



FINANCIAL GUIDELINES FOR FEDERAL GRANTS

April 2012

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These guidelines apply to programs funded through the Justice Assistance Grants (JAG/ Byrne Formula Grant Program), Victims of Crime Act (VOCA), Violence Against Women Act (VAWA), National Criminal History Improvement Program (NCHIP), Juvenile Accountability Block Grant (JABG) and any additional federal grant programs that the Illinois Criminal Justice Information Authority administers and that are funded by U.S. Department of Justice. Points of view or opinions contained within this document are those of the author and do not necessarily represent the official position or policies of the U.S. Department of Justice.

PREFACE

These financial guidelines have been prepared for recipients of federal grant program funds from the Illinois Criminal Justice Information Authority. They should be reviewed prior to the implementation of a program funded pursuant to an interagency agreement between the Authority and a unit of state or local government, or a recipient nonprofit agency. While these guidelines are based on federal laws and regulations, the Office of Justice Programs Financial Guide, and applicable federal Office of Management and Budget circulars and state laws, should not be considered as a substitute for these source documents.

An implementing agency is a recipient of federal grant program funds. Under certain circumstances, the services to be performed under the interagency agreement will not be performed by the implementing agency, but will be provided by another agency or legal entity, known as the program agency. The program agency will be responsible for delivery of services and performance, and adherence to grant terms and conditions, as outlined in the interagency agreement. As an example, a unit of local government, such as a county, would be the implementing agency for a multi-jurisdictional drug prosecution program, and the county state's attorney's office would be the program agency. In this instance, the interagency agreement will indicate that the implementing agency is acting on behalf of the program agency (i.e., Cook County on behalf of the Cook County State's Attorney's Office). Both the implementing agency and program agency will be required to sign the interagency agreement with the Authority, and both are responsible for adhering to the terms and conditions of the interagency agreement.

In addition, although the term "implementing agency" is used throughout this document, both the implementing agency, and the program agency, if applicable, are responsible for adhering to the provisions in this document and the interagency agreement.

Sample forms have been included to assist recipients of federal funds (implementing agencies and program agencies) in their record-keeping process. Forms deviating from the sample forms provided should be submitted to the Authority for review prior to use to assure that sufficient information is collected.

Questions regarding these guidelines or the implementation of an interagency agreement should be directed to the Illinois Criminal Justice Information Authority Federal & State Grants Unit, 300 W. Adams Street, Suite 200, Chicago, Illinois, 60606-3997. Phone: (312) 793-8550. Fax: (312) 793-8422. TDD: (312) 793-4170.

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I. GENERAL REQUIREMENTS

A. Interagency agreement

All implementing agencies will be required to sign an interagency agreement that includes the terms and conditions of the grant award and applicable certifications, and incorporates a grant program narrative, budget narrative, and budget. The implementing agency shall be ultimately responsible for assuring adherence to, and implementation of, all terms and conditions of the interagency agreement. Implementing agencies must thoroughly review the terms of the interagency agreement and all attachments.

B. Funding limitations and assumption of costs

Many of the grant programs that the Authority funds are intended to receive funding for a limited time. Implementing agencies should plan for alternative sources of funding that will cover the program costs after Authority funding has ceased. The Authority may request information from the implementing agency regarding how the grant program will continue to be funded once Authority funding ceases.

C. Administrative policies

The Authority has implemented a few basic guidelines for grant implementation in order to ensure that grant funds are used in the most effective manner.

1) *Implementing Agency Failure to Commence Agreement.* Implementing agencies must exhibit a reasonable effort to begin the program in accordance with the following guidelines:

a) If the project has not commenced within 60 days of the original start date of the grant period, the implementing agency must inform the Authority in writing of the steps taken to initiate the project, the reasons for the delay, and the expected starting date. Commencement is defined as the formal obligation of funds for agreement purposes.

b) If the project is not operational within 90 days of the original start date of the grant period, the implementing agency must submit an additional statement explaining the delay in implementation to the Authority in writing. Upon receiving the statement, the Authority may cancel the project and redistribute the funds to other project areas. Under extenuating circumstances, the Authority may extend the implementation date of the project past the 90-day period. Operational is defined as the initiation of action in accordance with the project implementation schedule.

2) *Interagency agreements must be fully executed prior to start date.* Interagency agreements must be fully executed prior to their start dates. If an interagency agreement is not executed prior to its start date, grant funds at the Authority's discretion may not be available for the period during which no interagency agreement is in effect. As an example, if an interagency agreement is scheduled to start on January 1, and a contract is not fully executed until March 15, grant funds would not cover the period between January 1 and March 14. Authority staff will work with implementing agencies to meet this critical timeline.

For continuing grants, continuation materials will be forwarded at least 120 days prior to the end of the current interagency agreement's period of performance (expiration date). Authority staff will follow up with implementing agencies to assure the timely submission of grant program continuation proposals, respond within 45 days from the receipt of a continuation proposal, and work with implementing agencies to have interagency agreements executed prior to their start dates.

3) *45-Day Rule.* For all programs, if the Authority does not receive a complete, signed agreement and required certifications from the implementing agency within 45 days of the date the Authority sent these materials to the implementing agency, the Authority reserves the right to cancel the project and redistribute the funds to other project areas. The implementing agency agrees to report by letter to the Authority the reasons for failing to submit these materials in a timely manner, the steps taken to submit these materials, and the expected date that these materials will be submitted. Under extenuating circumstances, the Authority may extend the 45-day submission deadline.

4) *Vacant positions.* For all programs, if a position becomes vacant during the grant period of performance the implementing agency must immediately notify the Authority, in writing, when that position has been vacant for more than 30 days. The statement should detail what actions that the implementing agency is taking to fill the position. If the position is vacant for more than 60 days then the implementing agency must submit an additional statement explaining the vacancy, what is being done to fill the position, and an assessment of whether the grant activities should continue. The Authority at its discretion and based on the facts in the submitted statement may cancel the grant and redistribute the funds.

D. Implementing agency matching contributions

Matching contributions are non-federal funds provided by the implementing agency, in an amount not less than that required by the interagency agreement. The implementing agency must have the authority to commit the matching funds.

1) *Matching contribution requirements.* Match funds (including required match and any overmatch funds) are subject to the same guidelines and cost principles that are applied to federal grant funds.

a) *Cash match* funds shall be in addition to and therefore supplement funds that would otherwise be made available for the stated purposes of the grant program.

b) In the interagency agreement for cash match grant programs, the implementing agency may be required to certify that match funds shall be in addition to program funds that would otherwise be made available for grant program purposes.

c) *In-kind match* includes those allowable services, equipment, commodities, and other costs, that are contributed to the grant program and represent an increase in resources to the implementing agency's grant funded program.

2) *Timing of matching contributions.* The full matching share must be obligated by the end of the period for which the federal funds have been made available under an approved program or project. The Authority may require implementing agencies to expend matching funds in proportion to the expenditure of federal grant funds, throughout the period of performance of the grant program.

3) *Records for match.* All implementing agencies must maintain records that clearly show the source, the amount, and the timing of all matching contributions. In addition, if a program or project has included contributions that exceed the required matching portion within its approved budget (these additional funds are considered "overmatch"), the implementing agency must maintain records for them in the same manner as it does federal funds and required matching shares.

4) *Commitment of matching contribution.* Any funds to be used as a matching contribution must be committed before an interagency agreement is signed and must follow these guidelines:

a) Unpaid services provided to a grantee or subgrantee by individuals will be valued at rates consistent with those ordinarily paid for similar work in the grantee's or subgrantee's organization. If the grantee or subgrantee does not have employees performing similar work, the rates will be consistent with those ordinarily paid by other employers for similar work in the same labor market. In either case, a reasonable amount for fringe benefits may be included in the valuation.

b) When an employer other than a grantee, subgrantee, or cost-type contractor furnishes free of charge the services of an employee in the employee's normal line of work, the services will be valued at the employee's regular rate of pay exclusive of the employee's fringe benefits and overhead costs. If the services are in a different line of work, please review the Code of Federal Regulations link referenced below.

c) If a third party donates supplies, the contribution will be valued at the market value of the supplies at the time of donation.

d) If a third party donates the use of equipment or space in a building but retains title, the contribution will be valued at the fair rental rate of the equipment or space.

5) *Types of match.* There are two types of match that are acceptable for use for all of the federal grants administered by the Authority.

a) Cash match (hard match) includes cash spent for project-related costs. Cash match may be applied only to costs that are allowable under federal guidelines. Cash match may be applied from the following sources:

(i) Funds from state and local units of government that have a binding commitment of matching funds for programs or projects.

(ii) Housing and Community Development Act of 1974, 42 U.S.C. Section 5301, et seq.

(iii) Appalachian Regional Development Act, 40 U.S.C. Attachment Section 214.

(iv) Funds contributed from private sources.

(v) Program income and related interest earned on that program income generated from programs may be used as match, provided it has been reviewed and approved by the Authority prior to the start of the interagency agreement.

(vi) Program income funds earned from seized assets and forfeitures, as adjudicated by a state court, as state law permits; or as adjudicated by a federal court from the Equitable Sharing Program (21 U.S.C. Sec. 881(e)). Current guidelines developed by the U.S. Department of Justice Asset Forfeiture Office apply)

(vii) For private and non-profit organizations, the cash designated for matching contributions may be donations, contributions, or specific dollars earmarked within their operating budgets.

(viii) Sources otherwise authorized by law.

b) In-kind match (soft match) includes, but is not limited to, the valuation of in-kind services. "In-kind" is the value of something received or provided that does not have a cost associated with it. For example, if in-kind match is permitted by law, then the value of donated services could be used to comply with the match requirement.

4) *Funding ratios*. Implementing agencies must provide minimum matching contributions on the basis of prescribed formulas specified in applicable federal legislation and guidelines. Implementing agencies are encouraged to provide greater contributions wherever possible to maximize the impact of federal funds.

a) Violence Against Women Act (VAWA). Other than nonprofit, nongovernmental victim services programs, recipients of VAWA funds are required to contribute a minimum of \$1 in nonfederal funds for each \$3 in federal funds received. The required funds can be in the form of cash or in-kind contributions.

b) Victims of Crime Act (VOCA). Recipients of VOCA funds are required to contribute a minimum of \$1 in non-federal funds for every \$4 of VOCA funds received. The required matching funds can be in the form of cash or in-kind contributions.

c) Residential Substance Abuse Treatment for State Prisoners (RSAT) Program. Recipients of RSAT Program funds must contribute a minimum of \$1 in non-federal funds for each \$3 of RSAT funds received. Matching funds can be in the form of cash or in-kind contributions.

d) Juvenile Accountability Block Grants (JABG) Program. Recipients of JABG Program funds must contribute a minimum of \$1 in non-federal funds for every \$9 of federal JABG funds received. For construction of juvenile corrections facilities, recipients must contribute a minimum of \$1 in nonfederal funds for each \$1 of federal JABG funds received. Matching funds must be in the form of cash.

e) National Criminal History Improvement Program (NCHIP). Recipients of NCHIP funds must contribute a minimum of \$1 in non-federal funds for each \$4 of NCHIP funds received. Matching funds can be in the form of cash or in-kind contributions.

f) National Forensic Science Improvement Act grants do not require match.

E. Non-supplanting of funds

Federal grant funds are intended to increase the amount of revenue available for criminal justice system or crime victim assistance activities. Federal grant funds may not be used to supplant state or local funds, or other nonfederal funds allocated or budgeted for such activities.

1) *Definition.* Supplanting means to deliberately reduce or reallocate state or local funds because of the existence of federal funds. Therefore, implementing agencies must maintain a level of non-federal financial support (such as state or local support) for criminal justice system or crime victim assistance activities, exclusive of any federal funds, that is equal to, or greater than, the non-federal level existing prior to receiving federal funds. For example, in an instance where state funds were appropriated for a particular criminal justice purpose and federal funds were awarded for that same criminal justice purpose, if the implementing agency replaced its appropriated state funds with the awarded federal funds, thereby reducing the total amount available for that criminal justice purpose, that replacement of funds is considered supplanting.

2) *Certification.* The implementing agency certifies to the Authority that federal funds will not be used to supplant state or local funds. For cash match programs, the Authority may also require the implementing agency to certify that matching funds are additional funds available for program purposes. The certification is included as a section in the interagency agreement between the Authority and the implementing agency.

3) *Guidelines for new programs.* Implementing agencies must adhere to the following guidelines when implementing new programs:

a) Federal grant funds may be used to pay salaries of existing employees who are performing in a grant program position, if their previous non-grant position is “back-filled” through the hire of a new employee.

b) Federal grant funds may be used to pay salaries of existing employees if their work on the program is in addition to their existing, established work schedule (overtime).

c) In addition, federal funds must not be used to pay existing contractual obligations (i.e., existing leases), but must be used to pay additional costs incurred because of the grant program. For example, federal funds may be used for rental costs only when the grantee has to acquire additional rental space for grant funded personnel, and the grantee does not own or have a financial interest in the rental space.

d) Cash matching funds may be used to pay salaries of existing employees who are now performing in a grant program position, if their previous non-grant position is “back-filled” through the hire of a new employee.

e) Cash matching funds may be used to pay salaries of existing employees if their work on the program is in addition to their existing, established work schedule (overtime).

f) In addition, cash matching funds may only be used to pay for additional costs incurred because of the grant program. For example, cash matching funds may be used to pay for additional utilities costs incurred because of the grant program.

g) In-kind match may be provided by costs for existing employees who will now be contributing time to the grant program.

h) In-kind match may be provided by existing costs for contractual services or items that will be contributed to program purposes (such as rental costs for space for program staff, provided the implementing agency does not own or have a financial interest in the rental space).

