Michigan State Police
Emergency Management and Homeland Security Division
*Informational Bulletin*

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# Assessing Allowability of Planning Activities under the Homeland Security Grant Program (HSGP)

The Homeland Security Grant Program (HSGP) assists state, local, tribal, and territorial efforts to build, sustain, and deliver the capabilities necessary to prevent, prepare for, protect against, and respond to acts of terrorism. State Homeland Security Program (SHSP) and Urban Areas Security Initiative (UASI) funds may be used for a range of preparedness activities to build core capabilities and support the National Preparedness Goal. However, all activities under the grant must have a nexus to terrorism preparedness.

A particular area of concern are personnel costs as they have been an area of focus by the federal Department of Homeland Security, Office of the Inspector General under the HSGP for the last several years and an area of high risk for audit findings. As the State Administrative Agency (SAA) for the HSGP, it is the responsibility of the Michigan State Police, Emergency Management and Homeland Security Division (MSP/EMHSD) to exercise due diligence in all aspects of grant compliance and particularly in areas identified as high risk. Consistent with the message included in the December 2021 MSP/EMHSD Newsletter, the division is increasing subrecipient monitoring for HSGP personnel costs to better assess compliance and implement corrective actions where necessary. This enhanced monitoring will include increasing the number and frequency of desk reviews specific to HSGP funded personnel and implementing additional reporting requirements. Further information related to reporting requirements is forthcoming.

This Information Bulleting is provided to offer assistance with determining allowability of HSGP-funded personnel activities. It also serves as a reminder that certain activities, such as hazard mitigation planning, are specific to natural hazards and therefore are not allowable under the grant and cannot be reimbursed. Multiple variables go into allowability determinations, and as such, there is no comprehensive list outlining what is and is not allowable. However, below are some general guidelines to keep in mind when assessing allowable activities under the HSGP. Also included are examples of both allowable and unallowable activities, guidance on activity reporting, allowability considerations from the Code of Federal Regulations (CFR), and information relating to auditing of time and effort.

**General Guidelines**

- The HSGP is not an all hazards or natural hazards grant program. The terrorism nexus must be made very clear for all funded projects/activities under the HSGP.
- Intent: A component of determining allowability under the grant is the intent of the project/activity. A general activity may be allowable under some circumstances, but not in others based on the intent. The primary purpose/intent for all funded activities under the HSGP must be for terrorism/homeland security preparedness.
- Dual use of funds: The dual use of funds must have more than an incidental relationship to terrorism/homeland security preparedness, it must be the *intent* of the expenditure. It is not allowable to use HSGP funds on a project/activity that is unrelated to homeland security (e.g., natural disaster, pandemic, etc.) and justify it by saying it also supports homeland security capabilities. Any benefits derived from an HSGP expenditure that are not specific to homeland security are incidental to the grant program.
- Traditional public safety: It is important to ensure HSGP-funded personnel are not performing responsibilities of traditional public safety personnel, including emergency management. Per 2 CFR 200.403, costs must be necessary and reasonable for the performance of the federal award. The grant is not intended to hire emergency management personnel, it is intended to strengthen homeland security capabilities.

Excerpt from FY 2021 Preparedness Grants Manual: "HSGP funds may not be used to support the hiring of any personnel to fulfill traditional public health and safety duties nor to supplant traditional public health and safety positions and responsibilities."

- Hazard Mitigation is outside the scope of HSGP.

**Examples of Allowable HSGP-Funded Planning Activities**

Below are some examples of allowable HSGP funded planning activities, as well as examples of unallowable activities. Neither list is exhaustive. Activities will be reviewed on a case-by-case basis where questions exist.

Examples of Allowable Activities (**Must have terrorism nexus**):

- Attend meetings and planning workshops to carry out grant program objectives.
- Active shooter planning activities.
- Developing and implementing homeland security support programs.
- Coordinate with Citizen Corps Councils for public information/education and development of volunteer programs.
- Developing/updating a Threat and Hazard Identification and Risk Assessment (THIRA) and Stakeholder Preparedness Review (SPR).
- Continuity of Operations/Continuity of Government planning.
- Updating/maintaining an Emergency Operations Plans.
- Response plans or hazard/threat-specific annexes where a nexus to terrorism exists.
- Emergency communications planning.
- Strategic planning related to homeland security.
- Conduct threat/vulnerability assessments.
- Participation in training activities necessary to perform allowable grant activities.
- Participation in Homeland Security Exercise and Evaluation Program (HSEEP) exercise activities designed to evaluate core capabilities with a terrorism and/or all hazards, including terrorism, nexus.[1]
- Attendance at conferences that are solely focused on terrorism/homeland security preparedness or include homeland security tracks.

