

COLORADO DIVISION OF CRIMINAL JUSTICE

Colorado Department of Public Safety

****The Administrative Guide and Instructions for Federal Office of Justice Programs and Grants is currently in the process of being revised. It is anticipated that the revisions will be completed by June 1, 2011. Please note that quarterly reports are now due 15 days after the end of the quarter. This change will be reflected in the new Administrative Guide.****



Administrative Guide and Instructions
For Federal Office of Justice Programs and Grants

Administrative Guide and Instructions For Federal Office of Justice Programs and Grants

Administered by the Division of Criminal Justice
Colorado Department of Public Safety
(303) 239-4442 or 1-800-201-1325
www.dcj.state.co.us



Drug Control and System Improvement
Ed Byrne Memorial Justice Assistance Grants
Juvenile Accountability Block Grants Juvenile
Justice and Delinquency Prevention Act Title II
Formula Grant Funds
Title V Incentive Grants for Local Delinquency Prevention
Local Law Enforcement Block Grant
National Criminal History Improvement Program
Paul Coverdell National Forensic Sciences Improvement Program
Project Safe Neighborhoods
Residential Substance Abuse Treatment Victims
of Crime Act/Victim Assistance Program
Violence Against Women Act Program
Violent Offender Incarceration/Truth in Sentencing Grants

This Guide contains information and instructions to assist subgrantees in meeting the required contractual responsibilities of their grant. THE PROJECT DIRECTOR AND FINANCIAL OFFICER SHOULD READ THIS GUIDE CAREFULLY.

February 2005

OVERVIEW: Purpose and Organization of this Guide

The **Administrative Guide** (Guide) is a reference for agencies receiving federal funds through the Division of Criminal Justice at the Colorado Department of Public Safety. The Guide will help agencies understand and meet the financial, administrative, and audit requirements for the use of these funds. The primary source document for these requirements is the federal *Office of Justice Programs, Office of Comptroller, Financial Guide* as revised, including applicable OMB Circulars.

The federal *Financial Guide* can be found at <http://www.ojp.usdoj.gov/FinGuide/>.

Additional information on OMB Circulars can be found at <http://www.whitehouse.gov/omb/circulars/index.html>.

Agencies must meet certain requirements for federally funded grant programs. The requirements contained in the *Guide* are not all-inclusive. For example, the *Certified Assurances and Special Provisions* incorporated in the grant application and the *Special Conditions* included in the Statement of Grant Award (SOGA) also must be met by subgrantees. In addition, other source materials, such as DCJ forms required in the administration of your grant award, will be referenced in this *Guide*.

Certain portions of the *Guide* may not apply to all subgrantees. For example, if equipment purchases are not authorized under the grant, the subgrantee will not need to reference the chapter of the *Guide* on equipment procurement. Revisions and additions to the *Administrative Guide* will be provided whenever necessary in the form of change sets. Change sets should be incorporated into the body of this document upon receipt.

Agencies are encouraged to contact the appropriate program office at the Division of Criminal Justice, 700 Kipling Street, Suite 1000, Denver, CO 80215, 303-239-4442 or 1-800-201-1325 for clarification of any requirements. General information is available through the Division of Criminal Justice website at <http://dcj.state.co.us/>.

Federal Programs Administered by the Division of Criminal Justice

JUVENILE JUSTICE PROGRAMS

	Description/Abbreviation appearing in Grant #	CFDA#
JAIBG FUNDS	Juvenile Accountability Incentive Block Grant (JB)	16.523
JJDP FORMULA FUNDS	Juvenile Justice and Delinquency Prevention Act/Title II, Formula Grant Funds (JD)	16.540
JJDP TITLE V FUNDS	Juvenile Justice and Delinquency Prevention Act/Title II, Prevention Funds (JV)	16.548

VICTIM ASSISTANCE PROGRAMS

	Description/Abbreviation appearing in Grant #	CFDA#
VAWA FUNDS	Violent Crime Control and Law Enforcement Act/STOP Violence Against Women Formula and Discretionary Grants (VW)	16.588
VOCA FUNDS	Victims of Crime Act/Victims Assistance Funds (VA)	16.575

DRUG CONTROL & SYSTEM IMPROVEMENT PROGRAMS

	Description/Abbreviation appearing in Grant #	CFDA#
JAG	Edward Byrne Memorial Justice Assistance Grant Program	16.738
DCSIP FUNDS	Drug Control & System Improvement Program Formula Funds (also known as the Byrne Formula Grant Program) (CH, DB)	16.579
LLEBG FUNDS	Local Law Enforcement Block Grant (LB)	16.592
NCHIP FUNDS	National Criminal History Improvement Program (RU)	16.554
COVERDELL FUNDS	Paul Coverdell National Forensic Sciences Improvement Program (DN)	16.560

ADMINISTRATION

	Description/Abbreviation appearing in Grant #	CFDA#
PSN FUNDS	Project Safe Neighborhoods (CP)	16.609

COMMUNITY CORRECTIONS PROGRAMS

	Description/Abbreviation appearing in Grant #	CFDA#
RSAT FUNDS	Residential Substance Abuse Treatment Program (RS)	16.593
VOI/TIS FUNDS	Violent Offender Incarceration/Truth in Sentencing Grants (VI)	16.586

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FEDERAL FUNDS WILL NOT BE DISBURSED UNTIL THIS PROCESS IS COMPLETED

I. INTRODUCTION

The grant process begins with the issuance of an *Announcement of Availability of Funds (AAF)* by the Division of Criminal Justice (DCJ). Agencies that responded to the AAF completed a grant application on the form provided by DCJ. In the case of federal block grants, the plan submitted for use of the funds will have the same meaning as *grant application* in this *Guide*.

After review of the applications by DCJ staff, the appropriate appointed council or advisory board reviews the grant applications and makes funding awards or recommendations to DCJ, and in some cases, to the Colorado Department of Public Safety and the Governor. Successful applicants are then preliminarily notified of their selection to receive a grant award of federal funds.

II. STATEMENT OF GRANT AWARD

A. Definition and Contents:

The Statement of Grant Award (SOGA) is the contract that obligates and reserves a specific amount of federal funds for the subgrantee's approved project. It is the official notification to the subgrantee that the award of federal funds has been approved. When applicable, it also specifies the amount of cash or in-kind match that the subgrantee has obligated to support the project.

The signed Statement of Grant Award, including the approved grant application, is the contract between the subgrantee and DCJ.

The *SOGA* identifies the federal granting agency, the federal award number, the *Catalogue of Federal Domestic Assistance (CFDA)* number, the subgrantee name, the DCJ subgrant number, the subgrant award period, the approved budget, *Special Conditions*, and other DCJ requirements, which must be met if the award is accepted. The **final approved version** of the subgrantee's *grant application* is incorporated as part of the *Statement of Grant Award (SOGA)*.

B. Instructions for completing the Statement of Grant Award (SOGA):

1. The Project Director designated in the grant application receives two or more copies of the SOGA. The Authorized Official must sign each of the copies. The proper authority of the agency must attest to this signature. All copies of the SOGA must be returned to DCJ prior to the start date of the award or no later than 45 days after the issue date. Failure to do so may result in termination of the federal award.

2. The signature of the Authorized Official indicates acceptance of the grant award and agreement to meet the approved goals, objectives and requirements of the grant. The Authorized Official is the person who has the authority to obligate funds and/or to enter into contract on behalf of the subgrantee. For typical examples of Authorized Officials, please see the Definitions in Chapter 6.

The person who is properly designated as the **Authorized Official** in the grant application must sign all sets of the SOGA. This person is not the Project Director or Financial Officer.

3. The attestation is a secondary assurance should there be a question about the signature of the Authorized Official. Some general guidelines in assessing the proper attestor are as follows:

- Local Government Agencies- The Town/City/County Clerk and Recorder;
- District Attorney’s Office- A County Clerk and Recorder within the Judicial District;
- Non-Profit Agencies- The Board Secretary; and
- State Agencies- The attestation is optional and may be left blank.

4. If there has been a change in the Authorized Official since the application was submitted, or if the subgrantee was notified that the proper signature was not secured on the application at the time it was submitted, the Statement of Grant Award (SOGA) must be signed by the current and correct Authorized Official and a new signature page must accompany the SOGA.

5. Upon receipt by DCJ, the Director of the Division of Criminal Justice and the State Controller designee in the Colorado Department of Public Safety will sign all copies of the SOGA. One copy will be returned to the subgrantee’s Project Director for the official project file. The Financial Officer should also be given a final approved copy of the SOGA.

6. Special conditions may be included on some grant awards. These conditions may need to be completed prior to drawing down awarded federal funds. If your grant contains special conditions, they will be listed beneath the approved budget section of the SOGA.

7. A subgrantee may be considered “High Risk” if DCJ has determined the subgrantee:

- Has a history of unsatisfactory performance;
- Is not financially stable; or,
- Has not conformed to terms and conditions of previous awards.

In these instances, the Statement of Grant Award will indicate special conditions and/or restrictions that must be addressed prior to receiving federal funds from the grant award.

C. DCJ Form 30, the Certification of Compliance with Regulations Regarding Civil Rights Requirements and Equal Employment Opportunity Plans (EEOP):

1. Complete and return the signed original of the DCJ Form 30 to DCJ with the signed copies of the SOGA.
2. DCJ will then forward the completed Certification to the Federal Office for Civil Rights.
3. Procedures should be developed and implemented by the subgrantee for providing services to people with Limited English Proficiency (LEP). LEP responsibilities are outlined in the Civil Rights Act. Technical assistance is available regarding LEP on the following websites: www.lep.gov and www.ojp.usdoj.gov/ocr.

III. COMMENCEMENT OF PROJECT

A. Ready to Begin:

After DCJ returns the completed SOGA to the subgrantee and the project has begun, or is ready to begin start-up activities, the subgrantee may request federal dollars.

Expenditures occurring before the approved start date indicated on the SOGA may not be charged against the grant.

B. What to do if Implementation is delayed:

Sixty (60) Day Delay: If a project is not operational within (60) days after the starting date of the grant period, the subgrantee must report the following by letter to DCJ: (a) the steps being taken to initiate the project, (b) the reasons for the delay, and (c) the expected starting date. (Use DCJ Form 4-C if you wish to request a change in project duration.)

Eighty (80) Day Delay: If a project is not operational within eighty (80) days of the original start date of the grant period, the Division of Criminal Justice may begin termination or reduction in grant award proceedings, as described below.

IV. TERMINATION OR REDUCTION OF GRANT AWARD

The Division will monitor the performance of the subgrantee for compliance with the required goals and performance standards. The Division will provide reasonable technical assistance to the subgrantee concerning project goals, performance standards and subgrant requirements; however, substandard performance as determined by the Division may result in termination or reduction of the grant award as follows:

A. Reduction in Grant Award Amount For Cause:

1. The Division may reduce the total Statement of Grant Award amount for cause, without compensation for reduction costs.
2. If the state reduces the grant amount for cause, it will first give ten (10) days' written notice to the subgrantee, stating the reasons for reduction, procedures completed to correct the problems, and the date the subgrant award amount will be reduced in the event problems have not been corrected to the satisfaction of the Division.
3. In the event the grant is reduced for cause, the Division will only reimburse the subgrantee for acceptable work or deliverables received prior to the date of reduction, not to exceed the reduced award amount.
4. In the event the grant is reduced for cause, final payment to the subgrantee may be withheld at the discretion of the Division until a final financial review is completed by DCJ.

