

CHAPTER 1100
FISCAL POLICY AND PROCEDURES

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SECTION 1100: FISCAL POLICY AND PROCEDURES**1101: PURPOSE**

The purpose of this chapter is to provide detailed fiscal policies and procedures which are applicable to funds administered by the Egyptian Area Agency on Aging (EAAA), 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 EAAA will follow in monitoring sub-recipient activities and describe the fiscal compliance responsibilities of the sub-recipient.
- B. Prescribe policies and procedures that will safeguard public funds being used in Older Americans Act and related awards administered by sub-recipient agencies.
- C. Promote the overall efficient financial operations of sub-recipients' awards by generating useful cost data and information by facilitating the exchange of fiscal information between sub-recipient staff and EAAA staff. In addition, the efficiency and effectiveness of the financial operations conducted by the sub-recipients will be monitored through the audit responsibilities specified in this chapter.

1102: DEFINITIONS

Act: The Older Americans Act of 1965, as amended.

Applicant: means the government agency, non-profit agency, or for-profit company that is applying for funding from the Egyptian Area Agency on Aging.

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

Award: means the agreement between the EAAA 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 and contracts 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 sub-grants and subcontracts.

Budget: a plan covering fiscal operations of agencies. May occasionally refer to both fiscal operations and service delivery of agencies.

Budget Year: the beginning and ending dates of the award as specified on the award document.

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 there under, letter contracts and purchase orders. It also includes supplemental agreements with respect to any of the foregoing.

Contractor: means the government agency, non-profit agency, or for-profit company that is awarded a contract by the EAAA, and is responsible for executing the terms and conditions of that contract.

Cost: means cost as determined on a cash, accrual or other basis acceptable to the EAAA in the discharge of the grantee or contractor's accountability for Older Americans Act or related funds.

Cost Allocation Plan: means the documentation identifying, accumulating and distributing allowable costs under awards, together with the allocation methods used.

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 objectives, including specific awards, projects, contracts and other activities.

Department, Department on Aging, IDOA: means the Illinois Department on Aging.

EAAA or Egyptian AAA: means the Egyptian Area Agency on Aging.

Federal Agency: means the Administration on Aging, U.S. Department on Health and Human Services.

Fiscal Year: October 1st of each year until September 30th of the following year unless another twelve month period is specifically identified, such as July 1st to June 30th.

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.

Grant: means the agreement between the EAAA 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 awards 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.

Grant Funds: means grants or contracts funds awarded by EAAA through an award document to a sub-recipient.

Grant Program: means those activities and operations of the sub-recipient which are necessary to carry out the purposes of a grant or contract, including any portion of the program financed by the sub-recipient.

Grantor: means the Egyptian Area Agency on Aging.

Grantee: means the government agency, non-profit agency, or for-profit company that is awarded a grant by the EAAA, and is responsible for executing the terms and conditions of that grant.

Government Agency: means any public agency (State or local government) that has been organized to fulfill those purposes which a government body has been given responsibility to provide (goods, facilities, and services) under State statutes.

IDOA: means the Illinois Department on Aging.

Local Unit: means any political subdivision of government below the State level.

NGA: Notice of Grant Award to a sub-recipient which authorizes the expenditure and reimbursement of grant funds. May be a grant or contract.

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.

Nutrition Providers: organizations approved for funding of nutrition services from EAAA whether it is in the form of a grant or contract.

OAA: Older Americans Act of 1965, as amended.

Other State or local agencies: means departments or agencies of the State or of local units which provide goods, facilities, and services to a sub-recipient.

Prior Approval: means securing the EAAA'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.

Program: organizations approved for funding from EAAA whether it is in the form of a grant or a contract; or the services provided by a sub-recipient.

Project: organizations approved for funding from EAAA whether it is in the form of a grant or contract; or the activities of a grant or contract.

PSA: Planning and Service Area 11. This includes the southernmost thirteen counties in Illinois which are the PSA for EAAA.

RFF: Request for Funding from a sub-recipient.

Service Provider: means the government agency or non-profit institution that is awarded a grant or contract by the EAAA.

Services: means goods and facilities, as well as, services.

Sub-Recipients: organizations approved for funding from EAAA whether it is in the form of a grant or contract.

Subcontractor: Recipient of an award from a sub-recipient.

Supporting Services: This means auxiliary functions necessary to sustain the direct effort involved in administering an award program or an activity that provides a service to the award program. These services may be centralized in the sub-recipient 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.

SECTION 1110: AWARD IMPLEMENTATION**1111: AUTHORITY TO INITIATE PROGRAMS AND INCUR COSTS**

- A. No sub-recipient of EAAA is allowed to incur eligible project costs until the following conditions have been met:
1. The sub-recipient has received an official, properly executed Notification of Grant Award (NGA) or other award document from EAAA.
 2. The sub-recipient has accepted in writing by signing the award document issued by EAAA, all conditions specified in the award document.
 3. In extreme emergency situations such as repairs or replacement of refrigeration equipment needed by a nutrition sub-recipient, verbal approval for expenditures followed up with written concurrence may be given by the Executive Director of EAAA, or Fiscal Manager in the Executive Director's absence.
- B. Moreover, costs must not be incurred until the beginning date of the project, as specified in an award document. Costs incurred prior to this date cannot be reimbursed with OAA or other funds administered by EAAA.
- C. Costs must not be incurred after the ending date of the project, as specified in an award document. Costs incurred after this date cannot be reimbursed with OAA or other funds administered by EAAA.

1112: AWARD PROCESS

- A. Issuance by the EAAA. The EAAA 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 request for funding application has been reviewed by the EAAA and found to be acceptable according to award criteria.
- B. Applicant Acceptance. The EAAA requires that each applicant 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 award. The completed award document, including all terms and conditions, must be signed by an authorized representative of the applicant organization and the EAAA before any expenditure of funds are eligible for reimbursement. While the EAAA does not mandate a prescribed award format which applicants must utilize, applicants must comply with Section 1152.
- C. Removal of Conditions. Awards 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 EAAA will remove them from the award document and so notify the applicant. If conditions are not met within the time specified, the EAAA may withhold funds for the affected portion(s) of the award. The applicant will be notified of the action in writing within ten (10) working days after the effective date, along with information regarding the applicant's legal right to appeal the decision rendered.
- D. New or Revised Awards. Substantive changes in an applicant'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 EAAA. The process for revised budgets and award documents is outlined under Section 1125, which follows.

1113: AWARDS

- A. Award Process. The development and execution of all awards for the provision of services or goods under the OAA or other EAAA administered programs must adhere to the requirements outlined in Section 1142 of this Manual, "Procurement Standards." Section 1142 also describes the conditions under which services may be procured through a negotiation process rather than using an advertised Request for Proposal (RFP).
- B. Award Format.
1. Actual service delivery will normally be carried out by organizations that contract with EAAA. While EAAA does not mandate a prescribed award format which all sub-recipients must utilize, there are certain items that sub-recipients must incorporate, in any proposed contract format. These include the following:
 - a. indicate all parties to the contract;
 - b. define the effective date(s) of the contract;
 - c. state the purpose of the contract;
 - d. reference all applicable laws;
 - e. describe the services to be provided and any related conditions;
 - f. specify the compensation, including amount, method of payment, and required match to be provided (if any), and attach a budget when applicable;
 - g. indicate that the contractor assures its capability to perform the specified services;
 - h. require prior approval of EAAA of any service delivery contracts/grants with profit making organizations;
 - i. list the types of information and data that may be required of the contractor and the records that must be maintained;
 - j. describe the review monitoring and audit rights of the sub-recipient, EAAA, the Illinois Department on Aging, and the Administration on Aging;
 - k. 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;
 - l. provide for a method of modifying, suspending, or terminating the contract, if necessary; and
 - m. address civil rights, bad debts, and bribes.
 2. If revisions in an award or related sub-recipient application will result in a substantive change in the sub-recipient's budget, the proposed revisions to the sub-recipient's budget must be submitted to EAAA for approval prior to any contract changes, according to the provision of the proper Sections of this Manual.

1114: SERVICE AWARDS WITH PROFIT MAKING ORGANIZATIONS

- A. Prior Approval. Pursuant to Section 212 of the OAA, as amended, any service delivery awards with profit making organizations are subject to prior approval of IDOA.
- B. Submission and Review Timetable
A written request for prior approval to enter into an award with a profit making organization must be submitted to IDOA's office sixty (60) days prior to the proposed implementation date for service. All requests will be reviewed by EAAA within thirty (30) days of receipt. The IDOA will issue a decision, in writing, to approve or disapprove the request to enter into an award with a profit making organization within the sixty (60) review period outlined above.
- C. Submission Requirements
The information listed below must be submitted to IDOA and EAAA as a portion of the written request. Additional information related to the approval request may be solicited by IDOA and EAAA in writing during the sixty (60) review period.
1. One copy of the profit making organization's application.
 2. One copy of the proposed, unsigned award document.
 - a. The proposed award 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 sub-recipient.
 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 award 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 award.
- D. Review Criteria For-profit Awards.
1. Were the items required in Section 1113. B. submitted? Are they accurate, correct, and consistent?
 2. The Request for Funding (RFF), application and award for a particular service should coincide with the advertising conducted by the EAAA.
 3. The contents of the application, e.g. funding, demographics, goals, objectives, for-profit activities, etc should agree with the proposed award.