Example of Unallowable Activities:

- Anything specific to natural hazards or disasters.
- Anything specific to COVID, including COVID related planning activities.
- Work being performed for grant programs other than the HSGP or an HSGP carve-out program.
- Hazard mitigation activities/hazard mitigation planning.
- Operational activities, including during a disaster or emergency.
- Traditional public health and safety duties.
- Homeless cooling center plans.

[1] Allowable exercise activities must be able to be substantiated by review of exercise scenarios/objectives and after-action reports upon request. Personnel activity reports should include the applicable core capabilities when exercise activities are reported.

- Water safety.
- Severe weather activities.
- Habitat for humanity activities in the event of extreme weather.
- Building codes for flooding.
- Activities related to Public Assistance or Individual Assistance grant programs.
- Activities related to riot suppression or protests/crowd control.
- Participation in natural disaster or hazard mitigation training.
- Participation in exercise activities that are not evaluating core capabilities and/or have no terrorism nexus.
- Attendance at conferences that are solely focused on natural disasters, hazard mitigation, etc.
- Any activity that does not have a clear, easy to define, terrorism nexus.

**Personnel Activity Reporting Guidelines**

The Emergency Management and Homeland Security Division (EMHSD) does not mandate a standardized process for Homeland Security Grant Program (HSGP) funded personnel time accounting. Subrecipients have flexibility to determine the method that best accommodates their processes. However, adequate personnel activity detail is required for compliance with 2 CFR 200.430 and is required by EMHSD at reimbursement. To assist with ensuring compliance, EMHSD has established minimum criteria which must be included in all personnel time accounting documentation.

Personnel activity detail is reviewed by EMHSD to evaluate the allowability of funded activities under the HSGP grant guidance and as such, must provide a level of detail that allows for a reasonable assessment. However, approval of the documentation provided does not guarantee allowability. It establishes that, based upon the information provided, a reasonable justification for grant funded personnel activities has been supplied. Additional documentation may be required during an audit or monitoring review to verify grant program compliance and to demonstrate accomplishment of grant program deliverables. It is the subrecipient's responsibility to ensure HSGP personnel costs can be substantiated.

To assist subrecipients with determining how best to capture the necessary data, some basic guidelines are provided below.

<u>Required elements in activity detail report</u>

- ✓ Name of employee being compensated
- ✓ Reporting period start and end dates
- ✓ Title of grant program under which funds are being requested
- ✓ Grant year under which funds are being requested
- ✓ Daily project activity detail, including:
    - Daily narrative of activities performed
    - Hours claimed per day – these must correspond with daily narrative
    - Dates of hours claimed – these must correspond with daily narrative and hours claimed
- ✓ Total hours worked, regardless of funding source
- ✓ Total hours requested for reimbursement
- ✓ Employee signature and date that the document was signed by the employee

Minimum activity reporting standards

- A separate activity detail report must be provided for each person for whom reimbursement of personnel costs is being requested.
- Activity detail reports must be signed by the person for whom personnel reimbursement costs are being requested.
- Activity details should be recorded on a daily basis and documentation provided with corresponding dates.
- Activity details must provide insight into what activities are taking place (e.g., conferences or meetings attended, plans being developed or updated, processed, data collected and/or analyzed/assessed, etc.).
- If using a template that identifies ongoing activities or objectives for HSGP funded personnel, the template must be modified/updated each reporting period to reflect specific activities completed for the specific hours being claimed in the reimbursement request. Standard generic entries are not allowed.
- Activities must be allowable HSGP activities for the solution area under which they are being claimed and the description should provide enough detail to assess allowability of the activities reported.
- Activities must be specific to HSGP funded projects:
    - HSGP dollars cannot be used to fund non-HSGP projects. Personnel who are 100% HSGP funded cannot work on non-HSGP activities.
    - Personnel with multiple funding sources who work on both HSGP funded projects and non-HSGP funded projects shall document all hours of compensation and activities performed for each funding source and maintain these records in the grant file(s) to be available upon request for future audit and monitoring reviews. Reimbursement under the HSGP will not be provided for time dedicated to non- HSGP activities.
- Personnel costs being used toward the LETPA minimum funding requirement must provide detail that demonstrates the activities are allowable LETPA activities. LETPA activities are restricted to terrorism prevention activities. HSGP grant guidance provides specific examples of allowable LETPA activities.
- Activity details must align with the activities included in the approved Alignment and Allowability Form.