B. Termination for Convenience:

1. Either party may terminate the grant with thirty (30) days' written notice of intent to cancel or terminate.
2. The grant may be terminated by the Division if it is in the best interest of the State of Colorado to terminate the grant.
3. If the grant is terminated for convenience by either the subgrantee or the State, the subgrantee shall be paid the necessary and allowable costs incurred through the date of termination, but not exceeding a prorated amount based on the number of days of project operation prior to the date of termination.
Exception: If the project is completed prior to the end of the original grant duration and all terms are satisfied, then the full award amount would be paid.

C. Termination for Cause:

1. The Division may terminate the grant for cause without compensation for termination costs.
2. If the state terminates the grant for cause, it will first give ten (10) days' written notice to the subgrantee, stating the reasons for termination, procedures completed by DCJ to correct the problems, and the date the subgrant will be terminated in the event problems have not been corrected to the satisfaction of the Division.
3. In the event the grant is terminated for cause, the Division will only reimburse the subgrantee for acceptable work or deliverables received up to the date of termination, not to exceed the award amount.
4. In the event the grant is terminated for cause, final payment to the subgrantee may be withheld at the discretion of the Division until a final financial review is completed by DCJ.

D. Reduced Need of Original Award:

1. In the event that funds will not be fully utilized by the subgrantee based on a reduced need for the funds, the subgrantee must notify DCJ in writing, indicating the reasons for reducing the original award.
2. Upon approval, the Division will issue an amended SOGA indicating the revised award amount and setting forth any applicable special conditions.

E. Any equipment purchased under the grant would revert, at the discretion of the Division, to the Division of Criminal Justice upon termination of the grant for any of the above reasons. Standard disposition reporting procedures contained in the DCJ Form 5 should be followed, and the completed form sent to DCJ.

TO AVOID COMMON ERRORS, USE THIS CHECKLIST FOR THE COMPLETION OF THE STATEMENT OF GRANT AWARD (SOGA)

1. SIGNATURE OF THE AUTHORIZED OFFICIAL (AO) IS CORRECT

- Are all copies of the SOGA signed? (Original blue-ink signatures are required.)
- Is the Authorized Official (AO) on the grant application the correct legal signatory for the agency?

If DCJ staff has questions regarding signatures, they will be sent to the subgrantee with the SOGA package. If the person who signed as the OA is not the legal signatory for the agency, complete the enclosed blank signature page or contact your grant manager.

Common Mistakes:

The Executive Director is listed as AO of a non-profit organization. (The President or Chair of the Board of Directors is the correct AO unless documentation is received from the Board that provides the Executive Director with authority to sign.)

The Sheriff is listed as AO for a county agency. (The Chair of the County Commissioners is the correct AO.)

- Has there been a change in the AO since the application?

If yes, then DCJ Form 4-B must be completed and returned with the SOGA.

- Has the AO's signature been attested to?

Attesting certifies that the person named and signing as the AO has the legal authority to enter into binding legal contracts on behalf of the agency and that this person is, in fact, the person who provided the signature.

The following is a list of acceptable attestors:

- Local Government Agencies – the Town/City/County Clerk and Recorder;
- District Attorney's Offices – a County Clerk and Recorder within the Judicial District;
- Non-Profit Agencies – the Board Secretary; and
- State Agencies – the attestation is optional and may be left blank.

2. CERTIFICATIONS (AS REQUIRED)

- If the amount of the required match has been revised, are all requested revisions or signatures on Certifications of Match returned with the SOGA?
- Is the Certification of Compliance (DCJ Form 30) completed and returned with the SOGA?
- Has a copy of the signed Certification of Compliance (DCJ Form 30) been sent to the person in your agency designated as being responsible for reporting civil rights findings of discrimination?
- Is the Certification of Receipt (if required) signed and returned with the SOGA?

3. ALL SIGNED COPIES OF THE SOGA ARE RETURNED TO DCJ

- Is the application attached to the signed SOGA?
- Is the SOGA returned in a timely manner?

REQUIRED REPORTS AND NOTIFICATIONS

I. INTRODUCTION TO DIVISION OF CRIMINAL JUSTICE (DCJ) FORMS

DCJ has created a series of reports/forms designed to assist subgrantees in meeting the federal requirements for accountability, management, and auditing. This chapter discusses the various reports/forms which the subgrantee submits to DCJ. The specific forms required for each project were sent to the Project Director with the Statement of Grant Award (SOGA). Additional copies can be downloaded from the DCJ website address: <http://dcj.state.co.us>.

All forms and correspondence to DCJ regarding the grant must contain the DCJ grant number assigned by DCJ on the Statement of Grant Award.

Forms are revised periodically. **Destroy any outdated forms when you receive notice of revised forms.** The Project Director should become familiar with any new or revised forms and should call DCJ if there are any questions.

Use of any outdated forms may delay cash drawdowns and prior approval requests made to DCJ.

By accepting a federal grant award, the subgrantee agrees to submit the applicable forms by the dates specified on the forms and in this chapter. Call your DCJ grant manager promptly if you cannot meet the deadline for reporting. A pattern of delinquent reports may result in termination of the grant and may jeopardize future funding considerations by the various funding boards/councils.

II. FORM SUBMISSION

A. All Subgrantees **must** submit the following forms:

1. **DCJ Form 3, Cash Request** is submitted to draw down awarded funds. Regulations require that federal cash on hand be kept at a minimum balance. Therefore, subgrantees may request funds for anticipated expenses only one month in advance. DCJ recommends reimbursement of actual project expenses on a quarterly basis. Requested funds must reflect reported expenditures.

Subgrantees should allow at least 30 days after the form is submitted to DCJ to receive the state warrant (check) for the requested funds and should plan accordingly.

Cash requests will not be approved unless all required reports are up to date and submitted in a timely manner. Cash requests may be denied or held if the subgrantee fails to comply with all terms of the award including any Special Conditions.

2. DCJ Form 1-A Quarterly and Final Financial Report

- a. The subgrantee must report expenditures of the awarded funds and any cash and/or in-kind match designated in the budget on the SOGA, or the most current approved revised budget. If there are other funds also supporting project activities they may be noted in the Quarterly Narrative reports (DCJ Form 2), but not reported on DCJ Form 1-A. For example, the approved grant budget includes the value of 100 hours of volunteer time at \$5.00/hour for a total in-kind match of \$500. Your agency may actually receive more volunteer time than this. Nonetheless, for the purposes of this grant, only the \$500 in-kind match should be reported on the DCJ Form 1-A as it is used (expended).

The expenditures of all funds and match as reported on the Form 1-A, must reconcile to the agency's General Ledger. If sub-ledgers are used, a process to reconcile the sub-ledger to the General Ledger must be in place. It is imperative that the subgrantee has an accounting system that meets the criteria outlined in Chapter 3 of this Guide. Unpaid obligations (legal commitments the subgrantee has made for goods and/or services, but not yet paid) may or may not exist at the end of any given quarter. The reporting of Unpaid Obligations on DCJ Form 1-A is not a requirement but can be used as a tool by the agency to capture total obligations for a given quarter and, specifically, on the report for the last quarter of the grant period. However, the final financial report cannot contain Unpaid Obligations.

- b. Two signed copies of DCJ Form 1-A, one with **original** signatures of the Project Director and the Financial Officer, must be received by DCJ within thirty (30) days after the end of each calendar quarter, even if there were no expenditures during the quarter.

<u>Calendar Quarters</u>	<u>Quarterly Report Due Dates</u>
January 1 – March 31	April 30
April 1 – June 30	July 30
July 1 – September 30	October 30
October 1 – December 31	January 30

Projects with start dates other than the first day of a calendar quarter must still report at the end of the calendar quarter.

- c. Two signed copies of the **final** financial report, submitted on DCJ Form 1-A, one with **original signatures** of the Project Director and the Financial Officer must be received by DCJ no later than 45 days after the end of the grant award period. This report must show the payment of all unpaid obligations that were reported on the last quarterly report. The final financial report may be combined with the last quarterly financial report on DCJ Form 1-A only if the awarded funds and any required match have been fully expended, there are no outstanding unpaid obligations at the end of the grant award period, and the report is submitted no later than thirty (30) days after the end of the grant award period.

If the total expenditures at the end of the grant period are less than the current approved budget, refer to Chapter 4 of this guide.

3. DCJ Form 2, Quarterly and Final Narrative/Data Report

- a. This reporting has several formats depending on funding source and program type. Please refer to SOGA packets for correct reporting forms. Forms are available on DCJ's website or by contacting your grant manager. Use this form to report on progress made in meeting the goals and objectives and performance measures, and to report obstacles which may have caused problems or delays in implementing the project. Check the Special Conditions on your SOGA for any special reporting requirements.
- b. Two signed copies of DCJ Form 2, one with the **original** signature of the Project Director, must be received by DCJ no later than (30) days after the end of each calendar quarter, even if there has not been any grant activity during the quarter. An explanation as to why there wasn't any grant activity should be included in the narrative.
- c. Two signed copies of the **final narrative report** must be submitted to DCJ no later than forty-five (45) days after the end of the grant award period. Please note that some programs use the same form for both quarterly and final narrative reports; others have separate forms for each. The final report summarizes grant activity for the entire grant award period, with an emphasis on the impact the project has made on the Problem Statement in the grant application.

<u>Calendar Quarters</u>	<u>Quarterly Report Due Dates</u>
January 1 – March 31	April 30
April 1 – June 30	July 30
July 1 – September 30	October 30
October 1 – December 31	January 30

Projects with start dates other than the first day of a calendar quarter must still report at the end of the calendar quarter.

B. Change Request Forms:

To request any change to the grant, submit the appropriate form below for **prior approval**:

1. DCJ Form 4-A, Budget Revision

A budget revision does not increase the amount of the total budget; it simply moves money from one budget category to another. This request must be approved by DCJ before deviating from the current approved budget. Two signed copies of DCJ Form 4-A, one with the **original** signature of the Project Director, should be submitted at least 30 days in advance of the requested change. A narrative explaining and justifying the need for a budget revision must be attached to the form. The revision is not approved until the subgrantee receives a signed, approved copy of the form from DCJ. **Verbal approval is not sufficient.** Changes in line items within a budget category usually do not require a budget revision. Call DCJ with any questions.

NOTE: Some programs, per federal guidelines, allow for subgrantees to move money within budget categories up to 10% without changing the scope of the approved project.

2. DCJ Form 4-B, Change in Signing Authority

It is very important that the people signing the various reports and forms be the same people that DCJ records show are designated to sign these reports and forms. When any signing authority changes, two signed copies of DCJ Form 4-B, one with **original** signatures of the new person and the Project Director, must be submitted promptly to DCJ. A copy with DCJ approval will be returned for the subgrantee grant files.

3. DCJ Form 4-C, Change in Grant Award Period

Some funding sources allow no-cost grant extensions up to 90 days if the subgrantee anticipates that the project cannot be completed within the grant period and/or that funds will be remaining at the end of the grant award period. The request should be made at least sixty (60) days before the end of the grant award period, and must be accompanied by a narrative explaining the need for the extension. All required reports should be up-to-date and all applicable Special Conditions of the grant award should be met for a change in the grant award period to be considered. Approval of the request is not automatic, but will be contingent upon federal financial limitations and the discretion of DCJ.

If a change in grant award period request is not submitted and approved before the end of the expiration date of the grant, unspent funds must be returned to DCJ.

A grant extension will not be approved after the expiration date of the grant. Expenses incurred after the expiration date of the grant cannot be charged against the grant.

Two signed copies of DCJ Form 4-C, with attached narrative, one with the **original** signature of the Project Director, must be submitted to request approval of the change. **Verbal approval is not sufficient.** If approved, a copy with DCJ approval will be returned for the subgrantee grant files.