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 EAAA is awarding a grant or contract to a for-profit organization, then language should be entered in the agreement reflecting the special provisions 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 award.
7. If funding for the service provided by the for-profit award 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 award's initiation.
8. If the EAAA currently has a direct service waiver for the same service that an award 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 award, then the EAAA should identify the parts of the application which apply to the award in the request letter.

1115: REVISIONS

The following policies and procedures govern all proposed requests for revision of EAAA administered, awarded programs.

A. Budgetary Revisions**1. Prior Approval Requirements:**

- a. Changes within the budget categories (line items), except for the categories of personnel and equipment, will not require prior approval of EAAA except where noted below. Revisions in the personnel and equipment budget categories will require prior approval of EAAA, regardless of the amount or nature of the revisions.

Further, sub-recipients will be permitted to move funds from one budget category to another within in program. However, no budget category may be changed by an aggregate total of more than ten percent (10%) or \$3,000 during the year without the prior written approval of EAAA.

When budget changes do not require prior approval, the sub-recipient must maintain the regulatory requirement in priority services.

- b. Changes in the direct services a sub-recipient is providing requires prior EAAA approval. Changes within the budgeted amounts for direct services may be made without prior approval if they are within the ten percent (10%) guideline described above.
- c. Changes in the amounts from one service category to another within the same award will not require prior approval unless the amount added to or taken from a service category exceeds an aggregate total of ten percent (10%) or \$3,000.
- d. Changes between local cash and in-kind of less than ten percent (10%) will not require prior approval; however, the minimum requirement of fifteen percent (15%) local match must be maintained at all times for those awards which require a match.
- e. Changes in the project not itemized in this Manual require prior written approval from EAAA.
- f. Changes in Program Income require prior approval from EAAA. Prior written approval is required for permission to carry over Program Income into the following fiscal year.
- g. Changes in units of service or persons served resulting from these changes also do not need prior approval unless they exceed ten percent (10%).
- h. Revision requests requiring prior approval must be approved by NGA if the request contains changes in personnel or equipment line items; if budget categories or units of service change by ten percent (10%), \$3,000, or more; or if direct services provided are added or deleted by the sub-recipient.

2. Submission Requirements
 - a. EAAA will require periodic budget revisions reflecting the above changes made with or without prior approval, to insure sub-recipient budgets are relatively current.
 - b. The budget revision request must include:
 - i) a written summary of the revisions made;
 - ii) three (3) copies of the revised pages;
 - iii) a justification for requests to transfer funds or carry over program income, if required; and
 - iv) all of the above on EAAA approved forms.
 - c. The final fiscal year request for changes in sub-recipients' budget which require prior approval must be submitted as scheduled to EAAA prior to its July Board meeting each fiscal year.

B. Programmatic Revisions.

Requests for revisions in programmatic portions of the sub-recipient's budget should be made through the revision process outlined above.

C. Response to Revision Requests.

Revisions meeting these criteria will be processed in compliance with Title 45 of the Code of Federal Regulations Part 74 "Administration of Grants," Sub Part L, which requires EAAA to respond in writing to revision requests within thirty (30) days. Corrected revision requests will be presented at the next EAAA Board of Directors meeting for formal approval.

1116: TRANSFER OF FUNDS BETWEEN TITLES OF THE OAA

- A. Transfer between Titles of the OAA. Transfers of Federal funds between Titles III-B and III-C are limited to fifteen percent (15.0%) of the amount initially allocated for each program as stated in a written funding allocation communiqué unless a waiver is obtained by the sub-recipient from EAAA to exceed this amount. Transfers in to or out of Title III-D and Title III-E programs are not allowed. Transfers out of the Ombudsman program are not allowed.
- B. Transfers within Title III-C. Transfers of Federal funds between Title III-C-1 to III-C-2 are limited to fifteen percent (15%) of the total amount initially allocated for each program in a written funding allocation communiqué unless a waiver is obtained by the sub-recipient from EAAA to exceed this amount.
- C. Transfers upon Revision. Transfer requests are not required upon submission of budget revisions unless the amount of the previously approved transfer is changed.

SECTION 1120: ACCOUNTING SYSTEM**1121: SETTING UP AND MAINTAINING AN ACCOUNTING SYSTEM**

- A. Organizations that receive OAA or other funds administered by EAAA 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 it meets these requirements. If the existing system is inadequate, the sub-recipient must upgrade that existing system to meet the standards required by this Manual. When a sub-recipient does not have an existing accounting system, it must establish one that meets these standards.
- B. At a minimum, all sub-recipient accounting systems must meet the standards described in this section and all other sections of this Manual, or as otherwise required by EAAA and promulgated beforehand with sufficient time to incorporate the required changes, except in cases of emergency where time is of the essence.
- C. EAAA will provide technical assistance to sub-recipients in the initial establishment or subsequent upgrading of an acceptable Accounting system either in person, by mail, or by telephone. In no fashion, however, will technical assistance provided by EAAA supersede the requirements of this Manual. Sub-recipients receiving technical assistance which they believe is inconsistent with this Manual should contact the EAAA office for further clarification.
- D. On an ongoing basis, EAAA will monitor each sub-recipient's accounting system (monitoring procedures are described elsewhere under the monitoring section of this Manual) to ensure that there is adherence to the required accounting standards. Where inadequacies are found, corrections will be required.
- E. Sub-recipients are required to ensure their contractors establish and maintain appropriate accounting systems. When requested by a sub-recipient, EAAA technical assistance will supplement project assistance to such subcontracts.

1122: ACCOUNTING STANDARDS

The expenditure of all OAA and other EAAA administered funds (as well as State, local, and program income funds utilized to match or supplement such funds) must be accounted for in accordance with the following minimum criteria:

- A. All nonfederal matching resources shall be accounted for separately from other program funds received in the sub-recipient's accounting system.
- B. Records must be maintained that identify adequately the source and application of funds for sub-recipient supported activities. These records shall contain information pertaining to the award and authorizations, obligations, obligated balances, assets, liabilities, outlays and income.
- C. Effective control over, and accountability for, all award funds and real and personal property acquired with such funds must be developed. Recipient agencies of an 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 of expenditures is made of actual with budgeted amounts for the approved award. When specifically required by EAAA, 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 receipt and expenditure of funds by the recipient of an award whenever cash is advanced by EAAA. All requests for cash by sub-recipients shall be made in accordance with reporting guidelines established by EAAA.
- F. Procedures must be designed and carefully followed in determining if expenditures are allowable and insure allocation of eligible costs in accordance with the applicable cost principles present in this Manual.
- G. Accounting records must be supported by source documentation, such as cancelled checks, paid bills, payroll records, 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 award are to be kept readily available for examination by Federal, State, and/or EAAA personnel (or other appropriate persons) authorized to examine OAA or other funds administered by EAAA.

- J. Project service cost obligations incurred by recipients of award shall be liquidated according to the standards set in Section 1140.B.3 of this Manual. No obligations shall be incurred after the ending date of the approved award or fiscal year, whichever occurs first.
 - 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.

1123: FREEDOM OF INFORMATION UNDER ACCOUNTING SYSTEMS

- A. Grantees and contractors must provide access to any books, documents, papers, or records that EAAA, Illinois Department on Aging, the Administration on Aging, 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 under the Federal Freedom of Information Act, 5 USC 552.
- B. EAAA will not place restrictions on sub-recipients that will limit public access to sub-recipients' records or to the records of their 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 or commercial gains.
 5. To comply with the Freedom of Information Act limitations noted in A above.
 6. To protect the confidentiality of individual participants and their program participation information.

1124: BONDING**A. Construction and Facility Improvements:**

1. Scope of this subsection. This subsection covers requirements for bid guarantees, performance bonds, and payment bonds, when a sub-recipient will contract for construction or facility improvement (including alterations and renovations of real property) under an award.
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 the contractor's obligations under the 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 in the contract.
3. Bids and contracts of \$100,000 or less. The sub-recipient shall follow its own requirements and practices relating to bid guarantees, performance bonds, and payments unless EAAA specifies otherwise.
4. Bids and contracts exceeding \$100,000. The sub-recipient shall follow EAAA policy and requirements if EAAA has determined that State and Federal interests will be adequately protected. If this determination has not been made, the minimum requirements shall be as follows:
 - a. bid guarantees from each bidder equivalent to five percent (5%) of the bid price;
 - b. performance bond on the part of the contractor for 100 percent of the contract price; and
 - c. payment bond on the part of the contractor for 100 percent of the contract price.

B. Fidelity Bonds

1. A fidelity bond is a bond indemnifying the sub-recipients against losses resulting from the fraud or lack of integrity, honesty or fidelity of one or more employees, officers or other persons holding a position of trust.
2. If the sub-recipient is not a government, EAAA requires it to carry adequate fidelity bond coverage where the absence of coverage for the award activity is considered as creating an unacceptable risk. In such cases, a fidelity bond not in excess of four months of the agency's average cash flow would be reasonable and would be considered an allowable cost to the award.

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.

Sub-recipients and their subcontractors 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 EAAA.

1125: CASH DEPOSITORIES

- A. Physical segregation and eligibility. Except as provided in paragraph B below, EAAA shall not impose award terms which:
1. Require the sub-recipient to use a separate bank account for deposit of award funds.
 2. Establish any eligibility requirements for banks or other financial institutions in which sub-recipients deposit award 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, sub-recipients and contractors are encouraged to use minority owned banks.