Appropriate detail

- Activity detail does not need to be extensive. However, detail provided should be reasonable to the extent that if evaluated through an audit or monitoring review, it presents a plausible synopsis of grant funded hours claimed. There may be situations where a single activity performed over a period of time may require additional detail to establish the activity as reasonable for the time claimed.
- Use of acronyms should be avoided unless common to the program (i.e., anyone reading it should know what it means, or it should not be used).
- If a project title is not descriptive to an auditor or monitoring reviewer on its own, a brief description of project activities should be included. It is important to remember that a reviewer or auditor will not be familiar with region/agency-specific projects.

**Basic Allowability Considerations per 2 CFR 200**

**§ 200.403 Factors affecting allowability of costs.**

Except where otherwise authorized by statute, costs must meet the following general criteria to be allowable under federal awards:

(a) Be necessary and reasonable for the performance of the federal award and be allocable thereto under these principles.

a. A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. (200.404).

b. A cost is allocable to a particular federal award or other cost objective if the goods or services involved are chargeable or assignable to that federal award or cost objective in accordance with relative benefits received. (200.405).

(b) Conform to any limitations or exclusions set forth in these principles or in the federal award as to types or amount of cost items.

(c) Be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the non-federal entity.

(d) Be accorded consistent treatment. A cost may not be assigned to a federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the federal award as an indirect cost.

(e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.

(f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally financed program in either the current or a prior period. See also § 200.306(b).

(g) Be adequately documented. See also §§ 200.300 through 200.309 of this part.

(h) Cost must be incurred during the approved budget period. The federal awarding agency is authorized, at its discretion, to waive prior written approvals to carry forward unobligated balances to subsequent budget periods pursuant to § 200.308(e)(3).

**Audits of Time and Effort**

On-site/Desk Review Considerations:

During an on-site/desk review, similar activities are conducted as what the subject matter expert (SME) does when reviewing the documentation supplied with a reimbursement request. However, while the SME selects a sampling of items submitted for reimbursement, an on-site audit or desk review will initially include reviewing all items submitted for a particular time period.

If several irregularities are found the auditor will:

- Select additional documents to review to determine how pervasive the irregularity is, or
- Extrapolate the irregularities found in the sample to the reimbursements as a whole:
    - Determine what percent of the sample has issues.
    - Decide the sample is a representation of the whole reimbursement population.
    - Disallow that percent of amounts that have already been reimbursed during the entire grant performance period.
- During an OIG audit, the second option will more likely happen, and the OIG has the option to disallow all costs rather than using a percent based on a sample.

Allowable Costs and Cost Principles

Is the activity allowable based on 2 CFR 200, the grant agreement, and grant guidance?

- Allowability of requested personnel reimbursement costs is determined by reviewing the Personnel Activity Report (PAR).

- The PAR must have enough detail to determine the task that was performed and the connection to the grant. Allowability will be determined by the description; if the description is too vague, the activity may be deemed unallowable.
- PAR entries must be detailed enough to determine what work was performed.
  - "Worked on plan" is not adequate.
  - "Worked on county EOP ESF2 annex" is better.
  - "Planning meeting" is not adequate.
  - "LETPA committee meeting for project planning" is better.

Accurate Reporting and Supporting Documentation

Accuracy of reporting will be determined by the content of the PAR (see above)

- If what is reported is too vague, the auditor can:
  - Request additional supporting documentation
    - PowerPoint slide presentations
    - Meeting agendas and minutes
    - Conference brochures that contain content of the conference
  - Determine that because of the lack of content in what was reported, the activity is not allowable.
- If the activity contains information that brings into question the eligibility of the activity (seems to be hazard mitigation, operational, natural hazard, etc.), the auditor can:
  - Request addition supporting documentation that speaks to the intent of participation in the activity.
    - Planning documents
    - Exercise scenarios and/or After-Action Reports/Improvement Plans
    - Other specific activity documents
  - Determine that because the eligibility of the activity is questionable and there is a lack of supporting documentation to substantiate the activity, the activity is not allowable.

PAR Alignment to Time Keeping and Position Documentation

- Review PAR hour reporting and compare to timesheets
  - Verify time reported for individual activities totals time worked for the day.
  - Verify time reported for the day matches time reimbursed for the day.
  - Review employer payroll documents to verify amounts paid and charged to the grant matches what the employee reported on the reimbursement documents.
- Review position descriptions and compare to activities included in the PARs.
  - Ensure work performed is consistent with duties and tasks described in position description.
  - Ensure work being performed matches the skill level of the position.

**Contact Information**

Questions concerning this information bulletin may be directed to EMD_HSGP@michigan.gov.