

AGE OPTIONS



Connecting Older Adults with Community-based Resources and Options

SERVICE PROVIDER MANUAL

STATEMENT OF NON-DISCRIMINATION

AgeOptions does not discriminate in admission to programs or treatment of employment in programs or activities in compliance with the Illinois Human Rights Act; the U.S. Civil Rights Act; Section 504 of the Rehabilitation Act; The Age Discrimination Act; the Age Discrimination in Employment Act; and the U.S. and Illinois Constitution. If you feel you have been discriminated against, you have the right to file a complaint with the Illinois Department on Aging. For information, call **1-800-252-8966 (Voice and TDD)** or contact the AgeOptions Civil Rights Coordinator at **(708) 383-0258**.

FUNDING STATEMENT

This document is prepared and printed with federal Older Americans Act, State of Illinois General Revenue and Area Agency on Aging funds. The Illinois Department on Aging and the U.S. Administration on Aging are recognized for their support of the Area Agency. Neither is responsible for the contents of this document.

TABLE OF CONTENTS

SERVICE PROVIDER MANUAL	1
TABLE OF CONTENTS	2
POLICIES AND REGULATIONS THAT GOVERN THE USE OF FEDERAL AND STATE FUNDS FROM AGEPTIONS	4
BACKGROUND STATEMENT ON THE ROLE OF THE AREA AGENCY	5
SECTION 1000: COMPLIANCE REVIEW, MONITORING, AND ASSESSMENT	8
1001: Purpose of Chapter	8
1002: Definitions of Compliance Review, Monitoring, and Assessment (45 CFR 1321 .45)	8
1003: Compliance Review, Monitoring, and Assessment Standards	8
1004: Area Agency Monitoring	9
1005: Area Agency Compliance Reviews	10
1006: Area Agency on Aging On Site Monitoring	10
1007: Evaluation of Sub-service providers/Sub-contractors by Area Agencies	11
SECTION 1100: GRANTS ADMINISTRATION	12
SECTION 1110: GRANT/CONTRACT AWARD IMPLEMENTATION	12
1111 : Authority to Initiate Programs and Incur Costs	12
1112: Grant Award Process	13
1113: Grants/Contracts - Minimum Criteria	13
1114: Grants/Contracts with Profit making Organizations	14
SECTION 1120: AREA PLAN BUDGET POLICY REQUIREMENTS	17
1121 : Title 111-B Minimum Percentages	17
1122: Transfer of Funds	17
1123: Treatment of Unspent Federal Funds	17
1126: Programmatic Policies	19
1127: Fiscal Policies	19
1128: Revision Requests and Response Requirements	20
SECTION 1130: ACCOUNTING SYSTEM	22
1131 : Setting Up and Maintaining an Accounting System	22
1132: Accounting Standards.....	22
1133: Freedom of Information under Accounting Systems.....	23
1134: Bonding	24
1135: Cash Depositories	25

SECTION 1140: OBTAINING FUNDS	27
1141: Obligation of Funds	27
1142: Requests for Funds and Payments	27
1143: Matching Funds.....	28
1144 : PROGRA M INCOME	30
1145: Use of Interest Earned on Cash Advances	34
SECTION 1150: EXPENDING PROJECT FUNDS.....	36
1151: Cost Principles.....	37
1152: Procurement Standards	49
1153: Property Management Standards	56
SECTION 1160: RETENTION OF RECORDS.....	63
1161: Applicability.....	63
1162: Retention Period.....	63
1163: Starting Date of Retention Period	63
1164: Access to Records	64
1165: Confidentiality of Personal Information.....	65
SECTION 1170: CLOSEOUT.....	66
1171: Definition	66
1172: General Requirements	66
1173: Grant Contract Closeout	66
1174: Amounts Payable to the Department	67
1175: Disposal of Equipment	68
1176: Retention of Records.....	68
1177: Termination of Obligations.....	68
SECTION 1180: SUSPENSION AND TERMINATION	69
1181: Suspension.....	69
1182: Termination.....	70
SECTION 1190: AUDITS.....	74
1191: Purpose of Audits	74
1192: General Audit Requirements	74
1193: Relation to Federal or State Audit	75
1194: Audit Engagement Letter (Audit Procedure 07-1 J -0007-R-2).....	75
1195: Distribution of the Cost of a Unified Audit.....	75
1196: Scope of Audit	76
1197: Audit Reports.....	77
1198: Resolution of Audit Findings.....	78

POLICIES AND REGULATIONS THAT GOVERN THE USE OF FEDERAL AND STATE FUNDS FROM AGEOPTIONS

The Illinois Department on aging issued a manual for Area Agencies on Aging (Policies and Procedures) in September, 1983. The manual is a reference document on the structure, programs and requirements of the State Unit on Aging for Area Agencies on Aging. The Illinois Association of Area Agencies on Aging edited the document for use by recipient agencies of Older Americans Act and State General Revenues channeled through the Area Agencies. This document includes selected chapters from the Department on Aging manual and edits provided by the Illinois Association.

Rules change - this manual reflects current understanding of significant regulations that apply to our aging network. Memos and chapter revisions will be issued by the Area Agency to identify changes in the manual.

USE OF THE MANUAL

Please read this manual as a guide for the conduct of business under State and Federal guidelines. The Area Agency staff will be pleased to answer questions on items covered in the manual, and when necessary research any areas that are not clear to the project's responsibilities.

GENERAL ORGANIZATION

The Department on Aging Manual for Area Agencies includes fourteen (14) sections and attachments. The Area Agency selected several sections for this particular manual - Section 1000, 1100, 1120, 1130, 1140, 1150, 1160, and 1170.

SECTION 1000: COMPLIANCE REVIEW, MONITORING AND ASSESSMENT

This section describes the Area Agency and the Department on Aging intended actions for assuring a responsive and accountable service program.

SECTION 1100: GRANTS ADMINISTRATION

This Section provides detailed fiscal policies and Procedures. It begins with sections on authority to initiate programs through grants and contracts (1101). Next it presents Accounting Standards, Bonding, Cash Depositories (1120); Obligation of Funds, Request for funds, Payments, Matching Funds (1130); Program Income (1134); Use of Interest Earned on Cash Advances (1135); Expending Project Funds, Cost Principles (1140); Procurement Standards (1142); Property Management Standards (1143); Treatment of Unspent Funds (1144); Retention of Records (1150); Audits (1160); Closing Out a Project's Books (1170); Suspension and Termination (1 180); and Illinois Department on Aging Audit Procedures (issued July 15, 1983).

BACKGROUND STATEMENT ON THE ROLE OF THE AREA AGENCY

PLANNING TO SERVE OLDER PERSONS

In 1965 the Older Americans Act was passed by Congress and signed into law by the President. This legislation, which has been amended ten¹ times, includes a major title on Community Programs on Aging. Title III of the Act encourages and assists state and local agencies to build the capacity for developing comprehensive and coordinated service systems for older persons.

The Goal of Title III is to:

- Promote independence and dignity for older persons capable of remaining in their own homes, with appropriate help.
- Remove for older persons individual, social, economic and personal barriers to their independence .
- Provide for the most vulnerable-elderly services that meet their individual needs.

In order to approach such ambitious goals, a new cooperative system of administering aging programs was conceived in the 1973 amendments to the Act. In a confirmation of the federal system of government - federal, state and regional planning was required for building a service system in every community of the nation. The Administration on Aging was the national leader for increased cooperation and effectiveness of all federal programs, services and benefits that may serve the elderly. State units on aging (in Illinois this is the Department on Aging) were asked to provide leadership for all state programs, services and benefits and to form plans for contributing to the community system of services envisioned in the Act. At the regional level, separate and independent planning organizations (the Area Agency on Aging) were designed to work in partnership with community service agencies, public officials and older persons in the development of service systems that respond to the immediate needs of each older person in every community. AgeOptions, formerly called The Suburban Area Agency on Aging, was formed in June of 1974 through the efforts of the newly created Illinois Department on Aging. AgeOptions independently prepares an Area Plan for the 30 townships that constitute suburban Cook County.

AgeOptions (Area Agency on Aging) is responsible for the Area Plan on Aging which reflects the current status of older persons in the region, and permits a three-year series of action steps for improving services and addressing unmet needs. It also describes the management of Area Agency administered funds. The Area Agency has nutrition, senior center and social service funds under Title III of the Older Americans Act, and employment funds under Title V of that Act. Programs are administered primarily through distribution of funds to local service organizations. This process includes: preparation of a service plan, including funding priorities; solicitation of proposals to perform services in the region; selection of projects for funding; granting of funds; reimbursement of expenditures in the delivery of services; monitoring performance; provision of technical assistance and training to projects to enhance their management and service capabilities; and evaluation of their effectiveness. The Area Agency has other responsibilities by law including advocacy to state, federal and local entities and the public on needs for older persons; coordination of services and programs for the elderly and their caregivers; program development and integration of service activities to assist those with the greatest needs.

¹The 2006 Reauthorization is the tenth.

AREA AGENCY REQUIREMENTS

The responsibilities of the Area Agency under the law includes:

- To know of, and to comment on all community actions that affect older persons.
- To conduct public hearings on the needs of older persons.
- To represent older persons in public and private policy making.
- To support the state long-term Ombudsman Program.
- To coordinate planning with other agencies to promote new or expanded opportunities for older persons.

The Area Agency is required to develop and administer the Area Plan: assess the service needs of its older residents; award funds to service providers; provide technical assistance; monitor and evaluate the performance of service providers; coordinate its services with federal, state and local programs and resources; establish an Advisory Council; give preference in the delivery of services to older persons; provide opportunity for older persons and caregivers to receive benefits under the plan; work with child day-care inter-generational programs, and educational agencies; explain the methods used to establish priorities under the plan; set procedures for outreach, training and coordination; involve the legal profession in services to the elderly and their caregivers; and designate where feasible, community focal points for services to the elderly.

SETTING PRIORITIES (Repeated from 6/81) ... The Area Agency uses a planning process that emphasizes community involvement and representation through an Advisory Council (33 members), and a volunteer board of Directors (21 members). A division of functions between the Board and Advisory Council assures substantive involvement of every person serving on the two bodies. A majority of each body's participants is age 60 and over. Efforts are made to include individuals who understand or share the problems of those older persons in the area with greatest need for services.

The Area Agency's policies and priorities were established for the three year plan. The approach for such policies includes extensive regional discussions through the Advisory Council, committee work, full Advisory Council deliberations and Board decisions subject to Public Hearings in preparation of the Area Plan.

The Older Americans Act permits the Area Agency on Aging to solicit applications and to fund specific social and nutrition services to help establish a system of service. AgeOptions is able to address wider concerns and needs of older persons and their caregivers through advocacy and coordination activities with various private and public programs that have responsibility for services or planning for health, income, safety, housing and other functions. The Area Agency's most direct impact is through the funding of services.

SERVICES ... The services identified for funding include:

1. Access Services are designed to help older persons get to and use already existing services. These services include Information & Assistance, Case Advocacy and Support, Congregate Meals, and Transportation
2. In-home Services are provided to home bound and isolated older persons who need special assistance to remain in their own home. These services include Chore/Housekeeping, Respite, and Home Repair/Renovation.
3. Community services include a range of programs in senior centers, congregate meals sites and social service agencies. Legal services, Health Promotion and Disease Prevention. Medication Management, Housing Assistance, Senior Center. Ombudsman Services, Home Delivered Meals, and Senior Opportunities and Services are included in this category.
4. Title III-E services are those specifically geared towards assistance family caregivers who are caring for their elderly loved ones. These services include Public Education, Case Management, Information & Assistance, Outreach, Respite and Gap Filling. AgeOptions also funds Legal Assistance for grandparents who raising their grandchildren.

ADVOCACY ... Leadership is one responsibility of the Area Agency. In order to be a leader AgeOptions has accepted the responsibility for representing older persons and for actively seeking change in numerous programs, services and benefits that affect the quality of life for residents of the suburban Cook County area.

The Area Agency's goals for advocacy include information dissemination, conducting Public Hearings, monitoring, evaluating, and communicating on policies and programs that concern the elderly, representing the elderly to public bodies and official, supporting the Long-Term Care Ombudsman Program which seeks information on problems of older persons who reside in nursing homes: and coordinating planning with other organizations responsible for benefits

or services that may serve older persons.

SYSTEMS DEVELOPMENT... The Area Agency's systems development activities concentrate on the development of service programs for the elderly of suburban Cook County through direct funding and through impacting other systems that exist in the area. These systems are for major service functions such as transportation, health, employment, income maintenance, anti-poverty programs, legal services, community education, etc. AgeOptions does not attempt to replace the major public and private agencies responsible for the above service and planning functions and systems. It seeks to identify procedures to coordinate and to share information that will benefit all planning in the region.

SECTION 1000: COMPLIANCE REVIEW, MONITORING, AND ASSESSMENT

1001: Purpose Of Chapter

This chapter describes the purpose, approach and procedures for compliance review, monitoring, and assessment of the Service Provider.

1002: Definitions of Compliance Review, Monitoring, and Assessment (45 CFR 1321.45)

1. The Area Agency has the responsibility to ensure that all service providers/sub-service providers receiving Older American Act or other Area Agency-administered assistance operate effectively and in compliance with the conditions of their award documents. As a result, the Area Agency has a system for monitoring, compliance reviewing, and assessing service providers and service contractors. This section describes the monitoring, compliance reviewing, and assessment processes used by the Area Agency.
2. To provide a common reference, the following definitions are set forth:
 - a. Compliance Reviews are periodic on-site visits to determine the extent of an agency's adherence with conditions of award documents and prevailing statutory and regulatory laws, rules, policies and significant procedures.
 - b. Monitoring is the ongoing process by which the Area Agency systematically gathers fiscal, programmatic, personnel and other data about activities and projects carried out under the Area Plan to ensure adherence to constraints of legislative and administrative regulations, policies, guidelines and contractual agreements.
 - c. Assessment is a periodic process by which the Area Agency analyzes all available information in order to identify the strengths and weaknesses of programs and activities carried out under the Area Plan and to provide timely technical assistance that will ensure accomplishment of stated objectives.
3. Special Reviews are on-site visits conducted at the request of the Director, or any Supervisor of the Area Agency (subject to the Director's approval) to respond to specific concerns of the Area Agency.

1003: Compliance Review, Monitoring, and Assessment Standards

1. In carrying out its Compliance Review responsibilities, the Area Agency applies the following standards:
 - a. The Area Agency has developed systematic procedures and an assessment tool for conducting Compliance Reviews.
 - b. The Compliance Review procedures and tools provide for at least the following:
 - i. Compliance Review of all Service Providers;
 - ii. a methodology for informing service providers of the subject areas to covered;
 - iii. submission of a written report of compliance findings to the service providers which was assessed within a reasonable period; and,
 - iv. follow-up on corrective actions and/or provisions of technical assistance
2. In carrying out its monitoring responsibilities, the Area Agency adheres to the following Standards:
 - a. The Agency has developed and maintains an ongoing system which provides for regular monitoring.
 - b. The monitoring system provides for at least a review of written reports from each service provider and immediate follow-up to correct problems or deficiencies identified through monitoring activities.
3. Assessments will involve analyses of program and administrative activity across various service providers. As

Such, it entails the collection and analysis of programmatic, financial, personnel and client data to determine the effectiveness and efficiency of service delivery as well as benefits derived.

4. The Area Agency will maintain reports of all monitoring, compliance review, and assessment activities.

1004: Area Agency Monitoring

The Area Agency will monitor the program performance and the fiscal performance of all service providers receiving Older Americans Act or other Illinois Department on Aging-administered funds. Such monitoring of service providers will not include subcontractors/sub-service providers of service providers except in special conditions. Monitoring activities will be directed at ensuring project adherence to the terms and conditions of the service providers to Area Agencies

I. Scope Of Monitoring

- a. Performance Monitoring. Periodically, the Area Agency will monitor service providers to determine that they are operating effectively and according to applicable program performance standards. Aspects of program performance that may be monitored include:
 - i. performance of the service and activities specified in the approved project application or Area Plan;
 - ii. conformance with the staffing and related service provider capability conditions of the award;
 - iii. conformance with all civil rights, equal employment opportunity, and minority contractor requirements, federal and state regulations ; and
 - iv. other performance aspects, as appropriate
 - b. Fiscal Monitoring. The Area Agency will monitor service providers to determine that each establishes and operates its fiscal system according to the conditions of the award document and to ensure that funds are requested and expended according to service provider needs and eligible costs. Specific aspects of fiscal operations that may be monitored include:
 - i. adequacy of the fiscal system and procedures used by the service provider;
 - ii. adequacy of fiscal reporting information;
 - iii. service provider understanding of fiscal requirements and capability to perform; and
 - iv. proper use of grant funds, as prescribed by the award document and this Manual.
2. Methods of Monitoring. The Area Agency will conduct its performance and fiscal monitoring through several types of activities, including the following:
 - a. Review of Monthly Requests for Reimbursement, Quarterly Financial Reports, Financial and Compliance Audit Reports, Quarterly Program Performance Reports, Compliance Follow-up Reports, and other written communications. These reviews will be conducted at the Area Agency, but may be verified during site visits or through other communications.
 - b. Discussion between the Area Agency's staff and the service provider's staff via telephone communications.
 - c. Examination of program records and discussions with service providers staff during periodic or Compliance Review visits conducted on site.
 3. Use of program performance and fiscal monitoring results.
 - a. Information obtained by the Area Agency through its program performance and fiscal monitoring of service providers will be used to
 - i. ensure that each service provider performs the activities and services for which the grant award was made;
 - ii. identify deficiencies in performance that must be corrected;
 - iii. determine whether the "Request for Reimbursement" forms submitted by each service provider are correct and payable or if a revision of the amount requested is necessary;
 - iv. ensure that funds are being expended in accordance with the award document and other applicable requirements
 - v. identify the service provider's understanding of Older Americans Act/State fiscal procedures

- and other requirements;
- vi. determine if Area Agency technical assistance is needed at any point during the project year; and,
- vii. establish a basis for initiating action against a service provider when serious problems are not corrected.

