

DEPARTMENT OF THE INTERIOR
OFFICE OF INSULAR AFFAIRS



Financial Assistance Manual

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**Department of the Interior - Office of Insular Affairs
Financial Assistance Manual**

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PART I. PURPOSE OF THE OIA FINANCIAL ASSISTANCE MANUAL

A. General Purpose

This manual is intended to provide an overview of the financial assistance programs administered by the US Department of the Interior's Office of Insular Affairs (OIA). It is also intended to familiarize the reader with the various policies, procedures and regulations that apply to OIA's financial assistance programs.

B. Intended Audience

This manual is intended for:

1. Insular area officials, especially program and financial managers, as a reference document and as guidance in their management and administration of OIA financial assistance.
2. Departmental personnel, especially OIA personnel, as a reference document and training aid.

PART II. OVERVIEW - OFFICE OF INSULAR AFFAIRS

A. Office Responsibilities

OIA carries out the Secretary of the Interior's responsibilities for the US-affiliated insular areas. These include the four territories of Guam, American Samoa, the US Virgin Islands (USVI) and the Commonwealth of the Northern Mariana Islands (CNMI); as well as the three Freely Associated States (FAS): The Federated States of Micronesia (FSM), the Republic of the Marshall Islands (RMI), and the Republic of Palau (ROP).¹

B. Office Mission

The Department of the Interior's (DOI) mission is to protect and manage the Nation's natural resources and cultural heritage; provide scientific and other information about those resources; and honor its trust responsibilities or special commitments to American Indians, Alaska Natives, and affiliated island communities.

In furtherance of the Department's mission, OIA's mission is to empower insular communities. To accomplish this, OIA pursues strategies outlined in DOI's *Strategic Plan for Fiscal Years 2011-2016* that focus on improving the quality of life, creating economic opportunity, and promoting efficient and effective governance for the insular island communities.

¹ These three nations were once included in the US-administered Trust Territory of the Pacific Islands, and currently have special relationships with the United States as spelled out in documents known as Compacts of Free Association, as amended.

To view the Department of the Interior's Strategic Plan, please visit:

http://www.doi.gov/pmb/ppp/upload/DOI_StrategicPlan_fy2011_2016.pdf

C. Office Budget

OIA's budget, over the last decade, has on average exceeded \$500 million annually. More than 98% of that budget is made up of direct financial assistance to the insular areas governments. Approximately 2% of the budget is dedicated to OIA's administrative costs.

OIA has staff stationed in various locations. Approximately 27 permanent staff members are located in Washington DC, including the Assistant Secretary for Insular Areas and the Director of OIA. Approximately 7 of the 27 positions in Washington DC function as grant managers. There are 4 staff members located in Hawaii who oversee the Compacts of Free Association grants to the FSM and the RMI. OIA also has staff in the CNMI (1), American Samoa (1), the USVI (1) and the RMI (1). In addition, OIA funds a Federal Labor Ombudsman² for the Marianas (located in the CNMI) and 2 High Court Justices in American Samoa.

A small portion of OIA's budget is discretionary - approximately \$50 million annually. The remainder of the budget has been mandated in law, often based on negotiated agreements, such as the Compacts of Free Association with the FAS.

Approximately \$100 million of the budget is subject to annual appropriations. The remainder is funded through permanent budget authority.

The budget process for a single fiscal year begins in early spring, approximately 18 months before the beginning of that fiscal year. It is in this early formulation stage that insular area governments have input into the budget process³. By May or June, OIA's Budget Justification is submitted to the Department for review. The Secretary of the Interior makes final budgetary decisions on behalf of the Department before the budget estimates are submitted to the Office of Management and Budget (OMB) in September. OMB decisions are made at the end of November. The President's Budget is put together in December and January and is transmitted to Congress in February. Congress holds hearings and analyzes the budget between February and May. Between June and August, appropriations committees mark up the budget and report out a bill. Final legislative

² The Ombudsman's Office screens worker complaints to determine whether there may be violations of the CNMI Employment Act, the CNMI Minimum Wage and Hour Act, the CNMI employment Rules and Regulations, the CNMI Requirements for Employers of Foreign Workers Safety and Health in the Workplace, breaches of the worker's contract and violations of other applicable local laws. The Office also screens for violations of Title VII of the Civil Rights Act, the Fair Labor Standards Act, the Immigration Reform and Control Act, Title XII of the Consolidated Natural Resources and Control Act, the Trafficking Victims Protection Act, as amended, and other applicable federal laws.

³ The submission of Capital Improvement Project funding proposals by the eligible territories is one such example. Note that the inclusion of proposed Capital Improvement projects in OIA's annual Budget Justification does not necessarily serve as a final funding determination.

action normally takes place before the end of September unless the appropriations process stalls, in which case Congress has the authority to pass a temporary “Continuing Resolution” until the pending appropriations bill is passed.

For more information about the Office and to view OIA’s most recent Budget Justifications please visit www.doi.gov/oia.

D. Office Organization

Assistant Secretary: OIA is headed by the Assistant Secretary of the Interior for Insular Areas who provides overall policy direction. The Assistant Secretary makes the final decision on OIA financial assistance awards on behalf of the Secretary of the Interior. The Assistant Secretary also approves all reprogrammings of financial assistance within the guidelines established by the Congressional appropriations committees and determines and approves changes in financial assistance program policy.

OIA Director: The OIA Director advises the Assistant Secretary on policy issues and acts on behalf of the Assistant Secretary when delegated. The Director oversees the daily operation of the office including non-financial administrative functions, public information, and correspondence control.

