



# **State of Colorado Homeland Security Grants Supplemental Policies and Procedures Manual**

April 2008 (Version 1.3)

## Foreword

Governor Bill Ritter established the Office of Homeland Security (Office) in 2007 to elevate the focus on one of the State's most critical missions— the safety and security of its citizens. The new Office is responsible for developing state and local strategies to prepare for, prevent, and respond to terrorist attacks and other disasters and for promoting transparency and accountability in the administration of the State's Homeland Security Grant Program (HSGP).

In 2007, the State received over \$24 million to administer five programs under the HSGP – the State Homeland Security Program, Urban Areas Security Initiative Grant, Law Enforcement Terrorism Prevention Program, Metropolitan Medical Resource System and Citizens Corp Program. In addition, the State received over \$14 million in Public Safety Interoperable Communications Grant monies.

Governor Ritter awarded HSGP funds in September after receiving the recommendations of the Homeland Security Grant Review and Senior Advisory Committees. The Governor commented that “These funds will allow local agencies, in partnership with the state, to make substantial improvements in our ability to prevent, deter, respond and recover from acts of terrorism...The grants will enhance our ability to protect critical infrastructure; better communicate among agencies and with the public; improve the gathering and sharing of information; and provide better planning capabilities....With greater input from local representatives, these grant awards reflect more targeted priorities and will let us focus on our most pressing needs.”

After the Governor's 2007 awards were announced, the Office of Homeland Security worked with representatives from the State's nine all hazards regions to determine where grants administration could be strengthened and streamlined. The result is this Supplemental Policies and Procedures Manual. The Manual is a critical component of the effective and efficient administration of Homeland Security and Public Safety Interoperable Communications grants. It incorporates by reference the provisions of OMB circulars and government-wide common rules applicable to grants. The Manual is intended to be used in conjunction with directives contained in federal and state laws and regulations and in the terms and conditions section of the grant awards themselves.

We want the Supplemental Policies and Procedures Manual to be useful and welcome any suggestions for improvements. Don't hesitate to contact us at 720.852.6600 if you have any recommendations, questions or concerns. We look forward to your continued success in administering Homeland Security grants.

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## About This Document

This manual is primarily a compilation of information from federal and state regulations and guidance related to grants. It is intended to serve as a reference starting point only. It is not intended to supersede or replace any other document.

Recipients of Homeland Security grant awards and their fiscal agents should ensure compliance with all federal requirements, including but not limited to the following:

### **Administrative Requirements**

- OMB Circular A-102, “Grants and Cooperative Agreements with State and Local Governments”

### **Cost Principles**

- OMB Circular A-87, “Cost Principles for State, Local, and Indian Tribal Governments” (codified at 28 CFR Part 66, by reference)

### **Audit Requirements**

- OMB Circular A-133, “Audits of States, Local Governments, and Non-Profit Institutions” (codified at 28 CFR Parts 66 and 70)

### **Government-wide Common Rules**

- Uniform Administrative Requirements for Grants and Cooperative Agreements with State and Local Units of Government (codified at 28 CFR Part 66)
- Government-wide Debarment and Suspension (Nonprocurement) (codified at 28 CFR Part 67)
- Government requirements for Drug-Free Workplace (Grants) (codified at 28 CFR Part 83)
- New Restrictions on Lobbying (codified at 28 CFR Part 69)

At the state level, recipients of Homeland Security Grant Awards should pay particular attention to the State of Colorado Fiscal Rules and the State Procurement Code.

For procurement, inventory and other accounting-related procedures, Sub-grantees should ensure that internal controls are in place and that there is compliance with local, state and federal law. Where laws at local, state and/or federal levels are in conflict, or differ in a material regard, Sub-grantees should follow the most conservative requirements. Sub-grantees should seek the advice of local counsel and their assigned grant manager for any areas of concern.

## **CHAPTER 1 - GRANT AWARDS**

### **Master Contract**

The State of Colorado through its agent, the Department of Local Affairs, has entered into a Master (“Umbrella”) Contract with local entities governing the distribution, expenditure, and administration of federal funds. Sub-grantees should ensure that they have a signed copy of the Master Contract in their files and understand its terms and conditions.

The Master Contract, along with the Grant Award Letter and final approved Grant Application, comprise the contract between the State of Colorado and the local entity receiving the grant.

### **Grant Award Letter**

The Grant Award Letter (GAL) is the official notification to the Sub-grantee that the award of federal funds has been approved. The letter provides the amount of federal funds for the Sub-grantee’s approved project. It identifies the federal grantor agency, the federal award number, the Catalog of Federal Domestic Assistance (CFDA) title and number, the Sub-grantee name, the State grant number, the award performance/effective period, the approved budget, and Special and Standard Conditions which must be met in accepting the award.

The grant application that is incorporated as an attachment to the GAL is the final approved version. Note that the approved grant application may be a modified version of the originally submitted application. Sub-grantees should administer awards in accordance with the final approved version of the grant application that is attached to the GAL. Sub-grantees must comply with all “Grant Requirements” included in the application.

Sub-grantees should notify the State within ten days of receipt of the GAL if the letter contains anything the Sub-grantee feels is in error, or does not understand. If such notification is not received, the State will consider that the Sub-grantee accepts the GAL as it is written. Acceptance of the GAL serves to acknowledge that the Sub-grantee is fully cognizant of its responsibility to ensure its compliance with all relevant state and federal laws and regulations.

### **Project Administration**

Please use your assigned Grant Manager as the single point of contact for any question you have or technical assistance you require on any matter related to your Homeland Security Grant(s), whether financial or programmatic in nature. The Grant Managers will be responsible for ensuring that you receive the assistance you need, either directly or by referral to another SAA staff member.

### **Reimbursement for Costs Incurred - Cash Drawdowns**

Cash drawdowns should be requested as reimbursement for amounts actually expended. At a minimum, Sub-grantees should request a cash drawdown quarterly.

Please contact your assigned grant manager if you need funds in advance of expenditure.

Sub-grantees can expect to receive payment within 30 days of receipt of a completed Cash Drawdown Request Detail Form, if approved. Drawdown requests that are incomplete or inaccurate will be returned to the Sub-grantee with a letter detailing the reasons for the rejection. Payment will be made only after corrected request forms have been received by the State.