Because monitoring is viewed as a continuous process, service providers will not be notified of the results of every monitoring activity conducted by the Area Agency. However, when the Agency finds that a monitoring activity has indicated a significant problem concerning a service provider's performance or its fiscal performance, it will notify the service provider in writing within a reasonable period of its findings and indicate any requirements and procedures necessary to correct the problem.

1005: Area Agency Compliance Reviews²

1006: Area Agency on Aging On Site Monitoring

On-site monitoring will be performed regularly. During the on-site visits, Area Agency staff will examine records and discuss the grant or contract with project staff. In addition, those items reviewed in quarterly monitoring may be examined.

- I. Scope
 - a. The Area Agency will inform the service provider in advance of the visit and the topics to be covered during the compliance review. Copies of the tools to be used will be provided.
 - b. Follow-up on corrective actions will be conducted within time frames mutually agreed between the Area Agency and the service provider.
 - c. On-site monitoring information may be used to establish a basis for initiating sanctions against the service provider when serious problems are not corrected.
 - d. A written report of findings will be shared with the service provider within a reasonable time period. The service provider will be given an opportunity to respond as required .
2. Procedures for use of Compliance Review Guide. The procedures that follow have been organized to include activities to be carried out before, during and after the assessment visit and to permit the service provider to involve appropriate staff.
 - a. Pre-visit procedures
 - i. The Area Agency will make available to the service provider director a copy of the compliance review instrument for review prior to the on-site visit.
 - ii. The Area Agency will develop a compliance review schedule in cooperation with the service provider director and will give at least two weeks prior notification of the on-site visit.
 - iii. The Area Agency will advise the service provider director of the subject areas and any service provider it intends to cover during the compliance review visit, Area Agency staff designated to conduct the review, and the specific materials that should be made available during the visit. The service provider director will advise his/her appropriate staff of this information.
 - iv. The Area Agency will pre-review the fiscal and program reports, past assessments and other pertinent materials.
 - b. Visit
 - i. The Area Agency assessor(s) will meet with the service provider director and other service provider staff designated by the director at an initial and preliminary entrance meeting to discuss the conduct of the review, the utilization of the compliance review instrument and to identify any area of the compliance review that may require clarification.
 - ii. The Area Agency staff will hold a preliminary discussion with the service provider director and other appropriate staff concerning agency characteristics, problems and achievements and previous visits or communications.
 - iii. The compliance review instrument will be used by Area Agency staff to systematically

² "Compliance review" is a monitoring visit by a grants specialist or other designated staff person.

- examine the components to be assessed during the visit, including a review of corrective actions taken as a result of previous visits.
- iv. The Area Agency staff will review required records and files and ensure that all required data have been collected for completion of the follow-up report.
 - v. As part of an exit interview, Area Agency staff will discuss general observations and findings with the service provider director and his/her appropriate staff, advising them of Service Provider strengths and weaknesses, explaining corrective actions required and suggesting technical assistance.
 - vi. The service provider should advise the Area Agency of the availability of materials that were not available at the time of the assessment visit and arrange to make them accessible to the Area Agency Office.
- c. Post visit procedures
- i. The Area Agency will prepare a written report of the service providers it surveyed as soon as possible following the assessment visit. The report will follow the basic format of the assessment instrument and will highlight areas of commendation as well as any areas in need of corrective action or modification. The report will include a summary of the overall progress and achievements made by the service provider in carrying out its responsibilities. The Area Agency will offer technical assistance as needed or requested.
 - ii. A draft copy of the compliance review report will be sent to the service provider director to provide an opportunity for the agency to review the report. Any changes or modifications that are suggested by the service provider will be made with the concurrence of appropriate Area Agency staff members. Copies of the final report will be sent to the service provider director.
 - iii. The Area Agency requests the service provider to submit a letter to the Area Agency within 30 days of receipt of the compliance review describing its plan for follow-up in carrying out recommended actions, including target dates for completion.

1007: Evaluation of Sub-service providers/Sub-contractors by Area Agencies

Area Agencies evaluate sub-service providers/service providers once a year, in addition to monitoring reviews. While comprehensive evaluations are not required except on a "periodic" basis, (per 45 CFR 132 I .93) Area Agencies must perform a "limited" evaluation on each service provider. Evaluation reports must be prepared and made available to the Illinois Department on Aging at the time of the Department's on-site reviews. Service Providers and contractors are notified in advance of each evaluation visit, and a written report on the evaluation is submitted to the head of the evaluated organization. In cases where the area agency is the direct service provider, a self-evaluation is conducted.

SECTION 1100: GRANTS ADMINISTRATION

Purpose of Chapter

The purpose of this chapter is to provide detailed fiscal policies and procedures which are applicable to funds administered by the Department, including those provided under the Older Americans Act, State appropriations, and other related programs. These policies and procedures are intended to:

- A. Outline the procedures that the Illinois Department on Aging will follow in monitoring project activities and describe the fiscal compliance responsibilities of Area Agencies on Aging.
- B. Prescribe policies and procedures that will safeguard public funds being used in Older Americans Act and related grants administered by the Area Agencies on Aging.
- C. Promote the overall efficient financial operations of the Area Agency on Aging's grants by generating useful cost data and information by facilitating the exchange of fiscal information between Area Agency on Aging staff and the Department. In addition, the efficiency and effectiveness of the financial operations conducted by the Area Agencies on Aging and their service providers will be monitored through the audit responsibilities specified in this chapter.

SECTION 1110: GRANT/CONTRACT AWARD IMPLEMENTATION

1111: Authority to Initiate Programs and Incur Costs

- A. No grantee/contractor of the Department is allowed to incur eligible project related costs until the following conditions have been met:
 - I. The grantee/contractor has received an official, properly executed Notification of Grant Award or other award document from the Department.
 - 2. The grantee/contractor has accepted in writing by signing the award document issued by the Department, all conditions issued by the Department.
 - B. Moreover, costs must not be incurred until the beginning date of the grant/contract, as specified in the award document. Costs incurred prior to this date cannot be reimbursed with Older Americans Act or other related funds administered by the Department.
-

1112: Grant Award Process

- A. Issuance by the Illinois Department on Aging. The Department uses a Notification of Grant Award (NGA) or other similar award document to officially approve an applicant's request for Older Americans Act and related financial assistance and to specify the terms and conditions that must be adhered to in implementing eligible aging related services and activities. An award document is issued when a grant application has been reviewed by the Department and found to be acceptable according to award criteria.
- B. Grantee acceptance. The Department requires that each grantee accept in writing the conditions of the award document. The format of the award document provides for the incorporation of terms and conditions and may include appropriate attachment(s) specific to each grant award. The completed award document, including all terms and conditions, must be signed by an authorized representative of the grantee organization and the Department before any expenditure of grant funds are eligible for reimbursement. While the Department does not mandate a prescribed grant/contract format which all grantees must utilize, Area Agencies on Aging must comply with Section 1152.
- C. Removal of conditions. Grants that are approved with conditions stipulated in the award document must meet these conditions within the time period indicated or face possible loss of funds. If the conditions are met, the Department will remove them from the award document and so notify the grantee by letter. If conditions are not met within the time specified, the Department may withhold funds for the affected portion(s) of the grant. The grantee will be notified of the action in writing within ten (10) working days after the effective date, along with information regarding the grantee's legal right to appeal the decision rendered (see Chapter 300 for details).
- D. New or revised grant awards. Substantive changes in a grantee's operation or budget, as described in Sections 1111 and 1112 of this manual, will require a new award document to be issued by the Department. The process for revised budgets and award documents is outlined under Section 1125, which follows.

1113: Grants/Contracts – Minimum Criteria

- A. Grant/Contracting process. The development and execution of all grants/contracts for the provision of services or goods under the Older Americans Act or other Department-administered programs must adhere to the requirements outlined in Section 1152 of this Manual, "Procurement Standards." Section 1152 also describes the conditions under which services may be procured through a negotiation process rather than using an advertised Request for Proposal (RFP).
 - B. Grant Award/Contract format.
 - 1. Actual service delivery will normally be carried out by organizations that grant/contract with Older Americans Act - program grantees/contractors.
-

While the Department does not mandate a prescribed grant/contract format which all grantees/contractors must utilize, there are certain items that grantees/contractors must incorporate in any proposed grant/contract format. At a minimum, these include the following:

- a. indicate names and addresses of all parties to the grant/contract;
 - b. define the effective date(s) of the grant/contract;
 - c. state the purpose of the grant/contract ;
 - d. reference all applicable laws;
 - e. describe the services to be provided and any related conditions (e.g., quantity, quality, etc.);
 - f. specify the compensation, including amount, method of payment, and required match to be provided (attach a budget when applicable);
 - g. indicate that the grantee/contractor assures its capability to perform the specified services;
 - h. require prior approval of the Department of any service delivery grants/contracts with profit making organizations;
 - i. list the types of information and data that may be required of the grantee/contractor and the records that must be maintained ;
 - j. describe the review monitoring and audit rights of the grantee/contractor, the Department and the Administration on Aging;
 - a. assure that equal employment opportunities will exist and that no discrimination on the basis of race, color, religion , sex, age, handicap or national origin will result;
 - b. provide for a method of modifying, suspending, or terminating the grant/contract, if necessary; and
 - m. address other conditions, as appropriate.
2. If revisions in a grant/contract or related project application will result in a substantive change in the Area Plan, the proposed revisions to the plan must be submitted to the Department for approval prior to any contract changes, according to the provision of Section 1125.

1114: Grants/Contracts with Profit making Organizations

- A. Prior Approval. Pursuant to Section 212 of the Older Americans Act, as amended,

any service delivery contracts/grants with profit making organizations are subject to prior approval of the Department.

- B. Submission and Review Timetable. A written request for prior approval to enter into a for-profit contract/grant must be submitted to the Department's Springfield office sixty (60) days prior to the proposed implementation date for service. All requests will be reviewed by the Department within thirty (30) days of receipt. The Department will issue a decision, in writing, to approve or disapprove the request to enter into a for-profit contract/grant prior to the end to the sixty (60) day review period. (Note: If an Area Agency on Aging contracts/grants funding to a for-profit organization, in conjunction with a multi-year solicitation, prior approval will be granted by the Department for the duration of the contract/grant period up to a maximum of three (3) years. If during this multi-year contract/grant period, a different provider is selected to deliver services, the Area Agency on Aging must comply with the policy, submission timetable and requirements of this section).
- C. Submission Requirements. The information listed below must be submitted to the Department as a portion of the written request. Additional information related to the approval request may be solicited by the Department in writing during the thirty (30) day review period.
1. One (1) copy of the for-profit agency's application.
 2. One (1) copy of the proposed, unsigned contract/grant award document.
 - a. The proposed contract/grant must, at a minimum, include the criteria specified in Section 1113.B. of this manual.
 - b. The proposed document must state whether a grant or contract will be used by the Area Agency on Aging.
 3. Documentation to verify the bidding process (i.e. news release).

If a non-competitive bidding process is used, a rationale for the sole source contract/grant must be documented in the accompanying request letter.
 4. A list of organizations that have applied for this funding. This item is not required if a non-competitive bidding process is used.
 5. The rationale for selecting the profit making organization.
 6. The service to be provided through the contract/grant as specified in Section 600 of this manual.
- D. Review Criteria For-Profit Contracts/Grants. Guidelines are being provided to assist Area Agencies on Aging in the preparation of contracts/grants with for-profit organizations and for the submittal of the approval request to the Department. In following the guidelines and preparing the required information for approval of for-profit contracts/grants, it is important that Area Agencies on Aging document the process used for the selection of the for-profit organization. In the Department's review of the information submitted by Area Agencies on Aging, the selection
-

process will be taken into consideration.

1. Were the items required in Section 1113. B. submitted? Are they accurate, correct, consistent?
2. The Request for Proposal (RFP), application and contract/grant for a particular service should coincide with the advertising conducted by the Area Agency on Aging.
3. The contents of the application (e.g. funding, demographics, goals/objectives, for-profit provider activities, etc.) should agree with the proposed contract/grant.
4. Application(s) must contain the signature of the authorized representative of the for-profit organization and the date of the application.
5. If the Area Agency on Aging is awarding a grant to a for-profit organization, then language should be entered in the agreement reflecting the special provisions for grants in 45 CFR Part 74, Subpart E and Part 92 Subpart G.
6. The service to be provided, the definition of the service, necessary activities and the unit of service measurement must be defined in the application and shown as appropriate in the contract/grant.
7. If funding for the service provided by the for-profit contract/grant has not been reflected in the Area Plan budget, then prior approval and/or an Area Plan budget revision must be received prior to the contract's or grant's initiation.
8. If the Area Agency on Aging currently has a direct service waiver for the same service that a contract/grant with a for-profit organization is being proposed, the activities to be conducted should be reviewed to prevent any duplication of service.
9. If a for-profit organization applied to provide services covering a broader service area in the application than shown in the proposed contract/grant, then the Area Agency on Aging should identify the parts of the application which apply to the contract/grant in the request letter.

SECTION 1120: AREA PLAN BUDGET POLICY REQUIREMENTS

The following administrative policies govern Agency on Aging activities pertaining to the Area Plan and its budget.

1121: Title III-B Minimum Percentages

The Department has established the following policy for the minimum percentage amounts of Title III-B funds an Area Agency on Aging must expend for each of these service categories. Area Agencies on Aging may request a waiver of any of these percentages for approval.

- | | | |
|----|---------|-------|
| 1. | Access | 33.1% |
| 2. | In-Home | 0.04% |
| 3. | Legal | 3.2% |

(Reference Older Americans Act Section 306.)

1122: Transfer of Funds

The Department has established the following policies concerning the transfer of funds.

- A. Nutrition Services: Each Area Agency on Aging is permitted, with the Department's prior approval, to transfer from one (1) allotment to the other fifteen percent (15%) or less of the area's separate allotments between Title III-C1 congregate and Title III-C2 home delivered nutrition services. The term "allotment" includes only an Area Agency on Aging's annual Federal allocation and excludes any carryover or one (1) time supplemental funds unless otherwise indicated.
- B. Supportive and Nutrition Services: Each Area Agency on Aging is permitted, with the Department's prior approval, to transfer fifteen percent (15%) or less of the area's allotment between Title III-B supportive services and Title III-C1 and/or Title III-C2 nutrition services. The term "allotment" includes only an Area Agency on Aging's annual Federal allocation and excludes any carryover or one (1) time supplemental funds unless otherwise indicated.

1123: Treatment of Unspent Federal Funds

- A. Older Americans Act annual appropriations are enacted by Congress with the clear expectation that they will fully and effectively be expended in the year for which they are appropriated in order to provide the services and programs for the elderly as prescribed by the law. Failure to expend annual federal funds fully is not

only inconsistent with the intent of Congress, but strongly implies failure to provide the extent of services and programs to which the elderly are entitled. A consistent practice of under expending available funds can also jeopardize future funding levels by Congress as a reflection of a lack of need for funds.

For these reasons, Area Agencies on Aging are under the strongest obligation to plan and implement their program activities and expenditures to fully and effectively utilize their total funding in the fiscal year for which it is allocated.

- B. The Department will assign Area Agencies on Aging a carryover allowance not to exceed the following percentage per federal funding title.

Carryover will be calculated for the five (5) "designated categories" described below:

1. Title III-B, Title III-C 1, Title III-C2, and Title III-E (5%)
2. Title III-D (10%)
3. Title III-B Ombudsman (10%)
4. Title VII Ombudsman (10%)
5. Title VII Elder Abuse (10%)

When an Area Agency on Aging does not spend its total Federal allocation for a designated title during a fiscal year, it may request to carry over into the next budget year either the unobligated portion of the current year's allocation or the allowable percentage of carryover, whichever is less.

