

COLORADO DIVISION OF CRIMINAL JUSTICE

Colorado Department of Public Safety



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

November 2011

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

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



American Recovery and Reinvestment Act of 2009
Community-Defined Solutions to Violence Against Women Program
Ed Byrne Memorial Justice Assistance Grants
John R. Justice Prosecutors and Defenders Incentive Act Program
Juvenile Accountability Block Grants
Juvenile Justice and Delinquency Prevention Act Title II Formula Grant Funds
Title V Incentive Grants for Local Delinquency Prevention
Local Law Enforcement Grant
National Criminal History Improvement Program
Paul Coverdell National Forensic Sciences Improvement Program
Project Safe Neighborhoods
Residential Substance Abuse Treatment
Second Chance Act Prisoner Reentry Initiative
Sexual Assault Services Program (SASP)
Victims of Crime Act/Victim Assistance Program (VOCA)
Violence Against Women Act Program (VAWA)
VOCA Victims Compensation Program

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

November 2011

OVERVIEW: Purpose and Organization of this Guide

The **Administrative Guide** (Guide) is a reference for agencies receiving federal funds through the Division of Criminal Justice (DCJ) at the Colorado Department of Public Safety. The Guide will help agencies understand and meet the financial, administrative, and audit requirements for the use of these funds. The primary source document for these requirements is the federal *Office of Justice Programs, Office of Chief Financial Officer, Financial Guide* as revised, including applicable Office of Management and Budget (OMB) Circulars. The most current U.S. Department of Justice *Financial Guide* was published in 2011.

The federal *Financial Guide* can be found at:

<http://www.ojp.usdoj.gov/financialguide/index.htm>

Additional information on OMB Circulars can be found at:

<http://www.whitehouse.gov/omb/circulars/default>.

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

Certain portions of the *Guide* may not apply to all grantees. For example, if equipment purchases are not authorized under the grant, the grantee will not need to reference the chapter of the *Guide* on equipment procurement. Revisions and additions to the *Guide* will be provided whenever necessary and posted on the Division of Criminal Justice website.

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

Federal Programs Administered by DCJ

JUVENILE JUSTICE PROGRAMS

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

VICTIM ASSISTANCE PROGRAMS

	Description/Abbreviation appearing in Grant #	CFDA#
OVW FUNDS	Community-Defined Solutions to Violence Against Women Program	16.590
OVW SASP FUNDS	Sexual Assault Services Program (SA)	16.107 16.588
OVW STOP FUNDS	STOP Violence Against Women Formula and Discretionary Grants (VW)	
VOCA FUNDS	Victims of Crime Act/Victims Assistance Funds (VA)	16.575
VOCA Victims Compensation	VOCA Victims Compensation (VC)	16.576

DRUG CONTROL & SYSTEM IMPROVEMENT PROGRAMS

	Description/Abbreviation appearing in Grant #	CFDA#
JAG	Edward Byrne Memorial Justice Assistance Grant Program	16.738
LLEBG FUNDS	Local Law Enforcement Block Grant (LB)	16.592
NCHIP FUNDS	National Criminal History Improvement Program (RU)	16.554
COVERDELL FUNDS	Paul Coverdell National Forensic Sciences Improvement Program (DN)	16.560
JIS	National Justice Information Sharing Initiative	16.751

ADMINISTRATION

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

COMMUNITY CORRECTIONS PROGRAMS

	Description/Abbreviation appearing in Grant #	CFDA#
RSAT FUNDS	Residential Substance Abuse Treatment Program (RS)	16.593
BJA FUNDS	Second Chance Act Reentry Demonstration Program	16.812

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FEDERAL FUNDS WILL NOT BE DISBURSED UNTIL THIS PROCESS IS COMPLETED

I. INTRODUCTION

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

After review of the applications by DCJ staff, the appropriate appointed council or advisory board reviews the grant applications and makes funding awards or recommendations to DCJ, and in some cases, to the Colorado Department of Public Safety and the Governor. Not all grant programs follow this process. In some programs, successful applicants are then preliminarily notified of their selection to receive a grant award of federal funds.

II. STATEMENT OF GRANT AWARD

A. Definition and Contents:

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

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

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

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

1. The Project Director designated in the grant application receives two or more copies of the *SOGA*. The Authorized Official must sign each of the copies. All copies of the *SOGA* with an original signature by the Authorized Official must be returned to DCJ prior to the start date of the award or no later than 60 days after the issue date. Failure to do so may result in termination of the award.

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

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

3. If there has been a change in the Authorized Official since the application was submitted, or if the grantee was notified that the proper signature was not secured on the application at the time it was submitted, the Statement of Grant Award (SOGA) must be signed by the current and correct Authorized Official and a new signature page must accompany the SOGA.
4. Upon receipt by DCJ, the Director of DCJ and the State Controller designee in the Colorado Department of Public Safety will sign all copies of the SOGA. One copy of the SOGA, incorporated final approved application, and Special Provisions and Certified Assurances will be returned to the grantee's Project Director for the official project file. The Financial Officer should also be given a final approved copy of the SOGA.
5. A number of special conditions may be included on some grant awards. These conditions may need to be completed prior to drawing down awarded federal funds. If your grant contains special conditions, they will be listed beneath the approved budget section of the SOGA.
6. A grantee may be considered "High Risk" if DCJ has determined the grantee:
 - Has a history of unsatisfactory performance;
 - Is not financially stable; or,
 - Has not conformed to terms and conditions of previous awards.

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

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

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

D. Certification of Match – for those programs which have a match requirement, an executed certification of match form must be returned with a copy of the SOGA.

III. COMMENCEMENT OF PROJECT

A. Ready to Begin:

After DCJ returns the completed SOGA to the grantee the project is ready to begin.

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

B. What to do if Implementation is delayed:

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

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

IV. TERMINATION OR REDUCTION OF GRANT AWARD

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

A. Termination for Convenience:

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

B. Reduction in Grant Award Amount for Cause:

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

C. Termination for Cause:

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

D. Reduced Need of Original Award:

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

E. Equipment Purchased Under Grant: Any equipment purchased under the grant would revert, at the discretion of DCJ, to DCJ upon termination of the grant for any of the reasons mentioned in this section. Standard disposition reporting procedures contained in the DCJ Form 5 should be followed and the completed form sent to DCJ.