Sub-grantees must submit two signed copies of the "Cash Drawdown Request Detail Form" to request payment of expenditures. Sufficient detail must be provided with the cash drawdown request to demonstrate that expenses are allowable and appropriate to justify services, and identify equipment for ongoing tracking purposes as follows:

- **Goods** – Required Documentation: Requests for reimbursement of items of equipment (tangible personal property) with a purchase price of less than \$5,000 per item should include the invoice number, description of item purchased (e.g. radios), and the location and number of items. For equipment items with a purchase price of or exceeding \$5,000, and a useful life of more than one year, the Sub-grantee must provide a copy of the invoice and include a unique identifying number. This can be the manufacturer's serial number or, if the Sub-grantee has its own existing inventory numbering system, that number may be used. The location of the equipment must also be provided.
- **Services** – Required Documentation: Sub-grantees must include contract numbers or employee names, the date/s the services were provided and the nature of the services.

Sub-grantees must retain all procurement documentation on site for inspection. This should include, but not be limited to, purchase orders, receiving documents, invoices, vouchers, equipment/services identification, and time and effort reports.

To avoid reimbursement delays, Sub-grantees should submit their Quarterly Financial Reports and Narrative Reports on or before the dates required. (See table below.) Reimbursement requests will not be approved unless all required reports have been submitted. Approval will also be withheld if a Sub-grantee has not submitted its A-133 audit to the SAA on a timely basis.

### **Quarterly Financial and Narrative Reports**

Quarterly Financial and Narrative Reports must be submitted in accordance with the “Quarterly Reporting Schedule” presented below. The purpose of these two reports is to provide information on the financial and project activity progress made in meeting the goals and objectives of the grant award. The reports must include a description of any delays or problems with the project. Sub-grantees should check the Special Conditions on the Grant Award Letter for any additional special reporting requirements.

Two signed copies of the Quarterly Financial and Narrative Reports, with original signatures of the Project Director and Fiscal Agent, must be received by the State no later than thirty days (30) after the end of each calendar quarter, even if there has been no grant activity during the quarter. Quarterly reports are required on all open grant awards. If there has been no activity on a grant during a quarter, reports must include an explanation for the lack of grant activity.

### **Quarterly Reporting Schedule**

| <b>Calendar Quarters</b> | <b>Due Dates</b> |
|--------------------------|------------------|
| January 01 – March 31    | April 30         |
| April 01 — June 30       | July 30          |
| July 01 — September 30   | October 30       |
| October 01 — December 31 | January 30       |

The first quarterly report for any grant will be due for the quarter in which the Grant Award is issued. For example, if a grant begins on August 25, 2007, the first report will be due for the quarter ending September 30, 2007, and should be received by the SAA no later than October 30, 2007.

### **Grant Close-Out**

All Sub-grantees must follow the grant close out procedures as described within this section. Grants must be closed within 45 days of the end date of the grant performance period.

### **Final Cash Drawdowns**

All requests for reimbursement must be submitted within 45 days of the end of the grant award period. Requests for reimbursement for goods or services must include only actual expenses incurred and/or items encumbered prior to the end of the grant award period. An encumbrance occurs when there is a valid purchase order or legal binding contract. Sub-grantees who have properly encumbered funds prior to the end of the award will have 45 days to receive goods or make payment and request reimbursement for the funds. Reimbursement for services can only be approved for actual services performed and completed within the performance period of the grant.

## **Final Financial Report**

Sub-grantees are required to submit a Final Financial Report (see Appendix) including total expenditures for the grant period. The Report is due within 45 days of the end of the grant period and may be submitted along with the final cash drawdown, if appropriate. The Report cannot include unpaid obligations.

If a Sub-grantee's final reconciliation indicates that it has requested and received more money than it was entitled to, the Sub-grantee's report should include a request for deobligation of excess funds. Excess funds should be returned as soon as identified, but no later than 45 days after the close of the grant period. Sub-grantees with excess funds should make a check or warrant payable to the Colorado Department of Local Affairs, indicating the grant number.

## **Final Narrative Report**

Sub-grantees are required to submit a Final Narrative Report providing project completion details, reported outcomes of the project, problems encountered during the performance period which may have hindered or affected the completion of grant performance measurements, and any other pertinent information. Sub-grantees should also include information regarding the continued efforts of the projects including any information on future grant funding or supplemental funding sources.

## **Records Retention**

All Sub-grantee financial and program records must be retained for four (4) years from the date of closure of the grant. If any litigation, claim, negotiation, audit, or other action involving the records has been started before the expiration of the four-year period, the records must be retained until resolution and completion of all actions concerning the grant.

Records must be maintained separately from any previous or future grants that provided funding or will continue funding for the project. Grant records include all financial records, supporting documents, statistical records, and all other records pertinent to the grant. These include, but are not limited to, books of original entry, source documents supporting accounting transactions, the general ledger, subsidiary ledgers, personnel and payroll records, consultant/volunteer time and activity reports, canceled checks, related documents and records. Source documents include but are not limited to: Grant Award, financial and narrative reports, and other programmatic / financial forms and reports associated with execution of the grant.

## **Project Termination**

### **Reduction or Termination in Grant Award for Cause**

- The State may terminate or reduce the total grant award for cause, without reimbursement of any costs incurred because of the reduction.
- If the State terminates or reduces the grant amount for cause, it will first give 30 days written notice to the Sub-grantee, stating the reasons for reduction, steps needed to correct the problems, and the date the award amount will be reduced in the event that problems have not been corrected to the satisfaction of the State.
- In the event the grant is terminated or reduced for cause, the State will reimburse the Sub-grantee only for acceptable work or deliverables received to the date of reduction or termination.
- In the event the grant is reduced for cause, final payment to the Sub-grantee may be withheld at the discretion of the State until completion of final State review.

### **Termination for Convenience**

- Either the State or the Sub-grantee may terminate the grant with 30 days written notice of intent to cancel or terminate.
- The grant may be terminated by the State if it is in the best interest of the State of Colorado to terminate the grant.
- If the grant is terminated for convenience by either the Sub-grantee or the State, the Sub-grantee will be paid the necessary and allowable costs incurred through the date of termination, or in the case of personnel contracts/services, the Sub-grantee will receive payment not exceeding a prorated amount based on the number of days of project operation prior to the date of termination.

