NEW MEXICO DEPARTMENT OF FINANCE AND ADMINISTRATION

Local Government Division

GRO FUNDS ELIGIBLE EXPENDITURES POLICY- COUNCILS OF GOVERNMENT

Government Results and Opportunity Program Fund

SECTION 1: PURPOSE AND SCOPE

1.1 Purpose

This policy establishes standards for eligible and ineligible expenditures under the Government Results and Opportunity (GRO) Program Fund, administered by the New Mexico Department of Finance and Administration (DFA), Local Government Division (LGD). It ensures GRO appropriations are expended in accordance with the New Mexico General Appropriation Act of 2026 (HB 2, 2026 Session), applicable state law, and the accountability requirements of HB 158 (2026 Legislative Session). The operative obligations implementing these standards for any particular award are set out in the Special Appropriation Grant Agreement ("Grant Agreement") executed with each grantee.

1.2 Scope

This policy applies to:

- •All grantees receiving GRO program funds administered by DFA/LGD, including councils of governments (COGs) and economic development districts (EDDs) acting as fiscal agents or direct grantees;
- •All subgrantees and subrecipients of GRO funds, whether direct service providers, local governments, nonprofits, or other entities;
- •All DFA/LGD grant managers and fiscal officers responsible for reviewing, approving, and processing GRO payment requests.

This Policy applies to GRO funds appropriated through the GAA and distributed to grantees through Special Appropriation Grant Agreements. It does not govern capital outlay, LGPF, or other DFA grant programs, which are subject to separate policies.

1.3 Legal Authority

GRO expenditures must comply with the following:

- The New Mexico General Appropriation Act of 2026 (HB 2, 2026 Session), which appropriates GRO funds for fiscal years 2027 and 2028: specifies which grantees are eligible and defines allowable uses for each appropriated item. When the language is unclear, grant managers will interpret it in good faith, focusing on purpose, and will consider supporting legislative records during the analysis. Grantees may challenge an Appropriation Justification decision by submitting a written appeal to DFA/LGD's legal counsel, detailing the specific decision, the relevant appropriation language, and the reasons for the appeal. Ultimately, the DFA Secretary or their designee makes the final ruling. Verbal appeals are not accepted.
- HB 158 (2026 Session): requires state agencies administering GRO-funded programs to submit an Accountability and Evaluation Plan and to evaluate program outcomes. Because GRO funds flow through DFA, the appropriating state agency, DFA is the entity subject to HB 158 compliance obligations and, in turn, requires grantees to provide the data and reporting necessary for DFA to fulfill those obligations (see Section 8).
- New Mexico Constitution, Article IX, Section 14 (Anti-Donation Clause): grant funds must provide a public benefit; expenditures must not constitute a donation to a private entity.
- New Mexico Constitution, Article IV, Section 31: the state is constitutionally barred from making direct or indirect appropriations to any person, corporation, association, or community that is not under the absolute control of the state.
- § 6-6-2, NMSA 1978: general fiscal accountability requirements for local public bodies.
- §§ 13-1-28 through 13-1-199, NMSA 1978 (State Procurement Code): applies to procurement of tangible personal property, services, and construction by the state or local public bodies.

SECTION 2: DEFINITIONS

For purposes of this policy, the following definitions apply:

Term	Definition
Capital Item	Any item of equipment or property with a unit cost of five thousand dollars ($5,000) or more.
GRO Fund	The Government Results and Opportunity Program Fund, as established by New Mexico statute and funded through annual legislative appropriation.
Grantee	The entity that has executed a Special Appropriation Grant Agreement with DFA/LGD and is the direct recipient of GRO funds.
Subgrantee / Subrecipient	An entity that receives GRO funds from a Grantee (e.g., a nonprofit receiving funds passed through a COG or EDD) to carry out a program or service.
Fiscal Agent	A COG, EDD, or other entity that receives GRO funds as the grantee of record and passes them through to one or more subrecipients under subgrant agreements.
Eligible Expenditure	A cost that is allowable, allocable, and reasonable under the applicable appropriation language, this policy, and state law.
Ineligible Expenditure	A cost that is expressly prohibited, not authorized by appropriation language, or otherwise fails to meet eligibility standards.
Allowable Cost	A cost that is necessary and reasonable for program performance, allocable to the award, and consistent with applicable law and this policy.
Appropriation Language	The specific legislative language in HB 2 describing the authorized purpose of each GRO appropriation line item.
Appropriation Justification (AJ)	A written statement provided by the Grantee with each pay request or tranche request line item citing the exact HB 2 appropriation clause and explaining how the expenditure advances the authorized purpose.
Public Benefit Certification (PBC)	A signed certification submitted with each pay request or tranche request describing the target population served, the specific output or benefit delivered, and the method used to verify delivery.
Cost Allocation Plan (CAP)	A written document that describes the methodology, bases, and drivers used to allocate shared costs among programs or funding sources.
Related Party	Any individual or entity with a familial, financial, or organizational relationship to the Grantee, its officers, board members, or key personnel.
Split Purchase	The artificial division of a single procurement into multiple smaller purchases to avoid applicable competitive procurement thresholds or the capital expenditure prohibition.
Target Population	The specific group of individuals, households, or communities that a funded program is designed to serve, as described in or reasonably inferred from the HB 2 appropriation language.
Outputs and Outcomes	Outputs are the direct, countable products of program activities (e.g., number of individuals served, services delivered, items distributed). Outcomes are the changes in condition, behavior, or status that result from those activities and that the program is designed to achieve.

SECTION 3: GENERAL ELIGIBILITY PRINCIPLES

All GRO expenditures must satisfy the following threshold criteria. A cost that fails any one criterion is ineligible for reimbursement regardless of how it is categorized.

3.1 Allowable

An expenditure is allowable under a GRO grant award only if it is expressly authorized by the HB 2 appropriation language for that specific award, or reasonably necessary to accomplish the purpose described in that language.

Expenditures beyond the stated scope of the appropriation are not allowable even if they serve a general public benefit.

Appropriation Justification (AJ). For each appropriation, the grantee must provide an AJ citing the exact HB 2 appropriation clause and explaining how the expenditure advances the authorized purpose in that clause.

3.2 Reasonable

The cost must be of a type generally recognized as ordinary and necessary for the type of program funded. A cost is reasonable if, in its nature and amount, it does not exceed what a prudent person would incur under similar circumstances. Price reasonableness documentation requirements are set forth in the Grant Agreement.

3.3 Allocable

The cost must be allocable to the GRO award. A cost is allocable if it is incurred specifically to advance the objectives of the funded program and benefits the program in proportion to the amount charged. For shared costs that benefit multiple programs or funding sources, the grantee must maintain a written Cost Allocation Plan (CAP) that covers allocation bases, drivers, and calculation methods. Retroactive changes to an approved allocation methodology are prohibited without prior written DFA/LGD approval.

Cost Allocation Plan requirements, including the tiered obligations by award size and the subgrantee CAP retention rule, are set forth in Appendix A of this Policy, which also provides the DFA/LGD Cost Allocation Plan template.

3.4 Incurred Within the Grant Period

Expenditures must be incurred on or after the first day of the grant term set forth in the Grant Agreement and no later than the Grant Expiration Date, without regard to the date DFA executes the Grant Agreement. A grantee that incurs costs before DFA executes the Grant Agreement does so at its own risk, and DFA has no obligation to reimburse those costs if the Grant Agreement is not fully executed. The 35% final-quarter cap and final-30-day enhanced review requirements are set forth in the Grant Agreement.

3.5 Properly Documented

All expenditures must be supported by documentation sufficient to demonstrate the cost was incurred, paid, allowable, and allocable. Required documentation is specified in the Grant Agreement.

3.6 Consistent with Anti-Donation Clause

All GRO expenditures must produce a demonstrable public benefit. Funds may not be disbursed to a private entity-including a nonprofit-~~as~~ a gift, donation, or subsidy that does not result in a specific, identifiable public service or benefit to New Mexico residents. This requirement derives from the New Mexico Constitution, Article IX, Section 14, and cannot be waived or satisfied by other documentation.

Public Benefit Certification (PBC). For each appropriation there must be a completed PBC documenting: (1) the target population served; (2) the specific output or benefit delivered; and (3) the method used to verify delivery.

SECTION 4: ELIGIBLE EXPENDITURE CATEGORIES

Documentation requirements for each expenditure category are specified in the Grant Agreement and Exhibit B.