This request must be in the form of an Area Plan budget revision, must indicate the amount of the carryover request by title, and must include the anticipated uses of the reprogrammed funds. This carryover policy will allow Area Agencies on Aging to plan for the replacement of vehicles, or other one-time expenditures. Requests to use carryover to maintain services will be considered on an individual basis. Approval of the budget revision will constitute approval of the carryover request. Any approved request will be contingent on the availability of funds both at the Department and Area Agency on Aging levels.

Because of the State appropriations time lines and allocation of Federal funds for each fiscal year, an Area Agency on Aging may request to reprogram Federal carryover from one fiscal year until the last working day of March of the following fiscal year.

- C. Any portion of the unobligated balance at year end not requested as carryover, funds in excess of the allowable percentage of carryover per funding title, or any funds unexpended at the end of the time frames described in Section 1150 C. 5 revert to the State for reallocation at its discretion.

The State may allocate any unspent funds back to the original Area Agency on Aging as carryover balance, allocate it to a state-level initiative, reallocate the funds among Area Agencies on Aging able to spend all or substantially all of their annual allocation according to a formula, or place the funds in an "incentive bonus pool." The funds in this pool may be allocated annually to only those Area Agencies on Aging able to spend all or substantially all of their annual allocation.

SECTION 1125: AREA PLAN REVISION POLICY REQUIREMENTS

The programmatic and fiscal policies and procedures to revise the Area Plan and its budget are shown below. The individual items in this section state as to whether action taken by Area Agencies on Aging requires prior approval by the Department or not. Prior approval means securing the Department's permission in advance to incur service cost(s) for such designated items (reference 45 CFR 74.25).

1126: Programmatic Policies

- A. Changes in Area Plan Sections 1, 2 (2.A, 2.C, 2.D), 3, 4 .B and Attachments I, II, III and IV do not require prior approval.
- B. Changes in units of service and persons served in the programmatic and/or fiscal pages (5.D) of the Area Plan do not require prior approval.
- C. The addition of an Area Agency on Aging direct service(s) and/or any other service(s) that are and/or are not listed as being fundable under Title III of the Older Americans Act in Chapter 600 of this manual requires prior approval.

1127: Fiscal Policies

- A. Equipment. In accordance with Office of Management and Budget Circulars A-122 and A-87, the purchase of equipment requires prior approval. (Equipment means an article of non-expendable tangible personal property having useful life of more than two (2) years and an acquisition cost of \$5,000 or more per unit.) Revision of the amount approved for an equipment purchase requires prior approval if that amount exceeds 110% of the approved amount.
- B. Personnel. The Area Agency on Aging, once designated, is responsible for providing for adequate and qualified staff to perform all of the functions in this part (see Older Americans Act Section 305).
 - 1. The addition and deletion of positions at the Area Agency on Aging requires prior approval.
 - 2. Prior approval is also required for changes made in the anticipated salary for each position. (The anticipated salary amounts should allow for standard increases made throughout a year. If a pay scale is used for positions it should be possible to budget for amounts needed.)
- C. Direct Service Funding. The addition or deletion of a direct service that an Area Agency on Aging is providing requires prior approval. A change in the sum of the Federal and State amount budgeted for a direct service which exceeds 110% of the approved amount requires prior approval.
- D. The elimination of funding of a service category during a fiscal year requires prior approval.

- E. The funding of a service category not previously reflected in the Area Plan during a fiscal year requires prior approval. If a service has not been funded before, then an Area Plan Exhibit 2.C (i.e. service description) must be submitted to the Department.
- F. Other Area Agency on Aging Budget Categories. A change in the sum of the Federal and State amount budgeted for a budget category which exceeds 110% of the approved amount requires prior approval.
- G. Revisions in the sub-grants within an approved service category do not require prior approval.
- H. Moving funds between budget categories is allowable without prior approval so long as the changes are in compliance with this section.
- I. Changes in local cash or in-kind will not require prior approval during the fiscal year; however, the local minimum requirement of ten percent (10%) service match must be maintained at all times.

1128: Revision Requests and Response Requirements

- A. Revision Requirements
 - 1. Requests for changes in the Area Plan budget which require prior approval must be submitted no later than July 31st of each budget year.
 - 2. Revision of items requiring prior approval may be requested by letter if the request contains an itemization of the requested changes and a justification for the request. Revisions requested and approved in this manner must be reflected in the next Area Plan revision.
 - 3. The Department will require semi-annual (the last working day of March) revisions of budget and service information reflecting changes made with or without prior approval, to insure it is relatively current on each operational budget. This semi-annual revision must be submitted to the Department after the Area Agency's Financial Close-out Report has been approved. This is the only time that the Department allows carryover funding from the previous fiscal year to be programmed in the Area Agency's budget. (Note: Prior to the programming of this actual carryover, Area Agencies on Aging show their best estimates of potential carryover funding in their Area Plan budgets at the beginning of each fiscal year (October 1st).
 - 4. When budget changes are made in the Area Plan, the Area Agency on Aging must maintain compliance with the minimum percentages requirements and the authorized level for Area Agency on Aging administrative costs.
 - 5. End of the year revisions must be submitted no later than sixty (60) days after the end of the fiscal year (i.e. November 30th).

6. The Area Plan budget revision request must include:
 - a. A cover letter which includes a justification and summary of the revisions made; and
 - b. Two (2) copies of the revised Area Plan pages.

B. Response Requirements

1. Revisions will be processed in compliance with 45 CFR Part 74 Subpart C, Section 74.25 (i) and Part 92 Subpart C, Section 92 .30 (c), which requires the Department to respond in writing to budget revision requests within thirty (30) days from the receipt date of the approval request. The Department must notify the Area Agency on Aging whether its requested budget revisions have been approved. If the requested revision is still under consideration at the end of thirty (30) calendar days, the Department must inform the Area Agency on Aging in writing of the date when they may expect a decision.
2. Upon approval of the Area Plan revision, the Department will notify the Area Agency on Aging in writing.

(Note: If for any reason, an Area Agency on Aging is uncertain the action they wish to take requires prior approval during the fiscal year, but prior to July 31st, the Department should be contacted for guidance.)

SECTION 1130: ACCOUNTING SYSTEM

1131: Setting Up and Maintaining an Accounting System

- A. Organizations that receive Older Americans Act or other funds administered by the Department must establish and maintain an accounting system for properly handling these funds and for recording all pertinent transactions. Where an acceptable accounting system is already in place, it may be used. If the existing system is inadequate, the grantee must upgrade that existing system to meet the standards required by this Manual. When a grantee does not have an existing accounting system, it must establish one (1) that meets the standards shown in Section 1132 of this chapter.
- B. At a minimum, all grantee/contractor accounting systems must meet the standard described in this section and all other sections of this Manual, or as otherwise required by the Department and promulgated beforehand with sufficient time to incorporate the required changes.
- C. The Department will provide technical assistance to grantees in the initial establishment or subsequent upgrading of an acceptable accounting system.
- D. On an ongoing basis, the Department will monitor each grantee's use of funding, and their completion of Area Plan budgets and financial reports (ongoing monitoring is described under section 1000 of this manual) to ensure that the required accounting standards are adhered to. Where inadequacies are found, corrections will be required.
- E. Area Agencies on Aging are required to ensure their sub-grantees and/or contractors establish and maintain appropriate accounting systems. When requested by the Area Agency on Aging, the Department can provide technical assistance to supplement the Area Agency on Aging's assistance with their accounting systems.

1132: Accounting Standards

The expenditure of all Older Americans Act and other Department administered funds (as well as State and local funds utilized to match such funds) must be accounted for in accordance with the following minimum criteria:

- A. All non-Federal matching resources shall be accounted for separately from other program funds received in the grantees'/contractors' accounting system.
 - B. Records must be maintained that identify adequately the source and application of funds for grantee/contractor-supported activities. These records shall contain information pertaining to the grant/contract award and authorizations, obligations, unobligated balances, assets, liabilities, outlays and income.
 - C. Effective control over, and accountability for, all grant award funds and real and
-

personal property acquired with such funds must be developed . Recipients of award shall adequately safeguard all such property and shall ensure that it is used solely for authorized purposes.

- D. A system must be designed whereby comparison is made of actual with budgeted amounts for the approved award. When specifically required by the Department, performance reporting data is developed that relates financial information with performance or productivity data, including the development of unit-cost information.
- E. Procedures must be implemented to minimize the time elapsing between the transfer of funds to the recipient of award whenever cash is advanced by the Department. All requests for cash by grantees shall be made as close as possible to the time when cash is needed.
- F. Procedures must be designed and carefully followed in determining the allowability and accountability of eligible costs in accordance with the applicable cost principles present in this Manual and the applicable Office of Management and Budget (OMB) circulars.
- G. Accounting records must be supported by source documentation, such as cancelled checks, paid bills, payrolls, etc. Each entry in the accounting records shall refer to the document that supports the entry. Supporting documents shall be filed in such a way that they can be readily located.
- H. The accounting system shall contain an adequate means of internal control to safeguard assets, check the accuracy and eligibility of accounting data, promote operational efficiency, and encourage adherence to prescribed management policies.
- I. All accounting records, support documents, statistical records, and other records pertinent to the grant/contract are to be kept readily available for examination by State and Federal personnel (or other appropriate persons) authorized to examine Older Americans Act or other relevant programs.
- J. Obligations incurred by recipients of award shall be liquidated within sixty (60) days except as shown below. No obligations shall be incurred after the end of the approved budget year.
 - 1. Construction and Renovation. Outstanding obligations in this category must be liquidated within twelve (12) months following the close of the fiscal year in which they were incurred.
 - 2. Project Service Costs. These obligations must be liquidated within sixty (60) days following the close of the fiscal year in which they were incurred.

1133: Freedom of Information under Accounting Systems

- A. Grantees and contractors must provide access to any books, documents, papers or records that the Department, the Administration on Aging, the Secretary of the U.S. Department of Health and Human Services, the Comptroller General, or any of their duly authorized representatives determine are pertinent to an approved project or plan. However, certain types of information or documents are exempt from disclosure by a Federal agency under the Federal Freedom of Information Act, 5 USC 552.
- B. The Department will not place restrictions on recipients of award, nor shall recipients establish restrictions that will limit public access to the recipients' records or to the records of their grantees/contractors, except when the records must remain confidential for any of the following reasons:
 - 1. To prevent a clearly unwarranted invasion of personal privacy.
 - 2. To comply with an Executive Order or statute that specifically requires the records to be kept confidential.
 - 3. To protect commercial or financial information obtained from a person or a firm on a privileged or confidential basis.
 - 4. To protect information that can be improperly exploited for personal gains.
 - 5. To comply with the Freedom of Information Act limitations noted in A above.
 - 6. To protect the confidentiality of individual program participant information.

1134: Bonding

- A. Construction and facility improvement
 - 1. Scope of this sub-section. This subsection covers requirements for bid guarantees, performance bonds, and payment bonds, when a recipient will contract for construction or facility improvement (including alterations and renovations of real property) under a grant or contract.
 - 2. Definitions
 - a. Bid guarantee. A firm commitment such as a bid bond, certified check, or other negotiable instrument accompanying a bid as assurance that the bidder will, if its bid is accepted, execute the required contractual documents within the time specified.
 - b. Performance bond. A bond executed in connection with a contract to secure fulfillment of all of the contractor's obligations under a contract.

- c. Payment bond. A bond executed in connection with a contract to ensure payment as required by law of all persons supplying labor and material in the execution of the work provided for in the contract.
 - 3. Bids and contracts of \$100,000 or less. The recipient shall follow its own requirements and practices relating to bid guarantees, performance bonds and payments unless the Department specifies otherwise.
 - 4. Bids and contracts exceeding \$100,000. The recipient shall follow State policy and requirements if the Department has determined that Federal and State interests will be adequately protected. If this determination has not been made, the minimum requirements shall be as follows:
 - a. a bid guarantee from each bidder equivalent to five percent (5%) of the bid price;
 - b. a performance bond on the part of the contractor for 100 percent (100%) of the contract price; and
 - c. a payment bond on the part of the contractor for 100 percent (100%) of the contract price.
- B. Fidelity bonds
 - 1. If the recipient is not a government, the Department requires it to carry adequate fidelity bond coverage where the absence of coverage for the grant-supported activity is considered as creating an unacceptable risk. In such cases, a fidelity bond not in excess of four (4) months of the agency's average cash flow would be reasonable and would be considered an allowable cost to the grant.
 - 2. A fidelity bond is a bond indemnifying the recipient against losses resulting from the fraud or lack of integrity, honesty or fidelity of one (1) or more employees, officers or other persons holding a position of trust.
 - 3. Any bonds required under the provisions of this section shall be obtained from companies holding certificates of authority as acceptable sureties (31 CFR Part 223).
- C. Insurance coverage. Area Agencies on Aging and their grantees and/or contractors are required to carry adequate insurance protection of comprehensive general liability, fire, theft and, in the case of nutrition providers, product liability. In the case of those units of local government which have self-insurance programs, any federally supported equipment that is lost, damaged or destroyed must be replaced at the replacement value of the equipment less the applicable local match or the monies paid back to the Department.

1135: Cash Depositories

- A. Physical segregation and eligibility. Except as provided in paragraph B below, the

Department and its Area Agencies on Aging shall not impose grant or contract terms which:

1. Require the recipient to use a separate bank account for the deposit of sub-grant or contract funds.
 2. Establish any eligibility requirements for banks or other financial institutions in which recipients deposit sub-grant or contract funds beyond those requirements contained in OMB Circulars A-102, A-110, and 45 CFR Part 92.
- B. Minority-owned banks. Consistent with the national goals of expanding opportunities for minority business enterprises, grantees and contractors are encouraged to use minority-owned banks.

SECTION 1140: OBTAINING FUNDS

1141: Obligation of Funds

The approval and acceptance of an award document officially obligates funds for that award for a given fiscal year. Obligations establish a ceiling for awarded funds as distinguished from actual expenditures or payments of such funds. In order to secure all obligated funds, the Area Agency on Aging must expend and earn the Older Americans Act or other awarded funds in accordance with the approved award document. The following conditions govern obligations:

- A. The Department and its grantees may not officially obligate a fiscal year's funds prior to the beginning of that fiscal year. However, award documents may be executed prior to the beginning date of the budget period provided they do not become effective until the beginning date and contain a statement to that effect.
- B. In awarding funds to a grantee, the Department makes obligational authority available to the Area Agency on Aging. Such funds are earned only upon the accrual of an allowable cost and the contribution of the non-Federal share of that cost.
- C. The award document establishes a ceiling for Federal and State participation in the cost of operating an approved project. This ceiling applies to the total of new and approved carryover funds.
- D. No funds available to a recipient of an award may be transferred to another recipient of an award for the same project or for another project. However, within the same fiscal year in which the funds are awarded, a recipient's award can be de-obligated (reduced or terminated) and then awarded to another recipient.
- E. Funds must be committed, obligated or encumbered for ordinary and reasonable costs contemplated in the budget, as revised, for a given fiscal year. In addition, the obligation involved should be consummated by the receipt of goods and services and payment for such within sixty (60) days after the close of the fiscal year. For outstanding obligations involving construction and renovation, completion should reasonably be expected within twelve (12) months following the close of the fiscal year.

1142: Requests for Funds and Payments

Federal funds under the Older Americans Act are awarded by the Administration on Aging to the state in the form of a line of credit. Similarly, other program funds may be awarded to the State for administration. The Department distributes all payments of such funds to Area Agencies on Aging. The Department has established a system for disbursing Older Americans Act or other funds to Area Agencies on Aging which utilizes monthly requests from each of their sub-grantees. Requests must be based on actual cash needs. The Department's request for funds and payment system is outlined in Chapter 900.

1143: Matching Funds

- A. When a recipient requests Older Americans Act or other Federal or State funds, the recipient should exert all deliberate efforts to ensure that, by the end of the fiscal year, sufficient non-Federal cash, allowable in-kind contributions or a combination of both are available to meet the minimum match required under the grant award. All non-Federal resources (whether cash or in-kind) must be clearly documented and established as being "reasonable, necessary and allowable." Recipients are responsible for determining and verifying such allowability. The provisions of the grant award will be reviewed by the Department to assure compliance with requirements for non-Federal matching of expenditures, as well as compliance with "maintenance of effort" requirements (sec item G. in this section) .

- B. Certain Federal funds are allowable as match against other Federal funds:
 - 1. HUD Community Development Block. Grants funds.
 - 2. Legal Services Corporation funds.
 - 3. Social Services Block Grant funds.

- C. Non-Federal match used to support other programs is not allowable as match for funds awarded by the Department.

- D. Interest earned on General Revenue Funding cash advances may be used as match. Match is normally not considered to have been made until expended. If used as match, the interest expenditures must be used for allowable Title III expenditures and included in the "local cash" section of the expenditure reports, located in Chapter 900.