4) *Guidelines for continuing programs.* For continuing grant agreements, implementing agencies should compare their current year's budget materials to the previous year's materials to assure that the following items remain consistent between grant agreements:

a) The program's personnel positions.

b) The percentages of time those positions are allocated to the grant.

c) Contractual obligations (such as rental costs).

d) For in-kind match programs, the federal/match percentages for each cost.

5) *Exceptions subject to strict scrutiny.* Exceptions to the above guidelines will be subject to strict scrutiny and analysis by the Authority to assure that there is no supplanting of funds. If there is a potential presence of supplanting, the implementing agency will be required to supply documentation demonstrating that the reduction in non-federal resources occurred for reasons other than the receipt or expected receipt of federal funds.

F. Program income

Program income means gross income earned by the implementing agency during the funding period as a direct result of program activities funded by the grant award.

1) *Direct result.* Direct result is defined as a specific act or set of activities that are directly attributable to grant funds and directly related to the goals and objectives of the project. Determinations of "direct result" will be made by the Authority.

2) *Sources of program income.* Program includes but is not limited to the following:

- a) Income from service fees.
- b) Income resulting from assets seized or forfeited as a result of the funded program.
- c) Sale of commodities.
- d) Usage or rental fees.
- e) Sale of assets purchased with federal or matching funds.
- f) Royalties on patents and copyrights.
- g) Registration and tuition fees.
- h) Any interest earned on JAG or JABG funds.

3) *Law enforcement fines.* Fines resulting from law enforcement activities are *not* considered program income.

4) *Program income uses.* Program income may only be used for allowable program costs in accordance with the purposes and conditions of the grant program.

5) *Prompt income usage.* Unless otherwise specified by applicable federal legislation and guidelines, program income should be expended as soon as possible.

6) *Disposition of program income.* Depending on the source of the program income, it should be treated in the following manner:

- a) Sale of property. Proceeds from the sale of real and personal property, either provided by the federal government or purchased in whole or in part with agreement funds, shall be handled in accordance with Chapter IV: Property Management.
- b) Royalties. Implementing agencies shall retain all royalties received from copyrights, patents, inventions, or other works developed under projects, and such royalties must be added to funds already committed to the project, unless the terms and conditions of the interagency agreement or grant program specify otherwise. The Authority and the granting federal agency reserve a royalty-free, nonexclusive, and irrevocable license to reproduce, publish, or otherwise use, and to authorize others to use, for government purposes, the work or the copyright to any work developed under this agreement.
- c) Registration and tuition. Registration and tuition fees shall be treated in accordance with instructions set forth in the grant's terms and conditions or handled as defined in subsection *e*.
- d) Seizures and forfeitures. Income realized from the sale of seized and forfeited assets (personal or real property) shall be added to the funds committed to the

grant agreement (the Addition Method of handling program income) unless an alternate method for handling program income is designated in the grant award. The following policies apply to program income from asset seizures and forfeitures:

(i) Program income, with the approval of the Authority, may be retained by the implementing agency earning the program income or used by the Authority for any purpose that furthers the objectives of the grant program.

(ii) States or local units of government may use program income funds from seized and forfeited assets as match for future agreements with the Authority when assets are adjudicated by a state court, in accordance with state law. In addition, when assets are adjudicated by a federal court, state and local units of government may use cash received under the equitable sharing program for the non-federal portion of program costs, as provided in guidelines of the Department of Justice Asset Forfeiture Office.

(iii) There are no federal requirements governing the disposition of program income earned after the end of the funding period unless the terms of the grant award or the federal awarding agency's regulations provide otherwise. Program income from asset seizures and forfeitures is considered earned by the project at the time of the seizure and is available for use by the implementing agency upon forfeiture.

e) Addition Method. In the absence of other restrictions on disposition contained within the grant program or the terms and conditions of the interagency agreement, program income shall be added to the funds committed to the grant agreement (the Addition Method of handling program income). The program income shall be used by the implementing agency for any purpose that furthers the broad objectives of the grant program (for example, expanding the project or program, continuing the project or program, obtaining equipment or other assets needed for the project or program, or other activities that further the objectives of the legislation).

4) *Accountability*. The Authority requires implementing agencies to account for program income. Program income can be reported on a cash or accrued-income basis. The federal proportion of the program income must be accounted for up to the same ratio of federal participation as funded in the program. For example, if a program is funded at 75% federal funds and 25% non-federal funds, and the total program income earned by the grant is \$100,000, \$75,000 must be accounted for and reported by the implementing agency as program income. The portion of income attributable to the federal share may

be used by the implementing agency for matching funds for future agreements with the Authority.

G. Interest income

Federal regulations require that implementing agencies request only the minimum amounts of cash necessary to pay their bills in a timely fashion, based upon immediate disbursement requirements. Implementing agencies should also minimize the time elapsing between the receipt and disbursement of funds. See Chapter VI: Section E. Cash Balances and Deposit of Funds, for additional requirements. However, if interest is earned on eligible federal funds, the following procedures apply:

1) *State agencies.* Implementing agencies that are state agencies shall account for interest earned on federal funds. State agencies must return all interest earned on non-JAG/JABG grants to the Authority.

2) *Local units of government.* Implementing agencies that are local units of government (political subdivisions of a state, including cities, towns, counties and special districts created by state law) shall account for interest earned on federal funds. Local units of government may keep interest earned on federal grant funds up to \$100 per federal fiscal year.

3) *Non-profit organizations.* Implementing agencies that are non-profit organizations shall account for interest earned on federal funds. Non-profit organizations may keep interest earned on federal grant funds up to \$250 per federal fiscal year.

4) *Interest earned inclusive of all federal programs.* The \$100 and \$250 maximum limits on interest include all interest earned per federal fiscal year by the implementing agency as a result of all federal program funds received, with the exceptions of JAG and JABG grants.

5) *Excess interest.* Interest earned in excess of these \$100 and \$250 maximums must be forwarded to the Authority. The Authority will then forward the excess interest to the U. S. Department of Health and Human Services.

6) *JAG and JABG.* Interest earned on JAG and JABG grants must be accounted for and reported as program income, and expended only on allowable purpose areas and costs under these programs. Interest earned on JAG or JABG grants are not subject to the limitations listed above. Interest earned must be expended within the period of performance of the interagency agreement. No extensions will be approved.

H. Program, budget and other changes

The implementing agency must submit written requests and notifications for budget, program, and other changes, as outlined in this section.

1) *Budget changes.* The approved agreement budget is a financial representation of the scope of the work the implementing agency proposes to accomplish during the term of the agreement. Deviations from this budget may affect the nature of the original proposal and, consequently, prior written Authority approval may be required before budget changes may be implemented.

a) Requests for approval of such budget deviations must be in writing and provide a revised interagency agreement budget and budget narrative. In such a request, the implementing agency must include the reasons and basis for the proposed change and any other data or documentation that supports the request.

b) The implementing agency must submit a written request for these types of budget changes at least 60 days prior to the expiration date of the interagency agreement. Exceptions to this 60-day rule may be considered on a case-by-case basis at the discretion of the Authority.

c) Upon receipt of written approval from the Authority, the implementing agency should use the revised budget on all subsequent fiscal reports to reflect the change.

2) *Programmatic changes.* The approved program narrative is a programmatic representation of the scope of the work the implementing agency proposes to accomplish during the term of the agreement. Any deviation from the approved program narrative that may affect the nature of the original proposal requires prior written Authority approval.

a) Requests for approval of program narrative modifications must be in writing and include a revised interagency agreement program narrative, and, if applicable, a revised budget and budget narrative.

b) In such a request, the implementing agency must include the reasons and basis for the proposed change and any other data or documentation that supports the request.

c) This procedure is required for program narrative modifications that are proposed during the term of the agreement, and those that are proposed in grant continuation agreements.

d) The implementing agency should not act on these changes until formal written approval is received from the Authority.

3) *Other changes.* Any change in address of the implementing agency or program agency, legal status or name of the implementing agency or program agency, or organizational change that affects the ability of the implementing agency or program agency to perform in accordance with the interagency agreement must be immediately reported to the Authority. The Authority will determine whether such changes affect the terms, conditions, or funding of the interagency agreement.

4) *Program and budget changes requiring prior approval.* Types of changes that require prior written approval are listed here. The implementing agency should not act on these changes until formal written approval is received from the Authority in the form of a Budget Revision.

- a) A change in dollar amount of approved budget categories in excess of 10 percent of the federal amount.
- b) The addition of a new budget category.
- c) A change in subcontractor.
- d) A change in or temporary absence of the project manager/director.

I. Amendment of the interagency agreement period

During the period of performance of an interagency agreement, circumstances may occur that require a substantial change to the Interagency Agreement.

1) *Examples of when Amendments are required.* Amendments would be needed in the following situations but are not limited to the following:

- a) A change in the scope of the interagency agreement or program narrative, including but not limited to changes in program scope or activities.
- b) An increase or decrease in the total cost of the project;
- c) A change in project site or transfer of the project; or
- d) A change in the period of performance.

2) *Requirements.* Implementing agencies must submit requests in writing, and these requests must include, at a minimum, the following:

a) A letter outlining the reasons why the change is necessary (late delivery by vendors, delay in staff recruitment, or other specific reason).

b) A revised program narrative, if necessary.

c) A revised budget and budget narrative, if necessary.

3) *Timeliness.* The Authority must receive these requests no later than 90 days prior to the expiration of the agreement's period of performance.

a) If the Authority approves such a request, the changes shall be implemented by an amendment to the interagency agreement. Authority staff will send an amendment to the grantee at least 45 days prior to the expiration of the current period of performance.

b) The amendment must be signed by the implementing agency and returned to the Authority at least seven days prior to the expiration of the period of performance.

c) This amendment must be fully executed by the end date of the interagency agreement's current period of performance. If this timeline is not met, an amendment cannot be finally approved and processed.

4) *Execution.* The implementing agency must receive written approval from the Authority, and the amendment must be fully executed, before the implementing agency may act upon an extension request. The implementing agency shall not make any obligations or expenditures beyond the latest approved agreement period unless and until the amendment is fully executed.

J. Conflict of interest.

No employee, officer, or agent of the implementing agency shall participate in the selection, or in the award or administration of a contract supported by federal funds or matching funds if a conflict of interest, real or apparent, would be involved.

1) *Compliance with all applicable laws.* An implementing agency must comply with all applicable local, state, and federal provisions prohibiting conflicts of interest.

2) *Solicitation for employment.* An implementing agency must notify the Authority's Ethics Officer if the implementing agency solicits or intends to solicit for employment any of the Authority's employees during any part of the grant award funding process or during the term of any interagency agreement awarded.

3) *Appearance*. In using federal grant and matching funds, any official or employee of the state, a local unit of government, or a non-government implementing agency or subgrantee shall avoid any action which might result in, or create the appearance of:

- a) Using his/her official position for private gain.
- b) Giving preferential treatment to any person.
- c) Losing complete independence or impartiality.
- d) Making an official decision outside official channels.
- e) Adversely affecting the confidence of the public in the integrity of the government or the program.

4) *Potential conflicts*. No official or employee of a state agency or unit of local government or a non-governmental recipient/subrecipient shall participate personally through decisions, approval, disapproval, recommendation, the rendering of advice, investigation, or otherwise in any proceeding, application, request for a ruling or other determination, contract, award, cooperative agreement, claim, controversy, or other particular matter in which award funds (including federal or matching funds, program income or other funds generated by federally-funded activities) are used, where to his/her knowledge, he/she or his/her immediate family, partners, organization other than a public agency in which he/she is serving as an officer, director, trustee, partner, or employee, or any person or organization with whom he/she is negotiating or has any arrangement concerning prospective employment has a financial interest or less than an arms-length transaction.

K. Publications and disclosure of federal participation

Implementing agencies should check the terms of their interagency agreement or contact the Authority for specific publication requirements that are applicable to their grant program. These publication requirements pertain to any written, visual or sound publication, but are inapplicable to press releases, newsletters, and issue analyses.

1) *General requirements*. The interagency agreements require that the implementing agency submit to the Authority for review, a draft of any publication that will be issued by the implementing agency describing or resulting from programs or projects funded in whole or in part with grant or matching funds.

2) *Paying for publication*. The grant and matching funds do not have to pay for the publication to be subject to the reviewing requirement.

3) *Authority review*. The Authority will submit comments to the implementing agency.

The implementing agency shall incorporate Authority comments and submit a revised publication to the Authority in accordance with the terms of the interagency agreement.

4) *Subsequent reviews.* The Authority will submit any comments regarding the revised publication to the implementing agency. The implementing agency shall revise the publication, if necessary, and submit the final publication to the Authority in accordance with the terms of the interagency agreement.

5) *Disclaimer.* Such publications will be required to include a form of the following disclaimer:

This program was supported by grant #(federal grant number specified by the Authority), awarded by the (federal agency name specified by the Authority), Office of Justice Programs, U.S. Department of Justice, through the Illinois Criminal Justice Information Authority. Points of view or opinions contained within this document are those of the author and do not necessarily represent the official position or policies of the U.S. Department of Justice, or the Illinois Criminal Justice Information Authority.

This disclaimer can be found in the Publication Section of your Interagency Agreement. Exceptions to these publication requirements may be granted upon prior Authority review and approval.

