



Drug & Crime Control Division
Subgrantee Policy and
Procedure Manual

Introduction

The Indiana Criminal Justice Institute Subgrantee Policy and Procedure Manual has been prepared as a reference guide for the administration of Federal and State grants awarded through the Indiana Criminal Justice Institute Board of Trustees. Content includes grant processes, financial management policies, and procedures required of subgrantee organizations to ensure the establishment of sound and effective grant management. Such procedures will ensure that funds are properly safeguarded and used only for the purposes for which they were awarded. By following the required reporting procedures, grantees will ensure a trouble-free process and compliance with Federal and State requirements.

The manual is provided as a quick reference guide for day-to-day use by subgrantees. The manual is not inclusive and is not intended to be the only document utilized by subgrantees when administering a grant. Grantees are still required to comply with all applicable rules, regulations, and guidelines.

Grantees are encouraged to contact their grant program manager or coordinator at the Institute whenever questions arise not covered in this manual.

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Chapter 1: OMB Circulars

The following Office of Management and Budget (OMB) Circulars has been referenced herein and copies may be obtained from the addresses shown below. It is the responsibility of the subgrantee to comply with the federal guidelines contained in these circulars.

OMB CIRCULARS/CODE OF FEDERAL REGULATIONS

| Administrative Requirements | |
|-----------------------------|--|
| OMB Circular A-102 | “Grants and Cooperative Agreements With State and Local Governments.” |
| 2 CFR Part 215 | “Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals and Other Non-Profit Organizations” (codified at 28 Code of Federal Regulations (CFR) Part 70) (formerly known as OMB Circular A-110) |
| Cost Principles | |
| 2 CFR Part 220 | “Cost Principles for Educational Institutions”(codified at 28 CFR Part 66, by reference) (formerly known as OMB Circular A-21) |
| 2 CFR Part 225 | “Cost Principles for State, Local, and Indian Tribal Governments” (codified at 28 CFR Part 66, by reference) (formerly known as OMB Circular A-87) |
| 2 CFR Part 230 | “Cost Principles for Non-Profit Organizations” (formerly known as OMB Circular A-122) |
| Audit Requirements | |
| OMB Circular A-133 | “Audits of States, Local Governments, and Non-Profit Organizations” (codified at 28 CFR Parts 66 and 70). |

GOVERNMENTWIDE COMMON RULES

“Uniform Administrative Requirements for Grants and Cooperative Agreements with State and Local Units of Governments,” (codified at 28 CFR Part 66). (Grants Management Common Rule for State and Local Units of Governments.)

“Government-wide Debarment and Suspension (Non-procurement)” (codified at 28 CFR Part 67) and **“Government-wide Requirements for Drug-Free Workplace (Grants)”** (codified at 28 CFR Part 83).

“New Restrictions on Lobbying” (codified at 28 CFR Part 69).

For additional information on grants management and to obtain copies of current circulars, please visit the OMB Web site at <http://www.whitehouse.gov/OMB/circulars/index.html>.

Chapter 2: Award Acceptance and Special Conditions

A.) Grant Agreement

When a subgrantee has been awarded funds for a project or program by the ICJI Board of Trustees, a Grant Agreement must be executed between the subgrantee and the State of Indiana. A sample Grant Agreement is provided for your information in **Appendix A** to this manual. The conditions of the grant are to satisfy federal and state statutes, as well as special conditions required by the U.S. Department of Justice.

B.) Signatures

The Grant Agreement requires the following original signatures:

- Authorized Official for the Legal Applicant;
- Authorized Official for the Fiscal Agent

Once ICJI has received the signed agreement from the subgrantee, the agreement will go through the State of Indiana contract process. The agreement will be reviewed by representatives from the Indiana Department of Administration, Office of Management and Budget, and the Office of the Attorney General. Once the document has been approved by the required authorities, the ICJI will send an award packet to the subgrantee.

C.) Award Packet

In order to officially activate a grant award with ICJI, the subgrantee must review and return all required documents contained in the award packet. These documents will include, but are not limited to the following: copy of executed grant agreement, award document, claim voucher, reporting requirements, etc. The award packet will vary depending on the federal funding stream of the award.

Chapter 3: Award Period

All programmatic activity and the encumbrance of funds must occur within the award period, as listed on the ICJI Grant Agreement.

