**U.S. Department of Homeland Security**
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**Grant Programs Directorate Information Bulletin**
**No. 416**
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**MEMORANDUM FOR:** All State Administrative Agency Heads
All State Administrative Agency Points of Contact
All Urban Area Security Initiative Points of Contact
All State Homeland Security Directors
All State EmergencyManagement Agency Directors

**FROM:** Thomas DiNanno
Assistant Administrator for Grant Programs
Federal Emergency Management Agency

**SUBJECT:** **Clarification of Allowable Management and Administration Costs Under the Operation Stonegarden Grant Program**

## I. Purpose

The purpose of this Information Bulletin (IB) is to illustrate how a State Administrative Agency (SAA) may determine the allowable amount of Management & Administration (M&A) costs permitted under its Homeland Security Grant Program (HSGP) award to support its management and administration of Operation Stonegarden (OPSG) funds and to clarify the allowable activities and limitations of M&A under OPSG.

OPSG is a component of the State Homeland Security Program (SHSP) and one of the programs within the HSGP suite. SAAs must ensure that 100 percent of each OPSG allocation from the Federal Emergency Management Agency (FEMA) is passed-through to eligible subrecipients, as described in the annual HSGP Notice of Funding Opportunity (NOFO) and the SAA's award. Any funds retained by the SAA to pay for M&A costs supporting OPSG must be taken from the M&A allowance for SHSP, as described in this guidance.

This IB communicates grant guidance that is supplemental to the guidance contained within the applicable NOFO and HSGP awards.

This IB supersedes the following guidance document:

FEMA Policy, *Clarification of Allowable Management and Administration (M&A) Costs Under the Operation Stonegarden Grant Program (OPSG),* dated June 25, 2013

## II. Applicability

A. This IB is applicable to all open and future HSGP awards that include OPSG allocations.

B. The use of M&A is only applicable to the recipient SAA and the eligible subrecipients specifically named in the SAA's grant award. As such, the use of M&A funds is closely monitored by FEMA grant program staff.

## III. Guidance

### A. Principles

1. The SAA, as the pass-through entity, must ensure that 100 percent of each OPSG allocation is passed-through to eligible subrecipients, as described in the annual HSGP NOFO.
2. By law, SAAs are allowed to retain a maximum of up to 5 percent of their HSGP awards for M&A.[1]
3. Because the OPSG allocation is a component of the SHSP allocation, the SAAs may retain 5 percent of the total SHSP allocation (SHSP + OPSG allocations) for M&A, and they may use this amount to cover the costs of M&A that are directly allocable to both OPSG and SHSP, provided that 100 percent of the SAA's OPSG allocation is passed-through to eligible subrecipients.
4. An eligible subrecipient of OPSG funds, such as a county or tribe, may retain up to 5 percent of that subaward for M&A that is directly allocable to its OPSG subaward. If the subrecipient chooses not to use the allowable M&A under its OPSG award, it does not change the SAA's M&A allowance; the 5 percent maximum would still apply.

### B. Eligible Costs

1. M&A costs are not operational costs, but they are necessary costs incurred in direct support of the grant or as a consequence of the grant.
   a. For example, M&A activities are those directly relating to the management and administration of a grant, such as financial management and reporting or in the oversight of those involved in the operational aspects of the grant.
   b. Indirect costs are allowable only if the applicant has an approved indirect cost rate with the cognizant Federal agency. A copy of the approved indirect cost rate (a fully executed, agreement negotiated with the applicant's cognizant Federal agency) is required at the time of application.

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[1] *Department of Homeland Security Appropriations Act, 2016* (Pub. L. No. 114-113); *Department of Homeland Security Appropriations Act, 2015* (Pub. L. No. 114-4); *Department of Homeland Security Appropriations Act, 2014* (Pub. L. No. 113-76); *Department of Homeland Security Appropriations Act, 2013* (Pub. L. No. 113-6); *Department of Homeland Security Appropriations Act, 2012* (Pub. L. No. 112-74); *Department of Defense and Full Year Continuing Appropriations Act, 2011* (Pub. L. No. 112-10).

2. M&A activities that could be reimbursed under OPSG include, but are not limited to, the following:

   a. Preparing and submitting required programmatic and financial reports;

   b. Establishing and/or maintaining OPSG equipment inventory and/or usage logs;

   c. Documenting OPSG operational expenditures for financial accounting purposes; and,

   d. Responding to activities, such as requests for programmatic and or financial data by state and or Federal oversight authorities related to OPSG.

3. OPSG operational costs that are eligible but should not be reimbursed as M&A include, but are not limited to, the following:

   a. Overtime costs included for law enforcement activities associated with OPSG, including the planning, coordination, and execution of specific operations;

   b. Use of OPSG funds to pay additional current part-time law enforcement personnel salaries in order to bring them to temporary full-time status;

   c. Equipment and expendable supply costs included for law enforcement activities associated with OPSG;

   d. Transportation costs (such as fuel costs and/or mileage or per diem for travel) for law enforcement activities associated with OPSG (there is no cap for reimbursement of operational activities); and,

   e. Personnel expenses to secure back-fill coverage for those law enforcement officials involved in operational activities associated with OPSG.

**C. 100 Percent Pass-Through Requirement**

1. The SAA, as the pass-through entity, must ensure that 100 percent of each OPSG allocation is passed-through to eligible subrecipients, as described in the annual HSGP NOFO. The SAA is allowed to retain a maximum of up to 5 percent of its HSGP awards for M&A.

   a. The maximum amount of M&A the SAAs may retain is calculated based on the total amount received under all HSGP program awards. For example, if the award were as follows:

| | |
|---|---:|
| SHSP | $500,000 |
| OPSG | $200,000 |
| UASI | $300,000 |
| Total HSGP Award | $1,000,000 |

   The maximum M&A the SAA is authorized for use of the total HSGP award would be $50,000. ($1,000,000 X 5% = $50,000).

   b. In the above illustration, the SAA would not be permitted to retain any amount of the OPSG allocation—including amounts for M&A—and would be required to ensure that the full $200,000 of that OPSG allocation was received by the counties and tribes.

2. Because the OPSG allocation is a component of the SHSP allocation, the SAAs may retain 5 percent of the total SHSP allocation (SHSP + OPSG allocations) for M&A, and they may use this amount to cover the costs of M&A that are directly allocable to both OPSG and SHSP.
   a. In the above example, the total amount of the SHSP and OPSG allocation is $700,000; therefore, the SAA may retain $35,000 for M&A, which represents up to 5 percent of the $700,000. After subtracting $35,000 for M&A under the SHSP allocation, this would leave a SHSP balance of $465,000 to ensure that the full amount of the OPSG allocation of $200,000 is distributed to the appropriate counties and tribes.
   b. The calculation (which excludes the UASI allocation) would be as follows:

| | |
|---|---|
| SHSP | $465,000 |
| OPSG | $200,000 |
| M&A (from SHSP allocation) | $35,000 |
| SHSP + OPSG Total | $700,000 |

   c. HSGP recipients are also reminded that any M&A charged by the SAA to its UASI allocation must be directly allocable to administration of the UASI grant program and cannot be used to cover M&A costs that are directly allocable to an OPSG or SHSP allocation.

## IV. Questions

Questions regarding this IB may be directed to AskCSID@fema.dhs.gov.

## V. Review Date

This IB will be reviewed within five years from the date of issuance.