

SECTION 600:

GRANTS ADMINISTRATION

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SECTION 600: GRANTS ADMINISTRATION**601. Purpose of Section**

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

- A. Provide service providers with instructions on the proper procedures for obtaining and expending Older Americans Act and Illinois General Revenue Fund monies.
- B. Provide service providers with instructions on how to record fiscal activities.
- C. Prescribe for service providers the required procedures for reporting fiscal activities to the Area Agency.
- D. Outline the procedures that the Area Agency will follow in monitoring grant and/or contract-related activities and describe the fiscal compliance responsibilities of service providers.
- E. Ensure fair and prompt review actions by the Area Agency.
- F. Prescribe policies and procedures that will safeguard public funds being used in Older Americans Act and Illinois General Revenue Fund programs.
- G. Promote the overall efficient financial operations of service providers by generating useful cost data and information by facilitating the exchange of fiscal information between service providers and the Area Agency.

602. Grant and/or Contract Award Implementation

- A. Awards will be made in the form of ***grants, federal assistance contracts, and procurement contracts***. Applicable federal rules and federal program compliance requirements differ among grants, federal assistance contracts, and procurement contracts.
 - A. Grants and federal assistance contracts will comply with Title 45 of the Code of Federal Regulations:
 - a. OMB Circulars A-102, A-110 (Uniform Administrative Requirements);
 - b. OMB Circulars A-133 (Federal Audit Requirements); and
 - c. OMB Circulars A-122, A-87, A-21, FAR Subpart 31.2 (Cost Principles).
 - B. Procurement contracts will comply with portions of Title 45 of the Code of Federal Regulations:

- a. OMB Circulars A-102.36 & A.110-40 (Procurement Section of the Uniform Administrative Requirements); and,
 - b. OMB Circulars A-122, A-87, A-21, FAR Subpart 31.2 (Cost Principles).
- c. Specific services under grants, federal assistance contracts and procurement contracts are described below:

Grants: Title III-C Nutrition Services - congregate meals, home delivered meals and individual needs assessments.

Federal Assistance Contracts: Senior Information Services (SIS), transportation, assisted transportation, counseling, home health, legal assistance, money management, medication management, multi-purpose senior center operations, and caregiver advisory services.

Procurement Contracts: Case management services and respite services purchased under the Respite Demonstration Project.

- C. Authority to Initiate Programs and Incur Costs. No service provider of the Area Agency is allowed to incur eligible program costs until the following conditions have been met:
- 1. The service provider has received an official, properly executed Notification of Grant Award and/or contract from the Area Agency.
 - 2. The service provider has accepted all conditions specified in the award document by signing the Notification of Grant Award and/or contract from the Area Agency.
- D. Moreover, costs must not be incurred until the beginning date of the program, as specified in the Notification of Grant Award and/or contract.

Costs incurred prior to this date cannot be reimbursed with Older Americans Act and/or Illinois General Revenue Fund monies administered by the Area Agency.

603. Grant and/or Contract Award Process

- A. Issuance by the Area Agency. The Area Agency uses a Notification of Grant Award (NGA) or contract to officially approve an applicant's request for Older Americans Act and/or Illinois General Revenue Fund financial assistance, and to specify the terms and conditions that must be adhered to in implementing an approved grant or contract activities. A Notification of Grant Award (NGA) and/or contract is issued when the grant/contract application has been reviewed and approved by the Area Agency according to award criteria.
- B. Service acceptance. The Area Agency requires that each service provider accept in writing the conditions of the Notification of Grant Award (NGA) and/or contract. The

format of the Notification of Grant Award (NGA) and/or contract provides for the incorporation of terms and conditions specific to each grant or contract award. The completed Notification of Grant Award (NGA) and/or contract, including all terms and conditions, must be signed by authorized representatives of the service provider organization and the Area Agency before any costs may be incurred against the grant and/or contract.

- C. Removal of conditions. Programs that are approved with conditions stipulated in the Notification of Grant Award (NGA) and/or contract must meet these conditions within the time period indicated, or face possible loss of funds. If the conditions are met, the Area Agency will remove them from the Notification of Grant Award (NGA) and/or contract and so notify the service provider by letter. If conditions are not met within the time specified, the Area Agency will withhold funds for the affected portion(s) of the grant and/or contract. (The service provider will be notified of the action in writing within ten working days after the service provider's failure to meet the conditions as contained in the grant and/or contract).
- d. New or revised grant and/or contract awards. Substantive changes in a service provider's operation or budget, as described in section 604 of this Manual, item #3, will require a revised Notification of Grant Award (NGA) and/or contract to be issued by the Area Agency. The process for revised budgets and award documents is outlined under section 604.

604. Budget and Program Revisions

- 1. Service providers funded under Title III of the Older Americans Act and/or Illinois General Revenue Funds may submit budget and program change requests on the following schedule:

Date Budget/Program Revision Request due to the Area Agency	Effective Date if Approved
December 31	February 1
March 31	May 1
June 30	August 1

- 2. The Area Agency will consider emergency budget and program revision requests from service providers. Such emergency requests must be submitted to the Area Agency's central office by August 31 of the fiscal year. The Area Agency Grants Management Department reserves the right to determine under what conditions a request for a budget and/or program revision constitutes an emergency. Service providers are cautioned to understand that an emergency situation is one in which a previously unanticipated circumstance occurs.
- 3. Service providers anticipating the need for either a budget or program revision should

contact the Area Agency prior to submitting the revision request, to discuss the need and extent of the revisions.

4. The rationale for budget and program revisions include, but are not limited to:

A. GRANTS

- 1) If the anticipated cost per service for any budget categories will exceed the approved budgeted cost by more than 10%;
- 2) If the anticipated amounts of program income, NSIP (formerly USDA) will be significantly higher or lower than budgeted;
- 3) If the anticipated amounts of local cash will be below the budgeted amounts;
- 4) If the anticipated amounts of in-kind will be significantly higher or lower than budgeted; and,
- 5) If the actual units of service and/or unduplicated persons (and related demographics) are significantly higher or lower than projected.

B. ASSISTANCE CONTRACTS

- 1) If the cost per service will exceed approved budget cost;
- 2) If units of service will exceed or not meet projected levels;
- 3) If the anticipated amounts of program income will be significantly higher or lower than budgeted; and
- 4) If the anticipated amount of local cash and/or in-kind will change significantly from what is budgeted.

C. Procurement Contracts do not require program/budget revisions.

5. Service providers are required to outline requests for budget and/or program revisions on revised grant or contract pages. The revised grant pages should reflect proposed budget and/or program revisions. The service provider should also submit an accompanying cover letter which outlines information about the proposed budget and/or program revisions in detail. This cover letter should also include the rationale for the proposed revisions. **Please Note:** Service providers should not submit the budget and program revision requests on the Request for Budget/Program Change form (ECIAAA-PRO-12) as required in previous fiscal years.
6. Budget and/or program revision requests will be reviewed by Grants Management staff and the Program Accountant at the Area Agency on Aging. Grants Management staff will develop recommendations for approval/disapproval of the proposed revisions prior to being submitted for consideration by the Executive Director of the Area Agency on Aging.

Significant proposed revisions in grant or contract budgets, unit of service projections and grant program designs will be reviewed by the appropriate Area Agency staff prior to being submitted for consideration by the Corporate Board of the Area Agency. If proposed budget and/or program revisions are submitted to the ECIAAA Corporate Board, the effective date of the revisions may be different than outlined on page 6-3 of this Manual.

7. Following Area Agency approval/disapproval, service providers will be notified of the decision of the Area Agency staff. If the proposed budget and/or program revisions are approved by the Area Agency, a revised Notification of Grant Award (NGA) and/or contract will subsequently be issued by the Area Agency. The revised NGA and/or contract and revised budget/program grant or contract pages will then replace corresponding pages in the service provider's current grant or contract. This process will amend the grant and/or contract issued to the service provider by the Area Agency.
8. Fiscal and program reports and records should not reflect requested revisions that are pending approval. Reporting against revised fiscal or program statistics shall start per the effective date identified by the Area Agency through written notification to the service provider of the approval by the Area Agency on Aging.

605. Accounting System**605.1 Setting Up and Maintaining an Accounting System**

- A. Organizations that receive Older Americans Act and/or Illinois General Revenue Fund monies must establish and maintain an accounting system for properly handling these funds and for recording all pertinent transactions. Where an acceptable accounting system is already in place, it may be used. If the existing system is inadequate, the service provider must upgrade the existing system to meet the standards required by this Manual. When a service provider does not have an existing accounting system, it must establish one that, at minimum, meets the standards contained in this Manual.
- B. At minimum, the service provider's accounting system must meet the standards described in this section and all other sections of this Manual, or as otherwise required by the Area Agency on Aging and promulgated beforehand, with sufficient time to incorporate the required changes.
- C. The Area Agency on Aging will provide technical assistance to service providers in the initial establishment or subsequent upgrading of an acceptable accounting system.
- D. On an on-going basis, the Area Agency will monitor the service provider's accounting system (monitoring procedures are described elsewhere under the monitoring section of this Manual) to ensure that the service provider adheres to the required accounting standards. Where inadequacies are found, corrections will be required.

605.2 The expenditure of all Older Americans Act and/or Illinois General Revenue Fund monies, as well as all other resources utilized in the approved grant and/or contract, must be accounted for in accordance with the following minimum criteria:

- A. All non-Federal matching resources shall be accounted for separately from other program funds received in the service provider's accounting system.

- B. Records must be maintained that identify adequately the source and application of funds for service provider activities. These records shall contain information pertaining to the grant and/or contract and authorizations, obligations, unobligated balances, assets, liabilities, outlays and income.
- C. Effective control over, and accountability for, all grant and/or contract funds and real and personal property acquired with such funds must be developed. Service providers shall adequately safeguard all such property and shall ensure that it is used solely for authorized purposes.
- D. A system must be designed whereby comparison is made of actual with budgeted amounts for the approved award. When specifically required by the Area Agency, performance reporting data must be developed that relates financial information with performance or productivity data, including the development of unit-cost information.
- E. Procedures must be designed and carefully followed in determining the allowability and allocability of eligible costs in accordance with the applicable cost principles present in this Manual.
- F. Accounting records must be supported by source documentation such as cancelled checks, paid bills, payrolls, etc. Each entry in the accounting records shall refer to the document that supports the entry. Supporting documents shall be filed in such a way that they can be readily located.
- G. 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.
- H. All accounting records, support documents, statistical records, and other records pertinent to the grant and/or contract are to be kept readily available for examination by Area Agency, State, and Federal personnel (or other appropriate persons) authorized to examine Older Americans Act and/or Illinois General Revenue Fund programs.
- I. Obligations incurred by service providers shall be liquidated within sixty (60) days following the close of the fiscal year except those for construction and renovation of multi-purpose senior centers. Outstanding obligations in this category must be liquidated within twelve (12) months following the close of the fiscal year in which they were incurred. No obligations shall be incurred after the end of the approved fiscal year.

606. Freedom of Information Under Accounting Systems

- A. Service providers must provide access to any books, documents, papers or records that the Area Agency, the Illinois Department on Aging, the Administration on Aging, the Secretary

of the U.S. Department of Health and Human Services, the Comptroller General, or any of their duly authorized representatives determine are pertinent to an approved award. However, certain types of information or documents are exempt from disclosure by a Federal agency under the Federal Freedom of Information Act, 5 USC 552.

- B. The Area Agency will not place restrictions on service providers, nor shall service providers establish restrictions, that will limit public access to the service providers' records, except when the records must remain confidential for any of the following reasons:
1. To prevent a clearly unwarranted invasion of personal privacy;
 2. To comply with an Executive Order or statute that specifically requires the records to be kept confidential;
 3. To protect commercial or financial information obtained from a person or a firm on a privileged or confidential basis;
 4. To protect information that can be improperly exploited for personal gains;
 5. To comply with the Freedom of Information Act limitations noted in (A) above;
 6. To protect the confidentiality of individual program participant information.

607. Bonding and Insurance

- A. Construction and facility improvement
1. Scope of this Section. This section (A) covers requirements for bid guarantees, performance bonds, and payment bonds, when a service provider will contract for construction or facility improvement (including alterations and renovations of real property) under a grant or contract.
 2. Definitions
 - a. Bid guarantee. A firm commitment such as a bid bond, certified check, or other negotiable instrument accompanying a bid as assurance that the bidder will, if its bid is accepted, execute the required contractual documents within the time specified.
 - b. Performance bond. A bond executed in connection with a contract to secure fulfillment of all 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 for in the contract.
 3. Bids and contracts of \$100,000 or less. The service provider shall follow its own requirements and practices relating to bid guarantees, performance bonds, and payments as long as they meet the minimum requirements of State and Federal regulation.
 4. Bids and contracts exceeding \$100,000. The service provider shall follow Area

Agency policy and requirements if the Area Agency has determined that Federal and State interest will be adequately protected. If this determination has not been made, the minimum requirements shall be as follows:

- a. A bid guarantee from each bidder equivalent to five percent of the bid price;
- b. A performance bond on the part of the contractor for 100 percent of the contract price; and
- c. A payment bond on the part of the contractor for 100 percent of the contract price.