A.) Encumbrance of Funds

An encumbrance occurs when funds are set aside to pay for a particular obligation. This is an accounting transaction, which should be recorded appropriately. The funds now are committed to a specific use and are no longer available for other expenditures. Any funds not properly encumbered by the subgrantee within the award period will lapse and revert to ICJI.

Since the goods or services have not been received, the project legally owes nothing to the vendor or supplier. An encumbrance is defined by the following three characteristics:

- 1.) The expenditure is approved in the original budget or ICJI grant adjustment notice.
- 2.) A formal written order or request (i.e., requisition) is approved by the project director or designated official prior to the end of the grant period; and
- 3.) A purchase order/contract has been submitted to the vendor or supplier of goods or services.

Equipment must be encumbered within the first six months of the project start date or award date, whichever occurs latest in time.

B.) Liquidation of Expenditures

The liquidation period is the 45 calendar day timeframe immediately following the end of the grant period. The liquidation period exists to allow projects time to receive ordered goods or services and make final payments. The grantee may not incur any new expenses or obligations and claim them against the grant.

In order for cash expenditures made during the liquidation period to be claimed on the Final Financial Report, these expenditures must have:

- 1.) Met the definition of an encumbrance above and
- 2.) Been financed by an encumbrance recorded as an accounting entry prior to the end of the grant period.

Chapter 4: Reporting Requirements

All subgrantees of the Indiana Criminal Justice Institute are required to report on various programmatic and financial activities of the funded project or program. Failure to comply with the reporting requirements will result in the revocation of an award.

A.) Financial Report

A financial report form is required either monthly or quarterly depending upon the requirement of the grant. These forms will either be included in the grant award packet or can be accessed via the ICJI website.

Grant programs administered by ICJI are on reimbursement basis only. This language can also be found in the executed grant agreement.

A sample financial report is provided as **Appendix B** to this manual.

B.) Progress Report

A progress report form is required either quarterly or semi-annually depending upon the requirement of the grant. These forms will either be included in the grant award packet or can be accessed via the ICJI website.

C.) Other Reports

Other documents may be required of the subgrantee. These reports will vary by division and they include, but are not limited to the following: performance measure reports, program income reports, equipment reports, training reports, etc. All other required reports will be included in the subgrantee award packet.

Chapter 5: Payments

A.) Payment Method

All payments shall be made by the State to the Fiscal Agent in arrears in conformance with State fiscal policies and procedures and, as required by IC 4-13-2-14.8, by electronic funds transfer to the financial institution designated by the sub-grantee in writing unless a specific waiver has been obtained from the Auditor of State. No payments will be made in advance of receipt of the goods or services that are the subject of this Grant Agreement except as permitted by IC 4-13-2-20 or by the statute authorizing this Grant.

If Confidential Funds have been awarded, they may be paid in advance if no other source of funds is available for such purposes. Each request will be reviewed by the ICJI Executive Director and considered on an individual basis.

B.) Supporting Documentation

All claims for reimbursement must be accompanied by copies of supporting documentation attached to each claim voucher submitted to ICJI for payment (i.e. personnel activity reports/time sheets, travel logs, invoices, etc.)

C.) Withholding Funds

The Indiana Criminal Justice Institute will withhold funds if the subgrantee demonstrates any of the following:

- Failure to submit accurate and/or timely reports.
- Failure to demonstrate effort or ability to attain program or project goals.
- Non-compliant due to site visit or desk review

A grantee may be required to finance its operation with its own working funds until such time as the grantee is in compliance with award requirements.

Chapter 6: Matching or Cost Sharing

Some ICJI grant programs require the subgrantee to provide cost sharing or matching funds to supplement the grant award. There is a difference between cost sharing and cash match.

Funds provided as match must be used to support the federally funded project and must be in addition to, and therefore supplement, funds that would otherwise be made available for the program purpose the federal funds are supporting. Match is restricted to the same use of funds as allowed for the federal funds. Sub-grantees may not use other federal funds as matching funds.

A.) In-Kind Match (Cost Sharing)

In-kind match (soft match) includes, but is not limited to, the valuation of in-kind services. It is the value of something received or provided that does not have an associated cost. For example, if in-kind match is allowable, then the value of donated services could be used to comply with the match requirement. Also, third party in-kind contributions may count toward satisfying match requirements provided the grantee receiving the contributions expends them as allowable costs.

