crime.

(6) The organization, education, and training of regular law enforcement officers, special law enforcement units, and law enforcement reserve units for the prevention, detection, and control of riots and other violent civil disorders, including the acquisition of riot control equipment.

(7) The recruiting, organization, training and education of community service officers to serve with and assist local and State law enforcement agencies in the discharge of their duties through such activities as recruiting; improvement of police-community relations and grievance resolution mechanisms; community patrol activities; encouragement of neighborhood participation in crime prevention and public safety efforts; and other activities designed to improve police capabilities, public safety and the objectives of this section: *Provided*, That in no case shall a grant be made under this subcategory without the approval of the local government or local law enforcement agency.

(8) The establishment of a Criminal Justice Coordinating Council for any unit of general local government or any combination of such units within the State, having a population of two hundred and fifty thousand or more, to assure improved planning and coordination of all law enforcement activities.

(9) The development and operation of community based delinquent prevention and correctional programs, emphasizing halfway houses and other community based rehabilitation centers for initial preconviction of postconviction referral of offenders; expanded probationary programs, including paraprofessional and volunteer participation; and community service centers for the guidance and supervision of potential repeat youthful offenders."

(c) The portion of any Federal grant made under this section for the purposes of paragraph (3) or (6) of subsection (b) of this section may be up to 75 per centum of the cost of the program or project specified in the application for such grant. The portion of any Federal grant made under this section for the purposes of paragraph (4) of subsection (b) of this section may be up to 50 per centum of the cost of the program or project specified in the application for such grant. The portion of any Federal grant made under this section to be used for any other purpose set forth in this section may be up to 75 per centum of the cost of the program or project specified in the application for such grant. No part of any grant made under this section for the purpose of renting, leasing, or constructing buildings or other physical facilities shall be used for land acquisition. In the case of a grant under this section to an Indian tribe or other aboriginal group, if the Administration determines that the tribe or group does not have sufficient funds available to meet the local share of the cost of any program or project to be funded under the grant, the Administration may increase the Federal share of the cost thereof to the extent it deems necessary. Effective July 1, 1972, at least 40 per centum of the non-Federal funding of the cost of any program or project to be funded by a grant under this section shall be of money appropriated in the aggregate, by State or individual unit of government, for the purpose of the shared funding of such programs or projects."

(d) Not more than one-third of any grant made under this section may be expended for the compensation of police and other regular law enforcement personnel. The amount of any such grant expended for the compensation of such personnel shall not exceed the amount of State or local funds made available to increase such compensation. The limitations contained in this subsection shall not apply to the compensation of personnel for time engaged in conducting or undergoing training programs or to the compensation of personnel engaged in research, development, demonstration or other short-term programs."

Sec. 302. Any State desiring to participate in the grant program under this part shall establish a State planning agency as described in part B of this title and shall within six months after approval of a planning grant under part B submit to the Administration through such State planning agency a comprehensive State plan formulated pursuant to part B of this title.

Sec. 303. The Administration shall make grants under this title to a State planning agency if such agency has on file with the Administration an approved comprehensive State plan (not more than one year in age) which conforms with the purposes and requirements of this title. No State plan shall be approved as comprehensive unless the Administration finds that the plan provides for the allocation of adequate assistance to deal with law enforcement problems in areas characterized by both high crime incidence and high law enforcement activity."

Each such plan shall—

- (1) provide for the administration of such grants by the State planning agency;
- (2) provide that at least 75 per centum of all Federal funds granted to the State planning agency under this part for any fiscal year will be available to units of general local government or combinations of such units for the development and implementation of programs and projects for the improvement of law enforcement, except that each such plan shall provide that beginning July 1, 1972, at least the per centum of Federal assistance granted to the State planning agency under this part for any fiscal year which corresponds to the per centum of the State and local law enforcement expenditures funded and expended in the immediately preceding fiscal year by units of general local government will be made available to such units or combinations of such units in the immediately following fiscal year for the development and implementation of programs and projects for the improvement of law enforcement, and that with respect to such programs or projects the State will provide in the aggregate not less than one-fourth of the non-Federal funding. Per centum determinations under this paragraph for law enforcement funding and expenditures for such immediately preceding fiscal year shall be based upon the most accurate and complete data available for such fiscal year or for the last fiscal year for which such data are available. The Administration shall have the authority to approve such determinations and to review the accuracy and completeness of such data;"

(3) adequately take into account the needs and requests of the units of general local government in the State and encourage local initiative in the development of programs and projects for improvements in law enforcement, and provide for an appropriately balanced allocation of funds between the State and the units of general local government in the State and among such units;

(4) incorporate innovations and advanced techniques and contain a comprehensive outline of priorities for the improvement and coordination of all aspects of law enforcement dealt with in the plan, including descriptions of: (A) general needs and problems; (B) existing systems; (C) available resources; (D) organizational systems and administrative machinery for implementing the plan; (E) the direction, scope, and general types of improvements to be made in the future; and (F) to the extent appropriate, the relationship of the plan to other relevant State or local law enforcement plans and systems;

(5) provide for effective utilization of existing facilities and permit and encourage units of general local government to combine or provide for cooperative arrangements with respect to services, facilities, and equipment;

(6) provide for research and development;

(7) provide for appropriate review of procedures of actions taken by the State planning agency disapproving an application for which funds are available or terminating or refusing to continue financial assistance to units of general local government or combinations of such units;

(8) demonstrate the willingness of the State and units of general local government to assume the costs of improvements funded under this part after a reasonable period of Federal assistance;

(9) demonstrate the willingness of the State to contribute technical assistance or services for programs and projects contemplated by the statewide comprehensive plan and the programs and projects contemplated by units of general local government;

(10) set forth policies and procedures designed to assure that Federal funds made available under this title will be so used as not to supplant State or local funds, but to increase the amounts of such funds that would in the absence of such Federal funds be made available for law enforcement;

(11) provide for such fiscal control and fund accounting procedures as may be necessary to assure proper disbursement of and accounting of funds received under this part; and

(12) provide for the submission of such reports in such form and containing such information as the Administration may reasonably require.

Any portion of the 75 per centum to be made available pursuant to paragraph (2) of this section in any State in any fiscal year not required for the purposes set forth in such paragraph (2) shall be available for expenditure by such State agency from time to time on dates during such year as the Administration may fix, for the development and implementation of programs and projects for the improvement of law enforcement and in conformity with the State plan.

Sec. 304. State planning agencies shall receive applications for financial assistance from units of general local government and combinations of such units. When a State planning agency determines that such an application is in accordance with the purposes stated in section 301 and is in conformance with any existing statewide comprehensive law enforcement plan, the State planning agency is authorized to disburse funds to the applicant.

"Sec. 305. Where a State has failed to have a comprehensive State plan approved under this title within the period specified by the Administration for such purpose, the funds allocated for such State under paragraph (1) of section 306(a) of this title shall be available for reallocation by the Administration under paragraph (2) of section 306(a)."

"Sec. 306. (a) The funds appropriated each fiscal year to make grants under this part shall be allocated by the Administration as follows:

"(1) Eighty-five per centum of such funds shall be allocated among the States according to their respective populations for grants to State planning agencies.

"(2) Fifteen per centum of such funds, plus any additional amounts made available by virtue of the application of the provisions of sections 305 and 509 of this title to the grant of any State, may, in the discretion of the Administration, be allocated among the States for grants to State planning agencies, units of general local government, or combinations of such units, according to the criteria and on the terms and conditions the Administration determines consistent with this title.

Any grant made from funds available under paragraph (2) of this subsection may be up to 75 per centum of the cost of the program or project for which such grant is made. No part of any grant under such paragraph for the purpose of renting, leasing, or constructing buildings or other physical facilities shall be used for land acquisition. In the case of a grant under such paragraph to an Indian tribe or other aboriginal group, if the Administration determines that the tribe or group does not have sufficient funds available to meet the local share of the costs of any program or project to be funded under the grant, the Administration may increase the Federal share of the cost thereof to the extent it deems necessary. The limitations on the expenditure of portions of grants for the compensation of personnel in subsection (a) of section 501 of this title shall apply to a grant under such paragraph. Effective July 1, 1972, at least 40 per centum of the non-Federal funding of the cost of any program or project to be funded by a grant under such paragraph shall be of money appropriated in the aggregate, by State or individual unit of government, for the purpose of the shared funding of such programs or projects.

