

## **4 FAH-3 H-600 GRANTS AND OTHER FINANCIAL ASSISTANCE**

*(TL: FMP-13; 09-06-2002)*

### **4-FAH 3H-610 FINANCIAL ASSISTANCE PROGRAMS**

*(TL:FMP-13; 09-06-2002)*

#### **4 FAH-3H-611 GENERAL**

*(TL:FMP-13; 09-06-2002)*

a. Strategic goals of the Department are at times fostered by providing financial assistance to other nations, international organizations composed of member nations, other international or domestic non-profit organizations, institutions of higher learning, individual educators and students, or commercial organizations. The characteristics of such assistance is that the Department does not directly receive goods or services for funds disbursed, and the recipient will use the funds in activities that will support a public purpose involving U.S. foreign policy.

b. Financial assistance is provided through the use of grants, cooperative agreements, loans, voluntary contributions, and insurance (see definitions in 4 FAH-3 H-612.3). Financial assistance can be either monetary, or in-kind (e.g., the Department provides services, supplies, equipment or materials in lieu of funds). The Department uses bilateral agreements to enter into financial assistance arrangements with other nations. Although not considered financial assistance instruments, the Department uses interagency agreements, memorandums of understanding, contracts and purchase orders to provide services, or purchase material to be provided to financial assistance recipients.

## **4 FAH-3H-612 CATEGORIES AND TYPES OF FINANCIAL ASSISTANCE**

(TL:FMP-13; 09-06-2002)

The Department recognizes the following categories and types of financial assistance.

### **4 FAH-3 H-612.1 Assistance Categories**

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The Department recognizes four general categories of financial assistance:

(1) Cost Reimbursement Assistance. Assistance where the recipient is reimbursed for allowable costs incurred in fulfilling the objectives of the award. Grants and cooperative agreements are typical forms of cost reimbursement assistance. OMB Circular A-102 provides the administrative requirements for grants and cooperative agreements with state and local governments and is codified by the Department of State in 22 CFR 135. OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*, is codified by the Department of State in 22 CFR 145.

(2) Cost Directed Assistance. This category includes a range of assistance vehicles to which OMB uniform guidelines on grants and cooperative agreements do not apply, but involve more control than is associated with contributions and fees. These vehicles include letters of agreement with host nations where goods or services are procured by a Department organization and then transferred to the recipient. They also include bilateral agreements, which may be documented by a purchase agreement; where funds are disbursed to the participating nation and the issuing Bureau has latitude in the nature of documentation to be provided by the recipient nation.

(3) Contributions. This category includes discretionary financial assistance provided to foreign countries, international societies, commissions, proceedings, or projects.

(4) Loans. Assistance provided through the lending of Federal monies.

## 4 FAH-3 H-612.2 Assistance Types

(TL:FMP-13; 09-06-2002)

The following are various types of assistance:

(1) **Grant**—An assistance instrument used when the principal purpose is the transfer of money, property, or services to accomplish a public purpose of support or stimulation authorized by Federal statute when it is anticipated that there will be no substantial involvement between the agency and the grantee during performance.

(2) **Cooperative Agreement**—An assistance instrument used when the principal purpose is the transfer of money, property, or services to accomplish a public purpose of support or stimulation authorized by Federal statute when it is anticipated that there will be substantial involvement between the agency and the recipient during performance.

(3) **Voluntary Contribution**—Discretionary financial assistance provided to foreign countries, international societies, commissions, proceedings, or projects.

(4) **Direct Loan**—Financial assistance provided through the lending of Federal monies for a specific period of time, with a reasonable expectation of repayment. Such loans may, or may not, require the payment of interest. Loans may be made directly by the Department or through an intermediate organization.

(5) **Insurance**—Financial assistance provided to assure reimbursement for losses sustained under specified conditions. Coverage may be provided directly by the Federal government or through private carriers and may, or may not, involve the payment of premiums.

**NOTE:** Assessed contributions refer to assistance provided to foreign countries, international societies, commissions, proceedings or projects that are lump sum, quota of expenses, or fixed by treaty. The Office of Management and Budget (OMB) has determined that assessed contributions should not be considered Federal financial assistance, but should still be tracked under budget object class 41. Therefore, many of the policies and procedures in this FAH do not specifically apply to assessed contributions, but are strongly recommended to be followed, where applicable.

## 4 FAH-3 H-612.3 Definitions<sup>1</sup>

(TL:FMP-13; 09-06-2002)

This section sets forth standards for obtaining consistency and uniformity of accepted terms used in conjunction with Federal assistance awards.