6) *Disclosure of Federal Participation.* When issuing statements, press releases, requests for proposals, bid solicitations, and other documents describing projects or programs funded in whole or in part with federal funds, all implementing agencies shall clearly state (1) the percentage of the total cost of the program or project which will be financed with federal funds, and (2) the dollar amount of Federal funds for the project or program.

L. Seat belt use by government contractors, subcontractors, and grantees.

Each recipient agency of federal subcontracts, contracts and grants shall encourage adoption and enforcement of on-the-job seat belt policies and programs for their employees, contractors, and subrecipients when operating company-owned, rented or personally owned vehicles.

Implementing agencies and program agencies are encouraged to adopt such on-the-job seat belt policies.

M. Text messaging while driving

The Authority encourages the Implementing Agency to adopt and enforce policies banning employees of the Implementing Agency or Program Agency and contractors or subcontractors from text messaging while driving any vehicle during the course of performing work funded by this agreement, and to establish safety policies and conduct education, awareness, and other outreach to decrease crashes caused by distracted drivers.

II. LEGAL REQUIREMENTS.

A. Legal status. Grantees that are corporations must be in good standing with Illinois Secretary of State.

1) *Verification*. Grantees can verify their corporation status at the Illinois Secretary of State website: <http://www.ilsos.gov/corporatellc/>

2) *Inactive status*. Grants cannot be processed until the Illinois Secretary of State's website shows the corporation's active status.

B. FEIN numbers. Implementing agencies must supply their Federal Employer Identification Number (FEIN). The FEIN will be verified with the State of Illinois Comptroller's vendor website: <https://www.wh1.ioc.state.il.us/quicktake/vend/index.cfm>.

C. Transparency Act compliance. The Federal Funding Accountability and Transparency Act of 2006 requires entities that receive over \$25,000 in federal funds have to comply with the Act by:

1) *Acquiring a Data Universal Numbering System (DUNS) number*. The DUNS number shall be procured from Dun and Bradstreet, Inc., online at <http://www.dunandbradstreet.com> or by calling 1-866-705-5711. Implementing agencies and program Agencies need separate DUNS numbers unless they are located in the same physical space.

2) *Maintaining a current registration in the Central Contractor Registration (CCR) database*. The implementing agency must update or renew their CCR registration at least once per year to maintain active status. Information about registration procedures can be accessed at www.ccr.gov or by calling 1-888-227-2423. Implementing agencies and program Agencies need separate CCR registrations unless they are located in the same physical space.

3) *Acquiring a Commercial And Government Entity (CAGE) Code*. The CAGE Code request process is incorporated into the CCR registration. Implementing agencies and program Agencies need separate CAGE codes unless they are located in the same physical space.

All agreements entered into with subgrantees or contractors shall require compliance by the subgrantee or contractor with the Federal Funding Accountability and Transparency Act of 2006 and all requirements of 2 C.F.R. §33.200 including obtaining a DUNS number and maintaining registration with the CCR.

The acquisition of a DUNS number and registration with the CCR database is not required of grantees, subgrantees and contractors who are individuals or receive contracts under \$25,000.

D. Compliance with applicable guidelines. The program narrative, budget, and budget narrative are reviewed by legal staff to ensure that grant activities and budgeted items are in compliance with all applicable guidelines, which include but are not limited to:

- 1) Federal and state law.
- 2) The most recent version of these guidelines.
- 3) The most recent version of the federal fiscal guidelines.
- 4) Grant program-specific guidance or guideline.
- 5) Answers to frequently asked questions, as produced by various divisions of the U.S. Department of Justice.

E. Tax exempt status. Grantees that are non-profit corporation and also tax exempt must supply the Authority with a determination letter from the Internal Revenue Service (IRS). The letter must be dated within the last five years.

F. Faith-based self-report. All corporations receiving federal funding must complete a faith-based self report. The grantee makes their own determination of whether or not they consider themselves a faith-based organization. This report shall be kept on file with the Authority.

G. Signature authority. Authorized officials may elect to authorize members of their staff to execute interagency agreements on their behalf. This is an acceptable practice as long as certain conditions are met.

1) *Stamped signatures*. If it is the grantee's standard practice for execution of contracts/agreements to be by signature stamp, the Authority will accept stamped signatures provided that:

- a) The stamp signatures bear the initials of the person using the stamp.
- b) A letter on grantee letterhead dated within the last four years that includes:
 - i) A copy of the stamp.
 - ii) A statement authorizing the use of the stamp.
 - iii) The names of those authorized to use the stamp and their initials.
 - iv) The original signature of the authorized official.

2) *Other authorized signatures*. A grantee's authorized official can designate someone to sign the interagency agreement and/or certifications on his or her behalf. If a grantee

chooses to have a designee sign the grant, the following procedures must be followed:

a) When signing the agreement, the authorized designee must sign the agreement in this manner “authorized official’s name” by “designee’s name”.

i) John Smith is mayor of the City of X and is the authorized official

ii) Jane Doe is the assistant mayor of the City of X and is Mayor Smith’s designee.

b) Under the signature should be both the printed name of the authorized official and the designee.

c) Under the printed names should be the printed title of the authorized official and the designee.

Example:

John Smith by Jane Doe

John Smith
Mayor
City of X

Jane Doe
Assistant Mayor
City of X

d) A letter on grantee letterhead dated within the last four years that includes:

i) A statement authorizing the designee to sign for the authorized official.

ii) The original signatures of both the authorized official and the designee.

III. ALLOWABLE COSTS

A. Allowable costs. To be allowable under a federally funded program, costs must meet the following general criteria. Costs must be:

1) *Necessary and reasonable*. Costs must be necessary and reasonable for proper and efficient administration of the program described in the interagency agreement. A reasonable cost is that which a prudent/practical person would incur under similar circumstances.

2) *Allocable and specific*. Costs must be allocable (directly distributable to the program) and specific to the program, and not general expenses required to carry out the overall responsibilities of state or local governments or other entities.

3) *Authorized or in compliance*. Costs must be authorized by or in compliance with state or local laws or regulations. Costs also must comply with any limits or exclusions as indicated in these guidelines, grant specific guidelines, federal laws, or other governing sources that limit the types or costs of items.

5) *Consistently treated*. Costs must be consistent with policies, regulations and procedures that apply uniformly to both federally assisted and other activities of the implementing agency; and be accorded consistent treatment through application of generally accepted accounting principles appropriate to the circumstances.

6) *Singularly considered*. Costs included in the program budget must not be included as a cost of any other funded program.

7) *Net*. Costs must be net totals reflecting all discounts, rebates, returns and sales.

8) *Documented*. Costs must be adequately documented and documentation must be maintained in accordance with the interagency agreement.

B. Specific requirements by budget category. The interagency agreement's Exhibit B (budget) is an Excel Spreadsheet. Each budget is divided into Personnel, Equipment, Commodities, Travel, and Contractual categories. Any restrictions on use of funds that are applicable to federal funds also apply to any match or overmatch funds.

1) *Personnel*. This category should list all the implementing agency's personnel working on the grant program.

a) *Written policies*. Written personnel policies are required and will include work hours to be maintained by employees, vacation and sick leave allowances, payment of accrued vacation at the end of employment, and overtime. The

policies also should set forth the employee's fringe benefits (detailed in the fringe benefit worksheet) that will be provided to employees and information related to pay increases, promotions, and all other pertinent personnel policies and regulations.

b) Timesheet documentation. Amounts charged to interagency agreements for personnel services must be based on payrolls documented and approved in accordance with the generally accepted practice of the implementing agency.

(i) Payrolls must be supported by signed time and attendance records for individual federally and match-funded employees.

(ii) These records must demonstrate the actual days and hours worked on the project, including daily start and end times, and be signed or initialed by the employee, and approved and signed by the employee's supervisor.

c) Divided compensation. Salaries and wages of employees chargeable to more than one program will be supported by appropriate time distribution records. The method used should produce an equitable distribution of time and effort.

(i) Time sheets for employees working on multiple programs must indicate the hours to be charged to each program.

(ii) If an employee is paid by multiple sources, payroll records should indicate the amount to be charged to each source.

d) Budget requirements. The salaries and job titles of individuals charged to the interagency agreement must be outlined in an approved interagency agreement budget. In addition:

(i) The composition of any fringe benefits, including rate and type, must be outlined in the interagency agreement budget on the fringe benefit worksheet.

(ii) The interagency agreement budget shall include a budget detail and a budget narrative.

(iii) The budget narrative should be detailed enough to provide brief summaries of all funded positions.

e) Reasonableness. Personnel costs must be reasonable for the services rendered and conform to established policies, consistently applied to both federal and nonfederal activities, of the implementing agency.

f) Federal employees. Salary payments, consulting fees, or other types of payment for services of full-time federal employees are not allowable.

g) Dual compensation. Dual compensation is prohibited. For example, employees of government units may not receive compensation from the unit of government and from a grant or subgrant for a single period of time, even if such work benefits both activities.

h) Maximum allowable salary formulas. Depending on the length of the grant, one of the following formulas should be used to determine the maximum allowable salary.

(i) 12-month grant: Annual salary x percentage of time on the program.
Example: \$50,000 (annual salary) x 50% (time on the program) = \$25,000

(ii) Less than 12-month grant: Annual salary ÷ 12 x number of months on the grant x percentage of time on the program. Example: \$50,000 (annual salary) ÷ 12 x 11 (months on the program) x .5 (50% time on the program) = \$22,917

(iii) Greater than 12-month grant: Annual salary ÷ 12 x number of months on the grant x percentage of time on the program. Example: \$50,000 (annual salary) ÷ 12 x 30 (months on the program) x .5 (50% time on the program) = \$62,500.

2) *Difference between equipment and commodities.* Generally equipment will have a usefulness life outside the period of the grant. Commodities are usually consumed during the grant period of performance.

3) *Equipment.*

a) Budget requirements. Expenditures for equipment must be outlined in the approved interagency agreement budget and budget narrative and be necessary to the grant program.

b) Reimbursement. Grant funds may not be used to provide reimbursement for the purchase of equipment already owned by the implementing agency.

c) Screening. Careful screening should take place before purchasing property/equipment to ensure that it is needed and the following facts need to be considered.

(i) The Implementing Agency should take stock of the equipment that they already have and see if it meets identified needs.

(ii) The Implementing Agency should consider establishing a screening committee to make decisions about purchases.

(iii) You or your subrecipient may utilize other effective management techniques as a basis for determining that the property/equipment is needed.

(iv) Program monitors from the awarding agency will ensure a screening process takes place and that you and your subrecipient have an effective system for property management.

d) Compliance. The purchase, use, and disposition of equipment must comply with these guidelines, and federal, state, and local laws and regulations.

e) Brand names. Brand names should not be specified in the budget or the budget narrative. If brand names are used then a brand name form must be completed by the grantee.

f) 90-day provision. All equipment being purchased with either federal or match funds and listed in the budget and budget narrative must be purchased within 90 days of the start of the grant. If the equipment is not purchased in 90 days the implementing agency must submit in writing the reason for the delay.

g) Justice Assistance Grants Program restriction. The Justice Assistance Grants Program restricts the purchase of equipment to governmental entities and non-profit corporations that are directly involved in criminal justice.

h) Equipment valued over \$5000. If the value of equipment that is being purchased has a value over \$5000 then the Implementing Agency must contact the Authority prior to disposing of it.

i) Computer equipment and software. Procurement of computer equipment and software is allowable provided that the procurement is consistent with the following standards:

(i) Computer equipment and/or software are identified in the interagency agreement budget and are necessary and sufficient to meet project goals.

(ii) If the computer equipment has a unit cost exceeding \$5,000, a purchase versus lease comparison has been conducted and documented,

demonstrating that it is more advantageous to purchase rather than lease the equipment under consideration.

(iii) If the computer equipment or software is to be procured from a sole source, documentation must be prepared in accordance with Chapter IV, Section F. Sole Source Procurements.

(iv) The implementing agency must demonstrate that software already produced and available will not meet the needs of the program.

(v) Software shall be designed and programmed to maximize the use of standard and readily available computer equipment and programs. Implementing agencies involved in the development of criminal justice information systems should utilize the past experience of agencies that have successfully implemented such systems.

(vi) If new software is developed, it shall be designed and documented so that other criminal justice agencies will be able to use it with minor modifications and at minimum cost.

(vii) An implementing agency or subrecipient shall request Authority approval prior to arranging for copyright of computer software and programs.

4) *Commodities*. Commodities include office supplies and materials, and are allowable costs when necessary to carry out the interagency agreement.

a) Purchases made specifically for the interagency agreement are to be charged at their actual prices after deducting all cash discounts, trade discounts, rebates, and allowances received by the implementing agency.

b) Withdrawals from general stores or stockrooms should be charged at costs under any recognized method of pricing consistently applied. Freight and delivery charges are considered part of the material cost.

c) All purchases of commodities must be supported by purchase orders, invoices, or canceled checks with vouchers supporting the amounts. Withdrawals from

general stockrooms must be supported by a request form or other in-house transfer document that indicates quantity and cost of items drawn.