"(b) If the Administration determines, on the basis of information available to it during any fiscal year, that a portion of the funds allocated to a State for that fiscal year for grants to the State planning agency of the State will not be required by the State, or that the State will be unable to qualify to receive any portion of the funds under the requirements of this part, that portion shall be available for reallocation to other States under paragraph (1) of subsection (a) of this section."

Sec. 307. (a) In making grants under this part, the Administration and each State planning agency, as the case may be, shall give special emphasis, where appropriate or feasible, to programs and projects dealing with the prevention, detection, and control of organized crime and of riots and other violent civil disorders.

(b) Notwithstanding the provisions of section 303 of this part, until August 31, 1968, the Administration is authorized to make grants for programs and projects dealing with the prevention, detection, and control of riots and other violent civil disorders on the basis of applications describing in detail the programs, projects, and costs of the items for which the grants will be used, and the relationship of the programs and projects to the applicant's general program for the improvement of law enforcement.

PART D—TRAINING, EDUCATION, RESEARCH, DEMONSTRATION, AND
SPECIAL GRANTS

Sec. 401. It is the purpose of this part to provide for and encourage training, education, research, and development for the purpose of improving law enforcement and developing new methods for the prevention and reduction of crime, and the detection and apprehension of criminals.

Sec. 402. (a) There is established within the Department of Justice a National Institute of Law Enforcement and Criminal Justice (hereafter referred to in this part as "Institute"). The Institute shall be under the general authority of the Administration. It shall be the purpose of the Institute to encourage research and development to improve and strengthen law enforcement.

(b) The Institute is authorized—

(1) to make grants to, or enter into contracts with, public agencies, institutions of higher education, or private organizations to conduct research, demonstrations, or special projects pertaining to the purposes described in this title, including the development of new or improved approaches, techniques, systems, equipment, and devices to improve and strengthen law enforcement;

(2) to make continuing studies and undertake programs of research to develop new or improved approaches, techniques, systems, equipment, and devices to improve and strengthen law enforcement, including, but not limited to, the effectiveness of projects or programs carried out under this title;

(3) to carry out programs of behavioral research designed to provide more accurate information on the causes of crime and the effectiveness of various means of preventing crime, and to evaluate the success of correctional procedures;

(4) to make recommendations for action which can be taken by Federal, State, and local governments and by private persons and organizations to improve and strengthen law enforcement;

(5) to carry out programs of instructional assistance consisting of research fellowships for the programs provided under this section, and special workshops for the presentation and dissemination of information resulting from research, demonstrations, and special projects authorized by this title.

(6) to carry out a program of collection and dissemination of information obtained by the Institute or other Federal agencies, public agencies, institutions of higher education, or private organizations engaged in projects under this title, including information relating to new or improved approaches, techniques, systems, equipment, and devices to improve and strengthen law enforcement; and

(7) to establish a research center to carry out the programs described in this section.

Sec. 403. A grant authorized under this part may be up to 100 per centum of the total cost of each project for which such grant is made. The Administration shall require, whenever feasible, as a condition of approval of a grant under this part, that the recipient contribute money, facilities, or services to carry out the purpose for which the grant is sought.

Sec. 404. (a) The Director of the Federal Bureau of Investigation is authorized to—

(1) establish and conduct training programs at the Federal Bureau of Investigation National Academy at Quantico, Virginia, to provide, at the request of a State or unit of local government, training for State and local law enforcement personnel;

(2) develop new or improved approaches, techniques, systems, equipment, and devices to improve and strengthen law enforcement; and

(3) assist in conducting, at the request of a State or unit of local government, local and regional training programs for the training of State and local law enforcement personnel. Such training shall be provided only for persons actually employed as State police or highway patrol, police of a unit of local government, sheriffs and their deputies, and such other persons as the State or unit may nominate for police training while such persons are actually employed as officers of such State or unit.

Apr. 30, 1973

(b) In the exercise of the functions, powers, and duties established under this section the Director of the Federal Bureau of Investigation shall be under the general authority of the Attorney General.

SEC. 405. (a) Subject to the provisions of this section, the Law Enforcement Assistance Act of 1965 (79 Stat. 828) is repealed: *Provided, That—*

(1) The Administration, or the Attorney General until such time as the members of the Administration are appointed, is authorized to obligate funds for the continuation of projects approved under the Law Enforcement Assistance Act of 1965 prior to the date of enactment of this Act to the extent that such approval provided for continuation.

(2) Any funds obligated under subsection (1) of this section and all activities necessary or appropriate for the review under subsection (3) of this section may be carried out with funds previously appropriated and funds appropriated pursuant to this title.

(3) Immediately upon establishment of the Administration, it shall be its duty to study, review, and evaluate projects and programs funded under the Law Enforcement Assistance Act of 1965. Continuation of projects and programs under subsections (1) and (2) of this section shall be in the discretion of the Administration.

SEC. 406. (a) Pursuant to the provisions of subsections (b) and (c) of this section, the Administration is authorized, after appropriate consultation with the Commissioner of Education, to carry out programs of academic educational assistance to improve and strengthen law enforcement.

(b) The Administration is authorized to enter into contracts to make, and make, payments to institutions of higher education for loans, not exceeding \$1,800 per academic year to any person, to persons enrolled on a full-time basis in undergraduate or graduate programs approved by the Administration and leading to degrees or certificates in areas related to law enforcement or suitable for persons employed in law enforcement: with special consideration to police or correctional personnel of States or units of general local government on academic leave to earn such degrees or certificates. Loans to persons assisted under this subsection shall be made on such terms and conditions as the Administration and the institution offering such programs may determine, except that the total amount of any such loan, plus interest, shall be canceled for service as a full-time officer or employee of a law enforcement agency at the rate of 25 per centum of the total amount of such loans plus interest for each complete year of such service or its equivalent of such service, as determined under regulations of the Administration.

(c) The Administration is authorized to enter into contracts to make, and make, payments to institutions of higher education for tuition, books, and fees not exceeding \$200 per academic quarter or \$300 per semester for any person, for officers of any publicly funded law enforcement agency enrolled on a full-time or part-time basis in courses included in an undergraduate or graduate program which is approved by the Administration and which leads to a degree or certificate in an area related to law enforcement or an area suitable for persons employed in law enforcement. Assistance under this subsection may be granted only on behalf of an applicant who enters into an agreement to remain in the service of the law enforcement agency employing such applicant for a period of two years following completion of any course for which payments are provided under this subsection, and in the event such service is not completed, to repay the full amount of such payments on such terms and in such manner as the Administration may prescribe.

Apr. 30, 1973

"(d) Full-time teachers or persons preparing for careers as full-time teachers of courses related to law enforcement or suitable for persons employed in law enforcement, in institutions of higher education which are eligible to receive funds under this section, shall be eligible to receive assistance under subsections (b) and (c) of this section as determined under regulations of the Administration.

"(e) The Administration is authorized to make grants to or enter into contracts with institutions of higher education, or combinations of such institutions, to assist them in planning, developing, strengthening, improving, or carrying out programs or projects for the development or demonstration of improved methods of law enforcement education, including—

"(1) planning for the development or expansion of undergraduate or graduate programs in law enforcement;

"(2) education and training of faculty members;

"(3) strengthening the law enforcement aspects of courses leading to an undergraduate, graduate, or professional degree; and

"(4) research into, and development of, methods of educating students or faculty, including the preparation of teaching materials and the planning of curriculums.

The amount of a grant or contract may be up to 75 per centum of the total cost of programs and projects for which a grant or contract is made.

"(f) The Administration is authorized to enter into contracts to make, and make, payments to institutions of higher education for grants not exceeding \$50 per week to persons enrolled on a full-time basis in undergraduate or graduate degree programs who are accepted for and serve in full-time internships in law enforcement agencies for not less than eight weeks during any summer recess or for any entire quarter or semester on leave from the degree program."

"SEC. 407. The Administration is authorized to develop and support regional and national training programs, workshops, and seminars to instruct State and local law enforcement personnel in improved methods of crime prevention and reduction and enforcement of the criminal law. Such training activities shall be designed to supplement and improve, rather than supplant, the training activities of the State and units of general local government, and shall not duplicate the activities of the Federal Bureau of Investigation under section 404 of this title."

"SEC. 408. (a) The Administration is authorized to establish and support a training program for prosecuting attorneys from State and local offices engaged in the prosecution of organized crime. The program shall be designed to develop new or improved approaches, techniques, systems, manuals, and devices to strengthen prosecutive capabilities against organized crime.