B. Fidelity bonds

1. If the service provider is not a government unit, the Area Agency requires it to carry adequate fidelity bond coverage where the absence of coverage for the grant and/or contract supported activity is considered as creating an unacceptable risk. In such cases, a fidelity bond not in excess of four months of the service provider's average cash flow would be reasonable and would be considered an allowable cost to the grant.
2. A fidelity bond is a bond indemnifying the recipient against losses resulting from the fraud or lack of integrity, honesty or fidelity of one or more employees, officers or other persons holding a position of trust.
3. Any bonds required under the provisions of this section shall be obtained from companies holding certificates of authority as acceptable sureties (31 CFR Part 223). A list of these companies is published annually by the Department of the Treasury in its Circular 570.

C. Insurance coverage

Service providers are required to carry adequate insurance protection of comprehensive general liability, fire, theft, and, in the case of nutrition providers, product liability. Service providers are strongly encouraged to ensure that program staff and governing board members are protected with liability insurance relative to their assigned duties. This is most important for those staff involved in the delivery of in-home services. The service provider shall have insurance on all structures and equipment in an amount not less than the approved Area Agency award. In the case of those units of local government which have self-insurance programs, any Federally and State supported equipment that is lost, damaged or destroyed must be: 1) replaced at the replacement value of the equipment less the applicable local match; or, 2) the monies paid back to the Area Agency.

608.

Cash Depositories

- A. Physical segregation and eligibility.** Except as provided in paragraph B below, the Area Agency shall not impose grant or contract terms which:

1. Require the service provider to use a separate bank account for the deposit of

- grant or contract funds.
 2. Establish any eligibility requirements for banks or other financial institutions in which service providers deposit grant or contract funds beyond those requirements contained in Office of Management and Budget Circulars A-102 and A-110.
- B. Minority-owned banks. Consistent with the national goals of expanding opportunities for minority business enterprises, service providers are encouraged to use minority-owned banks.

609. Obtaining Funds
609.1 Obligation of Funds

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

- A. The Area Agency and its service provider may not officially obligate a fiscal year's funds prior to the beginning of that fiscal year. However, award documents may be executed prior to the beginning date of the budget period provided they do not become effective until the beginning date and contain a statement to that effect.
- B. In awarding funds to a service provider, the Area Agency makes obligational authority available to the service provider. Such funds are earned only upon the accrual of an allowable cost and the contribution of the non-Federal share of that cost.
- C. The award document establishes a ceiling for Area Agency participation in the cost of operating an approved program.
- D. Within the same fiscal year in which the funds are awarded, a service provider's award can be deobligated (reduced or terminated) and then awarded to another service provider.
- E. Funds must be committed, obligated or encumbered for ordinary and reasonable costs contemplated in the budget, as approved, for a given fiscal year. In addition, the obligation involved should be completed through the receipt of goods and services and payment for such within sixty (60) days after the close of the fiscal year. For outstanding obligations involving construction and renovation of a multi-purpose senior center, completion shall be within twelve (12) months following the close of the fiscal year.
- F. Receipt of funds by a service provider is contingent upon the appropriate provision of service units, timely reporting per Area Agency requirements, and other conditions as contained elsewhere in this Manual and in the award document.
- G. Receipt of funds by a service provider is contingent upon the availability of such funds to the Area Agency.

609.2 Disbursement of Funds

The Area Agency receives, from the Illinois Department on Aging, Federal funds under the Older Americans Act, Illinois General Revenue Fund monies, and any other program funds which may be awarded. The Area Agency has established the following methods for disbursing these funds to service providers contingent upon the availability of funds: Grants and Federal Assistance contracts: a) advances; b) reimbursements; c) one-time payments; and, d) emergency requests.

- A. The Area Agency has the discretion to disburse funds through a system of advances. These advances may be reduced for low units, low expenditure levels, and low match which are calculated from the Quarterly Program Report and Quarterly Fiscal Report. These advances may also be reduced by penalties for delinquent reports, as discussed in Section 609.3.
- B. The Area Agency has the discretion to disburse funds through the reimbursement of allowable expenses. The service provider must send in documentation verifying expenditures for allowable costs as shown in the grant and/or contract. The service provider is then reimbursed by the Area Agency for the actual amount of expenditures.
- C. The Area Agency has the discretion to disburse funds on a one-time basis, such as for the purchase of vehicles, large equipment, etc, and as contained in the grant and/or contract.
- D. In cases of emergency requests for funds, disbursement is made when a service provider anticipates a large unusual expenditure, or is running into a cash flow problem. A completed formal written request must be submitted to the Area Agency thirty (30) days prior to the date the funds are needed to receive funds by this method. Such funds requested require Area Agency approval prior to release.

Procurement contracts shall be reimbursed through an approved activity reimbursement rate and/or fixed unit rate.

609.3 Penalties Which Result in the Loss of Funds

The Area Agency has established the following policies which may result in the loss of Area Agency funds to a service provider:

- A. Penalty for Delinquent Reports - Area Agency-required annual, quarterly or monthly program reports and fiscal reports from a service provider will be considered delinquent if the reports or any required pages thereof have not been received by the due date established by the Area Agency on Aging.

Service providers will be assessed a penalty for delinquent reports of 1/10 of 1% of the Area Agency share of the grant and/or contract award for each day the report is delinquent. This penalty will reduce the Area Agency share of the grant and/or contract award. Once the grant and/or contract award is reduced, there is no method to regain the lost funds.

Provision for a waiver of this policy will be entertained through a formal written request by the service provider regarding the circumstances behind the request. The Area Agency

has the authority to accept or reject all other requests.

Please note: For quarterly program reports and quarterly/monthly fiscal reports, the Area Agency will accept a limit of one waiver request per fiscal year.

- B. Penalty for Low Service Unit Provision--Units of service must be provided not less than on a quarterly annualized basis (1/4 of the annual projection). Should service units fall below 90% of the annualized quarterly projection, Older Americans Act Funds and/or Illinois General Revenue Funds will be reduced accordingly at the discretion of the Area Agency.

A service provider is required to submit justification for low unit provision for Area Agency consideration by completing the appropriate section within the Area Agency-required Program Report (refer to section 700 of this Manual). The Area Agency has the authority to accept or reject such justification.

Unit penalties are calculated in three steps:

1. Calculate Minimum Units = Projected Units x % of year completed (First Quarter - 25%, Second Quarter - 50%, etc.) x 90%.
2. Calculate Penalty Units = Minimum Units - Actual Units
3. Calculate Penalty = Penalty Units x Area Agency Share of Service Projected Units

610. Matching Funds

- A. When a service provider requests Older Americans Act and/or Illinois General Revenue Fund monies, the service provider should exert all deliberate efforts to ensure that, by the end of the award period, sufficient non-Federal cash, allowable in-kind contributions or a combination of both are available to meet the minimum match required under the grant and/or contract award. The provisions will be reviewed by the Area Agency to assure compliance. Service providers are responsible for determining and verifying such allowability.
- B. Certain Federal funds are allowable as match against other Federal funds:
1. HUD Community Development Block Grants funds.
 2. Legal Services Corporation funds.
 3. Social Service Block Grant funds.
- C. Non-Federal match used to match other Federal programs is not allowable as match for funds awarded by the Area Agency.
- D. Interest earned on unused local cash resources is also considered local cash. If the service provider has not utilized all interest earned on local cash by September 30th (or end of the

grant period), the remaining interest balance can be rolled over into the following fiscal year for expenditure during that fiscal year.

- E. The following matching ratios are required to obtain Area Agency participation:
Supportive and Nutrition services - Older Americans Act and Illinois General Revenue Funds may be used to pay not more than 85 percent of the net costs of these activities. The local share of the total program net cost of the service or services funded by the Area Agency shall be in cash and/or "in-kind" from public, local, and/or private sources.
- F. A number of factors determine the amount of the Older Americans Act and/or Illinois General Revenue Fund share which will be paid to a service provider. Every grant and/or contract has a maximum amount stated on the Notification of Grant Award and/or contract document which cannot be exceeded. Other calculations may be utilized to determine the amount of the earned share, however, as identified below.

1. FOR TITLE III-B AND/OR GRF-FUNDED SOCIAL SERVICES

The Area Agency percentage share of the net budget costs after Program Income and IDoA reimbursements have been deducted may represent the maximum amount payable to a service provider. These figures appear on the Notification of Grant Award and/or contract. As an example, if the total cost is \$13,000, Program Income is \$3,000, and there is no IDoA reimbursement, the net cost would then be \$10,000. If, according to the approved program budget, a match of 30% was agreed to and signed off on via the Notification of Grant Award and/or contract, the maximum amount per the Notification of Grant Award and/or contract to be paid to the service provider would be \$7,000. If, at the end of the year, total costs were \$12,000 and Program Income was \$2,700, then the net cost would be \$9,300, and the Area Agency share would not exceed 70% times \$9,300, or \$6,510. Since the total cost anticipated was not met, the total amount authorized in the Notification of Grant Award and/or contract also would not be available.

2. FOR TITLE III C-1 AND TITLE III C-2-FUNDED NUTRITION SERVICES

The Area Agency percentage share will be determined by first reducing the total program cost of nutrition services, as reported by the nutrition provider, by the total amount of Program Income reported as earned and expended by the nutrition service provider, to arrive at an adjusted total program cost. From the adjusted total program cost, the Area Agency will then deduct any U.S.D.A. Commodity reimbursement reported by the nutrition service provider to determine net budget costs.

The Area Agency percentage share of the net budget costs may represent the maximum amount payable to a service provider. These figures appear on the Notification of Grant Award and/or contract. As an example, if the total cost is

\$50,000 and Program Income is \$10,000, the adjusted total program cost is \$40,000.

If U.S.D.A. Commodity reimbursement is \$5,000, then the net cost would be \$35,000. If, according to the approved program budget, a match of 30% was agreed to and signed off on via the Notification of Grant Award and/or contract, the maximum amount allowable per the Notification of Grant Award and/or contract to be paid to the service provider would be \$24,500. If, at the end of the year, total costs were \$45,000 and Program Income was \$7,500, then the adjusted total program cost is \$37,500. If U.S.D.A. Commodity reimbursement is \$4,000, then the net cost would be \$33,500, and the Area Agency share would not exceed 70% times \$33,500, or \$23,450. Since the total cost anticipated was not met, the total amount authorized in the Notification of Grant Award and/or contract also would not be available.

3. **FOR ALL FUNDED SERVICE PROVIDERS**

The amount to be paid to any service provider will be limited by the amount of allowable costs incurred by the service provider. All costs incurred must be allowable under the cost standards for Federal grant monies as outlined in the regulations and cost principles publications of the General Accounting Office. There are also some exclusions for certain types of costs:

- a. A service provider may not be reimbursed for the costs reported in conjunction with in-kind contributions by third parties. Thus, the non-federal share of the costs must be at least as much as the in-kind contributions reported.
- b. Even though costs may have been allowable, they will not be reimbursable if they were paid by another Federal or non-federal grant or contract. This does not mean, however, that costs cannot be prorated between various funding sources according to an approved cost allocation plan.
- c. Even though costs may be allowable according to applicable Office of Management and Budget (OMB) circulars, such costs will not be reimbursable if such costs are not included in the grant/contract budget as approved by the Area Agency.
- d. Costs which are being used to match another Federal grant must not be reported or included in any way in the costs of an approved Area Agency grant/contract. Costs incurred as part of a Federal grant which has been approved to use as match for other Federal funds may be included. See Item B of this section.
- e. All payments to service providers will be calculated on the basis of net cost as determined in items E.1 and/or E.2 herein as stated on pages 6-12 and 6-13 herein.

4. COST SHARING OR MATCHING.

The limit on Area Agency-share payments to a service provider may not exceed the Area Agency participation percentage times the sum of the adjusted total net program costs resulting from closeout procedures.