Any equipment purchased under a terminated grant may revert to the State at the option of the State. Most grants made under the Federal Homeland Security Program involve equipment purchases that have been deemed vital to homeland security. The State will take into account the special nature of equipment purchases under this program when determining the final disposition of equipment purchased through grants that have been terminated.

### **Changes to Grant Awards**

Any changes to a Grant Award must be submitted in writing. Changes requiring a formal amendment must be submitted to the SAA in advance and will be carefully reviewed by the State for contribution to original project goals and objectives. Requests for amendments will be considered only if the Sub-grantee's reporting requirements are

current and terms and conditions have been met. The State will provide written approval or denial of the request.

One of the following forms and sets of procedures must be followed when a change is to be made.

### **Change Notification Form**

Changes requiring a Change Notification Form and not a formal award amendment include, but are not limited to:

- Change of mailing address, manager/director, and/or project site.
- Budget change involving less than 10% (cumulative) of the total award, provided that the change does not involve adding projects or items not included in the approved grant application.
- Purchase of additional numbers or amounts of approved items that are necessary to complete the Sub-grantee's project.

Two copies of the Change Notification Form must be provided to the SAA prior to submission of the Sub-grantee's next Cash Drawdown Request Form. The Change Notification Form will ensure that the State's Homeland Security database accurately reflects current and correct grant information.

### **Grant Amendment Request Form**

Homeland Security grants are awarded on the basis of risk and merit. Allocations are made after a lengthy application and review process. Allocations are risk-based, with strong tie-in to the overall state strategy goals as well as the priorities set by the State Advisory Committee (SAC), and are approved by the Governor. Therefore, changes of a substantive nature must be approved through a formal process.

The following changes are considered to be substantive and require a formal amendment to the Grant Award:

- Change in the scope or objectives of a project, including any change in the kind or type of equipment being purchased.
- Budget change involving greater than or equal to 10% (cumulative) of the total award.

Requests for substantive changes to the grant award must be submitted on the Grant Amendment Request Form.

### **Reallocation of Unexpended Homeland Security Grant Funds Policy**

The goal of the Homeland Security Grant program is for grant funds to be expended for the successful completion of approved projects within the performance period of the grant.

Monies awarded on a competitive basis and not spent by Sub-grantees within the approved performance period of the grant will revert to the State. Monies not spent must be remitted by the Sub-grantee to the State within 30 days of the approved performance period of the grant.

Requests to retain cost savings which result in a budget change equal to or greater than 10% cumulative must be submitted on the Grant Amendment Request Form.

Cost savings will remain in the region so long as the following conditions are met:

- For grant amounts related to cost savings greater than \$25,000 (and above the 10% limit), the Homeland Security Advisor (HSA) will select a subcommittee of the SAC to review the region's request for reallocation of funds. The subcommittee may approve the request if it conforms to SAC priorities and meets state and national guidelines.
- For grant amounts related to cost savings less than \$25,000, the HSA will review staff recommendations for reallocation within the region. The HSA may approve the request if it conforms to SAC priorities and meets state and national guidelines.

Should a region's request for reallocation be denied, the HSA will establish an award process and announce the availability of funds statewide. Applications will be reviewed by the SAC. The HSA will track all reallocation requests and present a report to the Senior Advisory Committee at its quarterly meetings.

## CHAPTER 2 - PROCUREMENT

### General

A Sub-grantee should ensure its procurement processes meet or exceed local, state, and federal requirements. Local written procurement policies should be followed for all procurements, providing that the policies are at least as restrictive as state and federal requirements. If there are no local procurement policies, state laws, regulations, and policies must be followed, provided they are more conservative than federal policy. Sub-grantees should refer to local, state and federal procurement rules for more complete guidance prior to making decisions regarding competitive bids, sole source or other procurement issues.

Note that any sole source transaction in excess of \$100,000 must be approved in advance by the SAA.

Sub-grantees should ensure that:

- All procurement transactions, whether negotiated or competitively bid, and without regard to dollar value, are conducted in a manner that provides maximum open and free competition. The Sub-grantee must be alert to organizational conflicts of interest and/or non-competitive practices among contractors that may restrict or eliminate competition or otherwise restrain trade. Contractors who develop or draft specifications, requirements, statements of work, and/or Requests for Proposals (RFPs) for a proposed procurement must be excluded from bidding or submitting a proposal to compete for the award of such procurement. Any request for exemption must be submitted in writing to, and be approved by the responsible Sub-grantee official.
- When issuing requests for proposals, bid solicitations, and other published documents describing projects or programs funded in whole or in part with these grant funds, all Sub-grantees must : 1) state the percentage of the total cost of the program or project which will be financed with grant money; 2) state the dollar amount of state or federal funds for the project or program; 3) and use the phrase-“This project was supported by grant # \_\_\_\_\_, issued by the Colorado State Administering Agency for Homeland Security.”
- All purchases are listed in the approved application.
- No rights or duties exercised under this grant, or items of equipment with a value equal to or greater than \$5,000 that were purchased with funds from this grant, have been assigned without the prior written consent of the SAA.

- All funds are needed to **supplement** and not to **supplant** the Sub-grantee's own funds. Federal grant funds should not be used to purchase items or services that could or would otherwise be purchased with the Sub-grantee's own funds.

Expenditure of funds for the acquisition of new equipment or services, when equipment and/or personnel required for the successful execution of projects are already available, or budgeted for within the Sub-grantee organization, will be considered supplanting and will be disallowed.

Homeland Security funds are intended to provide local entities with increased capabilities or to increase capacity to address CBRNE/WMD terrorist incidents. Federal Homeland Security funds cannot be used to replace aged, local equipment; instead they are intended to help increase capabilities. These funds are not to be used to replace items that are worn out/broken or for replacing (supplanting) routine local budget expenses. Funding may not be used to supplant ongoing, routine public safety activities of the State or local law enforcement, and may not be used to hire staff for operational activities or backfill.

Questions regarding supplanting should be addressed both to the SAA and to the Sub-grantee's legal counsel.

## **Cost Allowability**

All expenditures must be in accordance with the Sub-grantee's approved award. Grant funds must be used to complement on-going initiatives to enhance regional all-hazards emergency preparedness. Funds can be used to conduct multi-disciplinary planning, training, exercises, and equipment purchases.