5) *Travel*. This category includes both local and conference travel. Costs include transportation, lodging, and subsistence that are incurred by employees who are on official business for a funded program is allowable.

a) Travel rate. The implementing agency shall adhere to the current State of Illinois-established travel rates. If the implementing agency's policies include a rate lower than the state rate, then the implementing agency's rate should be applied.

b) Per diem. Per diem shall be paid for travel that includes overnight lodging or is 18 or more continuous hours. It is given in lieu of the meal allowance and is to cover the cost of meals. Meal allowances are given when the traveler is not eligible to receive per diem. Lunch is not a reimbursable expense.

c) Per diem deductions. If the employee, in the course of travel, attends an event where a meal is served, then the appropriate amount as listed in Appendix C must be deducted from the per diem amount.

d) Documentation. Travel costs must be supported by travel vouchers/expense reports that contain dates, places, and purposes of travel. Receipts for lodging and transportation by plane or train must be returned with the vouchers to document the expense. Travel in agency-owned autos must be supported by a mileage log. Travel vouchers/expense reports must be signed by the individual who has incurred the expense and the individual's supervisor. (See Appendix A for sample Travel Voucher/Expense Report Form and instructions.) Travel costs must not exceed the rates as listed in Appendix C.

e) Out-of-state travel. Out-of-state travel is defined as any travel outside of the State of Illinois. Out-of-state travel costs are allowed only when:

i) The travel has received specific prior approval by ICJIA.

ii) Each separate out-of-state trip has been specifically approved by ICJIA.

6) *Contractors*. Procurement of professional services must be conducted in a manner to provide, to the maximum extent practical, open and free competition, as outlined in Chapter IV: Procurement Standards.

a) Compensation for individual professional services is to be reasonable and consistent with that paid for similar services in the marketplace.

i) For professional services procured through other than a request for proposal procedure (RFP) or invitation for bid procedure (IFB), the policy is that the maximum daily rate for professional services and specialists will not exceed \$450 for an eight-hour day (\$56.25 per hour) including

fringe benefits (excluding travel and subsistence costs). (RFPs and IFBs are explained in Chapter IV: Procurement standards.)

ii) Requests for rates exceeding \$56.25 per hour must have prior ICJIA approval and include additional justification before they will be allowed. Such requests will be reviewed on a case-by-case basis.

b) ICJIA will place special conditions requiring the submission of additional documentation in an interagency agreement that includes contractor costs. (See Appendix B for terms of the standard special condition and documentation that must be submitted).

c) All contracts for employment must be specific in relation to the hours worked, rate of compensation, rate and/or type of fringe benefits, and the duties and responsibilities of the employee. All such contracts must contain provisions required under state and federal laws, including, but not limited to, those referenced in Chapter IV, Section G, Sub-Section 6. Required Contractual Provisions.

d) Payment for contractor time may include payment for time spent on preparation, evaluation, and travel time, in addition to the actual performance time. Contractual services must comply with the following provisions:

i) Dual compensation must not be involved. The contractor may not receive compensation from a second source for the same unit of work done at the same time. Contractor shall certify to this.

ii) Time and/or services for which payment will be made and rates of compensation must be supported by adequate documentation. Contractors paid by hourly rates must maintain signed time and attendance records. (See Appendix A for sample Daily Attendance and Time Sheets.)

iii) The arrangement must be formal, written, in compliance with federal, state and local regulations, and otherwise consistent with the implementing agency's usual practices for obtaining such services.

iv) An implementing agency shall not circumvent the requirements of this section, by contracting for a fixed product that would not be subject to the professional services fee limitation. This is particularly significant in contracting for the services of individuals.

v) Transportation and subsistence costs for grant-related travel may not be charged to the grant at rates higher than the State of Illinois general travel

reimbursement practices. In addition, if the implementing agency's policies include a rate lower than the state rate, then the implementing agency's rate must be applied.

vi) All contracts over \$100,000, including both federal and matching funds, for professional services must be submitted to ICJIA for review and approval prior to their effective dates and execution by the implementing agency. In addition, ICJIA may require contracts of \$100,000 or less to be submitted for prior ICJIA review and approval.

e) Contractors employed with educational institutions. The maximum rate of compensation that will be allowed is the contractor's academic salary projected for 12 months, divided by 260. These individuals normally receive fringe benefits which include sick leave for a full 12-month period even though they normally only work nine months per year in their academic positions.

f) Contractors employed by state and local government. Compensation for these contractors will only be allowed when the unit of government will not provide their services without cost. In these cases, the rate of compensation is not to exceed the daily salary rate paid by the unit of government, and the compensation must be reasonable and consistent with that paid for similar work in other activities of state or local government. The work or services for which reimbursement is claimed must be directly and exclusively devoted to interagency agreement purposes. A state or local government employee may be employed by a grantee or subgrantee in addition to the employee's full-time job provided the work is performed on the employee's own time.

g) Contractors employed by commercial and not-for-profit organizations. Not-for-profit and commercial agencies are subject to competitive procurement requirements listed above. Therefore, employees of these organizations who are procured through an RFP or IFB procedure are not subject to the \$450 per day (\$56.25 per hour) prior approval requirements discussed in this section. Employees of such organizations who have the authority to contract without employer involvement should not be compensated at a rate higher than the employee's daily rate of pay. If the rate exceeds \$450 per day, prior approval and additional justification is required.

h) Arrangements with commercial and not-for-profit organizations shall insure that indirect costs or overhead charges in cost-type arrangements are based on an audited or negotiated rate previously approved by a federal agency or are based on an indirect cost rate approved by a federal agency which reflects actual cost experience during the contractor's last annual or other recently completed fiscal period. ICJIA has capped indirect cost at 20 percent for all grants.

i) Independent contractors. Procurement of independent contractor services is subject to the previously described competitive procurement requirements. Independent contractors procured through an RFP or IFB procedure are not subject to the \$450 per day (\$56.25 per hour) prior approval requirements listed in this section. For contractual services procured through means other than an RFP or IFB procedure, prior approval and additional justification is required for rates exceeding \$56.25 per hour. Compensation may include fringe benefits.

j) Budget narrative. Any item in the budget should be described in the budget narrative and include how costs were determined.

7) *Other contractual costs.* Contractual costs, other than professional services, may include registration fees for program-related conferences, costs of utilities, equipment rentals, and facility costs. These are considered as other contractual costs in that they generally are incurred as a result of an agreement, letter of intent, contract, or lease.

a) Building space and related facilities. With ICJIA approval, the cost of space in privately or publicly owned buildings used for the benefit of the interagency agreement program is allowable, subject to these conditions:

i) The implementing agency does not own the building, nor has a financial interest in the property.

ii) The total cost of space, whether in a privately or publicly owned building, may not exceed the rental cost of comparable space and facilities in a privately owned building in the same locality.

iii) The cost of publicly owned space can only be charged to a grant if “rental rate” systems, or equivalent systems that adequately reflect actual costs, are employed.

iv) The cost of space procured for the interagency agreement program use may not be charged to the program for periods of non-occupancy without authorization of the federal awarding agency, as obtained through ICJIA.

v) Additional space has been leased by the implementing agency for the specific purpose of housing staff or equipment essential to the conducting of a program funded pursuant to the interagency agreement with ICJIA.

vi) For programs allowing in-kind match, such as VOCA and VAWA, the cost for existing space may be allowed as in-kind match, but is not allowable as a federal cost. For programs that require cash match, such as

JAG and JABG, the cost for existing space is not allowable as a federal or match cost.

vii) Under cash or in-kind match programs, the cost for additional space acquired for the grant program may be allowable as a federal or match cost, subject to the above conditions.

b) Rearrangements and alterations. Costs for rearrangements, alterations, maintenance and repair of building space that do not constitute capital expenditures and are incurred as an incidental and necessary part of a program are allowable but may not exceed 10 percent of the total grant program cost, with the exception of VAWA, which does not allow grant funds to be used for repairs.

c) Utilities/cell phones. Electricity, gas, internet, water, phones, and cell phones are allowable expenses that can be paid for with either federal or match funds. If cost cannot be directly attributable to a grant program than a pro-rated portion of the cost may be paid.

i) Pro-rated cost for cell phones is same as the percentage of time a person is on the program.

ii) Pro-rated cost of electricity, gas, internet, water, phones is based on the number of full time equivalent employees (FTEs) on the program divided by the total number of FTEs in an office. *Example:* A grantee has 2.5 FTE victim advocates working on a grant program. The grantee has a total of 10 FTE employees. The grant can pay up to 25 percent of all utilities. $(2.5 \div 10 = .25)$

d) Budget narrative. Any item in the budget should be described in the budget narrative and include how costs were determined.

8) *Indirect costs.* As a general policy, ICJIA does not allow indirect costs to be included in the budget of an interagency agreement and paid for with federal or matching funds. The intent of this policy is to achieve broader and more concentrated application of federal and state funds to direct crime control and victim assistance activities.

a) Exceptions may be considered when an implementing agency has had an indirect cost rate previously approved by a federal agency. An approval letter from the awarding agency is required.

b) In no event shall agreement funds cover indirect costs in excess of 10 percent of total estimated project costs.

C. Unallowable costs. Unallowable costs include, but are not limited to:

- 1) Bad debts. Any losses arising from uncollectible accounts and other claims, and related costs.
- 2) Contingencies. Contributions to a contingency reserve or any similar provision for unforeseen events.
- 3) Contributions and donations. Contributions and donations, including cash, services, and property.
- 4) Entertainment. Costs of amusements, social activities, and incidental costs relating thereto, such as meals, beverages, lodgings, rentals, transportation, tickets to shows or sporting events, and gratuities. Charges for alcoholic beverages are unallowable costs.
- 5) Fines and penalties. Costs resulting from violations of, or failure to comply with, federal, state and local laws and regulations.
- 6) Governor's expenses. The salaries and expenses of the office of the governor of a state or the chief executive of a political subdivision are considered a cost of general state or local government and are unallowable.
- 7) Interest and other financial costs. Interest on borrowing (however represented), bond discounts, cost of financing and refinancing operations, and legal and professional fees paid in connection therewith, are unallowable.
- 8) Recovery of costs under interagency agreements. Any excess of cost over the federal contribution under one interagency agreement is not transferable to other interagency agreements. Over expenditure on one agreement cannot be recovered from another agreement.
- 9) Land purchases. Federal funds may not be used for the purpose of land acquisition.
- 10) Inappropriate expenditures. Expenditures not appropriate for carrying out the interagency agreement purpose or unreasonable as to cost benefits derived shall be disallowed.
- 11) Purchase of implementing agency-owned equipment. Federal funds may not be used to provide reimbursement for the purchase price of equipment already owned by the implementing agency.
- 12) Luxury vehicles. No requests for luxury vehicles will be approved.

13) Military equipment. Costs for items such as armored vehicles, explosive devices, and other items typically associated with the military arsenal, excluding automatic weapons, are unallowable.

14) Fundraising. Costs of organized fund raising, including financial campaigns, endowment drives, solicitation of gifts and bequests, and similar expenses incurred solely to raise capital or obtain contributions, may not be charged either as direct or indirect costs against the grant. Neither the salary of persons engaged in such activities nor indirect costs associated with those salaries may be charged to the grant, unless such persons perform other grant-related activities.

15) Lobbying. No funds can be used to pay for any activities used to influence or persuade any type of legislation.

16) Confidential expenditures: Confidential expenditures are not allowed.

17) Certain conference, meeting, symposia and workshop costs. Honoraria, entertainment, sports events, visas, passport charges, tips, bar charges, laundry charges, and alcoholic beverages are unallowable.

18) Compensation of federal employee. Salary payments, contractor fees, or other remuneration of full-time federal employees are unallowable costs.

19) Travel of federal employees. Costs of transportation, lodging, subsistence and related travel expenses of federal awarding agency employees are unallowable charges. Travel expenses of other federal employees for advisory committees or other program or project duties or assistance are allowable if they have been:

a) Approved by the federal employee's department or agency.

b) Included as an identifiable item in the budget for the project, or subsequently submitted for approval.

20) Unallowable travel costs. The following costs are unallowable travel expenditures:

a) Costs associated with employee headquarters. Expenses between an employee's residence and headquarters are not allowable charges to an interagency agreement. For example, expenses associated with commuting between an employee's residence and their headquarter city are not reimbursable.

b) Meals, lodging and per diem are not reimbursable at an employee's headquarters city.

c) Lodging for events with 30 or more participants sponsored by BJA. Lodging costs for events that include a total of 30 or more participants and are sponsored by BJA must not exceed federal rates. In the event the lodging rate is not at the federal rate or less, none of the lodging costs associated with the event would be allowable costs to the program. As a result, the implementing agency would be required to pay for all lodging costs for the event, not just the amount in excess of the federal rate.

i) For example, if the federal lodging rate is \$78 per night, and the event lodging rate is \$100 per night, the implementing agency must pay the full \$100 per night with non-grant or matching funds, not just the difference of \$22 per night.

ii) For allowable federal lodging rates, see <http://www.gsa.gov>. Under the heading “Featured Topics” click on “Per Diem Rates.”

21) Conference Meals. Effective October 2011, providing of meals and snacks with federal funds is prohibited unless certain circumstances are met. Please contact your grant monitor with questions.

22) Costs disallowed for particular programs. Specific federal guidelines for individual grant programs may categorize additional cost types as unallowable.

23) Pre- and post-award costs. Costs incurred prior to the start date or after the termination of an interagency agreement are unallowable unless appropriate pre-award agreements or extensions have been approved in writing by ICJIA prior to those costs being incurred.

24) Bonuses or commissions. The implementing agency is prohibited from paying any bonus or commission to any individual or organization for the purpose of obtaining approval of an interagency agreement. Bonuses to officers or board members of profit or nonprofit organizations are determined to be a profit or fee and are unallowable. In addition, bonuses are unallowable to employees funded under the grant program, other than allowable incentive awards or pay otherwise allowable under federal guidelines.