Expenditure Category	Examples	Notes / Restrictions
Personnel	Wages, salaries, and fringe benefits for staff whose time is directly allocable to GRO program activities (e.g., case managers, program directors, coordinators)	Only direct program personnel eligible. Documentation must meet Appendix B: activity-based timesheets reflecting actuals each pay period, or a Personnel Cost Attestation where Appendix B allows one. Lump-sum or estimated allocations are prohibited.
Professional Services	Contracted services directly supporting program delivery: bookkeeping, legal services, counseling, consulting, evaluation, training	Procurement thresholds and sole-source approval requirements are set forth in the Grant Agreement.

Operations / Program Supplies	Consumable supplies, educational materials, books, program supplies, small tools, uniforms, printing, posters	Items must be directly used in funded program activities. No capital expenditures (see Section 5.2). Split purchases prohibited.
Utilities	Electricity, water, gas, waste pickup, internet/phone for facilities used primarily for the funded program	Allocation must follow approved hierarchy: (1) sub-meter/direct billing; (2) square footage x time-use logs; (3) headcount/activity driver with written rationale. Mid-year changes require DFA/LGD approval.
Software and Technology	Software subscriptions directly supporting program operations (e.g., payroll software, newsletter tools, case management platforms)	Shared licenses must use documented allocation keys based on active user counts or feature utilization. Charges capped at the lower of pro-rata users on grant or proportionate time within grant period. Personal-use or entertainment software ineligible.
Travel and Lodging	Transportation, lodging, and per diem for staff traveling in direct support of program activities	Pre-trip approval required for all overnight travel. Must use lowest logical airfare and standard lodging unless exception preapproved. Post-trip reconciliation to per diem required.
Training and Professional Development	Registration fees, materials, and direct costs for staff training directly related to program delivery	Staff must be assigned to the funded program for at least six months post-training, or costs must be prorated. Degree-seeking coursework ineligible unless explicitly authorized in appropriation language. Prior DFA/LGD approval required for training not directly tied to funded tasks.
Facility Costs / Rent	Rental or lease payments for facilities used to deliver the funded program	Facility must be used primarily for the GRO-funded program. Shared space requires proportionate allocation per approved Cost Allocation Plan. Lease-to-own arrangements ineligible; operating leases must be arms-length with no ownership transfer provision.
Subgrant / Subcontract Costs	Pass-through funds to subgrantees or subrecipients for program delivery consistent with appropriation language	Subgrant agreements do not require DFA review or Approval before execution; DFA will review the COG's subgrant template for consistency on request. DFA retains audit rights over subrecipients.

Guidance on Common Appropriation Terms

The following illustrates how commonly used HB 2 appropriation terms map to the eligible expenditure categories above:

- "Programmatic costs and resources" covers personnel, contracted services, program supplies, and operational costs directly tied to service delivery.
- "Operational expenses" covers utilities, rent, software, and recurring administrative costs allocable to the funded program.
- "Staffing" covers wages, salaries, and fringe benefits for staff whose time is directly allocable to program activities.
- "Capacity building" covers training, technical assistance, and systems development that strengthen the organization's ability to deliver the funded program.
- "Community-based services" covers direct service delivery to individuals or households within the defined service area.

Personnel cost documentation standards are set forth in Appendix B of this Policy. Additional standards for software, utilities, and facility costs are set forth in the Grant Agreement.

SECTION 5: INELIGIBLE EXPENDITURES AND RESTRICTIONS

5.1 Categorically Ineligible Costs

The following costs are ineligible for reimbursement under GRO grants regardless of appropriation language:

- Lobbying, advocacy, or political activities, including costs to influence legislative or executive action;

- Alcoholic beverages;
- Entertainment, meals for non-program purposes, or social events not directly tied to program delivery;
- Religious activities or facilities used primarily for religious purposes;
- Fines, penalties, interest, and costs associated with legal violations;
- Costs of fundraising, including grant writing for non-GRO purposes;
- Costs incurred before the first day of the grant term or after the Grant Expiration Date;
- Double-billed costs reimbursed by another funding source;
- Payments to principals, owners, or board members of a for- at fair market value;
- Purchase of real property or land;
- Contributions to reserves, endowments, or trust funds, and contingency funds or reserves;
- Subgrants or subcontracts awarded to an entity or for a purpose not identified in the approved Program Description without prior written DFA approval;
- Degree-seeking coursework, unless explicitly authorized by the applicable appropriation language;
- Undisclosed related-party transactions; any expenditure found to involve an undisclosed related party will be deemed ineligible in its entirety.