(1) **Advance**—A payment made by U.S. Treasury Department check or other appropriate payment mechanism to a recipient upon its request either before outlays are made by the recipient or through the use of predetermined payment schedules.

(2) **Assessed Contributions**—Assistance provided to foreign countries, international societies, commissions, proceedings or projects that are lump sum, quota of expenses, or fixed by treaty.

(3) **Auditee**—Any non-federal entity that expends Federal awards, which must be audited under this part.

(4) **Auditor**—A public accountant or a Federal, state, or local government audit organization, which meets the general standards specified in generally accepted government auditing standards (GAGAS). The term “auditor” does not include internal auditors of non-profit organizations.

(5) **Audit finding**—Deficiencies which the auditor is required to report in the schedule of findings and questioned costs by A-133 §\_\_\_.510(a).

(6) **Award**—Financial assistance that provides support or stimulation to accomplish a public purpose. Awards include grants and other agreements in the form of money or property in lieu of money, by the Federal Government, to an eligible recipient. The term does not include: technical assistance which provides services instead of money; other assistance in the form of loans or loan guarantees, interest subsidies, or insurance; direct payments of any kind to individuals; and contracts which are required to be entered into and administered under procurement laws and regulations.

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<sup>1</sup> Definitions are as stated in: **OMB Circular No. A-102**, Grants and Cooperative Agreements with State and Local Governments; **OMB Circular No. A-110**, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations; **OMB Circular No. A-133**, Audits of States, Local Governments, and Non-Profit Organizations; **OMB Circular No. A-11** Preparation and Submission of Budget Estimates; and Federal Grant and Cooperative Agreement Act, **Public Law 95-224**

(7) **Bilateral Agreement—**

(a) An agreement between the U.S. Government and a foreign government under the terms of which a specific project is carried out and reflects the commitments made by both parties to accomplish the project objectives;

(b) The instrument that legally obligates Executive agency funds to finance the activity; and

(c) A summary of the total project and its expected results as agreed upon by the U.S. Government and a foreign government (also see Letter of Agreement).

(8) **Cash contributions—**The recipient's cash outlay, including the outlay of money contributed to the recipient by third parties.

(9) **CFDA number—**The number assigned to a federal program in the *Catalog of Federal Domestic Assistance* (CFDA).

(10) **Cognizant agency for audit—**The Federal agency designated to carry out the responsibilities described in A-133 §\_\_\_\_.400(a).

(11) **Compliance supplement—**The Circular A-133, *Compliance Supplement*, included as Appendix B to Circular A-133, or such documents as OMB or its designee may issue to replace it. This document is available from the Government Printing Office, Superintendent of Documents, Washington, DC 20402-9325.

(12) **Cooperative Agreement—**An award where

(a) The principle purpose of the relationship is the transfer of money, property, services, or anything of value to the state, local government, or other recipient to accomplish a public purpose of support or stimulation authorized by the Federal statute, rather than acquisition, by purchase, lease, or barter, of property or services for the direct benefit or use of the U.S. Government; and

(b) Substantial involvement is anticipated between the Executive agency, acting for the U.S. Government, and the State or local government or other recipient during performance of the contemplated activity.

(13) **Corrective action—**The action taken by the auditee that:

(a) Corrects identified deficiencies;

(b) Produces recommended improvements; or

(c) Demonstrates that audit findings are either invalid or do not warrant auditee action.

(14) **Cost sharing or matching**—That portion of project or program costs not borne by the U.S. Government.

(15) **Development**—The systematic use of knowledge and understanding gained from research, directed toward the production of useful materials, devices, systems, or methods, including design and development of prototypes and processes.

(16) **Disallowed costs**—Those charges to an award that the Federal awarding agency determines to be unallowable, in accordance with the applicable Federal cost principles or other terms and conditions contained in the award.

(17) **Equipment**—Tangible, nonexpendable personal property including exempt property charged directly to the award having a useful life of more than one year and an acquisition cost of \$5000 or more per unit. Consistent with recipient policy, lower limits may be established.

(18) **Excess property**—Property under the control of any Federal awarding agency that, as determined by the agency head, is no longer required or needed for the discharge of its responsibilities.

(19) **Federal agency**—Has the same meaning as the term “agency” in Section 551(1) of title 5, United States Code, (U.S.C.).

(20) **Federal award**—These are Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. Federal awards do not include procurement contracts, under grants or contracts, nor can they be used to buy goods or services from vendors. Any audits of such vendors shall be covered by the terms and conditions of the contract. Contracts to operate U.S. Government owned, contractor operated facilities (GOCOs) are excluded from the requirements of this part.