4. DCJ Form 4-D, Modification of Other Grant Agreements

DCJ Form 4-D is used during the course of the project if the subgrantee finds it necessary to add, modify, or delete goal(s) and/or objective(s). Two signed copies of DCJ Form 4-D, one with the **original** signature of the Project Director, must be submitted to request approval of the changes. **Verbal approval is not sufficient.** You should call your grant manager at DCJ to discuss this before you submit the form. A copy with DCJ approval will be returned for the subgrantee grant files.

C. Reporting of Project Income:

If the project is generating income as a result of the federal funds, through fees charged, products sold, forfeiture of seized assets, etc., the subgrantee is required to submit the following form:

DCJ Form 1-B, Project Income

Project income may be (1) retained by the subgrantee and used to supplement the federal funds committed to the project for any purpose which furthers the objectives of the federal legislation under which the grant was awarded, or (2) relinquished to the grantor agency (DCJ). Project income may be used for any cost allowable under the federal grant program.

Two signed copies of DCJ Form 1-B, one with the **original** signatures of the Project Director and Financial Officer must be submitted when project income is being earned. The first DCJ Form 1-B is submitted within 30 days after the end of the quarter in which the subgrantee begins to receive the income, and then quarterly until it is expended to at least the percentage of federal support of the project. For example, a grant consisting of 75% federal funds and 25% matching funds must report expenditures of 75% of the project income to DCJ **even if this extends beyond the ending date of the grant award period.**

D. Equipment Procurement and Inventory Forms:

If your budget contains an equipment line, you will need to submit the following forms:

1. **DCJ Form 13, Equipment Procurement Certification** is submitted to obtain required DCJ prior approval to purchase equipment. A subgrantee must comply with all applicable federal, state, or local purchasing procedures. Two signed copies of DCJ Form 13, one with the **original** signature of the Project Director, must be submitted to DCJ prior to the procurement of equipment. All required information must be attached to the form. If approved, a copy with DCJ approval will be returned for the subgrantee's files.
2. **DCJ Form 5, Equipment Inventory/Retention Certification** is submitted to record the equipment purchased with grant and match funds. Submit one copy signed by the Project Director with the final narrative report. The subgrantee must retain a copy of this form for each equipment item and resubmit a revised report upon a change in disposition of any equipment, even if this is after the end of the grant period. Refer to the instructions on the form and Chapter 4 of the *Guide on Grant Close-out Procedures*, for more details. Subgrantees should contact the DCJ grant manager for more information regarding disposition of equipment, as each program may have specific guidelines. Refer to Chapter 3, page 3-6 of this Guide for more information.

E. Contracts for Professional Services:

If you will be using independent contractors, or contracting for any service, you must submit the DCJ Form 16, for prior approval.

DCJ Form 16, Professional Services/Consultant Procurement Certification is submitted to obtain required DCJ approval for the procurement of services by outside vendors who are under contract with the subgrantee agency for the funded project. A subgrantee must comply with all applicable federal, state, and/or local purchasing procedures. Refer to Chapter 6 of this Guide regarding the definition of *Employee versus Contractor*. Two signed copies of DCJ Form 16, one with the original signature of the Project Director, must be submitted to DCJ prior to contract execution. All required information must be attached to the form. One copy with DCJ approval will be returned for the subgrantee files.

F. Other Reports

Other reports or data required by the federal funding agency or for the administration of a grant program may be requested by DCJ. Special reporting requirements and/or non-quarterly reporting dates will be specified in your SOGA as a Special Condition.

SUMMARY OF COMMON FORMS

Refer to previous text and particular forms for further detail. Two signed copies of each form, one with the original signature(s), are required.

Form (in numerical order)	Due Date(s)	Signatures Required
DCJ Form 1-A: Quarterly Financial Reports	January 30, April 30, July 30, October 30, and if the grant does not end on a calendar quarter, thirty (30) days after the end of the grant award period.	Financial Officer Project Director
DCJ Form 1-A: Final Financial Report	Forty-five (45) days after the end of the grant award period.	Financial Officer Project Director
DCJ Form 1-B: Project Income Report	30 days after the end of the first quarter during which project income was generated. Continue to report quarterly until project income is expended to the proportion of federal funding (even if after the end of the grant).	Financial Officer Project Director
DCJ Form 2: Quarterly Narrative/Data Report (specific to each funding source)	January 30, April 30, July 30, October 30, and if the grant does not end on a calendar quarter, thirty (30) days after the end of the grant award period.	Project Director
DCJ Form 2: Final Narrative/Data Report	Forty-five (45) days after the end of the grant award period.	Project Director
DCJ Form 3: Cash Request (drawdowns)	Reimbursement request for actual expenditures to date and/or request for anticipated expenditures for one month in advance. Submit as needed.	Project Director
DCJ Form 30: Certificate of Compliance w/ Regulations	Prior to drawdown of grant funds.	Authorized Official

SUMMARY OF PROGRAM SPECIFIC FORMS

Form (in numerical order)	Due Date(s)	Signatures Required
❖ DCJ Form 4-A: Budget Revision	Prior to deviating from the budget categories designated on the SOGA or current approved budget.	Project Director
❖ DCJ Form 4-C: Change in Grant Award Period	At least thirty (30) days before the end of the grant award period, when allowed.	Project Director
❖ DCJ Form 4-D Modification of Other Grant Agreements	Prior to any proposed modification or revision of the project described in the approved application.	Project Director
❖ DCJ Form 5: Equipment Inventory/Retention Certification	Submitted with the final narrative report, within (45) days after the end of the grant award period.	Project Director
❖ DCJ Form 13: Equipment Procurement Certification	Prior to any purchase of equipment.	Project Director
❖ DCJ Form 16: Professional Services/Consultant Certification	Prior to contract execution.	Project Director

❖ Indicates prior approval is required.

RECORD KEEPING RESPONSIBILITIES AND RULES ON USE OF BUDGETED FUNDS

CHAPTER 3

I. REVIEW OF RECORDS

The Division of Criminal Justice, the U.S. Department of Justice, the U.S. Comptroller General, Office of Inspector General, or any of their authorized representatives shall have the right to access any records of the subgrant. During monitoring and site visits, staff may require access to and review of all records. The only access exception will be confidential informant and undercover officer records. These files will not be reviewed until the project is terminated and no risk exists that would compromise or endanger the individuals involved in undercover operations. See Chapter 4 for more detailed instructions on the retention of records.

II. ACCOUNTING SYSTEM CRITERIA

The subgrantee is required to establish and maintain an accounting system and financial records to accurately account for awarded and matching funds. The subgrantee may use any state or federally accepted accounting system which meets the following minimum criteria:

A. Categorize Revenues and Expenditures

The system must categorize ALL revenues and expenditures by funding source(s). All federal money received must be recorded as federal funds to be included in the subgrantee agency's audit report or financial statement. (See Chapter 5 for the proper Catalog of Federal Domestic Assistance (CFDA) number applicable to the subgrant). Each grant award must be tracked separately whether or not it is a new or continuation project. Funds awarded for one project may not be used to support another project.

B. Commingling of Funds

The accounting system of all subgrantees must ensure that funds received and expended through any DCJ grant are not commingled with funds from other federal funding sources. Each award must be accounted for separately. Subgrantees are prohibited from commingling funds on either a program-by-program basis or project-by-project basis.

Funds specifically budgeted and/or received for one project may not be used to support another. Where a subgrantee's accounting system cannot comply with this requirement, the subgrantee shall establish a system to provide adequate fund accountability for each grant it has been awarded.

C. Internal Controls

The system must be designed with an adequate method of internal controls to safeguard the funds. Expenditures must be tracked and reconciled to the general ledger. If the agency has more than one source of funds, sub-ledgers will be necessary and a process must be in place to reconcile to the general ledger. The system must also provide cost and property controls to assure optimal use of grant funds, conformance with management policies, and any general or specific conditions of the subgrant.

D. Broad Budget Categories

The accounting system must allow expenditures to be classified by the broad budget categories listed in the approved budget (i.e. Personnel, Supplies and Operating, Travel, Equipment, Professional Services/Consultants, and Confidential Funds).

E. Submission of Reports

The system must contain adequate expenditure information for the prompt and proper submission of DCJ Form 1-A and DCJ Form 1-B financial reports. Amounts reported on DCJ Form 1-A must match and be reconciled to the accounting sub-ledger or general ledger.

If any component(s) of the program are subcontracted, the subgrantee remains responsible for all aspects of the contract, including proper accounting and financial record keeping.

III. ACCOUNTING CONTROLS

The subgrantee's accounting system must assure that federal funds, cash match, and in-kind match obligated in the grant are properly expended. Federal funds and the required match may be expended only for goods and services as detailed in the SOGA and approved budget narrative. Any expenditure that is unallowable with federal funds is also unallowable with the obligated matching funds.

Grant funded goods must be received and services provided within the approved grant period. Project costs incurred before or after the approved grant period cannot be paid with either grant or matching funds.

The budget is broken down into the following broad budget categories: Personnel, Supplies and Operating, Travel, Equipment, Professional Services/Consultants, and Confidential Funds. Not all projects will have approved budget amounts in each budget category. The subgrantee should regularly compare actual expenditures with budget amounts in each budget category.

If a revision of the approved budget is anticipated, contact DCJ and complete DCJ Form 4-A for approval prior to revision.

Supporting documents such as invoices must be kept to verify all entries made in the accounting system, be clearly marked with the grant number, and be approved for payment by the Project Director. All required records must be maintained for a period of at least three years following closure of the most recent audit report, which covers the grant award period.

IV. UNALLOWABLE COSTS

Federal and matching funds may not be spent for the following unallowable costs:

- A. Lobbying, political contributions, and legislative liaison activities. More detailed information regarding lobbying prohibitions and exemptions are available from DCJ upon request.**
- B. Expenses of organized fund-raising (this includes salaries of persons while engaged in these activities).**
- C. Cost of any corporate formation.**
- D. Land acquisitions.**
- E. The following conference/workshop expenses:**
 - 1. Entertainment expenses.
 - 2. Personal expenses, such as personal hygiene items, laundry.
 - 3. Travel insurance, visas, and passport charges.
 - 4. Alcoholic beverages/bar charges.
 - 5. Lunch when travel is wholly within a single day.
 - 6. Tips (when pertaining to entertainment costs).
 - 7. Lodging costs if they exceed the federal per diem (for events requiring lodging for 30 or more people).
 - 8. Social Events – any event where alcohol is served or consumed is considered a social event.
- F. State and local sales taxes.**
- G. Costs incurred before the project start date or after the expiration of the project period.**
- H. Further unallowable costs may be found in the OJP Financial Guide or by calling your DCJ grant manager.**

V. INTEREST EARNED

Subgrantees are not required to keep advances of federal funds in an interest-bearing account. However, units of local government can keep interest up to \$100 per federal fiscal year earned on advances of federal funds from all sources. Non-profit organizations may keep interest earned on federal grant funds up to \$250 per federal fiscal year. Interest in excess of the amounts described above must be remitted to the U.S. Department of Health and Human Services, Division of Payment Management Services, P.O. Box 6021, Rockville, MD 20852. Interest earned on advances of federal dollars is never considered project income.

NOTE: Interest earned on LLEBG Block grants must be accounted for and reported, and used in accordance with the provisions of Part III, Chapter 4, of the Office of Justice Programs Financial Guide.

VI. SUPPLANTING (APPLIES ONLY TO UNITS OF GOVERNMENT)

Federal funds must be used to supplement existing funds for program activities and not replace those funds that have been appropriated for the same purpose. Potential supplanting will be the subject of application review, as well as pre-award review, post-award monitoring, and audit. If there is a potential presence of supplanting, the subgrantee will be required to supply documentation other than the receipt of federal funds.