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

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

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

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

Common Mistakes:

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

The same individual signs as the Authorized Official, Financial Officer and Project Director.

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

- Has there been a change in the AO since the application? (If so, a new signature page must be completed.)

2. CERTIFICATIONS (AS REQUIRED)

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

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

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

REQUIRED REPORTS AND NOTIFICATIONS

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

DCJ has created a series of reports and forms designed to assist grantees in meeting the federal and state requirements for accountability, management, and auditing. This chapter discusses the various reports and forms which the grantee submits to DCJ. To ensure you are using the most current forms, copies of reports and forms should be downloaded from the DCJ website address: <http://dcj.state.co.us>. In addition, some programs send specific data reporting forms to the Project Director with the SOGA.

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

Forms are revised periodically. **Use only the most current version of the forms.** The Project Director should become familiar with any new or revised forms and should call DCJ if there are any questions.

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

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

II. FORM SUBMISSION

A. All Grantees must submit the following forms:

1. **DCJ Form 3, Cash Request** is submitted to draw down awarded funds. Regulations require that federal cash on hand be expended within 10 days of receipt. DCJ recommends reimbursement of actual project expenses on a quarterly basis. Requested funds must reflect reported expenditures on the quarterly financial reports (DCJ Form 1-A).

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

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

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

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

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

- b. Two signed copies of DCJ Form 1-A, one with **original** signatures of the Project Director and the Financial Officer, must be received by DCJ within fifteen (15) days after the end of each calendar quarter, even if there were no expenditures during the quarter.

<u>Calendar Quarters</u>	<u>Quarterly Report Due Dates*</u>
January 1 – March 31	April 15
April 1 – June 30	July 15
July 1 – September 30	October 15
October 1 – December 31	January 15

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

*For the quarter ending June 30th (State fiscal year-end closing), the due date may be earlier depending on the individual program. You will be notified by your grant manager if this is applicable.

- c. Two signed copies of the **final** financial report, submitted on DCJ Form 1-A, one with **original signatures** of the Project Director and the Financial Officer must be received by DCJ no later than 45 days after the end of the grant award period. This report must show the payment of all unpaid obligations that were reported on the last quarterly report. The final financial report may be combined with the last quarterly financial report on DCJ Form 1-A only if the awarded funds and any required match have been fully expended, there are no outstanding unpaid obligations at the end of the grant award period, and the report is submitted no later than fifteen (15) days after the end of the grant award period.

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

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

- a. This reporting has several formats depending on funding source and program type. Forms are available on DCJ's website or by contacting your grant manager. Use this form to report on progress made in meeting the goals and objectives and performance measures, and to report obstacles which may have caused problems or delays in implementing the project. Check the Special Conditions on your SOGA for any special reporting requirements.
- b. Two signed copies of DCJ Form 2, one with the **original** signature of the Project Director, must be received by DCJ no later than fifteen (15) days after the end of each calendar quarter, even if there has not been any grant activity during the quarter. An explanation as to why there was not any grant activity should be included in the narrative.
- c. Two signed copies of the **final narrative report** must be submitted to DCJ no later than forty-five (45) days after the end of the grant award period. Please note that some programs use the same form for both quarterly and final narrative reports; others have separate forms for each. The final report summarizes grant activity for the entire grant award period, with an emphasis on the impact the project has made on the Problem or Need Statement in the grant application.

<u>Calendar Quarters</u>	<u>Quarterly Report Due Dates</u>
January 1 – March 31	April 15
April 1 – June 30	July 15
July 1 – September 30	October 15
October 1 – December 31	January 15

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

B. Change Request Forms:

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

1. DCJ Form 4-A, Budget Revision

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

NOTE: Some programs, per federal guidelines, allow for grantees to move money within approved budget categories up to 10% without changing the scope of the approved project. Changes outside of approved budget categories require additional approval from your DCJ grant manager.

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

It is imperative that the individuals signing the various reports and forms be the same individuals that DCJ has on record as authorized signatories. Two signed copies of DCJ Form 4-B, one with **original** signatures of the new person and the Project Director, must be submitted promptly to DCJ. A copy with DCJ approval will be returned for the grantee grant files. The Authorized Official should sign as the current Project Director when completing a DCJ Form 4-B for a new Project Director.

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

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

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

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

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

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

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

NOTE: Any modification which could potentially change the scope of the project may not be approved.

C. Reporting of Project Income:

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

DCJ Form 1-B, Project Income

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

Two signed copies of DCJ Form 1-B, one with the **original** signatures of the Project Director and Financial Officer must be submitted when project income is being earned. The first DCJ Form 1-B must be submitted within fifteen (15) days after the end of the quarter in which the grantee begins to receive the income, and then quarterly until it is expended to at least the percentage of federal support of the project. For example, a grant consisting of 75% federal funds and 25% matching funds must report expenditures of 75% of the project income to DCJ, **even if this extends beyond the ending date of the grant award period.**

D. Equipment Procurement and Inventory Forms:

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

1. **DCJ Form 13, Equipment Procurement Certification** must be submitted to obtain required DCJ prior approval to purchase equipment. A grantee must comply with all applicable federal, state, or local purchasing procedures. Two signed copies of DCJ Form 13, one with the **original** signature of the Project Director, must be submitted to DCJ prior to the procurement of equipment. All required information must be attached to the form. If approved, a copy with DCJ approval will be returned for the grantee grant files.
2. **DCJ Form 5, Equipment Inventory/Retention Certification** must be submitted to identify the retention plan for equipment purchased with grant and match funds. Submit one copy signed by the Project Director with the final narrative report. The grantee must retain a copy of this form for each equipment item and resubmit a revised report upon a change in disposition of any equipment, even if this is after the end of the grant period. Refer to the instructions on the form and Chapter 4 on Grant Close-out Procedures, for more details. Grantees must contact their DCJ grant manager for more information regarding disposition of equipment, as each program may have specific guidelines. Refer to Chapter 3, page 3-7 for more information.