In-kind match, or cost sharing, does not require a cash outlay by the recipient agency, yet it must represent real dollars. Personnel services are the most common form of cost sharing, since they can include salaries and fringe benefits.

B.) Cash Match

Cash match (hard match) includes real dollars that are contributed toward the project or program.

C.) Timing of Match

Matching contributions need not be applied at the exact time or in proportion to the obligation of the federal funds. However, the full matching share must be obligated by the end of the grant period.

D.) Records of Match

Subgrantees must maintain records which clearly show the source, the amount, and the timing of all matching contributions.

E.) Match Formula

(Federal Total / Federal Percentage) - Federal Total

Example: A subgrantee is awarded \$100,000 in federal funds and is required to match 25%.

$(\$100,000 / .75) - \$100,000 = \$33,334.00$

E.) Supplanting

Grant funds can **not** be used to supplant federal, state, or local funds that would otherwise be available for the project.

Supplanting is to deliberately reduce state or local funds because of the existence of federal funds. For example, when local funds are appropriated for a stated purpose and federal funds are awarded for that same purpose, the local agency replaces its local funds with federal funds, thereby reducing the total amount available for the stated purpose.

Example 1: The City of Justice appropriated \$50,000 to pay overtime for drug task force officers; the Justice Police Department was also awarded \$25,000 in grant funds to be used for overtime pay for drug task force officers. The total amount available for overtime was \$75,000. The City reduced their appropriated overtime from \$50,000 to \$25,000. Therefore, the lowered appropriation reduced the total amount available for the overtime from \$75,000 to \$50,000.

Chapter 7: Allowable Costs

Allowable costs are those costs identified in the circulars and in the grant program's authorizing Federal legislation. In addition, costs must be reasonable, allocable, and necessary to the project and comply with the funding statute requirements.

A.) Compensation for Personal Services

Time and/or Effort Records

All expenditures for personnel shall be backed up by time and/or effort records signed by the employee and the appropriate supervisor. The allocation method used shall produce an equitable distribution of time and/or effort. Where salaries apply to execution of two or more sub-grant projects or cost activities, proration of costs to each activity must be made based on time and/or effort reports. Salary supplements including severance provisions and other benefits with non-Federal funds are prohibited without approval of ICJI. (See OMB Circular A-87 or OMB Circular A-21)

Extra Work

A State or Local government employee may be employed by a subgrantee in addition to that employee's full-time job, provided the work is performed on the employee's own time and:

- The compensation is reasonable and consistent with that paid for similar work in other activities of State or Local government;
- The employment arrangement is approved and proper under State or Local regulations (no conflict of interest); and
- The time and/or services provided are supported by adequate documentation.

To avoid problems arising from overtime, holiday pay, night differential or related payroll regulations, such employment arrangements should normally be made by the subgrantee directly with the individual, unless there has been a transfer or loan of the employee for which his/her regular and overtime services provided are to be charged to or reimbursed by the subgrantee.

Overtime and night differential payments are allowed only to the extent the payment for such services is in accordance with the policies of the State or unit(s) of Local government and has the approval of ICJI.

Note: The overtime premium should be prorated among the jobs and not charged exclusively to the grant funds. A schedule of how the overtime was prorated should be attached to the time sheet of the employee incurring the overtime.

Payment of these premiums will be for work performed by sub-grant employees in excess of the established work week (usually 40 hours). Executives, such as the President or Executive Director of an organization, may not be reimbursed for overtime or compensatory time under grants and cooperative agreements. Payment of continued overtime is subject to periodic review by ICJI.

Award Purposes and Dual Compensation

Charges of the time of State and Local government employees assigned to assist projects may be reimbursed to the extent they are directly and exclusively related to the sub-grant or proper for inclusion in the indirect cost base.

Note: In no case is dual compensation allowable. That is, an employee of a unit of government may not receive compensation from his/her unit or agency of government and from a sub-grant for a single period of time (e.g., 1 p.m. to 5 p.m.), even though such work may benefit both activities.