SECTION 1130:**OBTAINING AWARD FUNDS****1131: OBLIGATION OF FUNDS**

The approval and acceptance of an award document officially obligates funds for that award for a given period of time. Obligations establish a ceiling for award funds as distinguished from actual expenditures or payments of such funds. In order to secure all obligated funds, sub-recipients must expend and earn the OAA or other awarded funds in accordance with the approved award document. The following conditions govern obligations:

- A. Sub-recipients may not officially obligate a fiscal year's funds prior to the beginning date of the award document. 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 sub-recipient, EAAA makes obligational authority available to the sub-recipient. Such funds are earned only upon the accrual of an allowable cost and the contribution of the nonfederal share of the 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 carry over funds.
- D. No funds to a sub-recipient of an award may be transferred to another sub-recipient for the same project or for another project. However, within the same fiscal year in which the funds are awarded, a sub-recipient's award can be reduced or terminated and then awarded to another sub-recipient by EAAA.
- E. Funds must be committed, obligated, or encumbered for ordinary and reasonable costs contemplated in the budget, as revised, for a given fiscal period. In addition, the obligation involved should be consummated by the receipt of goods and services and payment for such within 30 days after the end date of the award document. In limited circumstances, a sixty day extension may be granted if approval of EAAA is obtained.

For outstanding obligations involving construction and renovation, completion should reasonably be expected within twelve months following the end date of the award document if prior approval is given by EAAA.

1132: REQUESTS FOR FUNDS AND PAYMENTS

Federal funds under the OAA are awarded by the Administration on Aging to the Illinois Department on Aging. These funds along with State funds are then awarded to EAAA. Similarly, other funds may be awarded to EAAA for administration in the area. EAAA distributes all payments of such funds to sub-recipients as is allowable. EAAA has established a system for distributing OAA and other funds to sub-recipients, which utilizes advances and requests from each sub-recipient. EAAA's request and payment system is outlined elsewhere in this Manual.

1133: MATCHING FUNDS

- A. When an applicant requests OAA or other funds, the applicant should exert all deliberate efforts to ensure that, by the end of the award period, sufficient local cash, allowable in-kind contributions, or a combination of both are available to meet the minimum match requirement, if any, under the award. The provisions will be reviewed by EAAA to assure compliance. Applicants are responsible for determining and verifying allowable costs.
- B. Certain Federal funds are allowable as match against other Federal funds:
1. HUD Community Development Block Grant funds.
 2. Legal Services Corporation funds.
 3. Social Service Block Grant funds.
- C. Nonfederal match used to support other programs is not allowable as match for funds awarded by EAAA.
- D. Interest earned on cash advances of awarded funds may not be used as match. Local match is normally not considered to have been made until expended.
- E. The following matching ratio is required to obtain Federal/State Financial Participation (match): Supportive and Nutrition services - Federal and State funds may be used to pay not more than 85 percent of the costs of these activities.
- F. Three calculations "limit" the amount of Federal and State share due to a sub-recipient. For each award, the total amount of Federal and State cash payments to which a sub-recipient is entitled under the award is the lowest applicable limit less any penalties or credits that may apply.
1. Federal and State funds authorized/approved budget. The Federal and State funds authorized or, in some cases, the Federal and State share of the approved budget is a limit on payments to the sub-recipient.
 2. Allowable costs. The allowable costs incurred by the sub-recipient, and any subcontractors (net of certain exclusions listed below) is a limit on payments to the sub-recipient.
 3. Exclusions:
 - a. value of third party in-kind contributions are not costs to the sub-recipient. Therefore, their value must be excluded from the allowable costs limit.
 - b. allowable costs paid by another Federal award or sub award; or by a non-federal award or sub award; awarded to the same sub-recipient must be excluded from the allowable costs limit. This exclusion does not prevent proration of costs that are allowable under two or more assistance awards to the sub-recipient.

- c. a cost that is counted to meet a cost sharing or matching requirement of another Federal award must be excluded from the allowable costs limit. This exclusion does not apply where Federal law authorizes the use of the Federal funds to meet the cost sharing or matching requirement. Nor does this exclusion apply to costs counted to match a nonfederal award.
 - d. costs for which general program income is used must be excluded from the allowable costs limit.
 - 4. Cost sharing or matching. The limit on Federal and State share payments to a sub-recipient may not exceed the Federal and State participation percentage times the sum of the eligible costs and third party in-kind contributions.
- G. For the purposes of the OAA awards, in-kind shall be defined by EAAA as such allowable items as volunteer hours, donated space, or donated materials which directly benefit the OAA program and provision of its services.
- H. Maintenance of Effort. Sub-recipients must assure that they will not replace funds from local sources, in the amount stated on the notification of award, with funds from Federal or State sources.

1134: FUNDS INCLUDED AS PROGRAM INCOME

- A. Program income means gross income earned by a sub-recipient from activities in which part or all of the cost is either borne as a direct cost by an award from EAAA or counted as a direct cost toward meeting a cost sharing or matching requirement of such an award.
- B. Program income includes, but is not limited to, the following:
1. Income from service fees obtained through the use of a sliding fee scale or suggested donation.
 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 award funds with an acquisition cost of less than \$5,000.
 5. Royalties on patents and copyrights of items partially or fully developed or invented as a result of award funds.
 6. Contributions of sub-recipients and interest on such contributions.
- C. In other cases not specifically excluded or defined in this Manual, EAAA will apply the following tests to determine if a specified 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 sub-recipient; and
 2. Was generated by an activity supported in whole or in part by OAA funds, related matching funds, or other funds administered by EAAA.
- D. The following specific revenues shall not be included as program income:
1. Interest income on Federal/State funds whether earned on advances or the "float." This does not include interest on contributions made by participants of service under a project which is considered program income.
 2. Rebates, discounts, and recoveries.
 3. Income earned by individuals or a group of sub-recipient participants, when such income accrues directly to the participants.
 4. Revenues raised by a sub-recipient which is a government under its governing powers, such as taxes, special assessments, etc.

5. Tuition and related fees received by an institution of education for a regularly offered course taught by an employee performing under an award.
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 award 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 sub-recipients.

Discussion: As a result of the definition of program income (earned from activities funded in whole or in part with award funds) and because organized fund raising costs by regulation cannot be award 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 costs of an award (e.g. match) then income generated is not program income.

1135: ALLOWABLE USES OF PROGRAM INCOME

- A. Royalties from patents and copyrights. Royalties received from copyrights and patents during the project period must be used in conformance with the provisions of paragraph C below. Royalties received 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 total project cost (i.e., project costs for all budget years of the entire period).
- B. Sale of property. Proceeds from the sale of real or tangible personal property whose acquisition cost was borne in part or in whole with OAA or other EAAA administered funds shall be used in accordance with the procedures in paragraph C below.
- C. Other program income. For services funded under Title III of the OAA, sub-recipients are required to use the additional costs methods. Sub-recipients are prohibited from using program income as a cost sharing or matching.
1. Additional costs alternative. Under this method, program 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 award was made. Provided that the costs borne by the program income further broaden 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 program income may be used are:

- a. expanding the project or program.
- b. continuing the project or program after the award ends.
- c. supporting other projects or programs that further the broad objectives of the statute.
- d. obtaining equipment or other assets needed for the project or program or for other activities that further the statute's objectives.

Award recipients under EAAA must receive prior written approval by EAAA for costs borne with program income under this alternative.

D. Additional Requirements

1. All program income earned under Title III of the OAA must stay with the sub-recipient who earns it.
2. All program income earned under Part B, Part C-1, Part C-2, Part D, Part E or any other Part of Title III of the OAA must be used only for services allowable under the part from which it was earned except as provided in (6) below.
3. All program earned must be obligated during the fiscal year in which it is earned, unless approval through the use of the additional costs alternative is received from EAAA. EAAA policy has stipulated that program income carried over into the next fiscal year for operational costs must be used within the first ninety (90) days of the

new fiscal year, and up to one year to expend program income carried over for planned expenditures for equipment or other assets.

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 OAA Title III funds must be used within Title III program from which it is earned, but for any service within that program (i.e., program income earned by any Title III Part B service may be used for expenses for any other Part B service).
6. Program income earned as a result of services provided with OAA Title III Part C-1 or Part C-2 must be used:
 - a. to increase the number of meals served by the sub-recipient involved,
 - b. to facilitate access to such meals, or
 - c. to provide other supportive services directly related to nutrition services.
7. Requests to expend program income using the additional costs method in excess of the amount approved on the Notification of Grant award must be submitted in accordance with this Manual.

E. Special requirements for sub-recipients receiving Section 5311 funds from the U.S. Department of Transportation.

All transportation sub-recipients receiving support from Section 5311 and OAA Title III Part B must report rider donations as program income. Program income collected should be reported under Section 5311 and Title III Part B only to the extent and indirect proportion to every 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, nor can all program income be reported in either Section 5311 or Title III Part B program.

1136: HANDLING PROGRAM INCOME

Program income must be deposited into an appropriate bank account at least weekly or when \$50 has been accumulated, whichever happens first.

1137: ACCOUNTABILITY FOR PROGRAM INCOME

- A. Sub-recipients 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 persons in each other's presence, placed in a safe and secure place until deposited, deposited intact, and deposit receipts compared with count sheets. Such standards require the accurate recording of amounts collected at the sub-recipient and site levels and subsequent use of these funds.
- B. The sub-recipient must account for program income on an on-going basis, and must report such income to EAAA on the established financial reporting system. EAAA will then report program income collected to the Illinois Department on Aging.
- C. Accounting records and reports submitted by a sub-recipient to EAAA 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, sub-recipient funds, and the use of such resources.
- D. Although interest income earned on Federal funds by non-profit organizations is not considered program income, sub-recipient sub-recipients should maintain adequate accounting records on any interest income earned on OAA or other EAAA administered funds. EAAA must approve the proposed use for interest income as an activity which will further the purpose of the project and the Act.
- E. Rebates, discounts, and recoveries on leases should be treated as applicable credits and credited to the Federal award accounts.