E. Contracts for Professional Services/Consultants:

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

DCJ Form 16, Professional Services/Consultant Procurement Certification is submitted to obtain required DCJ approval for the procurement of services by outside vendors who are under contract with the grantee agency for the funded project. A grantee must comply with all applicable federal, state, and/or local purchasing procedures. Two signed copies of DCJ Form 16, one with the original signature of the Project Director, must be submitted to DCJ prior to contract execution. In addition, a signed contract with a detailed budget must be attached for each Form 16. One copy with DCJ approval will be returned for the grantee grant files.

F. Other Reports

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

SUMMARY OF COMMON FORMS

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

Form (in numerical order)	Due Date(s)	Signatures Required
DCJ Form 1-A: Quarterly Financial Reports	January 15, April 15, July 15, October 15, and if the grant does not end on a calendar quarter, thirty (30) days after the end of the grant award period.	Financial Officer Project Director
DCJ Form 1-A: Final Financial Report	Forty-five (45) days after the end of the grant award period.	Financial Officer Project Director
DCJ Form 1-B: Project Income Report	15 days after the end of the first quarter during which project income was generated. Continue to report quarterly until project income is expended to the proportion of federal funding (even if after the end of the grant).	Financial Officer Project Director
DCJ Form 2: Quarterly Narrative/Data Report (specific to each funding source)	January 15, April 15, July 15, October 15, and if the grant does not end on a calendar quarter, thirty (30) days after the end of the grant award period.	Project Director
DCJ Form 2: Final Narrative/Data Report	Forty-five (45) days after the end of the grant award period.	Project Director
DCJ Form 3: Cash Request (drawdowns)	Reimbursement request for actual expenditures to date and reported on the quarterly financial report (DCJ 1-A).	Project Director

SUMMARY OF PROGRAM SPECIFIC FORMS

Form (in numerical order)	Due Date(s)	Signatures Required
❖ DCJ Form 4-A: Budget Revision	At least 30 days prior to deviating from the budget categories designated on the SOGA or current approved budget.	Project Director
DCJ Form 4-B: Change in Signing Authority	As soon as possible following a change in Project Director, Financial Officer, or Authorized Official.	Project Director and signature of new official
❖ DCJ Form 4-C: Change in Grant Award Period	At least sixty (60) days before the end of the grant award period, when allowed.	Project Director
❖ DCJ Form 4-D: Modification of Other Grant Agreements	Prior to any proposed modification or revision of the project described in the approved application.	Project Director
❖ DCJ Form 5: Equipment Inventory/Retention Certification	Submitted with the final narrative report, within (45) days after the end of the grant award period.	Project Director
❖ DCJ Form 13: Equipment Procurement Certification	Prior to any purchase of equipment.	Project Director
❖ DCJ Form 16: Professional Services/Consultant Certification	Prior to disbursement of any monies in the Professional Services/Consultant category.	Project Director
DCJ Form 30: Certificate of Compliance with Regulations	Prior to drawdown of grant funds.	Authorized Official

❖ Indicates prior approval is required.

RECORD KEEPING RESPONSIBILITIES AND RULES ON USE OF BUDGETED FUNDS

CHAPTER 3

I. REVIEW OF RECORDS

DCJ, the U.S. Department of Justice, the U.S. Comptroller General, Office of Inspector General, or any of their authorized representatives shall have the right to access any records of the subgrant. During monitoring and site visits, staff may require access to and review of all records. Any confidential files will remain confidential. See Chapter 4 for more detailed instructions on the retention of records.

II. ACCOUNTING SYSTEM CRITERIA

The grantee is required to establish and maintain an accounting system and financial records to accurately account for awarded and matching funds. All federal money received must be recorded as federal funds to be included in the grantee agency's audit report. The grantee may use any state or federally accepted accounting system which meets the following minimum criteria:

A. Categorize Revenues and Expenditures

The system must categorize ALL grant revenues and expenditures by funding source(s). (See Chapter 5 for the proper Catalog of Federal Domestic Assistance (CFDA) number applicable to the subgrant). Each grant award must be tracked separately whether or not it is a new or continuation project. Funds awarded for one project may not be used to support another project.

B. Commingling of Funds

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

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

C. Internal Controls

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

D. Broad Budget Categories

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

E. Submission of Reports

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

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

III. ACCOUNTING CONTROLS

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

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

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

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

Supporting documents such as invoices must be kept to verify all entries made in the accounting system, be clearly marked with the grant number, and be approved for payment by the Project Director. The Grantee must assure that it will retain all project records, as will facilitate an effective audit, for seven years after the end of the state fiscal year that includes the end date of the grant. (For example if the grant ended 9/30/2010, the state FY would be July 1, 2010-June 30, 2011. The files could be destroyed after 6/30/2018); except, if an audit is in progress and/or the findings of a completed audit have not been resolved satisfactorily, then records must be retained beyond the seven-year period until such issues are resolved.

IV. UNALLOWABLE COSTS

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

- A. Land acquisitions.
- B. Compensation of Federal Employees.
- C. Travel of Federal Employees.
- D. Bonuses or Commissions.
- E. Military Type Equipment.
- F. Lobbying, political contributions, and legislative liaison activities. More detailed information regarding lobbying prohibitions and exemptions are available from DCJ upon request.
- G. Expenses of organized fund-raising (this includes salaries of persons while engaged in these activities and also includes grant writing).
- H. Cost of any corporate formation.
- I. State and Local Sales Taxes.
- J. Other Unallowable Costs including:
 - 1. Entertainment expenses.
 - 2. Sporting events.
 - 3. Fines and penalties.
 - 4. Visa fees.
 - 5. Passport charges.

- 6. Tips.
 - 7. Alcoholic beverages/bar charges.
 - 8. Lodging costs if they exceed the federal per diem (for events requiring lodging for 30 or more people).
 - 9. Membership fees to organizations whose primary activity is lobbying.
 - 10. Premium pay.
- K. Costs incurred before the project start date or after the expiration of the project period.
 - L. Personal expenses, such as personal hygiene items, laundry.
 - M. Lunch when travel is wholly within a single day.
 - N. Social Events –Any event where alcohol is served or consumed is considered a social event; therefore, NO costs associated with that event are allowable and CAN NOT be paid for with federal funds.
 - O. No OJP funds can be used to purchase food and/or beverages for any meeting, conference, training or other event.
 - P. Further unallowable costs may be found in the OJP Financial Guide or by calling your DCJ grant manager.