- E. The following matching ratios are required to obtain Federal Financial Participation (FFP):
 - 1. Area Plan Administration - Federal funds may be used to pay not more than seventy-five percent (75%) of the costs of administering Area Plans.
 - 2. Supportive and Nutrition services - Federal funds may be used to pay not more than eighty-five percent (85%) of the costs of these activities. Five percent (5%) of the non-Federal share will be in the form of allowable costs to the State.
 - 3. Title III-E National Family Caregiver Support Program - Federal funds may be used to pay not more than seventy-five percent (75%) of the costs for this program.

- F. Non-Federal Share Requirements. The non-Federal share used to match Title III funds may be met either by allowable cost or third-party in-kind contributions (Sections 304 and 373 of the Older Americans Act).

- G. Maintenance of Effort (Older Americans Act Section 309 and Section 374)

1. General. The State of Illinois will spend under the State Plan for both services and administration at least the average amount of state funds it spent under the plan for the three previous fiscal years to meet the required non-Federal share applicable to its allotments under Title III.
 2. Grantee Requirement. Area Agencies on Aging and service providers must assure that they will not replace funds from non-Federal sources with funds from Title III.
- H. Two calculations "limit" the amount of Federal share due to a grantee. For each grant, the total amount of Federal cash payments to which a grantee is entitled under the grant is the lowest applicable limit, less any penalties or credits that may apply.
1. Federal Funds Authorized /Approved Budget. The Federal funds authorized or, in some cases, the Federal share of the approved budget is a limit on payments to the grantee.
 2. Allowable Costs. The allowable costs incurred by the grantee and any sub-grantees (net of certain exclusions listed below) is a limit on payments to the grantee.

(Exclusions)

- a. Value of Third-Party In-Kind Contributions are not costs to the recipient. Therefore, their value must be excluded from the allowable costs limit.
- b. Allowable costs paid by another Federal grant or sub-grant or by a non-Federal grant or sub-grant - awarded to the same recipient must be excluded from the allowable costs limit. This exclusion does not prevent proration of costs that are allowable under two (2) or more assistance awards to the recipient.
- c. A cost that is counted to meet a cost-sharing or matching requirement of another Federal grant must be excluded from the allowable costs limit. This exclusion does not apply where Federal law authorizes the use of the Federal grant funds to meet the cost sharing or matching requirement. Nor does this exclusion apply to costs counted to match a non-Federal grant.
- d. Costs for which general program income is used must be excluded from the allowable costs limit.

Examples.

Some examples below serve to illustrate how the two (2) "limits" work in a given situation.

Assume a grant with the following features:

- | | | |
|---|----------------------------|----------|
| * | Amount of Federal award: | \$80,000 |
| * | Matching Federal share not | |

	to exceed:	80%
*	Allowable costs incurred:	\$90,000
*	Value of eligible third-party in-kind contributions:	\$10,000
*	General Program Income earned:	\$10,000
*	Grant terms for Program Income:	Deductive

#1.

a.	<u>Federal Funds Authorized/Approved Budget Limit:</u>	<u>\$80,000</u>
b.	<u>Allowable Costs</u> Allowable Costs of grantee Less: Costs for Program Income <u>Limit:</u>	 \$90,000 \$10,000 <u>\$80,000</u>

(Note: The deduction alternative method shown in the above example may only be used for Title III-D and Title V II funded services by non-profits, local governments and for-profit/commercial organizations.)

#2.

Assuming the same circumstances as above, except that the terms of the grant permit general program income to be used in accordance with the additional costs alternative described in section 1 144.2 of this manual. The Federal share of payments to which the grantee is entitled may be calculated as follows:

a.	<u>Federal Funds Authorized/Approved Budget Limit:</u>	<u>\$80,000</u>
b.	<u>Allowable Costs</u> Allowable costs of Grantee (no exclusion or deduction for program income) Limit:	 \$90,000 \$90,000

(Note: The additional costs alternative method must be used for Title III-B, Title III-B Ombudsman, Title III-C1, Title III-C2 , and Title III-E funded services by non-profits, local governments and for-profit/commercial organizations.)

1144: PROGRAM INCOME

1144.1: Funds included as Program Income

- A. Program income means gross income earned by a grantee or contractor from activities in which part or all of the cost is either borne as a direct cost by the grant

or contract from the Department or counted as a direct cost toward meeting a cost sharing or matching requirement of such a grant or contract.

- B. Program income includes, but is not limited to:
1. Income from service fees obtained through the use of a sliding fee scale or suggested fee schedule.
 2. Proceeds from the sale of personal or real property with an acquisition cost of less than \$5,000.
 3. Usage or rental fees.
 4. Sale of assets purchased with grant funds with an acquisition cost of less than \$5,000.
 5. Royalties on patents and copyrights.
 6. Contributions of recipients of service and interest on such contributions.
- C. In other cases not specifically excluded or defined in this section, the Department will apply the following tests to determine if a specific revenue is to be classed as program income, and it shall be subject to the provisions of this section if the revenue:
1. Can be clearly shown to have been generated from some particular activity conducted by the grantee or contractor;
- and
2. Was generated by an activity supported in whole or in part by Older Americans Act funds, other Federal funds administered by the Department or related matching funds.
- D. The following specific revenues shall not be included as program income;
1. Interest income on State funds whether earned on advances or the "float". This does not include interest on contributions made by recipients of service under a project which is considered program income.
 2. Rebates, discounts, and recoveries.
 3. Income earned by individuals or a group of project participants, when such income accrues directly to the participants.
 4. Revenues raised by a grantee or contractor which is a government under its governing powers, such as taxes, special assessments, etc.
 5. Tuition and related fees received by an institution of higher education for a regularly offered course taught by an employee performing under a grant or contract.

6. Proceeds from the sale of personal or real property with an acquisition cost of more than \$5,000.
7. Sale of assets purchased with grant funds where the acquisition cost was more than \$5,000.
8. Contributions made by representatives of service recipients, relatives, non-related individuals or entities, in behalf of service recipients are not program income, but are considered to be local cash.
9. Organized fund raising activities carried out by Title III grantee agencies.

Discussion: As a result of the definition of program income (earned from activities funded in whole or in part with grant funds) and because organized fund raising cost by regulation cannot be grant costs, then it must be concluded that proceeds from organized fund raising efforts are not program income. In general, if "costs" associated with an "activity" are not borne in any way by Federal funds or as cost of the grant (e.g. match) then the income generated is not program income.

1144.2: Allowable Uses of Program Income

- A. Additional Costs Alternative. Under this alternative, the income is used for costs which are in addition to the allowable costs of the project or program but which nevertheless further the objectives of the Federal statute under which the grant was made. Provided that the costs borne by the income further the broad objectives of that statute, they need not be of a kind that would be permissible as charges to Federal funds.

Examples of purposes for which the income may be used are:

1. Expanding the project or program.
2. Continuing the project or program after grant or sub-grant support ends.
3. Supporting other projects or programs that further the broad objectives of the statute.
4. Obtaining equipment or other assets needed for the project or program or for other activities that further the statute's objectives.

Award recipients under an Area Plan must receive prior approval by the Area Agency on Aging for costs borne with program income under this alternative.

- B. Additional Requirements

1. All program income earned under Title III must stay with the provider who earns it.
2. All program income earned under Title III, Part B, Part C-1, Part C-2 and Part E must be used only for services allowable under the part from which it was earned except as provided in (6) below.

3. All program income must be expended prior to requesting federal funds from the Department on Aging and must be expended within the fiscal year in which it was earned.
4. All program income received in the form of "cash" must be expended as it is earned to minimize cash draw down.
5. Program income earned as a result of services provided with Title III, Part B or Part E assistance may be used for any service which that contractor is authorized to provide with Title III-B or Title III-E funds.
6. Program income earned as a result of services provided with Title III C-1 or III C-2 must be used:
 - a. To increase the number of meals served by the project involved,
 - b. To facilitate access to such meals, or,
 - c. To provide other supportive services directly related to nutrition services.
7. Prior approval requests to expend program income in excess of the amount approved on the Notification of Grant Award must be submitted on the Program Income Addendum to the Department by no later than September 30th of the current fiscal year (refer to section 900 of this manual for detailed reporting requirements).
8. Royalties received from patents and copyrights after the termination of the project period in excess of \$200 shall be divided into a Federal share and a matching share, according to the ratio of the Federal to the matching share for the total project cost (i.e., project costs for all budget years of the entire period.)

C. Special Requirements for Providers Receiving Section 5311 Funds from the U.S. Department of Transportation

All transportation providers receiving support from Section 5311 and Title III-B and/or Title III-E must report rider donations as program income. Program income collected should be reported under Section 5311 and Title III-B and/or Title III-E only to the extent and in direct proportion to each funding source's financial participation. Thus, the same rider donations shall not be reported in the same amount as program income under both funding sources.

1144.3: Accountability for Program Income

- A. Program income must be deposited into an appropriate bank account or converted to money orders on a regular basis.
- B. Grantees and contractors must utilize generally accepted accounting standards for collecting and recording participant contributions or other program income. Cash participant contributions should be counted by two (2) persons, placed in a safe, secure place until deposited, deposited intact, and deposit receipts compared with count sheets. Such standards require the accurate recording of amounts collected at the project and site levels and subsequent use of these funds.

- C. The recipient must account for program income on an on-going basis, and must report such income to the Area Agency on Aging through the established financial reporting system. Area Agencies on Aging will then report program income collected to the Department.
- D. Accounting records and reports submitted by a recipient to the Area Agency on Aging should provide a clear audit trail on all program income and its uses. Account records and reports should accurately reflect the receipt of such funds separately from the receipt of Federal funds, grantee funds, and the use of such resources.
- E. Although interest income earned on General Revenue and/or local funds by non-profit organizations is not considered program income, project grantees should maintain adequate accounting records on any interest income earned. The Department must approve the Area Agency on Aging's proposed use of General Revenue Funding interest income as an activity which will further the purpose of the project and the Act.
- F. Rebates, discounts, and recoveries on leases should be treated as applicable credits and credited to the Federal grant accounts.

1145: Use of Interest Earned on Cash Advances

- A. Definition of Grant Funds: Grant funds are any public funds dispensed by a grantor agency to any person or entity for obligation, expenditure, or use by the person or entity for a specific purpose or purposes.
- B. For Area Agencies on Aging and their sub-grantees, all interest earned on cash advances of Federal funds must be returned to the Federal government. The only exception to this rule is a grant recipient may retain up to \$250.00 for an administrative expense allowance.

The Department is required to record, report and make payment to the Department of Health and Human Services, the interest earned on the Federal funds that are advanced to Area Agencies and their sub-grantees. Area Agencies on Aging are to refund Federal interest income earned, in the form of a check, to the Department along with the "Federal Interest Income Form" by no later than the last working day of March each fiscal year. The form and instructions for Federal interest certification can be found in Chapter 900 of this Manual.

- C. Interest earned on General Revenue Funding cash advances may be utilized for expenses which are not part of the original grant agreement if requested by the Area Agency on Aging and approved by the Department. Reference the Interest Income Addendum Form IL-402-0395 (refer to section 900 for detailed reporting requirements).
- D. Uses of the General Revenue Funding interest must be limited to purposes which further the broad objectives of the original grant.

- E. Interest earned on General Revenue Funding cash advances made to sub-grantees/subcontractors are subject to the provisions of the Act and the policies and procedures set forth in this manual.
- F. Approved uses of General Revenue Funding interest on Form IL-402-0395 are for the entire PSA. The purposes for which the interest is to be expended on the entire PSA may be listed on one (1) form or separate forms at the discretion of the Area Agency on Aging and the form(s) must be submitted to the Department prior to September 1st of the current fiscal year.
- G. All General Revenue Funding interest earned on cash advances are covered under the Grant Funds Recovery Act and will be considered part of the grant principal, unless:
 - 1. The annual total State award (contract or grant) is less than \$150,000; and,
 - 2. Total interest earned by the sub-recipient is less than \$1,200 during the period of the contract/grant; and,
 - 3. Total interest earned by the sub-recipient includes provision in his/her audit that interest earned is verified.
- H. General Revenue Funding interest earned must be obligated for expenditure by September 30th of the current federal fiscal year, or the interest will be considered grant principal.
- I. Policies concerning liquidation of obligations issued for Title III Older Americans Act grants will be utilized for obligations incurred against General Revenue Funding interest. (Refer to Section 1 150:C.5 of this Manual.)
- J. Area Agencies on Aging must complete and submit two (2) original signed copies of Form IL-402-0395 to the:

Illinois Department on Aging
 Division of Home and Community Services
 Office of Older American Services
 421 East Capitol Avenue, # 100
 Springfield, Illinois 62701-1789

The Department will respond to the request within ten (10) working days.

- K. In submitting a Form IL-402-0395, Area Agencies on Aging should use the best estimate available for the anticipated amount of interest to be expended. If actual expenditures exceed the estimated amount by more than 1 10%, a new form IL-402-0395 must be submitted for approval.
- L.

SECTION 1150: EXPENDING PROJECT FUNDS

- A. Older Americans Act, State-appropriated, and other funds administered by the Department must be expended in accordance with established cost policies and procedures. If these policies and procedures are not adhered to by grantees and contractors, delays in receiving funds from the Department or possible disallowances of funds may result. Therefore, grantees and contractors should carefully follow the requirements outlined in this Section.
- B. Expenditure policies are determined in general by 45 CFR Parts 74 and 92, Subpart A, in conjunction with the most recent Amendments to the Older Americans Act. Policies set forth in Parts 74 and 92 will be applicable unless this manual specifically states otherwise. Most (but not all) of the relevant policies contained in Parts 74 and 92 have been incorporated into this manual. However, if questions and/or issues arise that are not answered herein, grantees and contractors are encouraged to refer to Parts 74 and 92, as appropriate or consult with the Department.
- C. The following general policies and procedures for expenditure of Older Americans Act and related funds will apply. More specific policies and procedures are contained in appropriate subsections.
 1. Approved award documents will specify the maximum amount of Older Americans Act or other Department administered funds which a grantee or contractor is eligible to receive. No additional funds beyond the amount specified in the award document will be available to the grantee or contractor unless additional funds are available to the Department, a budget revision request is submitted to the Department and a subsequent award document is executed by the Department and the grantee or contractor.
 2. Allowable Use of Area Plan Administration Funds.

Area Agencies on Aging may not use more than ten percent (1 0%) of their total Title III-B, III-C1, III-C2, and III-E allotments for Area Plan administration. Area Agencies on Aging may use up to ten percent (10%) of each of the Title VII allotments for the Direct Advocacy Programs. The sum of Title III administration, Title VII Direct Advocacy, GRF administration and administratively related direct services (advocacy, coordination, and program development) funded cannot exceed the amount equal to twenty percent (20%) of the total Federal and State funds being received by each Area Agency on Aging.
 3. Advocacy, Program Development and Coordination (Older Americans Act Section 307 (a) (8) (A) and 45 CFR 1321. 17 (f) (14))
 - a. The Department will not fund advocacy, program development and coordination activities as a cost of supportive services, until it has first spent ten percent (1 0%) of the total of its combined Title III/GRF allotments on the administration of Area Plans; and

- b. Area Agencies on Aging will submit the details of their proposals to pay for advocacy, program development and coordination as a cost of supportive services, to the general public (including persons, governmental officials, and the aging services network) for review and comment.
- 4. If, at any time during the budget year, the Department determines that grant funds are being expended improperly, the Department may require the grantee or contractor to cease incurring costs under the Older Americans Act or other related legislation. Ineligible or other improper expenditures must be reimbursed to the Department. Under such conditions and time framework, the grantee or contractor must take corrective action, with appropriate policy and procedures put in place, to resolve the issue of improper expenditures.
- 5. Funds can be committed by a project only during its approved budget year, as specified on the approved award document. All funds must be disbursed within sixty (60) days after the end of the budget year except:
 - a. Construction and renovation within twelve (12) months following the close of the fiscal year.

1151: Cost Principles

A. Purpose and scope

- 1. Objectives. This section sets forth policies for determining the allowable costs of Older Americans Act programs administered by government agencies and non-profit organizations other than educational institutions and hospitals under grants or contracts awarded by the Department. The principles are for the purpose of cost determination and are not intended to identify the circumstances or dictate the extent of Federal, State or local participation in the financing of a particular grant. They are designed to provide that federally assisted programs bear their fair share of costs recognized under these principles, except where restricted or prohibited by law. No provision for profit or other increment above cost is intended under grants.
- 2. Policy guides. The application of these principles is based on the fundamental premises that:
 - a. government agencies and non-profit institutions are responsible for the efficient and effective administration of grant and contract programs through the application of sound management practices;
 - b. the grantee or contractor assumes the responsibility for seeing that Older American s Act funds have been expended and accounted for consistent with all agreements and program

objectives; and

- c. each grantee or contractor organization, in recognition of its own unique combination of staff, facilities and experience, will have the primary responsibility for employing whatever form of organization and management techniques that may be necessary to ensure proper and efficient administration.
3. Application. These principles will be applied in determining costs incurred by government agencies and non-profit institutions under Older Americans Act grants and cost reimbursement-type contracts (including subcontracts), except those with: (1) publicly financed education; and (2) publicly owned hospital and other providers of medical care, which are subject to the requirements of Appendix E of 45 CFR 74. These principles also shall be used as a guide in the pricing of fixed-price contracts and subcontracts.