5.2 Capital Expenditures

Whether a capital expenditure is eligible under a GRO appropriation depends on the appropriation language. Grant managers will apply the two-track standard below when reviewing tranche requests that include capital items. For purposes of this section, a capital item is any item of equipment or property with a unit cost of five thousand dollars ($5,000) or more.

(A) Programmatic and Operational Appropriations. Where the HB 2 appropriation language describes the authorized purpose in terms of programmatic costs, operational expenses, resources, staffing, capacity building, or similar service-delivery language, capital purchases are prohibited. Any tranche request that includes a capital expenditure under such an appropriation will be denied and returned to the COG without processing.

(B) Explicitly Authorized Capital Appropriations. Where the HB 2 appropriation language explicitly authorizes the purchase of equipment, vehicles, or other capital items-naming the specific asset or asset type-capital expenditures consistent with that language are eligible. Capital expenditure controls, including asset inventory, retention, closeout certification, and Anti-Donation Clause compliance requirements, are set forth in the Grant Agreement.

Classification Disputes. Where a COG believes its appropriation language authorizes a capital purchase but DFA/LGD has classified the appropriation as programmatic, the COG must submit a written request to its assigned Grant Manager prior to incurring the cost, citing the exact appropriation language and the basis for the classification. DFA/LGD will respond in writing. Verbal guidance does not constitute an eligibility determination.

Additional Rules. Additional capital expenditure rules, including split purchase and lease-to-own prohibitions and the treatment of functionally integrated systems, are set forth in the Grant Agreement.

5.3 Travel Restrictions

Travel must comply with the Per Diem and Mileage Act, NMSA 1978, §§ 10-8-1 through 10-8-8, and the regulations at 2.42.2 NMAC, which apply to local public bodies including COGs. Travel charged to GRO funds must also comply with the State of New Mexico Manual of Model Accounting Practices (MAP), which the Grant Agreement incorporates, and in particular MAP FIN 5.8 (Travel Reimbursement for Per Diem, Actual Expenses, and Mileage) and MAP FIN 5.9 (Travel Advances). Among other things, those standards require that travel exceed a 50-mile radius from post the traveler's home and post of duty to qualify for per diem, that reimbursement requests be itemized by day in chronological order, that travel costs be incurred in the lowest economical manner practical (personal preferences are not reimbursable), and that international travel be approved in advance by the governing body. The current Manual of Model Accounting Practices is published at https://www.nmdfa.state.nm.us/financial-control/resource-information/manuals/. Pre-trip approval and post-trip reconciliation are the responsibility of the COG or fiscal agent under its own written travel procedures, which must be at least as restrictive as the standards cited above and must be produced to DFA/LGD upon request.

5.4 Budget Deviation Thresholds

Baseline for review. For purposes of Section 8.1 of this Policy and Article IV(A) of the Grant Agreement, the approved budget is the most recently approved budget, including any budget modification approved in writing by DFA/LGD. DFA/LGD reviews expenditures on each pay request and tranche request against the most recently approved budget.

Effect of an approved modification. A written budget modification approval issued by DFA/LGD is the prior written approval required by Article IV(A) and Article IV(J) of the Grant Agreement for the line-item amounts it authorizes. A grantee is not required to obtain a second approval for expenditures within an approved modification, and variance attributable to an

approved modification does not place a grantee out of compliance or make an expenditure ineligible.

Continuing deviation authority. Where an approved modification has consumed all or part of a grantee's tiered deviation allowance, the grantee may request, and DFA/LGD may include in the modification approval, prior written approval for further deviation up to the applicable percentage of the modified line-item amount. A grantee that wishes to preserve deviation authority should request it at the time it submits the modification.

Reporting. The cumulative variance report required by Article IV(J)(d) reports variance measured from the original approved budget. A grantee may add a current approved budget column so that approved modifications are visible on the face of the report, coordinated with the assigned Grant Manager under Section 6.5. Retaining the original figure preserves the link to the appropriation language reviewed at execution and does not create an additional approval requirement.

5.5 Scope Change Controls

Scope changes require a revised scope of work, written risk assessment, and prior written approval from the LGD Division Director. The scope-change process is set forth in the Grant Agreement.