Policy Division: The Policy Division performs general program, political, and economic analysis and manages internal and external reporting and communications for the Assistant Secretary and the Director including the OIA website: www.doi.gov/oia. In addition, the Division functions as the Assistant Secretary’s and the Director’s principal liaison with the offices of the insular Members of Congress, the House and Senate oversight committees, insular governments, and the FSM, RMI, and ROP Embassies. Finally, it assists with the Director’s duties as the Chair of the Trust Funds for the FSM and the RMI and coordinates the Interagency Group on Insular Areas⁴. This division is primarily comprised of the Policy Division Director, the Policy Division Deputy Director and insular policy specialists whom are assigned to each of the seven insular areas.

Technical Assistance Division: The Technical Assistance Division administers financial assistance awarded through the General Technical Assistance Program, the Coral Reef Initiative, the Maintenance Assistance Program, and the Brown Tree Snake Control Program. It is also responsible for overseeing and making the direct payments for USVI Rum Excise Tax advances and Guam Section 30 Income Tax advances. This division is primarily comprised of the Division Director, the Deputy Division Director and grant managers (see description below).

Budget and Grants Management Division: The Budget and Grants Management Division is responsible for budget formulation and presentation, performance planning and audits including coordinating requests related to the annual Departmental audit. It also manages financial assistance under the Compacts of Free Association, American Samoa Operations grants, Capital Improvement Project grants, Empowering Insular Communities grants, and

⁴ Established by Executive Order 13299.

Water-Wastewater grants. This division is primarily comprised of the Division Director, the Deputy Division Director, the Audit Liaison Officer, the Administrative Officer and grant managers (see description below).

OIA Grant Managers: OIA grant managers are responsible for the day-to-day activities associated with OIA financial assistance. Grant managers prepare grant awards, authorize grant fund disbursements, review grant applications, interpret and enforce grant terms and conditions, terminate grants for non-performance or non-compliance, disallow costs, approve changes in project timing or scope, and modify grant terms and conditions within Federal guidelines and any additional parameters established in this manual.

PART III. TYPES OF FINANCIAL ASSISTANCE

There are two basic types of assistance administered by OIA: Mandatory assistance and discretionary assistance.

A. Mandatory Assistance

Mandatory assistance is defined as assistance that is not subject to annual appropriations, is earmarked through the Federal budget process, is specifically provided for by Congress in appropriations language or accompanying reports and table, or is specified by statute or implementing program regulations. There is generally no competition for funds among the insular areas in mandatory assistance. OIA's mandatory assistance programs include:

1. Compact Assistance: This includes all financial assistance directly authorized and specified in the Compacts of Free Association⁵, as amended, with the FSM, the RMI and the ROP. All Compact financial assistance is guaranteed in the Compacts and is provided through either mandatory appropriations or permanent appropriations. The financial relationships are governed exclusively by the Compacts and related subsidiary agreements. Except as specified in those documents, US laws and regulations do not apply. Please visit <http://uscompact.org/> to view the Compacts and related agreements.
2. Compact Impact Aid: Section 104 (e) of the *Compact of Free Association Amendments Act of 2003* (Public Law 108-188), also authorizes financial assistance for Hawaii, Guam, American Samoa, and the CNMI. The intent of this assistance is to provide, through 2023, \$30 million in annual grants to these jurisdictions to aid them in defraying the costs of FAS migration. Funds may only be used for health, educational, social, or public safety services, or infrastructure related to such services, specifically affected by qualified non-immigrants from the RMI, FSM and the ROP in these 4 affected jurisdictions. The jurisdictions are encouraged to use their allocated fund⁶ to help offset the operational costs of the local government

⁵ The Compacts of Free Association, as amended, define the relationship the FSM, RMI and ROP have entered into as associated states with the United States.

⁶ The \$30 million in annual Compact Impact funding is distributed based upon a ratio allocation to the government

departments impacted by FAS migration. However, project grants may also be awarded for specific projects and activities within the allowable uses.

3. Payments to the US Territories: These are advance payments made by OIA to Guam for Section 30 income tax collections and to the USVI for Rum Excise tax collections. The advance payments are required⁷ to be made prior to October 1 of each fiscal year. In general, OIA receives data on the actual Guam Section 30 income tax collections annually from the US Department of Treasury - Internal Revenue Service and data on the actual USVI Rum Excise taxes monthly from the US Department of Treasury - Alcohol and Tobacco Tax and Trade Bureau. OIA requests annual estimates for these advance payments from Guam and the USVI. OIA then reviews the received estimates and the actual certifications, and adjusts the advance payments as necessary. OIA may make additional adjustment payments based on actual certifications as deemed appropriate.
 - a. What is Guam Section 30? Federal income taxes derived from Guam including, but not limited to, compensation paid to members of the Armed Forces and pensions paid to retired civilians and military employees of the US, or their survivors, who are residents of, or who are domiciled in Guam.
 - b. What is the USVI Rum Excise Tax? A tax imposed on distilled spirits produced in the USVI and imported into the United States. The excise tax does not apply to distilled spirits that are exported from the United States or that are consumed in US possessions (e.g., Puerto Rico and the USVI).

The US Department of the Interior's permanent indefinite appropriations for fiscal payments is limited to Guam Section 30 and the USVI Rum Excise tax collections. No such appropriations were made for the other territories such as the CNMI and American Samoa.

4. American Samoa Operations: The annual operating subsidy to the Government of American Samoa is the only operating subsidy provided to the US territories. It is directed assistance that appears in Federal appropriations tables as a line item. It is intended to be a supplement to, but not a substitute for, local revenues. Except as earmarked in Federal appropriations, its programmatic uses and allocations are subject to local appropriations and decisions.
5. Enewetak Support: OIA currently provides financial assistance to Enewetak, one of the RMI atolls affected by US nuclear testing, for its Food and Agriculture Support Program which provides supplemental food and agricultural assistance. This funding is authorized in the *Compact of Free Association Act of 1985* (Public Law 99-239). Current funding for this item is provided through the *Compact of Free*

of each affected jurisdiction on the basis of the most recent U.S. Census Bureau enumerations. Enumerations are required every five years.