B.) Conferences and Workshops

Allowable costs may include:

- Conference or meeting arrangements;
- Publicity;
- Registration;
- Salaries of personnel;

- Rental of staff offices;
- Conference space;
- Recording or translation services;
- Postage;
- Telephone charges; and
- Travel expenses (including transportation and subsistence for speakers or participants).
- Lodging

All OJP funded contracts for events that include lodging for 30 or more participants must not exceed the Federal per diem rate for lodging. In the event the lodging rate is not the Federal per diem rate or less, none of the lodging costs associated with the event would be allowable costs to the award. As a result, the recipient would be required to pay for all lodging costs for the event, not just the amount in excess of the Federal per diem. For example, if the Federal per diem for lodging is \$78 per night, and the event lodging rate is \$100 per night, the recipient must pay the full \$100 per night with non-grant funds, not just the difference of \$22 per night.

C.) Food and Beverages

Food and/or beverage expenses provided by Subgrantees are allowable subject to conditions stated below:

- Food and/or beverages are provided to participants at training sessions, meetings, or conferences that are allowable activities under the particular OJP program guidelines.
- Expenses incurred for food and/or beverages and provided at training sessions, meetings, or conferences must satisfy the following three tests:

Test 1- The cost of the food and/or beverages provided are considered to be reasonable.

Test 2- The food and/or beverages provided are subject of a work-related event.

Test 3- The food and/or beverages provided are not related directly to amusement and/or social events. (Any event where alcohol is being served is considered a social event and, therefore, costs associated with that event are not allowable).

Each recipient that desires to purchase food and/or beverages under a grant, or contract under a grant, should follow the food and beverage policy guidelines. Guidance should be applied within the context of each individual situation. While food and/or beverages are allowable, recipients are not required to provide them at training sessions, meetings, or conferences.

Example A- A recipient-sponsored event is held at the Plaza Hotel to discuss policy topics. The event includes a working lunch with a speaker and breaks at which food and beverages are offered. Federal agency employees, as well as employees of the recipient and non-agency persons, are invited. This scenario meets all components of the three tests; therefore, food and beverages may be provided with grant funds.

Example B- A recipient offers a "hospitality suite" the night before its conference at the Plaza Hotel. Federal agency employees, as well as employees of the recipient and non-agency persons, are invited. This scenario fails the three tests because food and beverages must not be directly related to amusement or social events. Although the conference is work-related, the hospitality suite is purely a "social event." Therefore, food and beverages may not be provided with grant funds.

Note: Anyone under per diem allowances or reimbursements who attends any of these events at which food and beverages are provided must deduct the cost of any meals (i.e. lunch, dinner) provided from his/her per diem allowances.

D.) Travel. Travel costs are allowable as expenses by employees who are in travel status on official business. Costs must be in accordance with Federal or an organizationally-approved travel policy.

- **Domestic Travel.** Subgrantees must follow the State's established travel policy. The policy can be found on the Indiana Department of Administration (IDOA) website (**See Appendix C**).

Note: Subrecipients traveling in-state will not be reimbursed for lodging if the hotel is within 50 miles from the subrecipient place of work.

- **Foreign Travel.** Includes any travel outside of Canada, the United States and its territories and possessions. Foreign travel is unallowable.

E.) Indirect Costs

Indirect costs are costs of an organization that are not readily assignable to a particular project and are difficult to allocate. Indirect costs are commonly referred to as “overhead.”

Examples: Payroll Processing, Utilities, Maintenance Costs, Administrative Salaries.

F.) Publication

Publication shall be construed as the initiation of the procurement of writing, editing, or preparation of related illustration material from subgrantees, or implementing agencies or the internal printing requirements of the subgrantee necessary for compliance with the terms of the project. However, individuals are authorized to make or have made by any means available to them, without regard to the copyright of the journal and without royalty, a single copy of any such article for their own use. ICJI assumes that all published material and written reports submitted under any sub-grant will be originally developed material unless otherwise specified in the sub-grant. When material not originally developed is included in the report, it will have the source identified in the body of the report or by footnote. This provision is applicable when the material is in a verbatim or extensive paraphrase format.

Project directors are encouraged to make the results and accomplishments of their activities available to the public. A subgrantee who publicizes project activities and results shall adhere to the following:

1.) Responsibility Language. Responsibility for the direction of the project activity should not be ascribed to the DOJ or ICJI. The publication shall include the following statement: "*The opinions, findings, and conclusions or recommendations expressed in this publication/project/exhibition are those of the author(s) and do not necessarily reflect the views of the Department of Justice or the Indiana Criminal Justice Institute.*" The receipt of funding

does not constitute official recognition or endorsement of any project by the Federal government or the State of Indiana. A separate application for Official Recognition may be filed with ICJI.