5.6 Additional Prior Approval Requirements

Sole-source contracting requirements are set forth in the Grant Agreement, Article VI(F)(b). Travel exceeding State per diem or mileage rates is not reimbursable from GRO funds; see Section 5.3. Subgrant and subaward agreements between a COG or fiscal agent and its subrecipients do not require DFA/LGD review or approval before execution. A COG or fiscal agent may submit the subgrant template it intends to use, and DFA/LGD will review the template for consistency with the Grant Agreement and this Policy and respond in writing. DFA/LGD approval is required only before subgranting to an entity or for a purpose not identified in the approved Program Description.

SECTION 6: DOCUMENTATION REQUIREMENTS

All tranche requests submitted to DFA/LGD must be accompanied by a completed quarterly Progress Report (Exhibit B), which serves as the expenditure reconciliation for each tranche request. Submission completeness requirements, cure periods, and processing timelines are set forth in the Grant Agreement. Documentation previously submitted to DFA/LGD in support of a pay request or tranche request need not be resubmitted with the quarterly Progress Report for the same expenditure; the grantee instead identifies, by date and submission reference, the submission with which that documentation was provided. Documentation for expenditures not previously submitted to DFA/LGD must accompany the quarterly Progress Report.

6.1 Required Documentation for All Tranche and Reimbursement Requests

Required documentation for each tranche request and each reimbursement request, including the summary of expenses, PBC, subrecipient invoices, proof of payment, and cumulative budget variance report, is specified in the Grant Agreement and Exhibit B

6.2 Personnel Cost Documentation

Personnel cost documentation requirements, including timesheet standards, eligibility for the simplified attestation option, and the Personnel Cost Attestation template, are set forth in Appendix B of this Policy.

6.3 COG/Fiscal Agent Recordkeeping Responsibilities

The COG or fiscal agent is responsible for ensuring all subrecipient documentation meets this policy's standards before submitting a tranche request. Subrecipient records are retained at the COG level and produced upon request by DFA/LGD, the DFA Independent Public Accountant, or the New Mexico State Auditor.

6.4 DFA/LGD Review Timeframe

DFA/LGD’s target is to complete the completeness review of a submitted pay request or tranche request within three (3) business days of receipt, and in no event later than five (5) business days of receipt, and to complete substantive review within the processing period set forth in the Grant Agreement. These timeframes are administrative targets published to support grantee cash-flow planning. They are not conditions of payment, do not create a contractual obligation or a claim against DFA/LGD, and do not extend the grant term or any submission deadline. Review timeframes depend on the completeness and quality of the submission: a submission returned with a written deficiency notice restarts the applicable timeframe upon resubmission, and a submission that requires follow-up on eligibility, appropriation nexus, or supporting documentation will take longer. Target timeframes may also be affected by staff absences, statewide or agency emergencies, fiscal year-end

closeout, and periods of peak submission volume. DFA/LGD will notify the grantee in writing if review of a particular submission is expected to exceed the target.

6.5 Form of Exhibit Submissions

The Grant Agreement exhibits enumerate the information DFA/LGD must collect; they do not prescribe the only acceptable format for providing it. A COG or fiscal agent may work with its assigned Grant Manager to agree on the means and format of submitting the information required by Exhibit A (Pre-Award Information) and Exhibit B (Progress Report) Acceptable alternatives include the COG's existing budget, reporting, or subrecipient monitoring formats, a spreadsheet or system export, or a single combined submission covering multiple appropriations. An agreed alternative must capture all of the information the applicable exhibit requires and must be confirmed in writing by the Grant Manager before first use; once confirmed, it remains available for the term of the Grant Agreement unless the Parties agree otherwise. Where no alternative is agreed, the exhibit form provided with the Grant Agreement package applies. A separate Exhibit A and Exhibit B are completed and submitted for each appropriation administered under the Grant Agreement, unless the Grant Manager has confirmed a combined format in writing.

SECTION 7: HB 158 ACCOUNTABILITY AND EVALUATION PLAN REQUIREMENTS

HB 158 (2026 Session) requires state agencies administering GRO-funded programs to submit an Accountability and Evaluation Plan for each program or project funded by a GRO appropriation. Because GRO funds are appropriated to and flow through DFA, DFA is the state agency subject to HB 158 compliance. DFA/LGD fulfills this obligation by collecting performance data and program information from COGs and EDDs sufficient to allow DFA to prepare required plans and evaluations. COGs and EDDs are required to provide the data and reporting described in this section as a condition of their Grant Agreement.