B. Definitions

1. Government Agency means any public agency (State or local government) that has been organized to fulfill those purposes which a governmental body has been given responsibility to provide (goods, facilities and services) under State statutes.
2. A non-profit institution is any corporation, foundation, trust, association, cooperative or other organization other than: (1) educational institutions; (2) hospitals; and (3) State and local government agencies, bureaus or departments; which is operated primarily for scientific, educational, service, charitable, or similar purposes in the public interest, which is not organized primarily for profit, and which uses all income exceeding costs to maintain, improve and/or expand its operation.

The charter or other legally binding authority for the existence of the institution must provide that no part of the net earnings, properties or other assets of the institution, on dissolution or otherwise, shall inure to the benefit of any private person or individual, including any member, employee, officer, director or trustee of the institution. Also, that upon liquidation or dissolution, all properties and assets remaining after providing for all debts and obligations shall be distributed and paid over to such other fund, foundation or other organization formed and operated as a non-profit institution, as defined herein, as the board of directors or trustees may determine. Institutions that have received tax exemptions as non-profit institutions from the U.S. Internal Revenue Service shall be considered to have met the criteria of this definition.

Note: For the purposes hereunder, the terms non-profit and not-for-profit, as they are descriptively applied to institutions, shall be considered synonymous provided all requirements herein are met.

3. Approval or authorization of the Department means written documentation evidencing consent prior to incurring a specific cost.

4. Prior Approval means securing the Department's permission in advance to incur cost for those items that are designated as requiring prior approval in CFR 45 Part 74 Section 74.25, Part 92 Section 92.30 and related circulars. Where an item of cost requiring prior approval is specified in the budget of an award, approval of the budget constitutes approval of that cost.
5. Contract means all types of agreements and orders for the procurement of supplies or services. It includes awards and notices of awards; contracts of a fixed price, reimbursement rate, cost or incentive type, contracts providing for the issuance of job orders, task orders, or task letters thereunder, letter contracts and purchase orders. It also includes supplemental agreements with respect to any of the foregoing.
6. Contractor means the commercial organization, government agency or non-profit institution that is responsible for executing the terms and conditions of a contract.
7. Cost allocation plan means the documentation identifying, accumulating and distributing allowable costs under grants and contracts, together with the allocation methods used.
8. Cost means cost as determined on a cash, accrual or other basis acceptable to the Department in the discharge of the grantee or contractor's accountability for Older Americans Act or related funds.
9. Cost objectives means a pool, center or area established for the accumulation of cost. Such areas include organizational units, functions, objectives or items of expense, as well as ultimate cost objective s, including specific grants, projects, contracts and other activities.
10. Illinois Department on Aging means the single organizational unit that has legal responsibility for conduct of the Older Americans Act Program in Illinois.
11. Federal agency means the Administration on Aging, U.S. Department on Health and Human Services.
12. Grant means the agreement between the Department and a recipient award whereby Older Americans Act funds are provided to carry out specified programs, services, or activities. The principles and policies stated in this Section as applicable to grants in general also apply to any Older Americans Act-sponsored, cost reimbursement-type of agreement performed by a government agency, non-profit institution, for-profit/commercial or propriety agency, including contracts and subcontracts.
13. Grant program means those activities and operations of the grantee which are necessary to carry out the purposes of the grant, including any portion of the program financed by the grantee.
14. Grantee means the government agency or non-profit institution

that is responsible for the administration of the grant.

15. Local unit means any political subdivision of government below the State level.
16. Other State or local agencies means departments or agencies of the State or of local units which provide goods, facilities, and services to a grantee.
17. Services means goods and facilities, as well as services.
18. Supporting services means auxiliary functions. necessary to sustain the direct effort involved in administering a grant program or an activity that provides a service to the grant program. These services may be centralized in the grantee agency or in some other agency and include procurement, payroll, personnel functions, maintenance and operation of space, data processing, accounting, budgeting, auditing, mail and messenger service and the like.

C. Basic guidelines

1. Factors affecting allowability of costs. To be allowable under the Older Americans Act program, costs must meet the following general criteria:
 - a. be necessary and reasonable for the performance of the award and be allocable thereto under those principles;
 - b. conform to any limitations or exclusions set forth in these principles or in the award as to types or amount of cost items;
 - c. be consistent with policies and procedures that apply uniformly to both Federal financed and other activities of the organization;
 - d. be accorded consistent treatment;
 - e. be determined in accordance with generally accepted accounting principles;
 - f. not be included as a cost or used to meet cost sharing or matching requirements of any other federally financed program in either the current or a prior period;
 - g. be adequately documented.
2. Allocable costs. A cost is allocable to a particular cost objective to the extent that benefits are received by that objective. Allocability may occur in the following ways:
 - a. Costs are incurred specifically for an Older Americans Act program.
 - b. Benefits inure to both the Older Americans Act program and related work and can be distributed among them in reasonable

proportion to the benefits received.

- c. Costs are necessary to the overall operation of the recipient of award, although a direct relationship to any particular cost objective cannot be shown.

Any cost allocable to a particular grant or cost objective under the principles provided for in this Section may not be shifted to other Federal grant programs to overcome fund deficiencies, avoid restrictions imposed by the law or grant agreements, or for other reasons.

3. Applicable credits.

- a. Applicable credits refer to those receipts or reduction of expenditure-type transactions that off-set or reduce expense items allocable to grants as a direct or indirect cost. Examples of such transactions are: purchase discounts; rebates or allowances; recoveries or indemnities on losses; sale of publications or equipment; income from personal incidental services; and adjustments of over payments or erroneous charges.
- b. Applicable credits may also arise when Federal funds are received or are available from sources other than the Older Americans Act program involved to finance operations or capital items of the grantee. This includes cost arising from the use or depreciation of items denoted or financed by the Federal government to fulfill matching requirements under another grant program. These types of credits should likewise be used to reduce related expenditures in determining the rates or amount applicable to a given grant.

D. Composition of cost

- a. Total cost. The total program cost under Older Americans Act grants is comprised of the allowable direct cost incident to the conduct of program activities by, the grantee or contractor, plus its allocable portion of allowable indirect costs, less applicable credits.
- b. Classification of costs. There is no universal rule for classifying certain costs as either direct or indirect under every accounting system. A cost may be direct with respect to some specific service or function, but indirect with respect to the grant or other ultimate cost objective. It is essential, therefore, that each item of cost be treated consistently either as a direct or as an indirect cost. Specific guidance for determining direct and indirect costs allocable under Older Americans Act programs is provided in sections E and F, which follow.

E. Direct costs.

- I. General. Direct costs are those that can be identified specifically with a particular Older Americans Act grant or contract objective.

2. Application . Typical direct costs chargeable to an Older Americans Act award are:
 - a. compensation of employees for the time and effort devoted specifically to the execution of the award;
 - b. cost of materials acquired, consumed. or expended specifically for the purpose of the award;
 - c. equipment and other approved capital expenditures;
 - d. costs for maintaining membership roles, subscriptions, publication and related functions;
 - e. meetings and conferences, except those held to conduct the general administration of the grantee or contractors;
 - f. other items of expense incurred specifically to carry out the purposes of the award agreement;
 - g. services specifically for a Department assisted program furnished by other agencies, provided such charges are consistent with criteria outlined in Section G below .

F. Indirect costs.

1. Indirect costs are those which are not readily identifiable with the Older Americans Act-assisted project activities, but, nevertheless, are incurred for the joint benefit of the grant and any other programs which received a share of the same services. Such costs include those incurred internally by the grantee or contractor for activities which benefit two (2) or more programs carried on by the grantee or contractor. Because of the diverse purposes of non-profit institutions, it is impractical to specify those functions which constitute major activities for purposes of identifying and distributing indirect costs. Such identification will be dependent upon an institution's purpose, the services it renders to the public, the population it serves and other related matters.
2. In theory, all such costs might be charged directly; however, practical difficulties preclude such an approach. Therefore, the Department and the Administration on Aging provide for reimbursement of these costs through the mechanism of an indirect cost rate. An indirect cost rate is simply a device for determining fairly and conveniently, within the boundaries of sound administrative principles, what proportion of general expenses each program should bear. Specifically, it is the ratio between the total indirect expenses and some direct cost base. The base is usually either direct salaries and wages or total direct costs. The indirect cost rate is therefore the end product of a series of cost apportionments which distribute costs that jointly benefit two (2) or more programs in some reasonable relation to the benefits derived. The Department requires that this distribution of indirect costs. and the techniques used to make this distribution, be evidenced by the submission of a "Cost

Allocation Plan" and "Indirect Cost Rate Proposal."

- a. Cost Allocation Plan. This plan covers the detailed distribution of the indirect costs of all support services provided by the grantee or contractor. This plan must be submitted by the grantee or contractor to the U.S. Department of Health and Human Services or to the lead Federal agency which interacts most frequently with the grantee or contractor.
 - b. Indirect Cost Rate. This rate covers the distribution of costs within an individual grantee or contractor agency. The indirect cost rate is evidenced by a letter of rate approval which is received by the grantee or contractor. The rate is approved by the Federal agency which impacts greatest (usually the Federal agency that grants the largest sum of money) upon the receipt of award and is approved in accordance with OMB Circular No. A-122 or A-87, as applicable.
 - c. In those instances where the U. S. Department of Health and Human Services has negotiated an indirect cost rate with a grantee or contractor, the Department may rely on the conditions of the agreement which established the rate. Such reliance must be limited to the extent that the agreement applies to the Older Americans Act grant.
3. Indirect costs incurred by other agencies and organizations in support of Older Americans Act activities are allowable only if the grantee or contractor is charged for, and pays for, the service provided by the affiliated institution (if such costs are "in-kind," the recipient agency would not "pay" for them).
 4. The following costs are normally included in the indirect cost. If a grantee or contractor wishes to charge any of these costs directly, the Department must be notified in advance so that the indirect cost rate may be analyzed for potential overlap and/or duplication of costs. Each grantee or contractor must document that these costs are included in its indirect cost rate:
 - a. automatic data processing,
 - b. building space and related facilities,
 - c. capital expenditures,
 - d. depreciation and use allowance on equipment,
 - e. insurance,
 - f. management studies,
 - g. proposal costs, and
 - h. audits.
 5. The Department may develop other policies governing indirect costs and detailed procedures to be used by grantees or contractors in claiming such costs based on the need for such policies and procedures.

G. Standards for selected items for costs.

1. The standards listed below are set forth to assist recipients of award in determining the allowability of selected items of cost for the conduct of Older Americans Act or related programs. These standards will apply regardless of whether a particular item of cost is treated as a direct or indirect cost.
2. In connection with non-profit institutions that are diverse in nature and not subject to effective competitive restraints, the reasonableness and allocability of certain items of cost may be difficult to determine. In order to avoid possible subsequent disallowance or dispute based on unreasonableness or non-allocability, it is important that non-profit institutions receiving Older Americans Act assistance seek agreement in advance of the incurrence of special or unusual costs in categories where reasonableness or allocability are difficult to determine.
3. Government Agencies. The principles contained in Office of Management and Budget (OMB) Circular A-87, Cost Principles for State and Local Governments, including any amendments to the Circular published in the Federal Register by OMB and State policies are to be used in determining the allowability of costs of activities conducted by government agencies.
4. Non-profit Organizations. The principles contained in Office of Management and Budget Circular A-122, Cost Principles for Non-Profit Organizations including any amendments to the Circular published in the Federal Register by OMB and State policies are to be used in determining the allowability of costs of activities conducted by non-profit organizations.

H. Allowable and Unallowable Costs.

Failure to include a particular cost item in either of the OMB circulars does not imply that it is unallowable; rather determination as to allowability is based on the treatment or principles provided for similar or related costs. A detailed description of each item of cost is contained in the appropriate OMB Circular indicated immediately following the cost categories listed below.

I. Allowable costs:

a.	Accounting:	A-87
b.	Advertising:	A-87 and A-122
c.	Advisory Councils:	A-87
d.	Audit Services:	A-87
e.	Bonding:	A-87 and A-122
f.	Budgeting:	A-87
g.	Building Lease Management:	A-87
h.	Central Stores:	A-87
i.	Communications:	A-87 and A-122
j.	Compensation for Personal Services:	A-87 and A-122
k.	Depreciation and use allowances :	A-87 and A-122
l.	Donations (received):	A-122
m.	Disbursing Services:	A-87

n.	Employee Morale, Health & Welfare Costs:	A-87 and A-122
o.	Exhibits :	A-87
p.	Fringe Benefits:	A-87 and A-122
q.	Labor Relations Costs:	A-122
r.	Legal Expenses:	A-87
s.	Maintenance and Repair Costs:	A-87 and A-122
t.	Materials and Supplies:	A-87 and A-122
u.	Meetings and Conferences:	A-122
v.	Memberships, Subscriptions & Professional Activity Costs:	A-87 and A-122
w.	Motor Pools:	A-87
x.	Page Changes in Professional Journals:	A-122
y.	Patent Costs:	A- 22
z.	Payroll Preparation:	A-87
aa.	Personnel Administration:	A-87
bb.	Plant Security Cost:	A-122
cc.	Printing and Reproduction:	A-87
dd .	Procurement Services:	A-87
ee.	Professional Services Cost:	A-122
ff.	Profits and Losses on Disposition of Depreciable Property or other Capital Assets:	A-122
gg.	Reconversion Costs:	A-122
hh .	Recruiting Costs:	A-122
ii.	Relocation Costs:	A-122
JJ.	Rental Costs:	A-122
kk.	Royalties and Other Costs for Use of Patents and Copyrights:	A-22
ll.	Severance Pay:	A-122
mm.	Specialized Service Facilities:	A-122
nn.	Taxes:	A-87 and A-122
oo.	Termination Costs:	A-122
pp.	Training and Education Costs:	A-87 an A-122
qq.	Transportation Costs:	A-87 and A-122
rr.	Travel Costs:	A-87 and A-122

2. Allowable Costs with Prior Approval of Grantor Agency

a.	Automatic Data Processing:	A-87
b.	Building Space and Related Facilities:	A-87
c.	Capital Expenditures:	A-87 and A-122
d.	Insurance and Indemnification:	A-87 and A-122
e.	Management Studies:	A-87
f.	Organization Costs:	A-122
g.	Overtime, Extra-pay shift & multi-shift Premiums:	A-122
h.	Participant Support Costs:	A-122
i.	Pre-award Costs:	A-87 and A-122
j.	Professional Costs:	A-87
k.	Proposed Costs:	A-87

- l. Public Information Service
Costs:
A-122
- m. Publication and Printing
Costs:
A-122
- n. Rearrangement and Alteration
Costs:
A-122

3. Unallowable Costs:
 - a. Bad Debts: A-87 and A-122
 - b. Contingencies: A-87 and A-122
 - c. Contributions: A-87 and A-122
 - d. Entertainment: A-87 and A-122
 - e. Fines and Penalties: A-87 and A-122
 - f. Governor's Expenses: A-87
 - g. Idle Facilities & Idle Capacity: A-122
 - h. Interest and other Financial Costs: A-87 and A-122
 - i. Legislative Expenses: A-87
 - j. Losses on other Awards: A-122
 - k. Under-recovery of Costs under Grant Agreements: A-122
 - l. Lobbying: A-87 and A-122
 - m. Trustees: A-122

l. Non-Federal resources

1. General. This subsection sets forth criteria and procedures for the allowability and evaluation of cash and in-kind resources in satisfying matching or cost-sharing requirements of Older Americans Act programs.
2. Definitions
 - a. Cash resources. Cash resources means a grantee or contractor's cash outlay, including money contributed to the grantee or contractor by other public agencies and institutions and private organizations and individuals.
 - b. In-kind resources. In-kind resources represent the value of non-cash resources provided by the grantee or contractor or by other public agencies, institutions, private organizations, and individuals. In-kind resources may consist of depreciation or use allowance charges for real property and equipment, and the value of goods and services directly benefiting and specifically identifiable with the approved program. This does not include volunteer time contributed by employees of the grantee or contractor.
 - c. Matching or cost-sharing. Matching or cost sharing represents, in general, that portion of Older Americans Act program costs not borne by the federal government.
 - d. Project costs. Project costs mean the sum of: (1) the allowable in-kind resources and (2) allowable cash resources.
3. Allowable resources

- a. Matching or cost sharing may consist of:
 - (1) charges incurred by a grantee or contractor as project costs. Not all charges require cash outlays during the grant and contract period. Examples are depreciation and use allowances for buildings and equipment;
 - (2) project costs financed with cash contributed to the grantee or contractor; and
 - (3) project costs financed with in-kind resources contributed from non-Federal sources.
- b. Non-Federal resources may be accepted as part of a grantee or contractor's matching or cost sharing only when they:
 - (1) are identifiable from the grantee's or contractor's records;
 - (2) are not included as resources for any other federally assisted program;
 - (3) are necessary and reasonable for proper and efficient accomplishment of the program;
 - (4) are types of costs allowable herein;
 - (5) are claimed in proportion to the time an item was available for use in the Older Americans Act program and;
 - (6) are not borne by the Federal government directly or indirectly under any other federal program.