D. Costs requiring prior Authority or OJP approval. Even if provided for in the implementing agency's budget and budget narrative, the implementing agency must submit a specific, written request and justification to ICJIA for the following items, prior to incurring the cost of such items:

1) Sole source purchases, the aggregate of which is expected to exceed \$25,000.

2) Subcontracts over \$100,000.

- 3) Contractor fees exceeding \$450/8-hour day (rates exceeding \$56.25 per hour).
- 4) Pre-agreement costs or costs incurred prior to award date.
- 5) Indirect costs.
- 6) Travel outside of Illinois.
- 7) Rearrangement or alteration of facilities.
- 8) Lease/purchase agreements.
- 9) Publications of any materials that discuss the funded program no matter the source of funds.
- 10) Purchase of Automatic Data Processing (ADP) equipment or software
- 11) The implementing agency will be informed by ICJIA if any additional steps are necessary to secure approval. ICJIA will notify the implementing agency in writing of all approvals or denials.

IV. PROCUREMENT STANDARDS

A. Purpose. This chapter provides standards for implementing agencies to procure supplies, equipment, and other services with funds administered by the Authority. These standards are furnished to ensure that such materials and services are obtained in an effective manner, and in compliance with applicable state and federal regulations.

All procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, open, fair, and free competition no matter the dollar amount of the contract.

B. Contractual responsibility. The implementing agency is the responsible entity, without recourse to the Authority, regarding the settlement and satisfaction of all contractual and administrative issues arising out of procurements entered into in support of a funded program.

1) *Violations of law*. Matters concerning violation of law shall be referred to the local, state or federal authority that has proper jurisdiction.

2) *Other reporting*. Matters concerning violation of law shall also be reported to the Authority.

C. Procurement requirements. The implementing agency shall follow its established procurement process if it meets or exceeds standards set by applicable federal guidelines (which are found here

http://www.ojp.gov/financialguide/PDFs/New%20Procurement%20Guide_508compliant.pdf), and the following requirements. If the implementing agency's established procurement process is less competitive than the following requirements, the following more competitive requirements must be met:

1) *Written policies*. The implementing agency shall develop or maintain a written code of conduct that shall govern the performance of its officers, employees, or agents in contracting with or expending federal funds.

a) To the extent permissible by state or local law, rules, or regulations, such standards shall provide for penalties, sanctions, or disciplinary actions to be applied for violation of these standards.

b) No employee, officer, or agent of the implementing agency shall participate in the selection or in the award or administration of a contract supported by federal or matching funds if a conflict of interest, real or apparent, would be involved.

2) *Conflict of interests*. A conflict of interest arises when an employee, an officer, an agent, any member of his/her immediate family, his/her partner, or any organization

which employs or is about to employ contractor as a financial or other interest in the person or firm being evaluated or selected for the award.

a) Individuals serving as proposal evaluators and their immediate families shall not own stock or have other financial interest in the companies being evaluated.

b) Implementing agency's officers, employees or agents, shall neither solicit nor accept gratuities, favors, or anything of monetary value from contractors, potential contractors or parties to sub-agreements.

c) The implementing agency should be alert to organizational conflicts of interest or noncompetitive practices among contractors that may restrict or eliminate competition or otherwise restrain trade.

d) Contractors that develop or draft specifications, requirements, statements of work and/or RFPs for a proposed procurement shall be excluded from bidding or submitting a proposal to compete for the award of such procurement.

e) In very unusual circumstances, prior approval from the Office of Justice Programs will allow an organization described in subsection (d) to compete for the award. Requests for this exemption must be submitted in writing to ICJIA at least 45 days before making the award announcement.

3) *Solicitation for goods or services \$100,000 or less.* To ensure that all procurements are conducted in a manner to provide open and free competition, implementing agencies are required to solicit quotes or bids from at least three sources when the procurement is \$100,000 or less.

a) If the implementing agency's internal procedures call for a more competitive procedure than described above, then the implementing agency's internal procedures must be followed.

b) Under certain circumstances, there are exceptions to the rule of competition, and sole source procurements may be used. See Section F, Special Considerations, for the procedure for requesting approval for sole source procurements.

4) *Solicitation for goods or services over \$100,000.* For procurements of more than \$100,000, the implementing agency must formally advertise the proposed procurement through an IFB or RFP.

a) If the implementing agency's internal procedures call for a more competitive procedure than described above, then the implementing agency's internal procedures must be followed.

b) Under certain circumstances, there are exceptions to the rule of competition, and sole source procurements may be used. See Section F, Special Considerations, for the procedure for requesting approval for sole source procurements.

5) *Lease-versus-purchase*. Proposed procurements shall be reviewed by implementing agency officials to avoid purchasing unnecessary or duplicative items. Where appropriate, a lease-versus-purchase analysis shall be conducted by the implementing agency to determine whether it is more economical and practical to lease or to purchase the equipment.

a) A lease-versus-purchase analysis is required for any implementing agency acquisition of computer equipment with a unit cost exceeding \$5,000.

b) A lease-versus-purchase analysis may also be appropriate when an implementing agency is considering leasing equipment other than computers.

c) A lease-versus-purchase analysis must:

i) Reflect a comparison of forecasted costs for both an outright purchase and a leasing arrangement, including the cost of financing.

ii) Be documented in writing and made available to the Authority upon request.

iii) Be submitted to the Authority for review and approval prior to purchase or lease.

6) *Contractor ability*. Contracts shall be made only with responsible contractors who possess the ability to perform successfully under the terms and conditions of the proposed agreement. Consideration shall be given to such matters as contractor integrity, record of past performance, financial and technical resources, and accessibility to other necessary resources.

7) *Cost plus percentage*. A cost plus percentage of the cost purchase agreement (any contractual situation in which the fee is automatically increased when additional dollars are added to the contract) shall not be used.

8) *Small, minority and women's businesses.* Implementing agency will take all necessary affirmative steps to assure that small businesses, minority owned firms, women's business enterprises, and labor surplus area firms are used when possible.

a) Affirmative steps shall include:

i) Placing qualified small and minority owned businesses, and women's business enterprises on solicitation lists.

ii) Assuring that small and minority owned businesses, and women's business enterprises are solicited whenever they are potential sources.

iii) Dividing total requirements, when economically feasible, into smaller tasks or quantities to permit maximum participation by small and minority owned businesses, and women's business enterprises.

iv) Establishing delivery schedules, where the requirement permits, which encourage participation by small and minority owned businesses, and women's business enterprises.

v) Using the services and assistance of the Small Business Administration and the Minority Business Development Agency of the Department of Commerce.

vi) Requiring the prime contractor, if subcontracts are to be given, to take the affirmative steps listed above.

b) State agency grantees also shall comply with the Illinois Enterprise for Minorities, Females, and Persons with Disabilities Act (30 ILCS 575) when conducting procurements.

9) *Required information.* When issuing statements, press releases, requests for proposals, bid solicitations, and other documents describing projects or programs funded in whole or in part with federal money, the implementing agency shall clearly state:

a) The percentage of the total cost of the program or project which will be financed with federal funds.

b) The dollar amount of federal funds for the project or program.

10) *Prohibition of geographical preferences.* Procurements shall be conducted in a manner that prohibits the use of statutorily or administratively imposed in-state or local geographical preferences in the evaluation of bids or proposals.

D. Competitive sealed bidding by invitation for bids (IFB). Under competitive sealed bidding, bids are publicly solicited and a firm fixed-price contract is awarded to the responsible bidder whose bid, conforming to all the material terms and conditions of the IFB, is the lowest in price.

1) *Required conditions for a valid IFB.* For sealed bidding to be feasible, the following conditions should be present:

- a) A complete, adequate, and realistic specification or purchase description is available.
- b) Two or more responsible bidders are available (bidders that are willing and able to compete effectively for the business).
- c) The procurement lends itself to a firm fixed-price contract and the selection of the successful bidder can be made principally on the basis of price.

2) *Required conditions for a sealed bid.*

- a) The IFB will be publicly advertised and bids shall be solicited from an adequate number of known suppliers, providing them sufficient time prior to the date set for opening the bids.
- b) The IFB, which will include any specifications and pertinent attachments, shall define the items or services for the bidder to properly respond.
- c) All bids will be publicly opened at the time and place prescribed in the IFB.
- d) A firm fixed-price contract award will be made in writing to the lowest responsive and responsible bidder.
- e) Any or all bids may be rejected if there is a sound documented reason.

3) *Listing of individuals having an interest.* In the bid, the vendor shall disclose the name of each individual having a beneficial interest of more than 7.5 percent in the company. In the case of corporations, the vendor shall include a list of all corporate officers.

4) *Invalid bids.* Responsibility of prospective bidders/vendors has been defined above. A non-responsive bid is invalid. Responsiveness to the IFB means that the vendor's bid conforms to all of the requirements of the IFB (for example, if delivery is required in 90 days and the vendor proposes to deliver in 120 days, the bid is nonresponsive).

5) *Requirements if there is only one bidder.* If only one acceptable bid is received after formal advertising (sole source), and the aggregate expenditure is expected to exceed \$25,000, the Authority's approval is required before the bid can be accepted.

6) *Prior approval needed.* All IFBs over \$100,000 that involve the use of federal or matching funds must be submitted by the implementing agency to the Authority for review and approval prior to release/issuance/advertisement.

E. Requests for proposals (RFP). RFPs are used when the specifications for the procurement are not sufficiently clear to permit use of the IFB procedure. RFPs are predominately employed when a complex, integrated system or contractual study or service is to be procured.

1) *Open and free competition.* RFPs must be advertised to permit maximum open and free competition and must identify all evaluation factors and their relative importance. Implementing agencies must have a method for conducting technical evaluations of the proposals received and for selecting awardees.

2) *Adequate number of sources.* Proposals must be solicited from an adequate number of qualified sources.

3) *Winning bid.* Awards will be made to the responsible firm whose proposal is most advantageous to the program, with price and other factors considered. Clear and specific justification for contractor selection shall be maintained by the implementing agency for purposes of audit, fiscal review, and examination.

4) *Notification of use of an RFP.* ICJIA shall be informed when the implementing agency proposes to use this method of procurement.

5) *Prior approval.* All RFPs over \$100,000 in federal and matching funds must be submitted by the implementing agency to the Authority for review and approval prior to release/issuance/advertisement.

6) *Length of issuance.* All RFPs that involve the use of federal or matching funds must be released/issued/advertised at least 30 days prior to the date that proposals are due.

7) *Requirements if there is only one bidder.* If only one acceptable response to the RFP is received after formal advertising (sole source), and the aggregate expenditure is expected to exceed \$25,000, prior approval of ICJIA is required before the proposal can be accepted.

8) *Renewals.* RFPs may be issued for the provision of services covering a maximum period of one year, with the possibility of two one-year renewals (for a maximum of three years) absent prior ICJIA approval of a longer period. The Authority will consider and

may approve written requests for longer coverage periods. However, as federal guidelines state that procurements must be competitive to the maximum extent practical, approval of longer periods will be given under extenuating circumstances only. ICJIA may consider the following criteria when evaluating requests for longer periods of coverage, along with other factors:

- a) The services to be provided by the vendor are unique or specialized.
- b) The selection of a new vendor after two years, as opposed to continued use of an existing vendor, is likely to have an adverse effect on the delivery of services and the program.
- c) The implementing agency has demonstrated that the benefits to the program brought by allowing for additional contract renewals (and continued use of an existing vendor) are likely to be greater than the benefits brought by a new RFP (and possible use of a new vendor with new ideas).
- d) The skills of vendor's staff will be enhanced by delivering services to the implementing agency over the initial two-year period (i.e., because of the unique population served, or environment in which the services will be provided or the program operates). These enhanced skills will be vital to the program, and may take months, and sometimes years, to develop. It will take any new vendor significant time to develop these specialized skills and begin delivering equally effective services, and allowing for additional contract renewals will be beneficial to the program.
- e) The implementing agency's procurement procedures involved in issuing a new RFP require significant time and resources and detract from the implementing agency's ability to administer the program, and evaluation of the above criteria indicates that allowing for additional contract renewals is in the best interest of the program.
- f) Other relevant criteria provided by the implementing agency.
- g) Applicable laws, regulations, and guidelines.

9) *Internal restrictions.* If the implementing agency's internal procurement procedures do not allow RFPs to cover longer time periods, then those internal procedures must be followed.

F. Sole source procurements. A sole source procurement is a procurement without competition (solicitation from only one source), or where after solicitation of a number of sources,

competition is determined inadequate (i.e., an RFP or IFB is issued and only one response is received).

1) *Determination of a sole source situation.* Implementing agencies may make the initial determination that competition is not feasible if one of the following circumstances exist:

- a) The item is available only from a single source.
- b) Public exigency or emergency when the urgency for the requirement will not permit a delay resulting from a competitive solicitation.
- c) After solicitation of a number of sources, competition is determined inadequate.
- d) There was a competitive procurement process which resulted in a selection of a vendor and the original contract allowed for renewals. Each renewal should be treated as a sole source.

2) *Prior approval is necessary.* For sole source procurements over \$25,000, the implementing agency must submit a written sole source request, and supporting documentation, in the format identified by the Authority. The implementing agency may not act upon this request, unless and until it receives written Authority approval of the sole source request.

3) *Prior approval is not necessary.* For sole source procurements of \$25,000 or less, the implementing agency must maintain supporting documentation, in the format required by the Authority, and make such documentation available for review by the Authority.