Reporting requirements apply per appropriation, not per COG or EDD. Each line-item appropriation in HB 2 is assessed independently against the tiered thresholds below. A COG or EDD administering multiple appropriations determines its reporting obligations award by award, not in aggregate.

7.1 Tiered Reporting Requirements

Reporting requirements are scaled by award size. Tiers, deadlines, and data quality certification requirements are set forth in the Grant Agreement.

For COGs and EDDs administering funds through subrecipients, performance data reported to DFA/LGD must reflect outcomes achieved at the subrecipient level. COGs are responsible for collecting, verifying, and certifying the accuracy of subrecipient data before submission. DFA/LGD does not collect performance data directly from subrecipients.

7.2 Full Accountability and Evaluation Plan Elements (Awards Over $500,000)

For awards over $500,000, the Accountability and Evaluation Plan must address all six elements required by HB 158 Section 1(A):

- Goals, objectives, and expected outputs and outcomes for the program or project;
- Description of specific program activities and how those activities will achieve expected outcomes;
- Summary of the evidence base for the program (evidence-based, research-based, promising practice, or no rigorous research yet available);
- List of performance measures and a monitoring plan to regularly assess performance;
- Evaluation plan to assess causal impact on expected outcomes;
- Methods and timeline for releasing accountability and evaluation results to DFA/LGD, LFC, and the public.

DFA/LGD will provide a standard template keyed to these six elements with the grant agreement package. To support COGs and EDDs in meeting this requirement, DFA/LGD will engage an evaluation contractor to assist with the development of Accountability and Evaluation Plans; COGs and EDDs subject to this requirement will be connected with the contractor upon notification of their reporting obligations under Section 7.3.

7.3 DFA/LGD Statutory Timeline

Deadline	Action	Responsible Party
May 1 (annual)	DFA/LGD notifies each grantee required to submit a plan or performance data	DFA/LGD
July 1 (year of appropriation)	Full Accountability and Evaluation Plan due from grantees with awards over $500,000	Grantee
September 1 (if required)	Revised plan due if requested by DFA/LGD	Grantee
July 15 (final year of appropriation)	DFA/LGD and LFC consider program evaluation and make budget recommendations	DFA/LGD + LFC

7.4 Relationship to Tranche Disbursement

Submission of required accountability reporting is a condition of continued tranche disbursement. Hold notice and suspension procedures for overdue submissions are set forth in the Grant Agreement.

SECTION 8: BUDGET MANAGEMENT AND PAYMENT PROCESS

8.1 Approved Budget

Expenditures must be consistent with the budget approved in the Grant Agreement. Deviations require prior written approval per the thresholds set forth in the Grant Agreement. The COG or fiscal agent is responsible for submitting a project budget for each appropriation to DFA/LGD for review and approval. A COG or fiscal agent may delegate preparation of a project budget to the subrecipient that will carry out the appropriation, but the COG or fiscal agent remains responsible for submission, accuracy, and compliance. Each project budget approved by DFA/LGD is incorporated into the Grant Agreement as part of Exhibit A, Section 6.

8.2 Budget Modifications

COGs and fiscal agents seeking to modify an approved budget must submit a written request to their assigned Grant Manager prior to incurring the proposed expenditure. Budget modification procedures and approval levels are set forth in the Grant Agreement.

8.3 Payment Structure — Quarterly Tranche Disbursement

DFA/LGD disburses GRO funds to COGs and fiscal agents on a quarterly tranche basis to alleviate cash flow constraints associated with administering subrecipient awards. The tranche schedule and any modifications to it will be identified in the Grant Agreement and may not be modified without written approval from the LGD Director.