"(b) While participating in the training program or traveling in connection with participation in the training program, State and local personnel shall be allowed travel expenses and a per diem allowance in the same manner as prescribed under section 5703(b) of title 5, United States Code, for persons employed intermittently in the Government service.

"(c) The cost of training State and local personnel under this section shall be provided out of funds appropriated to the Administration for the purpose of such training."

"PART E—GRANTS FOR CORRECTIONAL INSTITUTIONS AND FACILITIES

"SEC. 451. It is the purpose of this part to encourage States and units of general local government to develop and implement programs and projects for the construction, acquisition, and renovation of correctional institutions and facilities, and for the improvement of correctional programs and practices.

"SEC. 452. A State desiring to receive a grant under this part for any fiscal year shall, consistent with the basic criteria which the Administration establishes under section 454 of this title, incorporate its application for such grant in the comprehensive State plan submitted to the Administration for that fiscal year in accordance with section 302 of this title.

"Sec. 453. The Administration is authorized to make a grant under this part to a State planning agency if the application incorporated in the comprehensive State plan—

"(1) sets forth a comprehensive statewide program for the construction, acquisition, or renovation of correctional institutions and facilities in the State and the improvement of correctional programs and practices throughout the State;

"(2) provides satisfactory assurances that the control of the funds and title to property derived therefrom shall be in a public agency for the uses and purposes provided in this part and that a public agency will administer those funds and that property;

"(3) provides satisfactory assurances that the availability of funds under this part shall not reduce the amount of funds under part C of this title which a State would, in the absence of funds under this part, allocate for purposes of this part;

"(4) provides satisfactory emphasis on the development and operation of community-based correctional facilities and programs, including diagnostic services, halfway houses, probation, and other supervisory release programs for preadjudication and postadjudication referral of delinquents, youthful offenders, and first offenders, and community-oriented programs for the supervision of parolees;

"(5) provides for advanced techniques in the design of institutions and facilities;

"(6) provides, where feasible and desirable, for the sharing of correctional institutions and facilities on a regional basis;

"(7) provides satisfactory assurances that the personnel standards and programs of the institutions and facilities will reflect advanced practices;

"(8) provides satisfactory assurances that the State is engaging in projects and programs to improve the recruiting, organization, training, and education of personnel employed in correctional activities, including those of probation, parole, and rehabilitation; and

"(9) complies with the same requirements established for comprehensive State plans under paragraphs (1), (3), (4), (5), (7), (8), (9), (10), (11) and (12) of section 303 of this title.

"Sec. 454. The Administration shall, after consultation with the Federal Bureau of Prisons, by regulation prescribe basic criteria for applicants and grantees under this part.

"Sec. 455. (a) The funds appropriated each fiscal year to make grants under this part shall be allocated by the Administration as follows:

"(1) Fifty per centum of the funds shall be available for grants to State planning agencies.

"(2) The remaining fifty per centum of the funds may be made available, as the Administration may determine, to State planning agencies, units of general local government, or combinations of such units, according to the criteria and on the terms and conditions the Administration determines consistent with this part.

Any grant made from funds available under this part may be up to 75 per centum of the cost of the program or project for which such grant is made. No funds awarded under this part may be used for land acquisition.

"(b) If the Administration determines, on the basis of information available to it during any fiscal year, that a portion of the funds granted to an applicant for that fiscal year will not be required by the applicant or will become available by virtue of the application of the provisions of section 509 of this title, that portion shall be available for reallocation under paragraph (2) of subsection (a) of this section."

PART F—ADMINISTRATIVE PROVISIONS

Sec. 501. The Administration is authorized, after appropriate consultation with representatives of States and units of general local government, to establish such rules, regulations, and procedures as are necessary to the exercise of its functions, and are consistent with the stated purpose of this title.

Sec. 502. The Administration may delegate to any officer or official of the Administration, or, with the approval of the Attorney General, to any officer of the Department of Justice such functions as it deems appropriate.

Sec. 503. The functions, powers, and duties specified in this title to be carried out by the Administration shall not be transferred elsewhere in the Department of Justice unless specifically hereafter authorized by the Congress.

Sec. 504. In carrying out its functions, the Administration, or upon authorization of the Administration, any member thereof or any hearing examiner assigned to or employed by the Administration, shall have the power to hold hearings, sign and issue subpoenas administer oaths, examine witnesses, and receive evidence at any place in the United States it may designate.

Sec. 505. Section 5314 of title 5, United States Code, is amended by adding at the end thereof—

"(55) Administrator of Law Enforcement Assistance."

Sec. 506. Section 531 of title 5, United States Code, is amended by adding at the end thereof—

"(90) Associate Administrator of Law Enforcement Assistance."

Sec. 507. Subject to the civil service and classification laws, the Administration is authorized to select, appoint, employ, and fix compensation of such officers and employees, including hearing examiners, as shall be necessary to carry out its powers and duties under this title.

Sec. 508. The Administration is authorized, on a reimbursable basis when appropriate, to use the available services, equipment, personnel, and facilities of the Department of Justice and of other civilian or military agencies and instrumentalities of the Federal Government, and to cooperate with the Department of Justice and such other agencies and instrumentalities in the establishment and use of services, equipment, personnel, and facilities of the Administration. The Administration is further authorized to confer with and avail itself of the cooperation, services, records, and facilities of State, municipal, or other local agencies,

and to receive and utilize, for the purposes of this title, property donated or transferred for the purposes of testing by any other Federal agencies, States, units of general local government, public or private agencies or organizations, institutions of higher education, or individuals."

Sec. 509. Whenever the Administration, after reasonable notice and opportunity for hearing to an applicant or a grantee under this title, finds that, with respect to any payments made or to be made under this title, there is a substantial failure to comply with—

(a) the provisions of this title;

(b) regulations promulgated by the Administration under this title; or

(c) a plan or application submitted in accordance with the provisions of this title;

the Administration shall notify such applicant or grantee that further payments shall not be made (or in its discretion that further payments shall not be made for activities in which there is such failure), until there is no longer such failure."

SEC. 510. (a) In carrying out the functions vested by this title in the Administration, the determination, findings, and conclusions of the Administration shall be final and conclusive upon all applicants, except as hereafter provided.

(b) If the application has been rejected or an applicant has been denied a grant or has had a grant, or any portion of a grant, discontinued, or has been given a grant in a lesser amount than such applicant believes appropriate under the provisions of this title, the Administration shall notify the applicant or grantee of its action and set forth the reason for the action taken. Whenever an applicant or grantee requests a hearing on action taken by the Administration on an application or a grant the Administration, or any authorized officer thereof, is authorized and directed to hold such hearings or investigations at such times and places as the Administration deems necessary, following appropriate and adequate notice to such applicant; and the findings of fact and determinations made by the Administration with respect thereto shall be final and conclusive, except as otherwise provided herein.

(c) If such applicant is still dissatisfied with the findings and determinations of the Administration, following the notice and hearing provided for in subsection (b) of this section, a request may be made for rehearing, under such regulations and procedures as the Administration may establish, and such applicant shall be afforded an opportunity to present such additional information as may be deemed appropriate and pertinent to the matter involved. The findings and determinations of the Administration, following such rehearing, shall be final and conclusive upon all parties concerned, except as hereafter provided.

SEC. 511. (a) If any applicant or grantee is dissatisfied with the Administration's final action with respect to the approval of its application or plan submitted under this title, or any applicant or grantee is dissatisfied with the Administration's final action under section 509 or section 510, such applicant or grantee may, within sixty days after notice of such action, file with the United States court of appeals for the circuit in which such applicant or grantee is located a petition for review of that action. A copy of the petition shall be forthwith transmitted by the clerk of the court to the Administration. The Administration shall thereupon file in the court the record of the proceedings on which the action of the Administration was based, as provided in section 2112 of title 28, United States Code.

(b) The determinations and the findings of fact by the Administration, if supported by substantial evidence, shall be conclusive; but the court, for good cause shown, may remand the case to the Administration to take further evidence. The Administration may thereupon make new or modified findings of fact and may modify its previous action, and shall file in the court the record of the further proceedings. Such new or modified findings of fact or determinations shall likewise be conclusive if supported by substantial evidence.

(c) Upon the filing of such petition, the court shall have jurisdiction to affirm the action of the Administration or to set it aside, in whole or in part. The judgment of the court shall be subject to review by the Supreme Court of the United States upon certiorari or certification as provided in section 1254 of title 28, United States Code.

SEC. 512. Unless otherwise specified in this title, the Administration shall carry out the programs provided for in this title during the fiscal year ending June 30, 1968, and the five succeeding fiscal years.