⁷ Payment requirements are detailed in 48 USC§1645 for the USVI and 48 USC§1421h for Guam.

Association Amendments Act of 2003 (Public Law 108-188) and supplemental funding is, from provided through add-ons in the form of discretionary appropriations by Congress.

6. **Capital Improvement Project (CIP) Funding:** CIP grants (occasionally called Covenant grants) are authorized by the *Covenant to Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States of America*⁸ (Section 701 of Public Law 94-241, as amended). CIP funding is subject to annual appropriations. While the overall funding amount (\$27,720,000) is set in law, amendments to Public Law 94-241 By Congress enacted in 1996 (Public Law 104-134), authorized various uses for which the insular areas may seek assistance and for which OIA may exercise budgetary discretion to seek annual appropriations. This funding is intended to be used for capital improvements in the four US territories. The allocation of annual CIP funding among the US territories is determined by the CIP Competitive Criteria process (see Appendix A). A unique feature of these grants is that they may be used to meet the local matching requirement for capital improvement grants of other Federal agencies, subject to OIA's approval.

B. Discretionary Assistance

Discretionary assistance is defined as assistance that is subject to annual appropriations and which OIA has some discretion to allocate after the appropriation. There is some competition for these funds among the eligible insular areas and funding decisions are guided by OIA's mission and the Department's Strategic Plan. OIA's discretionary assistance includes:

1. **Territorial Assistance Funding:** Territorial Assistance is funding for which OIA seeks budget authority in a lump sum to "extend to the insular governments, and their agencies and instrumentalities, with or without reimbursement, technical assistance on subjects within the responsibility of the respective territorial governments. Such assistance may be provided... [through] reimbursements to other departments or agencies of the Federal Government under sections 1535 and 1536 of title 31, grants to or cooperative agreements with such governments, agreements with Federal agencies or agencies of State or local governments, or the employment of private individuals, partnerships, or corporations. Technical assistance may include research, planning assistance, studies, and demonstration projects" (48 US Code 1469(d)). The following Territorial Assistance activities are currently funded:
 - a. **General Technical Assistance:** This funding is normally used for short-term projects intended to meet the immediate needs of the seven insular areas. Grants are usually awarded for non-capital projects and are not meant to

⁸ The *Covenant to Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States of America* defines the unique relationship between the CNMI and the United States.

supplant local funding of routine operating expenses of an insular government.

- b. ***Maintenance Assistance Program:*** This funding is used to support, develop, improve, and as much as possible institutionalize, infrastructure maintenance practices in the seven insular areas. This is the only OIA program that has specific legislative authority to require a matching contribution from the insular government.
 - i. ***Maintenance Assistance Matching Contribution:*** Maintenance assistance grants generally require a 50/50 match though, at the discretion of OIA, the matching requirement may on occasion be reduced or waived as appropriate.
- c. ***Brown Treesnake Control Program:*** This funding is used to control the ecological and economic damages caused by the brown treesnake; an invasive species to Guam, and to prevent its dispersal to other vulnerable areas such as the CNMI and Hawaii.
- d. ***Coral Reef Initiative:*** This funding is used to promote sound management and conservation of coral reefs in the insular areas.
- e. ***Water and Wastewater Grants:*** This funding is used to address emergency water and wastewater needs in the four US territories.
- f. ***Empowering Insular Communities:*** This funding is used to implement sustainable, indigenous, renewable and alternate energy strategies that will reduce a territory's dependence on imported fossil fuels and diversify energy source production.

PART IV. SELECTION OF THE ASSISTANCE INSTRUMENT

The vast majority of OIA's financial assistance is disbursed in the form of grant agreements and direct payments to the insular areas. On occasion, however, OIA enters into Reimbursable Support Agreements (also known as Economy Act Agreements⁹) with other Federal agencies in assisting the insular areas. The selection of the assistance instrument will be consistent with the following definitions:

1. **Grant Agreements:** Grant agreements will be used by OIA to transfer a thing of value to a State, local government, or other recipient to serve a public purpose authorized by a law of the United States.

⁹ The Economy Act of 1932, as amended, 31USC§ 1535, permits Federal Government agencies to purchase goods or services from other Federal Government agencies or other major organizational units within the same agency.

2. Direct Payments: Direct payments will be used to advance certain Federal income taxes related to Guam and certain Federal excise taxes related to the USVI. Direct payments are also utilized for some Compact payments such as those made under the Palau Compact. Please refer to Part III.A(2) of this manual, for further information on direct payments.
3. Reimbursable Support Agreements: Reimbursable support agreements will be used when it is in the best interest of the government to order goods or services from another government agency that cannot be provided as conveniently or cheaply by contract with commercial enterprise.

Note that OIA has not utilized cooperative agreements when disbursing financial assistance to the insular areas.

PART V. APPLYING FOR FINANCIAL ASSISTANCE

OIA financial assistance application processes vary depending on the funding program. A general overview is provided below.

