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**DEPARTMENT OF DEFENSE****CFDA 12.401 NATIONAL GUARD MILITARY OPERATIONS AND  
MAINTENANCE (O&M) PROJECTS****I. PROGRAM OBJECTIVE**

The Department of Defense (DoD) enters into cooperative agreements (CA) for Army National Guard (ARNG) Real Property Operations & Maintenance Activities (RPOMA) and Air National Guard (ANG) Facility Operations & Maintenance Activities (FOMA) with States to provide Federal support for services provided by the State Military Departments for authorized facilities for leases, real property services, real property maintenance and repair, operations and maintenance (O&M), and minor construction costs (NGR 5-1, chapters 13-1b, 33-1a, and 33-1b).

**II. PROGRAM PROCEDURES**

The DoD National Guard Bureau (NGB) enters into a CA with a State when NGB transfers something of value, through funding or otherwise, to the State to support the State ARNG RPOMA and ANG FOMA instead of acquiring (by purchase, lease, or barter) property or services for the direct benefit or use of the ARNG or ANG and substantial involvement is expected between the NGB and the State when carrying out the activity contemplated in the agreement (NGR 5-1 chapter 1-1).

Generally, a CA consists of two parts, the agreement and appendices (Master Cooperative Agreement (MCA) and as many Appendices as apply to that State). The CA for this program is titled as "Grants and Cooperative Agreements NGR 5-1/ANGI 63-101" and the appendices are listed as separate chapters in this standard CA. Additionally, single purpose CAs may be created. The MCA includes standard terms and conditions applicable to all Appendices under the MCA and the required signatures of the parties. There will be a separate Appendix for each CA functional area applicable to the State. Each Appendix shall contain terms and conditions, allowable costs, reports, approved budget, management controls, and administrative information applicable only to that functional area (NGR 5-1, chapter 2-1).

The Adjutant General (TAG) and the United States Property & Fiscal Officer (USPFO) are responsible for the execution of the MCA and Appendices. A CA is the means of providing all financial assistance and other support to States for the operation of the National Guard except for financial assistance and support provided under separate authority (e.g., military and technician pay and the military supply system). Single purpose CAs will specify the responsible parties (NGR 5-1, chapter 2-1).

The sum of Federal reimbursements and program income may not exceed the requirements listed for each program in the approved budget. The State Military Department must have prior written USPFO approval of an amended budget before it may request a reimbursement or receive program income that would bring its receipts above the maximum program funding level. Funding transfers into the RPOMA (chapter 13-1e) or FOMA (chapter 33-1d) programs or funding transfers within each program do not require prior written approval of the appropriate NGB program managers. However, funding may not be transferred from the RPOMA (chapter

13-1d) or FOMA (chapter 33-1c) programs without the prior written approval of the relevant NGB program manager.

### III. COMPLIANCE REQUIREMENTS

**In developing the audit procedures to test compliance with the requirements for a Federal program, the auditor should first look to Part 2, Matrix of Compliance Requirements, to identify which of the 14 types of compliance requirements described in Part 3 are applicable and then look to Parts 3 and 4 for the details of the requirements.**

#### A. Activities Allowed or Unallowable

1. Federal funding under the CA shall be on a requirements basis within Federal budget limitations and funding availability. Funding shall be provided to support those items designated in the CA or facilities authorized support in the Facilities Inventory and Stationing Plan (FISP). Facilities used in excess of those authorized shall be supported with other than Federal funds (NGR 5-1, chapter 13-5).
2. RPOMA (NGR 5-1, chapter 13-5c) and FOMA (NGR 5-1, chapter 33) Appendix support shall be provided within available funding limitations for authorized facilities and supporting elements such as sidewalks, fire hydrants, gasoline and diesel fuel dispensing systems, flammable materials buildings, roads, utilities systems, fencing and hard stand. Maintenance and repair, real property services, and minor construction support is provided for space or facilities as detailed in the NGR 5-1, chapter 13-5.
3. Unallowable activities are those activities that are described as unauthorized charges and detailed in the NGR 5-1 chapters 13-6 and 33.6.

#### B. Allowable Costs/Cost Principles

1. *Budget* - Costs must be in accordance with any restrictions, limitations, or instructions contained in the CA budget (NGR 5-1, chapter 13-4 and 33-4).
2. *Indirect costs are unallowable* - Indirect costs, except fringe benefits, are unallowable (NGR 5-1 chapter 5-3).
3. *Fringe benefits* - Fringe benefits for which the State does not bill the State Military Department directly, such as workmen's compensation, unemployment compensation, State sponsored life and health insurance, and retirement benefits are allowable if they are part of the State's Central Service Cost Allocation Plan approved by the Department of Health and Human Services (HHS). However, for these costs to be reimbursable, all of the following conditions have to be met (NGR 5-1, chapter 5):

- a. The individual cost items have to be reimbursable under the terms of individual appendices.
- b. Fringe benefit costs for which the State does not bill the State Military Department directly shall be reimbursable by applying a fringe benefit rate to the costs of actual salaries paid to employees.
- c. Fringe benefits which are neither direct costs nor included in the billed central services section of the State's Central Service Cost Allocation Plan approved by HHS are not reimbursable.