SEC. 513. To insure that all Federal assistance to State and local programs under this title is carried out in a coordinated manner, the Administration is authorized to request any Federal department or agency to supply such statistics, data, program reports, and other material as the Administration deems necessary to carry out its functions under this title. Each such department or agency is authorized to cooperate with the Administration and, to the extent permitted by law, to furnish such materials to the Administration. Any Federal department or agency engaged in administering programs related to this title shall, to the maximum extent practicable, consult with and seek advice from the Administration to insure fully coordinated efforts, and the Administration shall undertake to coordinate such efforts.

SEC. 514. The Administration may arrange with and reimburse the heads of other Federal departments and agencies for the performance of any of its functions under this title.

SEC. 515. The Administration is authorized—
(a) to conduct evaluation studies of the programs and activities assisted under this title;

(b) to collect, evaluate, publish, and disseminate statistics and other information on the condition and progress of law enforcement in the several States; and

(c) to cooperate with and render technical assistance to States, units of general local government, combinations of such States or units, or other public or private agencies, organizations, or institutions in matters relating to law enforcement.

Funds appropriated for the purposes of this section may be expended by grant or contract, as the Administration may determine to be appropriate.

SEC. 516. (a) Payments under this title may be made in installments, and in advance or by way of reimbursement, as may be determined by the Administration

and may be used to pay the transportation and subsistence expenses of persons attending conferences or other assemblages notwithstanding the provisions of the Joint Resolution entitled 'Joint Resolution to prohibit expenditure of any moneys for housing, feeding, or transporting conventions or meetings', approved February 2, 1935 (31 U.S.C. sec. 551).

(b) Not more than 12 per centum of the sums appropriated for any fiscal year to carry out the provisions of this title may be used within any one State except that this limitation shall not apply to grants made pursuant to part D.

SEC. 517. (a) The Administration may procure the services of experts and consultants in accordance with section 3109 of title 5, United States Code, at rates of compensation for individuals not to exceed the daily equivalent of the rate authorized for GS-18 by section 5332 of title 5, United States Code.

(b) The Administration is authorized to appoint, without regard to the civil service laws, technical or other advisory committees to advise the Administration with respect to the administration of this title as it deems necessary. Members of those committees not otherwise in the employ of the United States, while engaged in advising the Administration or attending meetings of the committees, shall be compensated at rates to be fixed by the Administration but not to exceed the daily equivalent of the rate authorized for GS-18 by section 5332 of title 5 of the United States Code and while away from home or regular place of business they may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of such title 5 for persons in the Government service employed intermittently.

SEC. 518. (a) Nothing contained in this title or any other Act shall be construed to authorize any department, agency, officer, or employee of the United States to exercise any direction, supervision, or control over any police force or any other law enforcement agency of any State or any political subdivision thereof.

(b) Notwithstanding any other provision of law nothing contained in this title shall be construed to authorize the Administration (1) to require, or condition the availability or amount of a grant upon, the adoption by an applicant or grantee under this title of a percentage ratio, quota system, or other program to achieve racial balance or to eliminate racial imbalance in any law enforcement agency, or (2) to deny or discontinue a grant because of the refusal of an applicant or grantee under this title to adopt such a ratio, system, or other program.

"Sec. 519. (a) On or before December 31 of each year, the Administration shall report to the President and to the Congress on activities pursuant to the provisions of this title during the preceding fiscal year.

"(b) Not later than May 1, 1971, the Administration shall submit to the President and to the Congress recommendations for legislation to assist in the purposes of this title with respect to promoting the integrity and accuracy of criminal justice data collection, processing, and dissemination systems funded in whole or in part by the Federal Government, and protecting the constitutional rights of all persons covered or affected by such systems."

"Sec. 520. There is authorized to be appropriated \$650,000,000 for the fiscal year ending June 30, 1971, of which \$120,000,000 shall be for the purposes of part E; \$1,150,000,000 for the fiscal year ending June 30, 1972, and \$1,750,000,000 for the fiscal year ending June 30, 1973. Funds appropriated for any fiscal year may remain available for obligation until expended. Beginning in the fiscal year ending June 30, 1972, and in each fiscal year thereafter there shall be allocated for the purposes of part E an amount equal to not less than 20 per centum of the amount allocated for the purposes of Part C."

Sec. 521. (a) Each recipient of assistance under this Act shall keep such records as the Administration shall prescribe, including records which fully disclose the amount and disposition by such recipient of the proceeds of such assistance, the total cost of the project or undertaking in connection with which such assistance is given or used, and the amount of that portion of the cost of the project or undertaking supplied by other sources, and such other records as will facilitate an effective audit.

"(b) The Administration and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access for purpose of audit and examinations to any books, documents, papers, and records of the recipients that are pertinent to the grants received under this title.

"(c) The provisions of this section shall apply to all recipients of assistance under this Act, whether by direct grant or contract from the Administration or by subgrant or subcontract from primary grantees or contractors of the Administration."

PART G—DEFINITIONS

SEC. 601. As used in this title—
"Law enforcement" means any activity pertaining to crime prevention, control or reduction or the enforcement of the criminal law, including, but not limited to police efforts to prevent, control, or reduce crime or to apprehend criminals, activities of courts having criminal jurisdiction and related agencies, activities of corrections, probation, or parole authorities, and programs relating to the prevention, control, or reduction of juvenile delinquency or narcotic addiction."

"(b) "Organized crime" means the unlawful activities of the members of a highly organized, disciplined association engaged in supplying illegal goods and services, including but not limited to gambling, prostitution, loan sharking, narcotics, labor racketeering, and other unlawful activities of members of such organizations.

"(c) "State" means any State of the United States, the District of Columbia, the Commonwealth of Puerto Rico, and any territory or possession of the United States.

"(d) "Unit of general local government" means any city, county, township, town, borough, parish, village, or other general purpose political subdivision of a State, an Indian tribe which performs law enforcement functions as determined by the Secretary of the Interior or, for the purpose of assistance eligibility, any agency of the District of Columbia government or the United States Government performing law enforcement functions in and for the District of Columbia and funds appropriated by the Congress for the activities of such agencies may be used to provide the non-Federal share of the cost of programs or projects funded under this title; provided, however, that such assistance eligibility of any agency of the United States Government shall be for the sole purpose of facilitating the transfer of criminal jurisdiction from the United States District Court for the District of Columbia to the Superior Court of the District of Columbia pursuant to the District of Columbia Court Reform and Criminal Procedure Act of 1970."

"(e) "Combination" as applied to States or units of general local government means any grouping or joining together of such States or units for the purpose of preparing, developing, or implementing a law enforcement plan.

"(f) "Construction" means the erection, acquisition, expansion, or repair (but not including minor remodeling or minor repairs) of new or existing buildings or other physical facilities, and the acquisition or installation of initial equipment therefor.

"(g) "State organized crime prevention council" means a council composed of not more than seven persons established pursuant to State law or established by the chief executive of the State for the purpose of this title, or an existing agency so designated, which council shall be broadly representative of law enforcement officials within such State and whose members by virtue of their training or experience shall be knowledgeable in the prevention and control of organized crime.

"(h) "Metropolitan area" means a standard metropolitan statistical area as established by the Bureau of the Budget, subject, however, to such modifications and extensions as the Administration may determine to be appropriate.

"(i) "Public agency" means any State, unit of local government, combination of such States or units, or any department, agency, or instrumentality of any of the foregoing.

"(j) "Institution of higher education" means any such institution as defined by section 801(a) of the Higher Education Act of 1965 (79 Stat. 1269; 20 U.S.C. 1141(a)), subject, however, to such modifications and extensions as the Administration may determine to be appropriate.

"(k) "Community service officer" means any citizen with the capacity, motivation, integrity, and stability to assist in or perform police work but who may not meet ordinary standards for employment as a regular police officer selected from the immediate locality of the police department of which he is to be a part, and meeting such other qualifications promulgated in regulations pursuant to section 501 as the administration may determine to be appropriate to further the purposes of section 301(b)(7) and this Act.

"(l) The term 'correctional institution or facility' means any place for the confinement or rehabilitation of juvenile offenders or individuals charged with or convicted of criminal offenses."

PART H—CRIMINAL PENALTIES

"Sec. 651. Whoever embezzles, willfully misapplies, steals, or obtains by fraud any funds, assets, or property which are the subject of a grant or contract or other form of assistance pursuant to this title, whether received directly or indirectly from the Administration, shall be fined not more than \$10,000 or imprisoned for not more than five years, or both.