4) *Required documentation.* Documentation supporting/justifying the sole source procurement must include the following:

- a) A brief description of the program and what is being contracted.
- b) Explanation of why it is necessary to contract non-competitively, including the following:
 - i) Expertise of the contractor.
 - ii) Management.
 - iii) Knowledge of the program.
 - iv) Experience of contractor personnel.

v) Responsiveness.

vi) Results of a market survey to determine competition availability, or, if not conducted, adequate justification why a study was not conducted.

vii) The means by which the implementing agency came to know of the contractor.

c) What, if any, time constraints exist on procuring the contract, including:

i) When contractual coverage is required and why.

ii) Impact of program if dates are not met.

iii) Time period required for another contractor to reach the same level of competence.

d) Uniqueness of the services or equipment being contracted for under this sole source.

e) Declaration that this action is in the "best interests" of the implementing agency.

f) Other points, as necessary.

G. Equipment. Equipment required for federally funded projects should be purchased only after determination by responsible officials that no other equipment owned by the implementing agency is available for the effort.

1) *No reimbursement*. Federal funds should not be used to provide reimbursement for the purchase price of equipment already owned by the implementing agency other than through permissible depreciation or use allowances. This does not apply to equipment owned by a state or local government central purchasing department and held in stock available for issuance and sale to the implementing agency or other government offices.

2) *Pro-rated share*. If equipment purchased is used commonly for two or more federally funded projects or for a federally funded project and a non-federally supported activity,

appropriate proration of cost to each activity involved must be made. See Chapter III, Section B, Sub-Section 8 Pro-ration rates for details on how to determine pro-ration rates.

3) *Purchase within 90 days.* If, for an item of equipment to be funded with either federal or matching funds, the implementing agency does not have a purchase order dated within 90 days after the start date of the interagency agreement, the implementing agency shall submit a letter to ICJIA explaining the delay in the purchase of equipment. The Authority may, in its discretion:

- a) Reduce the amount of federal funding.
- b) Cancel the interagency agreement.
- c) Allow the implementing agency to reallocate the federal or matching funds that were allocated for such equipment to other allowable, Authority-approved costs.
- d) Extend the period to purchase this equipment past the 90-day period.

4) *No purchase in last 90 days.* No equipment will be purchased during the last 90 days of the agreement without prior written Authority approval.

5) *Contract delays.* The implementing agency shall include provisions, as appropriate, to preclude late delivery of equipment by contractors. These provisions may include penalty clauses and contract bonds. If it becomes evident that the contractor will be delinquent in fulfilling projected delivery schedules, the implementing agency shall notify the Authority immediately.

6) *Ownership resides with multijurisdictional enforcement group (MEG) or task force.* Equipment purchased with federal funds under the terms of an interagency agreement with a multi-jurisdictional task force or MEG unit is considered property of the task force or MEG unit (subject to the terms and conditions of Chapter V: Property Management) and all appropriate documentation must reflect task force or MEG ownership. Equipment items that require registration should be registered in the name of the task force or MEG unit. (When is equipment not considered to belong to the grantee?)

7) *Disposition of the equipment after the period of performance.* The implementing agency has a duty for the life of the equipment to inform the Authority prior to disposing of any equipment purchased with federal funds.

G. Subcontracting. The use of subcontractors for any work or professional services that involves the use of federal or matching funds is subject to Authority approval.

1) *Written contract.* Any work or professional services subcontracted for shall be specified by written contract and subject to all terms and conditions contained in this agreement.

2) *Addendum to the agreement.* If the use of subcontractors is approved by the Authority, the terms and conditions of the interagency agreement shall apply to and bind the party or parties to whom such work is subcontracted as fully and completely as the implementing agency is bound and obligated. An addendum to the agreement must be completed by the implementing agency and any subcontractor. The addendum to the agreement form is available through your grant manager.

3) *Prior approval needed.* Any work or professional services subcontracted for shall be specified by written contract, and shall be subject to all provisions contained in the agreement between the Authority and the implementing agency. Subcontracts over \$100,000 (in both federal and match funds) must be approved in writing by the Authority, prior to their effective dates and execution by the implementing agency.

4) *Lobbying certification.* If a subcontractor will receive more than \$100,000 in federal funds pursuant to the interagency agreement, the implementing agency will provide to the Authority a Certification Regarding Lobbying and, if applicable, a Disclosure of Lobbying Activities form signed by the subcontractor.

5) *Debarment certification.* Prior to the disbursement of federal funds, the subcontractor shall certify, as required by the Authority, that neither it nor its principals are presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in this transaction by any federal department or agency, if a subcontractor will receive a subaward of \$100,000 or more. Implementing agencies shall not permit subcontracting at any level or any party that is debarred or suspended to participate in federal assistance programs.

6) *Drug-Free workplace certification.* Prior to the disbursement of federal funds, the subcontractor shall certify, as required by the Authority, that as a condition of the grant, the subcontractor will not engage in the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance in conducting any activity with the grant; and if convicted of a criminal drug offense resulting from a violation occurring during the conduct of any grant activity, the subcontractor will report the conviction, in writing, within 10 calendar days of the conviction, to:

a) Department of Justice
Office of Justice Programs
ATTN: Control Desk
810 Seventh Street, N.W.,
Washington, D.C. 20531

b) Illinois Criminal Justice Information Authority
Attn: Grant Monitor
300 W. Adams Suite 200
Chicago, IL 60606

7) *Required contractual provisions.* All contracts between an implementing agency and a subcontractor shall include the following provisions:

- a) The contractor's full name and address.
- b) The implementing agency name.
- c) The period of performance of the contract.
- d) A reasonably detailed description of services to be rendered.
- e) The maximum or estimated amount to be paid.
- f) All payment rates.
- g) Signature of contractor or authorized representative.
- h) Signature of the implementing agency's authorized representative.

V. PROPERTY MANAGEMENT

A. Real property versus personal property. The following is how the Authority shall distinguish between real and personal property.

1) *Real property.* Real property means land, including land improvements, structures and appurtenances (i.e., annexes, rights of way, easements) excluding movable machinery and equipment.

2) *Personal property.* Personal property means property of any kind except real property. It may be tangible (having physical existence) or intangible (having no physical existence, such as patents, inventions and copyrights).

B. Nonexpendable personal property (Equipment) purchased with most Formula Funds (Contact your grant monitor to see if applicable) Any equipment purchased with these funds must be used for criminal justice purposes and the implementing agency must certify to that effect.

1) *Failure to certify-* Then ownership shall vest with the Authority and the Authority may use the equipment elsewhere in the State for the criminal justice purpose.

2) *Use and management-* Implementing agency shall use the equipment in accordance with its procedures as long as the equipment is used for criminal justice purposes.

3) *Disposition-* The implementing agency shall seek the Authority's approval prior to disposing of any equipment.

C. Nonexpendable personal property (Equipment) purchased with JABG or VOCA funds- Any equipment purchased with these funds must be used for criminal justice purposes.

1) *Use of equipment-* any equipment purchased by the Implementing Agency must be used in the following manner:

a) The equipment must be used for the program or project even if the program or project stops receiving funds.

b) If no longer needed for the original program or project then the equipment can still be used if the project that it is being used for is supported by federal funds.

c) The implementing agency should allow the equipment to be used by other federally supported programs. Any user fees shall be considered program funds.

d) Aside from user fees as detailed in (c) above, the implementing agency shall not compete unfairly with private companies that provide similar services.

e) The equipment when necessary can be used as a trade in with written approval from the Authority.

2) *Maintenance of records*- the implementing agency shall maintain property records in accordance with Subsection (H) below.

3) *Disposition of property*- if the equipment is no longer going to be used for projects currently or previously federally funded.

a) If the Fair-Market Value is under \$5,000 then disposition can be in any manner by the implementing agency.

b) If the Fair-market Value is over \$5000, the Implementing Agency shall contact the Authority to get instructions on proper disposal.

D. Nonexpendable personal property (Equipment) purchased with Discretionary Funds (examples include: NCHIP, PDNAT and NARIP). Title will not be taken by the federal government but shall be vested in the implementing agency.

1) *Use of equipment*- the implementing Agency must be used in the following manner

a) The equipment must be used for the program or project even if the program or project stops receiving funds.

b) If no longer need for the original program or project then can still be used if still being supported by federal funds.

c) The implementing agency should allow the equipment to be used by other federally supported programs. Any user fees shall be considered program funds.

d) Aside from user fees as detailed in (c) above, the implementing agency shall not compete unfairly with private companies that provide similar services.

e) The equipment when necessary can be used as a trade in with written approval from the Authority.

2) *Maintenance of records*- the implementing agency shall maintain property records in accordance with Subsection (H) below.

3) *Disposition of property*- if the equipment is no longer going to be used for projects currently or previously federally funded.

a) If the Fair-Market Value is under \$5,000 then disposition can be in any manner by the implementing agency.

b) If the Fair-market Value is over \$5000, the implementing shall contact the Authority to get instructions on proper disposal.

E. Failure to notify. If the implementing agency fails to notify the Authority when it is disposing or selling property purchased with federal grants funds and the fair-market values is over \$5,000, the Authority shall notify the Department of Justice and this may have a negative impact on any future grant applications. The Implementing Agency's failure to notify the Authority may, in the sole discretion of the Authority, result in a duty to return grant funds to the Authority.

F. Requirements for supplies. Supplies mean all tangible personal property other than equipment and nonexpendable personal property.

1) *Fair market value Exceeds \$5,000.* When the total inventory value of any unused supplies exceeds \$5,000 in total aggregate fair market value upon termination or completion of the grant program, and the supplies are not needed for any other federally sponsored programs or projects, the implementing agency may retain the property or sell the property as long as the implementing agency compensates the Authority for its share in the cost.

2) *Compensation formula.* The amount of compensation shall be computed in the same manner as for nonexpendable personal property or equipment.

G. Federal equipment. In the event that the implementing agency is provided federally owned equipment in connection with the program or project, the following requirements apply:

1) *Title.* Title remains vested in the federal government.

2) *Management.* Implementing agencies shall manage the equipment in accordance with rules and procedures issued by the Authority and submit an annual inventory listing.

3) *Disposition.* When the equipment is no longer needed, the implementing agencies shall request disposition instructions from the Authority.

H. Property management system and records. The failure to employ an adequate property management system may result in the denial of costs associated with the acquisition of property.

Property records shall include a property inventory report that is updated as property is acquired or disposed of.

1) *Records requirements.* Property records for equipment and nonexpendable personal property shall be maintained accurately and provide:

- a) A description of the property.
- b) Manufacturers serial number or other identification number.
- c) Acquisition date and cost.
- d) Vendor/source of the property.
- e) Grant number and percentage of federal and matching funds used in the purchase of the property.
- f) Identification of who holds title.
- g) Location, use and condition of the property.
- h) Ultimate disposition data, including date of disposal and sale price or the method used to determine current fair market value.

2) *Complete inventory every two years.* Although a property inventory report should be updated as property is acquired and maintained accordingly, a complete physical inventory of property shall be taken and the results reconciled with the property records at least once every two years to verify existence, current use and continued need for the property.

- a) Property inventory reports must be completed and submitted with grant close-out materials on a grant by grant basis.
- b) The sum of the unit cost for all equipment must equal the equipment expenditures total.

3) *Preventing loss and damage.* A control system shall be in effect to insure adequate safeguards to prevent loss, damage, or theft of the property. The implementing agency is responsible for replacing or repairing the property that is willfully or negligently lost, stolen, damaged or destroyed. Any loss, damage or theft of nonexpendable property shall be investigated and fully documented.

I. Intangible property. Specific standards for control of intangible property are provided as follows:

1) *Patents*. If any program produces patentable items, patent rights, processes or inventions in the course of work aided by a federally funded program, such fact shall be promptly and fully reported to the Authority.

a) The Authority, in consultation with the federal awarding agency shall determine whether protection on such invention or discovery shall be sought.

b) The Authority, in consultation with the federal awarding agency shall determine how the rights in the invention or discovery -- including rights under patent issued thereon -- shall be disposed of and administered to protect the public interest consistent with Government Patent Policy (President's Memorandum for Heads of Executive Departments and Agencies, Aug. 23, 1971, and Statement of Government Patent Policy as printed in 36 F.R. 16839).

c) Government-wide regulations have been issued at 37 CFR Part 401 by the U.S. Department of Commerce.

2) *Copyrights*. Where the interagency agreement results in a book or other material which could be copyrighted, the federal grantor agency and the Authority reserve a royalty-free, nonexclusive, and irrevocable license to reproduce, publish or otherwise use, and to authorize others to use, for government purposes, the work or the copyright to any work developed under a grant, subgrant or contract. This would also apply to any copyright that is purchased under a grant, subgrant or contract. Any royalties from copyright developed as a result of a grant shall be treated as program income.

VI. ACCOUNTING, FISCAL, AND REPORTING PROCEDURES

A. Minimum Accounting Requirements. This chapter identifies minimum accounting requirements for interagency agreements. Compliance with these requirements will assure that the implementing agency can meet the financial reporting requirements of the federal grant program and can prepare internal fiscal reports to satisfy program information needs.

1) *Adequate account structure*. An account structure has to be adequate enough to meet the demands of applicable legislation, regulations and guidelines, and implementing agency fiscal responsibilities must be developed and used.

2) *Applicable to contractors*. These requirements apply equally to implementing agencies and contractors and subcontractors of implementing agencies.

