



DEC 26 2006

To: Area Directors

From: Acting Director, OCPS

Subject: Rescinding 4/17/02 Memo "Use of Diabetes Grant Funds - Special Exception"

The Balanced Budget Act of 1997, Section 4222, Special Diabetes Program for Indians (SDPI), authorizes the Indian Health Service (IHS) to make grants to Indian Tribes and to IHS Service Units. In 2002, IHS became aware that some IHS Service Unit grantees needed to conduct or expand their diabetes programs in locations where existing space is not readily available. A memorandum was written at that time providing guidance on the permissible usage of SDPI grant funds for that purpose. This memorandum rescinds the one of April 17, 2002 and provides additional clarification regarding the use of SDPI grant funds by IHS grantees for trailers and modular buildings. Grants management and real property programs have distinct policies that provide guidance to IHS grantees regarding modular buildings. This memo describes the guidance applicable to both programs.

#### Grants Management Guidance on Modular Units

The Department of Health and Human Services Grants Policy Statement (HHS GPS) provides guidance to IHS and other Departmental agencies that specifically addresses when grants funds may be used for trailers and modular units. The determination of whether the costs to acquire trailers or modular units are allowable charges to IHS grant-supported projects depends on whether such units are classified as real property or as equipment.

In accordance with the HHS GPS and for the purposes of IHS grants management, a trailer or modular unit is considered real property when the unit and its installation are designed or planned to be permanent. A trailer or modular unit is considered equipment when the unit and its installation are not designed or planned to be permanent, rather for a limited time only. Units classified as real property (permanent) may not be charged to an IHS-grant supported project unless the authorizing legislation permits construction or acquisition costs, or allows for the purchase of real property, and the specific purchase is approved by IHS.

Since the SDPI does not authorize construction, acquisition costs, or the purchase of real property, IHS Service Unit grantees may not use SDPI funds for the permanent installation of modular units. However, units classified as equipment may be charged to IHS grant-supported projects if program regulations do not prohibit the purchase of equipment and prior approval is obtained. Therefore, IHS Service Unit grantees may use SDPI funds to acquire modular units if the units are intended to be temporary. Approvals

will be made on a case by case basis through the SDPI application and award process.

Real Property Management of Modular Units

The IHS tracks and accounts for property in accordance with Federal Real Property Management Regulations, 41 CFR Part 101-47. According to these regulations, trailers and modular buildings, whether permanently constructed or temporarily installed, are considered as real property if they are located on land owned or leased, or otherwise under the control of the IHS. Therefore, modular units purchased and installed as equipment under the grant must be considered real property for accounting purposes and will follow real property accountability procedures. In accordance with the conditions of the grant and for the purposes of the grant, the units will be considered equipment. At the termination of the grant, the disposal will be in accordance with the provisions of the grant, as equipment.

The IHS continues to adhere to the Departmental grant regulations in this area; therefore, you should use the analysis above if an IHS Service Unit grantee in your Area plans to acquire a trailer or modular building using SDPI grant funds. All IHS Service Unit grantees whose proposed grants or grants include modular buildings should continue to confer with the Director, Division of Facilities Operations, Office of Environmental Health and Engineering, Headquarters before purchasing and installing these on Federal compounds.

Sincerely yours,



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cc: Director, OMS  
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