(21) **Federal awarding agency**—The Federal agency that provides an award directly to the recipient.

(22) **Federal financial assistance**—Assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals as described in A-133 §\_\_.205(h) and A-133 §\_\_.205(i).

(23) **Federal program**—All Federal awards to a non-Federal entity assigned a single number in the Catalog of Federal Domestic Assistance (CFDA). When no CFDA number is assigned, all Federal awards from the same agency, made for the same purpose, should be combined and considered one program.

(24) **Funding period**—The period of time when Federal funding is available for obligation by the recipient.

(25) **GAGAS**—Generally accepted government auditing standards issued by the Comptroller General of the United States, which are applicable to financial audits.

(26) **Generally accepted accounting principles**—Has the meaning specified in generally accepted auditing standards issued by the American Institute of Certified Public Accountants (AICPA).

(27) **Grants**—An award where:

(a) The principle purpose of the relationship is the transfer of money, property, services, or anything of value to the state or local government or other recipient in order to accomplish a public purpose of support, or stimulation, authorized by Federal statute, rather than acquisition, by purchase, lease, or barter, of property or services for the direct benefit or use of the U.S. Government; and

(b) No substantial involvement is anticipated between the Executive agency, acting for the U.S. Government, and the state or local government, or other recipient during performance of the contemplated activity.

(28) **Inter/Intra Agency Agreement (IAA)**—Refers to an *Economy Act* agreement representing a valid obligation against the ordering agency's appropriations under 31 U.S.C., Section 1535 which authorizes one agency to perform services or provide items to another agency either directly or by contract with a private party. (See Memorandum of Understanding (MOU) / Memorandum of Agreement (MOA).)

(29) **Internal control**—A process, effected by an entity's management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- (a) Effectiveness and efficiency of operations;
- (b) Reliability of financial reporting; and
- (c) Compliance with applicable laws and regulations.

(30) **Internal control pertaining to the compliance requirements for Federal programs** (Internal control over Federal programs)—A process by which an entity's management and other personnel provide reasonable assurance regarding the achievement of the following objectives for Federal programs:

(a) Transactions are properly recorded and accounted for, to permit the preparation of reliable financial statements and Federal reports; maintain accountability over assets; and demonstrate compliance with laws, regulations, and other compliance requirements.

(b) Transactions are executed in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on a Federal program; any other laws and regulations that are identified in the compliance supplement; and safeguarding funds, property, and other assets against loss from unauthorized use or disposition.

(31) **Letter of Agreement (LOA)**—

(a) An agreement between the U.S. Government and a foreign government under the terms of which a specific project is carried out and reflects the commitments made by both parties to accomplish the project objectives;

(b) The instrument that legally obligates executive agency funds to finance an activity; and

(c) A summary of the total project and its expected results as agreed upon by the U.S. Government and a foreign government (also see Bilateral/Multilateral Agreements).

(32) **Loan**—A Federal loan or loan guarantee received or administered by a non-Federal entity.

(33) **Local government**—Any unit of local government within a state, including a county, borough, municipality, city, town, township, parish, local public authority, special district, school district, intrastate district, council of governments, and any other instrumentality of local government.

(34) **Major program**—A Federal program determined by the auditor to be a major program in accordance with A-133 §\_\_\_.520 or a program identified as a major program by a Federal agency or pass-through entity in accordance with A-133 §\_\_\_.215(c).

(35) **Management decision**—The evaluation by the Federal awarding agency or pass-through entity of the audit findings and corrective action plan and the issuance of a written decision as to what corrective action is necessary.

(36) **Memorandum of Understanding (MOU) / Memorandum of Agreement (MOA)**—An *Economy Act* agreement representing a valid obligation against the ordering agency's appropriations under 31 U.S.C., Section 1535 which authorizes one agency to perform services or provide items to another agency either directly or by contract with a private party (also see Inter/Intra Agency Agreement (IAA)).

(37) **Non-Federal entity**—A state, local government, or non-profit organization.

(38) **Non-profit organization**—

(a) Any corporation, trust, association, cooperative, or other organization that is operated primarily for scientific, educational, service, charitable, or similar purposes in the public interest; is not organized primarily for profit; and uses its net proceeds to maintain, improve, or expand its operations.

(b) The term “non-profit organization” includes non-profit institutions of higher education and hospitals.

(39) **Obligations**—The amounts of orders placed, contracts and grants awarded, services received and similar transactions during a given period that require payment by the recipient during the same, or a future period.

(40) **OMB**—The Executive Office of the President, Office of Management and Budget.