V. INTEREST EARNED

Units of local government can keep interest up to \$100 per federal fiscal year earned on advances of federal funds from all sources. Non-profit organizations may keep interest earned on federal grant funds up to \$250 per federal fiscal year. Interest in excess of the amounts described above must be remitted to the U.S. Department of Health and Human Services, Division of Payment Management Services, P.O. Box 6021, Rockville, MD 20852. Interest earned on advances of federal dollars is never considered project income. The requirements for JAG and JABG grants have different requirements. Please contact your program administrator at DCJ regarding interest earned for these programs.

VI. MINIMUM CASH ON HAND

Grantee should request funds based upon immediate disbursement/reimbursement requirements. Recipients should time their drawdown requests to ensure that federal cash on hand is the minimum needed for disbursements/reimbursements to be made immediately or within 10 days.

VII. SUPPLANTING

Federal funds must be used to supplement existing funds for program activities and not replace those funds that have been appropriated for the same purpose. Supplanting will be the subject of application review, as well as pre-award review, post-award monitoring, and audit. If there is a potential presence of supplanting, the grantee will be required to supply documentation demonstrating that the reduction of non-federal resources occurred for reasons other than the receipt or expected receipt of federal funds. For certain programs, a written certification may be requested by the awarding agency or recipient agency stating that federal funds will not be used to supplant state or local funds.

VIII. BUDGET CATEGORIES AND RECORD MAINTENANCE

A. Personnel/Time and Attendance Records

This budget category includes paid personnel of the grantee agency, whose salaries and/or fringe benefits, or a portion thereof, will be paid by the grant and/or matching funds. The grantee must have written personnel policies and procedures which address: work hours, holidays, vacations, sick leave, overtime pay, compensatory time, termination, qualifications, written job descriptions, and equal employment opportunity policies. Consultants/Contractors are not paid under this budget category.

In addition to normal payroll records, accurate time and attendance records must be maintained on all personnel whose salary or volunteer time is charged to the project. Contact your program administrator at DCJ for a sample of an acceptable time sheet.

Time and attendance records must include:

- The date
- Employee's name
- Position title
- Total daily hours charged to the project by funding source
- Employee's signature
- Supervisor's signature (if not Project Director)
- Project Director's signature

When volunteer time is used as in-kind match it should be included in this budget category with an assigned hourly rate. Grantee must provide documentation as to how the hourly rate was calculated.

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

B. Supplies and Operating

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

Effective October 21, 2011, **no OJP funding can be used to purchase food and/or beverages for any meeting, conference, training or other event, unless OJP approves funding due to exceptional circumstances.** This restriction does not apply to water provided at no cost, but does apply to any and all other refreshments, regardless of the size or nature of the meeting. Contact your DCJ grant manager if you have any questions on this policy.

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

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

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

C. Travel

This budget category includes all travel including authorized airfare, mileage, and lodging, and travel-related meal reimbursement expenses in the approved budget. A travel reimbursement request must document all travel expenses with original receipts attached. Any travel reimbursement request used must include the name and signature of the person traveling, destination and purpose of trip, date of trip, time of departure and return, grant number, and signature of the Project Director.

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

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

D. Equipment

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

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

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

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

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

1. Description of item
2. Serial number and property inventory number

3. Date of purchase
4. Grant number
5. Check or voucher number
6. Cost
7. Equipment location
8. Present use
9. Condition
10. Disposition information

E. Disposition of Equipment

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

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

If you have any questions about the disposition of equipment, please contact your DCJ grant manager.

F. Professional Services/Consultants

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

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

Use DCJ Form 16, Professional Services/Consultant Certification to obtain approval from DCJ **before** Professional Services/Consultant expenditures are made. No payment will be made until a valid DCJ Form 16 and signed contract has been approved by a DCJ grant manager.

DCJ recommends that grantees obtain legal assistance if they have questions with regard to contract terms. Grantees should secure professional services through competitive negotiation whenever possible. See Chapter 6 for more detail.

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

The grantee must not award any contract to any individual or organization that is debarred or proposed for debarment from participation in federal assistance programs. Please check the debarment website at: www.epls.gov.

If, under the grant, the grantee enters into a financial arrangement in a contract for \$100,000 or more with any party having critical influence on or substantive control over the goals and objectives of the grant, the grantee must have this party sign the OJP Form 4061/1, *Certification Regarding Debarment, Suspension Ineligibility, and Voluntary Exclusion*. A copy of this form may be requested from DCJ or downloaded from the Office of Justice Program's website at <http://www.ojp.usdoj.gov/forms.htm>. The grantee shall maintain this form with the records of the grant.

G. Confidential Funds

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

IX. OTHER ADMINISTRATIVE REQUIREMENTS

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

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

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

State law, including C.R.S. §24-103.5-101, State Fiscal Rules, Policies and Guidance, requires that a grantee's performance be evaluated as part of normal contract administration and that performance be systematically recorded in the statewide Contract Management System (CMS). Performance information shall be entered into CMS at intervals established in the Project Plan, and a final rating shall be rendered within 30 days of the end of the Subgrant term. Contact your project manager at DCJ for any questions concerning compliance with CMS.

The Federal Funding Accountability and Transparency Act (FFATA or Transparency Act) requires the Office of Management and Budget (OMB) to maintain a single website that contains information on all federal spending awards. The purpose of FFATA is to provide the public with information on how their tax dollars are spent. For grants of \$25,000 or more, FFATA requires data be submitted including: name of entity receiving award, amount of award, funding agency, CFDA program number for grants, program source, award title descriptive of the purpose of the funding action, location of the entity, place of performance, unique identifier of the entity, and total compensation and names of top five executives. Contact your project manager at DCJ for any questions concerning compliance with FFATA.

