



Orphaned Well Program - State Frequently Asked Questions

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[DOI.GOV/IBC](https://www.doi.gov/IBC)

Agenda

- Purpose
- Topics of Discussion
 - Administrative Costs vs. Project Costs
 - Direct Costs, Indirect Costs, and Negotiated Indirect Cost Rate Agreement (NICRA)
 - Quarterly Financial Reports – SF-425
 - Award Date vs. Effective Date
 - Construction
 - Purchase of Drones
- Contact Information



Intro / Purpose

Based on feedback provided to the DOI Orphaned Wells Program Office from the Interstate Oil and Gas Compact Commission, the following financial topics are being presented to provide clarity.



Administrative vs. Project Costs



Cost Type Descriptions

Administrative Costs

- Costs, which may be Direct or Indirect, that are typically used for general grants management or program administration

Project Costs

- Estimated or incurred costs that are necessary to complete the project and contribute directly to the outcomes



Administrative Costs

Administrative Costs *may be* the following:

- Direct and indirect costs
- General grant management or program administration that is not project/program specific
- Human Resources, Facilities, Accounting, Legal, and other administrative tasks related to operating the Orphan Well Abandonment Program
- Personnel and Non-Personnel costs



Guide for 10% Administrative Costs

Per Section [40601\(d\)\(2\)\(B\)](#), Administrative Costs are limited to **no more than 10% of the funds received** for the following Grants:

Initial Large State Grants

Tribal Implementation Grants

State Formula Grants

State Performance Grants



Administrative Cost Obligations – Key Points

A financial obligation is a definite commitment that creates a legal liability of the state using federal financial funds to pay for goods and services ordered or received.

- Payment for such may be made immediately or in the future
- Obligation of the state when supported by documentary evidence of a binding agreement between a state and another entity (including a different state office)
- A document (typically a contract) must be prepared in writing and executed before the end of the period of availability for the obligation of the appropriation used for specific goods to be delivered or services to be performed

Limitations are as follows:

- Work that contributes directly to the preparation and execution of projects in support of project outcomes
- Work directly required for well plugging, remediation, and site reclamation projects or activities



Administrative Costs Limitations/Options Cont.

What is considered an obligation:

Interagency Agreement (IAA)

- An Interagency Agreement (IAA) in the federal government requires using the Treasury Department's standard forms 7600A and 7600B, along with the terms and conditions, a statement of work, and financial terms to record the agreement
- An IAA creates a financial obligation

What is not considered an obligation:

Memorandum of Understanding (MOU)/Memorandum of Agreement (MOA)

- A MOU/MOA is a written agreement between two or more parties that sets shared goals. An MOU/MOA is not a contract because it is not a legal document, and no money changes hands. An MOU/MOA **alone** will not create a financial obligation because they do not provide for consideration from each party, like the promised exchange of funds



Project Costs

Project costs are those expenditures needed to complete a project or operate an orphaned well program. These costs are not defined as administrative.

Project Costs *may* include the following:

- Any expenditures made or estimated to complete project work
- Any monetary obligations incurred to complete the objectives of the orphaned well program
- Preparation for the execution of individual project site work and activities related to plugging, remediation, and reclamation of orphaned wells, inventory and assessment activities, and tracking and measuring methane gases, etc.



Project Costs Examples

- Identification and prioritization of orphan wells
- Pre- and post-plugging methane measurements, site inspections, leak detection, and spill response
- Creating well-specific minimum plug and abandonment requirements (formation picks, cement calculations, and well history reviews)
- Communicating with State and local agencies, landowners, and communities
- Reviewing program changes, safety plans, and sampling plans
- Reviewing well plug and abandonment notice of intentions and issuing permits
- Reviewing well histories and issuing final letter of abandonment



Direct/Indirect Costs & NICRA



Cost Descriptions

Direct Costs

- Costs identified specifically with a particular final cost objective (e.g. a Federal award)
- Costs that can be directly assigned to activities or projects with a high degree of accuracy

Indirect (F&A) Costs

- Costs incurred for a joint objective that cannot be assigned to a specific activity or project (for example: utilities, rent, administrative staff)
- Also referred to as Facilities & Administration (F&A) Costs