611. Program Income**611.1 Funds Included as Program Income**

- A. Program Income is defined as contributions made by recipients of service and interest on such contributions.
- B. The following specific revenues shall not be included as Program Income:
 - 1. Interest income on Federal/State funds when earned on advances. This does not include interest on contributions made by recipients of service under a program which is considered Program Income.
 - 2. Rebates, discounts, and recoveries.
 - 3. Income earned by individuals or a group of service provider participants, when such income accrues directly to the participant.
 - 4. Revenues raised by a service provider which is a government under its governing powers, such as taxes, special assessments, etc.
 - 5. Tuition and related fees received by an institution of higher education for a regularly offered course taught by an employee performing under a grant or contract.
 - 6. Proceeds from the sale of personal or real property with an acquisition cost of more than \$1,000.
 - 7. Sale of assets purchased with grant funds where the acquisition cost was more than \$1,000.
 - 8. Organized fundraising activities carried out by service providers.

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

C. Allowable Uses of Program Income

Program Income shall be used in accordance with the requirements shown below. (All service providers are prohibited from using Program Income as a cost-sharing or matching alternative, or as a deductive alternative, as described in 45 CFR 92.25.)

1. **FOR ALL SERVICE PROVIDERS**

The additional costs alternative/method of Program Income will be used by all service providers.

2. **FOR ALL NUTRITION SERVICE PROVIDERS**

Program Income earned by nutrition service providers must be used for the following purposes:

- a. To increase the number of meals by the project involved;
- b. To facilitate access to such meals; and
- c. To provide other supportive services directly related to nutrition services. (outreach, nutrition education, individual needs assessment, etc.)

3. **FOR ALL SOCIAL SERVICE PROVIDERS**

Program Income earned by social service providers must be used to expand social services to further the broad objectives of the Older Americans Act, as amended.

4. **ADDITIONAL PROGRAM INCOME REQUIREMENTS FOR ALL SERVICE PROVIDERS**

- a. All Program Income earned by service providers under Title III and/or under General Revenue Funds, must be expended as it is earned, up to the amount of the approved, budgeted-in-grant amount.
- b. All additional (excess) Program Income earned by service providers which is over and beyond the approved, budgeted-in-grant amount for Program Income must be expended by September 30th of the fiscal year following the fiscal year in which the Program Income was earned.

Service providers have one option available to them relative to the expenditure of additional (excess) Program Income earned over and beyond the approved, budgeted-in-grant amount for Program Income:

- 1) To expend the additional (excess) Program Income earned in one particular fiscal year for costs incurred in that particular fiscal year when such costs are in addition to the approved, budgeted-in-grant amounts and meet the intent for the use of additional (excess) Program Income as identified in items C.2 and/or C.3 herein.
- c. All Program Income earned and expended by a service provider as a result of

activities supported in part or in whole by Older Americans Act and/or Illinois General Funds must be reported to the Area Agency in such manner - and in such time frames, as prescribed by the Area Agency.

- d. All interest earned by a service provider on Program Income earned but unexpended is considered Program Income, and shall be so treated in accordance with these policies.
- e. All Program Income earned under Older Americans Act Title III and Illinois General Revenue Fund programs must stay with the service provider who earns it.
- f. All Program Income earned under Older Americans Act Title III and Illinois General Revenue Funds must be used only for the services allowable under the part from which it was earned, except as provided for nutrition service providers in part C.2, items a through c, herein.

5. **SPECIAL REQUIREMENTS FOR SERVICE PROVIDERS RECEIVING SECTION 18 FUNDS FROM THE US DEPARTMENT OF TRANSPORTATION.**

All transportation providers receiving support from Section 18 and Title IIIB must report rider donations as Program Income. Program Income collected should be reported under Section 18 and Title IIIB and/or Illinois General Revenue Fund only to the extent and in direct proportion to each funding source's financial participation. Thus, the same rider donations shall not be reported in the same amount as Program Income under both or all three funding sources.

611.2 Handling Program Income

Program Income must be deposited into an appropriate bank account or converted to money orders on a regular basis (at least weekly or when \$50 has been accumulated).

Accountability for Program Income

- A. Service providers must utilize generally accepted accounting standards for collecting and recording Program Income. Cash participant contributions should be counted by two persons, placed in a safe, secure place until deposited, deposited in-tact, and deposit receipts compared with count sheets. Such standards require the accurate recording of amounts collected at the program and site levels and the subsequent use of these funds.
- B. The service provider must account for Program Income on an on-going basis, and must report such income to the Area Agency through the established fiscal reporting system.
- C. Accounting records and reports submitted by a service provider to the Area Agency shall provide a clear audit trail on all Program Income and its uses. Account records and reports shall accurately reflect the receipt of such funds separately from the receipt of Federal and/or State funds, matching funds, and the use of such resources.

612. Use of Interest Earned on Cash Advances

The following policies and procedures govern the use of interest earned on cash advances, pursuant to the Illinois Grant Funds Recovery Act (P.A. 83-640, effective January 1, 1984), the Cash Management Improvement Act of 1990 and Amendments of 1992 (P.L. 101-453, effective October 24, 1990 and P.L. 102-589, effective November 10, 1992), as well as

OMB Circulars A-102 (59 FR 52224, effective August 29, 1997), A-110 (58 FR 62992, effective August 29, 1997), and the Grants Management Common Rule (53 FR 8034, effective August 29, 1997).

- A. Definition of Sub-Award Funds: Sub-Award funds are any public (federal or state) funds awarded by the Area Agency to any person or entity for obligation, expenditure, or use by that person or entity for a specific purpose or purposes through Notification of Grant Awards or Federal Assistance contracts.
- B. Interest earned on state (General Revenue Funds) funds may be utilized for expenses which are not part of the original grant agreement if requested by the service provider and
- C. Approved by the Area Agency on the appropriate page of Form ECIAAA-FIS-08, ECIAAA-FIS-10, or ECIAAA FIS-11 (refer to section 700 for specific instructions.)
- D. Interest earned on federal (Older Americans Act) funds must be returned to the federal grantor agency through the Area Agency's close-out process each fiscal year. All providers who receive grant or Federal Assistance contract advances must complete and submit the Federal Interest Income Certification Form (ECIAAA FIS 17) by the due date established in the close-out letter. The Grants Management Common Rules and OMB Circular allow local governmental entities to retain up to \$100 per year. OMB Circular A-110 allows institutions of higher education, hospitals, and other non-profit organizations to retain up to \$250 per year.
- E. The interest on federal (OAA) funds which providers are allowed to retain may be utilized for administrative expenses.
- F. Uses of the interest on State (GRF) funds must be limited to purposes which further the broad objectives of the original grant.
- G. All retainable interest earned on OAA funds must be obligated for expenditure by the end of the Area Agency fiscal year, September 30, or the interest will be considered grant principal.

- H. Policies concerning liquidation of obligations issued for OAA and/or GRF grants or Federal Assistance contracts will be utilized for obligations incurred against retainable interest (refer to section 609.1 of this manual).
- I. Service providers must complete and submit one (1) copy of the appropriate page of Form ECIAAA-FIS-08, ECIAAA-FIS-10, or ECIAAA-FIS-11 to the Area Agency by the due date of Form ECIAAA-FIS-08/FIS-10 for the 3rd Quarter, ending June 30, of the Area Agency's fiscal year. (Refer to section 700 for specific instructions for the completion of form.)
- J. Service providers must use the best estimate available for the anticipated amounts of interest to be earned, remitted, and/or expended. If the actual interest earned and/or expended exceeds the estimated amount by more than 110%, a new Page 8 of Form ECIAAA-FIS-08, ECIAAA FIS-10, or ECIAAA FIS-11 must be submitted for approval.

613. Expending Program Funds

- A. All funds administered by the Area Agency must be expended in accordance with established cost policies and procedures. If these policies and procedures are not adhered to by service providers, delay in receiving funds from the Area Agency, or possible disallowances of funds, may result. Therefore, service providers shall carefully follow the requirements outlined in this section.
- B. The following general policies and procedures for expenditure of all funds will apply. More specific policies and procedures are contained in appropriate sub-sections:
 - 1. Approved award documents will specify the maximum amount of Older Americans Act and/or Illinois General Revenue Funds or other Area Agency-administered funds which a service provider is eligible to receive. No additional funds beyond the amount specified in the award document will be available to the service provider.
 - 2. If, at any time during the Area Agency fiscal year, the Area Agency determines that funds are being expended improperly, the Area Agency may require a service provider to cease incurring costs under the Older Americans Act and/or Illinois General Revenue Fund program. Ineligible or other improper expenditures must be reimbursed to the Area Agency. Under such conditions, the Area Agency will notify the service provider regarding the action being taken, the reason(s) for the action, and the conditions and time frame within which corrective procedures must be made.

3. Funds can be committed by a service provider only during the Area Agency-approved budget year, as specified on the approved award document. All funds must be disbursed within sixty (60) days after the end of the budget year except those for construction and renovation of multi-purpose senior centers, which must be disbursed within twelve (12) months following the close of the fiscal year.
4. Expenditure policies are determined in general by Title 45, Sub-Title A, Part 74 -- "Administration of Grants" of the Code of Federal Regulations, as amended to date, and the Federal Register, Part VI, dated August 31, 1988, "Grants for State and Community Programs on Aging" as amended by final rule-making under the 1987 Amendments to the Older Americans Act. Policies set forth in Part 74 will be applicable unless this Manual specifically states otherwise. Most of the relevant policies from Part 74 have been incorporated into this Manual. However, if questions arise that are not answered herein, service providers are to consult the Area Agency or refer to Part 74 itself. Copies of Part 74 may be obtained from: Director, Grants and Contracts Management Division, Office of Management Services, Office of Human Development Services, US Department of Health and Human Services, 330 Independence Avenue, Southwest, Room 1296, Washington, DC 20201.

614. Cost Principles Applicable to Grants and Contracts**614.1 Purpose and Scope**

- A. Objectives: This section sets forth policies for determining the allowable costs of Older Americans Act and Illinois General Revenue Fund monies administered by government agencies and non-profit organizations (other than educational institutions and hospitals) under grants and/or contracts awarded by the Area Agency. The principles are for the purpose of cost determination, and are not intended to identify the circumstances or dictate the extent of Federal, State or local participation in the financing of a particular grant and/or contract. They are designed to provide that Area Agency-assisted programs bear their fair share of costs recognized under these principles, except where restricted or prohibited by law. Provision for profit or other increments above cost is outside the scope of the cost principles.
- B. Policy guides. The application of these principles is based on the fundamental premises that:
 1. Service providers are responsible for the efficient and effective administration of grant and contract programs through the application of sound management practices;
 2. The service provider assumes the responsibility for seeing that Older Americans Act and/or Illinois General Revenue Fund monies have been expended and accounted for consistent with all agreements and program objectives; and,
 3. Each service provider 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 may be necessary to ensure proper and efficient administration.

- C. Application. These principles will be applied in determining costs incurred by government agencies and non-profit institutions under Older Americans Act and/or Illinois General Revenue Fund grants and cost reimbursement-type contracts except those with: publicly owned hospitals 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.

614.2 Definitions for Purpose of this Section

- A. 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.
- B. Educational Institution is any university, college, academy, or other institution of learning.
- C. A non-profit institution is any corporation, foundation, trust, association, cooperative or other organization other than: (1) educational institutions; (2) hospitals; and (3) State and local government agencies, bureaus or departments; which is operated primarily for scientific, educational, service, charitable, or similar purposes in the public interest, which is not organized primarily for profit, and which uses all income exceeding costs to maintain, improve and/or expand its operation.

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

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.

- D. Cost allocation plan means the documentation identifying, accumulating, and distributing allowable costs under grants and contracts, together with the allocation methods used.

- E. Cost means cost as determined on a cash, accrual, or other basis acceptable to the Area Agency in the discharge of the service provider's accountability for Older Americans Act and/or Illinois General Revenue Fund monies.
- F. Cost objective means a pool, center, or area established for accumulation of cost. Such areas include organizational units, functions, objectives or items of expense, as well as ultimate cost objectives, including specific grants, projects, contracts and other activities.

614.3 Basic guidelines

- A. Factors affecting allowability of costs. To be allowable under the Older Americans Act and the Illinois General Revenue Fund, costs must meet the following general criteria:
 - 1. Be reasonable for the performance of the award and be allocable thereto under these principles;
 - 2. Conform to any limitations or exclusions set forth in these principles or in the award as to types or amount of cost items;
 - 3. Be consistent with policies and procedures that apply uniformly to both Federal and State programs and other activities of the organization;
 - 4. Be accorded consistent treatment;
 - 5. Be determined in accordance with generally accepted accounting principles;
 - 6. 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;
 - 7. Be adequately documented.
- B. Allocation of costs. A cost is to be allocated to a particular cost objective to the extent that benefits are received by that objective. Allocation may occur in the following ways:
 - 1. Costs are incurred specifically for an Older Americans Act and/or Illinois General Revenue Fund program.
 - 2. Benefits that affect both the Older Americans Act and Illinois General Revenue Fund program and related work can be distributed among them in reasonable proportion to the benefits received.
 - 3. Costs are necessary to the overall operation of the service provider, although a direct relationship to any particular cost objective cannot be shown.
Any cost allocated to a particular grant and/or contract or cost objective under the principles provided for in this section may not be shifted to other Federal grant programs to overcome fund deficiencies, avoid restrictions imposed by law or grant agreements, or for other reasons.
- C. Applicable credits.
 - a. Applicable credits refer to the reduction of expenditure-type transactions

- that off-set or reduce expense items allocated to grants and/or contracts 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. received or are available from sources other than the Older Americans Act or Illinois General Revenue Fund program involved to finance operations or capital items of the service provider. This includes costs arising from the use or depreciation of items denoted or financed by the Federal government to fulfill matching requirements under another grant program. These types of credits should, likewise, be used to reduce related expenditures in determining the rates or amount applicable to a given grant and/or contract.