2.) Acknowledgment Language. All materials publicizing or resulting from award activities shall contain an acknowledgment of the awarding agency assistance. An acknowledgment of support shall be made through use of the following or comparable footnote: "*This project was supported by Subgrant No. __ awarded by the (name of specific office/bureau), Office of Justice Programs through the Indiana Criminal Justice Institute.*" If the awarding agency is not OJP, language should reflect the proper agency name. When issuing statements, press releases, request for proposals, bid solicitations and other documents describing projects funded in whole or in part by ICJI, all subgrantees must identify ICJI as the funding source.

3.) Copies. A subgrantee is expected to publish or otherwise make widely available to the public, as requested by ICJI, the results of work conducted or produced under a sub-grant. The subgrantee shall provide one copy of any published material to ICJI. (If additional copies are needed, ICJI will issue the subgrantee a written request.)

4.) Use. All publication and distribution agreements with a publisher shall include provisions giving the Federal government and the State of Indiana, a royalty-free, non-exclusive and irrevocable license to reproduce, publish or otherwise use and to authorize others to use. The agreements with a publisher should contain information on the sub-grant requirements.

5.) Copyright. Unless otherwise specified in the sub-grant award, and upon approval from ICJI, the Subgrantee may copyright any books, publications, films or other copyrightable material developed or purchased as a result of sub-grant activities.

6.) Logo Use. With prior ICJI approval, the subgrantee shall be permitted to display the official Federal and State awarding agencies' logos in connection with the activities supported by the sub-grant. In this respect, the logos shall appear in a separate space, apart from any other symbol or credit. The words "*Funded in part by OJP through the State of Indiana, ICJI*" shall be printed as a legend, either below or beside the logos, each time they are displayed.

7.) Commercial Publication/Distribution. The subgrantee shall submit a publication and distribution plan to ICJI before materials developed under a sub-grant are commercially

published or distributed. The plan shall include a description of the materials, the rationale for commercial publication and distribution, criteria to be used in the selection of a publisher and, to assure reasonable competition, the identification of firms that will be approached. Prior ICJI approval of this plan is required for publishing project activities and results when sub-grant funds are used to pay for the publication.

Chapter 8: Grant Adjustments

A.) Grant Adjustment Process

ICJI can authorize changes in a grant through a Grant Adjustment Notice (GAN). A GAN officially modifies the grant award and is just as binding as the Grant Agreement issued with the initial award. Examples of circumstances under which the GAN are completed include:

- Change in the approved budget;
- Additional money is added to the project;
- Change in the scope of the project;
- Change in the time for the project to be completed;
- Change in any grant point of contact

Requests for extensions must be submitted **60** calendar days before the award is scheduled to end.

The Program Manager carefully reviews requests for changes to a grant to make sure they are in compliance with the OMB Circulars and to ensure that the grant program's goals and objectives are addressed. The GAN is approved by the Program Manager, and then approved by the Division Director, and Deputy Director. Once approved, a copy of the approved GAN will be provided for your grant file. A formal Grant Agreement Amendment will follow requiring the same original signatures as on the original Grant Agreement. The State process will be the same as was with the Grant Agreement.

Chapter 9: Procurement

Subgrantees must follow the same policies and procedures for ICJI funds as used for procurement from other sources. It is strongly recommended that subgrantees contact their procurement department prior to expenditure of funds from any ICJI grant to ensure all expenditures are in accordance with approved policies and procedures.

A.) Competition

All procurement transactions, whether negotiated or competitively bid and without regard to dollar value or funding source, shall be conducted in a manner so as to provide maximum open and free competition. All sole-source procurements in excess of **\$100,000** must receive prior approval from the Drug and Crime Control Division.

B.) Federal Funds

Grantees receiving federal funds shall follow the appropriate OMB Circular that pertains to their agency to determine allowable and unallowable costs. Please refer to Circulars A-21, A-87, and A-122.

C.) Debarment and Suspension

Per the Commission Grant Agreement and the OJP Financial Guide, subgrantees are prohibited from conducting business with vendors who have been placed on the Suspension and Disbarment List. Prior to making a transaction with a vendor, the grantee must ensure the vendor is in good standing with the Federal government.