VII. BUDGET CATEGORIES AND RECORD MAINTENANCE

A. Personnel/Time and Attendance Records

This budget category includes paid personnel of the subgrantee agency, whose salaries and/or fringe benefits, or a portion thereof, will be paid by the grant and/or matching funds. The subgrantee must have written personnel policies and procedures which address: work hours, holidays, vacations, sick leave, overtime pay, compensatory time, termination, qualifications, written job descriptions, and equal employment opportunity policies. Consultants/Contractors are not paid under this budget category. (Refer to Chapter 6 for questions regarding the definition of *Employee versus Contractor*).

In addition to normal payroll records, accurate time and attendance records must be maintained on all personnel whose salary or volunteer time is charged to the project. Refer to the sample of an acceptable time sheet at the end of this chapter.

Time and attendance records must include:

- The date
- Employee's name
- Position title
- Total daily hours charged to the project by funding source
- Employee's signature
- Project Director's signature

When volunteer time is used as in-kind match it should be included in this budget category with an assigned hourly rate.

Project officials must ensure that employees working on the project are not receiving dual compensation.

B. Supplies and Operating

This budget category includes expendable supplies, space cost, telephone, printing, copying, tuition, registration fees for conferences, software, training, lease or rental of equipment, vehicles and maintenance contracts on equipment, vehicles and any individual items with a unit cost less than \$5,000. The specific line items should be listed in the contract (SOGA and attached application) for the funded project.

Food and/or beverage expenses are only allowed in conjunction with the following activities which are directly related to the goals of the funded project and are necessary and reasonable for efficient performance of the funded project: training sessions, meals or breaks during a meeting or conference, award ceremony, or staff retreat away from the normal work environment for the purpose of discussing the day-to-day business of the project. In all instances, expenses for food and beverages are allowable, provided the following criteria are met: 1) the food/beverages provided are incidental to a work-related event; 2) the costs are considered reasonable; and 3) the food/beverages are not directly related to amusement or social events. Any event where alcohol is served or consumed is considered a social event; therefore, NO costs associated with that event are allowable. Anyone receiving per diem allowances or reimbursement that is attending one of these activities at which a meal is provided must deduct that meal from the per diem allowance.

Dated receipts or invoices are required for all supplies and operating expenses. All invoices must be labeled with the grant number and approved for payment by the Project Director. Invoices should be marked "paid" and controls should be set up to ensure that duplicate payments are not made.

Payments should not be made unless there is evidence that goods and/or services have been received. The order date and the date of receipt should be indicated to ensure that costs are allowable.

If there is a service or cost which is shared by more than one project or agency, the bill should clearly show the dollar amount that applies to each project or grant.

C. Travel

This budget category includes all travel including any authorized airfare, mileage, and lodging, and travel-related meal reimbursement expenses in the approved budget. A travel reimbursement voucher must document all travel expenses with original receipts attached. Any travel voucher used must include the name and signature of the person traveling,

destination and purpose of trip, date of trip, time of departure and return, grant number, and signature of the Project Director.

Allowable travel and per diem rates are based on local written and established travel policies. If a subgrantee does not have travel policies, it must use the state travel policy, which may be requested from the grant manager at DCJ.

NOTE: Items not considered travel expenses are tuition and registration fees (even if they include lodging and/or subsistence), vehicle gas, and maintenance on project or government-owned vehicles. These types of costs must be shown in the Supplies and Operating category.

D. Equipment

This budget category includes non-expendable personal property with an acquisition cost of \$5,000 or more per unit and a useful life of more than one year. (Please review the SOGA to determine if equipment purchases are allowable).

Approval from DCJ is required prior to the purchase of equipment by submitting DCJ Form 13. The subgrantee is required to document its procurement procedures and maintain this documentation in the grant records.

Receipts or invoices with order and delivery dates are required for all equipment items. Prior to any payments being made, the Project Director must approve payment by signing the invoice. When payment is made, the invoice should be marked with the date paid, check or voucher number, and grant number.

The subgrantee must have an effective system of property management and controls to safeguard against loss, damage, or theft of equipment. Any loss, damage, or theft must be investigated, fully documented, and reported to DCJ.

Adequate maintenance procedures must be developed to keep the property in good condition. The subgrantee is required to maintain an inventory form (see DCJ Form 5) for equipment purchased, in whole or in part, with grant or matching funds which contains the following information:

1. Description of item
2. Serial number and property inventory number
3. Date of purchase
4. Grant number
5. Check or voucher number
6. Cost
7. Equipment location
8. Present use
9. Condition
10. Disposition information

E. Disposition of Equipment

Disposition includes the sale or trade-in of equipment as well as the disposal of equipment at the end of its useful life. Document the disposition on DCJ Form 5, Equipment Inventory. This inventory form is submitted to DCJ with the final narrative report and a copy must be retained after the final disposition of the property.

At the end of the grant award period, title to all equipment may vest in the subgrantee agency if the subgrantee certifies in writing that it will use the property for the purposes of the legislation under which the grant was made. DCJ Form 5 includes language to comply with this certification. If such a certification is not made, title to the property will vest in the state. The state will seek to have the property used for justice purposes prior to using it or disposing of it in any other manner.

At time of disposition, if equipment is worth more than \$5,000 call the DCJ grant manager.

F. Professional Services/Consultants

This budget category includes services provided to the project by outside vendors who are under contract with the subgrantee. Refer to Chapter 6 for questions regarding the definition of *Employee* versus *Contractor*.

If any component(s) of the program are subcontracted, the subgrantee remains responsible for all aspects of the contract, including proper accounting and financial record keeping.

Use DCJ Form 16, Professional Services/Consultant Certification to obtain approval from DCJ **before** Professional Services/Consultant expenditures are made.

Subgrantees should secure professional services through competitive negotiation whenever possible. See Chapter 6 for more detail.

All expenses for professional services/consultants must be supported by a valid, signed contract between the subgrantee and the contractor, and by detailed invoices from the contractor, which have been approved for payment by the Project Director. These invoices are the basis for payment and must show time and activity records that should include at a minimum the dates, times, and types of services provided.

The subgrantee must not award any contract to any individual or organization that is debarred or proposed for debarment from participation in federal assistance programs. If, under the grant, the subgrantee enters into a financial arrangement in a contract for \$100,000 or more with any party having critical influence on or substantive control over the goals and objectives of the grant, the subgrantee must have this party sign the OJP Form 4061/1, *Certification Regarding Debarment, Suspension,*

Ineligibility, and Voluntary Exclusion. A copy of this form may be requested from DCJ or downloaded from the Office of Justice Program's website at <http://www.ojp.usdoj.gov/forms.htm>. The subgrantee shall maintain this form with the records of the grant.

G. Confidential Funds

This budget category includes funds used for purchase of services, purchase of evidence (physical), and the purchase of information related to confidential funds. Special accounting and control procedures are described in Appendix A.

VIII. OTHER ADMINISTRATIVE REQUIREMENTS

Project Directors are encouraged to make the results and accomplishments of their project activities available to the public. All materials published or resulting from award activities, including videos, must contain an acknowledgement of the awarding agency support (verbal or printed) as follows: This project was supported by (Award number [federal grant number found on SOGA]) awarded by the ([name of specific office/bureau], Office of Justice Programs through the Division of Criminal Justice, Colorado Department of Public Safety.) Refer to the Federal *Standard Conditions* on the SOGA for further information.

Responsibility for the direction/result of the project activity should not be attributed to the awarding agency. **Any publication related to grant activities should include the following statement: "The opinions, findings, and conclusions or recommendations expressed in this publication/program/exhibition are those of the author(s) and do not necessarily reflect the views of the U.S. Department of Justice nor the Division of Criminal Justice, Colorado Department of Public Safety."**

All publication and distribution agreements with a publisher must include provisions giving DCJ and the federal government a royalty-free, non-exclusive, and irrevocable license to reproduce, publish, or otherwise use, and to authorize others to use, the publication for federal government purposes.

I. FINAL REPORTS AND RECORDS

A. DCJ Form 1-A, Final Financial Report

All subgrantees must submit a final financial report of actual total expenditures, federal and matching funds for the grant period. The final report cannot contain unpaid obligations and is due within 45 days of the end of the grant period. Services must be performed and goods must be received during the grant period.

For grants with required match: if the **TOTAL EXPENDED** funds are **less** than the approved award budget, you must maintain the minimum percentage of match participation indicated on the original budget and Statement of Grant Award. For example, if the total approved budget for the project included 25% match and 75% federal funds, then the amount spent must also reflect the 25/75% split. The match expenditures may need to be recalculated, based on the final total expenditures, to maintain this percentage.

If you received any federal funds from DCJ that were not expended or matched at the required proportion at the end of the grant award period, you must return these funds to DCJ with the final financial report. A check made out to the Colorado Department of Public Safety, indicating the grant number, is the only acceptable form of payment.

Failure to spend the minimum required match would reduce the amount of the federal grant award.

B. DCJ Form 2, Final Narrative Report

All subgrantees must submit a final narrative report within 45 days of the end of the grant period. If the subgrantee's project requires special final reporting forms, the Project Director will supply them at the beginning of the grant. Data elements to be collected should be reviewed at the beginning of the project to ensure requirements will be met.

C. DCJ Form 1-B, Project Income

Federal guidelines require that if a project generates income, the subgrantee must report the percentage of that income that is equal to the percentage of federal support for the project. For example, if the federal funds were 75% of the award budget, the subgrantee will need to report 75% of the project income when it is spent. A final Form 1-B must be submitted within 45 days of the end of the grant period if the required amount of project income has been expended. Otherwise, the subgrantee must continue to report the expenditure of project income on a quarterly basis UNTIL the required amount has been expended and reported.

D. DCJ Form 5, Equipment Inventory

If your project purchased equipment, this form must be submitted for each equipment item within 45 days after the end of the grant period. This form provides the necessary disposition and retention information. Equipment records must be retained for three (3) years from the date the form is submitted to DCJ. If any litigation, claim, or audit is started before the expiration of the three-year period, the records shall be retained until the litigation, claims, or audit findings involving the records have been resolved. Refer to the form for more detailed instructions.

II. RETENTION OF RECORDS

- A.** All grant records must be retained for seven (7) years after the end of the state fiscal year that includes the end date of the grant. (For example, if the grant ended 9/30/01, the state fiscal year would be July 1, 2001 to June 30, 2002. The files could be destroyed after 6/30/09).
- B.** If an audit is in progress and/or the findings of a completed audit have not been resolved satisfactorily, then records must be retained beyond the seven-year period until such issues are resolved.

Grant records include all financial records (including project income records), supporting documents, statistical records, and all other records pertinent to the grant. These include books of original entry, source documents supporting accounting transactions, the general ledger, subsidiary ledgers, personnel and payroll records, consultant/volunteer time and activity reports, canceled checks, related documents and records. Source documents include copies of the grant award with the final approved application, required financial and narrative reports, and forms.