614.4 Composition of cost

- A. Total cost. The total program cost under Older Americans Act and Illinois General Revenue Fund grants and/or contracts is comprised of the allowable direct cost incident to the conduct of program activities by the service provider, plus its allocated portion of allowable indirect costs, less applicable credits.
- B. Classification of costs. There is no universal rule for classifying certain costs as either direct or indirect under every accounting system. A cost may be direct with respect to some specific service or function, but indirect with respect to the grant and/or contract 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 allocated under Older Americans Act and Illinois General Revenue Fund programs is provided in 614.5 and 614.6.

614.5 Direct costs

- A. General. Direct costs are those that can be identified specifically with a particular Older Americans Act and/or Illinois General Revenue Fund grant or contract objective.
- B. Application. Typical direct costs chargeable to an Older Americans Act and/or Illinois General Revenue Fund award are:
 - 1. Compensation of employees for the time and effort devoted specifically to the execution of the award;
 - 2. Cost of materials acquired, consumed, or expended specifically for the purpose of the award;
 - 3. Equipment and other approved capital expenditures;
 - 4. Costs for maintaining membership roles, subscriptions, publications, and related functions;
 - 5. Meetings and conferences, except those held to conduct the general

- administration of the service provider;
- 6. Other items of expense incurred specifically to carry out the purposes of the award agreement;
- 7. Services specifically for an Area Agency on Aging-assisted program furnished by other agencies, provided such charges are consistent with criteria outlined in 614.7 herein.

614.6 Indirect Costs

- A. Indirect costs are those which are not readily identifiable with the Older Americans Act and/or Illinois General Revenue Fund assisted program activities, but, nevertheless, are incurred for the joint benefit of the grant and/or contract and any other programs which received a share of the same services. Such costs include those incurred internally by the service provider for activities which benefit two or more programs carried on by the service provider. Because of the diverse purposes of service organizations, 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.
- B. In theory, all such costs might be charged directly; however, practical difficulties preclude such an approach. Therefore, the Area Agency on Aging, the Illinois 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 is usually either direct salaries and wages or total direct costs. The indirect cost rate is, therefore, the end product of a series of cost apportionments which distribute costs that jointly benefit two or more programs in some reasonable relation to the benefits derived. The Area Agency on Aging requires that this distribution of indirect costs, and the techniques used to make this distribution, be evidenced by the service provider's internal mechanisms for fiscal planning and operations. In those instances where the U.S. Department of Health and Human Services has negotiated an indirect cost rate with a service provider, the Area Agency on Aging 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 American Act and/or Illinois General Revenue Fund grant and/or contract related program activities.
- C. Indirect costs incurred by other agencies and organizations in support of Older American Act and/or Illinois General Revenue Fund activities are allowable only if the service provider is charged for, and pays for, the service provided by the affiliated institution (if such costs are "in-kind", the recipient agency would not "pay" for them).

- D. The following costs are normally included in the indirect cost. Each service provider must document that these costs are included in its indirect cost rate:
- 1) Automatic data processing,
 - 2) Building space and related facilities,
 - 3) Capital expenditures,
 - 4) Depreciation and use allowance on equipment,
 - 5) Insurance,
 - 6) Management studies,
 - 7) Proposal costs, and
 - 8) Audits.

614.7 Standards for selected items for costs

- A. The standards listed below are set forth to assist service providers in determining the allowability of selected items of cost for the conduct of Older Americans Act and/or Illinois General Revenue Fund programs. These standards will apply regardless of whether a particular item of cost is treated as a direct or an indirect cost.
- B. In connection with service organizations that are diverse in nature and not subject to effective competitive restraints, the reasonableness and the appropriateness of the allocation of certain items of cost may be difficult to determine. In order to avoid possible subsequent disallowance or dispute based on unreasonableness or unallowable allocation, it is important that service organizations receiving Older Americans Act and/or Illinois General Revenue Fund assistance seek agreement in advance of the incurrence of special or unusual costs in categories where reasonableness or allocability are difficult to determine.
- C. Government Agencies - The principles contained in Office of Management and Budget (OMB) Circular A-87, "Cost Principles for State and Local Governments", including any amendments to the Circular published in the Federal Register by the Office of Management and Budget, and State policies, are to be used in determining the allowability of costs of activities conducted by government agencies.
- D. Educational Institutions - The principles contained in Office of Management and Budget (OMB) Circular A-21, "Cost Principles for Educational Institutions," including any amendments to the Circular published in the Federal Register by the Office of Management and Budget, and State policies, are to be used in determining the allowability of costs of activities conducted by educational institutions.
- E. Non-profit Organizations - The principles contained in Office of Management and Budget Circular A-122, "Cost Principles for Non-profit Organizations", including any amendments to the Circular published in the Federal Register by the Office of Management and Budget, and State policies, are to be used in determining the allowability of costs of activities conducted by non-profit organizations.

- F. Commercial organizations – The principle contained in the Federal Acquisition Regulation (FAR), Contracts with Commercial Organizations, are to be used in determining the allowability of costs for commercial organizations (for profit corporations).

614.8 Allowable and Unallowable Costs

Failure to include a particular cost item in any of the Office of Management and Budget Circulars does not imply that it is unallowable; rather, determination as to allowability is based on the treatment or principles provided for similar or related costs. See the appropriate Office of Management and Budget Circular as listed in Section 614.7, for a detailed description of allowable and unallowable costs.

615. Non-Federal resources

- A. General. This section sets forth criteria and procedures for the allowability and evaluation of cash and in-kind resources in satisfying matching or cost-sharing requirements of Older Americans Act and Illinois General Revenue Fund programs.

B. Definitions

1. Cash resources. Cash resources means a service provider's cash outlay, including money contributed to the service provider by other public agencies and institutions and private organizations and individuals.
2. In-kind resources. In-kind resources represent the value of non-cash resources provided by the service provider 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 benefiting and specifically identifiable with the approved program. This does not include volunteer time contributed by employees of the service provider.
3. Matching or cost sharing. Matching or cost sharing represents, in general, that portion of program costs not borne by Older Americans Act and/or Illinois General Revenue Fund monies.
4. Program costs. Program costs means the sum of (1) the allowable in-kind resources and (2) allowable cash resources.

C. Allowable resources

1. Matching or cost sharing may consist of:
 - (1) Charges incurred by a service provider as program costs. Not all charges require cash outlays during the grant and/or contract period. Examples are depreciation and use allowances for buildings and equipment;

- (2) Program costs financed with cash contributed to the service provider; and
 - (3) Program costs financed with in-kind resources contributed from non-Federal sources.
2. Non-Federal resources may be accepted as part of a service provider's matching or cost sharing only when they:
- a. Are identifiable from the service provider's records;
 - b. Are not included as resources for any other Federally-assisted program, except as outlined in section 610, part B;
 - c. Are necessary and reasonable for proper and efficient accomplishment of the program;
 - d. are types of costs allowable herein;
 - e. Are claimed in proportion to the time an item was available for use in the Older Americans Act and/or Illinois General Revenue Fund programs and;
 - f. Are not borne by the Federal government directly or indirectly under any other Federal program.

D. Unallowable in-kind resources

1. A service provider may not claim as in-kind resources:
- a. The value of discounts allowed by vendors for goods or services purchased with Older Americans Act and Illinois General Revenue fund monies;
 - b. The value attributable to the use of radio or television time;
 - c. U. S. Department of Agriculture-donated foods;
 - d. Goods and services normally available free in the community and which would be available whether the service provider operated the program or not;
 - e. Donated and non-compensated overtime of service provider staff whose regular working hours are paid with Federal funds;
 - f. Contributed time of members of the Board of Directors/Trustees or advisory councils spent in the performance of their duties;
 - g. Outdoor space such as playgrounds, park space, and undeveloped lots.

E. Valuation of non-Federal resources

1. Volunteer services
- a. Volunteer services may be furnished by professional and technical personnel, consultants, and other skilled and non-skilled labor. The value of volunteered service may be counted as a resource to match Federal and State funds if the service is an integral part of the Older Americans Act and/or Illinois General Revenue Fund program. Volunteer time contributed by employees of the service provider may not be counted as an in-kind matching source.

- b. Rates for volunteers should be consistent with those regular rates paid for similar work in other activities of the service provider. In cases where the kinds of skills required for the Older Americans Act and/or Illinois General Revenue Fund programs are not found in the other activities of the service provider, rates used should be consistent with those paid for similar work in the labor market in which the service provider competes for the kind of services involved.
- c. When an employer, other than the service provider, 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.
- d. The number of hours in volunteer services must be supported by the same documentation or methods used by the service provider for its paid employees.

2. Real property and equipment

- a. If the donor transfers title to the property, the amount to be allowed as matching or cost sharing shall be determined as if the service provider had purchased the property and had paid the fair market value of the property at the time of transfer.
- b. If only use of the property is donated, and the donor retains title, the amount to be allowed as matching or cost sharing shall be determined as if the service provider had rented the property and had paid the property's fair rental value.
- c. The Area Agency requires that the value of real property and equipment be established by one independent appraiser and certified by the service provider as a pre-condition to allowability for matching or cost sharing purposes.

F. Federal resources matching Federal resources

- 1. Non-Federal resources used to match other Federal grants or contracts may not be used to match Older Americans Act and/or Illinois General Revenue Fund monies from the Area Agency.
- 2. Federal cash or in-kind resources acquired during current or prior years may not be used to match funds provided under the Older Americans Act and/or Illinois General Revenue Fund unless otherwise specifically authorized by Federal statute.

3. Item (2) 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.
4. Item (2) above is not applicable: 1) when the Federal funds in question are those used to pay Indian tribes for products produced under contract with the Bureau of Indian Affairs, Department of the Interior, pursuant to 25 USC 47; and, 2) to the Public Health Service, Bureau of Indian Health contract funds.
5. Item (2) above is not applicable where volunteer services provided through ACTION'S Retired Senior Volunteer Program are used as non-Federal resources.
6. 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.

616. Procurement Standards

This section provides standards for use by service providers of Older Americans Act and/or Illinois General Revenue Fund supported programs 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/or Illinois General Revenue Fund monies. These standards are furnished to ensure that materials and services purchased by Older Americans Act and/or Illinois General Revenue Fund-assisted programs are obtained in an effective manner, and in compliance with the provisions of applicable Federal orders and the Illinois Purchasing Act. Goods and services obtained from a third party (an individual, institution, or organization outside the service provider's own organization) are subject to the conditions in this section. 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 service provider may not enter into a third-party agreement for the purpose of transferring the service provider's Area Agency-assisted program activities to a third party.

A. General

1. When implementing the Area Agency funded program through the execution of a contract, the service provider must comply with all applicable parent organization contract procurement regulations, particularly as they relate to competitive bidding and selection.
2. Service providers receiving Older Americans Act and/or Illinois General Revenue Fund awards may use their own agency procurement policies, provided that procurements whose costs are borne in whole or in part as a direct charge to Older Americans Act and/or Illinois General Revenue Fund monies, adhere to the standards set forth in the requirements.