I. FINAL REPORTS AND RECORDS

A. DCJ Form 1-A, Final Financial Report

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

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

If you received any federal funds from DCJ that were not expended or matched at the required proportion at the end of the grant award period, you must return these funds to DCJ with the final financial report. Please advise your DCJ grant manager immediately if the program does not believe it will expend all the federal grant money so that federal funds may be re-obligated to other deserving programs.

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

A check made out to the Colorado Department of Public Safety, indicating the grant number, is the only acceptable form of payment.

B. DCJ Form 2, Final Narrative Report

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

NOTE: If your program is subject to Performance Measurement Tools (PMT) additional reporting will be required.

C. DCJ Form 1-B, Project Income

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

D. DCJ Form 5, Equipment Inventory

If your project purchased equipment, this form must be submitted for each equipment item within 45 days after the end of the grant period. This form provides the necessary disposition and retention information. Equipment records must be retained for seven (7) years from the date the form is submitted to DCJ. If any litigation, claim, or audit is started before the expiration of the seven-year period, the records shall be retained until the litigation, claims, or audit findings involving the records have been resolved. Refer to the form for more detailed instructions.

II. RETENTION OF RECORDS

- A.** All grant records must be retained for seven (7) years after the end of the state fiscal year that includes the end date of the grant. (For example, if the grant ended 9/30/10, the state fiscal year would be July 1, 2010 to June 30, 2011. The files could be destroyed after 6/30/18).
- B.** If an audit is in progress and/or the findings of a completed audit have not been resolved satisfactorily, then records must be retained beyond the seven-year period until such issues are resolved.

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

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

- C.** For certain programs, such as Victims Compensation, specific retention guidelines can be obtained by contacting the State Archivist at <http://www.colorado.gov/dpa/doit/archives/>.

AUDIT REQUIREMENTS AND DCJ MONITORING GUIDELINES

CHAPTER 5

I. FEDERAL AUDIT REQUIREMENTS

- A.** All recipients and sub-recipients of federal monies are subject to the accounting and audit requirements as found in OMB Circular A-87, A-133 and 2 CFR 215, 2 CFR 220, 2 CFR 225 and 2 CFR 230. The audit firm auditing the grantee should have these documents. Copies are available from the Government Printing Office at <http://www.gpo.gov/>.
- B.** Grantees that expend \$500,000 or more in a year in federal awards must have a Circular A-133 single audit performed for that year. The single audit must be performed in accordance with *Government Auditing Standards* and cover the entire operations of the auditee, specifically the grantee's financial statements and Schedule of Expenditures of Federal Awards.
- C.** Costs for audits not required or not performed in accordance with OMB Circular A-133 are unallowable. If the grantee did not expend \$500,000 or more in federal funds in its fiscal year, but contracted with a certified public accountant to perform an audit, these costs may not be charged to the grant. In addition to arranging and providing for the organizational, financial, and compliance audits required by the OMB circular, individual recipients and sub-recipients are encouraged to provide additional audit coverage, as deemed appropriate. The additional audit coverage that may be provided should be determined based on the circumstances surrounding the particular organization function, program or activity to be audited, management needs, and available audit capability.
- D.** All applicants for funding through DCJ must submit a copy of the agency's most recent audit report or financial review at time of grant application to DCJ, 700 Kipling St. Suite 1000, Denver, CO 80215. Applicants must include copies of any management report issued in conjunction with the audit report. Known or suspected violations of any law encountered during audits, including fraud, theft, embezzlement, forgery, or other serious irregularities must be communicated to DCJ.
- E.** If the grantee's financial records are a component of a larger agency audit, the grantee has the responsibility to obtain the audit report from the reporting entity and send such audit report to DCJ. Example: if the grantee were the county sheriff's office, the county's audit report would be required.
- F.** Audits are due no later than 9 months after the close of each fiscal year during the term of the award. Federal agencies no longer grant due date extensions for single audit requirements.

G. The submission of audit reports shall be as follows:

For fiscal periods on or after January 1, 2008, the Federal Audit Clearinghouse (FAC) requires all grant award recipients to use the Internet Data Entry System (IDES) to submit Standard Form-Single Audit Component (SF-SAC) and the Single Audit Reporting package online. To review the submission requirements and create an online report ID, visit FAC's website at <http://harvester.census.gov/fac/collect/ddeindex.html>.

1. State and Local Governments, Institutions of Higher Education, and Nonprofit Institutions. Completed audit reports for fiscal years 2008 and later must be submitted electronically rather than in paper format to the FAC. Instructions for submitting paper and online reports may be found on the FAC website listed above. Completed audit reports for fiscal years ending 2007 and earlier may be mailed to: Federal Audit Clearing House, Bureau of the Census, 1201 East 10th Street, Jeffersonville, IN 47132.
2. Commercial Organizations and Individuals. One copy of all audit reports for commercial organizations and individuals should be mailed to the U.S. Department of Justice, Office of Justice Programs, Office of the Chief Financial Officer, ATTN: Control Desk, 810 Seventh Street, N.W., Room 5303, Washington, DC 20531.

H. DCJ and the Colorado Department of Public Safety reserve the right to require an audit and to examine and/or audit any financial records of any grantee during the project period and within a seven (7) year period following the conclusion of the final financial audit that covered the grant award period.

I. In cases of continued inability or unwillingness on the part of the grantee to conduct or supply a requested audit, DCJ reserves the right to impose any sanctions, as described in OMB Circular A-133, upon the grantee until such time as a requested audit is received by DCJ.

J. Recipients requesting more information regarding audit requirements should contact their independent auditing firm, Federal Audit Office or the Colorado Department of Public Safety.

II. AUDIT REQUIREMENTS FOR AGENCIES EXPENDING LESS THAN \$500,000 PER YEAR IN FEDERAL FUNDS

If the agency expends less than \$500,000 per year in combined federal funds, the following policy applies:

1. Agencies with total annual revenue from all sources of \$200,000 or more shall procure a financial audit. A financial review shall not be sufficient to meet this requirement.
2. Agencies with total annual revenue from all sources of less than \$200,000 shall procure either a financial review or a financial audit.