B. Financial controls. The implementing agency's accounting system must provide effective financial and internal controls. Implementing agencies should recognize that audits and fiscal reviews of agreements will be made and unless commonly accepted standards of financial responsibility have been followed, these audits and fiscal reviews may result in the disallowance of expenditures for which the implementing agency may be liable for reimbursement to the Authority.

C. Total cost budgeting and accounting. Accounting for all funds awarded by the Authority shall be structured and executed on a "total program cost" basis. Total program costs, including federal funds, state and local matching shares, and any other fund sources included in the approved project budget or received as program income, shall be the foundation for fiscal administration and accounting. Unless otherwise prohibited by law, applications for funding and financial reports require budget and cost estimates on the basis of total costs.

D. Recordkeeping. Each implementing agency is required to maintain, or cause to be maintained, all records (including source documentation) relating to interagency agreements undertaken as evidence of costs incurred.

1) *Retention period*. All records must be maintained for the latter of a period of three years from the end of the grant or most recent audit covering that period.

2) *Accounting system*. An accounting system must conform to generally accepted accounting principles and which fully discloses:

- a) The amount and disposition of Authority funds.
- b) The amount and disposition of matching contributions.
- c) The amount and disposition of program income funds.

d) Such other records as will facilitate an effective audit or fiscal review.

3) *Accounting procedures.* Grantee must provide for an accurate and timely recording of receipt of funds by source, of expenditures made from such funds, and of unexpended balances. Controls must be set up to ensure that expenditures charged to interagency agreement activities are for allowable purposes and that documentation is readily available to verify that such charges are accurate.

E. Comingling of funds. The accounting systems of all implementing agencies and any subrecipients must ensure that funds received from one federal agency are not comingled with funds from other federal agencies or from the same type of grants.

1) *Account for separately.* Each program award must be accounted for separately even if the implementing agency receives multiples of the same type of grant.

2) *Comingling prohibited.* In addition, implementing agencies and subrecipients are prohibited from comingling funds on either a program-by-program or project-by-project basis. Funds specifically budgeted and/or received for one project may not be used to support another. However, if an implementing agency's or subrecipient's accounting system provides for the integration of funds received from different sources, a system must be established and implemented to provide adequate fund identification and accountability for each federally funded program or project.

F. Accounting system standards. Adequate accounting systems for each funded program should meet the following criteria:

1) *Accounting records* should provide the information needed to identify separately the receipt of federal, state, local and other matching funds;

2) Entries in accounting records should refer to subsidiary records and/or documentation which support the entry and which can be readily located;

3) The accounting system should provide accurate and current financial information; and

4) The accounting system should have an adequate system of internal controls to safeguard the funds and assets covered, verify the accuracy and reliability of accounting information, promote operational efficiency, and encourage adherence to prescribed management policies.

G. Objectives of the accounting system. The objectives of the agreement accounting system are:

- 1) To provide the implementing agency with financial information to assist in the planning, control, measurement, and evaluation required for the efficient and economical operation of the organization and program.
- 2) To provide management control of funds and other assets to insure that the expenditure of funds and use of other property is in compliance with applicable laws and regulations.
- 3) To insure, by use of cost and property control records and prudent management, that optimal use is made of all resources.
- 4) To meet standards for reporting periodically on financial operations.
- 5) To classify current and projected costs as required for budgeting purposes.

H. Elements of the accounting systems Accounting systems are made up of a series of operations that involve classifying, recording, summarizing, and reporting transactions. The elements of the system must consist of an account structure, accounting records, source documents, a system for coding financial transactions, financial reports, and written procedures that prescribe the manner in which and by whom these operations are performed.

1) *Interagency agreement project accounts.* Project accounts will be maintained in conformity with the category and subcategory detail shown in the detailed budget submitted with the approved interagency agreement application. The implementing agency may make allotments and account expenditures in further subcategory detail if it so desires. A project account shall be maintained for each such allotment.

- a) Project expenditures will be recorded in formal project accounts.
- b) The record of expenditures may be maintained in the agency's regular accounts if program expenditures are clearly identified therein and memorandum records are maintained which separately identify expenditures.
- c) This material may be examined in an audit or fiscal review of the project expenditures.

2) *Recording of receipts and expenditures.* Accounting procedure must provide for an accurate and timely recording of receipt of funds by source, of expenditures made from such funds, and of unexpended balances. Controls must be set up to ensure that

expenditures charged to interagency agreement activities are for allowable purposes and that documentation is readily available to verify that such charges are accurate.

3) *Intermediate records*. Intermediate or secondary records such as ledger cards, weekly or monthly cost summaries, cost analysis reports, letters of justification, or technical cost appraisals are not supporting records and cannot be used without the supporting records. For purposes of audit or fiscal review, expenditures will be supported by both the supporting records and intermediate records.

4) *Supporting records (documentation)*. Supporting records are the originals or source records and documents which evidence expenditures made and which underlie the accounting transactions. Daily time records and payroll records evidencing labor costs, invoices for purchases of capital equipment and supplies or services, computations which show the method used in allocating indirect costs, authorizations to perform or discontinue work, change orders to the scope of the work, and similar documents and records serve as supporting records.

5) *Separation of duties*. It is recognized that many implementing agencies may have limited staffs; sound internal control requires a certain minimum separation of financial duties.

a) No one individual may control all of the following activities:

i) Authorization to initiate expenses, purchase orders, etc.

ii) Approving vouchers for payment.

iii) Signing checks.

iv) Recording transactions in books of account.

v) Responsibility for physical custody of vouchers, payroll records, canceled checks, and books of account.

b) All implementing agencies are required to establish a pre-voucher review to assure proper payment of funds.

c) The person who signs the checks must assure himself/herself by review of the accompanying voucher, time sheet, or any other reasonable means, that payment is correct.

d) The person who initials and/or approves a voucher for payment may not be the sole signer of the check paying for those goods nor may he/she be delegated the entire pre-voucher review responsibility.

e) Financial officers have the responsibility and authority to disallow payment of expenditures made contrary to the requirements of these guidelines, including OMB Circular A-21, A-87 and A-122, and contrary to the requirements of the implementing agency.

f) Financial activities should be separated into, at a minimum, the following three functions and each should be performed by a different individual:

i) Initiating expense and approving payment.

ii) Disbursing funds or signing checks.

iii) Recording transactions into books of account.

D. Fiscal reports. As the recipient of federal funds, the Authority is required to report to the various funding federal agencies on the drawdown, expenditure and disbursement of funds. Fiscal reports are an essential element of these reports.

1) *Other uses of the Authority's fiscal report*. In addition to being able to report to our funding agencies the fiscal report also assists in:

a) Disbursement of funds to implementing agencies.

b) Monitoring of agreement.

c) Problem identification and resolution.

d) Documentation of match contribution.

e) Documentation of program income.

2) *Compliance*. Because the fiscal report is a vital line of communication between the individual implementing agency and the Authority, and because it serves as the basis for aggregate reporting to federal and state agencies, compliance with the reporting requirements is mandatory. Reports indicating no activity during the reporting period are equal in importance to reports of activity.

3) *Due dates*. Fiscal reports must be submitted no later than the 15th day of the month following the period covered by the report. Fiscal reports must include actual and cumulative expenditures by budget category for the time period covered by the report. Implementing agencies should report projected expenditures that will cover the entire next reporting period to assure adequate cash flow to the implementing agency.

4) *Late reports.* Those implementing agencies not submitting fiscal reports will be mailed a late notice and will have 30 days to respond. If no response is received to the first late notice, a second late notice will be mailed, stating that unless a fiscal report is received within 15 days, the agreement may be suspended pursuant to the Authority's rules.

a) Freezing of funds. Should no response be received to the second late notice, a registered letter will be sent to the project director and the responsible authorized official notifying them of the Authority's decision to freeze their funds. The frozen funds shall not be limited to a particular grant that is delinquent, but all grant funds that the implementing agency has with the Authority shall be frozen.

b) Unfreezing of funds. To activate a suspended agreement, a written response will be required of the implementing agency to include explanation of deficient reporting, corrective action to be taken, and all currently due fiscal reports. Those implementing agencies that frequently submit late reports or incorrect reports also may have their agreement suspended.

5) *Termination.* If the action required to activate a suspended agreement is not taken within 28 days of the suspension, then appropriate measures may be taken to terminate the agreement.

6) *State fiscal year.* All expenses incurred by the implementing agency during a given state fiscal year (July 1-June 30) must be processed by the Authority by the last week of the following July. Therefore, all fiscal reports requesting disbursement of funds for expenses incurred between July 1 through June 30 must be submitted to the Authority by the following July 15th.

E. Cash balances and deposit of funds. Implementing agencies should only keep a minimum amount of cash on hand. Federal funds must be deposited in separate accounts.

1) *Minimum cash.* Federal regulations require that implementing agencies request only the minimum amounts of cash necessary to pay their bills in a timely fashion, based upon immediate disbursement requirements. Implementing agencies must develop procedures for the disbursement of funds to ensure that cash on hand is kept at a minimum.

2) *Timing.* Implementing agencies should also minimize the time elapsing between the receipt and disbursement of funds. Interest earned should be handled in accordance with procedures described in Chapter I, Section G. Interest Income.

3) *Adjustment of cash request.* The Authority reserves the right to adjust cash requests on the basis of reported expenditures and cash balance. If the implementing agency anticipates an inordinate expenditure of federal funds or, if applicable, state general

revenue matching funds, during a particular period, this expense should be explained on the Authority Fiscal Report.

4) *Cash Management Improvement Act (CMIA) of 1990*. Funds disbursed by the Authority are subject to the CMIA, which requires payment to the federal government for interest liability for the time funds are under Authority control. Therefore, the implementing agency must provide for the immediate deposit of federal funds into a bank account in the name of the implementing agency.

5) *Account deposits*. The implementing agency must provide for the deposit of program funds, including federal and matching funds, into a bank account in the name of the implementing agency, either depositing such funds into an account separate from any of its other bank accounts or treating such funds as a separate line item per its budget and audited financial statements. Federal funds shall be immediately deposited into such bank account.

F. Fund disbursements. The Authority normally operates on a reimbursement basis for all expenses. Exceptions are made on a case by case basis.

1) *Initial cash request*. Implementing agencies shall normally be reimbursed for expenses incurred upon submission of the Authority Fiscal Report. The Authority recognizes that in some instances the implementing agency may not possess sufficient resources to support the program described in the interagency agreement on a reimbursable basis and those individual programs may require substantial start-up costs. Consequently, implementing agencies may request a cash advance to cover the initial period of the agreement. Such requests must be in writing and on an Authority approved form. Additional information, such as the purpose of the proposed expenditure and the reasons necessitating the advance, may be required. These requests are subject to Authority review and approval.

2) *Expenditure reimbursements*. Disbursement of Authority funds shall be made on the basis of expenses and obligations reported on the Authority Fiscal Report. Obligations (projected expenses for the next reporting period) reported on the fiscal report will be disbursed only if the payment is to be liquidated within 90 days of receipt of the state

warrant (check). This report shall be submitted by the implementing agency quarterly unless otherwise specified by your grant monitor.

a) Requests for disbursements of Authority funds made on fiscal reports that are submitted later than the specified deadline will be paid at the discretion of the Authority.

b) Requests for final reimbursement must be received by the Authority no later than 30 days after the termination of the agreement.

3) *Timing of disbursement.* Implementing agencies should anticipate a delay of approximately four to six weeks from the submission of the request for disbursement (fiscal report or advance) until the receipt of the state warrant (check). Implementing agencies should consider this delay when calculating the disbursement request by projecting which obligations will need to be liquidated upon receipt of the state warrant.

4) *Final disbursement.* The final disbursement of Authority funds shall be made on the basis of expenditures reported on the Final Financial Status Report. This disbursement shall be made on the basis of total agreement costs and, generally, shall not be made until the implementing agency has satisfied the match requirements of the interagency agreement. Should the implementing agency fail to meet the match required in the agreement, an appropriate adjustment shall be made in the final disbursement.

G. Lapse of interagency agreement funds. All interagency agreement funds must be obligated as of the agreement's termination date. The Authority funds that are not obligated as of the termination date lapse or revert to the Authority.

1) Funds that have been obligated as of the termination date must be liquidated (expended) within 45 days of the termination date.

2) The Authority funds that are not liquidated at the end of the 45-day period may lapse and revert to the Authority.

3) Refunds of any lapse funds shall be returned to the Authority no later than 45 days from the end date of the grant.

H. Recordkeeping and reporting. Implementing agencies have a duty to maintain records, both programmatic and fiscal, and there is also a duty to report to the Authority on a routine basis as detailed in their interagency agreement.

1) *Maintenance and protection of records.* Implementing agencies are expected to ensure that records of individual federally funded interagency agreements and federal fund years are separately identified and maintained and that the information required can be readily located.

a) Implementing agencies also are obligated to protect records adequately against fire or other damage.

b) When records are stored away from the principal office, a written index of the location of records stored should be on hand and readily accessible.

c) Such records should be maintained in an orderly manner and must be available for audit or fiscal review purposes.

