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# MEMORANDUM

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Date: March 5, 2019

To: The Honorable Chairman and Members  
Pima County Board of Supervisors

From: C.H. Huckelberry  
County Administrator

A handwritten signature in black ink, appearing to be "CHH", is written over the printed name "C.H. Huckelberry".

Re: **Indirect Grant Expense Reimbursement Report from Grants Management and Innovation Office Director Regina Kelly**

After discovering the County failed to request indirect expense reimbursement for the Operation Stonegarden Grant, where the grant format was structured such to make it appear that indirect cost reimbursement was not eligible, I asked our Grants Management and Innovation Office (GMI) staff to review all of the justice and law enforcement grants compiled by Budget staff in the Finance and Risk Management Department to determine indirect cost reimbursement compliance.

The attached March 4, 2019 memorandum from GMI Director Regina Kelly is provided for your information. Their research indicates that out of 52 active grants, 32 grants, or 62 percent, allowed for indirect expense reimbursement. Unfortunately, no County justice and law enforcement department sought indirect cost reimbursement for these 32 grants, which would have allowed for \$2.3 million in essential General Fund reimbursements.

I am now asking GMI to request appropriate contract/budget amendments for the remaining 29 active grants that allow for indirect cost reimbursement.

In addition, I have instructed GMI that no grant acceptance on behalf of the County is to be processed unless there is a clear indication that indirect costs can and are being reimbursed.

CHH/anc

Attachment

c: Jan Leshar, Chief Deputy County Administrator  
Regina Kelly, Director, Grants Management and Innovation Office

Date: March 4, 2019

To: C. H. Huckelberry  
County Administrator

From: Regina Kelly, Director   
Grants Management & Innovation

Via: Jan Leshner, Chief Deputy   
County Administrator

Re: Indirect Grant Expense Reimbursement

In your memo, dated January 17, 2019, you requested a review of Federal and State grants received by various Pima County criminal justice agencies and departments. You specifically requested a determination regarding whether or not these grantees are seeking reimbursement for indirect expenses, if indirect cost reimbursement is allowable, and the reasons why grant-seeking agencies failed to obtain indirect cost reimbursement.

I instructed Grants Management & Innovation (GMI) staff to review the list of grants compiled by Budget staff in Finance and Risk Management (FRMG); this list was attached to the above-referenced memo. For each grant, GMI staff identified the award, the funder, amount awarded, term, indirect cost reimbursement allowability, pursuit of indirect cost reimbursement, and budget amendment allowability.

GMI found that the grants identified by FRMG included grants that were neither Federal nor State (e.g., private foundation grants) and included grant agreements that had already terminated. The revised list is summarized in the table (Table 1) below:

Table 1: Grants Summary for Criminal Justice Agencies

Agency	Grants Identified by FRMG	Grants Identified by GMI	Active Federal Grants	Active State Grants	Total Active Award Amount for Indirect Eligible Grants
Justice Court Ajo	3	0	0	0	\$ 0
Juvenile Court	10	9	2	2	\$ 1,120,797
Superior Court	14	12	7	4	\$ 833,590
County Attorney	14	18	8	2	\$ 4,163,153
Sheriff	32	34	21	6	\$ 2,893,686
<b>Total</b>	<b>73</b>	<b>73</b>	<b>38</b>	<b>14</b>	<b>\$ 9,011,226</b>

Indirect cost reimbursement related to federal grant awards is achieved through the application of an indirect cost rate. These rates must be accepted by all Federal awarding agencies as well as those entities passing through Federal awards to subrecipients. The only exceptions are when the Federal awarding agency has obtained an approved deviation for an entire class of Federal awards or for a single Federal award (e.g., based on statute or regulation). These exceptions must be stated in the grant announcement—i.e., the Notice of Funding Opportunity (2 CFR §200.414(c)(4)). Please note that indirect cost rate proposals created by local governments like Pima County do not have to be formally submitted to a federal cognizant agency unless the local government received more than \$35 million in *direct* Federal funding in the most recently completed fiscal year. Based on this criteria, Pima County does not currently have to go through the formal submission process. Nevertheless, per Appendix VII to 2 CFR 200, Pima County is required to “develop an indirect cost proposal in accordance with the requirements of this Part.” This annual proposal is currently developed by GMI’s Finance division.