Tranche release requirements, including the expenditure threshold and supporting documentation required for each demonstration of executed subgrant agreements, and is the greater of one-eighth (1/8) of the total award or the total dollar value of subgrant agreements executed and not previously funded through a prior tranche. Where a COG or fiscal agent administers more than one appropriation under a single Grant Agreement, the tranche calculation is performed separately for each appropriation and its associated subgrant agreements, and not in the aggregate. In addition to quarterly tranches, a COG or fiscal agent may request reimbursement of eligible costs between scheduled tranches. Back-up documentation supporting record and proof of payment for each expenditure claimed, together with the summary of expenses, AJ, and PBC. Both pathways remain available; use of the reimbursement pathway does not alter the tranche schedule or the tranche calculation, and an expenditure may be claimed only once. A quarterly Progress Report is required for each quarter of the grant term regardless of which pathway the COG or fiscal agent uses and regardless of whether funds were received during that quarter. Final tranche reconciliation requirements and year-end submission deadlines are set forth in

the Grant Agreement

SECTION 9: QUESTIONS AND POLICY INTERPRETATION

DFA/LGD Grant Manager prior to incurring the cost. DFA/LGD will respond in writing. Verbal guidance does not constitute an official eligibility determination. Written interpretations issued by DFA/LGD are binding for the specific fact pattern presented and will be maintained on file.

This policy will be reviewed annually and updated as needed to reflect changes in law, legislative appropriations, or DFA administrative requirements, subject to the following limitations. DFA/LGD will not amend this Policy in a manner that does not prevent DFA/LGD from correcting errors or cross-references, updating forms or templates, or conforming this Policy to a change in State or federal law. If additional GRO funds are appropriated to or administered by a grantee during the term of an executed Grant Agreement, DFA/LGD may update this Policy and the associated practices and procedures to address that additional funding, and will work collaboratively with affected COGs and EDDs on those changes before they take effect. DFA/LGD will provide written notice of any amendment; an amendment applies to an executed Grant Agreement only as provided in Article X of that Agreement, and no amendment applies retroactively to costs incurred before it takes effect as to the grantee.

APPENDIX A: COST ALLOCATION PLAN (CAP) REQUIREMENTS AND TEMPLATE

A Cost Allocation Plan is required whenever a cost charged to a GRO award also benefits another program or funding source. Its purpose is to show, in writing and before the fact, how a shared cost is divided so that the GRO award is charged only for the share that benefits the funded program. A COG or fiscal agent that charges no shared costs to a GRO award does not need a CAP; it certifies that fact with each pay request or tranche request instead.

B.1 When a CAP Is Required

A CAP is required if any budgeted or claimed cost is shared. Common examples are rent or facility costs for space used by more than one program, utilities on a shared meter, a software license used by staff across multiple programs, and the salary of an employee who divides time between the GRO-funded program and other work. A cost charged one hundred percent (100%) to the GRO award is not a shared cost and is documented under Appendix B rather than by a CAP.

B.2 Tiered Obligations

CAP obligations scale with the size of the award, measured per appropriation.

Tier	Applies When	What Is Required	When It Is Submitted
Tier 1	No shared costs are charged to the appropriation.	No CAP. A written certification that no shared costs are included.	With each pay request or tranche request.
Tier 2	Shared costs are charged and the appropriation is under $150,000.	A completed one-page CAP on the template in Section B.5.	At grant execution, or with the first request that includes a shared cost.
Tier 3	Shared costs are charged and the appropriation is $150,000 or more, or a single cost is shared across three or more funding sources.	A completed CAP on the template in Section B.5, plus the underlying support for each allocation basis (for example, a square-footage schedule, a time-use log, a user-count report, or a headcount roster).	At grant execution, or with the first request that includes a shared cost, and reviewed and reconciled at least annually.

B.3 Allocation Bases

An allocation basis must be measurable, documented, and applied consistently. Use the most direct basis available. For utilities, apply the hierarchy in Section 4 of this Policy: first a sub-meter or direct billing; then square footage multiplied by a time-use log; then a headcount or activity driver with a written rationale. For facility costs, use square footage dedicated to the program. For software, use active user counts or documented feature utilization. For personnel, use hours worked on the program as recorded under Appendix B. A basis may not be selected because it produces a higher charge to the GRO award.

B.4 Changes, Reconciliation, and Subgrantees

A CAP is a forward-looking estimate that must be reconciled to actuals. A COG or fiscal agent reconciles its allocations at least annually and at closeout, and adjusts the amount charged to the GRO award if the actual basis differs materially from the estimate. Retroactive changes to an approved allocation methodology are prohibited without prior written DFA/LGD approval; a prospective change requires a revised CAP submitted before the change takes effect. Each subgrantee that charges shared costs to GRO funds must prepare and retain a CAP meeting these same standards. Subgrantee CAPs are not routinely submitted to DFA/LGD. The COG or fiscal agent obtains a copy, retains it for the record retention period in the Grant Agreement, and produces it upon request by DFA/LGD, the DFA Independent Public Accountant, or the New Mexico State Auditor.