A. Application Procedures For Mandatory Grants

1. Compacts of Free Association Grants: The application procedures for Compact funds are governed solely by the Compacts of Free Association, as amended, and their related Fiscal Procedures Agreements. Final allocation decisions of annual grants are made by two committees consisting of three officials from the United States and two officials from the FAS. These committees are the Joint Economic Management Committee (FSM) and the Joint Economic and Financial Accountability Committee (RMI). Please visit <http://uscompact.org/> to view the Compacts and related agreements for additional information.
2. Compact Impact Grants: Call letters with application instructions and a due date are sent annually, usually in the summer, to the Governors of the eligible insular areas: Guam, American Samoa, the CNMI, and Hawaii. The submitted applications are used to guide OIA's funding decisions. Compact Impact grants are generally awarded at the beginning of the fiscal year.
3. American Samoa Operations Grants: Currently, no application process exists since these funds are appropriated solely for American Samoa Government operations. Operations grants are generally awarded at the beginning of the fiscal year, subject to the availability of budgetary appropriations, in consultation with the American Samoa government.
4. Enewetak Support Grants: Currently, no application process exists since these funds are appropriated annually for the Food and Agriculture Program. However, The Enewetak/Ujelang Local Government provides, for OIA review and approval, an

annual program budget and performance plan within 30 days from the date of the grant award. These grants are generally awarded at the beginning of the fiscal year.

5. Capital Improvement Project Grants: Call letters with application instructions are sent out annually, usually in the spring, to the Governors of the four US territories. The application package provides detailed instructions regarding how to apply and a due date. The submitted applications are used to guide OIA's funding decisions. CIP grants are generally awarded at the beginning of the fiscal year subject to the availability of budgetary appropriations.

B. Application Procedures For Discretionary Grants

1. Technical Assistance Program (TAP) Grants: Annual funding opportunity announcements are posted on Grants.Gov. Applications are accepted through grants.gov from local government entities, independent authorities, and educational institutions in the seven insular areas as well as any non-profit organizations whose mission directly benefit these areas. Note that OIA does not require TAP funding proposals to be submitted through the Office of the Governor for territorial applicants or through the Office of the President for FAS applicants. Applications are accepted directly from insular area government entities, independent authorities, educational institutions and non-profits. Please visit www.grants.gov to learn more about applying for TAP grants.
2. Maintenance Assistance Program (MAP) Grants: Annual funding opportunity announcements are posted on Grants.Gov. Applications are accepted through grants.gov from local government entities, independent authorities, and educational institutions in the seven insular areas as well as any non-profit organizations whose mission directly benefit these areas. Note that OIA does not require MAP funding proposals to be submitted through the Office of the Governor for territorial applicants or through the Office of the President for FAS applicants. Applications are accepted directly from insular area government entities, independent authorities, educational institutions and non-profits. Please visit www.grants.gov to learn more about applying for MAP grants.
3. Brown Treesnake (BTS) Control Program Grants: Annual funding opportunity announcements are posted on Grants.Gov. Applications are accepted from members of the BTS Technical Working Group.
4. Coral Reef Grants: Annual funding opportunity announcements are posted on Grants.Gov. Applications are accepted directly from insular area governments, educational institutions, and non-governmental organizations for activities that will directly benefit coral reefs in the insular areas.
5. Water and Wastewater Grants: Annual funding opportunity announcements are posted on Grants.Gov. Applications are accepted from the governments of American Samoa, Guam, the USVI and CNMI.

6. Empowering Insular Communities (EIC): Annual funding opportunity announcements are posted on Grants.Gov. Applications are accepted from American Samoa, Guam, the USVI and the CNMI. Note that OIA does not require EIC funding proposals to be submitted through the Office of the Governor. Applications are accepted directly from insular area governments, educational institutions and non-profits.

C. Required Application Forms

With the exception of Compacts of Free Association, American Samoa Operations and Enewetak Support grants, applicants must complete the appropriate SF-424 forms when applying for OIA grants. In addition to the core SF-424 Application for Federal Assistance form, applicants must complete two additional forms; either the SF-424A Budget Information – Non Construction Programs or the SF-424C Budget Information – Construction Program, as appropriate to the proposed project(s), as well as the SF-424B Assurances – Non-Construction Programs or the SF-424D Assurances – Construction Programs, as appropriate to the proposed project(s). In total, three SF-424 forms must be submitted as part of the application. The SF-424 forms can be found on the OIA website: www.doi.gov/oia as well as on the Grants.Gov website. When utilizing Grants.Gov to apply for an OIA grant, applicants will be automatically prompted to complete the appropriate SF-424 forms as part of the application process.

Note that in addition to the required forms, detailed project narratives and budgets are generally required as well.

D. Grant Application Restrictions

1. Force Accounts: A force account refers to a grantee's own (existing) personnel and equipment. In general, OIA is opposed to funding force accounts through all its grant programs though this is most applicable to its Capital Improvement Project grants. A force account project, in that context, is defined as a capital improvement project in which the local government entity (the grantee in this case) acts as a general contractor to design and/or build an infrastructure project by employing its own labor force and/or management, including contract employees. One of the major benefits of a Capital Improvement Project grant is that it not only pays for essential infrastructure necessary to provide a public service; but it also creates jobs and wealth in the local economy.

Exceptions to this force account policy require written prior approval by OIA on a case-by-case basis.

2. Indirect Costs: Indirect costs are defined as costs which are a) incurred for a common or joint purpose benefiting more than one cost objective, and (b) not readily assignable to the cost objectives specifically benefitted. OIA generally disallows its grantees to charge indirect costs to its grants and as a result has not

established indirect cost rates with the insular areas. Costs associated with the administration of OIA grant projects and programs are to be charged against the grant funds only as approved in the project budget.

PART VI. FINANCIAL ASSISTANCE APPLICATION REVIEW

A general overview of the financial assistance application review procedures for OIA's funding programs is provided below.