**Allowable** costs include:

- Homeland security and emergency operations **planning** activities
- Purchase of specialized **equipment**
- Costs related to the design, development, and implementation of statewide Chemical, Biological, Radiological, or Nuclear Explosive (CBRNE) and cyber security **training** programs; and attendance at ODP-approved courses
- Design, development, conduct, and implementation of CBRNE and cyber security **exercises**
- **M&A** costs associated with implementing and managing the grant program

The following costs are **unallowable** under regulations covering federal and matching funds:

- Lobbying, political contributions, and legislative liaison activities (More detailed information regarding lobbying prohibitions and exemptions is available from the State upon request.)

- Expenses of organized fund-raising (This includes salaries of persons while engaged in these activities.)
- The cost of any corporate formation
- Land acquisition and capital leases as defined by the Financial Accounting Standards Board

The following conference/workshop or travel-related expenses are also **unallowable**:

- Entertainment expenses
- Personal expenses, such as personal hygiene items, laundry charges, magazines, ground transportation for personal travel, etc.
- Travel insurance, visas, and passport charges
- Alcoholic beverages/bar charges
- Travel outside of the United States (unless pre-approved by the SAA)

The above lists are not all-inclusive. Guidance on cost allowability, including more complete lists of unallowable costs, can be found in OMB Circular A-87 and in 2 CFR 215, 225 and 230.

### **Equipment Purchased with Homeland Security Funds:**

Any single item of equipment valued at or above \$5,000, and having a useful life of more than one year, must be tagged and assigned a unique identifying number. (If the Sub-grantee's fiscal agent has designated an amount lower than \$5,000 to define equipment, that amount must be used instead of the federal level of \$5,000.) The identifying number can be the serial number on the item of equipment, or some other number assigned using the Sub-grantee's existing internal system of equipment identification, but it must be unique and must allow the item to be tracked from initial acquisition to final disposition. This is critical for ensuring that assets purchased with federal dollars are safeguarded. (See also Chapter 3 for more guidance on equipment.)

### **Services**

Sub-grantees purchasing contractual services should ensure that:

- The Contractor is not debarred from participation in state and federal programs. Sub-grantees should review contractor debarment information on <http://www.epls.gov>.
- A description of the procurement process used to select the Contractor is maintained in the grant file.
- All services are supported by a valid, signed contract between the project and service provider.
- Contractor time and activity records are maintained in the project file. (This is a requirement for any Contractor.)

- The Contractor is not receiving payment from more than one source for the same work for this project.
- The Contractor is not a public employee.
- The Contractor signs the State of Colorado Form IA-1: “Certification and Affidavit Regarding Illegal Aliens”, and the Certification is maintained in the grant file.

## **Conflicts of Interest**

Federal, state and local statutes and regulations require individuals involved in procuring goods and services to be free of any conflicts of interest. Sub-grantees should ensure that all ethics requirements are met by individuals involved in the procurement process and the administration of Homeland Security grants.

### **Remedies for Noncompliance**

In accordance with the Code of Federal Regulations, if a grantee or Sub-grantee materially fails to comply with the terms and conditions of any local, state or federal law, regulation, or contract, the State may withhold cash payments pending correction of the deficiency, disallow any or all costs incurred, or reduce or terminate the grant. A Sub-grantee who is the subject of an enforcement action may appeal as follows:

- The State will afford the Sub-grantee a reasonable time to offer a remedy or terminate project operations.
- If a remedy is offered it must be in writing and signed by the Authorized Official for the Region.
- The SAA will make the final determination in writing within 30 days of the date of the appeal.

### **Reporting Irregularities and Illegal Acts**

Sub-grantees who become aware of any misuse, misappropriation, conflict of interest, falsification of records and reports, or any other potentially irregular or illegal acts should follow their organization’s procedures for reporting these activities, and should also report their concerns immediately to the SAA and/or to “the chief executive officer, or delegate, and the chief financial officer of the state agency . . . ” (See State of Colorado Fiscal Rule 1-9.)

## CHAPTER 3 - EQUIPMENT

### **Safeguarding Government Property**

Whether purchased with federal dollars or received directly from the federal government, all property must be managed in accordance with grant award agreements and federal and state laws, regulations, and directives. Sub-grantees are responsible for establishing systems and controls to adequately safeguard assets purchased with federal monies, regardless of the dollar value of the asset.

### **Inventory Control**

In addition to general provisions regarding safeguarding of government property, state and federal laws and regulations assign additional responsibility for protecting equipment with an acquisition cost of \$5,000 or more and a useful life greater than one year. (If the Sub-grantee's fiscal agent has designated an amount lower than \$5,000 to define equipment, that standard must be used.)

When practicable, any equipment purchased with grant funding should be prominently marked as follows: "Purchased with funds provided by the U.S. Department of Homeland Security."

OMB Circular A-102 Section 13.32 requires that, "A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years."

Sub-grantees and fiscal agents should work closely with their own agency's controllers and auditors to ensure that inventory records are accurate and complete, that grant records reconcile to accounting records, and that duplication of effort between grants administrators and financial staff is eliminated. Most local government agencies in Colorado are required to prepare annual financial statements, and therefore to take annual inventories. If the Sub-grantee is not required to prepare annual financial statements, the Sub-grantee must inventory the equipment at least once every two years, or must require the agency receiving the equipment to do so as a condition of receipt. (See page 18 - Change in Ownership of Equipment.)

In accordance with OMB Circular A-87, equipment inventory records should include at a minimum:

- Description of the equipment
- Serial number or other identification number
- Source of the equipment
- Identification of title holder
- Acquisition date
- Cost of the equipment

- Percentage of Federal participation in the cost of the equipment
- Location of the equipment
- Use and condition of the equipment
- Disposition data, including the date of disposal and sale price

## **Loss, Theft or Damage of Equipment**

Sub-grantees are responsible for replacing or repairing equipment with an acquisition cost of \$5,000 or more and a useful life greater than one year, if the equipment is willfully or negligently lost, stolen, damaged, or destroyed. Any loss, damage, or theft of equipment must be investigated, fully documented and made part of the official project record.

## **Equipment Maintenance**

Sub-grantees are required to keep equipment purchased with federal funds in good condition. Storage, use, maintenance, and repairs of equipment purchased with federal Homeland Security funds must be accomplished in accordance with the manufacturer's recommendation. This includes, but is not limited to, regular documentation of any and all maintenance and repair activities.

