



**GDEM – SAA Information Bulletin
No. 12, June 3, 2009**

To: Texas Councils of Governments
Texas Association of Regional Councils

From: Jack Colley
Chief, Governor's Division of Emergency Management

Subject: Clarification of allowable and unallowable costs for the 2008 IECGP

References: *2008 Guidance and Application Kit, 44 CFR 13, OMB A-87 (revised 5/10/04) Attachment A, Section F, Subsection 3 and Attachment E, Section A, Subsection 4.*

Purpose: The Councils of Governments (COGS) have expressed their concerns regarding what is allowable, unallowable and what can be included as indirect costs under the 2008 IECGP Grant. This Information Bulletin is intended to provide clarification.

General: In addition to OMB cost principles, recipients should refer to the program guidelines to determine what program costs are not allowed for that specific program. Costs that are unallowable under one DHS/FEMA program may be allowed under another.

Goals:

1. Grantees are to use IECGP funds on activities that align with FY 2008 IECGP priorities and the Texas SCIP. Specific guidance from GDEM was provided in the Allocation Letter dated September 26, 2008. "IECGP provides funding to improve interoperable emergency communications capabilities and supports the implementation of the Statewide Communication Interoperability Plan (SCIP). IECGP funds will help ensure that the goals and initiatives of the SCIP are carried out and that the SCIP is aligned with the National Emergency Communications Plan (NECP)."

2. Priorities Established for Sub-recipients:

- Revise the Regional Interoperability Communications Plan to describe how the region will achieve interoperability by 2015 with the FY 2008 SCIP Funding Plan and Budget Estimate and submit the Plan to the SAA by the date established by the SCIP.
- Establish Regional Standard Operating Procedure (SOP) and submit the SOP to the SAA by the date established by the SCIP.
- Enter communications assets into CASM by the date established by the SCIP.
- Identify local training needs and associated costs.

Allowable Costs:

1. Specific investments made in support of the funding priorities discussed in the grant guidance fall into one of the following four allowable cost categories for FY 2008 IECGP:
 - Planning
 - Training
 - Exercise
 - Personnel Activities
2. Appendix D provides an allowable cost matrix, which summarizes IECGP allowable cost activities, specifies which costs are allowable under those categories.
3. It also states “An allowable cost activity must be related to IECGP activities”.

Unallowable Costs:

1. Appendix D provides an allowable cost matrix, which summarizes IECGP allowable cost activities, specifies which costs are not allowed.
2. Clarifications were provided by DHS:
 - The Allowable Cost Matrix indicates “Leasing or renting of space for newly hired personnel during the period of performance” is not allowable. For the 2008 IECGP, DHS has stated that leasing or renting of space during the period of performance is not allowable for anyone, not just “newly hired” employees.
 - DHS has clarified that if a cost (including indirect costs) is not allowable in one category then it will not be allowable under any category.

Indirect Costs

1. All items listed under indirect costs must be allowable based on the 2008 IECGP Grant Guidance. (See 5.2.2) In order for the SAA to verify that indirect costs are allowable under IECGP, each of those costs must be listed on the grant budget form.
2. OMB A-87 (revised 5/10/04) Attachment A "General Principles for Determining Allowable Cost" Section F Subsection 3 b states "Amounts not recoverable as indirect costs or administrative cost under one Federal award may not be shifted to another Federal award, unless specifically authorized by Federal legislation or regulation."

Costs Under Multiple Grants

1. Costs that are not specifically related to IECGP cannot be charged to IECGP.
2. If an expenditure is eligible under both IECGP and HSGP, HSGP funds can be used for the IECGP expenditures. However, IECGP funds can only be used for IECGP activities.

Payroll Costs

1. A person who is being paid under one DHS grant may be also be paid under IECGP. However, there must be documentation indicating the time being charged to IECGP is for IECGP activities. The following is taken directly from OMB Circular-87 Attachment B, 8 Compensation for Personnel Services, (h) Support of Salaries and Wages:
 - Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit.
 - No further documentation is required for the salaries and wages of employees who work in a single indirect cost activity.
 - Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.
 - Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by

personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- More than one Federal award,
 - A Federal award and a non Federal award,
 - an indirect cost activity and a direct cost activity,
 - Two or more indirect activities which are allocated using different allocation bases, or
 - An unallowable activity and a direct or indirect cost activity.
- Personnel activity reports or equivalent documentation must meet the following standards:
 - They must reflect an after the fact distribution of the actual activity of each employee,
 - They must account for the total activity for which each employee is compensated,
 - They must be prepared at least monthly and must coincide with one or more pay periods, and
 - They must be signed by the employee.
 - Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:
 - The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed;
 - At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and
 - The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.
- Substitute systems for allocating salaries and wages to Federal awards may be used in place of activity reports. These systems are subject to approval if required by the cognizant agency. Such systems may include, but are not limited to, random moment

sampling, case counts, or other quantifiable measures of employee effort.

- Substitute systems which use sampling methods (primarily for Temporary Assistance to Needy Families (TANF), Medicaid, and other public assistance programs) must meet acceptable statistical sampling standards including:
 - The sampling universe must include all of the employees whose salaries and wages are to be allocated based on sample results except as provided in subsection (c);
 - The entire time period involved must be covered by the sample; and:
 - The results must be statistically valid and applied to the period being sampled.
 - Allocating charges for the sampled employees' supervisors, clerical and support staffs, based on the results of the sampled employees, will be acceptable.
 - Less than full compliance with the statistical sampling standards noted in subsection (a) may be accepted by the cognizant agency if it concludes that the amounts to be allocated to Federal awards will be minimal, or if it concludes that the system proposed by the governmental unit will result in lower costs to Federal awards than a system which complies with the standards.

Closing: This guidance applies to the 2008 IECGP. The 2009 IECGP will allow normal indirect costs. The other requirements indicated herein will apply to the 2009 IECGP. Please contact Cindy Hood at (512) 377-0020, Tomas San Miguel at (512) 377-0015, or John Latham at (512) 377-0021 if we can be of assistance.