1138: PROGRAM INCOME CARRYOVER

Prior written approval from the EAAA is required to carry over program income from one fiscal year to the next.

1139: USE OF INTEREST EARNED ON CASH ADVANCES

- A. Definition of Award Funds: Award funds are any public funds dispensed by a grantor agency to any person or entity for obligation, expenditure, or use, by that person or entity for a specified purpose or purposes.
- B. All interest earned on cash advances of Federal funds must be return to the Federal government. The only exception to this rule is that a Federal funds recipient may retain up to \$250 as an administrative allowance.
- C. Interest earned on State General Revenue Funding cash advances may be utilized for expenses which are not part of the original award if requested by EAAA and approved by the Illinois Department on Aging.
- D. Uses of the General Revenue Funding interest must be limited to purposes which further the broad objectives of the original award.
- E. Interest earned on General Revenue Funding cash advances made to sub-recipients are subject to the provisions of the OAA Act and the policies and procedures set forth in this Manual.
- F. The Illinois Department on Aging and EAAA approval for the use(s) of interest are required for the entire sub-recipient area.
- G. All General Revenue Funding interest earned on cash advances are covered under the Grants Funds Recovery Act and will be considered part of the award principal, unless:
 - 1. The annual total award (grant or contract) is less than \$150,000; and
 - 2. Total interest earned by the sub-recipient remains less than \$1,200 during the period of the award; and
 - 3. Total interest earned by the sub-recipient includes provisions in its audit that interest earned is verified.
- H. General Revenue Funding interest earned must be obligated for expenditure by September 30th of the current year, or the interest will be considered award principal and subject to reclaiming by EAAA.
- I. Policies concerning liquidation of obligations issued for Title III OAA awards will be utilized for obligations incurred against General Revenue Funding interest. (refer to Section 1140 C.3. of this Manual)

- J. Service Providers must request to use excess interest in writing on EAAA provided forms. EAAA will respond to the request within thirty (30) working days.

- K. In submitting the request, sub-recipients 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 110 percent, a new request must be submitted for approval.

SECTION 1140: EXPENDING PROJECT FUNDS

- A. Federal, State, and other funds administered by EAAA must be expended in accordance with established cost policies and procedures. If these policies and procedures are not adhered to by sub-recipients, delays in receiving funds from EAAA or possible disallowance of funds may result. Therefore, sub-recipients 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 EAAA.
- C. The following general policies and procedures for expenditure of OAA and other EAAA administered funds will apply. More specific policies and procedures are contained in appropriate subsections.
1. Approved award documents will specify the maximum amount of OAA or other EAAA administered funds which a sub-recipient is eligible to receive. No additional funds beyond the amount specified in the award document will be available to the sub-recipient unless additional funds are available to EAAA, a Budget Revision Request is submitted to EAAA, and a subsequent award document is executed by EAAA and the sub-recipient.
 2. If, at any time during the budget year, EAAA determines that award funds are being expended improperly, EAAA may require the sub-recipient to cease incurring costs under the OAA or other EAAA administered funds. Ineligible or other improper expenditures must be reimbursed to EAAA. Under such conditions, EAAA will notify the sub-recipient regarding the action being taken, the reasons for the actions, and the conditions and time frame within which corrective procedures must be made.
 3. Funds can be committed by a sub-recipient only during its approved budget year, as specified on the approved award document. All funds must be disbursed by the specified time frames in Section 1131 E.

1141: COST PRINCIPALS APPLICABLE TO AWARDS**A. Purpose and Scope**

1. Objectives. This section sets forth policies for determining allowable costs of OAA and other EAAA funds administered by government agencies and non-profit organizations other than educational institutions and hospitals under awards of the EAAA. 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 award. 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 awards.
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 award programs through the application of sound management practices;
 - b. the sub-recipient assumes the responsibility for seeing that OAA or other EAAA administered funds have been expended and accounted for consistent with all agreements and program objectives; and
 - c. each sub-recipient 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, for-profit, and non-profit institutions under the OAA or other EAAA administered awards and cost reimbursement type contracts (including subcontracts), except those with: (a) publicly financed education; and (b) 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: Refer to Section 1102 of this Manual.**C. Basic Guidelines**

1. Factors affecting whether costs are allowable. To be allowable under the OAA program, costs must meet the following general criteria:
 - a. be reasonable for the performance of the award and be allocable thereto under these 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; and
 - g. be adequately documented.
2. Allocable costs. Are costs 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 OAA program.
 - b. benefits inure to both the OAA 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 sub-recipient, although a direct relationship to any particular cost objective cannot be shown.

Any cost allocable to a particular award or cost objective under the principles provided for in this Section may not be shifted to other Federal programs to overcome fund deficiencies, avoid restrictions imposed by law or award 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 awards 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 OAA or other EAAA administered programs involved to finance operations or capital items of the sub-recipient. This includes cost arising from the use or depreciation of items denoted or financed by the Federal government to fulfill matching requirements under another award program. These types of credits should likewise be used to reduce related expenditures in determining rates or amounts applicable to a given award.

D. Composition of Cost

1. Total cost. The total program cost under OAA or other EAAA administered awards is comprised of the allowable direct cost incident to the conduct of program activities by the sub-recipient, plus its allocable portion of allowable indirect costs, less applicable credits.
2. Classification of costs. There are no universal rules 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 award 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 OAA and other EAAA administered programs is provided in E and F, which follow.

E. Direct Costs

1. General. Direct costs are those that can be identified specifically with a particular award cost objective.
2. Application. Typical direct costs chargeable to an 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, publications, and related functions;
 - e. meetings and conferences, except those held to conduct the general administration of the project;
 - f. other items of expense incurred specifically to carry out the purposes of the award agreement;
 - g. services specifically for an EAAA assisted program furnished by other agencies, provided such charges are consistent with criteria outlined in G below.

F. Indirect Costs

1. Indirect costs are those which are not readily identifiable with EAAA assisted project activities, but, nevertheless, are incurred for the joint benefit of the EAAA award or any other programs which received a share of the same services. Such costs include those incurred internally by the sub-recipient for activities which benefit two or more programs carried on by the sub-recipient. 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, EAAA, the Department on Aging, 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 must cause an equitable distribution of costs. The base is usually the ratio of direct service worker hours, their full time equivalents (FTE), or their salaries and wages (whichever is most equitable). The indirect cost rate is therefore the end product of a series of cost apportionments which distribute costs that jointly benefit two or more programs in some reasonable relation to the benefits derived.

EAAA 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" or "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 sub-recipient. This plan must be made available for review by the sub-recipient to the EAAA and any Federal agency which interacts most frequently with the sub-recipient.

This Cost Allocation Plan must be updated or revised and made available for review to the EAAA whenever the basis of the allocation plan is changed. The final ratios from the plan must be used to report the distribution of final costs across programs.

- b. Indirect Cost Rate. This rate covers the distribution of costs within an individual sub-recipient. The indirect cost rate is evidenced by a letter of rate approval which is received by the sub-recipient. The rate is approved by the agency which impacts greatest (usually the agency that awards the largest sum of money) upon the receipt of award and is approved in accordance with the appropriate OMB Circular(s).
 - c. For further details on paragraph 1 and 2 above, refer to the Code of Federal Regulations published in the Federal Register and its updates.
 - d. In those instances where the U.S. Department of Health and Human Services has negotiated an indirect cost rate with a sub-recipient, EAAA 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 or other EAAA administered awards.
3. Indirect costs incurred by other agencies and organizations in support of OAA or other EAAA administered activities are allowable only if the sub-recipient is charged for, and pays for, the service provided by the affiliated institution (if such costs are "in-kind," the sub-recipient would not "pay" for them).
 4. The following costs are normally included in the indirect cost. If a sub-recipient wishes to charge any of these costs directly, EAAA must be notified in advance so that the indirect cost rate may be analyzed for potential overlap and/or duplication of costs and whether it is allowable. Each sub-recipient 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. EAAA may develop other policies governing indirect costs and detailed procedures to be used by sub-recipients 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 sub-recipients in determining whether selected items of cost are allowable for the conduct of OAA and other EAAA administered 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 allocation of certain items of cost may be difficult to determine. In order to avoid possible subsequent disallowance or dispute based on unreasonableness or allocation of costs, it is important that non-profit institutions receiving assistance from OAA or other EAAA administered funds, seek agreement in advance of the incurrence of special or unusual costs in categories where their reasonableness or allocation of costs are difficult to determine.
 3. Government Agencies. The principles contained in Office of Management and Budget (OMB) Circular, Cost Principles for State and Local Governments, including any amendments to the Circular published in the Federal Register by OMB and State policies (location) are to be used in determining allowable costs of activities conducted by government agencies.
 4. Nonprofit Organizations. The principles contained in Office of Management and Budget (OMB) Circular, Cost Principles for Nonprofit Organizations including any amendments to the Circular published in the Federal Register by OMB and State policies (location) are to be used in determining allowable costs of activities conducted by non-profit organizations.
- H. Allowable Costs and Costs Not Allowed. Failure to include a particular cost item in OMB Circular or this Manual does not imply that it is allowable or not allowable; rather determination of allowable cost 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.
1. Allowable Costs.
 - a. Accounting
 - b. Advertising
 - c. Advisory Councils
 - d. Audit Services
 - e. Bonding
 - f. Budgeting
 - g. Building Lease Management
 - h. Central Stores