4. Unallowable in-kind resources

- a. A grantee or contractor may not claim as in-kind resources:
 - (1) the value of discounts allowed by vendors for goods and services purchased with Older Americans Act funds;
 - (2) the value attributable to the use of radio or television time;
 - (3) U.S. Department of Agriculture-donated foods;
 - (4) goods and services normally available free in the community and which would be available whether the agency operated the project or not;
 - (5) donated and non-compensated overtime of project staff whose regular working hours are paid with Federal funds;
 - (6) contributed time of members of the Board of Directors and Trustees or advisory councils spent in the performance of their duties;
 - (7) outdoor space such as playgrounds, park space and undeveloped lots.

5. Valuation of non-Federal resources

- a. Volunteer services

- (1) Volunteer services may be furnished by professional and technical personnel, consultants, and other skilled and non-skilled labor. The value of volunteered service may be counted as a resource to match Federal funds if the service is an integral part of the Older Americans Act program. Volunteer time contributed by employees of the grantee or contractor may not be counted as an in-kind matching resource.
- (2) Rates for volunteers should be consistent with those regular rates paid for similar work in other activities of the grantee or contractor. In cases where the kinds of skills required for the Older Americans Act program are not found in the other activities of the grantee or contractor, rates used should be consistent with those paid for similar work in the labor market in which the grantee or contractor competes for the kind of services involved.
- (3) When an employer other than the grantee or contractor furnishes the services of an employee, these services shall be valued at the employee's regular rate of pay (exclusive of fringe benefits and overhead cost) provided these services are in the same skill for which the employee is normally paid.
- (4) The number of hours in volunteer services must be supported by the same documentation or methods used by the grantee or contractor for its employees.

b. Real property and equipment

- (1) If the donor transfers title to the property, the amount to be allowed as matching or cost sharing shall be determined as if the grantee or contractor had purchased the property and had paid the fair market value of the property at the time of transfer.
- (2) If only use of the property is donated, and the donor retains title, the amount to be allowed as matching or cost sharing shall be determined as if the grantee or contractor had rented the property and had paid the property's fair rental value.
- (3) The Department requires that the value of real property and equipment be established by one (1) independent appraiser and certified by the grantee or contractor as a precondition to allowability for matching or cost sharing purposes.

6. Federal resources matching Federal resources

- a. Non-Federal resources used to match other Federal grants or contracts may not be used to match Older Americans Act funds.
- b. Federal cash or in-kind resources acquired during current or prior years may not be used to match funds provided under the Older Americans Act unless otherwise specifically authorized by Federal statute.
- c. Item (b) above is not applicable when there is explicit statutory authorization for the use of Federal funds to satisfy matching requirements in whole or in part.
- d. Item (b) above is not applicable: (1) when the Federal funds in question are those used to pay Indian tribes for products produced under contract with the Bureau of Indian Affairs, Department of the Interior, pursuant to 25 USC 47; and (2) to the Public Health Service, Bureau of Indian Health contract funds.
- e. Item (b) above is not applicable where volunteer services provided through the Corporation for National Service's Retired Senior and Volunteer Program are used as non-Federal resources.
- f. Donated space or usage value of facilities built with Federal funds may not be used as matching unless Federal funds used to construct or purchase the facility are authorized by statute as eligible for matching.
- g. The Department may be consulted at any time regarding the current list of Federal funds that are eligible to match other Federal funds.

1152: Procurement Standards

This subsection provides standards for use by recipients of Older Americans Act funds in establishing procedures for the procurement of supplies, equipment, construction, social and professional and other services whose cost is borne in whole or in part as a direct charge to Older Americans Act and related funds. These standards are furnished to ensure that materials and services purchased by Older Americans Act-assisted programs are obtained in an effective manner, and in compliance with the provisions of applicable Federal requirements (i.e., CFR 45 Parts 74 and 92, OMB Circulars A-102, A-110, A-122, A-87, A-48, etc.) and the Illinois Purchasing Act.

Goods and services obtained from a third party (an individual, institution or organization outside the recipient agency's own organization) are subject to the conditions in this subsection. Third-party agreements include fixed-price contracts, cost reimbursable contracts, purchase orders and affiliation agreements (an agreement between parties to accomplish a mutually beneficial objective).

A. General

1. When implementing the Area Plan through the execution of a contract, the Area Agency on Aging must comply with all applicable parent organization contract procurement regulations, particularly as they relate to competitive bidding and selection.
2. Grantees and contractors receiving Older Americans Act awards may use their own agency procurement policies provided that procurements whose cost is borne in whole or in part as a direct charge to Older Americans Act funds adhere to the standards set forth in the requirements.
3. The third-party agreement utilized, i.e., purchase order, contract or affiliation agreement, must be selected so as to impose the minimum administrative burden necessary to ensure the prudent stewardship of Older Americans Act funds.
4. In accordance with the Older Americans Act regulations, it is prohibited for the state and/or an Area Agency on Aging from delegating another agency the authority to award or administer funds. When the Area Agency on Aging/the Department issues a grant or contract, the grantee or contractor may issue a sub-grant or subcontract for a portion of the service, if necessary. However, the grantee or contractor may not sub-grant/contract the entire service. In the latter case the grantee/contractor would become merely a pass through for handling the funds, thereby adding an additional layer of administrative costs.
5. All agreements must be evidenced in writing, including the terms and conditions appropriate to the type of agreement used. Use of informal agreements is not permitted.
6. Contract or third-party agreements may be used only to secure professional services which are necessary for Older Americans Act programs. These functions must conform to the Older Americans Act, as amended, the associated Federal regulations and the policies and procedures in this Manual, and must be activities that cannot be performed by the recipient of award's own personnel.
7. Special attention must be devoted to the negotiations of cost reimbursement-type contracts, as the Federal share of such cost is limited by the project award for a particular budget year. Federal funds may not be obligated from a succeeding budget year's allotment for services performed during a prior budget year. The Department has no obligation to fund any overruns that exceed annual award amounts.
8. Nothing in the Older Americans Act, its regulations or OMB Circulars A-102 or A-110 prohibits the award of multi-year contracts. (Sub-grants may also be awarded on a multi-year basis.) Three years should be the maximum period between competition for a particular procurement. In the case of multi-year contracts, the formal advertising or similar solicitation services should clearly specify that the services are being purchased for a two (2) or more year period at a fixed-price or pre-negotiated basis and that the awarding party may exercise its option to continue the contract based upon satisfactory contractor performance. Whatever basis is used,

if any, for subsequent years' redetermination of a contractor's price should be precisely stated upon award of the contract.

9. The standards contained in this subsection do not relieve the recipient of award of the responsibilities arising under its grants or contracts. The recipient of award is the responsible authority regarding the settlement and satisfaction of all contractual and administrative issues arising out of procurements entered into in support of its functions. This includes, but is not limited to, disputes, claims, protests of award, source evaluation, or other matters of a contractual nature. Matters concerning violation of law are to be referred to such local, State or Federal authority as may have proper jurisdiction over such matters. The recipient of award is responsible for the resolution of any audit exceptions related to sub-grant or contractor performance.

B. Code of Conduct. Each recipient of award shall maintain a code or standard of conduct that shall govern the performance of its officers, employees or agents in contracting with and expending Older Americans Act funds. The recipient agency's officers, employees or agent shall neither solicit nor accept gratuities, favors or anything of monetary value from contractors or potential contractors. To the extent permissible under state or local laws, rules or regulations, such standards shall provide for appropriate penalties, sanctions or other disciplinary actions to be applied for violations of such standards either by the officers, employees or agents of the recipient agency or by contractors or their agents.

C. Free competition. All procurement transactions of the recipient of award, regardless of whether negotiated or advertised and without regard to dollar value, shall be conducted in a manner so as to provide maximum open and free competition. The recipient of award should be alert to organizational conflicts of interest or non-competitive practices among contractors that may restrict or eliminate competition or otherwise restrain trade.

D. Procurement requirements. The recipient of award shall establish procurement procedures that provide for, as a minimum, the following:

1. Proposed procurement action shall be reviewed by appropriate recipient of award officials to avoid purchasing unnecessary or duplicative items. Where appropriate, an analysis shall be made of lease and purchase alternatives to determine which would be the most economical and practical procurement.
2. "Invitations for bids" or "requests for proposals" shall be based on a clear and accurate description of the technical requirements for the material, product or service to be procured. Such descriptions shall not, in competitive procurements, contain features that unduly restrict competition. "Brand name or equal" description may be used as a means to define the performance or other salient requirements of a procurement; and when so used, the specific features of the name brand which must be met by offerors should be clearly specified.
3. Positive efforts shall be made by the recipient of award to utilize small business and minority-owned business sources of supplies and services.

Such efforts should allow these sources the maximum feasible opportunity to compete for contracts.

4. The type of procuring instruments used (i.e., fixed-price contracts, reimbursement rate contracts, cost-reimbursable contracts, purchase orders, incentive contracts, etc.) shall be appropriate for the particular procurement and for promoting the objectives of the project award. The "cost-plus-a-percentage-of-cost" method of contracting shall not be used.
- E. Small Purchase Procedures. Small purchase procedures are those relatively simple and informal procurement methods that are sound and appropriate for a procurement of services, supplies or other property, costing in the aggregate not more than \$25,000. Grantees shall comply with State small purchase dollar limits under \$25,000. If small purchase procedures are used for a procurement under a grant, price or rate quotations shall be obtained from an adequate number of qualified sources.
- F. Competitive Sealed Bids (Formal Advertising). Formal advertising with adequate purchase description, sealed bids, and public openings shall be the required method of procurement unless negotiation pursuant to section G below is necessary to accomplish sound procurement. However, procurements of \$25,000 or less need not be so advertised unless otherwise required by local law or regulations. When formal advertising is employed by the recipient of award:
- a. A sufficient time prior to the date set for the opening of bids, bids shall be solicited from an adequate number of known suppliers. In addition, the invitation should be publicly advertised.
 - b. The invitation for bids, including specifications and pertinent attachments, should clearly define the terms or services needed in order for the bidders to properly respond to the invitation.
 - c. All bids should be opened publicly at the time and place stated in the invitation for bids.
 - d. A firm fixed-price contract will be made by written notice to the responsive bidder whose bid, conforming to the invitation for bids, is lowest.
 - e. Any or all bids may be rejected when there are sound documented business reasons in the best interest of the program.

In competitive sealed bids, sealed bids are publicly solicited and a firm fixed price (lump sum or unit price) contract is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is lowest in price.

G. Competitive Negotiated Procurements.

1. In competitive negotiation, proposals are requested from a number of sources and the request for proposal is publicized, negotiations are normally conducted with more than one (1) of the sources submitting

offers, and either a fixed-price or cost-reimbursable type contract is awarded, as appropriate. Competitive negotiation may be used if conditions are not appropriate for the use of formal advertising. If competitive negotiation is used for a procurement under a grant, the following requirements shall apply:

- a. Proposals shall be solicited from an adequate number of qualified sources to permit reasonable competition consistent with the nature and requirements of the procurement. The request for proposals shall be publicized and reasonable requests by other sources to compete shall be honored to the maximum extent practicable.
 - b. The request for proposal shall identify all significant evaluation factors, including price or cost where required and their relative importance.
 - c. The grantee shall provide mechanisms for technical evaluation of the proposals received, determination of responsible offerors for the purpose of written or oral discussions, and selection for contract award.
 - d. Award may be made to the responsible offerer whose proposal will be most advantageous to the procuring party, price and other factors considered. Unsuccessful offerors should be notified promptly.
 - e. Grantees may utilize competitive negotiation procedures for procurement of architectural/engineering professional services, whereby competitor's qualifications are evaluated and the most qualified competitor is selected, subject to negotiation of fair and reasonable compensation.
2. Notwithstanding the existence of circumstances justifying negotiation, competition shall be obtained to the maximum extent possible.

H. Non-competitive negotiation or sole source awards.

1. Non-competitive negotiation is procurement through solicitation of a proposal from only one (1) source, or after solicitation of a number of sources, competition is determined inadequate. Non-competitive negotiation may be used when the award of a contract is infeasible under small purchase, competitive bidding (formal advertising) or competitive negotiation procedures. Circumstances under which a contract may be awarded by non-competitive negotiation are limited to the following:
 - a. the item is available only from a single source;
 - b. public exigency or emergency when the urgency for the requirement will not permit a delay incident to competitive solicitation;

- c. the Administration on Aging authorizes non-competitive negotiations; or
 - d. after solicitation of a number of sources, competition is determined inadequate .

- I. Procurement system. Area Agencies on Aging will have a procurement system which assures the fair, efficient and effective procurement of goods and services. In the design and execution of such procurement systems, Area Agencies on Aging should take all actions to assure "the essence of competition." The elements of such a procurement system embodied in the Illinois Purchasing Act or, as a last resort, the U.S. Federal Procurement Regulations contained in Title 48 of the Code of Federal Regulations (renamed the Federal Acquisition Regulations) should be used as a guide in the absence of any parent organization's established procurement system.

- J. Records for negotiation procurements.
 - 1. Justification for the use of negotiation in lieu of advertising should include the following:
 - a. If the recipient is contracting for social services rather than professional consultation services, it should document the steps it has taken during the planning process to negotiate with local and area wide agencies which were interested in participating in the Older Americans Act program.
 - b. Where the grantee wishes to contract for professional consultant services, it should outline the reasons why a formal advertising procedure is not in the best interests of the program (urgency to initiate the scope of services, expertise of a specific firm, a continuation of related work previously conducted by a firm, etc.)
 - 2. Contractor selection must be documented.
 - 3. Justification for the use of negotiation in lieu of advertising may be provided on a class basis or on an individual contract basis.

- K. Contractor responsibility. Contracts shall be made by the recipient of award only with responsible contractors who possess the potential ability to perform successfully under the terms and conditions of a proposed procurement. Consideration shall be given to such matters as contractor integrity, record of past performance, financial and technical resources, and accessibility to other necessary resources. Contractors must be incorporated or a partnership.

- L. Contract administration system. A system for contract administration shall be maintained by the recipient of award to ensure contractor compliance with terms, conditions and specifications of the contract or order, and to ensure adequate and timely follow-up of all purchases.

- M. Contract provisions

1. The recipient of award shall include provisions to define a sound and complete agreement in all contracts which it awards when the contract costs are to be borne as direct charges in whole or in part by Older American s Act funds.
2. In awarding such contracts, the recipient of award must comply with the following requirements, if applicable to this type of contract:
 - a. Contracts shall contain provisions or conditions which will allow for administrative, contractual or legal remedies in instances where contractors violate or breach contract terms, and provide for such sanctions and penalties as may be appropriate.
 - b. All contracts in excess of \$2,500 shall contain suitable provisions for termination by the recipient of award, including the manner by which such action will be effected and basis for settlement. In addition, such contracts shall set forth the conditions under which the contract may be terminated for default, as well as conditions where the contract may be terminated because of circumstances beyond the control of the contractor.
 - c. All negotiated contracts (except those of \$2,500 or less) shall include provisions giving access to, and requiring retention of, the contractors records.
 - d. Provisions for compliance with Executive Order No. 11246, entitled, "Equal Employment Opportunity," as supplemented in Department of Labor Regulations (41 CFR Part 60), shall be included in all appropriate contracts.
 - e. All contracts in excess of \$2,000 for construction or repair shall include a provision for compliance with Copeland "Anti-Kick Back" Act (18 USC 874), as implemented in Department of Labor Regulations (29 CFR Part 3). The recipient of award shall report all suspected or reported violations to the Department.
 - f. Where appropriate, all construction contracts exceeding \$2,000 awarded by the recipient of award, and all other contracts awarded by them which exceed \$2,500 and which involve the employment of mechanics and laborers, shall include a provision of compliance with Sections 103 and 107 of the Contract Work Hours and Safety Standards Act (40 USC 327- 330), as implemented by Department of Labor Regulations (29 CFR Part 5).
 - g. Contracts or agreements for the performance of experimental, developmental, or research work shall provide for the rights of the Federal Government and the recipient in any resulting invention in accordance with 37 CFR part 401.
 - h. Contracts and sub grants of amounts in excess of \$100,000 shall

contain a provision that requires the recipient to agree to comply with all applicable standards, orders or regulations issued pursuant to the Clean Air Act (42 U.S.C. 7401 et seq.) and the Federal Water Pollution Control Act as amended (33 U.S.C. 1251 et seq.).