## **Readiness**

Sub-grantees should ensure that equipment purchased with federal homeland security funds remains in a state of readiness to serve as a resource in response to emergencies. Any significant change in readiness status should be communicated to all affected jurisdictions covered in the applicable Regional Memorandum of Understanding (MOU), as well as the Regional Homeland Security Coordinator and the SAA.

Sub-grantees are required to make equipment available as a regional and/or state asset for use on other homeland security-related projects or programs.

## **Change in Ownership of Equipment**

When ownership of equipment is transferred from the Subgrantee fiscal agent/agency to another fiscal agent/agency, a memorandum of understanding should be executed. (See Appendix B for an example of an MOU for this purpose.) If the equipment is being transferred to the entity named as recipient in the final, approved grant application, the MOU should be kept in the Subgrantee's file. It is not necessary to provide a copy of the MOU to the SAA under this circumstance. However, the SAA must be provided a copy of the MOU in advance of any transfer of equipment to an entity other than that named in the final, approved grant application.

## **Disposition**

The Sub-grantee must obtain approval for the use of equipment in other projects when the Sub-grantee determines the equipment is no longer needed for the original grant purposes. Use in other projects must be limited to those under other federally sponsored projects or programs that have purposes consistent with those authorized for support by the State. When the equipment is no longer needed as prescribed above, disposition of the equipment will be made as follows:

The fiscal agent will either:

- Direct the equipment to be transferred to another Sub-grantee project or prioritization needing the equipment, provided that use of such equipment is approved by the State; or
- Return all equipment furnished or purchased wholly with federal funds to the control of the State. In the case of equipment purchased in part with federal funds, the Sub-grantee may be permitted to retain title upon compensating the State for its fair share of the equipment. The federal share of the equipment must be computed by applying the percentage of the federal participation in the total cost of the project for which the equipment was acquired to the current fair market value of the equipment. In all other instances, instructions for disposition of equipment must be obtained from the State.

The State will execute disposition as follows:

- Items with a current per unit fair market value of less than \$5,000 may be retained, sold, or otherwise disposed of with no further obligation to the SAA.
- Items with a current per unit fair market value in excess of \$5,000 may be retained or sold, and the State may have the right to an amount calculated by multiplying the current market value or proceeds from sale by the State's share of the equipment. Seller is also eligible for sale costs.
- In cases where the Sub-grantee fails to take appropriate disposition action, the State may direct the Sub-grantee on the manner in which the State or Sub-grantee disposes of the equipment.

## **Copyrights, Patents, and Inventions**

Sub-grantees should ensure that where activities supported by the award produce any discovery or invention, original computer programs, writing, sound recordings, pictorial reproductions, drawing or other graphical representation and works of any similar nature, the following requirements apply:

- The State of Colorado has the right to use, duplicate and disclose the above material in whole or in part, in any manner, for any purpose whatsoever, and to authorize others to do so.
- If the material or invention is copyrightable, the Sub-grantee may copyright it, but the State of Colorado reserves a perpetual, royalty-free, non-exclusive and irreversible license to practice, reproduce, publish and use such materials, in whole or in part, and to authorize others to do so.
- If any program produces patentable items, patent rights, processes, or inventions in the course of work sponsored by the federal award or subaward funds, such facts must be promptly and fully reported to the State. The State shall then report such facts to the Department of Homeland Security (DHS). Unless there is a prior agreement between the Sub-grantee, the State and the Department of Homeland Security on disposition of such items, DHS must determine whether protection on the invention or discovery must be sought. The Department of Homeland Security will also determine how rights in the invention or discovery (including rights under any patents issued thereon) must be allocated and administered in order to protect the public interest consistent with "Government Patent Policy" (President's Memorandum for Heads of Executive Departments and Agencies, dated August 23, 1971, and statement of Government Patent Policy, as printed in 36 FR 16839). Government-wide regulations have been issued at 37 CFR Part 401 by the Department of Commerce.

## **CHAPTER 4 - ACCOUNTING AND INTERNAL CONTROLS**

### **Accounting System**

The Sub-grantee is required to establish and maintain an accounting system and financial records to accurately account for awarded and matching funds. The Sub-grantee may use any state or federally accepted accounting system which meets the following minimum criteria:

- Revenues: The system must classify all revenues by funding source(s). All federal monies received must be recorded as federal funds so they may be included in the Sub-grantee agency's audit report and financial statement. Each grant must be tracked separately whether it is a new or continuation grant award. Funds for each grant must be tracked and recorded separately, with all revenues and expenditures reflecting the appropriate grant number.
- Expenditures: The system must classify all expenditures by Solution Areas listed in the approved budget -- M&A, Planning, Equipment, Exercise, and Training.

### **Financial Reporting Capability**

The system must contain adequate expenditure information for the prompt and proper submission of financial reports. Amounts reported on the State forms must match and be reconciled to the accounting sub-ledger or general ledger. The Sub-grantee is responsible for ensuring that its subcontractors properly account for all activity under the grant.

### **Internal Controls**

The system must be designed with adequate internal controls to ensure

- the accurate and complete recording and reporting of federal funds
- the safeguarding of federal assets
- compliance with laws and regulations

At a minimum, adequate internal controls will include reconciliation of cash received to cash deposited; reconciliation of sub-ledgers to the general ledger; approval of all transactions by appropriate authorities; and maintenance of supporting documentation.

## Accounting for In-house Staff

Sub-grantees using in-house services (full or part time employees) must maintain adequate records to justify expenditure of federal funds for management and administrative purposes. Records include, but are not limited to:

- **Position or job descriptions:** Position or job descriptions help ensure that charges can be made appropriately to Planning, Training, Exercise or Management & Administration (M&A).
- **Timekeeping Records:** Accurate time records must be maintained that detail hours charged to Homeland Security activities. It is important to remember that activities and not just titles should be considered when determining where time and operating expenses should be charged in cash drawdown requests. Any activities performed by administrative or accounting personnel should obviously be charged to the M&A category. In addition, any accounting or administrative activities, even if performed by planners, need to be charged to M&A.