- i. Communications
 - j. Compensation for Personal Services
 - k. Depreciation and use allowances
 - l. Donations (received)
 - m. Disbursing Services
 - n. Employee Morale, Health & Welfare Costs
 - o. Exhibits
 - p. Fringe Benefits
 - q. Labor Relations Costs
 - r. Legal Expenses
 - s. Maintenance and Repair Costs
 - t. Materials and Supplies
 - u. Meetings and Conferences
 - v. Memberships, Subscriptions & Professional Activity Costs
 - w. Motor Pools
 - x. Page Changes in Professional Journals
 - y. Patent Costs
 - z. Payroll Preparation
 - aa. Personnel Administration
 - bb. Plant Security Cost
 - cc. Printing and Reproduction
 - dd. Procurement Services
 - ee. Professional Services Cost
 - ff. Profits and Losses on Disposition of Depreciable Property or other Capital Assets
 - gg. Reconversion Costs
 - hh. Recruiting Costs
 - ii. Relocation Costs
 - jj. Rental Costs
 - kk. Royalties and Other Costs for Use of Patents and Copyrights
 - ll. Severance Pay
 - mm. Specialized Service Facilities
 - nn. Taxes
 - oo. Termination Costs
 - pp. Training and Education Costs
 - qq. Transportation Costs
 - rr. Travel Costs
2. Allowable Costs with Prior Approval of the EAAA.
- a. Automatic Data Processing
 - b. Building Space and Related Facilities
 - c. Capital Expenditures
 - d. Insurance and Indemnification
 - e. Management Studies
 - f. Organization Costs
 - g. Overtime, Extra pay shift & Multi-shift Premiums
 - h. Participant Support Costs
 - i. Pre-award Costs

- j. Professional Costs
 - k. Proposed Costs
 - l. Public Information Service Costs
 - m. Publication and Printing Costs
 - n. Rearrangement and Alteration Costs
3. Unallowable Costs.
- a. Bad Debts
 - b. Contingencies
 - c. Contributions
 - d. Entertainment
 - e. Fines and Penalties
 - f. Governor's Expenses
 - g. Idle Facilities & Idle Capacity
 - h. Interest and other Financial Costs
 - i. Legislative Expenses
 - j. Losses on other Awards
 - k. Under-recovery of Costs under Award Agreements
 - l. Lobbying
 - m. Trustees
- I. Nonfederal Resources (Match)
- 1. General. This subsection sets forth criteria and procedures for allowable match and evaluation of cash and in-kind resources in satisfying matching or cost-sharing requirements of OAA programs.
 - 2. Definitions.
 - a. cash resources. Cash resources means a sub-recipient's cash outlay, including money contributed to the sub-recipient 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 sub-recipient or by other public agencies and institutions and 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 benefitting and specifically identifiable with the approved program. This does not include volunteer time contributed by employees of the sub-recipient.
 - c. matching or cost sharing. Matching or cost sharing represents, in general, that portion of the program costs not borne by the Federal government.
 - d. project costs. "Project costs" means 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:
 - i) charges incurred by a sub-recipient as project costs. Not all charges require cash outlays during the award period. Examples are depreciation and use allowance for buildings and equipment;

- ii) project costs financed with cash contributed to the sub-recipient; and
 - iii) project costs financed with in-kind resources contributed from nonfederal sources.
 - b. Nonfederal resources may be accepted as part of a sub-recipient's matching or cost sharing only when they:
 - i) are identifiable from the sub-recipient's records;
 - ii) are not included as resources for any other Federally assisted program;
 - iii) are necessary and reasonable for proper and efficient accomplishment of the program;
 - iv) are types of costs allowable herein;
 - v) are claimed in proportion to the time an item was available for use in the EAAA assisted program;
 - vi) are not borne by the Federal government directly or indirectly under any other Federal program.
- 4. In-kind Resources Not Allowed
 - a. sub-recipients may not claim as in-kind resources:
 - i) the value of discounts allowed by vendors for goods or services purchased with OAA or other EAAA administered funds;
 - ii) the value attributable to the use of radio or television time;
 - iii) U.S. Department of Agriculture donated foods;
 - iv) goods and services normally available free in the community and which would be available whether the agency operated the project or not;
 - v) donated and non-compensated overtime of sub-recipient staff whose regular working hours are paid with EAAA administered funds;
 - vi) contributed time of members of the Board of Directors/Trustees or advisory councils spent in the performance of their duties;
 - vii) outdoor space such as playgrounds, park spaces, and undeveloped lots.
- 5. Valuation of Nonfederal Resources
 - a. Volunteer services
 - i) 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 EAAA administered funds if the service is an integral part of the program. Volunteer time contributed by employees of the sub-recipient may not be counted as an in-kind matching resource.
 - ii) rates for volunteers should be consistent with those regular rates paid for similar work in other activities of the project. In cases where the kinds of skills required for the program are not found in the other activities of the project, rates used should be consistent with those paid for similar work in the labor market in which the sub-recipient competes for the kind of service involved.

- iii) when an employer other than the sub-recipient 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.
 - iv) the number of hours in volunteer services must be supported by the same documentation or methods used by the sub-recipient for its employees unless prior approval is given by EAAA.
 - b. Real Property and Equipment
 - i) if the donor transfers title to the property, the amount to be allowed as matching or cost sharing shall be determined as if the sub-recipient had purchased the property and had paid the fair market value of the property at the time of transfer.
 - ii) if only the 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 sub-recipient had rented the property and had paid the property's fair rental value.
 - iii) EAAA requires that the value of real property and equipment be established by one independent appraiser and certified by the sub-recipient as a precondition to allowing it for matching or cost sharing purposes.
- 6. Matching Federal Funds.
 - a. nonfederal resources used to match other Federal awards may not be used to match Older Americans Act or other EAAA administered funds.
 - b. Federal cash or in-kind resources acquired during current or prior years may not be used to match funds provided by EAAA 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 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 and Senior Volunteer Program are used as nonfederal 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. EAAA may be consulted at any time regarding the current list of Federal funds that are eligible to match other EAAA administered funds.
- 7. Matching State Funds. Unless otherwise specified by EAAA, State funds administered by EAAA may not be used to match other Federal or State funds.

1142: 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 program through the execution of a contract, the sub-recipient must comply with all applicable parent organization contract procurement regulations, particularly as they relate to competitive bidding and selection.
2. Sub-recipients receiving EAAA administered funds may use their own agency procurement policies provided that a procurement whose cost is borne in whole or in part as a direct charge to an EAAA administered funds adhere to the standards set forth in these 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 EAAA administered funds.
4. In accordance with the OAA regulations, it is prohibited for the sub-recipient to delegate to another agency the authority to administer funds. When the EAAA issues an award, the sub-recipient may issue a sub-grant or subcontract for a portion of the service with the prior written approval from the EAAA.
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 OAA programs. These functions must conform to the OAA, 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 EAAA has no obligation to fund any overruns that exceed annual award amounts.
 8. Nothing in the OAA, 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 competitions 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 sub-recipient of the responsibilities arising under its award. The sub-recipient is the responsible authority regarding the settlement and satisfaction of all contractual and administrative issues arising out of procurement 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 sub-recipient is responsible for the resolution of any audit exceptions related to sub-grantee or contractor performance.
- B. Code of conduct. Each sub-recipient shall maintain a code of standard of conduct that shall govern the performance of its officers, employees, and agents in contracting with and expending EAAA administered funds. The sub-recipient's officers, employees, and agents 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 sub-recipient or by contractors or their agents.
- C. Free competition. All procurement transactions of the sub-recipient, 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 sub-recipient should be alert to organizational conflicts of interest or noncompetitive practices among contractors that may restrict or eliminate competition or otherwise restrain trade.

- D. Procurement requirements. The sub-recipient shall establish procurement procedures that provide for, as a minimum, the following:
1. Proposed procurement action shall be reviewed by appropriate sub-recipient officials to avoid purchasing unnecessary or duplicate items. Where appropriate, analysis shall be made of lease and purchase alternatives to determine which would be the most economical and practical procurement.
 2. "Invitations for bids", "requests for proposals", or "requests for funding" will 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 procurement 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 an procurement; and when so used, the specific features of the named brand which must be met by vendors should be clearly specified.
 3. Positive efforts shall be made by the sub-recipient to utilize small business and minority - owned business sources of supplies and services. Such efforts should allow these sources the maximum feasible opportunity to competed 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 appropriated 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. Sub-recipients shall comply with State small purchase dollar limits under \$25,000. If small purchase procedures are used for procurement under an award, 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 G below is necessary to accomplish sound procurement. However, procurement of \$25,000 or less need not be so advertised unless otherwise required by local law or regulation. When formal advertising is employed by the sub-recipient:
1. A sufficient time prior to the date set for opening of bids, the bids shall be solicited from an adequate number of known suppliers. In addition, the invitation should be publicly advertised.
 2. 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.

3. All bids should be opened publicly at the time and place stated in the invitation for bids.
4. 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.
5. 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 to all the material terms and conditions of the invitation for bids, is lowest in price.