3. In accordance with the Older Americans Act regulations, it is prohibited for the state and/or an Area Agency on Aging from delegating another agency the authority to award or administer funds. When the Area Agency on Aging issues a grant or contract, the grantee or contractor may issue a sub-grant or subcontract for a portion of the service, if necessary. However, the grantee or contractor may not sub grant/contract the entire service. In the latter case the grantee/contractor would become a merely a pass through for handling the funds, thereby adding another layer of administrative costs.
 4. 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.
 5. Contract or third-party agreements may be used only to secure professional services which are necessary for Older Americans Act and/or Illinois General Revenue Fund programs. These functions must conform to the Older Americans Act of 1984, as amended, the associated Federal regulations, and the policies and procedures in this Manual, and must be activities that cannot be performed by the service provider's own personnel.
 6. Special attention must be devoted to the negotiations of cost reimbursement-type contracts, as the Area Agency share of such cost is limited by the service provider's award for a particular budget year. Area Agency funds may not be obligated from a succeeding budget year's allotment for services performed during a prior budget year. The Area Agency has no obligation to fund any overruns that exceed annual award amounts.
 7. The standards contained in this section do not relieve the service provider of the responsibilities arising under its grants or contracts. The service provider is the responsible authority regarding the settlement and satisfaction of all contractual and administrative issues arising out of procurements entered into in support of its functions. This includes, but is not limited to, disputes, claims, protests of award, source evaluation, or other matters of a contractual nature. Matters concerning violation of law are to be referred to such local, State, or Federal authority as may have proper jurisdiction over such matters. The service provider is responsible for the resolution of any audit exceptions related to grant or contract performance.
- B. Code of Conduct. Each service provider shall maintain a code or standard of conduct that shall govern the performance of its officers, employees, or agents in contracting with and expending Older American Act and/or Illinois General Revenue Fund monies. The service provider's officers, employees, or agent shall neither solicit nor accept gratuities, favors or anything of monetary value from contractors or potential contractors. To the extent permissible under State or local laws, rules or regulations, such standards shall provide for appropriate penalties, sanctions or other disciplinary actions to be applied for violations of such standards either by the officers, employees, or agents of the service provider or by contractors or their agents.
- C. Free competition. All procurement transactions of the service provider, 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 service provider 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 service provider shall establish procurement procedures that provide for, at a minimum, the following:

1. Proposed procurement action shall be reviewed by appropriate service provider officials to avoid purchasing unnecessary or duplicative items. Where appropriate, an analysis shall be made of lease and purchase alternatives to determine which would be the most economical and practical procurement.
2. "Invitations for bids" or "requests for proposals" shall be based on a clear and accurate description of the technical requirements for the material, product or service to be procured. Such descriptions shall not, in competitive procurements, contain features that unduly restrict competition. "Brand name or equal" description may be used as a means to define the performance or other salient requirements of a procurement, and when so used, the specific features of the named brand which must be met by competing bidders shall be clearly specified.
3. Positive efforts shall be made by the service provider to utilize small business and minority-owned business sources of supplies and services. Such efforts shall allow these sources the maximum feasible opportunity to compete for contracts.
4. The type of procuring instruments used (i.e., fixed-price contracts, reimbursement rate contracts, cost-reimbursable contracts, purchase orders, incentive contracts, etc.) shall be appropriate for the particular procurement and for promoting the objectives of the service provider's award from the Area Agency. 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 \$10,000. Service providers shall comply with State small purchase dollar limits under \$10,000. If small purchase procedures are used for a procurement under a grant, price or rate quotations shall be obtained from an adequate number of qualified sources. Less than 3 sources require documented justification.

F. Competitive sealed bids (formal advertising)

Formal advertising with adequate purchase descriptions, 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, procurements of \$10,000 or less need not be so advertised unless otherwise required by local law or regulations. When formal advertising is employed by the service provider, the following requirements should

be met:

- a. A sufficient time prior to the date set for opening of bids, bids shall be solicited from an (adequate) number of known suppliers. In addition, the invitation should be publicly advertised. Such advertising must ensure advertisement in the designated official newspaper of the State of Illinois.
- b. The invitation for bids, including specifications and pertinent attachments, should clearly define the terms or services needed in order for the bidders to properly respond to the invitation.
- c. All bids should be opened publicly at the time and place stated in the invitation for bids.
- d. A firm fixed-price contract will be made by written notice to the responsive bidder whose bid, conforming to the invitation for bids, is lowest.
- e. Any or all bids may be rejected when there are sound documented business reasons in the best interest of the service provider.

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

G. Competitive Negotiated Procurements

1. In competitive negotiation, proposals are requested from a number of sources and the request for proposal is publicized, negotiations are normally conducted with more than one of the sources submitting offers, and either a fixed-price or cost-reimbursable type contract is awarded, as appropriate.

Competitive negotiation may be used if conditions are not appropriate for the use of formal advertising. If competitive negotiation is used for a procurement under a grant, the following requirements shall apply:

- a. Proposals shall be solicited from an adequate number of qualified sources to permit reasonable competition consistent with the nature and requirements of the procurement. The request for proposals shall be publicized and reasonable requests by other sources to compete shall be honored to the maximum extent practicable.
- b. The request for proposal shall identify all significant evaluation factors, including price and cost where required and their relative importance.
- c. The service provider shall provide mechanisms for technical evaluation of the proposals received, determination of responsible bidders for the purpose of written or oral discussions, and selection for contract award.

- d. The award may be made to the responsible bidder whose proposal will be most advantageous to the procuring party, price and other factors considered. Unsuccessful bidders should be notified promptly.
 - e. Contracts awarded based on lowest cost only do not require justification.
 - f. Service providers may utilize competitive negotiation procedures for procurement of architectural/engineering professional services, whereby competitors' qualifications are evaluated and the most qualified competitor is selected, subject to negotiation of fair and reasonable compensation.
2. Notwithstanding the existence of circumstances justifying negotiation, competition shall be obtained to the maximum extent practicable.

H. Non-competitive 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. Non-competitive negotiation may be used when the award of a contract is infeasible under small purchase, competitive bidding (formal advertising) or competitive negotiation procedures. Circumstances under which a contract may be awarded by noncompetitive negotiation are limited to the following:
- a. The item is available only from a single source;
 - b. Public emergency, when the urgency for the requirement will not permit a delay incident to competitive solicitation;
 - c. The Administration on Aging authorizes noncompetitive negotiations; or
 - d. After solicitation of a number of sources, competition is determined inadequate.

- I. Procurement system. Service providers will have procurement systems which assure the fair, efficient, and effective procurement of goods and services. In the design and execution of such procurement systems, service providers shall 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 41 of the Code of Federal Regulations (to be renamed the Federal Acquisition Regulations, effective April 1, 1984) should be used as a guide in the absence of any parent organization's established procurement system.

J. Records for negotiated procurements

1. Justification for the use of negotiation in lieu of advertising should include the

following:

- a. Where the service provider 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 service provider only with responsible contractors who possess the potential ability to perform successfully under the terms and conditions of a proposed procurement. Consideration shall be given to such matters as contractor integrity, record of past performance, financial and technical resources, and accessibility to other necessary resources. Contractors must be incorporated or a partnership.
- L. Contract administration system. A system for contract administration shall be maintained by the service provider to ensure contractor compliance with terms, conditions, and specification of the contract or order, and to ensure adequate and timely follow-up of all purchases.
- M. Contract provisions
1. The service provider shall include provisions to define a sound and complete agreement in all contracts which it awards when the contract costs are to be borne as direct charges in whole or in part by Older Americans Act and/or Illinois General Revenue Fund monies.
 2. In awarding such contracts, the service provider must comply with the following requirements, if applicable to this type of contract:
 - a. Contracts shall contain provisions or conditions which will allow for administrative, contractual or legal remedies in instances where contractors violate or breach contract terms, and provide for such sanctions and penalties as may be appropriate.
 - b. All contracts in excess of \$2,500 shall contain suitable provisions for termination by the service provider, including the manner by which such action will be affected and basis for settlement. In addition, such contracts shall set forth the conditions under which the contract may be terminated for default, as well as conditions where the contract may be terminated because

- of circumstances beyond the control of the contractor.
- c. All negotiated contracts (except those of \$2,500 or less) shall include provisions given 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 service provider shall report all suspected or reported violations to the Area Agency on Aging.
 - f. Where appropriate, all construction contracts exceeding \$2,000 awarded by the service provider, and all other contracts awarded by them which exceed \$2,500 and which involve the employment of mechanics and laborers, shall include a provision of compliance with Sections 103 and 107 of the Contract Work Hours and Safety Standards Act (40 USC 327-330), as implemented by Department of Labor Regulations (20 CFR Part 5).
 - g. While the Area Agency does not mandate a prescribed contract format which all service providers must utilize, there are certain items that service providers must incorporate in any contract format. These include the following:
 - 1) Indicate all parties to the contract;
 - 2) Define the effective date(s) of the contract;
 - 3) State the purpose of the contract;
 - 4) Reference all applicable laws;
 - 5) Describe the services to be provided and any related conditions (e.g., quantity, quality, etc.);
 - 6) Specify the compensation, including amount, method, of payment, and required match to be provided (attach a budget when applicable);
 - 7) Indicate that the contractor assures its capability to perform the specified services;
 - 8) List the types of information and data that may be required of the contractor and the records that must be maintained;
 - 9) Describe the review, monitoring, and audit rights of the service provider, the Area Agency, the Illinois Department on Aging, and the Administration on Aging;
 - 10) 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;
 - 11) Provide for a method of modifying, suspending, or terminating the contract, if necessary; and,
 - 12) Address other conditions, as appropriate.

- h. If revisions in a contract or related project application will result in a substantive change in the service provider's grant and/or contract with the Area Agency, the proposed program changes to the Area Agency approved grant must be submitted to the Area Agency for approval prior to any contract changes, according to the provision outlined in section 604 of this Manual.

617. Property Management Standards

This section prescribes policies and procedures governing the title, use and disposition of real and tangible personal property which was purchased in whole or in part as a direct charge to Older Americans Act and/or Illinois General Revenue Fund monies. Service providers may follow their own property management policies and procedures if they observe the requirements of this section.

A. Definitions

1. "Acquisition" of property includes purchase, construction or fabrication of property, but does not include rental of property or alterations and renovations of real property.
2. "Acquisition cost" of nonexpendable 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 service provider's regular accounting practices.
3. "Non-expendable personal property" means tangible personal property having a useful life of more than one year and an acquisition cost of \$5000 or more per unit. A service provider 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 5 below. If the service provider is dissolving and will no longer be providing service, the Area Agency on Aging must be advised in writing sixty (60) days prior to dissolution of services and afforded the opportunity to arrange for transfer of usable property to other service providers that may be in need of it. If the property is transferred, the service provider will be reimbursed for the transportation costs incurred, at a minimum. Reimbursement may also be made for non-federal share of property subject to length of time property was in use, original interest in property and/or other items as negotiated between the Area Agency on Aging and service provider. All such cases will be addressed on an individual basis.
4. "Expendable personal property" means all tangible personal property other than "non-expendable personal property" defined under paragraph 3 above.
5. "Personal property" means property of any kind except real property. It may be

tangible (having physical existence) or intangible (having no physical existence, such as patents, inventions and copyrights.)

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

B. Real property. Title to real property whose acquisition cost was borne in whole or in part by Older Americans Act and/or Illinois General Revenue Fund monies shall vest in the service provider 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 program award):

1. The service provider shall use the real property for the purposes authorized by the program award as long as needed for that purpose.
2. The Area Agency on Aging may authorize a service provider to use the property for the following purposes when the service provider or Area Agency on Aging determines that the property is no longer needed for the originally authorized purposes:
 - a. Activities sponsored by other Federal awards (regardless of which Federal agency made the other awards);
 - b. Activities which have purposes consistent with those of the Older Americans Act of 1965, as amended; or
 - c. Such other public interest purposes which are in the interest of the U.S. Government to have pursued.
3. Disposition of property
 - a. When no longer used in accordance with paragraphs 1 or 2 above, the service provider shall return to the control of the Area Agency on Aging, all real property whose acquisition cost was borne in whole by Older Americans Act and/or Illinois General Revenue Fund monies. If the acquisition cost of the property was borne in part by such funds, the service provider may be relieved of accountability to the Area Agency on Aging with respect to the Federal interest in the property by compensating the Area Agency on Aging for the Older Americans Act and/or Illinois General Revenue Fund monies fair share of the current value of the property. Or, if the service provider no longer needs the property, by selling it and compensating the Area Agency on Aging for its fair share of the sale proceeds.
 - b. The amount of compensation to the Area Agency on Aging under (a) above shall be computed by applying the percentage of Older Americans Act and/or Illinois General Revenue Fund participation in the cost of the program for

which the property was acquired to the property's current fair market value (if the service provider retains the property) or to the proceeds from sale (if the service provider sells the property).