A. Application Review Procedures For Mandatory Grants

1. Compacts of Free Association Funding Proposals: Annual implementation plans are submitted to OIA for review in accordance with the Fiscal Procedures Agreements. OIA's Budget and Grants Management Division is tasked with evaluating the proposed Compact Sector Grant budgets of the Government of the Federated States of Micronesia (GFSM) and the Government of the Republic of the Marshall Islands (GRMI) to ascertain consistency with the funding requirements of the amended Compacts and related agreements, the appropriateness of performance objectives and indicators, and the adequacy of expenditures in achieving stated purposes. Upon the completion of the reviews, OIA and the GFSM and GRMI confer to discuss any need for special grant terms or conditions and to make adjustments to the annual Compact Sector Grant budgets or implementation plans, as appropriate, prior to the awarding of funds. This consultation is required to occur before the meeting of the bilateral management committees¹⁰ but not later than 30 days after the receipt of the implementation plans and proposed budgets. The committees receive and review the progress reports and annual proposed budgets and implementation plans of the GFSM and GRMI, and approve Sector Grant allocations no later than 30 days before the beginning of the fiscal year. Consistent with the provisions set forth by the Fiscal Procedures Agreement, the committees may establish alternative funding levels, special Grant terms and conditions or other actions it deems appropriate to help the GFSM and GRMI meet the stated goals and objectives of the Compacts, as amended. At the conclusion of the bilateral meetings, official grant award notices are issued to the GFSM and GRMI, generally at the beginning of each fiscal year.
2. Compact Impact Funding Proposals: Upon receipt, proposals are reviewed by the OIA grant managers in consultation with other senior staff, such as OIA field representatives and desk officers, as appropriate. Proposals are then submitted to OIA senior leadership along with any comments the reviewer determines appropriate, for a final determination.

¹⁰ The bilateral management committees are two committees consisting of three officials from the United States and two officials from the FAS. These committees are the Joint Economic Management Committee (FSM) and the Joint Economic and Financial Accountability Committee (RMI).

3. American Samoa Operations: Currently, no review process exists since these funds are appropriated solely for American Samoa Government operations.
4. Enewetak Support Program: Currently, no pre-award review process exists since these funds are appropriated annually for the Food and Agriculture Program. However, the Enewetak/Ujelang Local Government provides to OIA, for review and approval, an annual program budget, as well as an annual performance plan for the Food and Agriculture Program within 30 days of the grant award.
5. Capital Improvement Project Grants: Upon receipt, proposals are reviewed by the OIA grant managers in consultation with other senior staff, such as OIA field representatives and desk officers, as appropriate. Proposals are then submitted to OIA senior leadership along with any comments the reviewer determines appropriate, for a final determination.

B. Application Review Procedures for Discretionary Grants

1. Technical Assistance Program (TAP) and Maintenance Assistance Program (MAP) Funding Proposals: Once received, review meetings are generally scheduled to discuss the submitted proposal. Review meetings consist of OIA staff, especially those with expertise related to the proposed activity, project or insular area. Staff, such as field representatives who are unable to attend review meetings in person, may be asked to provide comment on proposals electronically. Proposals may also be sent for review and comment to partner Federal agencies with expertise related to the proposed activity or project. Funding recommendations are then forwarded to the OIA senior leadership, along with any comments the reviewers determine appropriate, for a final determination.
2. Brown Treesnake (BTS) Control Program Funding Proposals: Funding applications are generally presented and discussed during the spring BTS Technical Working Group meeting. The OIA BTS program manager then makes funding recommendations to OIA's senior leadership for a final determination.
3. Coral Reef Funding Proposals: Proposals are reviewed by the Coral Reef program manager upon receipt. Consultation with OIA field representatives and desk officers, as well as other funding agencies such as the National Oceanic and Atmospheric Administration, routinely takes place during review. Successful proposals are then submitted to OIA senior leadership for a final determination.
4. Water and Wastewater Funding Proposals: Upon receipt, proposals are reviewed by the OIA grant managers in consultation with other senior staff, such as OIA field representatives and desk officers, as appropriate. Proposals are then submitted to OIA senior leadership along with any comments the reviewer determines appropriate, for a final determination.

5. **Empowering Insular Community (EIC) Funding Proposals:** Proposals are reviewed by the EIC grant manager upon receipt and a review meeting is scheduled to discuss the submitted proposals. Review meetings consist of OIA staff, especially those with expertise related to the proposed activity, project or insular area. Staff, such as field representatives who are unable to attend review meetings in person, may be asked to provide comment on proposals electronically. Funding recommendations are then forwarded to OIA senior leadership for a final determination.

C. Conflicts of Interest in the Review Process

OIA's internal grant proposal review process relies on the professionalism of each OIA reviewer to identify any conflict of interest (COI) or apparent COI that may affect or appear to affect the integrity of the review process. Any reviewer with a COI or an apparent COI must notify the appropriate senior managers and must recuse themselves from any involvement with the grant application. A reviewer has a conflict if for example:

1. The reviewer's personal financial interests or the financial interests of their spouse, minor child, general partner, any organization in which the employee serves as an officer, director, trustee, general partner, or employee or any organization with which the employee is negotiating or has an arrangement for prospective employment may be affected, either positively or negatively, by the outcome of the review; or
2. If the grant proposal involves or will affect the financial interest of someone with whom the employee has a covered relationship, which includes: a person with whom the employee has or seeks a business, contractual, or other financial relationship that involves other than a routine consumer transaction; a person who is a member of the employee's household; a relative with whom the employee has a close personal relationship; a person for whom the employee's spouse, parent, or dependent child is, serving or seeking to serve as an officer, director, trustee, general partner, agent, attorney, consultant, contractor, or employee; any person for whom the employee has, within the last year, served as an officer, director, trustee, general partner, agent, attorney, consultant, contractor, or employee; and, an organization in which the employee is an active participant.

When questions arise with respect to COI or if in doubt as to whether a conflict exists, OIA staff should consult with their supervisor.

D. Notification to Unsuccessful Applicants (Discretionary Funding)

Applicants whose proposal are not selected for funding will be notified as promptly as possible and provided with a reason for why their application was not successful.