(41) **Other Recipient**—Any person or recipient other than a state or local government who is authorized to receive Federal assistance or procurement contracts. Includes any charitable or education institution.

(42) **Outlays or expenditures**—Charges made to the project or program. They may be reported on a cash or accrual basis. For reports prepared on a cash basis, outlays are the sum of cash disbursements for direct charges for goods and services, the amount of indirect expense charged, the value of third party in-kind contributions applied, and the amount of cash advances and payments made to subrecipients. For reports prepared on an accrual basis, outlays are the sums of cash disbursements for direct charges for goods and services, the amount of indirect expense incurred, the value of in-kind contributions applied, and the net increase (or decrease) in the amounts owed by the recipient for goods and other property received. They are also charges for services performed by employees, contractors, subrecipients, and other payees and other amounts becoming owed under programs for which no current service or performance is required.

(43) **Oversight agency for audit**—The Federal-awarding agency that provides the predominant amount of direct funding to a recipient not assigned a cognizant agency for audit. When there is no direct funding, the Federal agency with the predominant indirect funding shall assume the oversight responsibilities. The duties of the oversight agency for audit are described in A-133 §\_\_\_\_.400(b).

(44) **PMS**—Refers to the Department of Health and Human Services, Payment Management System.

(45) **Pass-through entity**—A non-Federal entity that provides a Federal award to a subrecipient to carry out a Federal program.

(46) **Personal property**—Property of any kind except real property. It may be tangible, having physical existence, or intangible, having no physical existence, such as copyrights, patents, or securities.

(47) **Prior approval**—Written approval by an authorized official evidencing prior consent.

(48) **Program income**—Gross income earned by the recipient that is directly generated by a supported activity or earned as a result of the award (see exclusions in paragraphs A-133 \_\_\_\_\_.24 (e) and (h).) Program income includes, but is not limited to, income from fees for services performed, the use or rental of real or personal property acquired under federally-funded projects, the sale of commodities or items fabricated under an award, license fees and royalties on patents and copyrights, and interest on loans made with award funds. Interest earned on advances of Federal funds is not program income. Except as otherwise provided in Federal awarding agency regulations or the terms and conditions of the award, program income does not include the receipt of principal on loans, rebates, credits, discounts, etc., or interest earned on any of them.

(49) **Program-specific audit**—An audit of one Federal program as provided for in A-133 §\_\_\_\_.200(c) and A-133 §\_\_\_\_.235.

(50) **Project costs**—All allowable costs, as set forth in the applicable Federal cost principles, incurred by a recipient and the value of the contributions made by third parties, in accomplishing the objectives of the award during the project period.

(51) **Project period**—The period established in the award document during which Federal sponsorship begins and ends.

(52) **Questioned cost**—A cost that is questioned by the auditor because of an audit finding:

(a) Which resulted from a violation, or possible violation, of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the use of Federal funds, including funds used to match Federal funds;

(b) Where the costs, at the time of the audit, are not supported by adequate documentation; or

(c) Where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.

(53) **Recipient**—A non-Federal entity that expends Federal awards received directly from a Federal-awarding agency to carry out a Federal program.

(54) **Research and development (R&D)**— All research activities, both basic and applied, and all development activities that are performed by a non-Federal entity. “Research” is defined as a systematic study directed toward fuller scientific knowledge or understanding of the subject studied. The term research also includes activities involving the training of individuals in research techniques where such activities utilize the same facilities as other research and development activities and where such activities are not included in the instruction function.

(55) **Single audit**—An audit, which includes both, the entity's financial statements and the Federal awards as described in A-133 §\_\_.500.

(56) **Small awards**—A grant or cooperative agreement not exceeding the small purchase threshold fixed at 41 U.S.C. 403(11) (currently \$25,000).

(57) **State**—Any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, and the Trust Territory of the Pacific Islands, any instrumentality thereof, any multi-state, regional, or interstate entity which has governmental functions, and any indian tribe as defined in this section.

(58) **Subaward**—An award of financial assistance in the form of money, or property in lieu of money, made under an award by a recipient to an eligible subrecipient or by a subrecipient to a lower tier subrecipient. The term includes financial assistance when provided by any legal agreement, even if the agreement is called a contract, but does not include procurement of goods and services nor does it include any form of assistance, which is excluded from the definition of "award" in paragraph (e).

(59) **Subrecipient**—The legal entity to which a subaward is made and which is accountable to the recipient for the use of the funds provided. The term may include foreign or international organizations (such as agencies of the United Nations) at the discretion of the Federal-awarding agency. A non-Federal entity that expends Federal awards received from a pass-through entity to carry out a Federal program, but does not include an individual that is a beneficiary of such a program. A subrecipient may also be a recipient of other Federal awards directly from a Federal awarding agency. Guidance on distinguishing between a subrecipient and a vendor is provided in A-133 §\_\_\_\_.210.