B.5 DFA/LGD Cost Allocation Plan Template

Complete one CAP per appropriation. Add rows as needed. A COG or fiscal agent may substitute its own CAP format if it captures every field below and its Grant Manager confirms the substitution in writing.

Organization: _____

Appropriation / Project ID:

_____

Period covered: _____

Prepared by: Title: Date: _____

Shared Cost	Total Cost for the Period	Allocation Basis Used	Basis Measurement	% Charged to GRO	Amount Charged to GRO	Other Programs Sharing the Cost
TOTAL						

Narrative. For each shared cost above, explain in one or two sentences why the basis chosen is the most direct measure available and where the supporting record is kept.

_____

_____

Certification. I certify that the allocations shown above reflect the benefit each program receives, that the bases used are supported by records maintained by this organization, and that no cost charged to the GRO award has been charged to another funding source.

Signature: _____ Title: _____ Date: _____

APPENDIX B: PERSONNEL COST DOCUMENTATION REQUIREMENTS AND ATTESTATION TEMPLATE

Personnel costs are the most frequently questioned category in grant audits, so the standard is simple: the amount charged to a GRO award must be supported by a record made at the time the work was performed. This Appendix sets the default documentation standard, identifies the narrow circumstances in which a simplified attestation may be used instead, and provides the attestation form.

C.1 Default Standard: Activity-Based Timesheets

For any employee whose time is divided between the GRO-funded program and other work, the COG, fiscal agent, or subgrantee must maintain activity-based timesheets that: (1) reflect actual hours worked, not budgeted or estimated sources, not only the hours charged to the GRO award; (3) are prepared at least each pay period; (4) identify the GRO appropriation charged; and (5) are signed or electronically approved by the employee and by a supervisor with direct knowledge of the work. Lump-sum charges, fixed percentages applied without support, and after-the-fact reconstructions are not acceptable.

C.2 Simplified Personnel Cost Attestation

A semiannual attestation may be used in place of activity-based timesheets where either of the following applies:

(1) Sole-program employees. The employee works one hundred percent (100%) of compensated time on the single GRO-funded program for the entire attestation period. This mirrors the federal standard for employees working solely on a single award. If the employee performs any work on another program or funding source during the period, the exception does not apply and timesheets are required for the full period.
Small subrecipient awards. The subgrantee's total award under the approximation less and the personnel charged are assigned to the funded program at a fixed, documented percentage that does not change during the attestation period. If the percentage changes, timesheets are required from the date of the change.
The attestation is completed twice per grant year, covering July through December and January through June, and is signed by the employee and by a supervisor with direct knowledge of the work. It is submitted with the first pay request or tranche request following the end of the period it covers. An attestation does not relieve the organization of the obligation to maintain payroll records, rates of pay, and proof of payment.

C.3 Fringe Benefits

Fringe benefits are charged in the same proportion as the salary they relate to, at the organization's established rate, and are supported by the same timesheet or attestation as the underlying salary. The components included in the rate must be identified on request.

C.4 Personnel Cost Attestation Template

Complete one attestation per employee, per appropriation, per period.

Organization: _____

Appropriation / Project ID:

_____

Attestation period (check one): ☐ July 1 – December 31 ☐ January 1 – June 30

Basis for using this attestation (check one):

☐ The employee worked 100% of compensated time on this GRO-funded program for the entire period.

☐ This is a subrecipient award of $50,000 or less and the employee was assigned to the funded program at a fixed, documented percentage for the entire period.

Employee Name	Position Title	% of Time on This Program	Salary Charged to GRO	Fringe Charged to GRO	Total Charged
TOTAL					

Employee certification. I certify that the percentage shown above is an accurate reflection of the work I performed on this program during the period stated.

Employee signature: _____ Date: _____

Supervisor certification. I certify that I have direct knowledge of the work performed, that the percentage shown is accurate, that the employee met the condition checked above for the entire period, and that no portion of this compensation has been charged to another funding source.

Supervisor signature: _____ Title: _____ Date: _____