Negotiated Indirect Cost Rate Agreement (NICRA)

- An agreement issued to reflect the rate of indirect cost negotiated between the Federal Government and a Grantee's organization



Direct/Indirect Costs

The following guidance **must** be adhered to:

Organizations may not charge specific costs as both Direct and Indirect Costs

Costs must be treated consistently (either as Direct or Indirect) across all programs

For more information: Review [§ 2 CFR 200.413 Direct Costs](#) and [§ 2 CFR 200.414 Indirect Costs](#)



Direct Costs

Examples of Direct Costs include:

- Personnel for direct labor
- Fringe Benefits (health, retirement)
- Contractor/Consultant Services to accomplish a specific project or plug a well
- Travel of personnel to a site inspection
- Materials/supplies purchased directly for use on a project

For more information: Review [§ 2 CFR 200.413 Direct Costs](#)



Indirect Costs

Examples of Indirect Costs may include:

- Utilities
- Administrative staff
- Supplies
- Insurance
- Rent
- Audit and accounting costs

Review cost allocation plan to determine what costs comprise indirect costs

For more information: [§ 2 CFR 200.414 Indirect Costs](#)



Negotiated Indirect Cost Rate Agreement (NICRA)

- Negotiated Indirect Cost Rate Agreement (NICRA) is a document published to reflect an estimate of indirect cost rate negotiated between the Federal Government and a Grantee's organization
- The NICRA reflects the indirect costs (facilities and administrative costs) and fringe benefit expenses incurred by the organization
- 2 CFR 200.414 (c). Negotiated rates must be accepted by all Federal awarding agencies
- Covers specific time periods and base (type of cost)



NICRA: How to Obtain/Renew

- Organizations submit cost allocation plan usually annually, but depends on how your agency develops its cost allocation plan or indirect cost proposal
- Contact Cognizant Agency (Federal Agency that awards the most funds to a recipient in a given year)
- If DOI is the Cognizant Agency, contact Interior Business Services at [IBC Indirect Cost Services](#)
- Need more information, contact your Financial Assistance Officer assigned to your award



Tracking Costs

Adhere to the following guidance to effectively track costs:

- Meet standards set forth in 2 CFR §200.302, 200.303, and 200.328
- Provide financial and performance reporting required by clear audit trail
- Trace funds to level of expenditures adequate according to Federal statutes, regulations, and relevant terms and conditions
- Minimize the time between the transfer of funds and disbursement by the grantee or subgrantee
- Maintain records that adequately identify the source and application of funds for federally-funded activities

For more guidance: Review § 2 CFR [200.302](#), [200.303](#), and [200.328](#)



Quarterly Financial Reports SF-425



Background – What is the SF-425

Periodic Status Reporting Required by law (Uniform Guidance as [2 CFR §200.328](#))

- Detailed financial snapshot of expenditures
- Standard form used governmentwide
- Information collected and reported quarterly for initial state grant awards

Keep in mind

- **If needed, extensions to reporting deadlines are required to be submitted in advance and in writing**
- SF-425 form is available in Fillable PDF Format
- Digital copies: In form select File > Print > Choose Adobe PDF printer. Select Fill and Sign or Certificate depending on version of Adobe

Use current form www.grants.gov



Terminology

- **Automated Standard Application for Payments (ASAP.GOV)**
- **Basis of Accounting – Cash or Accrual**
 - Cash method means expenses are recorded when paid
 - Accrual means expenses are recorded when incurred
- **Cash Receipts** - the cumulative amount of actual cash received from Federal Agency
- **Recipient Share is matching, or cost share funds required** by the award from nonfederal sources and must be reported



Terminology - continued

- **Unliquidated Obligations** – Expenses incurred by not yet charged to the award (e.g., amounts to subrecipients and contractors)
- **Indirect Costs** - Negotiated Indirect Cost Rate Agreement (NICRA) for rate type, base, and percentage. [See Uniform Guidance 2 CFR § 200.414](#)
- **Program Income** - Revenue earned as a direct result of activities funded under a federal grant. **Any program income must be reported.** See [Uniform Guidance 2 § 200.307](#)