- i. Contractors who apply or bid for an award of \$100,000 or more shall file the required certification under the Byrd Anti-Lobbying Amendment (31 U.S.C. 1352).
- j. No contract shall be made to parties listed on the General Services Administration's List of Parties Excluded from Federal Procurement or Nonprocurement Programs in accordance with E.O.s 12549 and 12689, "Debarment and Suspension." Contractors with awards that exceed the small purchase threshold shall provide the required certification regarding its exclusion status and that of its principal employees.

1153: Property Management Standards

- A. General requirements. This subsection prescribes policies and procedures governing the title, use, and disposition of real and tangible personal property which was purchased in whole or in part as a direct charge to Older Americans Act funds. Recipients of awards may follow their own property management policies and procedures if they observe the requirements of this subsection.
- B. Definitions
 1. "Acquisition of property" includes purchase, construction or fabrication of property.
 2. "Acquisition cost" of non-expendable personal property acquired by purchase means the net invoice price of the property, including any attachments, accessories, or auxiliary apparatus necessary to make the property usable for the purpose for which it was acquired. Ancillary charges such as taxes, duty, protective in-transit insurance, freight or installation shall be included in the acquisition cost in accordance with the recipient of award's regular accounting practices.
 3. "Non-expendable personal property" means tangible personal property having a useful life of more than one (1) year and/or acquisition cost of \$5,000 or more per unit. A recipient of award may use its own definition of non-expendable personal property provided that such definition would at least include all tangible personal property as defined in paragraph five (5) below.
 4. "Expendable personal property" means all tangible personal property other than "non-expendable property" defined under paragraph three (3) above.
 5. "Personal property" means property of any kind except real property. It may be tangible (having physical existence) or intangible (having no physical existence, such as patents, inventions and copyrights).

6. "Real property" means land, land improvements, structures and appurtenances thereto, excluding movable machinery and equipment.

C. Real property. Title to real property whose acquisition cost was borne in whole or in part by Older Americans Act funds shall vest in the recipient of award upon acquisition. In the absence of applicable statutory provisions governing the use of disposition of such property, it shall be subject to the following requirements (in addition to any other requirements imposed by the terms and conditions of the project award):

1. The recipient of award shall use the real property for the purposes authorized by the project award as long as needed.
2. The Department may authorize an Older Americans Act grantee or contractor to use the property for the following purposes when the grantee or contractor determines that the property is no longer needed for the originally authorized purposes:
 - a. activities sponsored by other federal awards (regardless of which Federal agency makes the other awards);
 - b. activities which have purposes consistent with those of the Older Americans Act, as amended; or
 - c. such other public interest purposes which are in the interest of the U.S. Government to have pursued.

3. Disposition of property

- a. When no longer used in accordance with paragraphs 1 or 2 above, the recipient of award shall return to the control of the Department all real property whose acquisition cost was borne in whole by the Older Americans Act funds. If the acquisition cost of the property was borne in part by such funds, the grantee may be relieved of accountability to the Department with respect to the federal interest in the property by compensating the State for the Older Americans Act fair share of the current value of the property. Or, if the recipient of award no longer needs the property, by selling it and compensating the Department for its fair share of the sale proceeds.
- b. The amount of compensation to the Department under a. above shall be computed by applying the percentage of Older Americans Act participation in the cost of the program for which the property was acquired to the property's current fair market value (if the recipient of award retains the property) or to the proceeds from sale (if the recipient of award sells the property).

D. Non-expendable personal property

1. Title. Title to non-expendable property whose acquisition cost is borne in whole or in part by Older Americans Act funds shall be vested in the recipient of award upon acquisition and, except as provided in Section

1153 H, shall be subject to the restrictions on "Use and Disposition" set forth in paragraphs two (2) and three (3) below.

2. Use

a. The recipient of award shall use the property as long as there is a need for such property to accomplish the objectives of the Older Americans Act program, whether or not the recipient of award continues to be supported by such funds.

b. When there is no longer a need for the property to accomplish the objectives of the aging program, the recipient of award may use the property in connection with other federal awards it has received in the following order or priority:

(1) for other awards made by the Department of Health and Human Services needing the property, and

(2) for awards of other Federal (including non-U.S. Department of Health and Human Services) agencies needing the property.

c. When the recipient of award no longer has need for such property in any of its Federally financed activities, the property may be used for the recipient of award's own official activities in accordance with the following standards:

(1) If the property had an acquisition cost of less than \$5,000 per unit and had been used four (4) years or more: (i) the recipient of award may use the property without reimbursement to the Department, or (ii) sell the property and retain the proceeds.

(2) For all such property not covered under (1) above, the recipient of award may retain the property for its own use provided that a fair compensation is made to the Department for the Federal share of the property. The amount of such compensation shall be computed in accordance with this section.

3. Disposition. If the recipient of award has no need for the property, disposition of the property shall be made as follows:

a. If the property has an acquisition cost of less than \$5,000, the recipient of award shall sell the property and reimburse the Department in accordance with (b) (3) below.

b. If the property had an acquisition cost of over \$5,000 per unit, the recipient of award shall request disposition instructions from the Department. The Department shall issue instructions to the recipient of award within 120 days following the receipt of such request. and the following procedures shall govern:

-
.....
- (1) If the recipient of award is instructed to ship the property elsewhere, the recipient of award shall be reimbursed an amount which is computed by applying the percentage of the recipient of award's participation in the cost of the project to the current fair market value of the property, plus any shipping or interim storage costs incurred.
 - (2) If the recipient of award is instructed to otherwise dispose of the property, it shall be reimbursed for the costs incurred in such disposition.
 - (3) If the disposition or other instructions are not issued within the 120-day period specified in (b) above, the recipient of award shall sell the property and reimburse the Department with an amount which is computed by applying the percentage of Federal participation in the recipient of award's costs to the sales proceeds. The recipient of award may, however, deduct and retain from the amount \$500 or ten percent (10%) of the total sales proceeds, whichever is greater, for its selling and handling expenses.

E. Transfer of title to certain property

1. Where the Department determines that an item of non-expendable personal property with an acquisition cost of \$5,000 or more is unique, difficult or costly to replace, it may reserve the right to require the recipient of award to transfer title to the property to the Area Agency on Aging or to a third party named by the Department and the Area Agency on Aging.
2. Such reservation shall be subject to the following:
 - a. The right to require transfer to title may be reserved only by means of an expressed special condition in the project award or, if approval for the acquisition of the property is given after the project award has been made, approved by means of a written stipulation at the time such approval is given.
 - b. The property must be appropriately identified in the project award or otherwise made known to the Area Agency on Aging and the Department.
 - c. The Department or the Area Agencies on Aging may not exercise the right until the recipient of award no longer needs the property for the furtherance of its objectives. Such needs shall be assumed to end on the date of termination of the award unless the recipient of award continues to conduct its activities after that date and demonstrates to the Department or Area Agency on Aging a continued need for the property.

- d. In order to exercise its right, the Department or Area Agency on Aging must issue disposition instructions to the recipient of award no later than 120 days after the recipient of award no longer needs the property in the project for which it was acquired. If instructions are not issued within that time, the Department's or Area Agency on Aging's right shall lapse, and the recipient of award shall act in accordance with the applicable standards in D.2 (a), (b), (c) and D.3 (b) above.
- e. The recipient of award shall be entitled to reimbursement for any shipping and interim storage costs it incurs pursuant to the Department's disposition instructions.

F Property management standards. Recipients of award shall adhere to the property management standards for non-expendable personal property covered by D of this section and shall follow the procedural requirements below.

- 1. Property records shall be maintained accurately and provide for:
 - a. a description of the property;
 - b. the manufacturer's serial number or other identification number;
 - c. acquisition date and cost;
 - d. source of the property;
 - e. percentage of Older Americans Act funds used in the acquisition of the property;
 - f. location, use and condition of the property; and
 - g. ultimate disposition data, including sales price or the method used to determine current fair market value if the recipient of award reimburses the Department for the Federal share.
- 2. A physical inventory of property shall be taken and the results reconciled with the property records at least once each year to verify the existence, current utilization and continued need for the property.
- 3. A control system shall be established to ensure adequate safeguards to prevent loss, damage or theft to the property. Any loss, damage or theft of non-expendable personal property shall be investigated and fully documented.
- 4. Adequate maintenance procedures shall be implemented to keep the property in good condition.
- 5. Proper sales procedures shall be established for unneeded property which would provide for competition to the extent practicable and result in the highest possible return.
- 6. Pursuant to OM B Circular A-110, Property Standards, .33 (a) (1) and Part 92, Section 92.32 (f) (2), each Area Agency on Aging is required to submit annually an inventory listing of Federally-owned property in their custody. This inventory listing must be submitted to the Department by September 30th, of each year.

G. Expendable personal property

Consumable materials and supplies. The cost of consumable supplies or materials is allowable only to the extent that supplies or materials are reasonably necessary to carry out the recipient of award's Older Americans Act program. Amounts in excess of need are therefore not allowable costs.

2. Other expendable personal property. In many cases, items of expendable personal property (other than consumable supplies or materials) whose acquisition cost was borne in whole or in part by a project award have a useful life longer than the period of need of the project or program for which they were acquired. The recipient of award may, at its option, either retain or sell such items when no longer needed for any federally-sponsored activity (including activities sponsored by Federal agencies other than the U.S. Department of Health and Human Services). However, compensation to the Department shall be required if the aggregate fair market value of all such items acquired under the same project award exceeds \$5,000 when no longer needed for any Federally-sponsored activity. The amount of compensation shall be computed in accordance with paragraph J. below.

H. Waiver of accountability

1. Where authorized under Federal law (i.e., 42 USC, PL 85-934), "title" to tangible personal property whose acquisition cost is borne in whole or in part by Older Americans Act funds shall vest in the recipient of award without regard to any other requirements and without further obligation except as provided in paragraph 2. below.
 2. When "title" to an item of property having an acquisition cost of \$5,000 or more is vested in the recipient of award pursuant to paragraph 1 above, the Department shall have the right to require the recipient of award to transfer "title" to the item of property to the Department or to a third party named by the Department. The right may be exercised at any time, but no later than twelve (12) months after the Department has received the final Financial Status Report (from HHS 601T or other final Financial report serving an essentially equivalent function) from the recipient of award after completion or termination of activities for which the property was acquired. If the right is exercised, the recipient of award shall be entitled to reimbursement for the costs incurred in transferring the property.
- I. Copyrights. When a book or other copyrightable material is developed under a project award, the author or recipient of award is free to copyright the work, but the Department and the Administration on Aging shall have royalty free, non-exclusive and irrevocable license to reproduce, publish or otherwise use (and to authorize others to use) the work for government purposes. The Department will provide information regarding copyright procedures.
- J. Determining percentage of participation. Various provisions of these policies and procedures require a determination of the percentage of Older Americans Act participation in the cost of the project or program in order to compute the amount of

compensation for the value or proceeds from the sale of property. The percentage to be used should be the same as the matching share utilized in the project award during the year in which the property was acquired.

SECTION 1160: RETENTION OF RECORDS

1161: Applicability

This section applies to all financial and programmatic records, supporting documents, statistical records and other records of grantees and contractors, and their subcontractors, of the Department.

1162: Retention Period

- A. Except as provided for in B, C, D hereunder, records must be retained for three (3) years from the starting date specified in section 1163.
- B. If any litigation, claim, negotiation, audit or other action involving a project's records has been started before the expiration of the three (3) year period, the records must be retained until completion of the action and resolution of all issues that arise from it, or until the end of the three (3) year period, whichever is later.
- C. In order to avoid duplicate record keeping, the Department may make special arrangements with grantees and contractors to retain any records that are continuously needed for joint use. The Department may request transfer of records to its custody when it determines that records possess long-term value. Under such conditions, the three (3) year retention period is not applicable to the grantee or contractor.

Similar provisions may apply between grantees and contractors and their sub-grantees and subcontractors.
- D. Copies of original records may be substituted for the original records if authorized by the Department. Such copies may be made by computer, photocopying, microfilming or other similar methods.
- E. State and local government units must maintain all performance and fiscal records in accordance with applicable State law.

1163: Starting Date of Retention Period

- A. General. Where the Department's grant or contract support is continued or renewed on an annual basis, the retention period for each year's records starts from thirty (30) days after the date of submission to the Department of the grantee's or contractor's annual or last expenditure report for that year. In all other cases, the retention period starts from thirty (30) days after the date of submission to the Department of the grantee's or contractor's final expenditure report.
- B. Equipment records. The retention period for equipment records starts from the date of the equipment's disposition, replacement or transfer at the direction of the

Department.

- C. Records for income transactions after grant or contract support. In some cases, Department requirements concerning the disposition of program income may be satisfied by applying the income to costs incurred after expiration or termination of grant or contract support for the activity giving rise to the income. In such a case, the retention period for the records pertaining to the costs starts from the end of the grantee's and contractor's fiscal year in which the costs are incurred.

In some cases, there may be copyright royalties or other program income which is earned after expiration or termination of grant or contract support. Under such conditions, the retention period for the records pertaining to the earning of the income starts from the end of the grantee's and contractor's fiscal year in which the income is earned.

- D. Indirect cost rate proposals, cost allocation plans, etc.

1. Applicability. This subparagraph applies to the following types of documents and their supporting records:

- a. indirect cost rate computations or proposals,
- b. cost allocation plans, and
- c. any similar accounting computations of the rate at which a particular group of costs is chargeable (such as computer usage chargeback rates or composite fringe benefit rates).

2. If submitted for negotiation. If the proposal, plan or other computation is required to be submitted to the Federal government or to the Department to form the basis for negotiation of the rate, then the three (3) year retention period for its supporting records starts from the date of such submission.

3. If not submitted for negotiation. If the proposal, plan or other computation is not required to be submitted to the Federal government or to the Department for negotiation purposes, then the three (3) year retention period for the proposal, plan or computation and its supporting records starts from the end of the fiscal year (or other accounting period) covered by the proposal, plan or other computation.

1164: Access to Records

- A. Federal funds. The U .S. Department of Health and Human Services, the Comptroller General of the United States, the Department or any of their authorized representatives shall have the right to access any books, documents, papers or other records of grantees and contractors which are pertinent to a grant or contract of Federal funds made by the Department in order to make audit examinations, excerpts and transcripts.

- B. State funds. Similarly, the Department, or its authorized representatives, shall have access to records pertaining to grants or contracts involving State funds.
- C. Extension to sub-grantees and subcontractors. The provisions in paragraphs A and B above shall extend to sub-grantees and subcontractors. In such cases, the right of access shall include the grantee or contractor making the sub-grant or subcontract.
- D. Expiration of right of access. The right of access in this section shall not be limited to the required retention period but shall last as long as the records are retained.
- E. All grantee and contractor records (as well as sub-grantee and subcontractor records), with the exception of information identifiable with a particular individual, are considered public information and should be accessible for public review at reasonably convenient times, according to the public information policies prescribed in this manual.
- F. Unless required by Federal statutes, grantees and contractors may not limit public access to pertinent records except after a determination by the Department that the records must be kept confidential and would have been excepted from disclosure under the U.S. Department of Health and Human Services' Freedom of Information regulation if the records had belonged to it.
- G. This section does not require grantees or contractors to permit public access to their other records which are not pertinent to the grant or contract under review.

1165: Confidentiality of Personal Information

All information which is identifiable with any specific individual must be kept confidential unless the person concerned gives informed written consent for the information to be released. This applies to both client information and personal records.

SECTION 1170: CLOSEOUT

1171: Definition

"Grant/contract closeout" means the process by which the Department determines that all applicable administrative actions and all required work of the grant or contract have been completed by the recipient.

1172: General Requirements

- A. In closing out a grant or contract, the following requirements shall be observed:
 - 1. Upon request, the Department shall promptly pay the grantee or contractor for any allowable reimbursable costs not covered by previous payments.
 - 2. The grantee or contractor shall immediately refund or otherwise dispose of, in accordance with instructions from the Department, any unobligated balance of cash advanced to the grantee or contractor.
 - 3. The grantee or contractor shall submit, within ninety (90) days of the date of expiration or termination, all financial, performance and other reports required by the terms of the award.
 - 4. The Department will make a settlement for any upward or downward adjustment of the Federal or State share of costs, to the extent called for by the terms of the grant or contract.
- B. The closeout of a grant or contract does not affect the grantee's responsibilities with respect to property or with respect to any program income for which the grantee or contractor is still accountable under the provisions of this manual.
- C. The closeout of a grant or contract does not affect the retention period for, or Federal or State rights of access to, grant or contract records.
- D. If a grant or contract is closed out with an audit, the Department retains the right to disallow and recover an appropriate amount after fully considering any recommended disallowances resulting from an audit which may be conducted later.
- E. Grantees must clear all obligations incurred during a budget year within sixty (60) days after the end of that budget year (or the termination date of the project) and before the Final Financial Report is completed.