III. GUIDELINES FOR DCJ MONITORING OF GRANTEES

A. Introduction

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

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

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

B. DCJ's Monitoring Philosophy

DCJ places the highest value on accountability through consistent, fair, open and reasonable reporting by grantees. The purposes of monitoring and oversight systems are: (a) to document the work DCJ is doing using federal or state grant funds; (b) to ensure that the subgrant agency is meeting applicable state and federal programmatic and financial intent, rules and requirements for the use of the funds; and (c) to identify technical assistance or training needs.

Except for a grantee's willful disregard of funding requirements or suspected fraudulent activity, DCJ's philosophy is to work collaboratively with an agency to identify and correct any problems. However, a grantee's continued inability or unwillingness to meet the requirements for use of federal or state grant funds may result in a range of appropriate responses, from the establishment of special grant conditions to termination of a subgrant.

Each DCJ unit that administers grants shall establish a unit monitoring plan, which includes a percentage or number of on-site visits to be conducted each year. The plan should also describe other types of monitoring activities and tools that will be utilized in each program. Due to resource limitations and the number of subgrants made by DCJ, most subgrant monitoring will be conducted through what is commonly referred to as “desk monitoring” (see description below). Grant program managers are encouraged to coordinate with other DCJ grant programs which may also be funding and monitoring a particular subgrant agency. **It is the policy of DCJ that every DCJ grantee will receive an “on-site” monitoring visit from DCJ staff every three to four years, or earlier if suggested by a needs assessment.**

Each DCJ unit that administers grants shall also require an applicant for funding to provide a recent financial audit or financial review, and an A-133 Single Audit (if applicable) on an annual basis. Audits and financial reviews shall be conducted by an independent certified public accountant (CPA), or CPA firm, licensed to practice in Colorado.

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

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

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

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

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

C. On-site Monitoring Visits

1. A certain number of subgrants will be selected for on-site monitoring each year based on requirements of individual funding sources. Site visit reviews may be conducted for a variety of reasons; including but not limited to:

- a. Periodic routine reviews of subgrant projects;
 - b. Reviews of specific issues or items of interest;
 - c. Reviews prioritized by level of funding, types of funding, and number of DCJ grants received by the grantee;
 - d. Response to perceived problems or issues;
 - e. Response to audit exceptions;
 - f. Contact with new staff or new programs;
 - g. Response to request for assistance; and/or
 - h. Information gathering, and/or technical assistance.
2. **Scope of Review Process:** Monitoring processes occur along a continuum from limited scope monitoring to comprehensive monitoring.

Limited Scope Monitoring is designed to evaluate and address specific concerns and issues or review specific portions of a project. The monitoring may include a site visit, desk monitoring, or phone or email contacts.

Comprehensive monitoring can be described as an in-depth program, financial and administrative review. It is designed to sample elements of many or most aspects of the project. A comprehensive site visit may be used to help evaluate the success, efficiency and the compliance of a grantee. A comprehensive visit requires thorough preparation, follow up, and documentation. DCJ selects a certain number of grantees for comprehensive monitoring each year.

D. Criteria for Selection of Grantees for Monitoring

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

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

2. Indicators of More Difficult Problems

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

3. Indicators of Potentially Serious Problems

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

TOP TEN AUDIT FINDINGS

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

1. Financial Status Reports not submitted timely;
2. Accounting procedures need improvement;
3. Suspension and Debarment Certifications not obtained;
4. Programmatic reporting requirements not met;
5. Grant management procedures need improvement;
6. No documentation to support accounting transactions;
7. Internal controls are weak or need improvement;
8. Segregation of duties not adequate;
9. Cash management procedures need improvement; and
10. Procurement procedures need improvement.

I. DEFINITION OF TERMS

AUTHORIZED OFFICIAL: The person who is authorized to obligate and to enter into contracts for the grantee/applicant agency. See DCJ Form 4-B, Change in Signing Authority, for more detail. In most cases the AO may sign for the Financial Officer and Project Director in their absence.

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

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

CONFIDENTIAL FUNDS: Funds used for the purchase of confidential services, purchases of evidence (physical), and purchase of information.

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

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

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

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

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

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

GENERAL LEDGER: A general ledger is a paper based journal or electronic program that is used to record every transaction that a company makes. It helps a company to assess its financial condition.

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

GRANT EXTENSION: An extension of the end date of the grant award period without an increase in grants funds. Requires prior approval by DCJ by submission of DCJ Form 4-C at least 60 days before the grant period ends.

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

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

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

OBJECTIVES: Project objectives are quantitative (measurable) statements, which describe how a specific goal will be met. The time period of the objective should be specified. For example, an objective should state: 1) what will be done; 2) the time frame; and 3) the number of clients served, number of services provided, or other specific measurements. Each objective should be tied to a specific goal. An example of a related goal and objective is: Goal 1: Reduce the community's fear of crime; Goal 1, Objective 1: Establish 10 new Neighborhood Watch programs within the grant year.

PROCUREMENT: The process that is used to purchase goods or to contract for professional services for grant activities. The procurement process may require prior approval from your DCJ grant manager.

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

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

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

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

SUB-LEDGER: A general ledger may include several sub-ledgers. Sub-ledgers are ledgers within the general ledger that expand on the detail of a particular category. For example, an accounts receivable sub-ledger will record detail of the accounts receivables and cash transactions that are received related to the receivable accounts. All entries recorded in a sub ledger are also recorded in the general ledger. The sub-ledger should be reconciled to the General Ledger at least quarterly.

SUPPLANTING: To deliberately reduce state or local funds because of the receipt of federal funds. Federal funds must be used to **supplement** existing funds for program activities and not replace those funds which have been appropriated for the same purpose. Potential supplanting is subject to review during the application review, pre-award review, post-award monitoring, and audit. If there is a potential presence of supplanting, the applicant or grantee will be required to supply documentation demonstrating that the reduction in non-federal resources occurred for reasons other than the receipt or expected receipt of federal funds.

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

UNPAID OBLIGATIONS: Any unpaid invoices or open purchase orders for supplies, etc. that have been ordered and/or received in the quarter being reported on. The final financial report cannot contain any unpaid obligations. Personnel costs and Confidential Funds are never an unpaid obligation. In-kind match in any budget category is never an Unpaid Obligation.