PART VII. GRANT AWARDS

A. The Grant Award

The grant award is prepared by an OIA grant manager. This is done electronically through the Department of the Interior's Financial and Business Management System (FBMS). The award identifies the recipient, the purpose(s) of the grant, the dollar value of the award, the CFDA Number, the period of performance, and assigns an award number. In addition, the grant award identifies the applicable Federal regulations or other controlling documents (such as negotiated Fiscal Procedures Agreements); and sets forth general and specific terms and conditions, not otherwise incorporated or explained by the regulations or controlling documents.

Compacts of Free Association grant awards to the FAS are sent to their respective Embassies in Washington, DC. Copies of the awards are also forwarded to the Office of Compact Implementation, in the case of RMI awards, and Office of Statistics, Budget and Economic Management, Overseas Development Assistance, in the case of FSM awards. Grant awards are then posted to www.uscompact.org.

TAP and MAP grant awards to recipients in the FAS are generally sent to the intended recipient after a courtesy copy is first sent to the US Embassies in the FAS with a request to distribute to the President's Office.

All other grant awards are generally sent to the intended recipient listed on the award document. Copies of all grant awards are also sent to OIA field representatives, as appropriate.

B. Grant Acceptance

Acceptance of a financial assistance award is defined as the start of work, drawing down funds, or accepting the award via electronic means.

Acceptance creates a valid contract and legal responsibility to use the grant funds in accordance with the applicable regulations, the terms and conditions of the grant and for the purposes authorized. *Acceptance* also constitutes a certification that administering officials are fully cognizant of and will abide by the terms and conditions and applicable regulations. If the insular official believes that his or her government or organization cannot comply with applicable regulations or terms and conditions, it is their responsibility to notify OIA of those provisions that may create a compliance problem. OIA will assess the situation and may provide technical assistance to rectify the area of non-compliance, if it deems necessary and appropriate.

C. Applicability of Federal Regulations

The Department of the Interior has adopted the Common Rule as regulation (43 Code of Federal Regulations 12). With the exception of Compacts of Free Association grants, these regulations apply to all OIA grants unless superseded by Federal law.

Compact assistance grants to the FAS are governed exclusively by the Compacts of Free Association, as amended and related subsidiary agreements. Except as specified in those documents, US laws and regulations do not apply. Please visit <http://uscompact.org/> to view the Compacts and related agreements.

D. Terms and Conditions

In addition to the applicable Federal regulations, each grant contains terms and conditions that may further explain or clarify regulations; recognize the unique purpose of the grant, including directives from Congress incorporated in legislative history; dictate the period of performance; and reflect policies and determinations made by the Assistant Secretary or Director of OIA. As is the case with Federal regulations, failure to comply with the terms and conditions may result in the suspension or withholding of grant payments, a disallowance of costs incurred under the grant, and ineligibility to receive future grant funding from OIA.

PART VIII. GRANT ADMINISTRATION

A. Redirection

In general terms, “to redirect” grant funds means to substantially change the purpose of the grant after it has been awarded. *Redirections* should be distinguished from scope of work amendments. *Amendments* to a grant project scope of work, for this purpose, are defined as minor changes to the proposed activities or approved budget under a grant. Scope of work modifications do not generally change the intended implementing agency (e.g. the CNMI Department of Public Works, the Virgin Islands Waste Management Authority, the Port Authority of Guam, the Lyndon B. Johnson Medical Center in American Samoa etc.) the general purpose of the grant project (e.g. equipment procurement, building renovations, classroom construction, financial management improvements etc.) or the amount of the grant.

Though a *redirection* of grant funds may occur within any OIA financial assistance program, it most frequently impacts Capital Improvement Project grants as unforeseen circumstances, such as sewer line collapses and power generation failures, may cause infrastructure priorities to change. CIP fund redirections are guided by established criteria (see Appendix B).

Note that grant *redirections* and *amendments* must be approved by OIA. The proposed changes may not be implemented until written approval from OIA is received by the

grantee. If prior approval of an *amendment* or a *redirection* is not obtained, the grantee may be required to reimburse any resulting expenses and the grant may be terminated.

B. Drawdowns

Drawdowns are the system for disbursing cash under the grant terms. It is OIA's policy to be cognizant of the time value of money and to act on all drawdowns within three business days of receipt, either by approving the drawdown or by notifying the grantee of the reason the drawdown is being delayed or withheld. Drawdowns for eligible expenditures, actual or incurred, are to be requested by the grantee on a reimbursable basis, unless there has been a prearranged scheduling of advance payments, so as to minimize the time between receipt of funds from the US Department of the Treasury and the outlay of those funds for legitimate purposes. Prolonged holding of grant funds is a violation of grant regulations and can result in offsets or other action by OIA to recover funds. At the discretion of the OIA grant manager, grantees may be requested to submit supporting documentation in conjunction with drawdown requests for any expenses.

Grant recipients located in a state or US territory must enroll with, and utilize, the US Department of the Treasury's Automated Standard for Payment Applications (ASAP) system to request payments under a grant. A completed SF-270 Request for Advance or Reimbursement must be submitted to the OIA grant manager prior to the payment request being submitted in ASAP. The SF-270 shall specify the OIA Grant Number, bank account numbers, and American Banking Association (ABA) routing numbers for the electronic transfer of funds. Please contact the OIA grant manager for the ASAP enrollment forms, and guidance, as necessary.

Recipients located in the three Freely Associated States may utilize ASAP to request payments under a grant if utilizing a US bank. However, they are not required to currently. Recipients not using ASAP will need to submit a completed SF-270 Request for Advance or Reimbursement, as well as any necessary supporting documentation, to the OIA grant manager via email (preferred), fax, or mail, in order to receive payment via electronic fund transfer.