1173: Grant/Contract Closeout

- A. All grantees and contractors who receive Older Americans Act, General Revenue

or other Department-administered funds should close their project books for a budget year as soon as possible after the final project year ends.

- B. Also, grantees and contractors with a project that terminates before the end of a budget year should close out their books as soon as possible after the date on which the project ceases operations, but no later than ninety (90) days after operations terminate.
- C. Projects may close out or terminate for several reasons:
 - 1. The project is able to generate necessary funding from other sources.
 - 2. The project closes due to accomplishment of its objectives or changing needs in the local community.
 - 3. The Department must reallocate funds after a prescribed number of years in order to assist other geographic areas or projects.
 - 4. The project may be terminated by the Department due to inadequate performance or related factors.
- D. Whichever reason exists for discontinuing grantee funds, such discontinuance will require certain procedures for closing the project's books. The policies and procedures in this section must be adhered to in such circumstances.

1174: Amounts Payable to the Department

For each grant or contract, the following sums shall constitute a debt or debts owed by the grantee or contractor to the Department, and shall, if not paid upon demand, be recovered from the grantee or contractor or its successor or assignees by appropriate action as provided by law:

- A. Any grant funds paid to the grantee or contractor by the Department in excess of the amount to which the grantee or contractor is finally determined to be entitled under the terms of the grant or contract.
- B. Any royalties or other special classes of program income which, under the terms of the grant or contract or the provisions of this manual, are required to be remitted to the Department.
- C. Any amounts due the Department under the property provisions of this manual.
- D. Any other amounts finally determined to be due the Department under the terms of the grant or contract.
- E. Area Agencies on Aging must assure that facilities which are altered or renovated using Older Americans Act Title III Funds are used for appropriate purposes for at least five (5) years after completion of the alteration or renovation . Area Agencies on Aging shall recapture a portion of Federal funds from the grantee if within five (5) years after completion of the alteration or renovation:

1. The owner of the facility ceases to be a public or nonprofit private agency or organization, or
2. The facility is no longer used for senior citizens programs.

The amount recovered under the above paragraphs is a prorated share of the original cost of the alteration/renovation. The money received through recapture constitutes a refund of prior year's cost and must be incorporated into prior period adjustments. Area Agencies on Aging must revise the final report for the year in which the award was made to reflect the reduced cost.

Cash recaptured under this policy displaces funds to be received under the Area Agency on Aging's current Notification of Grant Award. Such cash will be treated as "Cash on Hand" or carryover funds.

1175: Disposal of Equipment

The grantee or contractor must dispose of equipment purchased in whole or in part with Older Americans Act or Department-administered funds according to procedures outlined in Section 1153 of this Manual.

1176: Retention of Records

When a grantee closes its books or ceases to receive Older Americans Act or other Department-administered funds, it nevertheless must retain certain records for a prescribed period, usually three years. The specific policies which must be followed are described in Section 1160.

1177: Termination of Obligations

If a project is terminated or closed prior to the end of a project year, no further obligations will be allowed beyond the termination or closing date. The project will be notified regarding the procedures for returning any unearned Federal, State or matching funds.

SECTION 1180: SUSPENSION AND TERMINATION

1181: Suspension

- A. Definition. "Suspension" of a grant or contract means temporary withdrawal of the grantee or contractor's authority to obligate funds pending corrective action by the grantee or contractor or a decision by the Department to terminate the grant or contract.
- B. Basis of suspension
1. When a grantee or contractor has materially failed to comply with the terms of a grant or contract, the Department may, upon reasonable notice to the grantee or contractor, suspend the grant or contract in whole or in part.
 2. If a project or program is supported over two (2) or more funding periods, a grant or contract may be suspended or terminated in the current period for failure to submit a report still due from a prior period.
- C. Notification of suspension. The Department will notify a grantee or contractor in writing of its intent to suspend a project. The written notification of suspension will state the reasons for the suspension, any corrective action required of the grantee or contractor and the effective date of suspension.
- D. Conditions of suspension
1. A suspension may be made effective at once if a delayed effective date would be unreasonable considering the Department's responsibilities to protect Federal and State interests.
 2. A suspension shall remain in effect until the grantee or contractor has taken corrective action satisfactory to the Department, or given evidence satisfactory to the Department that such corrective action will be taken, or until the Department terminates the grant or contract.
 3. A suspension may apply to either all or only a part of a grantee's or contractor's operations.
 4. If a project, or a portion of the project, remains suspended for more than three consecutive months in any budget year, support for the project (or the suspended portion) will automatically be terminated.
- E. Costs incurred during suspension
1. New obligations incurred by the grantee or contractor during the suspension period will not be allowed unless the Department expressly authorizes them in the notice of suspension or an amendment to it. Necessary and otherwise allowable costs which the grantee or contractor

could not reasonably avoid during the suspension period may be allowed, at the Department's discretion, if they result from obligations properly incurred by the grantee or contractor before the effective date of the suspension and not in anticipation of suspension or termination.

2. At the discretion of the Department, third-party, in-kind contributions applicable to the suspension period may be allowed in satisfaction of approved costs.

F. Adjustments

1. When a project, or part of a project, is suspended, the Department will determine whether all or a portion of the project balance of funds on hand must be returned to the Department. This determination will be based on the amount of unearned Federal and/or State funds the grantee has on hand, the anticipated length of suspension, the extent of the grantee's operation as suspended, and the fund balance on hand.
2. Appropriate adjustments to payments under the suspended grant or contract will be made either by withholding subsequent payments or by not allowing the grantee or contractor credit for disbursements made in payment of unauthorized obligations incurred during the suspension period.

G. Reinstatement of a suspended project

1. The Department may reinstate a suspended project if it determines that conditions warrant such action. Such reinstatement shall be made by the issuance of a new award document.
2. Use of Federal or State funds in a reinstated project may resume immediately upon reinstatement. The funds unearned at the time of suspension remain available to the grantee or contractor if approved by the Department at the previously established matching ratio.

1182: Termination

- A. Definition. "Termination" means permanent withdrawal of the grantee's or contractor's authority to obligate previously awarded funds before the authority would otherwise expire. It may also mean the voluntary relinquishment of that authority by the grantee or contractor. "Termination" does not include:
1. Withdrawal of funds awarded on the basis of the grantee or contractor underestimate of the unobligated balance in a prior period.
 2. Refusal by the Department to extend a grant or contract or award additional funds (such as refusal to make competitive or non-competitive continuation, renewal, extension or supplemental award).
 3. Withdrawal of the unobligated balance of the expiration of a grant or

contract.

4. Annulment, i.e., voiding, of a grant or contract upon determination that the award was obtained fraudulently or was otherwise illegal or invalid from inception.

B. Basis for termination. Termination of grantee or contractor activities may result because of two major reasons:

1. "Termination for cause" shall result when the Department determines that the grantee or contractor has failed to comply with the significant conditions of the agreement, e.g., inadequate performance or the unavailability of non-Federal matching.
2. "Termination for convenience" shall result when the Department and the contractor determine mutually that the continuation of the project would not produce beneficial results commensurate with the further expenditure of funds. Termination may be initiated:
 - a. by the Department with the consent of the contractor, in which case the two (2) parties shall agree upon the termination conditions, including the effective date and, in the case of partial terminations, the portion to be terminated; or
 - b. by the contractor upon written notification to the Department setting forth the reasons for such termination, the effective date and, in the case of partial terminations, the portion to be terminated. However, if, in the case of a partial termination, the Department determines that the remaining portion of the contract will not accomplish the purposes for which the contract was made, the Department may terminate the contract in its entirety.

C. Notification of termination. When the Department terminates support for a project, it will notify the grantee or contractor in writing of the action to be taken, the reasons for such action and the right of the grantee or contractor to appeal the termination.

D. Conditions of a termination

1. When a grant or contract is terminated for cause, the grantee or contractor shall not incur new obligations for the terminated portion after the effective date, and shall cancel as many outstanding obligations as possible. The Department will allow full credit to the grantee or contractor for the Federal and State share of the non-cancelable obligations properly incurred by the grantee or contractor prior to termination.
2. When a grant or contract is terminated for convenience, the Department will provide the contractor with guidance regarding further eligibility of obligations.

E. Closing out a project after termination. When a project is terminated, the grantee or contractor must submit final program and financial reports to the Department. A final

audit shall also be conducted. Equipment and supplies purchased with Federal or State funds (in whole or in part) must be disposed of in accordance with the procedures prescribed by this manual. All other conditions required in Section 1170 must be followed.

Section 1190: AUDITS

1191: Purpose of Audits

The purpose of grantee financial and compliance audits shall be to determine the effectiveness of the financial management systems and internal procedures established by a grantee or contractor to meet the terms of its award and to determine whether the grantee is in conformance with significant compliance requirements that can have a material effect upon its financial position. The audit report is also used to ascertain the amount of unearned Federal funds at the end of the grant.

1192: General Audit Requirements

- A. All grantees and contractors who receive financial assistance through the Department must obtain a financial and compliance audit of their aging program operations. Such financial and compliance audits must be made in accordance with generally accepted auditing standards, including the standards of: (1) the U. S. General Accounting Office's publications, Standards for Audit of Governmental Organizations, Programs, Activities, and Functions and Guidelines for Financial and Compliance Audits of Federally Assisted Programs, and (2) any specific audit instructions issued by the Department.
- B. Financial and Compliance Audits shall be performed by a licensed firm of Certified Public Accountant(s) in good standing who are sufficiently independent of those who authorize the expenditure of Older Americans Act or related funds, including the matching funds provided, in order to produce unbiased opinions, conclusions or judgements. They shall meet the independence criteria outlined in Chapter 3, Part 3, of the U.S. General Accounting Office Publication, Standards for Audit of Governmental Organizations, Programs, Activities, and Functions. In instances where the grantee is an agency of a unit of general purpose government, the grantee may contract with an audit division thereof subject to the prior approval of the Department and subject to the minimum requirements thereof.
- C. The organization conducting the financial and compliance audit should be provided with background information on the Older Americans Act or other Federal or State program involved and the financial management standards specified in this manual.
- D. Financial and Compliance Audits should preferably be conducted on an annual basis, but must be conducted at least biannually. If a financial and compliance audit is conducted every two (2) years, the financial and compliance audit will cover both years. The frequency should be appropriate to the size, nature and complexity of the Area Agency on Aging's activities and financial system. (Audit Procedure 07-11-0004-R-2)
- E. Where an aging project is operated within a multipurpose organization or one which operates more than one aging project, the grantee may obtain an organization-wide financial compliance audit so long as the audit procedures used

and the audit report address the aging project specifically. Also, the portion of the audit expense charged to Older Americans Act or other Department - administered funds must be proportional to the share of the audit dealing with the project.

- F. Each grantee must establish a procedure for reviewing financial and compliance audit reports and responding to recommendations, where appropriate.

1193: Relation to Federal or State Audit

These financial and compliance audits may affect the frequency and scope of Federal or State audits. However, nothing in this section is intended to limit the right of the Federal government, the Department or other appropriate units of State government to conduct an audit of a grant or contract-supported activity.

1194: Audit Engagement Letter (Audit Procedure 07-11-0007-R-2)

An Area Agency on Aging will ensure the contract with the auditor is covered by an audit engagement letter which, at minimum, should include:

- A. Scope of the audit and any limitations thereof.
- B. Audit period.
- C. Type of audit.
- D. Provision for an expression of positive assurance on the compliance of the audited entity with regulatory requirements for tested items, and negative assurance for untested items.
- E. Provision for a letter of a non-material finding(s) developed in the audit and excluded from the report.
- F. Basis for allocation of fee. The cost of the audit shall be distributed to all sources of funds based on a reasonable distribution plan.
- G. Due date for submission of the financial and compliance audit.
- H. Submission of one full, complete copy of the compliance audit working papers to the audited entity.
- I. Any additional terms, agreements, or relationships affecting the audit agreement.
- J. Degree of responsibility as to sub-grantee's audit report and the reporting of the disposition of any findings and/or questioned costs.

1195: Distribution of the Cost of a Unified Audit

In a circumstance where a grantee and its sub-grantees desire to retain an auditor to perform a financial and compliance audit of its own books and that of all or part of its sub-grantees, called a unified audit, the cost of the financial and compliance audit may be apportioned to the Area Agency on Aging's administrative cost or the cost of the financial and compliance audit may be apportioned to the Area Agency on Aging's administrative cost and that of each of its sub-grantees in proportion to the workload of the auditor.

A grantee which negotiates to have a unified audit performed must ensure the conditions contained in the Department's Audit Procedure Number 07-11-0005-R-2 are met.

(1196: Scope of Audit

The scope of the financial and compliance audit must include, but not necessarily be limited to the following:

- A. Each governmental grantee is responsible for securing its own non-Federal organization-wide financial and compliance audit. (Audit Procedure 07-11-0005-R-2)
- B. Each non-profit grantee is responsible for securing its own non-Federal program financial and compliance audit. A non-profit grantee may elect to have an organization-wide financial and compliance audit performed in lieu of a program audit. (Audit Procedure 07-11-0005-R-2)
- C. Commercial organizations having cost-type contracts with Area Agencies on Aging are required to secure a contract audit. Provided there has been an advertised or competitively-negotiated contract award or a fixed-price or fixed reimbursement rate contract, such contracts whether awarded to commercial or non-profit organizations need not be audited, although grantees are required to institute staff inspections to ensure the adequacy of the quality and quantity of services or goods delivered.
- D. Review by the audit staff personnel of U.S. Department of Health and Human Services and the Department policies, guidelines, evaluation reports, correspondence and other appropriate records at the headquarters of the Department, 421 East Capitol Avenue, #100, Springfield, Illinois 62701-1789, or at the audited entity's headquarters.
- E. Audit of the Area Agency on Aging's financial records for the period beginning with the start of the grant or starting from the last prior audit, whichever is later. (Audit Procedure 07-11-0004-R-2)
- F. Audit of the degree of conformance the grantee has attained in complying with significant compliance requirements that could have a material effect upon the grantee's financial position.
- G. Organization-wide audits are to be performed on the basis of the Area Agency on Aging's fiscal year. Program audits may be performed either on the Area Agency on Aging's fiscal year or the grant's program year. (Audit Procedure 07-11-0006-R-1)
- H. Review of the propriety of expenditures under the terms of the grant or contract and U.S. Department of Health and Human Services and the Department's policies and guidelines.

1197: Audit Reports

- A. The auditor must submit the following reports to the Area Agency on Aging:
1. Balance Sheet and State of Cash Receipts and Disbursements relating to each grant program.
 2. Statement of Area Agency on Aging Budgets, Expenditures and Balances by line item for each grant program.
 3. A separate opinion regarding the internal control of the agencies and reference to any deficiencies and recommendations for improving them.
 4. A list of any costs which vary with prevailing Federal laws and regulations, compliance requirements in Supplement to OMB Circular A-102 , federal management circulars (i.e., A-122, A-102, A-110, A-87, etc.), Title 45 CFR Parts 74 and 92, prevailing State laws and policies and rules of the Department.
 5. A separate opinion as to extent of compliance with prevailing Federal and State laws and regulations as promulgated in the Supplement to OMB Circular A-102 and policies of the Department.
 6. Prior to submitting the final audit report to the audited entity, the independent auditor should prepare a letter of representation on the audited entity's letterhead stationery. The letter of representation will be included in the final report, and is to be signed by the Chairman of the Board or officially authorized representative and the Financial Officer of the audited entity when agreement has been reached on the content of the audit.
 7. As part of the audit report the auditor will inventory all sub-grantees and contractor's audit reports for compliance with appropriate OMB circulars and summarize the findings of each and the Area Agency on Aging's disposition of any questioned costs.
 8. Such other statements and narratives as the auditor may consider appropriate in the circumstances.
- B. A copy of Area Agency on Aging independent audits must be submitted to the Department within 180 days after the close of the grant program year.
- C. If any deficiencies or recommendations are included in the audit report, the Area Agency on Aging must indicate how it proposes to take corrective action.
- D. State agency actions:
1. The Department may subsequently monitor the Area Agency on Aging to verify that appropriate actions are being taken to fulfill audit recommendations.

2. If audit findings of an Area Agency on Aging are deemed sufficiently serious, the Department may immediately begin suspension or termination procedures, as outlined in Section 1180 of this Manual.

1198: Resolution of Audit Findings

Area Agencies on Aging will have a maximum of 180 days from the date of receipt of the final audit report to resolve any audit findings and/or questioned costs. Repayment based upon any negotiated settlement should be completed shortly thereafter. (Audit Procedure 07-11 -0013-R-1)