Records must be maintained separately from any previous grants that provided funding, or any future grants that will continue funding for the project

AUDIT REQUIREMENTS AND DCJ MONITORING GUIDELINES

CHAPTER 5

I. FEDERAL AUDIT REQUIREMENTS

- A.** All recipients and sub-recipients of federal monies are subject to the accounting and audit requirements as found in OMB Circulars A-87, A-102, A-110, A-122, and A-133. The audit firm auditing the subgrantee should have these documents. Copies are available from the Government Printing Office, Denver Book Store, 1961 Stout Street, Federal Courthouse, Room 117, Denver, CO 80294, and phone 303-844-3964.
- B.** Grantees that expend \$500,000 or more in a year in federal awards must have a Circular A-133 single audit (or program-specific audit) performed for that year. The single audit must be performed in accordance with *Government Auditing Standards* and cover the entire operations of the auditee, specifically the grantee's financial statements and Schedule of Expenditures of Federal Awards, both of which must be for the same fiscal year.
- Costs for audits not required or not performed in accordance with OMB Circular A-133 are unallowable. If the grantee did not expend \$500,000 or more in federal funds in its fiscal year, but contracted with a certified public accountant to perform an audit, these costs may not be charged to the grant. In addition to arranging and providing for the organizational, financial, and compliance audits required by the OMB circular, individual recipients and sub-recipients are encouraged to provide additional audit coverage, as deemed appropriate. 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.
- C.** Any organization which does not receive an aggregate amount of \$500,000 or more in federal funds in any given fiscal year shall maintain adequate financial and programmatic records to justify expenditures made in accordance with specific grant requirements, but do not need to conduct a single audit of such monies.
- D.** All applicants for funding through DCJ shall submit a copy of the agency's most recent audit report or financial review at time of grant application to DCJ, 700 Kipling St. Suite 1000, Denver, CO 80215. Include copies of any management report issued in conjunction with the audit report. Known or suspected violations of any law encountered during audits, including fraud, theft, embezzlement, forgery, or other serious irregularities must be communicated to DCJ.
- E.** If the subgrantee's financial records are a component of a larger agency audit, the subgrantee has the responsibility to obtain the audit report from the reporting entity and send such audit report to all federal, state, and local agencies that have provided federal assistance to the subgrantee. Example: if the subgrantee were the county sheriff's office, the county's audit report would be required.

- F.** All completed audit reports for state and local governments, institutions of higher education, and non-profit institutions should also be mailed to the Federal Audit Clearinghouse, Bureau of the Census, 1201 E. 10th Street, Jeffersonville, IN 47132. In addition, 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 503, Washington, DC 20531. Audit reports can be placed on the Clearinghouse website at <http://harvester.census.gov/sac/>.
- G.** DCJ and the Colorado Department of Public Safety reserve the right to require an audit and to examine and/or audit any financial records of any subgrantee during the project period and within a three (3) year period following the conclusion of the final financial audit that covered the grant award period.
- H.** In cases of continued inability or unwillingness on the part of the subgrantee to conduct or supply a proper audit, DCJ reserves the right to impose any sanctions, as described in OMB Circular A-133, upon the subgrantee until such time as a proper audit is received by DCJ.
- I.** Recipients requesting more information regarding audit requirements should contact their independent auditing firm, Federal Audit Office or the Colorado Department of Public Safety.

II. GUIDELINES FOR DCJ MONITORING OF SUBGRANTEES

A. Introduction

Both federal and state fiscal rules and regulations require that DCJ establish and carry out activities that will track, document, and measure the use of subgranted funds for the following purposes:

1. Compliance with federal and state rules and laws;
2. Quantitative and qualitative data collection;
3. Progress in meeting goals and objectives;
4. Evaluation and outcome measures and project effectiveness;
5. Strategic planning and collaborative activities at the state and local level; and
6. Reporting to state and federal funding sources, the governor, state legislature, stakeholders, and customers.

These activities, which may vary somewhat among different funding sources, are supplemented by technical assistance and training to educate subgrantees and other customers about the intents and purposes of the funds. Additionally, fiscal and programmatic grant management practices, referrals to other sources of information, and training opportunities may be reviewed. Technical assistance and training help identify and fill gaps in areas where information may be lacking, and address or anticipate problems which may arise in the course of implementing a program or process. In many programs, staff may provide additional specialized training and/or technical assistance in content areas pertinent solely to that program.

B. DCJ's Monitoring Philosophy

In practice, the term *monitoring* is used to describe **both** the broad overall system of reviewing and tracking the use of federal, matching funds, **and** the more specific day-to-day review processes that assure a particular subgrantee is in compliance with federal and state rules and regulations as they meet the goals and objectives of the grant or contract. These day-to-day review processes include the following, all of which may be supplemented by technical assistance and training.

Desk Monitoring: Reviews of financial and narrative subgrant reports, audit reports, correspondence and other written documentation or oral communication provided by the subgrant agency.

Telephone and Email Contacts: Direct communication with the recipient by telephone or email to ask or answer questions and check on the progress of the project.

In-Office Visits: Reviews or assistance provided to subgrantees at the DCJ offices, and any follow-up activities to resolve concerns.

On-site Monitoring: A visit to the project site to review one or more aspects of the subgrant project, and any follow-up activities to resolve concerns.

DCJ places a high value on consistent, fair, open and reasonable reporting and accountability by subgrantees.

C. On-site Monitoring Visits

1. A certain number of subgrants will be selected for on-site monitoring each year based on requirements of individual funding sources. Site visit reviews may be conducted for a variety of reasons:
 - a. Periodic routine reviews of subgrant projects;
 - b. Reviews of specific issues or items of interest;
 - c. Reviews prioritized by level of funding, types of funding, and number of DCJ grants received by the subgrantee;
 - d. Response to perceived problems or issues;
 - e. Response to audit exceptions;
 - f. Contact with new staff or new programs;
 - g. Response to request for assistance; and/or
 - h. Information gathering, and/or technical assistance.
2. **Scope of Review Process:** Monitoring processes occur along a continuum from limited scope monitoring to comprehensive monitoring.

Limited Scope Monitoring is designed to evaluate and address specific concerns and issues or review specific portions of a project. The monitoring may be a site visit, desk monitoring, or phone or email contacts. Areas which will be reviewed, if a site visit is required are identified to the subgrantee prior to the site visit (except in extreme situations) and only those documents, procedures, etc., that are directly germane to the identified issues are normally inspected at that time.

Comprehensive monitoring can be described as an in-depth program review. It is designed to sample elements of many or most aspects of the project. A comprehensive site visit may be used to help evaluate the success, efficiency and the compliance of a subgrantee. A comprehensive visit requires thorough preparation, follow up, and documentation. DCJ selects a certain number of subgrantees for comprehensive monitoring each year. While this type of monitoring may be in response to a problem, it may also be conducted for many other reasons.

D. Criteria for Selection of Subgrantees for Monitoring

When monitoring is done in response to a perceived problem or concern, it is generally for one of the following reasons:

1. Indicators of Common Problems

- ◆ Late quarterly reports
- ◆ Wrong grant number on forms or correspondence
- ◆ Subgrantee not using the Administrative Guide
- ◆ Cash requests not submitted or completed incorrectly
- ◆ Expenditures in unauthorized budget categories on reports
- ◆ No expenditures
- ◆ Spending too quickly or too slowly
- ◆ Discrepancies between narratives and financial reports
- ◆ Approved budget figures are wrong on quarterly financial reports
- ◆ Financial reports reflect match not being spent
- ◆ Program start-up delayed
- ◆ Not meeting goals and objectives
- ◆ Signing authorities incorrect or not changed officially

2. Indicators of More Difficult Problems

- ◆ On-going minor problems that are not resolved
- ◆ Pattern of spending in the wrong budget category
- ◆ On-going misunderstandings
- ◆ Unresponsive to request for information

3. Indicators of Potentially Serious Problems

- ◆ Allegations of misuse of funds
- ◆ Allegations of misconduct or violations of grant conditions
- ◆ Audit exceptions requiring follow-up
- ◆ Failure to comply with previous requests

TOP TEN AUDIT FINDINGS

Experience has shown that the top ten audit findings are as follows:

1. *Untimely submission of reports* – Narrative and financial reports are not submitted when due.
2. *Lack of documentation* – The subgrantee does not have adequate invoices or other documentation to back up the expenditure of funds.
3. *Inadequate monitoring of contractors* – The subgrantee is failing to monitor its contractors to ensure that they are expending their funds in compliance with all federal laws and regulations.
4. *Inadequate time and effort records* – The subgrantee has failed to keep adequate time and effort records documenting the time that its employees, volunteers, and consultants have worked on the activities related to the project.
5. *Inaccurate reports* – The financial status reports submitted do not agree with the financial records of the organization. The subgrantee's request for payment does not correlate with its need for funds.
6. *Commingling of funds* – The subgrantee's accounting system is unable to accurately identify the receipt and expenditure of funds with the proper award.
7. *Excess cash on hand* – The subgrantee is not managing its drawdown of funds to coincide with expenditures to avoid having excess federal funds on hand.
8. *Unallowable costs* – The subgrantee has expended federal funds on cost items that are unallowable under Circular A-87, *Cost Principles for States and Local Units of Government*, or Circular A-122, *Cost Principles for Nonprofit Organizations*, whichever is applicable.
9. *Inappropriate Changes* – The subgrantee has made budget changes and/or changes in the scope of the project without requesting prior approval from its program office.
10. *Conflict of interest* – The subgrantee has conflicts of interest or the appearance of conflicts of interest in its procurement procedures or other management of the federal funds.

I. DEFINITION OF TERMS

ATTEST: Authenticate a signature by signing as a witness. The signature of the Authorized Official is witnessed by the Corporate/Board Secretary or equivalent or the Town/City/County Clerk to certify that the person named as the Authorized Official has the legal authority to enter into binding legal contracts on behalf of the agency and is, in fact, the person who signed the Statement of Grant Award.

AUTHORIZED OFFICIAL: The person who is authorized to obligate and to enter into contracts for the subgrantee/applicant agency. See DCJ Form 4-B, Change in Signing Authority, for more detail.

BUDGET REVISION: The movement of funds from one budget category to another. Requires prior approval by DCJ. (Use DCJ Form 4-A).

CLOSEOUT PROCEDURES: The process to determine if all applicable administrative actions and all required work of the grant have been completed.

CONFIDENTIAL FUNDS: Funds used for the purchase of confidential services, purchases of evidence (physical), and purchase of information under the Drug Control and System Improvement Program.

DIVISION OF CRIMINAL JUSTICE (DCJ): Colorado's state planning agency designated to administer certain federal funds, primarily through the Office of Justice Programs (OJP), and monitor program compliance with federal and state requirements. §24-33.5-503 C.R.S.

DRAWDOWN: The process of requesting awarded grant funds by submitting DCJ Form 3, Cash Request.

EQUIPMENT: Tangible, nonexpendable property with an acquisition cost of \$5,000 or more and a useful life of more than one year. Software, regardless of cost, is not considered equipment, and should be listed under the Supplies and Operating category.

EVALUATION: That portion of the project in which the subgrantee provides evidence to show that the planned activities and objectives of the program were met and occurred in a timely manner (process evaluation) and that the activities of the project had an impact on the problem being addressed (performance evaluation).

FINAL DISPOSITION: Equipment acquired under the award with a current per unit fair market value of less than \$5,000 may be retained, sold, or otherwise disposed of with no further obligation to the awarding agency. When final disposition occurs, a final DCJ Form 5 must be submitted to DCJ.

FINANCIAL OFFICER: The person who has responsibility for all financial matters relating to the project and who has responsibility for the accounting, management of funds, verification of expenditures, audit information and financial grant reports.

GENERAL LEDGER: The primary accounting system containing accounts to which debits and credits are posted from books of original entry.

GOALS: Project goals are clear, general statements, which highlight what the project intends to achieve. Each goal must be associated with one or more objectives and each objective must be tied to a specific goal. Also see OBJECTIVES.

GRANT EXTENSION: An extension of the end date of the grant award period without an increase in grants funds. Requires prior approval by DCJ by submission of DCJ Form 4-C 30 days before the grant period ends.