C. Non-expendable personal property

1. Title. Title to non-expendable personal property whose acquisition cost is borne in whole or in part by Older Americans Act and/or Illinois General Revenue Fund monies shall be vested in the service provider upon acquisition and, except as provided in section 616, part H, shall be subject to the restrictions on "Use and Disposition" set forth in paragraphs 2 and 3 below.
2. Use
 - a. The service provider shall use the property as long as there is a need for such property to accomplish the objectives of the Older Americans Act, whether or not the service provider continues to be supported by such funds.
 - b. When there is no longer a need for the property to accomplish the objectives of the Older Americans Act and/or Illinois General Revenue Fund program, the service provider may use the property in connection with other Federal/State awards it has received in the following order of priority:
 - (1) For other awards made by the Department of Health and Human Services needing the property, and,
 - (2) For awards of other Federal (including non-U.S. Department of Health Services) agencies needing the property.
 - c. When the service provider no longer has need for such property in any of its federally-financed activities, the property may be used for the service provider's own official activities in accordance with the following standards:
 - (1) If the property's fair market value is less than \$5,000 per unit, the service provider may use the property without reimbursement to the Area Agency on Aging.
 - (2) For all such property not covered under (1) above, the service provider may retain the property for its own use provided that a fair compensation is made to the Area Agency on Aging for the Federal and/or State share of the property. The amount of such compensation shall be computed in accordance with section 617.
3. Disposition. If the service provider has no need for the property, disposition of the property shall be made as follows:

- a. The service provider shall request disposition instructions from the Area Agency on Aging. The Area Agency on Aging shall issue instructions to the service provider within 120 days following the receipt of such request, and the following procedures shall govern:
 - 1) If the service provider is instructed to transport the property elsewhere, the service provider shall be reimbursed an amount which is computed by applying the percentage of the service provider's participation in the cost of the program to the current fair market value of the property, plus any shipping or interim storage costs incurred.
 - 2) If the service provider is instructed to otherwise dispose of the property, it shall be reimbursed for the costs incurred in such disposition.
 - 3) If so instructed or the disposition instructions are not issued within the 120-day period specified in (a) above, the service provider shall sell the property and reimburse the Area Agency on Aging with an amount which is computed by applying the percentage of Federal and/or State participation in the service provider's costs to the sales proceeds. Institutions of Higher Education, Hospitals and Other Nonprofit Organizations (but not Governmental Entities) may, however, deduct and retain from the amount \$500 or 10 percent of the total sales proceeds, whichever is less, for its selling and handling expenses.

D. Transfer of title to certain property

1. Where the Area Agency on Aging determines that an item of non-expendable personal property with an acquisition cost of \$1,000 or more is unique, difficult, or costly to replace, it may reserve the right to require the service provider to transfer title to the property to another service provider or to a third party named by the Area Agency on Aging.
2. Such reservation shall be subject to the following:
 - a. The right to require transfer to title may be reserved only by means of an 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, it must be 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 to the service provider and the Area Agency on Aging.
 - c. The Area Agency may not exercise the right until the service provider 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 service provider continues to conduct its activities after that date and demonstrates to the Area Agency a continued need for the property.

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

E. Property management standards. Service providers shall adhere to the property management standards for non-expendable personal property covered by "C" of this section and shall follow the procedural requirements below.

- 1. Property records shall be maintained accurately and provide for:
 - a. a description of the property;
 - b. the manufacturer's serial number or other identification number;
 - c. acquisition date and cost;
 - d. source of the property;
 - e. percentage of Older Americans Act and/or Illinois General Revenue Fund monies 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 service provider reimburses the Area Agency on Aging for the Federal and/or 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. Each service provider is required to submit annually an inventory listing of property in their custody purchased in whole or in part with Area Agency-awarded funds. This inventory listing must be submitted to the Area Agency by September 30 of each year.

F. 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 service provider's Older Americans Act and/or Illinois General Revenue Fund 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 program award) have a useful life longer than the period of need of the program for which they were acquired. The service provider may, at its option, either retain or sell such items when no longer needed for any Federally-sponsored activity (including activities sponsored by Federal agencies other than the U. S. Department of Health and Human Services.) However, compensation to the Area Agency on Aging shall be required if the aggregate fair market value of all such items acquired under the same program award exceeds \$500 and is no longer needed for any federally-sponsored activity. The amount of compensation shall be computed in accordance with paragraph I below.

G. Waiver of accountability

1. Where authorized under Federal law (i.e., 42 USC 1892, PL 85-934), "title" to tangible personal property whose acquisition cost is borne in whole or in part by Older Americans Act and/or Illinois General Revenue Fund monies shall vest in the service provider 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 \$1,000 or more is vested in the service provider pursuant to paragraph 1 above, the Area Agency on Aging shall have the right to require the service provider to transfer "title" to the item of property to the Area Agency on Aging or to a third party named by the Area Agency on Aging. The right may be exercised at any time, but no later than twelve (12) months after the Area Agency on Aging has received the final Fiscal Report from the service provider after completion or termination of activities for which the property was acquired. If the right is exercised, the service provider shall be entitled to reimbursement for the costs incurred in transferring the property.

- H. Copyrights. When a book or other copyrightable material is developed under a program award, the author or service provider is free to copyright the work, but the Area Agency on Aging, 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 authorize others to use) the work for government purposes.
- I. Determining percentage of participation. Various provisions of these policies and procedures require a determination of the percentage of Older Americans Act and/or Illinois General Revenue Fund participation in the cost of the 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 program award during the year in which the property was acquired.

618. Treatment of Unspent Funds

- A. Illinois General Revenue Fund appropriations are enacted by the State legislature, and Older Americans Act annual appropriations are enacted by Congress with the clear expectation that they will fully and appropriately be expended in the year for which they are appropriated, in order to provide the services and programs for the elderly prescribed by law.
- B. Unspent Older Americans Act and/or Illinois General Revenue Fund monies awarded to a service provider for a specific fiscal year cannot be carried over by the provider into the next fiscal year. For further information, refer to section -613 of this Manual.
- C. Failure to expend annual funds fully is not only inconsistent with the intent of Congress and the State Legislature, but strongly implies failure to provide the extent of services and programs to which the elderly are entitled.

For these reasons, service providers 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.

619. Closing Out a Project's Books

- A. Definition

"Grant and/or contract closeout" means the process by which the Area Agency on Aging determines that all applicable administrative actions and all required work of the grant and/or contract have been completed by the service provider. This section applies only to grants and federal assistance contracts. This section does not apply to procurement contracts.

B. Grant and/or Contract Closeout for the Fiscal Year

The term "fiscal year closeout" refers to the process by which the Area Agency on Aging determines that all applicable fiscal actions regarding the grant and/or contract for that fiscal year have been completed by the service provider.

C. Closeout Calculations

Closeout is calculated by funding source: Older Americans Act Title IIIB and Illinois General Revenue Fund monies. Service providers must go through the process for each funding source. The funding sources are shown on the Notification of Grant Award and/or contract.

D. Timeframes. The fiscal year closeout follows the timeline set forth below:

1. All funds must be obligated by the end of the award period to be considered allowable expenditures.
2. All obligated funds must be disbursed within sixty (60) days after the end of the award period except for those construction and renovation charges for multi-purpose senior centers.
3. Service providers have until December 10 following the close of the fiscal year, to submit a final Fiscal Report to the Area Agency on Aging. The final Fiscal Report must contain any current period activity and/or adjustments for the grant year which have not been included in prior fiscal reports. Once the final Fiscal Report is reviewed and any discrepancies corrected, no further revisions to the Final Report which increase expenditures will be allowed.

E. Determination of Allowable Expenditures

1. The Area Agency will determine, based on the figures reported by service providers on the fiscal reports, the total costs by funding source for grants and by service for Federal Assistance contracts.
2. These actual total expenditures are compared with the budgeted and approved expenditures within the grant/Federal Assistance contract pages to determine the allowability of such expenditures.

FOR GRANTS:

- a. The allowable costs for each budgeted expense category will be 110% of the amount budgeted and approved for an expense category, provided that the

- total of all budget categories does not exceed the total amount budgeted and approved.
- b. For nutrition service providers, the Area Agency will then deduct from the adjusted total expenditures, the expenses reported by the service provider as NSIP, to arrive at an adjusted net cost. If actual NSIP exceeds the approved budgeted in grant amount, the service provider may exceed the budgeted expense category and total of all budget categories by the excess NSIP.
 - c. The Area Agency will determine an adjusted total expenditure amount for each funding source based on Steps 1, 2a, and 2b.
 - d. An additional adjustment will be made to the total program cost for social and nutrition services. This additional adjustment will be determined by deducting the total amount of Program Income reported per funding service to arrive an adjusted net cost by service.

FOR FEDERAL ASSISTANCE CONTRACTS:

- a. The allowable costs for each budgeted expense category will be 110% of the amount budgeted and approved for an expense category, provided that the total of all budget categories does not exceed the total amount budgeted and approved.
 - b. The Area Agency will determine an adjusted total expenditure amount for each funding source based on Steps 1 and 2a.
 - c. An additional adjustment will be made to the total program cost for social services. This additional adjustment will be determined by deducting the total number of Program Income reported per service to arrive at an adjusted net cost per service.
3. Utilizing the adjusted net cost, the Area Agency will then calculate the amount to be applied to Local Cash, In-Kind, and the Area Agency for both grants and Federal Assistance contracts:
- a. In-Kind. The amount reported will be applied as long as it does not exceed the amount budgeted and approved.
 - b. Area Agency Share. The Area Agency share will be calculated by applying the percentage which appears on the Notification of Grant Award and/or Federal Assistance contract to the adjusted net cost. This calculation will be utilized as long as the amount is equal to or less than the amount budgeted and approved.
 - c. Local Cash. The Area Agency share and In-Kind amount are deducted from the adjusted net costs and the balance is applied to Local Cash.

Note: There are times when both the amount of allowable In-Kind and the calculated Area Agency share cannot be applied, as the sum of the two would be

larger than the adjusted net costs. This occurs when the local match consists totally of In-Kind and there is no local cash.

Under such a circumstance, the first step must be to deduct the amount of the allowable In-Kind from the adjusted net costs. This must be deducted first, as In-Kind expenditures are non-cash items and cannot be adjusted. The balance remaining after the In-Kind is deducted from the adjusted net costs is the Area Agency share.

4. The Area Agency will compare the Area Agency's share of the adjusted net costs to the amount vouchered to the service provider during the award period. This will determine whether the Area Agency owes funds to the service provider, the service provider owes funds to the Area Agency, or the amount vouchered by the Area Agency equals the Area Agency share.
5. The Area Agency will notify each service provider, in writing, of the closeout results, and the timeframes for payment of funds and resolution of any outstanding issues.

620. Grant/Contract Closeout Due to Termination

- A. Projects may close out or terminate for several reasons:
 1. The project is able to generate necessary funding from other sources.
 2. The project closes due to accomplishment of its objectives or changing needs in the local community.
 3. The project may be terminated by the Area Agency due to inadequate performance or related factors.
- B. Whichever reason exists for discontinuing service provider funds, such discontinuance will require certain procedures for closing the service provider's books. The policies and procedures in this section must be adhered to in such circumstances.
- C. All service providers who receive Older Americans Act, Illinois General Revenue Funds, or other Area Agency-administered funds should close their project books for a budget year as soon as possible after the final Area Agency fiscal year ends.
- D. Also, service providers with an Area Agency-funded service that terminates before the end of a budget year should close out their books as soon as possible after the date on which the service provider ceases operations, but no later than ninety (90) days after operations are terminated.

621. General Requirements

- A. In closing out a grant and/or contract, the following requirements shall be observed:
 - 1. Upon request, the Area Agency shall promptly pay the service provider for any allowable reimbursable costs not covered by previous payments.
 - 2. The service provider shall promptly refund or otherwise dispose of, in accordance with instructions from the Area Agency, any unobligated balance of cash advanced to the service provider.
 - 3. The service provider shall submit, within ninety (90) days of the date of expiration or termination, all financial, performance, and other reports required by the terms of the award.
 - 4. The Area Agency will make a settlement for any upward or downward adjustment of the Federal and/or State share of costs, to the extent called for by the terms of the grant and/or contract.
- B. The closeout of a grant and/or contract does not affect the service provider's responsibilities with respect to property or with respect to any Program Income for which the service provider is still accountable under the provisions of this Manual.
- C. The closeout of a grant and/or contract does not affect the retention period for, or Federal or State rights of access to, grant and/or contract records.
- C. If a grant and/or contract is closed out without an audit, the Area Agency retains the right to disallow and recover an appropriate amount after fully considering any recommended disallowances resulting from an audit which may be conducted later.
- E. Service providers must clear all obligations incurred during a budget year within ninety (90) days after the end of that budget year (or the termination date of the grant/contract) and before the final Fiscal Report is completed.

622. Retention of Records**622.1 Applicability**

This section applies to all financial and programmatic records, supporting documents, statistical records and other records of service providers.

