



Date:

SEP 07 2004

Memorandum

To: Thomas Bennett, President, International Association of Fish and Wildlife Agencies
Steven Williams, Director, Fish and Wildlife Service

From: Terry Crawford, Co-chair, Joint State/Federal Task Force on Federal Assistance Policy

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Clint Riley, Co-chair, Joint State/Federal Task Force on Federal Assistance Policy

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Subject: Policy Recommendation of the Joint State/Federal Task Force on Federal Assistance Policy - Cost Accounting and Financial Reporting

The Joint State/Federal Task Force on Federal Assistance Policy (JTF) submits the attached recommendation concerning "Cost Accounting and Financial Reporting" for your review and consideration. We suggest that the guidance be implemented in the form of a Director's Order, with future inclusion within the U.S. Fish and Wildlife Service Manual.

The substance of the policy recommendation is detailed within the body of the recommendation itself. It was developed by the JTF over the course of the past six meetings of the JTF as well as JTF workgroups who submitted information to the JTF at these meetings. As designated by each of you, the members of the JTF represent both State fish and wildlife agencies and the Service, and are listed at the end of the memorandum.

Following the JTF meeting in October 2003, a draft recommendation was provided to all grantees of the Wildlife and Sport Fish Restoration Programs, and to all Service Regional Offices and relevant Service Programs, requesting comment. Comments were received from twenty-one grantee agencies, and from seven Service offices. These comments were reviewed by the JTF at its meeting in January 2004. Roughly summarized, the most substantial comments received are described below, as well as the action taken by the JTF with regard to the comments.

- One comment recommended that a “definitions” section be added, because many of the terms used were potentially confusing. The JTF did replace a number of terms, and defined other within the context of the draft Director’s Order, but did not create a separate section for definitions.
- One comment suggested that information from 43 CFR 12.60(a) was missing. Related to this point, it was suggested that the draft Order should specify that expenditures must be “reasonable, allowable, and allocable” in addition to being eligible. The JTF added explicit reference to that regulation, and by doing so, decided it was unnecessary to add the suggested language to the draft Order itself.
- Some comments said that, based on the draft Order, it was still unclear what level a State must account to. For example, would a cost accounting a system be acceptable even if not based on direct expenditure records (e.g. workdays by activity)? The JTF made several revisions to the language of the Order, and as noted above, added explicit reference to 43 CFR 12.60(a). However, it did not attempt to discuss specific examples of types of accounting systems.
- One comment requested that the Order specify that the Service’s “designees” may review the State’s accounting system. The JTF decided that this addition is unnecessary, because “designees” are acting on behalf of the Service, and therefore did not add this language.
- One comment requested specifying that records must be retained for three years. The JTF felt that this was clearly stated in other policy documents and did not need to be included here.
- One comment argued that there is no “legal” basis to require reporting below the grant level prior to this Order. The JTF agrees that the recommended Order would provide additional flexibility in some instances compared to current policy, and notes that the Order would allow State to take advantage of this flexibility by amending current grants. Consequently, it considered the question of legal authority for grants approved prior to this Order moot.
- Some comments expressed concern that, if accounting is at the grant agreement level, it would be impossible to verify that program funds are spent on eligible categories of work. The JTF reviewed this comment, and in the context of the comment itself, the JTF believed that sufficient information would be provided at the grant agreement level to ensure that expenditures are eligible under the statute. (See additional discussion of this issue below, however.)
- Some comments noted that cost information in performance reports should not be auditable, as these costs are only estimates, and should be used only for the purpose of evaluating activity accomplishments. The JTF agreed that this was intent of the provision, and revised the language to make it clearer.

The actual comments received could be provided to you at your request.

Based on review of these comments, the JTF developed a recommendation at its January 2004 meeting consistent with the revisions noted above. Following that meeting, however, the JTF identified two additional questions that required further discussion. Both concerned the issue of whether the grant agreement level was legally appropriate for cost data and for matching

requirements, which had originally been touched upon in some comments. Consequently, the JTF requested additional legal review of these issues. The JTF resolved portions of the issue during its meeting in March/April 2004, and following additional legal review, made final revisions during its meeting in June 2004. These two questions and the relevant revisions are summarized as follows:

- First, it was noted that some grant agreements may include funds from multiple grant programs. For example, a single grant may include funds from both Sport Fish Restoration and Wildlife Restoration programs. Consequently, if match is required at the grant agreement level, it would be possible for Wildlife Restoration-related funds to be used to provide match for activities that are only eligible under Sport Fish Restoration. Consequently, the JTF revised the draft Order to note that the grant agreement would be the appropriate level for a grant based on a single sub-account, but that the sub-account level would be appropriate for any grant including funds from more than one sub-account. The JTF added a defined list of "sub-accounts" based on legal analysis of the funds identified separately in statute.
- Second, given resolution of the first question, it was questioned whether states using a Comprehensive Management System (CMS) must follow the same guidance. Based on legal review, the JTF determined this is the case.

The recommendation presented to you at this time reflects the JTF's consideration of all of the comments provided, as well as the specific two questions described above. This recommendation reflects our consensus opinion after this review. If you have any questions about this recommendation, or the process used by the JTF to arrive at this recommendation, please contact either of us, or any member of the JTF.

Members of the Joint State/Federal Task Force on Federal Assistance Policy (in alphabetical order):

Gerald Barnhart, Director, New York Division of Fish, Wildlife and Marine Resources
Lisa Evans, Federal Funds Manager, New Mexico Department of Game and Fish
John Frampton, Director, South Carolina Department of Natural Resources
Don Friberg, Chief, Division of Federal Assistance, FWS Region 1
Dale Hall, Regional Director, FWS Region 2
Kelly Hepler, Director, Sport Fish Division, Alaska Department of Fish and Game
Mitch King, Deputy Regional Director, FWS Region 4
Kris LaMontagne, Chief, Division of Federal Assistance, FWS Washington Office
Tom Niebauer, Federal Policy Advisor, Wisconsin Department of Natural Resources
Gary Reinitz, Branch Chief, Grant Operations and Policy, FWS Washington Office
Glen Salmon, Director, Division of Fish and Wildlife, Indiana DNR
Paul Schmidt, Assistant Director, Migratory Birds and State Programs, FWS

Attachment