"Sec. 652. Whoever knowingly and willfully falsifies, conceals, or covers up by trick, scheme, or device, any material fact in any application for assistance submitted pursuant to this title or in any records required to be maintained pursuant to this title shall be subject to prosecution under the provisions of section 1001 of title 18, United States Code.

"Sec. 653. Any law enforcement program or project underwritten, in whole or in part, by any grant, or contract or other form of assistance pursuant to this title, whether received directly or indirectly from the Administration, shall be subject to the provisions of section 371 of title 18, United States Code."

PART I—ATTORNEY GENERAL'S ANNUAL REPORT ON FEDERAL LAW ENFORCEMENT AND CRIMINAL JUSTICE ACTIVITIES

Sec. 670. The Attorney General, in consultation with the appropriate officials in the agencies involved, within 90 days of the end of each fiscal year shall submit to the President and to the Congress an Annual Report on Federal Law Enforcement and Criminal Justice Assistance Activities setting forth the programs conducted, expenditures made, results achieved, plans developed, and problems discovered in the operations and coordination of the various Federal assistance programs relating to crime prevention and control, including, but not limited to, the Juvenile Delinquency Prevention and Control Act of 1968, the Narcotics Addict Rehabilitation Act 1968, the Gun Control Act 1968, the Criminal Justice Act of 1964, title XI of the Organized Crime Control Act of 1970 (relating to the regulation of explosives), and title III of the Omnibus Crime Control and Safe Streets Act of 1968 (relating to wiretapping and electronic surveillance).

APPENDIX 7. LIST OF INDIAN ENTITIES

Section 601(d) Title I of the Omnibus Crime Control and Safe Streets Act of 1968 (P.L. 90-351) places a responsibility on the Secretary of the Interior to determine those Indian tribes and aboriginal groups which perform law enforcement functions.

The Secretary of the Interior on July 10, 1971, published a statement in the Federal Register to the effect that "...all tribes recognized and serviced by the Bureau of Indian Affairs perform all or part of "Law Enforcement" functions as defined in Section 601(2) of P.L. 90-351."

The following list, prepared by the Secretary of the Interior on February 6, 1973, categorizes the kinds of law enforcement functions and authorities had by tribes and aboriginal groups in the United States. An "X" in a column on the list indicates that the tribe named in the left hand column has criminal justice authority for that particular function. The lack of an "X" indicates that the tribe has no such authority.

All tribes shown on the list are eligible for funding of projects from State block grant funds. Block grant dollars are more flexible and criminal justice projects for any appropriate and lawful program to reduce crime and delinquency on the listed reservations could be funded in accordance with the approved Comprehensive State Plan out of the State block grant money. However, discretionary projects may only be funded where there is an "X" in the appropriate column. (For example, an Indian tribe or aboriginal group requesting discretionary funding for an adult and juvenile rehabilitation project must have criminal justice authority for that function in order to receive funding.)

For LEAA policy concerning Indian applicants (such as matching requirements) refer to Chapter 4, paragraph 15c of this manual.

The List of Indian Entities can be amended or changed by the Department of Interior at any time. Any changes to this list will be incorporated in future changes to this manual.

Apr. 30, 1973

Tribal Entities Recognized by Federal Government by State	To Employ Tribal Police	To Establish a Tribal Court	To Adopt a Tribal Law and Order Code	To Undertake Correction Functions	To Undertake Programs Aimed at Preventing Adult and Juvenile Delinquency	To Undertake Adult and Juvenile Rehabilitation Programs
ARIZONA						
Alc Chin Community	X	X	X	X	X	X
Cocopah	X	X	X	X	X	X
Colorado River Tribe	X	X	X	X	X	X
Gila River Community		X	X	X	X	X
Havasupai Tribe	X	X	X	X	X	X
Hopi Tribe	X	X	X	X	X	X
Hualapai Tribe	X	X	X	X	X	X
Kiabab Band Paiute Indians	X	X	X	X	X	X
Mojave Apache	X	X	X	X	X	X
Navajo	X	X	X	X	X	X
Papago	X	X	X	X	X	X
Salt River Pima-Maricopa	X	X	X	X	X	X
San Carlos	X	X	X	X	X	X
White Mountain Apache	X	X	X	X	X	X
Yavapai Apache	X	X	X	X	X	X
Yavapai	X	X	X	X	X	X
CALIFORNIA						
Agua caliente					X	X
Cabazon					X	X
Colusa-Cachil-Dehe					X	X
Covelo					X	X
Fort Bidwell					X	X
Fort Independence					X	X

Apr. 30, 1973

Tribal Entities Recognized by Federal Government by State	To Employ Tribal Police	To Establish a Tribal Court	To Adopt a Tribal Law, and Order Code	To Undertake Correction Functions	To Undertake Programs Aimed at Preventing Adult and Juvenile Delinquency	To Undertake Adult and Juvenile Rehabilitation Programs
CALIFORNIA (Con't)						
Fort Mojave					X	X
Hoopa Valley					X	X
La Jolla					X	X
Laytonville					X	X
Manchester					X	X
Mission Creek Band					X	X
Owens Valley					X	X
Pala					X	X
Pauma					X	X
Quechan					X	X
Alturas					X	X
Grindstone					X	X
San Manuel					X	X
Susanville					X	X
Mesa Grande					X	X
Twenty-Nine Palms					X	X
Chemehuevi					X	X
Rincon San Luisano					X	X
San Pasqual Band					X	X
Santa Rose					X	X
Santa Inez					X	X
Stewart's Point Rancheria					X	X

Apr. 30, 1973

Tribal Entities Recognized by Federal Government by State	To Employ Tribal Police	To Establish a Tribal Court	To Adopt a Tribal Law and Order Code	To Undertake Correction Functions	To Undertake Programs Aimed at Preventing Adult and Juvenile Delinquency	To Undertake Adult and Juvenile Rehabilitation Programs
CALIFORNIA (Con't)						
Trinidad Rancheria						
Tule River					X	X
Touleumne Rancheria					X	X
X-L Ranch						
COLORADO						
Southern Ute	X	X	X	X	X	X
Ute Mountain Ute	X	X	X	X	X	X
FLORIDA						
Miccosukee	X	X	X	X	X	X
Seminole					X	X
IDAHO						
Coeur d' Alene	X	X	X	X	X	X
Shoshone-Bannock	X	X	X	X	X	X
Kootenai	X	X	X	X	X	X
Nez Perce	X	X	X	X	X	X
IOWA						
Sac and Fox						
KANSAS						
Citizens Band Potawatomi					X	X
Iowa					X	X
Kickapoo					X	X
Prairie Band Potawatomi					X	X

Apr. 30, 1973

Tribal Entities Recognized by Federal Government by State	To Employ Tribal Police	To Establish a Tribal Court	To Adopt a Tribal Law and Order Code	To Undertake Correction Functions	To Undertake Programs Aimed at Preventing Adult and Juvenile Delinquency	To Undertake Adult and Juvenile Rehabilitation Programs
KANSAS (Con't)						
Sac and Fox (Kan. & Neb.)					X	X
LOUISIANA						
Chitimacha					X	X
MICHIGAN						
Bay Mills	X	X	X	X	X	X
Hannahville	X	X	X	X	X	X
Keweenaw Bay	X	X	X	X	X	X
Saginaw - Chippewa	X	X	X	X	X	X
MINNESOTA						
Lower Sioux						
Foud du Lac						
Grand Portage						
Leech Lake						
Mille Lac						
White Earth						
Prairie Island						
Red Lake	X	X	X	X	X	X
Upper Sioux						
MISSISSIPPI						
Choctaw	X	X	X	X	X	X

Apr. 30, 1973

Tribal Entities Recognized by Federal Government by State	To Employ Tribal Police	To Establish a Tribal Court	To Adopt a Tribal Law and Order Code	To Undertake Correction Functions	To Undertake Programs Aimed at Preventing Adult and Juvenile Delinquency	To Undertake Adult and Juvenile Rehabilitation Programs
MONTANA						
Blackfeet	X	X	X	X	X	X
Chippewa-Cree	X	X	X	X	X	X
Crow	X	X	X	X	X	X
Flathead (Salish-Kootenai Assiniboine)	X	X	X	X	X	X
Fort Belknap (Gros Ventres Sioux)	X	X	X	X	X	X
Fort Peck (Assiniboine- Sioux)	X	X	X	X	X	X
Northern Cheyenne	X	X	X	X	X	X
NEBRASKA						
Iowa						
Omaha	X	X	X	X	X	X
Sac and Fox						
Santee-Sioux	X				X	X
Winnebago					X	X
NEVADA						
Carson Colony					X	X
Duckwater					X	X
Ely Colony					X	X
Fallon	X	X	X	X	X	X
Fort McDermitt	X	X	X	X	X	X
Gambell Ranch Paiute	X	X	X	X	X	X