II. PROCUREMENT

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

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

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

2. **Standards For Equipment Procurement and Maintenance:**

- a. A control or inventory system must exist to ensure adequate safeguards to prevent loss, damage, or theft of the equipment.
- b. Any loss, damage, or theft shall be investigated by the grantee and by DCJ, as appropriate.
- c. Adequate maintenance procedures must exist to keep the equipment in good working condition.
- d. If the grantee is authorized or required to sell the equipment, proper procedures must be established to ensure the highest possible return.

3. **Disposition of Equipment:**

Disposition of equipment is specific to the federal funding source. The grantee should contact their grant manager at DCJ for disposition guidelines.

B. Methods of Procurement of Goods and Services:

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

Procurement procedures are required and must be maintained in the records of the grantee.

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

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

- D. Non-Competitive Negotiation (sole-source justification)** is procurement through the solicitation of a proposal from only one source or after solicitation of a number of sources when competition is determined inadequate. Prior approval by DCJ is required for all non-competitive procurement. Sole-source procurement over \$100,000 must also have federal approval through DCJ.

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

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

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

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

III. CONTRACTS FOR PROFESSIONAL AND CONSULTANT SERVICES

Prior approval is required from DCJ before Professional Services/Consultant expenditures are made. Grantees must use a DCJ Form 16 Professional Services/Consultant Certification to obtain this approval. The grantee cannot enter into a financial arrangement with any party who is debarred from participation in federal assistance programs. For more information about individuals excluded in participation with federal assistance programs consult the Excluded Parties List System at <https://www.epls.gov/>

A. Information from the Internal Revenue Service about the Determination of Employee versus Contractor:

Mistakenly classifying an employee as an independent contractor can result in fines and penalties with the I.R.S. The I.R.S. has produced a number of documents that will assist an organization in determining whether an individual is an independent contractor or an employee. The following two websites will assist the grantee in making that determination:

- 1) www.irs.gov
- 2) www.irs.gov/taxtopics/tc762.html

B. Contract Provisions

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

1. Legal names of contracting parties including valid signatures.
2. Statement of work expressed in clear, concise terms for tasks to be accomplished. The tasks, when accomplished, should produce results consistent with the project objectives.
3. Contract provisions should be drafted in such a way that the grantee can easily determine what is being required on the contract before payment is made. Statement of duties should be specific so that there is no question as to whether the contractor is obligated (i.e. “the contractor shall do this work” and not, “this work will be required”).
4. Timelines with dates for the key tasks and deliverables.
5. Persons or committees who will approve reports or specific accomplishments and whether a portion of the contract price is contingent upon that approval.
6. Payment rates that are in accordance with federal program guidelines.
7. Detailed method of payment, including a section allowing the grantee to withhold a portion of the final payment (usually 10%) until all deliverables are received.
8. Certain suitable provisions for termination, including the manner of termination and the basis for settlement. Possible reasons for termination include: default in performance and convenience of grantee (i.e. lack of federal funds). A remedies clause should also be included as this protects the grantee as well as the interests of the State.

9. All contracts shall include a provision to the effect that the grantee, DCJ, the federal funding agency, and the Comptroller General of the United States or any of their duly authorized representatives, shall have access to any records pertinent to the grant for the purpose of audit and examination. Records must be retained for the period of time required by the granting agency.
10. The grantee, DCJ and the federal funding agency shall have irrevocable, non-exclusive, royalty-free license to reproduce, publish, and use and authorize others to use any materials, in whole or in part which are produced under a contract.
11. Each contractor or subcontractor with 50 or more employees that received contracts in excess of \$25,000 shall be required to have an affirmative action plan pursuant to 28 C.F.R., Part 42.301, et seq.
12. Any contract for computer programming must result in the program being written in a form that would allow it to be used by other criminal justice agencies, with minor modifications and at a minimum cost, and it should remain in the public domain.
13. Some contracts may require: personnel qualifications and credentials; licenses and insurance; confidentiality requirements; and warranty information. Check with your grant manager to see if these provisions need to be included in your contract.
14. A vendor agreement and/or statement of work from the vendor that contains terms and conditions does not substitute for a valid contract.

C. General Compensation Guidelines:

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

D. Classification of Consultants and Rates of Compensation:

1. **Subject to maximum daily rate of \$450:** The maximum daily rate for the consultants listed below will not exceed \$450 per 8 hour day (\$56.25 per hour), excluding travel and subsistence cost. These rates may apply to preparation, evaluation and travel time in addition to actual performance. A request for compensation over \$450 per day for any consultant requires additional justification and prior approval by DCJ (refer to DCJ Form 16, Professional Services/Consultant Certification). (Note: the maximum under VAWA guidelines is \$650).

- a. Consultants Associated with Educational Institutions: hourly compensation may not exceed the consultant's academic salary projected for twelve (12) months, divided by 260.
- b. Consultants Employed by State and Local Government: Compensation for these consultants will only be allowed when the unit of local government will not provide these services without cost. If a State or local government employee is providing services under a federal grant and is representing its agency without pay from its representative unit of government, the rate of compensation is not to exceed the daily rate for the employee paid by the unit of government. If the State or local employee is providing services under a federal grant and is not representing its agency, the rate of compensation is based on the necessary and reasonable cost principles.
- c. Consultants Employed by Commercial and Not-For-Profit Organizations: These organizations are subject to competitive bidding procedures. Thus, they are not subject to the \$450 per day maximum compensation threshold before requesting prior approval. In those cases where an individual has authority to consult without employer involvement, the rate of compensation should not exceed the individual's daily salary rate paid by his/her employer, subject to the \$450 limitation.
- d. Independent Consultants. The rate of compensation for these individuals must be reasonable and consistent with that paid for similar services in the marketplace. Compensation may include fringe benefits. In summary, consultants obtained through competitive bidding do not require prior approval, including individual consultants.

