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Grants Office Informational Letter
No. 13

**TO: All Chief Administrating Officers
All City/County Points of Contact**

Date: April 27, 2007

**SUBJECT: Clarifying Eligibility of Maintenance Contracts and Warranty Costs using
Department of Homeland Security (DHS) Grant Funds**

In response to several inquiries, VDEM would like to take the opportunity to clarify guidance applicable to DHS grant funds.

Maintenance Contracts

The cost of an equipment maintenance agreement is allowable for the period of time that covers the grant project period. Any portions of the contract that extends beyond the grant period may not be charged to the grant award using Federal or matching funds. For example, if the grant project period is one year and the maintenance agreement is to three years, only the cost associated with the first year of the agreement would be allowable. The grantee would have to prorate the cost of the agreement to cover only the grant project period.

Warranty Costs

Warranty costs (extension) on equipment providing extending coverage for parts, labor and repair, above and beyond the term of the original manufacture's warranty, are allowable if the cost of the warranty is included as part of the acquisition cost. Acquisition cost means the cost of the asset including the cost to put in place. Acquisition cost for equipment, including the cost for equipment, for example, means the net invoice price of the equipment, including the cost of any modifications, attachments, accessories, or auxiliary apparatus necessary to make it usable for the purpose for which it is acquired.

As a reminder, all funds must be utilized in accordance with and in support of goals and objectives identified in the homeland security strategy.

Questions related to this informational letter may be directed to Cheryl Adkins at (804) 897-6500 ext. 6597. Thank you for your continued efforts and cooperation.

“Working to Protect People, Property and Our Communities”