Apr. 30, 1973

Tribal Entities Recognized by Federal Government by State	To Employ Tribal Police	To Establish a Tribal Court	To Adopt a Tribal Law and Order Code	To Undertake Correction Functions	To Undertake Programs Aimed at Preventing Adult and Juvenile Delinquency	To Undertake Adult and Juvenile Rehabilitation Programs
NEVADA (Con't)						
Goshute	X	X	X	X	X	X
Las Vegas Colony	X	X	X	X	X	X
Lovelock-Shoshone-Paiute					X	X
Moapa	X	X	X	X	X	X
Pyramid Lake	X	X	X	X	X	X
Reno Sparks	X	X	X	X	X	X
Shoshone-Paiute	X	X	X	X	X	X
Summit Lake Paiute	X	X	X	X	X	X
To Moak Western Shoshone	X	X	X	X	X	X
Walker River Paiute	X	X	X	X	X	X
Washoe					X	X
Winnemocca Colony					X	X
Dresslerville Colony					X	X
Elko Colony					X	X
Battle Mt. Colony					X	X
Odgers Ranch					X	X
Ruby Valley					X	X
Yerington Paiute	X	X	X	X	X	X
Yomba					X	X
Shoshone-Paiute So. Fort	X	X	X	X	X	X
NEW MEXICO						
Acoma Pueblo	X	X	X	X	X	X

Apr. 30, 1973

Tribal Entities Recognized by Federal Government by State	To Employ Tribal Police	To Establish a Tribal Court	To Adopt a Tribal Law and Order Code	To Undertake Correction Functions	To Undertake Programs Aimed at Preventing Adult and Juvenile Delinquency	To Undertake Adult and Juvenile Rehabilitation Programs
NEW MEXICO (Con't)						
Cochiti Pueblo	X	X	X	X	X	X
Isleta "	X	X	X	X	X	X
Jemez "	X	X	X	X	X	X
Jicarilla Apache	X	X	X	X	X	X
Laguna Pueblo	X	X	X	X	X	X
Mescalero Apache	X	X	X	X	X	X
Nambe Pueblo	X	X	X	X	X	X
Navajo	X	X	X	X	X	X
Picuris Pueblo	X	X	X	X	X	X
Pojoaque "	X	X	X	X	X	X
San Felipe "	X	X	X	X	X	X
San Ildefonso "	X	X	X	X	X	X
San Juan "	X	X	X	X	X	X
Sandia "	X	X	X	X	X	X
Santa Ana "	X	X	X	X	X	X
Santa Clara "	X	X	X	X	X	X
Santo Domingo "	X	X	X	X	X	X
Taos "	X	X	X	X	X	X
Tesuque "	X	X	X	X	X	X
Zia "	X	X	X	X	X	X
Zuni "	X	X	X	X	X	X
NORTH CAROLINA						
Eastern Band Cherokee	X	X	X	X	X	X

Apr. 30, 1973

Tribal Entities Recognized by Federal Government by State	To Employ Tribal Police	To Establish a Tribal Court	To Adopt a Tribal Law and Order Code	To Undertake Correction Functions	To Undertake Programs Aimed at Preventing Adult and Juvenile Delinquency	To Undertake Adult and Juvenile Rehabilitation Programs
NEW YORK						
Cayuga					X	X
Oneida					X	X
Onodaga					X	X
St. Regis Mohawk	X	X	X	X	X	X
Seneca					X	X
Tonawanda Band of Seneca					X	X
Tuscarora					X	X
NORTH DAKOTA						
Devils Lake Sioux	X	X	X	X	X	X
Affiliated Tribe) Fort Berthold (Three	X	X	X	X	X	X
Standing Rock Sioux	X	X	X	X	X	X
Turtle Mountain (Chippewa)	X	X	X	X	X	X
OKLAHOMA						
Absentee-Shawnee					X	X
Alabama-Quassarte Creek					X	X
Caddo					X	X
Cherokee					X	X
Cheyenne-Arapaho					X	X
Chickasaw Nation					X	X
Choctaw Nation					X	X
Potawatomi Citizen Band of					X	X
Comanche					X	X

Tribal Entities Recognized by Federal Government by State	To Employ Tribal Police	To Establish a Tribal Court	To Adopt a Tribal Law, and Order Code	To Undertake Correction Functions	To Undertake Programs Aimed at Preventing Adult and Juvenile Delinquency	To Undertake Adult and Juvenile Rehabilitation Programs
OKLAHOMA (Con't)						
.Creek Nation					X	X
Delaware (Absentee)					X	X
Delaware E. Okla.					X	X
Eastern Shawnee					X	X
Ft. Sill Apache					X	X
Iowa					X	X
Kaw					X	X
Kialegee Creek						
Kickapoo (Kansas)					X	X
Kickapoo (Okla.)					X	X
Miami					X	X
Osage					X	X
Otoe-Missouria					X	X
Pawnee					X	X
Ponca					X	X
Prairie Band Potawatomi					X	X
Quapaw					X	X
Sacand Fox (Okla.)					X	X
Sac and Fox (Missouri)					X	X
Seminole Nation					X	X
Seneca-Cayuga					X	X
Thlopthlocco					X	X

Tribal Entities Recognized by Federal Government by State	To Employ Tribal Police	To Establish a Tribal Court	To Adopt a Tribal Law and Order Code	To Undertake Correction Functions	To Undertake Programs Aimed at Preventing Adult and Juvenile Delinquency	To Undertake Adult and Juvenile Rehabilitation Programs
OKLAHOMA (Con't)						
Tonkawa					Y	Y
United Keetoowah					X	Y
Wichita					X	Y
Ottawa					X	X
Kiowa Apache					X	X
Kiowa					X	X
Peoria					X	X
Inter-Tribal Council of Five Civilized Tribes						
Inter-Tribal Council, Inc Inter-Tribal Council Eastern Oklahoma						
OREGON						
Burns-Paiute					X	Y
Umatilla					X	X
Warm Springs	X	X	X	X	X	Y
SOUTH DAKOTA						
Cheyenne River Sioux	X	X	X	X	X	X
Crow Creek	X	X	X	X	X	X
Flandreau Santee-Sioux	X	X	X	X	X	X
Lower Brule Sioux	X	X	X	X	X	X
Oglala Sioux	X	X	X	X	X	X
Rosebud Sioux	X	X	X	X	X	X
Sisseton-Wahpeton Sioux	X	X	X	X	X	X

Tribal Entities Recognized by Federal Government by State	To Employ Tribal Police	To Establish a Tribal Court	To Adopt a Tribal Law, and Order Code	To Undertake Correction Functions	To Undertake Programs Aimed at Preventing Adult and Juvenile Delinquency	To Undertake Adult and Juvenile Rehabilitation Programs
SOUTH DAKOTA (Con't)						
Yankton Sioux	X	X	X	X	X	X
UTAH						
Uintah-Ourray	X	X	X	X	X	X
Skull Valley					X	X
WASHINGTON						
Chehalis					X	X
Colville			X	X	X	X
Kalispel	X	X	X	X	X	X
Lower Elwah	X	X	X	X	X	X
Lummi	X	X	X	X	X	X
Makah					X	X
Muckleshoot					X	X
Nisqually		X	X	X	X	X
Port Gamble	X				X	X
Puyallup					X	X
Quileute		X	X	X	X	X
Quinalt					X	X
Skokomish		X	X	X	X	X
Spokane		X	X	X	X	X
Squamish Island			X	X	X	X
Suquamish	X	X	X	X	X	X
Swinomish					X	X

Tribal Entities Recognized by Federal Government by State	To Employ Tribal Police	To Establish a Tribal Court	To Adopt a Tribal Law, and Order Code	To Undertake Correction Functions	To Undertake Programs Aimed at Preventing Adult and Juvenile Delinquency	To Undertake Adult and Juvenile Rehabilitation Programs
WASHINGTON (Con't)						
Tulalip					X	X
Yakima	X	X	X	X	X	X
WISCONSIN						
Bad River						
Forest County Potawatomi						
Lac Courte Oreilles						
Lac du Flambeau						
Oneida						
Red Cliff						
Sokaogon Chippewa						
St. Croix						
Stockbridge-Munsee						
Winnebago						
WYOMING						
Arapaho	X	X	X	X	X	X
Shoshone	X	X	X	X	X	X
ALASKA						
Akiak	X	X		X	X	
Akolmivt	X	X		X	X	
Alakanuk	X	X		X	X	
Ambler	X	X		X	X	
Anatuvik Pass	X	X		X	X	