Appendix A: Confidential Funds
From OJP Financial Guide, 2009 Edition
The United States Department of Justice
Office of Justice Programs
Office of the Comptroller

- Approval Authority
- Confidential Funds Certification
- Written Procedures
- Informant Files
- Regional Information Sharing System Program
- Accounting and Control Procedures

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

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

These funds should only be allocated when:

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

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

Approval Authority

The APPROVING AUTHORITY for the ALLOCATION of confidential funds is:

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

Confidential Funds Certification

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

SAMPLE CONFIDENTIAL FUNDS CERTIFICATION

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

Date:

Signature:

Project Director:

Grant No.:

Written Procedures

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

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

SAMPLE

INFORMANT PAYEE RECEIPT

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

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

Date:

Payee:

(Signature)

Case Agent/Officer:

(Signature)

Witness:

(Signature)

Case or Reference:

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

6. **Review and Certification.** The signed receipt from the informant payee with a memorandum detailing the information received shall be forwarded to the agent or officer in charge. The agent or officer in charge shall compare the signatures. He/she shall also evaluate the information received in relation to the expense incurred and his/her evaluation remarks in the report of the agent or officer who made the expenditure from the imprest fund. The certification will be witnessed by the agent or officer in charge on the basis of the report and information payee's receipt.

7. **Reporting of Funds.** Each project shall prepare a reconciliation report on the imprest fund on a quarterly basis. Information to be included in the reconciliation report will be the assumed name of the informant given and to what extent this informant contributed to the investigation. Grantees shall retain the reconciliation report in their files and have it available for review. Subrecipients shall retain the reconciliation report in their files and have it available for review unless the State agency requests that the report be submitted to them on a quarterly basis.

8. **Record and Audit Provisions.** Each project and member agency must maintain specific records of each confidential fund transaction. At a minimum, these records must consist of all documentation concerning the request for funds, processing (should include the review and approval/disapproval), modifications, closure or impact material, and receipts and/or other documentation necessary to justify and track all expenditures. Refer to the documentation under "Informant Files" below for a list of documents, which should be in the informant files. In projects where grant funds are used for confidential expenditures, it will be understood that all of the above records are subject to the record retention requirements and audit provisions of the awarding agency and program legislation. However, only under extraordinary and rare circumstances would such access include a review of the true name of confidential informants. When access to the true name of confidential informants is necessary, appropriate steps to protect this sensitive information must and will be taken by the recipient, awarding agency, and auditing agency. Any such access, other than under a court order or subpoena pursuant to a bona fide confidential investigation, must be approved by both the OJP Program Office Head and the Chief Financial Officer.

Informant Files

1. **Security.** A separate file should be established for each informant for accounting purposes. Informant files should be kept in a separate and secure storage facility, segregated from any other files, and under the exclusive control of the office head or an employee designated by him/her. The facility should be locked at all times when unattended. Access to these files should be limited to those employees who have a necessary legitimate need. An informant file should not leave the immediate area, except for review by a management official or the handling agent, and should be returned prior to the close of business hours. Sign-out logs should be kept indicating the date, information number, time in and out, and the signature of the person reviewing the file.

2. **Documentation.** Each file should include the following information:
 - a. Informant Payment Record, kept on top of the file. This record provides a summary of informant payments.
 - b. Informant Establishment Record, including complete identifying and locating data, plus any other documents connected with the informant's establishment.

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

RISS Program

1. Processing Procedures

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

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

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

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

Processing the Informant Payee Receipt. The original signed informant payee receipt, with a summary of the information received, will be forwarded to the Project Director by the member agency. The Project Director will then authenticate the receipt by comparing the signature of the informant payee on the receipt with the signature maintained by the project in a confidential file. If discrepancies exist, the Project Director, or his/her designee, will take immediate steps to notify the member agency and ascertain the reason(s) for the discrepancies. The member agency must forward written justification to address the discrepancies of the Project Director. If satisfactory, the justification will be attached to the informant payee receipt.

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

3. Payment to Informants

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

Accounting and Control Procedures

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

1. It is important that expenditures, which conceptually should be charged to PE/PI/PS, are in fact so charged. It is only in this manner that these funds may be properly managed at all levels and accurate forecasts of projected needs be made.
2. Each law enforcement entity should apportion its PE/PI/PS allowance throughout its jurisdiction and delegate authority to approve PE/PI/PS expenditures to those offices, as it deems appropriate.
3. Headquarters management should establish guidelines authorizing offices to spend up to a predetermined limit of their total allowance on any one investigation.
4. In exercising his/her authority to approve these expenditures, the supervisor should consider:
 - a. The significance of the investigation;
 - b. The need for this expenditure to further that investigation; and
 - c. Anticipated expenditures in other investigations. Funds for PE/PI/PS expenditures should be advanced to the officer for a specific purpose. If they are not expended for that purpose, they should be returned to the cashier. They should not be used for another purpose without first returning them and repeating the authorization and advance process based on the new purpose.
5. Funds for PE/PI/PS expenditure should be advanced to the officer on a suitable receipt form. A receipt for purchase of information or a voucher for purchase of evidence should be completed to document funds used in the purchase of evidence or funds paid or advanced to an informant.
6. For security purposes, there should be a 48-hour limit on the amount of time funds advanced for PE/PI/PS expenditure may be held outstanding. If it becomes apparent at any point within the 48-hour period that the expenditure will not materialize, then the funds should be returned to the advancing cashier as soon as possible. An extension to the 48-hour limit may be granted by the level of management that approved the advance. Factors to consider in granting such an extension are: the amount of funds involved, the degree of security under which the funds are being held, the length of the extension required, and the significance of the expenditure. Such extensions are generally limited to 48 hours.

Recipients should consult with the program office prior to determining the final course of action. Beyond this time period, the funds should be returned and re-advanced, if necessary. Regardless of circumstances, within 48 hours of the advance, the fund cashier should be presented with either the unexpended funds, an executed voucher for payment for information or purchase of evidence, or written notification by management that an extension has been granted.

7. Purchase of Services (P/S) expenditures, when not endangering the safety of the officer or informant, need to be supported by canceled tickets, receipts, lease agreements, and so forth. If not available, the office head, or his/her immediate subordinate, must certify that the expenditures were necessary and justify why supporting documents were not obtained.