2) *Minimum record requirements.* Accounting records must adequately identify the receipt and expenditure of funds for each interagency agreement, refer to subsidiary records and/or documentation that support the entry, and provide accurate and current financial reporting information.

a) These minimum requirements can be met by using a combined cash receipts and cash disbursements journal.

i) The journal can be a book of original entry, if the implementing agency is funded only from the Authority and matching funds; and

ii) The journal can be memorandum record of interagency agreement project expenditures where the implementing agency accounting system does not allow for separate identification of federal and matching expenditures.

b) The purpose of the record system is to provide control and information to the implementing agency preparing Fiscal Reports to be submitted to the Authority, and to establish an instrument for managerial decision-making.

c) In addition, implementing agencies, and all other recipients of financial assistance from the Authority, must maintain:

i) Records that fully disclose the total cost of the project for which the funds were awarded.

ii) Records that fully disclose the disposition of all Authority funds for the project.

iii) Records which fully disclose the amount of money supplied to the project by sources other than the Authority.

iv) Any other records requested by the Authority to facilitate an effective audit or fiscal review.

3) *Source documents.* In addition to the records that satisfy the minimum requirements, the following source documents are necessary to support expenditures (broken down by budget category):

a) Personnel services. The implementing agency must have formal written personnel policies, and shall maintain the following records:

i) Daily time and attendance records, including start and end time.

ii) Vacation and sick leave records.

iii) Certification of attendance at meetings.

iv) Meeting minutes with signed roster (signed by attendees), as required by law or implementing agency policy.

b) Travel. The implementing agency must have formal travel policies, and shall maintain the following records

i) Travel expenses claims or vouchers.

ii) Vehicle mileage records.

iii) Transportation records.

iv) Receipts for lodging, air travel, and other expenses.

c) Contractor services. Contractors must retain records in the same detail as the implementing agency. The implementing agency should retain billings or invoices showing:

i) Personnel services.

ii) Travel.

iii) Supplies and operating expenses (Approval document for indirect cost rate must be available.).

iv) Records showing profit earned also should be kept.

d) Equipment. Purchase orders, invoices, receiving reports, bid documents, inventory records, and other documentation.

e) Other expenses. Receipts, invoices, telephone logs, and any other expenses.

f) All source documents, including checks or warrants, should be cross-referenced.

4) *Interagency agreement closeout reporting.* Upon termination of the agreement, the implementing agency will be required to submit the following within 45 days:

a) Final financial status report.

b) Final progress report.

c) Property inventory report (if applicable) (Appendix A).

d) Any refunds owed.

e) Other information pertinent to the terms of the agreement as required by the Authority.

5) *Notification of completing close-out.* The implementing agency shall be notified when the final reporting requirements of the agreement have been satisfied. This notification does not relieve the implementing agency of the three-year retention of records requirement, described below, nor does it preclude further return of federal funds as a result of subsequent audit or fiscal review disallowances.

I. Retention of financial, program and property records. The implementing agencies shall have a duty to retain all records associated with a grant from the Authority.

1) *Financial records.* Financial records of the implementing agency and its subgrantees, contractors and subcontractors, including books of original entry, source documents, the general ledger, subsidiary ledgers, personnel and payroll records, canceled checks, related documents and records, and audit reports, including management letters, must be retained for a period of at least three years from the end of the grant or the last audit, whichever is later.

a) Personnel and payroll records shall include the time and attendance reports for all individuals reimbursed by either federal or matching funds under a grant, subgrant, contract, or subcontract whether they are employed full-time or part-time.

b) Time and effort reports will be required for contractors.

2) *Program records.* Every recipient of financial assistance from the Authority must maintain program records (program records include all records other than financial) that

document the activities performed pursuant to the interagency agreement between the recipient and Authority.

a) Program records also include records that reflect the performance indicators outlined within the program description of the interagency agreement and shall be the basis for progress reports submitted by the recipient of funds to the Authority.

b) Program records shall be subject to review by Authority staff during monitoring visits.

c) Program records of the implementing agency and its subgrantees, contractors and subcontractors must be retained for a period of at least three years from the end of the grant or the last audit, whichever is later.

3) **Property records.** Records for equipment, nonexpendable personal property, and real property acquired with project funds shall be retained for at least three years after the final disposition, transfer, or replacement of the property, at the discretion of the Authority. Chapter V: Property Management, details specific property management requirements and the types of records that must be maintained.

4) *Retention period qualification.* If any litigation, claim, audit, fiscal review, negotiation, or other action involving the records has been started before the expiration of this three-year period, these records must be retained until completion of the action and resolution of all issues which arise from it, or until the end of the regular three-year period, whichever is later.

5) *Transferring records to U.S. DOJ.* The U.S. DOJ may request transfer of certain records to its custody from state and local governments when it determines, in conjunction with the Authority, that the records possess long-term retention value.

J. Access to records. Department of Justice personnel, any of their authorized representatives, and the Authority shall have the right of access to all records.

1) *All records.* All records include pertinent books, documents, papers, or other records of grantees, subgrantees, contractors and subcontractors which are pertinent to the grant, in order to make audits or fiscal reviews, examinations, excerpts and transcripts.

2) *Limitation on records request.* The rights of access must not be limited to the required retention period but shall last as long as the records are retained.

3) *Grant Fund Recovery Act.* State laws mandates that the Illinois Auditor General and the Illinois Attorney General shall have access for purposes of monitoring, audit and

examination to all relevant books, documents, papers, and records of the implementing agency, and to relevant books, documents, papers, and records of subcontractors.

VII. GRANT IRREGULARITIES, REVIEWS AND AUDITS

A. Reporting irregularities The implementing agency shall promptly notify the Authority through their Grant Monitor when an allegation is made, or the implementing agency otherwise receives information, reasonably tending to show the possible existence of any irregularities or illegal acts in the administration of grant funds.

1) *Applicable to subrecipients.* The implementing agency shall inform any sub-recipient of the Authority's grant funds that the sub-recipient is similarly obligated to report irregularities and the Implementing Agency shall provide a copy of the Authority's policy to any sub-recipient. A copy of the Authority's policy is available on the web at <http://www.icjia.state.il.us/public/>.

2) *Failure to report irregularities.* Failure to report known irregularities can result in suspension of the interagency agreement or other remedial action.

3) *Manner of notification.* If the implementing agency's auditor or other staff becomes aware of any possible illegal acts or other irregularities prompt notice shall be given to the implementing agency's director.

a) The implementing agency, in turn, shall promptly notify the Authority as described above of the possible illegal acts or irregularities.

b) If the possible misconduct involves the implementing agency's director, the Implementing Agency staff member shall provide prompt notice directly to the Authority.

4) *Authority's duty to notify.* The Authority shall inform the Office of Justice Program's Office of the Comptroller, the Department of Justice's Office of Professional Responsibility and the Office of Inspector General, and state and local law enforcement agencies or prosecuting authorities, as appropriate, of any known violations of the law within their respective area of jurisdiction.

5) *Reporting irregularities.* The reporting of any irregularities, illegal acts, and the proposed or actual corrective action shall be reported to the Authority at:

Illinois Criminal Justice Information Authority
Attn: Grant Monitor
300 W. Adams Street, Suite 200
Chicago, IL 60606
Phone: 312- 793-8550

B. Audit requirement and audit costs. Implementing agencies that expend \$500,000 or more in their fiscal year in federal awards (federal awards from all sources, including, but not limited to, the Authority) must have an audit conducted in accordance with OMB Circular A-133, as amended.

1) *Allowability of audit cost.* If the implementing agency is required to conduct an A-133 audit then a portion of the audit cost may be paid for with grant funds. The implementing agency may charge the grant a portion of the audit cost that is equivalent to the percentages that the federal grant award makes up of the total amount of federal funds received by the implementing agency.

a) If the implementing agency is receiving \$500,000 (in federal grants) and the grant award is \$50,000 then the grant can pay for up to 10 percent of the audit cost. ($\$50,000/\$500,000 = 10$ percent).

i) This formula should be shown in the budget narrative.

ii) If the implementing agency has a different formula to determine audit cost, pre-approval from the Authority is required.

b) Match funds can also be used to pay for audit cost.

c) Audit costs are not allowable if the grantee is not required to have an A-133 audit.

2) *Audit objectives.* Interagency agreements include conditions of fiscal, program, audit and general administration to which the implementing agency expressly agrees. The audit objective is to review the implementing agency's administration of federal funds and required nonfederal contributions to determine whether the implementing agency has:

a) Established an accounting system integrated with adequate internal fiscal and management controls to provide full accountability for revenues, expenditures, assets and liabilities.

b) Prepared financial statements which are presented fairly, in accordance with generally accepted accounting principles.

c) Prepared financial reports (including financial status reports, cash reports, and claims for advances and reimbursements) which contain accurate and reliable financial data, and are presented in accordance with the terms of the applicable agreements.

d) Expended federal and match funds in accordance with the terms of applicable agreements, and federal and state laws, regulations and guidelines.

3) *Failure to comply with A-133 audit requirements.* Failure to have audits performed as required by OMB Circular A-133 may result in the withholding of new awards and/or withholding of funds or change in the method of payment on active interagency agreements.

4) *Resolution of audit reports.* Timely action on recommendations by responsible management officials is an integral part of the effectiveness of an audit. Each implementing agency shall have policies and procedures for responding to audit recommendations by designating officials responsible for:

a) Following up on the recommendations.

b) Maintaining a record of the action taken on recommendations and time schedules for completing the corrective action.

c) Implementing the audit recommendations.

d) Submitting periodic reports to appropriate federal agency personnel and the Authority on audit recommendations and actions taken.

e) Providing an audit special condition on all subawards. This special condition should contain information on the audit report period, required audit report submission date, and name and address of the appropriate Federal agency. The implementing agency should not make subawards to entities that are not in compliance with applicable audit requirements.

The Authority shall monitor audit requirements and will request audit materials and reports throughout the audit process, until any audit findings are resolved and closed.

C. Other compliance techniques and grant reviews. The Authority may utilize other techniques to determine implementing agency compliance with federal and state requirements, and terms of the interagency agreement when an A-133 audit is not conducted. These techniques include, but are not limited to, the following:

1) *Consulting other audits.* Obtaining and reviewing audits from implementing agencies that were made in accordance with Government Auditing Standards.

2) *Previous audits.* Reviewing previous audits performed on implementing agencies' operations or programs.

3) *Evaluations*. Reviewing evaluations of implementing agencies' operations done by program officials.

4) *Site visits*. The Authority may also conduct site visits, desk reviews, phone interviews, and other forms of monitoring to ensure that the implementing agency is adhering to the terms and conditions of the interagency agreement. In the event that the implementing agency is not adhering to these terms and conditions, the Authority may impose sanctions upon the implementing agency, as described below.

D. Sanctions. If an implementing agency fails to comply with the terms and conditions of a grant award, including civil rights requirements, whether stated in federal or state statute, regulation, guideline, assurance, interagency agreement, application, or notice of award, the Authority may take one or more of the following actions, as appropriate.

1) *Freezing funds*. The Authority may temporarily withhold cash payments pending correction of the deficiency by the implementing agency.

2) *Disallowing unallowable expenses*. The Authority may disallow all or part of the cost of the activity or action not in compliance.

3) *Suspension*. Wholly or partly suspend or terminate the current award, in accordance with rules of the Authority.

4) *Withholding of future awards*. The Authority may withhold further awards for the program.

5) *Other legal remedies*. The Authority at its discretion may pursue other remedies or actions that may be legally available.

E. Audits and reviews of implementing agencies and subrecipients. If the implementing agency makes a subaward to another organization, the implementing agency shall require the subrecipient to comply with the audit requirements set forth in this chapter.

1) *Copies of audit report*. Implementing agencies are responsible for ensuring that they receive copies of subrecipient audit reports and for resolving any audit findings. The implementing agency must report these findings to the Authority.

2) *Subrecipients that do not require an A-133 audit*. For subrecipients who are not required to have an A-133 audit, the implementing agency must monitor and review the subrecipients' activities to provide reasonable assurance that the subrecipient

administered grant funds in compliance with applicable state, federal and interagency agreement requirements.

F. Full-scope auditing. In addition to arranging and providing for the organizational, financial, and compliance audits required by the A-133 Circular, implementing agencies and their subrecipients are encouraged to provide for additional audit coverage, as deemed appropriate.

1) *Additional audit coverage*. The additional audit coverage that may be provided should be determined based on the circumstances surrounding the particular organization, function, program, or activity to be audited; management needs; and available audit capability.

2) *Coverage issues*. The audit could involve such issues as:

- a) Are resources managed and used in an economical and efficient manner?
- b) Are desired results and objectives achieved in an effective manner?
- c) Is the organization's accounting system and system of internal controls acceptable for the receipt of awarding agency funds?
- d) Are the organization's systems and controls adequate to detect fraud, waste, and abuse?

G. Distribution and due date of audit reports. All completed audit reports for state and local governments, institutions of higher education, and non-profit institutions should be mailed to the:

Federal Audit Clearinghouse
Bureau of the Census
1201 East 10th Street
Jeffersonville, IN 47132; and

Illinois Criminal Justice Information Authority
Attention: Internal Audit Report
300 West Adams Street, Suite 200
Chicago, IL 60606

1) *Transmittal letter*. A copy of the transmittal letter should be mailed to the:

Office of the Comptroller
Office of Justice Programs
ATTN: Control Desk
U.S. Department of Justice
810 7th Street, N.W., Room 5303
Washington, DC 20531

2) *Due date.* Audit reports are due no later than nine (9) months after the close of the implementing agency's audit period.

H. *Technical assistance.* The Office of Inspector General, Department of Justice, is available to provide technical assistance to implementing agencies in complying with the audit requirements of this chapter where the department is the assigned cognizant agency or has oversight responsibilities because it provided the preponderance of direct federal funding to the implementing agency. Implementing agencies may contact the Authority to determine the appropriate federal agency contact person.



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