Following are activities commonly performed by planners that should be charged to the M&A category:

- Managing staff issues
- Preparing reports/audit responses
- Preparing RFPs/making purchasing decisions
- Performing accounting activities
- Performing administrative support activities

## CHAPTER 5 - OVERSIGHT

Sub-grantees may be audited and their performance reviewed by state and federal agencies.

### **Federal**

All recipients and sub-recipients of federal funds are subject to the accounting and audit requirements found in OMB Circulars A-87, A-102, A-110, A-122, and A-133.

Sub-grantees that expend \$500,000 or more of federal funds in total from all sources during their fiscal year are required to hire an independent auditing firm to conduct an audit of their financial statements, compliance with laws and regulations, and internal controls. The audit must be performed in accordance with the U.S. General Accounting Office Government Auditing Standards, located at <http://www.gao.gov/govaud/ybk01.htm> and OMB Circular A-133, Audits of States, Local Government and Non-Profit Organizations located at <http://www.whitehouse.gov/omb/circulars/index.html>.

Sub-grantees whose total annual expenditures of federal funds are less than \$500,000 are encouraged to provide audit coverage. However, per federal regulations, the costs of an independent audit cannot be charged to Homeland Security grants in this circumstance. Sub-grantees that do not expend an aggregate amount of \$500,000 or more in federal funds in any given fiscal year must still maintain adequate financial and programmatic records to justify expenditures made in accordance with specific grant requirements.

Two copies of all recipient and sub-recipient audit reports should be submitted, along with the Audit Certification Form, to the SAA no later than nine (9) months after the close of each fiscal year during the term of the award. Sub-grantees should include copies of any management report or letter issued in conjunction with the audit report. Known or suspected violations of any law encountered during audits, including fraud, theft, embezzlement, forgery, or other serious irregularities must be communicated to the SAA and appropriate authorities.

If the Sub-grantee's financial records are a component of a larger agency audit, the grantee has the responsibility to obtain the audit report from the reporting entity and send the audit report to all federal, state, and local agencies that have provided federal assistance to the grantee. Example: if the County Sheriff were the Sub-grantee, the county's audit report would be required. In cases of continued inability or unwillingness on the part of the Sub-grantee to conduct or supply a proper audit, the State reserves the right to impose any sanctions, as described in OMB Circular A-133, upon the grantee until such time as a proper audit is received by the State.

## State

**Office of the State Auditor:** The Office of the State Auditor (OSA) conducts financial and compliance audits of Homeland Security grants annually. In addition, the OSA may conduct a performance audit to determine the efficiency and effectiveness of the Homeland Security program, as well as grantees' and Sub-grantees' compliance with laws, regulations, and policies.

**The State Administrative Agency:** The State Administrative Agency (SAA) has responsibility for the conduct of all Homeland Security Grants, the programs and activities supported by such funds, and for the results achieved. The SAA is required to monitor the performance of projects to ensure adherence to performance goals, time schedules or other requirements as appropriate to the projects or the terms of agreements and sub-agreements. To fulfill its monitoring responsibilities, the SAA conducts the following activities:

- **Desk Reviews:** Desk reviews evaluate the quality and accuracy of financial and narrative reports, audit reports, cash drawdowns, expenditures, correspondence and other documentation provided by the Sub-grantee.
- **On-site monitoring:** Visits to the project site involve reviewing one or more aspects of the Sub-grantee project. Visits may include examining expenditure documentation, reviewing internal controls and evaluating progress on projects, among others.

Monitoring is conducted on a risk basis. Factors such as size of the award, findings in prior audits and experience of staff, among others, are considered in developing the annual audit plan.

## Corrective Action & Resolution of Findings

Sub-grantees must have procedures in place to remedy problems identified in audits and monitoring activities. Timely resolution of findings and recommendations is critical to program success.

## Common Audit Findings

Following are 10 of the most common audit findings per the Department of Justice:

- Untimely submission of reports - Narrative and financial reports are not submitted when due.
- Lack of documentation - The Sub-grantee does not have adequate invoices or other documentation to back up the expenditure of funds.
- Inadequate monitoring of contractors - The Sub-grantee is failing to monitor its contractors to ensure that they are expending their funds in compliance with all federal laws and regulations.

- Inadequate time and effort records - The Sub-grantee has failed to keep adequate time and effort records documenting the time that its employees, volunteers, and consultants have worked on the activities related to the project.
- Inaccurate reports - The financial status reports submitted do not agree with the financial records of the organization. The Sub-grantee's requests for payment do not correlate with its need for funds.
- Commingling of funds - The Sub-grantee's accounting system is unable to accurately identify the receipt and expenditure of funds with the proper award.
- Excess cash on hand - The Sub-grantee is not managing its drawdown of funds to coincide with expenditures to avoid having excess federal funds on hand.
- Unallowable costs - The Sub-grantee has expended federal funds on cost items that are unallowable under Circulars A-87 and A-102.
- Inappropriate changes - The Sub-grantee has made budget changes and/or changes in the scope of the project without requesting prior approval from its program office.
- Conflicts of interest - The Sub-grantee has conflicts of interest or the appearance of conflicts of interest in its procurement procedures or other management of the federal funds.

## CHAPTER 6 - FEDERAL GRANT REFERENCES

### Grant Management References Applicable to this Grant

2CFR PART 225--COST PRINCIPLES FOR STATE, LOCAL, AND INDIAN TRIBAL GOVERNMENTS (OMB CIRCULAR A-87)

[http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&%3C?SID%3E&tpl=/ecfrbrowse/Title02/2cfr225\\_main\\_02.tpl](http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&%3C?SID%3E&tpl=/ecfrbrowse/Title02/2cfr225_main_02.tpl)

2CFR Part 230--COST PRINCIPLES FOR NON-PROFIT ORGANIZATIONS (OMB CIRCULAR A-122)

[http://www.access.gpo.gov/nara/cfr/waisidx\\_07/2cfr230\\_07.html](http://www.access.gpo.gov/nara/cfr/waisidx_07/2cfr230_07.html)

2CFR PART 215--UNIFORM ADMINISTRATIVE REQUIREMENTS FOR GRANTS AND AGREEMENTS WITH INSTITUTIONS OF HIGHER EDUCATION, HOSPITALS, AND OTHER NON-PROFIT ORGANIZATIONS (OMB CIRCULAR A-110)

[http://www.access.gpo.gov/nara/cfr/waisidx\\_05/2cfr215\\_05.html](http://www.access.gpo.gov/nara/cfr/waisidx_05/2cfr215_05.html)