The OIA grant manager will verify that:

1. drawdown requests are consistent with a current project budget and financial plan (as applicable) in the grant file;
2. that all grant reporting requirements have been met (i.e. the timely submission of the SF-425 Federal Financial Report and narrative status report);
3. that drawdown requests do not exceed available funds; and
4. the grantee is in general compliance with all other grant terms and conditions.

C. Reporting

OIA's financial and narrative reporting requirements are intended to ensure compliance with applicable Federal regulations. Grantees are required to submit a SF-425 Federal Financial Report, as well as a narrative status report for each grant project on a semi-annual basis. Reports are due within 30 days of the end of the reporting period dictated by the grant award terms and conditions. Final reports are due within 90 days of grant closure. Failure to submit reports on a timely basis may result in the withholding or denial of drawdowns, the withholding of further awards for the program, whole or partial suspension or termination of the current award, as well as other legal remedies. Reporting requirements are detailed in the grant award terms and condition.

D. No-Cost Extensions

A no-cost extension extends the grant period of performance without additional funding. No-cost extension requests should be submitted to the OIA grant manager prior to the end of the grant performance period and are considered on a case by case basis. Please contact the OIA grant manager for specific information on how to submit a no-cost extension request as procedures may vary depending on the funding source. The no-cost extension request process for Compact of Free Association grants is outlined below.

1. No-Cost Extension Requests for Compact of Free Association Grants

For Compact of Free Association grants, a *no-cost extension* is defined as a continuation of activities already begun under the grant but not completed as of the end of the project period. The final budget period of a project period may be extended, without additional funds or a change in scope, one time for a period of up to twelve months. Request for *no-cost extensions* for Compact of Free Association grants should be made 45-90 days prior to the end of the project and they must be made a minimum of 10 days prior to the end of the project period.

No-cost extension requests must be submitted in writing to OIA from an authorized official and must include:

- a. An explanation of why the extension is necessary and the length of time requested for the extension.
- b. A completed SF 425 federal financial report showing the amount of funds unobligated during the budget period.

Grantees must submit the final narrative status report and the final SF-425 Federal Financial Report no later than 90 days after the end of the no-cost extension period.

E. Grant Monitoring

Grant monitoring is a primary day-to-day responsibility of the OIA grant manager, but grant monitoring is also a shared responsibility of all OIA employees, both in headquarters and the field. Any evidence of non-compliance or other pertinent information is to be provided immediately and directly to the grant manager for appropriate action.

1. Responsibilities of the OIA Grant Manager:

- a. maintain a file for each grant including a copy of the proposal, the award, financial and narrative reports, and all pertinent correspondence;
- b. monitor grant activity to ensure compliance with terms and conditions as well as applicable regulations;
- c. review all financial and narrative progress reports upon receipt;
- d. review and approve all drawdowns;
- e. as promptly as possible, respond to relevant correspondence and inquiries from the grantee;
- f. as much as possible, provide technical assistance and assist grantees in resolving issues that may impede the effective implementation of grant projects or programs;
- g. review all grant projects no less than annually to develop an annual plan in consultation with the appropriate Division Director to determine which projects will be site visited each year by the grant manager, prepare site visit reports for each site visit completed, and provide briefing material to other OIA personnel who may be visiting the project site;
- h. as much as practical, share relevant award information, award documents and award correspondence with OIA field staff; and
- i. upon completion of the grant program or project, obtain final financial and narrative status reports and ensure proper disposition of any unliquidated balances.

2. Responsibilities of OIA field staff¹¹:

- a. maintain files of all relevant award information, award documents, and award correspondence received;

¹¹ Not applicable to the Federal Ombudsman or the High Court Justices. However, the Federal Ombudsman may, at times, be asked to assist with financial assistance activities.

- b. conduct site visits of ongoing projects and meet with the insular area project officials as deemed necessary upon consultation with the OIA grant manager and/or other OIA officials;
- c. advise the grant manager to deny or suspend drawdowns if it is believed that grantee is not in compliance with the grant terms and conditions or other applicable regulations;
- d. meet with insular area officials when the field officer determines there is a need or at the request of the grant manager or other OIA officials to help address any grant related issues; and
- e. at the request of the OIA Audit Liaison Officer (see Part IX(b) of this manual) or other OIA Official, meet with insular government officials to discuss and obtain reports on the general economic condition of the insular area, the financial condition of the government, and the status of financial statements and audits.

F. Official Files

Grant files are official files of the Department of the Interior. They are the responsibility of the grants manager and must be kept up to date in clearly marked file cabinets in close proximity to the grants manager while the project is open and for at least three years after the project has been completed as dictated by 43 CFR 12.82. The official grant files shall include:

1. the grant application including the appropriate SF-424 forms (as applicable);
2. a copy of any pertinent information contained in Congressional committee reports or other legislative history related to the grant or funding;
3. a copy of the grant award document;
4. a copy of approved budgets, scope of works, amendments or extensions;
5. a chronological log of all financial transactions (drawdowns), with enclosed copies of all drawdown requests;
6. copies of submitted financial and narrative grant progress reports;
7. copies of site visit reports;
8. any other specific documentation required by the grant document or by the grants manager; and

9. a chronological file of all pertinent correspondence related to the grant.

PART IX. AUDITS

A. Overview

The purpose of this part is to define how OIA responds to assigned audit findings and recommendations. Audit findings and recommendations are made by the authority of Interior's Office of the Inspector General (OIG) or the US Government Accountability Office (GAO). These findings and recommendations are assigned to the Assistant Secretary by the OIG or GAO.

All operations and functions of the OIA are subject to audit. This includes all financial or technical assistance provided to the insular governments. In addition, all operations and functions of the insular governments are subject to federal audit.