SF-425: Questions 10 a- 10 c

10. Transactions	Cumulative
<i>(Use lines a-c for single or multiple grant reporting)</i>	
Federal Cash (To report multiple grants, also use FFR attachment):	
a. Cash Receipts	15,000.00
b. Cash Disbursements	15,000.00
c. Cash on Hand (line a minus b)	0.00
<i>(Use lines d-o for single grant reporting)</i>	

SAMPLE

10. TRANSACTIONS – ENTER THE FOLLOWING:

- a. Total amount of funds drawn from ASAP / paid to recipient
- b. Funds paid out and expended to contracts awarded. In most cases, a = b. For accrual accounting, b could be different
- c. For Cash Accounting system = Difference between ASAP drawdown and amount paid out in invoices to contracts awarded. For Accrual Accounting, difference between ASAP drawdown and expenses incurred. Sum will auto-calculate.



SF-425 Questions 10 d- h: Expenditures

Federal Expenditures and Unobligated Balance:

d. Total Federal funds authorized	50,000.00
e. Federal share of expenditures	15,000.00
f. Federal share of unliquidated obligations	0.00
g. Total Federal share (sum of lines e and f)	15,000.00
h. Unobligated balance of Federal Funds (line d minus g)	35,000.00

SAMPLE

10. TRANSACTIONS – ENTER THE FOLLOWING:

- d. Total amount approved from Federal Awarding Agency. (grant award amount)
- e. Total funds expended to date (Usually the same as 10 b)
- f. Outstanding amounts owed to vendors, contractors, and sub-recipients
- g. Amount obligated to contracts awarded. Should auto-calculate based on sum of 10 e plus 10 f
- h. Grant award amount minus amount obligated to contract = Remaining funds to obligate is 10 d minus 10 g



Award Date vs. Effective Date



Description

Award Date

- Date Financial Assistance Officer **signs** Notice of Award

Effective Date

- Date funding is released to recipient and period of performance begins
- Date each State/Tribe is provided access to their grant funds in the Automated Standard Application for Payment (ASAP)



Note: Once funds are in your individual account in ASAP, they are available only to the State/Tribe for the express purpose of the award



Construction



Description

Construction

- Work on a new facility or an addition to an existing facility

Non-Construction

- Maintenance, repairs, remediation (including painting and decorating)



Construction

Construction is major purpose of the grant program supporting:

- Acquisition, expansion, remodeling, new construction, and alteration of new or existing buildings or any combination of activities.
- Engineering/design & construction (e.g., roads, bridges, tunnels, residential, etc.).
- The construction of a public works projects (e.g., dams, levies, etc.) or public buildings.

For more guidance: Review § 2 CFR [200.308 \(h\)](#)



Construction

Davis Bacon and Related Acts applies:

- Based on legislative authority
- Regardless of classification of award as Construction/Non-Construction
- For more information:
<https://www.dol.gov/agencies/whd/government-contracts/construction/faq/conformance>



Purchase of Drones



Purchase of Drones

The term "unmanned aircraft systems" (UAS) encompasses unmanned aerial systems, drones, and similar technology, including component parts, that are remotely controlled and subject to Federal Aviation Administration regulations.

- It covers activities conducted in furtherance of the Department's mission, using Department funds, or for purposes identified in a cooperative agreement, contract, grant, or other agreement between the Department and another party
- Designated components of UAS include and are not limited to hardware and software components necessary for collecting, storing, and transmitting data or similar information



Purchase of Drones - Continued

- A list of approved UAS may be found here: <https://www.diu.mil/blue-uas>.
- Any equipment purchases related to UAS under this award must be approved in advance.
- Grant funding for the purchase or use of UAS for their own operations must have in place policies and procedures to safeguard individuals' privacy, civil rights, and civil liberties prior to expending such funds.



Contact Information



DOI IBC AQD/Financial Assistance Officers

- IBC Email: AQDFA@ibc.doi.gov



DOI Orphan Well Program Office/Financial Assistance Officers Representatives

- OWPO Email: Orphanwells@ios.doi.gov



Questions?