44CFR Part 13, Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments

[http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=8b323972254e8cc26d2d00d95b55e501&tpl=/ecfrbrowse/Title44/44cfr13\\_main\\_02.tpl](http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=8b323972254e8cc26d2d00d95b55e501&tpl=/ecfrbrowse/Title44/44cfr13_main_02.tpl)

DHS Financial Management Guide - January 2006

[http://www.dhs.gov/xlibrary/assets/Grants\\_FinancialManagementGuide.pdf](http://www.dhs.gov/xlibrary/assets/Grants_FinancialManagementGuide.pdf)

FY 2007 Homeland Security Grant Program / Program Guidance and Application Kit

[http://www.ojp.usdoj.gov/odp/docs/fy07\\_hsgp\\_guidance.pdf](http://www.ojp.usdoj.gov/odp/docs/fy07_hsgp_guidance.pdf)

Listing of and links to all OMB Circulars:

<http://www.whitehouse.gov/omb/circulars/>

National Incident Management System

[http://www.fema.gov/emergency/nims/nims\\_compliance.shtm](http://www.fema.gov/emergency/nims/nims_compliance.shtm)

Weapons of Mass Destruction Equipment

Developing Multi-Agency Interoperability Communications Systems: User's Handbook

[http://www.ojp.usdoj.gov/odp/docs/acu\\_trp1000.pdf](http://www.ojp.usdoj.gov/odp/docs/acu_trp1000.pdf)

Emergency Responder Guidelines

<http://www.ojp.usdoj.gov/odp/docs/EmergencyRespGuidelinesRevB.pdf>

NIJ Guide, An Introduction to Biological Agent Detection Equipment for Emergency First Responders, NIJ Guide 101—00 by the National Institute of Justice, December  
<http://www.ncjrs.org/pdffiles1/nij/190747.pdf>

Guide for the Selection of Chemical Agent and Toxic Industrial Material Detection Equipment for Emergency First Responders, NIJ Guide 100-00 by the National Institute of Justice, November 2001  
<http://www.ncjrs.org/pdffiles1/nij/184449.pdf>  
<http://www.ncjrs.org/pdffiles1/nij/184450.pdf>

Law Enforcement and Corrections Standards and Testing Program, Users' Guide for Hand-Held and Walk-Through Metal Detectors, by Nicholas G. Paulter, January 2001  
<http://www.ncjrs.org/pdffiles1/nij/184433.pdf>

NIJ Guide, Guide for the Selection of Personal Protection Equipment for Emergency First Responders, NIJ Guide 102—00 (Volumes I, IIa, IIb, and IIc), November 2002  
<http://www.ncjrs.org/pdffiles1/nij/191518.pdf>  
<http://www.ncjrs.org/pdffiles1/nij/191519.pdf>  
<http://www.ncjrs.org/pdffiles1/nij/191520.pdf>  
<http://www.ncjrs.org/pdffiles1/nij/191521.pdf>

Guide for the Selection of Communication Equipment for Emergency First Responders (vol. 1 and 2) by the National Institute of Justice, February 2002  
<http://www.ncjrs.org/pdffiles1/nij/191160.pdf>  
<http://www.ncjrs.org/pdffiles1/nij/191161.pdf>

NIJ Standard, Walk-Through Metal Detectors for Use in Concealed Weapon and Contraband Detection: NIJ Standard—0601.02, January 2003  
<http://www.ncjrs.org/pdffiles1/nij/193510.pdf>

## **State of Colorado References**

Fiscal Rules

<http://www.colorado.gov/dpa/dfp/sco/FiscalRules/Archive/7-1-06/rules.htm>

Procurement Rules

<https://www.gssa.state.co.us/purchasi.nsf/444e9694db1e7b81872564dc006ee0a9/faa615f8671338718725654700663793?OpenDocument>

## **Other Material**

ODP Weapons of Mass Destruction Training Program  
<http://www.ojp.usdoj.gov/odp/docs/coursecatalog.pdf>

Grants Management Circulars

[http://www.whitehouse.gov/omb/grants/grants\\_circulars.html](http://www.whitehouse.gov/omb/grants/grants_circulars.html)

Equipment Acquisition Grants Current Solicitations  
[http://www.ojp.usdoj.gov/odp/grants\\_solicitation.htm](http://www.ojp.usdoj.gov/odp/grants_solicitation.htm)

National Institute of Justice Publications  
<http://www.ojp.usdoj.gov/nij>

Code of Federal Regulations  
<http://www.gpoaccess.gov/cfr/index.html>

National Homeland Security Knowledgebase  
<http://www.twotigersonline.com/resources.html>

Office for Domestic Preparedness Information Clearinghouse  
<http://www.ojp.usdoj.gov/odp/>

Energy Policy Act Of 2005  
[http://www.epa.gov/oust/fedlaws/publ\\_109-058.pdf](http://www.epa.gov/oust/fedlaws/publ_109-058.pdf)

Energy Policy Act Of 1992  
[http://www.centrum.pemp.pl/dokumenty/prawo/epact\\_stany\\_zjednoczone.pdf](http://www.centrum.pemp.pl/dokumenty/prawo/epact_stany_zjednoczone.pdf)  
(Pages 87 – 88)

## **APPENDIX A - SUMMARY OF REQUIRED GRANT FORMS / REPORTS**

The State has developed forms that are designed to help Sub-grantees meet federal / state requirements for managing grants in compliance with State and federal laws, regulations and policies. This chapter outlines the various reports / forms that Sub-grantees are required to submit to the State. All the State forms can be accessed through the web by clicking on “Colorado Homeland Security Grant Reporting Forms” at:

[http://dola.colorado.gov/the State/homeland\\_security/homeland\\_security.htm](http://dola.colorado.gov/the State/homeland_security/homeland_security.htm)

The State grant reporting forms may be revised periodically. The SAA will send an email notification to Regional Coordinators and Fiscal Agents when forms are added or updated. Please be sure to use the current forms to avoid delays in reporting.

By accepting a federal grant award, the Sub-grantee agrees to submit the applicable forms by the dates specified on the forms or in this chapter. Call your State grant manager promptly if you cannot meet a deadline for reporting. A pattern of delinquent reports may result in termination of the grant award and may jeopardize future funding considerations by the various funding boards/committees.