622.2 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 effective date of a grant or contract.
- B. If any litigation, claim, negotiation, audit or other action involving a service provider's records has been started before the expiration of the three-year period, the records must be retained until completion of the action and resolution of all issues that arise from it, or until the end of the three-year period, whichever is later.
- C. In order to avoid duplicate record keeping, the Area Agency on Aging may make special arrangements with service providers to retain any records that are continuously needed for joint use. The Area Agency on Aging may request transfer of records to its custody when it determines that records possess long-term value. Under such conditions, the three-year retention period is not applicable to the service provider.
- D. Local government units must maintain all performance and fiscal records in accordance with applicable State laws.
- E. Service provider personnel records relative to staff involved in Area Agency-funded programs shall be maintained by the service provider for a period of seven (7) years after the termination date of the service provider's grant and/or contract with the Area Agency on Aging.

622.3 Starting Date of Retention Period

- A. General. Where Area Agency on Aging grant or contract support is continued or renewed on an annual basis, the retention period for each year's records starts from thirty (30) days after the date of submission to the Area Agency on Aging of the service provider's final fiscal report for that year. In all other cases, the retention period starts from thirty (30) days after the date of submission to the Area Agency on Aging of the service provider's final fiscal report.
- B. Equipment records. The retention period for equipment records starts from the date of the equipment's disposition, replacement or transfer at the direction of the Area Agency on Aging.
- C. Records for Program Income transactions after grant or contract support. In some cases, Area Agency on Aging requirements concerning the disposition of Program Income may be satisfied by applying the income to costs incurred after expiration or termination of grant or contract support for the activity giving rise to the income. In such a case, the retention period for the records pertaining to the costs starts from the end of the service provider's fiscal year in which the costs are incurred.

622.4 Substitution of Microfilm

Copies made by microfilming, photocopying or similar methods may be substituted for the original records.

622.5 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, the Area Agency on Aging or any of their authorized representatives shall have the right of access to any books, documents, papers or other records of service providers which are pertinent to a grant and/or contract of Older Americans Act funds made by the Area Agency on Aging in order to make audit examinations, excerpts and transcripts.
- B. State funds. Similarly, the Illinois Department on Aging, the Area Agency on Aging, or its authorized representatives, shall have access to records pertaining to grants and/or contracts involving Illinois General Revenue Fund monies.
- C. 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.
- D. All service provider 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.
- E. Unless required by Federal statutes, service providers may not limit public access to pertinent records except after a determination by the Area Agency on Aging that the records must be kept confidential and would have been exempt from disclosure under the U. S. Department of Health and Human Services' Freedom of Information regulation if the records had belonged to it.
- F. This section does not require service providers to permit public access to their other records which are not pertinent to the grant and/or contract under review.

622.6 Transfer of Records

In the event of termination of a grant/contract agreement as defined in Section 628.2, all client records pertaining to the Area Agency-funded service(s) are to be transferred from the terminated service provider to the Area Agency-approved service provider, or to the Area Agency if a new service provider has not been designated by the effective date of termination. The Area Agency shall provide oversight during the transfer of client records.

623. Confidentiality of Personal Information

All information which is identifiable with any specific individual must be kept confidential unless the person concerned or his or her legal representative gives informed consent for the information to be released. This applies to both client information and personnel records. (Refer to Section 500 for further policies concerning confidentiality.)

624. Amounts Payable to the Area Agency on Aging

For each grant or contract, the following sums shall constitute a debt or debts owed by the service provider to the Area Agency on Aging, and shall, if not paid upon demand, be recovered from the service provider or its successor or assignees by appropriate action as provided by law:

- A. Any funds paid to the service provider by the Area Agency on Aging in excess of the amount to which the service provider is finally determined to be entitled under the terms of the grant or contract.
- B. Any royalties or other special classes of income which, under the terms of the grant or contract or the provisions of this Manual, are required to be remitted to the Area Agency on Aging.
- C. Any amounts due the Area Agency on Aging under the property provisions of this Manual.
- D. Service providers must assure that service provider-owned or rented facilities which are altered or renovated using Older Americans Act and/or Illinois General Revenue Fund monies are used for appropriate purposes for at least ten (10) years after completion of the alteration or renovation. The Area Agency shall recapture a portion of Federal and/or State funds from the service provider if, within ten (10) years after completion of the alteration or renovation:
 - 1. The owner of the facility ceases to be a public or nonprofit private agency or organization; or
 - 2. The facility is no longer used for senior citizens programs.

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

625. Disposal of Equipment

The service provider must dispose of equipment purchased in whole or in part with Older Americans Act and/or Illinois General Revenue Fund monies according to procedures outlined in section 617 of this Manual, "Property Management Standards."

626. Retention of Records

When a service provider closes its books or ceases to receive Older Americans Act or other Area Agency-administered funds, it nevertheless must retain certain records for a prescribed period, usually three (3) years. The specific policies which must be followed are described in section 622, "Retention of Records".

627. Termination of Obligations

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

628. Suspension and Termination**628.1 Suspension**

- A. Definition. "Suspension" of a grant or contract means temporary withdrawal of the service provider's authority to obligate funds pending corrective action by the service provider or a decision by the Area Agency on Aging to terminate the grant or contract.
- B. Basis of suspension
 - 1. When a service provider has materially failed to comply with the terms of a grant or contract, the Area Agency on Aging may, upon reasonable notice to the service provider, suspend the grant or contract in whole or in part.
 - 2. If a program is awarded Area Agency funds over two or more funding periods, a grant or contract may be suspended or terminated in the current period for failure to correct compliance issues still in question from a prior period.
- C. Notification of suspension. The Area Agency on Aging will notify a service provider in writing of its intent to suspend a program due to non-compliance. The written notification of suspension will state the reasons for the suspension, any corrective action required of the service provider and the effective date of suspension.
- D. Conditions of suspension
 - 1. A suspension may be made effective at once if a delayed effective date would be

unreasonable considering the Area Agency on Aging's responsibilities to protect Federal and State interests.

2. A suspension shall remain in effect until the service provider has taken corrective action satisfactory to the Area Agency, or given evidence satisfactory to the Area Agency that such corrective action will be taken, or until the Area Agency on Aging terminates the grant or contract.
3. A suspension may apply to either all or only a part of a service provider's operations.
4. Upon written notice, Area Agency payments will be withheld until the service provider corrects non-compliance.
5. In the event the non-compliance remains in effect for thirty (30) days after the Area Agency notifies the service provider in writing of the non-compliance, the Area Agency may terminate the grant or contract by giving the service provider a second written notice stating the Area Agency's intent to terminate the grant or contract thirty (30) days from the date of the second notice. Upon termination, the service provider will receive only the Older Americans Act and/or Illinois General Revenue Funds in proportion to allowable costs and services provided under the grant or contract.

E. Costs incurred during suspension

1. New obligations incurred by the service provider during the suspension period will not be allowed unless the Area Agency on Aging officially authorizes such costs in the notice of suspension or an amendment to it. Necessary and otherwise allowable costs which the service provider could not reasonably avoid during the suspension period may be allowed, at the Area Agency on Aging's discretion, if such costs result from obligations properly incurred by the service provider before the effective date of the suspension. Such costs may not be incurred in anticipation of suspension or termination.
2. At the discretion of the Area Agency on Aging, third-party, in-kind contributions applicable to the suspension period may be allowed in satisfaction of approved costs.

F. Adjustments

1. When a service or part of a program is suspended, the Area Agency on Aging will determine whether all or a portion of the service provider's balance of funds on hand must be returned to the Area Agency. This determination will be based on the amount of unearned Older Americans Act and/or Illinois General Revenue

Fund monies the service provider has on hand, the anticipated length of suspension, the extent of the service provider's operation as suspended, and the fund balance on hand.

2. Appropriate adjustments to payments under the suspended grant or contract will be made either by withholding subsequent payments or by not allowing the service provider credit for disbursements made in payment of unauthorized obligations incurred during the suspension period.

G. Reinstatement of a suspended project

1. The Area Agency on Aging may reinstate a suspended program and/or service if it determines that conditions warrant such action. Such reinstatement shall be made by the issuance of a new award document.
2. Use of Older Americans Act and/or Illinois General Revenue Fund monies in a reinstated program may resume immediately upon reinstatement. The funds unearned at the time of suspension remain available to the service provider if approved by the Area Agency on Aging at the previously established matching ratio.

628.2 Termination

- A. Definition. "Termination" means permanent withdrawal of the service provider'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 service provider. "Termination" does not include:

1. Refusal by the Area Agency on Aging to extend a grant or contract or award additional funds (such as refusal to make a competitive or noncompetitive continuation, renewal, extension or supplemental award).
2. Withdrawal of the unobligated balance of the expiration of a grant or contract.
3. Annulment, i.e., voiding, of a grant or contract upon determination that the award was obtained fraudulently or was otherwise illegal or invalid from inception.

- B. Basis for termination. Termination of service provider activities may result because of two major reasons:

1. "Termination for cause" shall result when the Area Agency on Aging determines that the service provider has failed to comply with the significant conditions of the agreement, e.g., inadequate performance or the unavailability of non-Federal matching.
2. "Termination for convenience" shall result when the Area Agency on Aging and the service provider determines mutually that the continuation of the project would not produce beneficial results commensurate with the further expenditure of funds.

Termination may be initiated:

- a. By the Area Agency on Aging with the consent of the service provider 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 service provider upon written notification to the Area Agency on Aging, to be received by the Area Agency within sixty (60) days prior to the proposed date of the effective termination of the grant or contract, setting forth the reasons for such termination, the effective date and, in the case of partial terminations, the portion to be terminated. However; if, in the case of a partial termination, the Area Agency on Aging determines that the remaining portion of the grant or contract will not accomplish the purposes for which the grant or contract was made, the Area Agency on Aging may terminate the grant or contract in its entirety.
- C. Notification of termination. When the Area Agency on Aging terminates support for a program, it will notify the service provider in writing of the action to be taken, the reasons for such action and the right of the service provider to appeal the termination. The effective date of such termination will be sixty (60) days from the date of such written notice.
- D. Conditions of a termination
1. When a grant or contract is terminated for cause, the service provider shall not incur new obligations for the terminated portion after the effective date, and shall cancel as many outstanding obligations as possible. The Area Agency on Aging will allow full credit to the service provider for the Older Americans Act and/or Illinois General Revenue Fund share of the non-cancellable obligations properly incurred by the service provider prior to termination.
 2. When a grant or contract is terminated for convenience, the Area Agency on Aging will provide the service provider with guidance regarding further eligibility of obligations.
- E. Closing out a program after termination. When a program is terminated, the service provider must submit final program and fiscal reports to the Area Agency on Aging. A final audit, paid for by the service provider, shall also be conducted on programs which were funded with a grant. Equipment and supplies purchased with Federal and/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 619 must be followed.

628.3**Enforcement**

- A. Remedies for non-compliance. If service provider materially fails to comply with the terms and conditions of an award, whether stated in a Federal statute, regulation, assurance, Area Agency requirements, application or notice of award, the Area Agency may, in addition, impose special conditions, and take one or more of the following actions:
1. Temporarily withhold cash payments pending correction of the deficiency by the service provider;
 2. Disallow (that is, deny both use of funds and any applicable matching credit for) all or part of the cost of the activity or action not in compliance;
 3. Wholly or partly suspend or terminate the current award (note Sections 628.1 and 628.2);
 4. Withhold further awards for the project and program; and,
 5. Take other remedies that may be legally available.
- B. Administrative Decision Review Proceedings. Remedies for non-compliance shall be issued in writing to the service provider by the Area Agency. Once the service provider is notified of the remedy or remedies for non-compliance, the service provider is given the opportunity to contest the action. To commence the administrative decision review proceedings, the service provider shall submit to the Area Agency in writing, within 15 calendar days of notification, a request to present information to contest the remedy or remedies enforced by the Area Agency. The service provider will be given an opportunity to present such information to an *ad hoc* committee of the Area Agency's Corporate Board. This *ad hoc* committee meeting, known as the Administrative Decision Review meeting, shall convene within thirty (30) calendar days of receiving written notice by the service provider contesting the Area Agency's enforcement action. During the meeting, Area Agency staff will also be given an opportunity to provide further justification for enforcing the remedy or remedies. After hearing information presented by the service provider and Area Agency staff, the *ad hoc* committee shall make recommendations to resolve the dispute. Final recommendations are binding after ratification by the Corporate Board and shall be submitted in writing to the service provider within thirty (30) calendar days of the Administrative Decision Review meeting.

629. Appeals

The Area Agency on Aging will provide an opportunity for a Hearing to any applicant and/or service provider whose application to provide services under an Area Plan is denied, or whose grant or contract is terminated or is not renewed **except** as provided in 45 CFR Part 74 Subpart M. 45 CFR Part 74 Subpart M refers to "termination for cause" and "termination on other grounds." "Termination for cause" is defined as terminating any grant in whole, or in part, at any time before the date of expiration, whenever it has

determined that the grantee has materially failed to comply with the terms of the grant. "Termination on other grounds" is defined as termination by the granting agency with the consent of the grantee, and termination by the grantee.