MATCHING FUNDS: The Subgrantee was informed during the application process of any match requirement for the federal funds. The minimum match requirement is set by the program guidelines as a portion of the total project budget. Some programs do not require match, some require cash and/or in-kind match, and some require a cash match only. *In-kind and cash match are subject to the same accounting and expenditure requirements as the federal funds.* Subgrantees must maintain financial records which clearly show the source, the amount, and the date of receipt and expenditure of all matching contributions during the grant period.

- A. CASH MATCH** is a designated amount of non-federal dollars the subgrantee is required to use for the project, in addition to the federal grant amount. It includes actual cash spent by the subgrantee for budgeted costs of the project. The amount will appear as part of the approved budget in the Statement of Grant Award. The cash match must be spent during the period of the grant award. Failure to spend the minimum required cash match would reduce the amount of the federal grant award on a proportionate basis. The cash match in the approved budget may not be used to match other federal or local funds.
- B. IN-KIND MATCH** is a specific amount of non-cash donations (assigned a dollar value), which the subgrantee is required to use for the project in addition to the federal grant award amount. Some examples of in-kind match are volunteer time, donated equipment, supplies, space, or services. All of the above examples must be assigned a dollar value (based on fair market value) and appear in the project budget. The basis for determining the valuation of in-kind match, such as personal services, material, equipment, and space, must be documented by the subgrantee. The in-kind match must be spent during the period of the grant award. Failure to spend the minimum required in-kind match would reduce the amount of the federal grant award on a proportionate basis. The in-kind match in the approved budget may not be used to match other federal or local funds.

OBJECTIVES: Project objectives are quantitative (measurable) statements, which describe how a specific goal will be met. The time period of the objective should be specified. For example, an objective should state: 1. What will be done, 2. The time frame, and 3. The number of clients served, number of services provided, or other specific measurements. Each

objective should be tied to a specific goal. An example of a related goal and objective is: Goal 1: Reduce the community's fear of crime; Goal 1, Objective 1: Establish 10 new Neighborhood Watch programs within the grant year.

PRIOR APPROVAL: Written permission provided by DCJ in advance of an act that will result in either 1) the obligation or expenditure of funds, or 2) the performance or modification of an activity under a project.

PROCUREMENT: The process that is used to purchase goods or to contract for professional services for grant activities. Requires prior approval in some cases.

PROJECT DIRECTOR: The person who has direct day-to-day responsibility for the implementation of the project. This person should combine knowledge and experience in the project area with ability to administer the project and supervise personnel. This person shares responsibility with the Financial Officer for seeing that all expenditures are allowable within the approved budget.

PROJECT INCOME: Gross income received by the subgrantee as a direct result of grant activity. Examples of project income are service fees, client fees, usage or rental fee, sales of materials, and income received from the sale of forfeited assets or from forfeited money. Interest earned is not project income. Project income may be used only for allowable project expenses.

SPECIAL CONDITIONS: Grant requirements applied to subgrants on the Statement of Grant Award.

START-UP PERIOD: The period of time beginning with the first day of the grant award, during which the project is in a developmental phase and is not fully operational. The start-up period may not exceed three (3) months without prior approval from DCJ.

STATEMENT OF GRANT AWARD (SOGA): The official notification to the subgrantee of an award of federal or state funds. The Statement of Grant Award incorporates the approved *grant application* and serves as the contract between the subgrantee and DCJ.

SUBGRANTEE: The secondary recipient organization of a federal grant award after the original grant award has been made by the Federal Government to the State of Colorado, Department of Public Safety, Division of Criminal Justice.

SUPPLANTING: To deliberately reduce state or local funds because of the receipt of federal funds. Federal funds must be used to **supplement** existing funds for program activities and not replace those funds which have been appropriated for the same purpose. Potential supplanting is subject to review during the application review, pre-award review, post-award monitoring, and audit. If there is a potential presence of supplanting, the applicant or subgrantee 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. Applies only to governmental agencies.

SUB-LEDGER: Sub-ledgers contain the detailed information summarized in the General Ledger. For example, if a sub-ledger (accounts payable) lists two individual items due for payment, (\$14.95 due to ACME Distributing Company and \$29.95 due to Joe Dandy) these two payables would be summarized in the General Ledger as a \$44.90 Accounts payable. These sub accounts contain important data, which, if not entered in summary form in the General Ledger, would make the physical ledger too bulky. The sub-ledger should be reconciled to the General Ledger at least quarterly.

TECHNICAL ASSISTANCE: Informal instruction to answer questions or provide guidance. Technical assistance may be requested by the subgrantee or initiated by DCJ. It can be specific or broad in scope, depending on what issues are being addressed. Technical assistance can be accomplished through telephone and email contacts, face-to-face visits at DCJ offices or at the subgrantee site, and through letters and other written materials.

TRAINING: Formal instruction such as workshops and seminars conducted expressly for the benefit of subgrantees to help assure compliance with program regulations and/or to educate subgrantees on important content information.

UNALLOWABLE COSTS: Any expenses that are not fully described in the approved Budget Narrative of the *grant application* and related documents. Neither federal nor matching funds may be spent for unallowable costs. The application instructions list costs not allowable under federal funds.

UNPAID OBLIGATIONS: Any unpaid invoices or open purchase orders for supplies, etc. that have been ordered and/or received in the quarter being reported on. The final financial report cannot contain any unpaid obligations.

Personnel costs and Confidential Funds are never an unpaid obligation. In-kind match in any budget category is never an Unpaid Obligation.

II. PROCUREMENT

A. Procurement Processes For Equipment: Subgrantees that have equipment as part of the approved budget of the grant must meet these requirements and standards:

- 1. Prior Approvals:** To obtain the required prior approval to purchase equipment identified in the *grant application*, the subgrantee must complete the Equipment Procurement Certification Form (DCJ Form 13). A specific description of the vendor selection process must be submitted in narrative format with this form. A detailed description of the equipment should be supplied.

Changes to the equipment needs that were described in the *grant application* must have DCJ approval. A DCJ Form 4-D, Modifications of Other Grant Agreements, must be submitted for approval to DCJ prior to implementing change in equipment needs.

2. Standards For Equipment Procurement and Maintenance:

- a. Careful review should take place before acquiring equipment to ensure it is still needed and that the need cannot be met with property already in the possession of the subgrantee.
- b. A control system must exist to ensure adequate safeguards to prevent loss, damage, or theft of the equipment.
- c. Any loss, damage, or theft shall be investigated by the subgrantee and by DCJ, as appropriate.
- d. Adequate maintenance procedures must exist to keep the equipment in good condition.
- e. If the subgrantee is authorized or required to sell the equipment, proper sales procedures must be established to ensure the highest possible return.

3. Disposition of Equipment:

- a. When equipment acquired with Crime Control Act Block/Formula Funds (BJA) is no longer needed for criminal justice purposes, the subgrantee shall contact DCJ for disposition guidelines.
- b. When equipment acquired with Juvenile Justice Act (OJJDP) Formula, Victims of Crime Act (OVC) Assistance (Formula) Funds, or discretionary funds are no longer needed, the following disposition procedures shall be followed:
 - i. Items with a current per unit fair market value of less than \$5,000 may be retained, sold, or otherwise disposed of with no further obligation to the awarding agency.
 - ii. Items with a current per unit fair market value in excess of \$5,000 may be retained or sold, and the awarding agency shall have a right to an amount calculated by multiplying the current market value or proceeds from sale by the awarding agency's share of the equipment. Seller is also responsible for sale costs.
 - iii. In cases where a subgrantee fails to take appropriate disposition actions, the awarding agency may direct the subgrantee to take other disposition actions.

B. Methods of Procurement of Goods and Services:

Subgrantees are allowed and encouraged to follow the procurement requirements of the state or unit of local government as long as the requirements meet or exceed the federal requirements listed below. Existing bids or awards from federal, state, or local purchasing agents may be used.

Documentation of procurement procedures by the subgrantee is required and must be maintained in the records of the subgrantee.

Procurement Procedures that meet Federal and State Requirements: Purchases of equipment and services shall be made in a manner providing maximum open and free competition. Procurement shall be made by one of the following methods:

1. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that does not exceed \$25,000 in the aggregate. If small purchase procedures are used for procurement under the grant, written price or verbal rate quotations must be obtained and documented from at least three (3) qualified sources. These procedures are generally used for the acquisition of relatively small standardized items, i.e. desks, personal computers, etc.
 2. Competitive negotiation (request for proposal or other competitive process proposals) is one method that can be used to procure goods or services that cost more than \$25,000. The Request for Proposal (RFP) is publicized, negotiations are normally conducted with more than one of the sources submitting offers, and either a fixed-price or cost-reimbursable type contract is awarded, as appropriate. The following requirements apply to competitive negotiations:
 - a. RFP's must be publicized and identify all evaluation factors and their relative importance. Any response to publicized RFP's shall be honored to the maximum extent possible.
 - b. Proposals must be solicited from at least three (3) qualified sources.
 - c. Subgrantees must have a method for conducting technical evaluations of the proposals received and for selecting vendors.
 - d. Awards must be made to the responsible firm (individual) whose proposal is most advantageous to the program, with price and other factors considered.
- C. Competitive sealed bids (formal advertising)** can also be issued for procurement over \$25,000. Bids are publicly solicited and a firm, fixed-price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming to all material terms and conditions of the invitation for bids, is the lowest price. Procurement by sealed bids under a grant will be accomplished through the use of state purchasing procedures or an equivalent local established procurement procedure. Technical assistance will be provided by DCJ to a subgrantee that is not a state or local unit of government for procurement using the sealed bid process.
- D. Non-Competitive Negotiation (sole-source justification)** is procurement through the solicitation of a proposal from only one source or after solicitation of a number of sources when competition is determined inadequate. Prior approval by DCJ is required for all non-competitive procurement. Sole-source procurement over \$100,000 must also have federal approval through DCJ.

DCJ approval of non-competitive, sole-source procurement will be given only when the award of a contract is not feasible under small purchase procedures, competitive negotiations, or sealed bids, and at least one of the following circumstances apply:

- ◆ The subgrantee can show that the item is available only from a single source.
- ◆ The public need or emergency for the requirement does not permit a delay resulting from competitive solicitation.
- ◆ After solicitation of a number of sources, competition is determined inadequate.

While all procurement processes must be documented, it is particularly important for the subgrantee to maintain the following documentation for sole-source procurement.

1. A brief description of the program and the item to be procured and its necessity to the program.
2. An explanation of why it is necessary to contract non-competitively, to include the following (as applicable):
 - ◆ Expertise and experience of the contractor/vendor
 - ◆ Uniqueness of contractor/vendor capability
 - ◆ Responsiveness
 - ◆ Knowledge of the program
 - ◆ Time constraints
3. Specify when contractual/vendor coverage is required and why, and what the impact would be if dates are not met.
4. Specify how long it would take another contractor/vendor to reach the same level of competence (equate to dollars).

III. CONTRACTS FOR PROFESSIONAL AND CONSULTANT SERVICES

Prior approval is required from DCJ before Professional Services/Consultant expenditures are made. Use DCJ Form 16 Professional Services/Consultant Certification to obtain this approval. The subgrantee cannot enter into a financial arrangement with any party who is debarred from participation in federal assistance programs.

A. **Technical Assistance for the Determination of Employee versus Contractor:**

Prior approval is required from DCJ before Professional Services/Consultant expenditures are made. Use DCJ Form 16 Professional Services/Consultant Certification to obtain this approval. The subgrantee cannot enter into a financial arrangement with any party who is debarred from participation in federal assistance programs.