Apr. 30, 1973

Tribal Entities Recognized by Federal Government by State	To Employ Tribal Police	To Establish a Tribal Court	To Adopt a Tribal Law, and Order Code	To Undertake Correction Functions	To Undertake Programs Aimed at Preventing Adult and Juvenile Delinquency	To Undertake Adult and Juvenile Rehabilitation Programs
ALASKA (Con't)						
Angeon	X	X		X	X	
Anvik	X	X	X	X	X	
Barrow	X	X		X	X	
Brenvik Mission	X	X		X	X	
Bethel	X	X		X	X	
Buckland						
Chevak						
Deering						
Dillingham						
Little Diomede	X	X		X	X	
Eagle	X	X		X	X	
EEK	X	X		X	X	
Emmonak	X	X		X	X	
Fort Yukon	X	X		X	X	
Fortuna Ledge	X	X		X	X	
Galena	X	X		X	X	
Gambell	X	X		X	X	
Golovin	X	X		X	X	
Grayling	X	X		X	X	
Holy Cross	x	x		x	x	
Hoonah	x	x		x	x	
Hooper Bay	x	x		x	x	

Apr. 30, 1973

Tribal Entities Recognized by Federal Government by State	To Employ Tribal Police	To Establish a Tribal Court	To Adopt a Tribal Law, and Order Code	To Undertake Correction Functions	To Undertake Programs Aimed at Preventing Adult and Juvenile Delinquency	To Undertake Adult and Juvenile Rehabilitation Programs
ALASKA (Con't)						
Huslia	X	X		X	X	
Hydaburg	X	X		X	X	
Kachemak	X	X		X	X	
Cake	X	X		X	X	
Kaltag	X	X		X	X	
Kiona	X	X		X	X	
Kivalina	X	X		X	X	
Klawock	X	X		X	X	
Cotlik	X	X		X	X	
Kotzebue	X	X		X	X	
Kayuk	X	X		X	X	
Lower Kalskay	X	X		X	X	
Manokotak	X	X		X	X	
Mekoryuk	X	X		X	X	
Metlakatla	X	X	X	X	X	X
Mt. Village	X	X		X	X	
Nabakiak	X	X		X	X	
Napskiak	X	X		X	X	
New Helan	X	X		X	X	
Norvik	X	X		X	X	
Pt. Hope	X	X		X	X	
Russian Mission	X	X		X	X	

Tribal Entities Recognized by Federal Government by State	To Employ Tribal Police	To Establish a Tribal Court	To Adopt a Tribal Law, and Order Code	To Undertake Correction Functions	To Undertake Programs Aimed at Preventing Adult and Juvenile Delinquency	To Undertake Adult and Juvenile Rehabilitation Programs
ALASKA (Con't)						
St. Mary	X	X		X	X	
St. Michael	X	X		X	X	
St. Paul	X	X		X	X	
Savoonga	X	X		X	X	
Saxman	X	X		X	X	
Scammon Bay	X	X		X	X	
Selawik	X	X		X	X	
Shageluk	X	X		X	X	
Shaktolik	X	X		X	X	
Shismaref	X	X		X	X	
Shungnak	X	X		X	X	
Teller	X	X		X	X	
Wainright	X	X		X	X	
Wales	X	X		X	X	
White Mt.	X	X		X	X	
Yakutat	X	X		X	X	

APPENDIX 8. ABBREVIATED REFERENCES.

- Act
Omnibus Crime Control and Safe Streets Act of 1968 (P.L. 90-351, 82 Stat. 197) as amended by Omnibus Crime Control Act of 1970 (P.L. 91-644, 84 Stat. 1880)
- Title I
That portion of the Act which authorizes the programs of federal financial assistance to which this Guide applies.
- Administration or LEAA
Law Enforcement Assistance Administration established under Title I, Part A, of the Act.
- Department
United States Department of Justice
- State Planning Agency
State Law Enforcement Planning Agency constituted pursuant to Title I, Part B, of the Act.
- Subgrantee
Any local unit of government or State office or agency awarded Title I funds by a State planning agency for planning programs under Part B of the Act or action programs under Part C or Part E of the Act, whether as a subgrant or by other means of fund transfer or allocation. Also includes private organizations, agencies or institutions directly awarded subgrants by State planning agencies from funds that are not required to be made available to local units of government or combinations of local units (i.e., 60% of planning grant funds and 25% of action grant funds with appropriate exceptions).
- Contractor
Any organization, agency or institution retained by a State planning agency or subgrantee to provide services or goods incident to execution of a planning or action program or project supported by Title I funds.
- Law Enforcement
Refers to any activity pertaining to crime prevention, control or reduction or the enforcement of the criminal law.

APPENDIX 9. ATTACHMENT N OF CIRCULAR No. A-102 -- UNIFORM
ADMINISTRATIVE REQUIREMENTS FOR GRANTS-IN-AID
TO STATE AND LOCAL GOVERNMENTS

PROPERTY MANAGEMENT STANDARDS

1. This Attachment prescribes uniform standards governing the utilization and disposition of property furnished by the Federal Government or acquired in whole or in part with Federal funds by State and local governments. Federal grantor agencies shall require State and local governments to observe these standards under grants from the Federal Government and shall not impose additional requirements unless specifically required by Federal law. The grantees shall be authorized to use their own property management standards and procedures as long as the provisions of this Attachment are included.
2. The following definitions apply for the purpose of this Attachment:
 - a. Real property. Real property means land, land improvements, structures and appurtenances thereto, excluding movable machinery and equipment.
 - b. Personal property. Personal property means property of any kind except real property. It may be tangible -- having physical existence or intangible -- having no physical existence, such as patents, inventions and copyrights.
 - c. Nonexpendable personal property. Nonexpendable personal property means tangible personal property having a useful life of more than one year and an acquisition cost of \$300 or more per unit. A grantee may use its own definition of nonexpendable personal property provided that such definition would at least include all tangible personal property as defined above.
 - d. Expendable personal property. Expendable personal property refers to all tangible personal property other than nonexpendable property.
 - e. Excess property. Excess property means property under the control of any Federal agency which, as determined by the head thereof, is no longer required for its needs.

Apr. 30, 1973

3. Each Federal grantor agency shall prescribe requirements for grantees concerning the use of real property funded partly or wholly by the Federal Government. Unless otherwise provided by statute, such requirements, as a minimum, shall contain the following:

a. The grantee shall use the real property for the authorized purpose of the original grant as long as needed.

b. The grantee shall obtain approval by the grantor agency for the use of the real property in other projects when the grantee determines that the property is no longer needed for the original grant purposes. Use in other projects shall be limited to those under other Federal grant programs, or programs that have purposes consistent with those authorized for support by the grantor.

c. When the real property is no longer needed as provided in a. and b., above, the grantee shall return all real property furnished or purchased wholly with Federal grant funds to the control of the Federal grantor agency. In the case of property purchased in part with Federal grant funds, the grantee may be permitted to take title to the Federal interest therein upon compensating the Federal Government for its fair share of the property. The Federal share of the property shall be the amount computed by applying the percentage of the Federal participation in the total cost of the grant program for which the property was acquired to the current fair market value of the property.

4. Standards and procedures governing ownership, use and disposition of nonexpendable personal property furnished by the Federal Government or acquired with Federal funds are set forth below:

a. Nonexpendable personal property acquired with Federal funds. When nonexpendable personal property is acquired by a grantee wholly or in part with Federal funds, title will not be taken by the Federal Government except as provided in paragraph 4a(4), but shall be vested in the grantee subject to the following restrictions on use and disposition of the property:

(1) The grantee shall retain the property acquired with Federal funds in the grant program as long as there is a need for the property to accomplish the purpose of the grant program whether or not the program continues to be supported by Federal funds. When there is no longer a need for the property to accomplish the purpose of the grant program, the grantee shall use the property in connection with other Federal grants it has received in the following order of priority:

Apr. 30, 1973

(a) Other grants of the same Federal grantor agency needing the property.

(b) Grants of other Federal agencies needing the property.