B. The Audit Liaison Officer - Responsibilities and Authority

1. The Audit Liaison Officer (ALO) is the point of contact for all activities pertaining to the conduct of audits and audit follow-up for OIA.
2. The ALO shall maintain a log of audit due dates, active audits, and audit recommendations as well as their status.
3. The ALO is delegated authority to:
 - a. assign audit findings to the appropriate OIA official for response;
 - b. respond directly to all inquiries on the status of audit recommendations and findings assigned to the Assistant Secretary;
 - c. sign correspondence to insular government officials seeking their input to audit findings and recommendations assigned to the Assistant Secretary;
 - d. respond directly to audit findings and recommendations directed from the Regional audit offices; and
 - e. ensure compliance with OIA's responsibilities as the cognizant agency in accordance with OMB Circular A-133 *Audits of States, Local Governments and Non-Profit Organizations* and other regulations as applicable.

C. The Audit Response Process - GAO Audits

1. The Assistant Secretary - Policy Management and Budget is responsible for coordinating all responses to GAO audits. The Department's Office of Financial

Management is responsible for transmitting GAO audit findings and recommendations to the ALO.

2. The ALO logs in the arrival time of the audit and the recommendations, to whom they were referred and their status until signature on a final response.
3. The ALO reviews the audit and determines the best means and manner to respond.
4. The ALO reviews and, when necessary, consolidates responses and prepares a final response for the Assistant Secretary's signature, unless a higher level signature has been directed.

D. Audit Response Process - OIG Audits

1. This process includes internal OIG audits, which are audits of OIA programs and operations; and external audits, which are Single Audits completed by an independent audit organization under the requirements of the Single Audit Act of 1984, and amendments.
2. The OIG assigns specific findings and recommendations to the Assistant Secretary.
3. The ALO logs in the arrival time of the audit, the recommendations, to whom and when they were assigned and the status of each recommendation.
4. The ALO reviews the findings and recommendations and assigns responsibility to the appropriate OIA official(s) and/or seeks input from the appropriate insular government official. Audit recommendations involving crosscutting issues are assigned to the OIA Accountability Policy Specialist, audit recommendations involving a specific OIA grant are assigned to the grant manager, and audit recommendations involving the insular governments are either assigned directly to them by the OIG or by the ALO.
5. Upon receiving the responses to the findings and recommendations, the ALO prepares for appropriate signature, a final response to the OIG.

E. Audit Resolution Process

In the event the OIG does not accept the responses to audit findings and recommendations, the Department's Office of Financial Management will initiate audit resolution procedures. The ALO will brief the Assistant Secretary on the different positions and will work with Departmental financial management staff towards resolution of the issues.

F. Audit Follow-Up

1. Internal Audits:

- a. The ALO will maintain a record of all actions required to be taken in order to implement the internal audit recommendations addressed to OIA.
 - b. This record will be available for all Management Control and Audit Follow-up meetings convened by the Office of Financial Management.
2. External Audits: The audit follow-up mechanism for single audit recommendations made to OIA is OMB Circular A-133 and is assigned to the OIA Accountability Policy Specialist.
3. GAO Audits: The ALO will respond to all Office of Financial Management inquiries regarding audit follow-up actions pertaining to GAO audits.

APPENDIX A

CIP Competitive Criteria for the Allocation of Funds

1. The extent to which the applicant is in compliance with completion deadlines established under the Single Audit Act of 1984.
2. The extent to which the applicant's financial statements were reliable.
3. The extent to which the applicant is exercising prudent financial management and is solvent.
4. The extent to which the applicant has demonstrated prompt and effective efforts to resolve questioned costs and internal control deficiencies identified in single audits.
5. The extent to which the applicant has responded to recommendations identified in reviews completed by the Office of Inspector General, the Government Accountability Office and other Federal offices.
6. The extent to which the applicant has demonstrated effective contract administration and compliance with local statutes and regulations regarding procurement practices and processes.
7. The extent to which the applicant's capital improvement application is complete and submitted on time.
8. The extent to which the applicant has complied with all reporting requirements applicable to past and ongoing grants in an accurate manner.
9. The extent to which the applicant dedicates adequate resources to critical offices to help ensure properly functioning internal controls and efficient operations, including the presence of a qualified independent auditor with an adequately funded office and strong safeguards to its independence.
10. The extent to which the applicant is able to successfully expend capital improvement funds within the award period.

APPENDIX B

CIP Fund Redirection Criteria

The Office of Insular Affairs recognizes that a recipient territory's Capital Improvement Project (CIP) priorities may change due to unforeseen circumstances. As a result, from time to time CIP funds may need to be redirected from their original purpose to facilitate the efficient and effective use of grant funds. To ensure that CIP funds are redirected responsibly, the following criteria have been established to guide CIP fund redirection:

- 1. Redirection may only occur when the grantee has provided written justification for the redirection. The written justification should:**
 - explain the necessity of the redirection in detail;
 - identify the project or funding source by year and GR number from which funds will be directed;
 - discuss the repercussion of the redirection to the project from which the funds will be diverted; and
 - include evidence (either a contract or a signed scope of work with an estimated completion date) that the redirected funds can be expended by the grant expiration date.
- 2. Redirection of funds from a project may only be approved upon receipt of the final financial and narrative reports for that project, if applicable.**
- 3. Redirection of funds from active projects should never result in an under-funded project or prevent a project from being completed.**
 - An active project is a project for which costs have been incurred and/or drawdowns have been approved.
- 4. For active yet uncompleted projects that do not satisfy these criteria, OIA may redirect funds only after disallowing costs or documenting its decision not to disallow costs.**
 - Disallowing costs means OIA determines that the recipient must repay the federal government for the spent funds, using nonfederal funds.
- 5. If a territorial master plan exists, redirection should only be approved in compliance with the criteria and within the project categories as outlined in the master plan.**

Redirection requests that do not satisfy these criteria must be approved by the Division Director or the Director of OIA.