G. Competitive Negotiated Procurement.

1. Competitive negotiation may be used if conditions are not appropriate for the use of formal advertising. 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 of the sources submitting offers, and either a fixed price or cost reimbursement type contract is awarded, as appropriate.

If competitive negotiation is used for procurement under an award, 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 sub-recipient shall provide mechanisms for technical evaluation of the proposals received, determination of reasonable vendors for the purpose of written or oral discussions, and selection for contract award.
- d. awards may be made to the responsible vendor whose proposal will be most advantageous to the procuring party, price and other factors considered. Unsuccessful vendors should be notified promptly.
- e. sub-recipients 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.
- f. sub-recipients may utilize competitive negotiation procedures for procurement of service/equipment in emergencies, whereby the competitor's technical and maintenance qualifications are evaluated and the most qualified competitor is

selected, subject to negotiation of fair and reasonable compensation, if prior written approval is obtained from the EAAA.

2. Notwithstanding the existence of circumstances justifying negotiation, competition shall be obtained to the maximum extent practicable.

H. Noncompetitive Negotiation or Sole Source Awards.

1. Noncompetitive negotiation is procurement through solicitation of a proposal from only one source, or after solicitation of a number of sources, competition is determined inadequate. Noncompetitive negotiation may be used when the award of a contract is not feasible under small purchase, competitive bidding (formal advertising) or competitive negotiation procedures. Circumstances under which a contract may be awarded by noncompetitive 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. EAAA authorizes noncompetitive negotiations; or
 - d. after solicitation of a number of sources, competition is determined inadequate.

- I. Procurement system. Sub-recipients 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, sub-recipients 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 Negotiated Procurement.

1. Justification for the use of negotiation in lieu of advertising should include the following:
 - a. if the sub-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 program.
 - b. Where the sub-recipient 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 sub-recipient 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 performances, 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 sub-recipient 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 sub-recipient 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 OAA funds.
 2. In awarding such contracts, the sub-recipient 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 contracts 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 sub-recipient, 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 less than \$2,500) shall include provisions giving access to, and requiring retention of, the contractor's records.
 - d. provisions for compliance with Executive Order Number 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 the Copeland "Anti-Kick Back" Act (18 USC 874), as implemented in Department of Labor Regulations (29 CFR Part 3). The sub-recipient shall report all suspected or reported violations to EAAA.
 - f. Where appropriate, all construction contracts exceeding \$2,000 awarded by the sub-recipient, and all other awarded by them which exceed \$2,500 and which involve the employment of mechanics and laborers, shall include a

provision of compliance with Section 103 and 107 of the Contract Work Hours and Safety Standards Act (40 USC 327-330), as implemented by Department of Labor Regulations (20 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. Sub-grants and subcontracts 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 Non-procurement 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.

1143: TREATMENT OF FUNDS NOT SPENT

- A. OAA appropriations are enacted 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 prescribed by the law.

Failure to expend annual funds fully is not only inconsistent with legislative intent, 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 as a reflection of a lack of need for funds.

For these reasons, sub-recipients are under strongest obligation to plan and implement their program activity and expenditures to fully and effectively utilize their total funding in the fiscal year for which it is allocated.

- B. Any portion of the balance of awarded funds at year end which is not obligated at the end of the time frames described in Section 1140.B.3 revert to EAAA for reallocation at its discretion.
- C. EAAA may allocate any unspent funds to the original sub-recipient as carry over balance, allocate it to an area or state-level initiative, reallocate the funds among only sub-recipients 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 sub-recipients able to spend all or substantially all of their annual allocation.
- D. EAAA reserves the right to annually reconsider unspent carryover funds in order to allocate such funds for such purposes and in such a manner as best meets the agency's goals and objectives under the Area Plan and/or is responsive to the needs of older individuals within the service area.

SECTION 1150: RETENTION OF RECORDS**1151: APPLICABILITY**

This section applies to all financial and programmatic records supporting documents, statistical records, and other records of sub-recipients of EAAA, and the subcontractors of sub-recipients.

1152: LENGTH OF RETENTION PERIOD

- A. Except as provided for in B, C, D, and E hereunder, records must be retained for three (3) years from the starting date specified in Section 1153 of this Manual.
- B. If any litigation, claim, negotiation, audit or other action involving a sub-recipient's records has been started before the expiration of the retention 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 retention period, whichever is later.
- C. In order to avoid duplicate record keeping, EAAA may make special arrangements with sub-recipients to retain any records that are continuously needed for joint use. EAAA may request transfer of records to its custody when it determines that records possess long-term value. Under such conditions, the retention period is not applicable to the sub-recipient.

Similar provisions may apply between sub-recipients and their sub-grantees and subcontractors.
- D. Copies of original records may be substituted for the original records if authorized in advance by the EAAA in writing. 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.

1153: STARTING DATE OF RETENTION PERIOD

- A. General. Where an EAAA award is continued or renewed on an annual basis, the retention period for each year's records starts from 30 days after the date of submission to EAAA of the sub-recipient's annual or last expenditure report for that year. In all other cases, the retention period starts from 30 days after the date of submission to EAAA of the sub-recipient's final expenditure report.

If any litigation, claim, negotiation, audit or other action involving a sub-recipient's records has been started before the expiration of the retention 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 retention period, whichever is later.

- 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 EAAA.
- C. Records for income transactions after the end date of the award. In some cases, EAAA requirements concerning the disposition of program income may be satisfied by applying the income to costs incurred after expiration or termination of an award 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 sub-recipient'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 an award. Under such conditions, the retention period for the records pertaining to the earning of the income starts from the end of the sub-recipient's fiscal year in which the income is earned.

- D. Indirect cost rate proposals, cost allocation plans, etc.
1. Applicability. This sub-paragraph 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 charge back 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/ State government or to EAAA to form the basis for negotiation of the rate, then the 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 / State government or to EAAA for negotiation purposes, then the 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.

1154: ACCESS TO RECORDS

- A. Federal funds. The U.S. Department of Health and Human Services, the Comptroller General of the United States, the Illinois Department on Aging, EAAA, 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 an award of Federal funds made by the EAAA in order to make audit examinations, excerpts and transcripts.
- B. State funds. Similarly, the EAAA, or its authorized representatives, shall have access to records pertaining to awards 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 EAAA that the records must be kept confidential and would have been accepted 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 award under review.

1155: CONFIDENTIALITY OF PERSONAL INFORMATION

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

SECTION 1160:**AUDITS****1161: PURPOSE OF AUDITS**

The purpose of sub-recipient financial and compliance audits shall be to determine the effectiveness of the financial management systems and internal procedures established by a sub-recipient to meet the terms of its award and to determine whether the sub-recipient 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 award.

1162: GENERAL AUDIT REQUIREMENTS

- A. All sub-recipients who receive financial assistance through the EAAA 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 EAAA.
- 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 judgments. 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 sub-recipient is an agency of a unit of general purpose government, the sub-recipient may contract with an audit division thereof subject to the prior approval of the EAAA 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 be conducted on an annual basis.
- E. Where a sub-recipient is operated within a multipurpose organization or one which operates more than one aging project, the sub-recipient should 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 EAAA administered funds must be proportional to the share of the audit dealing with the OAA program.

All non-profit agencies receiving \$500,000 or more in total Federal assistance annually are required to undergo organizational wide audits in compliance with Circular A-133.

Non-profit agencies receiving less than \$500,000 in annual Federal assistance must undergo an audit using either Circular A-133 or Government Accounting Standards ("Yellow Book" standards). All agencies receiving Federal or State assistance must maintain records available for review by appropriate officials of the EAAA.

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

1163: 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 Illinois Department on Aging, EAAA, or other appropriate units of State government to conduct an audit of an award's activity.

1164: AUDIT ENGAGEMENT LETTER (Audit Procedures 07-11-0007-R-2)

A sub-recipient will ensure the contract with the auditor is covered by an audit engagement letter which, at a 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 not tested 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 EAAA administered sources of funds based on a reasonable distribution plan. Audit fees for program audits will be allocated to applicable programs based upon 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 or subcontractor's audit report and the reporting of the disposition of any findings and/or questioned costs.

1165: SCOPE OF AUDIT

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

- A. Each sub-recipient is responsible for securing its own nonfederal organization-wide financial and compliance audit. (Department on Aging's Audit Procedure 07-11-0005-R-2)
- B. Each sub-recipient is responsible for securing its own non-federal program financial and compliance audit. A sub-recipient may elect to have an organization wide financial and compliance audit performed in lieu of a program audit. (Department on Aging's Audit Procedure 07-11-0005-R-2)
- C. Commercial organizations having cost type contracts with EAAA are required to secure a contract audit. Provided there has been an advertised or competitively negotiated contract award or a fixed price of fixed reimbursement rate contract, such contracts whether awarded to commercial or non-profit organizations need not be audited, although sub-recipients 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 EAAA of policies, guidelines, evaluation reports, correspondence and other appropriate records at the headquarters of the EAAA, or at the sub-recipient's headquarters.
- E. Audit of the sub-recipient's financial records for the period beginning with the start of the award or starting from the last prior audit, whichever is later. (Department on Aging's Audit Procedure 07-11-0004-R-2)
- F. Audit of the degree of conformance the sub-recipient has attained in complying with significant compliance requirements that could have a material effect upon the sub-recipient's financial position.
- G. Organization wide audits are to be performed on the basis of the sub-recipient's fiscal year. Program audits may be performed either on the sub-recipient's fiscal year or the award's program year. (Department on Aging's Audit Procedure 07-11-0006-R-1)
- H. Review of the propriety of expenditures under the terms of the award and U.S. Department of Health and Human Services, Illinois Department on Aging, and EAAA's policies and guidelines.