## **G. Matching, Level of Effort, Earmarking**

### **1. Matching**

The rate of reimbursement to the State for all authorized charges, unless expressly stated otherwise, shall be based on the FISP support code for the facility generating the expenditure. For example, employee, repair, supplies, equipment, utility, etc. costs directly and exclusively associated with a facility authorized 75 percent support shall be reimbursed to the State Military Department 75 percent. Costs that are generated for facilities that are authorized at several different support levels shall be reimbursed at a rate that reflects the actual level of effort. However, nothing shall preclude the State Military Department from requesting reimbursement at a rate less than what is authorized (NGR 5-1, chapter 13-5).

### **2. Level of Effort - Not Applicable**

### **3. Earmarking - Not Applicable**

## **H. Period of Availability of Federal Funds**

1. National Guard Operations and Maintenance agreements are funded with one year appropriations and, as such, obligations may not be incurred against Federal funds for a specified year before or after the Federal fiscal year in which the funds were appropriated (NGR 5-1, chapters 12-1, 12-6, 32-1, and 32-6).
2. A CA shall be executed by the USPFO and the TAG prior to any request for reimbursement or advance payment. The State shall also have an approved Appendix covering each functional area for which the reimbursement or an advance is requested. The State shall not request reimbursement for any expenditures it made before the date that all required parties execute the MCA and the covering Appendices unless the MCA or appropriate Appendix expressly authorize expenditures made during the funding period, but prior to the date of final signature (NGR 5-1, chapter 2-1).
3. Work or task performance must serve a bona fide need that exists in the fiscal year in which the work or tasking is issued; otherwise, a valid obligation is not

accomplished. It is not intended that the rule of bona fide need of the fiscal year rule be construed to preclude lead time. Thus, where materials, for example, cannot be obtained in the same fiscal year in which they are needed, a provision for delivery in the subsequent fiscal year does not violate the bona fide need rule so long as the time intervening between placing of the order and delivery is not excessive and the work order is not for standard commercial items readily available from other sources. Bona fide need generally is a determination of the NGB activity and not that of the State performing the activity. The State shall prepare and the USPFO shall review and approve a bona fide need determination (NGR 5-1, chapter 2-2b) and finding to reflect this need. A State performing the activity should, however, refuse to accept a work order if it is obvious that the work order does not serve a need existing in the fiscal year in which issued (NGR 5-1, chapter 2-2).

## **J. Program Income**

Program income in NGB CA shall mean the gross income, received by a recipient from fees for services performed and from the use, rental, or sale of real or personal property, the operation and maintenance of which is supported under the CA. The following exceptions are applicable (NGR 5-1, chapter 7):

1. Income received from the use or rental of State-owned, Federally-supported armories is not program income. However, the State must fulfill its obligations under 10 USC 18236(c) on the use of these funds. 10 USC 18236(c) permits States to rent out armories if the State uses the rental income to maintain the armory. In addition, as a condition for continued Federal support, the State must increase its contribution to the agreement by at least the amount of all Identifiable Incremental Costs (IIC), as defined in NGR 5-1, chapter 7-3c(4), for which it receives Federal support (e.g., utilities).
2. Reimbursements made to NGB by another Federal agency for the use of an NGB supported National Guard facility are not program income but are considered to be direct reimbursement of costs incurred. However, they may increase the maximum funding limitations of the appropriate appendices to the CA.
3. Amounts paid directly to a State Military Department by a Federal agency, a State agency, or any other user for the use of a State Military Department owned, leased, or licensed real property (exclusive of armories) or equipment acquired or supported under an NGB CA pursuant to a direct relationship between the Federal or State agency, or other user and the State Military Department are program income.

**L. Reporting****1. Financial Reporting**

- a. SF-269, *Financial Status Report* - Not Applicable
- b. SF-270, *Request for Advance or Reimbursement* - Applicable
- c. SF-271, *Outlay Report and Request for Reimbursement for Construction Program* - Not Applicable
- d. SF-272, *Federal Cash Transactions Report* - Applicable

**2. Performance Reporting** - Not Applicable**3. Special Reporting** - Not Applicable