Appeals relative to CCU designation will follow the Illinois Department on Aging's appeal process outlined in the Illinois Administrative Code, Title 89, Chapter II, Sections 220.650 and 240.400.

629.1 Identification of Appeal Process

The Area Agency on Aging will include the Appeal policy and procedures in all Request for Proposal packets. The Appeal policy and procedures will also be available upon request.

629.2 Written Notice

All written notices of adverse action, Appeal Statement forms, and all subsequent correspondence pertaining to the Hearing shall be sent certified mail by the Area Agency on Aging and by the applicant/service provider.

629.3 Notice of Adverse Action/Right to Appeal

- A. The Area Agency will provide written notification of adverse action to the applicant/service provider. The notice of adverse action will identify the reasons for Area Agency on Aging action and the evidence on which the action was based.
- B. The notice of adverse action will include a copy of the Area Agency on Aging's Appeal policy and procedures.

629.4 Hearing Process

- A. Initiation of Hearing Process. The Hearing process is initiated upon receipt of a completed Appeal Statement form described under Sub-section 629.4.B, Request for Hearing. The completed Appeal Statement form must be received by the Area Agency on Aging within ten (10) calendar days following the date the notice of adverse action was received by the applicant/service provider as evidenced by the certified mail return receipt. The applicant/service provider must send the completed Appeal Statement form to the Area Agency on Aging by certified mail. Completed Appeal Statement forms not filed within this time frame shall be dismissed by the Area Agency.
- B. Request for Hearing. The Appeal Statement form must be completed to include the following information:
 - 1. The name of the agency requesting the Hearing;

2. The specific issues of law, regulation, or procedure which support the appeal; and,
 3. A brief summary of facts which support the action requested.
- C. Receipt of Request for Hearing. The Area Agency on Aging will review the completed Appeal Statement form to determine if the request meets the criteria established in Sub-sections 629.4. A and B. The Area Agency on Aging will stamp the date received on the Appeal Statement form.
- D. Petitioner Notification of Hearing Request. The applicant/service provider filing the Appeal Statement form will hereafter be referred to as the "Petitioner." The Area Agency on Aging will notify the Petitioner of its receipt of the Appeal Statement form. If the Petitioner's completed Appeal Statement form does not conform to the criteria established in Sub-sections 629.4 A and B, the notification will indicate the reasons(s) for the Area Agency on Aging's denial of the request for a Hearing.
- E. Petitioner Notification of Hearing Date, Time and Location. The Area Agency on Aging will provide written notice to the Petitioner ten (10) calendar days prior to the date of the Hearing. Such notice shall specify the date, time, and location at which the Hearing will be conducted.
- F. Time Frames to Conduct Hearing. Except where the Hearing has been postponed (refer to Section 629.8), the Hearing will be conducted within thirty (30) calendar days of the date the Appeal Statement form was received by the Area Agency as evidenced by the stamped date.

629.5 Hearing Scope

The scope of the Hearing will be limited to the following areas:

- A. The Area Agency on Aging's adherence to the procedures for conducting Hearings as established by the Area Agency on Aging and any additional Hearing requirements imposed on the Area Agency on Aging by the Illinois Department on Aging; and,
- B. The Area Agency on Aging's adherence to the procedures established by the Area Agency on Aging for awarding grants and contracts under an approved Area Plan. Such procedures will include the criteria used to evaluate grants and contracts.

629.6 Impartial Hearing Officer/Panel

Hearings will be conducted by an impartial Hearing Officer or impartial Hearing Panel.

Impartial is defined as not having participated in the decision of the action being appealed.

- A. Selection of Impartial Hearing Officer/Panel. In order to prevent the possibility of bias in the selection of a Hearing Officer/Panel, the Area Agency on Aging will request an impartial third party to serve as an impartial Hearing officer. The Area Agency Executive Director will consult with the Area Agency Corporate Board Chairperson who will select the individual to serve as an impartial Hearing Officer.

The impartial Hearing Officer may choose to select additional impartial members to serve on a Hearing Panel.

In order to serve as the Hearing officer or on the Hearing Panel, selected individuals must have general knowledge of the Aging Network/Older Americans Act services and/or grants administration/management practices. Additionally, such individuals must have a general understanding of grants procurement practices.

PSA 05 Area Agency staff, funded service providers and current ECIAAA Corporate Board and Advisory Council members are not eligible to serve as the Hearing Officer or on the Hearing Panel.

The Hearing Officer and Hearing Panel members will not receive compensation for their activities relative to the appeal process except travel-related costs (if approved by the Area Agency).

- B. Hearing Officer/Panel Orientation. An orientation packet containing background information will be sent to the Hearing Officer/Panel at least seven (7) calendar days prior to the date of the Hearing. The orientation packet will include, but is not limited to, the following:
1. A copy of the Area Agency on Aging's Appeal policy and procedures;
 2. A copy of the Request for Proposal;
 3. A copy of the Petitioner's application, a copy of the approved application, and a copy of the application review documents;
 4. A copy of Area Agency on Aging correspondence to the Petitioner, as applicable;
 5. A copy of Petitioner correspondence to the Area Agency on Aging, as applicable; and,
 6. A copy of Area Agency correspondence to the Area Agency's Board of Directors, including committee correspondence, as applicable.

The orientation packet will be sent to the Petitioner at least seven (7) calendar days prior to the Hearing.

- C. Hearing Officer/Panel Orientation Meeting. If the Hearing Officer/Panel requests additional clarification for orientation purposes, an orientation meeting can be conducted. The orientation is to occur on the same day as the Hearing and is to include representatives of both the Petitioner and the Area Agency on Aging.

629.7 Amendment of Appeal

A written request to amend an appeal may be submitted prior to or at the time of the Hearing. The request to amend an appeal must be submitted in writing. The appeal may be amended only if, in the judgment of the Hearing Officer/Panel, the amendment is relevant to the subject matter of the original appeal request. The Hearing Officer/Panel will determine if the appeal may be amended prior to or at the time of the Hearing.

629.8 Postponement/Dismissal of the Hearing

- A. Postponement. A Hearing may be postponed for a reasonable period of time, not to exceed ten (10) calendar days, for good cause. See Section 629.8.B.2 for a definition of "good cause." A request for postponement of the Hearing can be made either prior to, or at the Hearing. Requests for postponement prior to the Hearing must be made in writing.
 - 1. A request for postponement received prior to the meeting will be reviewed by the Area Agency on Aging. If both parties agree, the Hearing will be postponed. If both parties do not agree, the Hearing Officer/Panel will decide if postponement should be granted.
 - 2. A request for postponement made at the meeting will be decided by the Hearing Officer/Panel.
 - 3. If the request for postponement is granted, the Petitioner and Hearing Officer/Panel shall be notified in writing of the new date, time, and place by the Area Agency on Aging.
- B. Dismissal. Failure by the Petitioner to appear at the date, time, and location designated for the Hearing will result in dismissal of the request for Hearing. Refusal of the Petitioner to proceed with the Hearing shall be deemed a non-appearance and the request for a Hearing shall be deemed abandoned and shall be dismissed. The Petitioner will be notified in writing of the dismissal by the Area Agency on Aging.
 - 1. The Petitioner may request to withdraw a dismissal for non-appearance. This request must be in writing and signed by the Petitioner and supported by affidavit. Such requests must be received by the Area Agency on Aging within ten (10) calendar days following the date the dismissal notice is received as evidenced by the certified mail return receipt.

2. Dismissals for non-appearance shall be withdrawn only if good cause for non-appearance is shown. "Good cause" is defined as:
 - a. Death in the Petitioner's family;
 - b. Personal injury or illness which reasonably prohibits the Petitioner from attending the Hearing; and/or
 - c. Sudden and unexpected emergencies.
3. If the Petitioner and Area Agency on Aging agree to the request to withdraw the dismissal, the dismissal for non-appearance will be withdrawn. If both parties do not agree, the Hearing Officer/Panel will decide if the request to withdraw the dismissal should be granted.
4. If the request to withdraw the dismissal is granted, the Petitioner and Hearing Officer/Panel shall be notified in writing of the new date, time, and place by the Area Agency on Aging.

629.9 Hearing Transcript

The Area Agency on Aging will be responsible for ensuring that a verbatim transcript of the Hearing is produced. The Petitioner may obtain copies of the written transcript by contacting the company/agency producing the transcript.

629.10 Conduct of Hearing

The Hearing proceedings must allow both the Area Agency on Aging and the Petitioner an opportunity to:

- A. Appear in person and/or be represented by legal counsel or by other authorized representative(s). Action or inaction of the authorized representative(s) shall be deemed action or inaction of the Petitioner.
- B. Present testimony to support each position. Once testimony has been presented, the Petitioner and the Area Agency will be given the opportunity to refute or defend the basis for the decision being appealed. Witnesses may be called. Each party will be given ten minutes for testimony and five minutes for rebuttal.
- C. Review any pertinent evidence and ask and respond to questions that arise during a Hearing.

629.11 Closing of Hearing Record

At the adjournment of the Hearing, the record shall be closed and no further evidence may be

submitted by the Area Agency on Aging or the Petitioner unless, prior to the adjournment of the Hearing, a request to leave the record open for a specified period (not to exceed ten (10) calendar days) for the submittal of additional evidence was made by the Area Agency and/or the Petitioner and granted by the Hearing Officer/Panel.

629.12 Termination

The Area Agency on Aging may terminate formal Hearing procedures at any point if the Area Agency and the Petitioner negotiate a written agreement that resolves the issue(s) which led to the request for the Hearing.

629.13 Withdrawal

An appeal may be withdrawn by the Petitioner either prior to, or at, the Hearing. A withdrawal must be in writing and signed by the Petitioner and/or the authorized representative, or presented for the record during the Hearing.

629.14 Deliberation/Report

The Hearing Officer/Panel will deliberate producing a written report of the Hearing. The Report will contain a summary of Hearing proceedings and will include recommendations to resolve the issue(s) being appealed. The Report shall be presented by the Hearing Officer or member of the Hearing Panel to the Area Agency's Board of Directors during its next regularly scheduled meeting. The Hearing Officer/Panel's Report will set forth the reason(s) for the recommendation(s) and the evidence on which the recommendation(s) is (are) based.

The Area Agency's Board of Directors will take action on the Hearing Officer/Panel's Report. Written notice of the Board's decision will be sent to the Petitioner. This written notice shall include the recommendation(s) of the Hearing Officer/Panel and the reasons upon which the final Board decision was based.

629.15 Notice of Decision to the Petitioner

The notice of decision must be mailed to the Petitioner within five (5) working days following the Board's action. In addition to the final written decision of the Area Agency's Board of Directors, the notice of decision must include a statement of the Petitioner's right to request an administrative review of the Hearing procedures by the Illinois Department on Aging. The request for administrative review must be filed in writing to the Illinois Department on Aging within thirty (30) calendar days from the date written notice of decision was received by the Petitioner as evidenced by the certified mail return receipt.

630. General Administrative Requirements

1. Financial Administration

Financial administration relates to the service provider's ability to handle monies received from the public for beneficial social and/or nutritional purposes. The service provider is entrusted with these funds in order to perform services for the benefit of older persons in the approved geographic service area. The service provider is required to assure that it has the authority and capacity to develop and carry out a program under a grant and/or federal assistance contract with the Area Agency, and that the service provider has the capacity to manage funds from multiple sources.

Therefore, and in accordance with Federal regulations, each service provider is required to have in place written, implemented policies and procedures which, at minimum, must address the following areas:

- a. management roles and responsibilities
- b. design of an accounting system
- c. cash depositories
- d. bonding and insurance
- e. retention and access to records
- f. program income
- g. cost-sharing and matching
- h. financial management system
- i. audits and their resolution
- j. contractual payments
- k. financial reporting
- l. revision to financial plans
- m. property management
- n. procurement management
- o. personnel administration
- p. monitoring and reporting of financial performance
- q. interest income earned on Area Agency funds awarded

It is the responsibility of the service provider to ensure the following:

1. That the written and implemented policies and procedures referred to above meet the generally accepted accounting principles as set forth by the American Institute of Certified Public Accountants and the United States General Accounting Office.
2. That the written and implemented policies and procedures referred to above meet the requirements as set forth in applicable Federal circulars issued by the Federal Office of Management and Budget.
3. That the written policies and procedures for financial administration have

been reviewed and formally approved by the governing body of the service provider prior to their implementation.

Service providers may refer to the Service Provider Financial Management and Accounting Manual published by the US Department of Health and Human Services, Office of Human Development, Administration on Aging.