1166: AUDIT REPORTS

All agencies must follow the Single Audit requirements of OMB Circular A-133 (or OMB Circular A-128 if applicable) unless the agency receives less than the minimum total federal funding and/or federal in-kind donations required for a Single Audit. Any agency which receives less than the total federal funding required for a Single Audit must undergo an audit using either Circular A-133 or Government Accounting Standards (“Yellow Book” standards).

- A. The sub-recipient and/or its auditor must submit the following reports to the Area Agency on Aging:
1. Statement of Financial Position, State of Activities, and Statement of Cash Flows relating to each award program.
 2. Statement of Budgets, Expenditures and Balances by line item for each award 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 EAAA.
 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 EAAA.
 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 subcontractor’s audit reports for compliance with appropriate OMB circulars and summarize the findings of each and the sub-recipient’s disposition of any questioned costs.
 8. Such other statements and narratives as the auditor may consider appropriate in the circumstances.
 9. A schedule of Federal Awards identifying all major programs and the expenditures for each program in accordance with the provision of OMB Circular A-133.

10. A detailed schedule of revenue received from the EAAA. The schedule should include a description of funds, identification as federal or state funds, if federal funds, the CFDA number, and the total amount received from the EAAA.
- B. The sub-recipient's audit field work must begin within seventy-five (75) days of the close of the sub-recipient's fiscal year. The EAAA requires access to work papers and two copies of the draft audit by January 15th (or 90 days after the end of the sub-recipient's fiscal year if it is not September 30th) and final audit and management letters by February 15th (or within 120 days of the end of the sub-recipient's fiscal year if it is not September 30th).
 - C. If any deficiencies or recommendations are included in the audit report, the sub-recipient must indicate how it proposes to take corrective action. This response must be included as a part of the final audit report of the agency for the period under audit.
 - D. EAAA actions:
 1. The EAAA may subsequently monitor the sub-recipient to verify that appropriate actions are being taken to fulfill audit recommendations.
 2. If audit findings of a sub-recipient are deemed sufficiently serious by the EAAA, the EAAA may immediately begin suspension or termination procedures, as outlined in this Manual.

1167: RESOLUTION OF AUDIT FINDINGS

Sub-recipients 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)

1168: DISTRIBUTION OF THE COST OF A UNIFIED AUDIT

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

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

Provider's Name
 Schedule of Revenue, Local Match, & Expenditures for Funds Received from the EAAA
 Year Ended Month XX, 20XX

	Title III				Title VII			Raising Omb	Under 60	Senior	Total
	Part B	Part C1	Part C2	NSIP	Part D	Part E	EA		Grandparents Grandchildren	Health Assistance	
CFDA # for Federal Funds	93.044	93.045	93.045	93.053	93.043	93.052	93.041	93.042	-----	-----	
Revenue & local match:											
Federal, state & program income:											
Federal funds	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX			XXXX
State funds	XXXX	XXXX	XXXX		XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
Program income		XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
Total federal, state & program inc.	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
Other funding sources:											
Local cash	XXXX	XXXX	XXXX		XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
In-kind donations	XXXX	XXXX	XXXX		XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
Other, if any describe by source	XXXX	XXXX	XXXX		XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
Total other funding sources	XXXX	XXXX	XXXX		XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
Expenditures	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
Net surplus/(deficit)	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX

This is a sample schedule. All programs are not represented in the columns shown above. Providers should include a column for every type of funding received from the EAAA.

SECTION 1170: CLOSING OUT A SUB-RECIPIENT'S BOOKS**1171: DEFINITION**

"Award closeout" means the process by which EAAA determines that all applicable administrative actions and all required work of the award have been completed by the sub-recipient.

1172: GENERAL REQUIREMENTS

- A. In closing out an award, the following requirements shall be observed:
1. Upon request, the EAAA 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 EAAA, any unobligated balance of cash advanced to the grantee or contractor.
 3. The grantee or contractor shall submit, within 60 days of the date of expiration or termination, all financial, performance and other reports required by the terms of the award.
 4. The EAAA 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 award.
- B. The closeout of an award does not affect the grantee's or contractor'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 an award does not affect the retention period for, or Federal or State rights of access to, award records.
- D. If an award is closed out with an audit, the EAAA retains the right to disallow and recover an appropriate amount after fully considering any recommended dis-allowances resulting from an audit which may be conducted later.
- E. Grantees and contractors must clear all obligations incurred during a budget year within 30 days after the end of that budget year (or the termination date of the project) and before the Final Financial Report is completed.

1173: AWARD CLOSEOUT

- A. All sub-recipients who receive Older Americans Act, State or other EAAA administered funds should close their project books for a budget year as soon as possible after the final project year ends, but no later than 30 days after the fiscal year ends.
- B. Also, sub-recipients 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 30 days after operations terminate.
- C. Projects may close out or terminate for several reasons:
 - 1. The sub-recipient 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. EAAA must reallocate funds after a prescribed number of years in order to assist other geographic areas or projects.
 - 4. The sub-recipient may be terminated by EAAA due to inadequate performance or related factors.
- D. Whichever reason exists for discontinuing sub-recipient funds, such discontinuance will require certain procedures for closing the sub-recipient's books. The policies and procedures in this section must be adhered to in such circumstances.
- E. 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.
- F. If a grant or contract is closed out without an audit, EAAA retains the right to disallow and recover an appropriate amount after fully considering any recommended dis-allowances resulting from an audit which may be conducted later.

1174: AMOUNTS PAYABLE TO EGYPTIAN AREA AGENCY ON AGING

For each award, the following sums shall constitute a debt or debts owed by the sub-recipient to EAAA, and shall, if not paid upon demand, be recovered from the sub-recipient or its successor or assignees by appropriate action as provided by law:

- A. Any award funds paid to the sub-recipient by EAAA in excess of the amount to which the sub-recipient is finally determined to be entitled under the terms of the award.
- B. Any royalties or other special classes of program income which, under the terms of the award or the provisions of this Manual, are required to be remitted to EAAA.
- C. Any amounts due EAAA under the property provisions of this Manual.
- D. Any other amounts finally determined to be due EAAA under the terms of the award.
- E. Sub-recipients must assure that facilities which are altered or renovated using EAAA administered funds are used for appropriate purposes for at least five years after completion of the alteration or renovation. Sub-recipients shall recapture a portion of Federal / State funds from the sub-recipient if within five years after completion of the alteration or renovation:
 - 1. The owner of the facility ceases to be a public or non-profit private agency or organization, or
 - 2. The facility is no longer used for aging 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. Service Providers 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 sub-recipient's current Notification of Grant award. Such cash will be treated as "Cash on Hand" or carryover funds.

1175: DISPOSAL OF EQUIPMENT

The sub-recipient must dispose of equipment purchased in whole or in part with EAAA administered funds according to procedures outlined in Section 1191 of this Manual, "Property Management Policies."

1176: RETENTION OF RECORDS

When a sub-recipient closes its books or ceases to receive EAAA administered funds, it nevertheless must retain certain records for a prescribed period. The specific policies which must be followed are described in Section 1150, "Retention of Records."

1177: TERMINATION OF OBLIGATIONS

If a sub-recipient 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 sub-recipient 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 an award means temporary withdrawal of the sub-recipient's authority to obligate funds pending corrective action by the sub-recipient or a decision by EAAA to terminate the award.
- B. Basis of suspension:
1. When a sub-recipient has materially failed to comply with the terms of an award, EAAA may, upon reasonable notice to the sub-recipient, suspend the award in whole or in part.
 2. If a project or program is supported over two or more funding periods, an award 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. EAAA will notify a sub-recipient in writing of its intent to suspend a sub-recipient. The written notification of suspension will state the reasons for the suspension, any corrective action required of the sub-recipient 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 EAAA's responsibilities to protect Federal and State interests.
 2. A suspension shall remain in effect until the sub-recipient has taken corrective action satisfactory to EAAA, or given evidence satisfactory to EAAA that such corrective action will be taken, or until EAAA terminates the award.
 3. A suspension may apply to either all or only a part of a sub-recipient'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 sub-recipient (or the suspended portion) will automatically be terminated.
- E. Costs incurred during suspension:
1. New obligations incurred by the sub-recipient during the suspension period will not be allowed unless EAAA expressly authorizes them in the notice of suspension or an amendment to it. Necessary and otherwise allowable costs which the sub-recipient could not reasonably avoid during the suspension may be allowed, at EAAA's discretion, if they result from obligations properly incurred by the sub-recipient before

the effective date of the suspension and not in anticipation of suspension or termination.

2. At the discretion of EAAA, 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, EAAA will determine whether all or a portion of the sub-recipient balance of funds on hand must be returned to EAAA. This determination will be based on the amount of unearned Federal and/or State funds the sub-recipient has on hand, the anticipated length of suspension, the extent of the sub-recipient's operation as suspended, and the fund balance on hand.
2. Appropriate adjustments to payments under the suspended award will be made either by withholding subsequent payments or by not allowing the sub-recipient credit for disbursements made in payment of unauthorized obligations incurred during the suspension period.

G. Reinstatement of a suspended sub-recipient:

1. EAAA may reinstate a suspended sub-recipient 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 sub-recipient if approved by EAAA at the previously established matching ratio.