(2) When the grantee no longer has need for the property in any of its Federal grant programs, the property may be used for its own official activities in accordance with the following standards:

(a) Nonexpendable property with an acquisition cost of less than \$500 and used four years or more. The grantee may use the property for its own official activities without reimbursement to the Federal Government or sell the property and retain the proceeds.

(b) All other nonexpendable property. The grantee may retain the property for its own use provided that a fair compensation is made to the original grantor agency for the latter's share of the property. The amount of compensation shall be computed by applying the percentage of Federal participation in the grant program to the current fair market value of the property.

(3) If the grantee has no need for the property, disposition of the property shall be made as follows:

(a) Nonexpendable property with an acquisition cost of \$1,000 or less. Except for that property which meets the criteria of (2)(a) above, the grantee shall sell the property and reimburse the Federal grantor agency an amount which is computed in accordance with (iii) below.

(b) Nonexpendable property with an acquisition cost of over \$1,000. The grantee shall request disposition instructions from the grantor agency. The Federal agency shall determine whether the property can be used to meet the agency's requirement. If no requirement exists within that agency, the availability of the property shall be reported to the General Services Administration (GSA) by the Federal agency to determine whether a requirement for the property exists in other Federal agencies. The Federal grantor agency shall issue instructions to the grantee within 120 days and the following procedures shall govern:

Apr. 30, 1973

- (i) If the grantee is instructed to ship the property elsewhere, the grantee shall be reimbursed by the benefiting Federal agency with an amount which is computed by applying the percentage of the grantee's participation in the grant program to the current fair market value of the property, plus any shipping or interim storage costs incurred.
 - (ii) If the grantee is instructed to otherwise dispose of the property, he shall be reimbursed by the Federal grantor agency for such costs incurred in its disposition.
 - (iii) If disposition instructions are not issued within 120 days after reporting, the grantee shall sell the property and reimburse the Federal grantor agency an amount which is computed by applying the percentage of Federal participation in the grant program to the sales proceeds. Further, the grantee shall be permitted to retain \$100 or 10 percent of the proceeds, whichever is greater, for the grantee's selling and handling expenses.
- (4) Where the grantor agency determines that property with an acquisition cost of \$1,000 or more and financed solely with Federal funds is unique, difficult, or costly to replace, it may reserve title to such property, subject to the following provisions:
- (a) The property shall be appropriately identified in the grant agreement or otherwise made known to the grantee.
 - (b) The grantor agency shall issue disposition instructions within 120 days after the completion of the need for the property under the Federal grant for which it was acquired. If the grantor agency fails to issue disposition instructions within 120 days, the grantee shall apply the standards of 4a(1), 4a(2)(b), and 4a(3)(b).
- b. Federally-owned nonexpendable personal property. Unless statutory authority to transfer title has been granted to an agency, title to Federally-owned property (property to which the Federal Government retains title including excess property made available by the Federal grantor agencies to grantees) remains vested by law in the Federal Government. Upon termination of the grant or need for the property, such property shall be reported to the grantor agency for further agency utilization or, if appropriate, for reporting to the General Services Administration for other Federal agency utilization. Appropriate disposition instructions will be issued to the grantee after completion of Federal agency review.

5. The grantees' property management standards for nonexpendable personal property shall also include the following procedural requirements:
- a. Property records shall be maintained accurately and provide for: a description of the property; manufacturer's serial number or other identification number; requisition date and cost; source of the property; percentage of Federal funds used in the purchase of property; location, use, and condition of the property; and ultimate disposition data including sales price or the method used to determine current fair market value if the grantee reimburses the grantor agency for its share.
 - b. A physical inventory of property shall be taken and the results reconciled with the property records at least once every two years to verify the existence, current utilization, and continued need for the property.
 - c. A control system shall be in effect to insure adequate safeguards to prevent loss, damage, or theft to the property. Any loss, damage, or theft of nonexpendable property shall be investigated and fully documented.
 - d. Adequate maintenance procedures shall be implemented to keep the property in good condition.
 - e. Proper sales procedures shall be established for unneeded property which would provide for competition to the extent practicable and result in the highest possible return.
6. When the total inventory value of any unused expendable personal property exceeds \$500 at the expiration of need for any Federal grant purposes, the grantee may retain the property or sell the property as long as he compensates the Federal Government for its share in the cost. The amount of compensation shall be computed in accordance with 4a(2)(b).
7. Specific standards for control of intangible property are provided as follows:
- a. If any program produces patents, patent rights, processes, or inventions, in the course of work aided by a Federal grant, such fact shall be promptly and fully reported to the grantor agency. The grantor agency shall determine whether protection on such invention or discovery shall be sought and how the rights in the invention or discovery--including rights under any patent issued thereon--shall be disposed of and administered in order to protect the public interest

Apr. 30, 1973

consistent with "Government Patent Policy" (President's Memorandum for Heads of Executive Departments and Agencies, August 23, 1971, and Statement of Government Patent Policy as printed in 36 F.R. 16889).

b. Where the grant results in a book or other copyrightable material, the author or grantee is free to copyright the work, but the Federal grantor agency reserves a royalty-free, nonexclusive and irrevocable license to reproduce, publish, or otherwise use, and to authorize others to use the work for Government purposes.

Apr. 30, 1973

APPENDIX 10. GUIDELINES FOR
CONFIDENTIAL EXPENDITURES

Confidential expenditures are subject to prior approval by LEAA. Such approval will be based on a finding that they are necessary and reasonable for proper and efficient administration of the program under which they are to be used. In this connection LEAA will make a finding also that the controls over the disbursement are adequate to safeguard against misuse of such funds.

1. Confidential expenditures will be authorized for subgrants at the State, county, and city level of law enforcement. For the purposes of this expenditure a city will be defined as having a population in excess of 50,000.
2. The funds authorized will be established in an imprest fund controlled by a bonded cashier.
3. The agent or officer in charge of the investigation unit to which the imprest fund is assigned must authorize all advances of funds up to \$500 to agents or officers for the purchase of information. Payments in excess of \$500 must be approved by the head of the law enforcement unit to which the subgrant was made. Such authorization must specify the information to be received, the amount of expenditures, and assumed name of informer.
4. There must be maintained by the investigation unit confidential files of the true names, assumed names, and signatures of all informers to whom payments of confidential expenditures have been made. To the extent practicable pictures and/or fingerprints of the informer payee should also be maintained.
5. The cashier shall receive from the agent or officer authorized to make a confidential payment a receipt for cash advanced to him for such purposes.
6. The agent or officer shall receive from the informer payee a receipt of the following nature:

FIGURE 10-1. RECEIPT FROM INFORMER PAYEE

Receipt

For and in consideration of the sale and delivery to the
(State, County, or City) of _____ of
information or evidence identified as follows: _____

I hereby acknowledge receipt of \$ _____ paid to me by
(State, County, or City) of _____
Date: _____ Signature: _____

* (Witness if any) _____

*The witness requirement will not in all instances be mandatory, depending on the nature of the meeting and exchange of funds. A requirement should be in effect that on 25 percent of the contracts, when payments are made, a second agent appear as the witness to the transaction. In addition, on 10 percent of the meetings the agent or officer in charge should be present to verify the payment to the informer.

- The signed receipt from the informer payee with a memorandum detailing the information received will be forwarded to the agent or officer in charge. The agent or officer in charge shall compare the signature on the receipt with the confidential file of assumed name signatures. He shall also evaluate the information received in relation to the expense incurred, and add his evaluation remarks to the report of the agent or officer who made the expenditure. A certification of payment

to the cashier will serve as support for the expenditure from the imprest fund. The certification will be witnessed by the agent or officer in charge on the basis of the report and informer payee's receipt.

- Each agent or officer in charge shall prepare a quarterly report showing status and reconciliation of the imprest fund and itemizing each payment, name used by informer payee, information received and use to which information was put. This report will be furnished to the head of the law enforcement agency to which the subgrant was made.
- Each instance when LEAA funds are used for confidential expenditures, it will be understood that all of the above records, except the true name of the informer, are subject to the record and audit provisions of P.L. 90-351 [Section 521 (a) and (b)].

As previously stated, confidential expenditures from Part C funds will be allowable only with the specific prior approval of LEAA. Such approval must be obtained from LEAA by the SPA or subgrantee. The submission for approval must contain the following information:

- Identity of subgrant and project, and estimated amount of funds to be used for confidential expenditures;
- Procedures to be followed in safeguarding the funds, or a certification that the above LEAA procedures will be adopted; and
- Identity of the agent or officer in charge of investigation and name of the bonded cashier.

END