INDEPENDENT CONTRACTOR VERIFICATION

Mistakenly classifying an employee as an independent contractor can result in fines and penalties. The following questionnaire is based upon the 20 factors used by the IRS to determine whether someone is an employee or an independent contractor. In theory, you should only be concerned with the results of the work, not the way in which it is performed. These rules are intended only as a guide; the IRS says the importance of each factor depends on the individual circumstances. If you answer "yes" to all of the first four questions, you're probably dealing with an independent contractor; "yes" to any of questions 5 through 20 means your worker is probably an employee.

Person's Name		SSN	
<input type="checkbox"/> Yes <input type="checkbox"/> No	1.	Profit or Loss.	Can the person make a profit or suffer a loss as a result of the work, aside from the money earned from the project? <i>(This should involve real economic risk - not just the risk of not getting paid.)</i>
<input type="checkbox"/> Yes <input type="checkbox"/> No	2.	Investment.	Does the person have an investment in the equipment and facilities used to do the work? <i>(The greater the investment, the more likely independent contractor status.)</i>
<input type="checkbox"/> Yes <input type="checkbox"/> No	3.	Works for more than one person or firm.	Does the person work for more than one company at a time? <i>(This tends to indicate independent contractor status, but isn't conclusive since employees can also work for more than one employer.)</i>
<input type="checkbox"/> Yes <input type="checkbox"/> No	4.	Services offered to the general public.	Does the worker offer services to the general public? <i>(Advertising shows independence.)</i>
<input type="checkbox"/> Yes <input type="checkbox"/> No	5.	Instructions.	Do you have the right to give the person instructions about when, where and how to work? <i>(This shows control over the worker.)</i>
<input type="checkbox"/> Yes <input type="checkbox"/> No	6.	Training.	Do you train the person to do the job in a particular way? <i>(Independent contractors are already trained.)</i>
<input type="checkbox"/> Yes <input type="checkbox"/> No	7.	Integration.	Are the person's services so important to your operations that they have become a necessary part of the business? <i>(This may show that the worker is subject to your control.)</i>
<input type="checkbox"/> Yes <input type="checkbox"/> No	8.	Services rendered personally.	Must the person provide the services personally, as opposed to delegating the tasks to someone else? <i>(This indicates that you are interested in the methods employed, and not just the results.)</i>
<input type="checkbox"/> Yes <input type="checkbox"/> No	9.	Hiring assistants.	Do you hire, supervise, and pay the person's assistants? <i>(Independent contractors hire and pay their own staff.)</i>
<input type="checkbox"/> Yes <input type="checkbox"/> No	10.	Continuing relationship.	Is there an ongoing relationship between the person and yourself? <i>(A relationship can be considered ongoing if services are performed frequently, but irregularly.)</i>
<input type="checkbox"/> Yes <input type="checkbox"/> No	11.	Work hours.	Do you set the person's hours? <i>(Independent contractors are masters of their own time.)</i>
<input type="checkbox"/> Yes <input type="checkbox"/> No	12.	Full-time work.	Must the person spend all of his or her time on your job? <i>(Independent contractors choose when and where they will work.)</i>
<input type="checkbox"/> Yes <input type="checkbox"/> No	13.	Work done on premises.	Must the individual work on your premises, or do you control the route or location where the work must be performed? <i>(Answering no doesn't by itself mean independent contractor status.)</i>

<input type="checkbox"/>	Yes	<input type="checkbox"/>	No	14.	Sequence. Do you have the right to determine the order in which services are performed? <i>(This shows control over the worker.)</i>
<input type="checkbox"/>	Yes	<input type="checkbox"/>	No	15.	Reports. Must the person give you reports accounting for his or her actions? <i>(This may show lack of independence.)</i>
<input type="checkbox"/>	Yes	<input type="checkbox"/>	No	16.	Pay Schedules. Do you pay the person by the hour, week or month? <i>(Independent contractors are generally paid by the job or on commission, although by industry practice, some are paid by the hour.)</i>
<input type="checkbox"/>	Yes	<input type="checkbox"/>	No	17.	Expenses. Do you pay the person's business or travel costs? <i>(This tends to show control.)</i>
<input type="checkbox"/>	Yes	<input type="checkbox"/>	No	18.	Tools and materials. Do you provide the person with equipment, tools or materials? <i>(Independent contractors generally supply the materials for the job, and use their own tools and equipment.)</i>
<input type="checkbox"/>	Yes	<input type="checkbox"/>	No	19.	Right to fire. Can you fire the person? <i>(An independent contractor can't be fired without subjecting you to the risk of breach of contract lawsuit.)</i>
<input type="checkbox"/>	Yes	<input type="checkbox"/>	No	20.	Workers right to quit. Can the person quit at any time, without incurring liability? <i>(An independent contractor has a legal obligation to complete the contract.)</i>

B. Contract Provisions:

All expenses for professional services/consultants must be supported by a valid, signed contract between the subgrantee and the provider, and by detailed invoices from the provider, which have been approved for payment by the Project Director. The contract must specify the following minimum provisions:

1. Legal names of contracting parties.
2. Statement of work expressed in clear, concise terms for tasks to be accomplished. The tasks, when accomplished, should produce results consistent with the project objectives.
3. The specific duties of the contractor stated in such a way that he/she knows what is required and which will permit the subgrantee to determine that the requirements have been met before making payment. Sentences should be written so that there is no question as to whether the contractor is obligated (i.e. “the contractor shall do this work” and not, “this work will be required”).
4. Dates provided for the key tasks the contractor is to do and for each service/good to be delivered.
5. Persons or committees who will approve reports or specific accomplishments and whether a portion of the contract price is contingent upon that approval.
6. Proper reference documents listed.

7. The rates of payment in accordance with federal program guidelines.
8. The detailed method of payment, including a section allowing the subgrantee to withhold a portion of the final payment (usually 10%) until all deliverables are received.
9. Certain suitable provisions for termination, including the manner of termination and the basis for settlement. Possible reasons for termination include: default in performance and convenience of subgrantee (i.e. lack of federal funds).
10. All contracts shall include a provision to the effect that the subgrantee, DCJ, the federal funding agency, and the Comptroller General of the United States or any of their duly authorized representatives, shall have access for the purpose of audit and examination to any records pertinent to the grant.
11. The subgrantee, DCJ and the federal funding agency shall have irrevocable, non-exclusive, royalty-free license to reproduce, publish, and use and authorize others to use any materials, in whole or in part which are produced under a contract.
12. Each contractor or subcontractor with 50 or more employees that received contracts in excess of \$25,000 shall be required to have an affirmative action plan (28 C.F.R., Part 42.301, et seq.).
13. Any contract for computer programming must result in the program being written in a form that would allow it to be used by other criminal justice agencies, with minor modifications and at a minimum cost, and it should remain in the public domain.

C. General Compensation Guidelines:

1. Compensation is reasonable and consistent with similar work paid for in the public sector. The customary fixed fee or profit allowance in cost-type contracts may not exceed 10% of the total estimated cost.
2. Dual compensation is not involved, i.e. the consultant is not receiving payment from more than one source for the same work.
3. Transportation and subsistence costs for travel do not exceed established local travel policies or, where no local policy exists, state travel regulations. These cost guidelines should be clearly detailed in the contract.

D. Classification of Consultants and Rates of Compensation:

1. **Subject to maximum daily rate of \$450:** The maximum daily rate for the consultants listed below will not exceed \$450 per 8 hour day (\$56.25 per hour), excluding travel and subsistence cost. These rates may apply to preparation, evaluation and travel time in addition to actual performance. A request for compensation over \$450 per day for any consultant requires additional

justification and prior approval by DCJ (refer to DCJ Form 16, Professional Services/Consultant Certification).

- a. Consultants Associated with Educational Institutions: hourly compensation may not exceed the consultant's academic salary projected for twelve (12) months, divided by 260.
- b. Government Employees Representing Their Agency: Hourly compensation for consultants who are also employed by state or local governments (if their services cannot be obtained free of charge) and ARE REPRESENTING THEIR AGENCY, may not exceed their daily governmental salary. They cannot receive pay from their respective unit of government during the contracted time.
- c. Employees of commercial or nonprofit organizations working without employer involvement: In those cases where an individual from either a commercial or nonprofit organization has authority to consult without employer involvement, the rate of compensation should not exceed the individual's daily salary rate and is subject to the \$450 limitation.

2. **Competitive Bidding Using the Necessary and Reasonable Costs Principle (not subject to the \$450/day maximum).**

- a. Employees of Commercial or Nonprofit Organizations Working with Employer Involvement is subject to the competitive bidding procedures.
- b. GOVERNMENT EMPLOYEES NOT REPRESENTING THEIR GOVERNMENT AGENCY are subject to the competitive bidding procedures and must not be receiving dual compensation.
- c. Independent Consultants: Compensation for independent consultants must be reasonable and consistent with that paid for similar services in the market place

Appendix A: Confidential Funds

From OJP Financial Guide, 2002 Edition

The United States Department of Justice

Office of Justice Programs

Office of the Comptroller

- Approval Authority
- Confidential Funds Certification A
- Written Procedures
- Informant Files
- RISS Program
- Accounting and Control Procedures

These provisions apply to all awarding agency professional personnel, recipients, and subrecipients involved in the administration of grants containing confidential funds. Confidential funds are those monies allocated to:

- **Purchase of Services (P/S).** This category includes travel or transportation of a non-Federal officer or an informant; the lease of an apartment, business front, luxury-type automobiles, aircraft or boat, or similar effects to create or establish the appearance of affluence; and/or meals, beverages, entertainment, and similar expenses (including buy money and flash rolls, etc.) for undercover purposes, within reasonable limits.
- **Purchase of Evidence (P/E).** This category is for the purchase of evidence and/or contraband, such as narcotics and dangerous drugs, firearms, stolen property, counterfeit tax stamps, etc., required to determine the existence of a crime or to establish the identity of a participant in a crime.
- **Purchase of Specific Information (P/I).** This category includes the payment of monies to an informant for specific information. All other informant expenses would be classified under P/S and charged accordingly.

These funds should only be allocated when:

1. The particular merits of a program/investigation warrant the expenditure of these funds.
2. Requesting agencies are unable to obtain these funds from other sources.

Confidential funds are subject to prior approval. Such approval will be based on a finding that they are a reasonable and necessary element of project operations. In this regard, the approving agency must also ensure that the controls over disbursement of confidential funds are adequate to safeguard against the misuse of such funds.

Approval Authority

The APPROVING AUTHORITY for the ALLOCATION of confidential funds is:

1. The awarding agency for block/formula grantees and categorical grantees (including Regional Information Sharing System (RISS) program projects).
2. The recipient agency for block/formula subrecipients.

Confidential Funds Certification

A signed certification that the Project Director has read, understands, and agrees to abide by these provisions is required from all projects that are involved with confidential funds from either Federal or matching funds. The signed certification must be submitted at the time of grant application.

SAMPLE CONFIDENTIAL FUNDS CERTIFICATION

This is to certify that I have read, understand, and agree to abide by all of the conditions for confidential funds as set forth in the effective edition of OJP's *Financial Guide*.

Date:

Signature:

Project Director:

Grant No.:

Written Procedures

Each project and RISS member agency authorized to disburse confidential funds must develop and follow internal procedures, which incorporate the following elements listed below. Deviations from these elements must receive prior approval of the awarding agency.