1182: TERMINATION

- A. Definition. "Termination" means permanent withdrawal of the sub-recipient'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 sub-recipient. Termination does not include:
1. Withdrawal of funds awarded on the basis of the sub-recipient underestimate of the unobligated balance in prior period not obligated.
 2. Refusal by EAAA to extend an award or extend additional funds (such as refusal to make a competitive or noncompetitive continuation, renewal, extension or supplemental award).
 3. Withdrawal of the balance of the expiration of an award not obligated.
 4. Annulment, i.e., voiding, of an award upon determination that the award was obtained fraudulently or was otherwise illegal or invalid from inception.
- B. Basis for termination. Termination of sub-recipient activities may result because of two major reasons:
1. "Termination for cause" shall result when EAAA determines that the sub-recipient has failed to comply with the significant conditions of the agreement, e.g., inadequate performance or the unavailability of nonfederal matching.
 2. "Termination for convenience" shall result when EAAA and the contractor determine mutually that the continuation of the sub-recipient would not produce beneficial results commensurate with the further expenditure of funds. Termination may be initiated:
 - a. by EAAA with the consent of the contractor, in which case the two 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 sub-recipient upon written notification to EAAA 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, EAAA determines that the remaining portion of the contract will not accomplish the purposes for which the contract was made, EAAA may terminate the contract in its entirety.
- C. Notification of termination. When EAAA terminates support for a sub-recipient, it will notify the sub-recipient in writing of the action to be taken, the reasons for such action and the right of the sub-recipient to appeal the termination.

D. Conditions of a termination:

1. When an award is terminated for cause, the sub-recipient shall not incur new obligations for the terminated portion after the effective date, and shall cancel as many outstanding obligations as possible. EAAA will allow full credit to the sub-recipient for the Federal and State share of the non-cancelled obligations properly incurred by the sub-recipient prior to termination.
2. When an award is terminated for convenience, EAAA will provide the contractor with guidance regarding further eligibility of obligations.

E. Closing out a sub-recipient after termination. When a sub-recipient is terminated, the sub-recipient must submit final program and financial reports to EAAA. 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: "Closing Out a Sub-recipient" must be followed.

SECTION 1190: MISCELLANEOUS POLICIES AND PROCEDURES**1191: 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 EAAA administered funds. Sub-recipients may follow their own property management policies and procedures if they observe the Requirements of this subsection.
- B. Definitions.
1. "Acquisition of property" includes purchases, 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 sub-recipient's regular accounting practices.
 3. "Non-expendable personal property" means tangible personal property having a useful life of more than one year and/or acquisition cost of \$5,000 or more per unit. A sub-recipient 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, improvements, structures and appurtenances thereto, excluding movable machinery and equipment.
- C. Real property. Title to real property whose acquisition cost was born in whole or in part by EAAA administered funds shall vest in the sub-recipient 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 sub-recipient shall use the real property for the purposes authorized by the sub-recipient award as long as needed.

2. The EAAA may authorize a sub-recipient to use the property for the following purposes when the EAAA determines that the property is no longer needed for the originally authorized purposes:
 - a. activities sponsored by other Federal/State awards (regardless of which Federal/State agency makes the other awards);
 - b. activities which have purposes consistent with those of EAAA administered funds; or
 - c. such other public interest purposes which are in the interest of the U.S. Government to have pursued as determined by EAAA.

3. Disposition of Property:
 - a. When no longer used in accordance with section C.1 and 2 above, the sub-recipient shall return the control of all real property to the EAAA whose acquisition cost was born in whole with EAAA administered funds. If the acquisition cost of the property was born in part by such funds, the sub-recipient may be relieved of accountability to the EAAA with respect to the Federal / State interest in the property by compensating EAAA for the OAA or other EAAA administered fund's fair share of the current value of the property. Or, if the sub-recipient no longer needs the property, by selling it and compensating EAAA for its fair share of the sale proceeds.

 - b. The amount of compensation to EAAA under "a" above shall be computed by applying the percentage of EAAA administered funds participation in the cost of its purchase or the cost of the program for which the property was acquired to the property's current fair market value (if the sub-recipient retains the property) or to the proceeds from the sale (if the sub-recipient sells the property).

D. Non-expendable Personal Property:

1. Title to non-expendable personal property whose acquisition cost is borne in whole or in part by EAAA administered funds shall be vested in the sub-recipient upon acquisition and, except as provided in Section 1142 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 sub-recipient shall use the property as long as there is a need for such property to accomplish the objectives of EAAA administered programs, whether or not the sub-recipient continues to be supported by such funds.
 - b. when there is no longer a need for the property to accomplish the objectives of the program, the sub-recipient may use the property in connection with other Federal awards it has received in the following order of priority:
 - i) for other awards made by EAAA needing property, and
 - ii) for awards of other Federal (including non-EAAA) awards needing the property.

- c. When the sub-recipient no longer has need for such property in any of its Federal or State financed activities, the property may be used for the sub-recipients own official activities in accordance with the following standards:
 - i) if the property had an acquisition cost of less than \$5,000 per unit and had been used four years or more: 1) the sub-recipient may use the property without reimbursement to EAAA, or 2) sell the property and retain the proceeds.
 - ii) for all such property not covered under "i)" above, the sub-recipient may retain the property for its own use provided that a fair compensation is made to EAAA for the Federal and State share of the property. The amount of such compensation shall be computed in accordance with this subsection.
- 3. Disposition. If the sub-recipient has no need for property, disposition of the property shall be made as follows:
 - a. if the property had an acquisition cost of less than \$5,000 per unit, the sub-recipient shall sell the property and reimburse EAAA in accordance with "b", "iii)" below.
 - b. If the property had an acquisition cost of over \$5,000 per unit, the sub-recipient shall request disposition instructions from EAAA which will issue instructions to the sub-recipient within 120 days following the receipt of such request, and the following procedures shall govern:
 - i) if the sub-recipient is instructed to ship the property elsewhere, the sub-recipient shall be reimbursed an amount which is computed by applying the percentage of the sub-recipient's award participation in the cost of the program to the current fair market value of the property, plus any shipping or interim storage costs incurred.
 - ii) if the sub-recipient is instructed to otherwise dispose of the property, it shall be reimbursed for the costs incurred in such disposition.
 - iii) if the disposition or other instructions are not issued within the 120 day period specified in "b" above, the sub-recipient shall sell the property and reimburse EAAA with an amount which is computed by applying the percentage of Federal and State participation in the program's costs to the sale proceeds. The sub-recipient may, however, deduct and retain from the amount \$500 or ten percent (10%) of the total sale proceeds, whichever is greater, for its selling and handling expenses.

E. Transfer of Title to Certain Property:

- 1. Where the EAAA determines that an item of non-expendable 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 sub-recipient to transfer title to the property to EAAA or to a third party named by the EAAA.

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 express special condition in the program award or, if approval for the acquisition of the property is given after the program 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 program award or otherwise made known in writing to EAAA.
 - c. EAAA may not exercise the right until the sub-recipient 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 sub-recipient continues to conduct its activities after that date and demonstrates to EAAA a continued need for the property.
 - d. in order to exercise its right, EAAA must issue disposition instructions to the sub-recipient no later than 120 days after the sub-recipient no longer needs the property in the sub-recipient for which it was acquired. If instructions are not issued within that time, EAAA's right shall lapse, and the sub-recipient shall act in accordance with the applicable standards in D.2.a., b., c. and D.3.b. above.
 - e. the sub-recipient shall be entitled to reimbursement for any shipping and interim storage costs it incurs pursuant to EAAA's disposition instructions.
- F. Property management standards. Sub-recipients 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. 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 EAAA administered 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 sub-recipient reimburses EAAA for the Federal/State 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 OMB Circular A-110, Property Standards, .33 (a) (1) and Part 92, Section 92.32 (f) (2), each sub-recipient is required to maintain and annually update an inventory listing of property in their custody purchased in whole or in-part with EAAA awarded funds. This inventory listing must be made available to the EAAA by September 30th, of each year.
- G. Expendable personal property:
1. 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 sub-recipient's EAAA administered 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 sub-recipient award have a useful life longer than the period of need of the sub-recipient or program for which they were acquired. The sub-recipient may, at its option, either retain or sell such items when no longer needed for any Federal / State sponsored activity (including activities sponsored by Federal agencies other than the U.S. Department of Health and Human Services). However, compensation to EAAA shall be required if the aggregate fair market value of all such items acquired under the same sub-recipient award exceeds \$5,000 when no longer needed for any Federal / State 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 EAAA administered funds shall vest in the sub-recipient 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 sub-recipient pursuant to paragraph "1" above, EAAA shall have the right to require the sub-recipient to transfer "title" to the item of property to EAAA or to a third party named by EAAA. The right may be exercised at any time, but no later than 12 months after EAAA has received the final Financial Status Report (from HHS 601T or other final financial report serving an essentially equivalent function) from the sub-recipient after completion or termination of activities for which the property was acquired. If the right is exercised, the sub-recipient shall be entitled to reimbursement for the costs incurred in transferring the property.

I. Copyrights.

When a book or other copyright material is developed under a sub-recipient award, the author or sub-recipient is free to copyright the work, but EAAA, the Illinois Department on Aging, and the Administration on Aging shall have a royalty free, non-exclusive and irrevocable license to reproduce, publish or otherwise use (and to authorized others to use) the work for government purposes. EAAA 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 Federal / State participation in the cost of the sub-recipient 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 sub-recipient award during the year in which the property was acquired.

END OF FISCAL STANDARDS