GMI researched the allowability of indirect cost reimbursement for the 52 active grants identified in Table 1, above. GMI found that only 32 (62%) allowed for indirect expense reimbursement. Unfortunately, GMI also found that none of the County awardees of these 32 grants sought indirect cost reimbursement. Had these grantees ensured that

indirect cost recovery was included in their final grant agreements, the County could have potentially recovered more than \$2.3 million.

Of the above-referenced 32 grants, 29 allow for contract/budget amendments. Amendments for the active grants would make the most sense for those grants with more than one year remaining in the grant performance period. Of the 29, only eight have more than one year left. The following table (Table 2) identifies in which agency these grants reside.

Table 2: Active Grants Eligible for Indirect Cost Reimbursement and Amendment by Agency

Agency	Grants with More than One Year Left	Potential Indirect Recapture
Juvenile Court	2	\$ 247,298
Superior Court	1	\$ 32,367
County Attorney	3	\$ 572,753
Sheriff	2	\$ 58,032
<b>Total</b>	<b>8</b>	<b>\$ 910,450</b>

If these eight grants are successfully renegotiated at the maximum rate allowed, Pima County could potentially recover more than \$900,000 in indirect cost reimbursement. These budget amendment negotiations would need to proceed with caution, however, to protect each criminal justice agency’s ability to meet program benchmarks since current grant-related activities are budgeted without indirect cost rate consideration. In other words, direct cost line items would have to be reduced or eliminated to allow for the introduction of an indirect cost rate. The elimination or reduction of direct cost line items might result in the need to also renegotiate performance metrics.

Given the above complexities, it may be beneficial to forego revising the current grant agreements and instead take action to ensure that indirect cost rates are included in all County grant applications. GMI proposes that this assurance can be realized through revised Administrative Procedures it will soon submit to you. In the current “Grants Management” Administrative Procedure, for example, it states, “The Department shall request indirect costs based on the County’s Indirect Cost Rate Proposal . . . any time this expense is allowable under the award” (Procedure Number 22-4, Section 3.3.2). GMI proposes a revision to this specific section in order to ensure that the County Administrator has direct oversight of any exceptions to this requirement. GMI’s proposed revision reads:

Unless prohibited by the grantor, County Entities must request indirect cost reimbursement in all grant applications, including applications in which the Entity is a prospective Subrecipient. County Entities must use the indirect cost rates published in the County’s *Departmental Indirect Cost Rate Proposal*, which is calculated annually by the GMI Finance Division, and can be found on the GMI intranet site. Exemptions for indirect cost rate reimbursement must be approved by the County Administrator or his designee.

GMI will additionally propose, in its corresponding intranet guidelines, that evidence of the above-referenced exemption from requesting indirect cost reimbursement must be in the form of a waiver signed and dated by the County Administrator or his designee. This waiver form will be published on the GMI intranet site for departments to download when seeking such exemptions.

GMI will also lobby for changes to the second page of the “BOS Agenda Item Report for Contracts/Awards/Grants.” In the “Grant/Amendment Information” section, GMI proposes the inclusion of an “Indirect Cost Reimbursement Rate” line where the County entity must report the rate percentage used. GMI will also propose the inclusion of a box that reads, “Check here if grant award does *not* include request for Indirect Cost Reimbursement” with instruction to attach the waiver signed and dated by the County Administrator. These controls, GMI argues, will ensure uniform compliance, in future, for requesting indirect cost reimbursement as well as compliance to a process that documents exceptions to this rule.