1. **Imprest Fund.** The funds authorized will be established in an imprest fund, which is controlled by a bonded cashier.
2. **Advance of Funds.** The supervision of the unit to which the imprest fund is assigned must authorize all advances of funds for the purchase of information. Such authorization must specify the information to be received, the amount of expenditures, and the assumed name of informant.
3. **Informant Files.** Information files are confidential files of the true names, assumed names, and signatures of all informants to whom payments of confidential expenditures have been made. To the extent possible, pictures and/or fingerprints of the information payee should also be maintained. In the RISS program, the informant files are to be maintained at the member agencies only. Project Headquarters may maintain case files.
4. **Cash Receipts.** The cashier shall receive from the agent or officer authorized to make a confidential payment a receipt for cash advanced to him/her for such purposes. The agent or officer shall receive from the information payee a receipt for cash paid to him/her.

SAMPLE

INFORMANT PAYEE RECEIPT

For and in consideration of the sale and delivery to the State, County, or City of information or evidence identified as follows:

I hereby acknowledge receipt of \$ (numerical and word amount entered by payee) paid to me by the State, County, or City of _____ of information or evidence identified as follows:

Date:

Payee:
(Signature)

Case Agent/Officer:
(Signature)

Witness:
(Signature)

Case or Reference:

5. **Receipt for Purchase of Information.** An information payee receipt shall identify the exact amount paid to and received by the information payee on the date executed. Cumulative or anticipatory receipts are not permitted. Once the receipt has been completed, no alteration is allowed. The agent shall prepare an information payee receipt containing the following information:
 - a. The jurisdiction initiating the payment;
 - b. A description of the information/evidence received;
 - c. The amount of payment, both in numerical and word form;
 - d. The date on which the payment was made;
 - e. The signature of the informant payee;
 - f. The signature of the case agent or officer making payment;
 - g. The signature of at least one other officer witnessing the payment; and
 - h. The signature of the first line supervisor authorizing and certifying the payment.

6. **Review and Certification.** The signed receipt from the informant payee with a memorandum detailing the information received shall be forwarded to the agent or officer in charge. The agent or officer in charge shall compare the signatures. He/she shall also evaluate the information received in relation to the expense incurred and his/her evaluation remarks in the report of the agency or officer who made the

expenditure from the imprest fund. The agent or officer in charge on the basis of the report and informant payee's receipt will witness the certification.

7. **Reporting of Funds.** Each project shall prepare a reconciliation report on the imprest fund on a quarterly basis. Information to be included in the reconciliation report will be the assumed name of the informant given and to what extent this informant contributed to the investigation. Grantees shall retain the reconciliation report in their files and have it available for review. Subrecipients shall retain the reconciliation report in their files and have it available for review unless the State agency requests that the report be submitted to them on a quarterly basis.
8. **Record and Audit Provisions.** Each project and member agency must maintain specific records of each confidential fund transaction. At a minimum, these records must consist of all documentation concerning the request for funds, processing (should include the review and approval/disapproval), modifications, closure or impact material, and receipts and/or other documentation necessary to justify and track all expenditures. Refer to the documentation under "Informant Files" below for a list of documents, which should be in the informant files. In projects where grant funds are used for confidential expenditures, it will be understood that all of the above records are subject to the record retention requirements and audit provisions of the awarding agency and program legislation. However, only under extraordinary and rare circumstances would such access include a review of the true name of confidential informants. When access to the true name of confidential informants is necessary, appropriate steps to protect this sensitive information must and will be taken by the recipient, awarding agency, and auditing agency. Any such access, other than under a court order or subpoena pursuant to a bona fide confidential investigation, must be approved by both the OJP program office head and the Comptroller.

Informant Files

1. **Security.** A separate file should be established for each informant for accounting purposes. Informant files should be kept in a separate and secure storage facility, segregated from any other files, and under the exclusive control of the office head or an employee designated by him/her. The facility should be locked at all times when unattended. Access to these files should be limited to those employees who have a necessary legitimate need. An informant file should not leave the immediate area, except for review by a management official or the handling agent, and should be returned prior to the close of business hours. Sign-out logs should be kept indicating the date, information number, time in and out, and the signature of the person reviewing the file.
2. **Documentation.** Each file should include the following information:
 - a. Informant Payment Record, kept on top of the file. This record provides a summary of informant payments.
 - b. Informant Establishment Record, including complete identifying and locating data, plus any other documents connected with the informant's establishment.

- c. Current photograph and fingerprint card (or FBI/State Criminal Identification Number).
- d. Agreement with cooperating individual.
- e. Receipt for Purchase of Information.
- f. Copies of all debriefing reports (except for the Headquarters case file).
- g. Copies of case initiation reports bearing on the utilization of the informant (except for the Headquarters case file).
- h. Copies of statements signed by the informant (unsigned copies will be placed in appropriate investigative files).
- i. Any administrative correspondence pertaining to the informant, including documentation of any representations made on his behalf or any other non-monetary considerations furnished.
- j. Any deactivation report or declaration of an unsatisfactory informant.

RISS Program

1. Processing Procedures

Authorization of Disbursement. The project policy board establishes the maximum level the Project Director may authorize in disbursements to member agencies. The Project Director, or his designee, may authorize payment of funds to member agencies and their officers for the purchase of information and evidence up to this maximum level. The Project Director must refer all requests for amounts in excess of the maximum level to the project policy board for review and approval.

Request of Funds. Any member agency requesting funds from the project will do so in writing. The request must contain the amount needed, the purpose of the funds, and a statement that the funds requested are to be used in furtherance of the project's objectives. Additionally, the agency must provide a statement agreeing to establish control, accounting, and reporting procedures, which closely resemble the procedures outlined in this chapter.

Processing the Request. The Project Director, or his designee when appropriate, will approve or disapprove the request. If approved, the request will be forwarded to the project cashier who will record the request and transmit the monies, along with a receipt form, to the member agency. Upon receipt of the monies, the member agency will immediately sign and return the receipt form to the cashier.

Records. For all transactions involving the purchase of information, each project must maintain on file the assumed name and signature of all informants to whom member agencies make payments from project funds.

Processing the Informant Payee Receipt. The original signed informant payee receipt, with a summary of the information received, will be forwarded to the project by the member agency. The project will then authenticate the receipt by comparing the signature of the informant payee on the receipt with the signature maintained by the

project in a confidential file. If discrepancies exist, the Project Director, or his/her designee, will take immediate steps to notify the member agency and ascertain the reason(s) for the discrepancies. The member agency must forward written justification to address the discrepancies of the project. If satisfactory, the justification will be attached to the informant payee receipt.

2. Informant Management and Utilization. All persons who will be utilized as informants should be established as such. The specific procedures required in establishing a person as an informant may vary from jurisdiction to jurisdiction but, at a minimum, should include the following:

- a. Assignment of an informant code name to protect the informant's identity.
- b. Creation of an informant codebook controlled by the office head or his/her designee containing:
 - 1. Informant's code name;
 - 2. Type of informant (i.e., informant, defendant/informant, restricted-use informant);
 - 3. Informant's true name;
 - 4. Name of establishing law enforcement officer;
 - 5. Date the establishment is approved; and
 - 6. Date of deactivation.
- c. Establishment of each informant file in accordance with Documentation, Item 2, under Informant files.
- d. Review of all active status informant files on a quarterly basis to assure they contain all relevant and current information. Where a Material fact that was earlier reported on the Establishment Record is no longer correct (e.g., a change in criminal status, means of locating him/her, etc.), a supplemental establishing report should be submitted with the correct entry.
- e. A search of all available criminal indices for informants being established. If a certified FBI number is available, request a copy of the criminal records from the FBI. Where a verified FBI number is not available, the informant should be fingerprinted, with a copy sent to the FBI and appropriate State authorities for analysis. The informant may be utilized on a provisional basis while awaiting a response from the FBI.

3. Payment to Informants

- a. Any person who is to receive payments charged against PE/PI funds should be established as an informant. This includes persons who may otherwise be categorized as sources of information or informants under the control of another agency. The amount of payment should be commensurate with the value of services and/or information provided and should be based on the following factors:
 - 1. The level of the targeted individual, organization, or operation;

2. The amount of the actual or potential seizure; and
 3. The significance of the contribution made by the informant to the desired objectives.
- b. There are various circumstances in which payments to informants may be made:
1. **Payments for Information and/or Active Participation.** When an informant assists in developing an investigation, either through supplying information or actively participating in it, he/she may be paid for his/her service either in a lump sum or in staggered payments. Payments for information leading to a seizure, with no defendants, should be held to a minimum.
 2. **Payment for Informant Protection.** When an informant needs protection, law enforcement agencies may absorb the expenses of relocation. These expenses may include travel for the informant and his/her immediate family, movement and/or storage of household goods, and living expenses at the new location for a specific period of time (not to exceed six months). Payments for these expenses may be either lump sum or as they occur and should not exceed the amounts authorized by law enforcement employees for these activities.
 3. **Payments to Informants of Another Agency.** To use or pay another agency's informant, he/she should be established as an informant. These payments should not be a duplication of a payment from another agency; however, sharing a payment is acceptable.
- c. Documentation of payments to informants is critical and should be accomplished on a receipt for purchase of information. Payment should be made and witnessed by two law enforcement officers and authorized payment amounts should be established and reviewed by at least the first line supervisory level. In unusual circumstances, a non-officer employee or an officer of another law enforcement agency may serve as a witness. In all instances, the original signed receipt must be submitted to the Project Director for review and recordkeeping.

Accounting and Control Procedures

Special accounting and control procedures should govern the use and handling of confidential expenditures as described below:

1. It is important that expenditures, which conceptually should be charged to PE/PI/PS, are in fact so charged. It is only in this manner that these funds may be properly managed at all levels and accurate forecasts of projected needs be made.
2. Each law enforcement entity should apportion its PE/PI/PS allowance throughout its jurisdiction and delegate authority to approve PE/PI/PS expenditures to those offices, as it deems appropriate.
3. Headquarters management should establish guidelines authorizing offices to spend up to a predetermined limit of their total allowance on any one investigation.

4. In exercising his/her authority to approve these expenditures, the supervisor should consider:
 - a. The significance of the investigation;
 - b. The need for this expenditure to further that investigation; and
 - c. Anticipated expenditures in other investigations. Funds for PE/PI/PS expenditures should be advanced to the officer for a specific purpose. If they are not expended for that purpose, they should be returned to the cashier. They should not be used for another purpose without first returning them and repeating the authorization and advance process based on the new purpose.
5. Funds for PE/PI/PS expenditure should be advanced to the officer on a suitable receipt form. A receipt for purchase of information or a voucher for purchase of evidence should be completed to document funds used in the purchase of evidence or funds paid or advanced to an informant.
6. For security purposes, there should be a 48-hour limit on the amount of time funds advanced for PE/PI/PS expenditure may be held outstanding. If it becomes apparent at any point within the 48-hour period that the expenditure will not materialize, then the funds should be returned to the advancing cashier as soon as possible. The level of management that approved the advance may grant an extension to the 48-hour limit. Factors to consider in granting such an extension are the amount of funds involved, the degree of security under which the funds are being held, how long an extension is required, and the significance of the expenditure. Such extensions are generally limited to 48 hours. Recipients should refer to the CFO Bulletin, dated September 30, 1998, for additional information on the extension rule.

Recipients should consult with the program office prior to determining the final course of action. Beyond this, the funds should be returned and readvanced, if necessary. Regardless of circumstances, within 48 hours of the advance, the fund cashier should be presented with either the unexpended funds, an executed voucher for payment for information or purchase of evidence, or written notification by management that an extension has been granted.
7. Purchase of Services (P/S) expenditures, when not endangering the safety of the officer or informant, need to be supported by canceled tickets, receipts, lease agreements, etc. If not available, the office head, or his/her immediate subordinate, must certify that the expenditures were necessary and justify why supporting documents were not obtained.