Other reports or data may be required for the administration of a grant program. The federal funding agency may require additional reports and documentation to be submitted by the Sub-grantee upon request of the State.

### **Forms**

Following is a chart of grant reporting forms with due date and required signature information. If you have questions or concerns about any reporting requirement or related form, please contact your grant manager.

| Form   | Due Date(s)   | Signatures Required                   |
|--|---|---------------------------------------|
| Cash Drawdown Request Form & Detail Form                       | Cash Drawdown Request & Detail Forms must be submitted quarterly (more frequently if needed) until all awarded funds are expended.  | Project Director and Fiscal Agent     |
| Quarterly Financial Report and Quarterly Narrative Report      | Due October 30, January 30, April 30, July 30. Quarterly Financial / Narrative Reports must be submitted for the calendar quarter in which a Grant Award is approved / issued. Final Quarterly Financial / Narrative Reports are due within forty-five (45) days after a Grant Award period ends, even if the award ends during the calendar quarter. | Project Director and Fiscal Agent     |
| Change Notification Form                                       | When moving funds equaling less than 10% (cumulative). When purchasing additional numbers of items from approved application. For change of address, project site or project manager.   | Project Director and Fiscal Agent     |
| Formal Amendment Request Form and Grant Amendment Detail Forms | Prior to making any change in project scope or objectives (including purchasing items not on the final, approved grant application); or moving funds equaling more than 10% (cumulative) within the grant.  | Regional Board Chair and Fiscal Agent |
| A-133 Audit Certification                                      | As soon as the audit is completed, but no later than nine (9) months after the close of the fiscal year.  | Fiscal Agent                          |
| MOU for Equipment  | At time of transfer from one fiscal agent to another.   | Fiscal Agents                         |

## APPENDIX B – MOU FOR EQUIPMENT TRANSFER

### AGREEMENT CONCERNING (*Equipment or Service*)

**THIS AGREEMENT CONCERNING (*EQUIPMENT*)** (the “Agreement”) is dated (*DATE*) by and between the **COUNTY OF (*Fill in*), COLORADO**, a political subdivision of the State of Colorado on behalf of its (*Agency*)’s Office (the “County”), the State of Colorado by and through its Department of Local Affairs, Division of Emergency Management (the “State”) and (*Jurisdiction receiving*), a Colorado (*government entity*).

### RECITALS

WHEREAS, the State awarded the County, as Subgrantee/Fiscal Agent, a State Homeland Security Grant by CDEM Grant Award Letter\_\_ (#)\_\_\_\_ dated \_\_\_\_\_ (the “Grant”);

WHEREAS, pursuant to the Grant, the County used the Grant monies to acquire a (*equipment or service*) and related equipment (collectively, the “Equipment”);

WHEREAS, the Grant’s performance period expired on (*enter date on grant award*) and pursuant to the last paragraph of Section 11 of Attachment II of the Grant, upon expiration of the Grant, title in the Equipment automatically vests in the State;

WHEREAS, the County, as Subgrantee, desire to transfer all of their respective title in the Equipment (if any) to (*government entity*), in order that (*government entity*) may own, operate, maintain and repair the Equipment in accordance with the terms and conditions of this Agreement and the Grant;

WHEREAS, in order to ensure that title in the Equipment is effectively transferred to (*government entity*) and the County are made parties to this Agreement; and

WHEREAS, the assignment and transfer of the Equipment to (*government entity*) is in the best interests of the parties.

### AGREEMENT

- 1) Transfer of Ownership. For and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the County hereby consent to the transfer and conveyance of, and do transfer to, (*government entity*), all of such party’s right, title and interest in and to the Equipment. The Equipment is conveyed “AS IS” without representation or warranty of any kind, except for any warranty that may be available from the manufacturer or supplier of the Equipment.
- 2) Location of Equipment. The Equipment shall be located at (*address where equipment will be located*) or at such other location as determined by (*government entity*).
- 3) Maintenance of Equipment. (*Government entity*) agrees to keep the Equipment in good operating condition and repair. (*Government entity*) shall be responsible for all costs associated with the operation, maintenance and repair of the Equipment. If (*government entity*) fails to comply with the obligations set forth in this Section 3, then, following written notice by the County, (*government entity*) shall have 10 days to remedy such default (or any other reasonable period of time as determined by the County); provided that (*government entity*) takes prompt and diligent action. If (*government entity*) fails to remedy such default in accordance with this Section, then all right, title and interest in and to the Equipment shall revert to the County at a date and time as determined by the County.



IN WITNESS WHEREOF, the parties hereto have executed this Agreement Concerning (*equipment or service*) as of the date and year first above written.

COUNTY OF \_\_\_\_\_, COLORADO

By: \_\_\_\_\_

Approved as to Form:

By: \_\_\_\_\_  
(*Assistant County Attorney*)

(*Receiving Government Representative*)

By: \_\_\_\_\_

## Homeland Security Grant Administration Staff Listing

|                      |   |   |
|----------------------|---|---|
| <b>Joanne Hill</b>   | <b>Director, Quality Assurance and Technical Assistance</b> | <b>720-852-6616</b><br><a href="mailto:joanne.hill@state.co.us">joanne.hill@state.co.us</a>     |
| <b>Sharee Moore</b>  | <b>Grant Manager</b>  | <b>720-852-6629</b><br><a href="mailto:sharee.moore@state.co.us">sharee.moore@state.co.us</a>   |
| <b>Jane Sanders</b>  | <b>Compliance Officer</b>                                   | <b>720-852-6621</b><br><a href="mailto:jane.sanders@state.co.us">jane.sanders@state.co.us</a>   |
| <b>Jana Sealy</b>    | <b>Grant Manager</b>  | <b>720-852-6634</b><br><a href="mailto:jana.sealy@state.co.us">jana.sealy@state.co.us</a>       |
| <b>Judy Will</b>     | <b>Grant Manager/<br/>LETPP Program Manager</b>             | <b>720-852-6641</b><br><a href="mailto:judy.will@state.co.us">judy.will@state.co.us</a>         |
| <b>Mason Whitney</b> | <b>Homeland Security Coordinator</b>                        | <b>720-852-6609</b><br><a href="mailto:mason.whitney@state.co.us">mason.whitney@state.co.us</a> |