(60) **Supplies**—All personal property excluding equipment, intangible property, and debt instruments as defined in this section, and inventions of a contractor conceived or first actually reduced to practice in the performance of work under a funding agreement ("subject inventions"), as defined in 37 CFR part 401, "*Rights to Inventions Made by Nonprofit Organizations and Small Business Firms Under Government Grants, Contracts, and Cooperative Agreements.*"

(61) **Suspension**—An action by a Federal awarding agency that temporarily withdraws Federal sponsorship under an award, pending corrective action by the recipient or pending a decision to terminate the award by the Federal-awarding agency. Suspension of an award is a separate action from suspension under Federal agency regulations implementing Executive Orders 12549 and 12689, "*Debarment and Suspension.*"

(62) **Termination**—The cancellation of Federal sponsorship, in whole or in part, under an agreement at any time prior to the date of completion.

(63) **Third party in-kind contributions**—The value of non-cash contributions provided by non-Federal third parties. Third party in-kind contributions may be in the form of real property, equipment, supplies and other expendable property, and the value of goods and services directly benefiting and specifically identifiable to the project or program.

(64) **Types of compliance requirements**—Refers to the types of compliance requirements listed in the compliance supplement. Examples include activities allowed or unallowed; allowable costs/cost principles; cash management; eligibility; matching, level of effort, earmarking; and, reporting.

(65) **Unliquidated obligations**—For financial reports prepared on a cash basis, this is the amount of obligations incurred by the recipient that have not been paid. For reports prepared on an accrued expenditure basis, they represent the amount of obligations incurred by the recipient for which an outlay has not been recorded.

(66) **Unobligated balance**—The portion of the funds authorized by the Federal-awarding agency that has not been obligated by the recipient and is determined by deducting the cumulative obligations from the cumulative funds authorized.

(67) **Unrecovered indirect cost**—The difference between the amount awarded and the amount, which could have been awarded, under the recipient's approved negotiated indirect cost rate.

(68) **Vendor**—A dealer, distributor, merchant, or other seller providing goods or services that are required for the conduct of a Federal program. These goods or services may be for an organization's own use or for the use of beneficiaries of the Federal program. Additional guidance on distinguishing between a subrecipient and a vendor is provided in A-133§\_\_.210.

(69) **Voluntary Contributions**—Refers to discretionary financial assistance provided to foreign countries, international societies, commissions, proceedings or projects.

(70) **Working capital advance**—A procedure where by funds are advanced to the recipient to cover the estimated disbursement needs for a given initial period.

## **4 FAH-3 H-613 ORGANIZATIONS AND RESPONSIBILITIES**

*(TL:FMP-13; 09-06-2002)*

Responsibility for managing and overseeing financial assistance funds disbursed by the Department is as follows:

(1) Bureaus may award financial assistance established to further their missions consistent with the policies set by the Department's Office of Procurement Executive (OPE), if applicable (see (3). below). Bureaus publish bureau-specific procedures deemed necessary for financial assistance programs carried out under their authority. Bureaus may award assistance, or provide funds to posts for awarding.

(2) Grants Management Steering Committee (GMSC) consists of those offices that play a major role in approving and administering financial assistance expenditures. The GMSC assists in establishing uniform policies and procedures for determining international financial assistance objectives and in establishing uniform policies and procedures for issuing and monitoring financial assistance grants and agreements.

(3) Office of Procurement Executive (OPE) promulgates policies and procedures for the award of grants. It collects and maintains information on the Department's grant programs. OPE delegates grant officers the authority to award grants and cooperative agreements, which provides the authority to fund grant awards.

(4) Office of Grants Financial Management (OGFM) in the Bureau of Resource Management (RM) provides leadership on financial management of grants and other forms of financial assistance through policy development, oversight, and training.

## **4 FAH-3 H-614 PROGRAMS AND PERFORMANCE**

*((TL:FMP-13; 09-06-2002)*

a. For each financial assistance program (i.e., programs whose obligations are appropriately charged to BOCs 412X or 413X), the responsible Bureau will distinguish the program by use of a specific function code (or hierarchy of function codes) listed in 4 FAH-1 H-520. If the function code is inadequate to meet the needs for financial assistance programs, consideration should be given to using a project code structure.

b. Each financial assistance program will be linked to a Department strategic objective.

c. Bureaus will develop performance measures and a means of capturing performance data for each financial assistance program.

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