A current listing of suspended and disbarred vendors can be located at <http://www.epls.gov>

D.) Property and Equipment

Capital Outlays are determined to be equipment purchases of **\$5,000 or more** with a useful life of more than one year. If an agency has a lower capital policy, the agency policy will govern.

Property records must be maintained and include the following information:

- Description of the property;

- Serial number or other identification number;
- Source of the property;
- Identification of title holder;
- Acquisition date;
- Cost of the property;
- Percentage of Federal participation in the cost of the property;
- Location of the property;
- Use and condition of the property; and
- Disposition data, including the date of disposal and sale price.

A physical inventory of the property must be taken, and the results reconciled with the agency's property records, at least once every two years.

A control system must exist to ensure adequate safeguards to prevent loss, damage or theft of property. Subgrantees are responsible for replacing or repairing the property which is willfully or negligently lost, stolen, damaged, or destroyed. Any loss, damage, or theft of the property must be investigated and fully documented and made part of the official project records.

Adequate maintenance procedures must exist to keep the property in good condition.

Records for equipment shall be retained for a period of five years from the date of the disposition. If any litigation, claim, or audit is started before the expiration of the five-year period, the records shall be retained until all litigations, claims, or audit findings involving the records have been resolved.

E.) Disposition of Property and Equipment

Items with a current per unit fair market value of less than \$5,000 may be retained, sold, or otherwise disposed of with no further obligation to the Institute. Disposal of equipment must be in accordance with the State procedures.

When the fair market value is more than \$5,000 at the time of disposal, please contact your grant Program Manager for further instruction.

Grantees must also follow their own established policies and procedures when acquiring property and equipment.

Chapter 10: Program Income

Program income is income earned by the Grantee through the use of ICJI funds. Program income must be accounted for and used within the project period to reduce total project costs or to expand the project. Pursuant to Federal Guidelines, Program income not expended by the project end date will revert to the Indiana Criminal Justice Institute.

A.) Use of Program Income

Program income, with the prior approval of ICJI, may be retained by the Grantee and used for any purpose that furthers the objectives of the project or to meet any matching requirements. Program income must be spent by the end of the grant period. Projects may request an extension of the program income period to spend income. Extension requests will be considered provided ICJI has the Federal authority to grant the extension. ICJI maintains the discretion to approve or deny the use of program income for any grant.

B.) Accounting for Program Income

All income generated as a direct result of a funded project shall be deemed program income. It must be used for the purposes and under the conditions applicable to the grant. If the cost is allowable under the Federal grant program, then the cost would be allowable using program income. The Federal portion of program income must be accounted for up to the same ration of Federal participation as funded in the project.

Program income must be accounted for up to the same ratio or percent as Federal dollars provided to the project.

Example:

- A project funded with 100 percent Federal funds must account for and report on 100 percent of the total program income earned. If the total program income earned was \$20,000, the recipient must account for and report the \$20,000 as program income on the Financial Report.

- If a project was funded with 75 percent Federal funds and 25 percent non-Federal funds (match) and the total program income earned by the grant was \$100,000, \$75,000 must be accounted for and reported, by the recipient, as program income on the ICJI Financial Report.

Chapter 11: Confidential Funds

A.) 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:

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

Confidential funds are subject to prior approval by the Institute as indicated in the Grant Agreement. Such approval will be based on a finding that they are a reasonable and necessary element of project operations.

B.) 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 with the award documents included in the grant award packet.

C.) Written Procedures

Each agency authorized to disburse confidential funds must develop and follow internal procedures which incorporate the elements listed below. Deviations from these elements require prior approval of the ICJI Grant Program Manager.

a. Imprest Fund. The funds authorized will be established in an imprest fund which is controlled by a bonded cashier.

b. Advance of Funds. The supervisor 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.

c. Informant Files. Information files are confidential files of the true names, assumed names, and signatures of all informants to whom payments of confidential expenditures have been made. To the extent possible, pictures and/or fingerprints of the information payee should also be maintained. In the Regional Information Sharing System (RISS) program, the informant files are to be maintained at the member agencies only. Project Headquarters may maintain case files.

d. Cash Receipts. The cashier shall receive from the agent or officer authorized to make a confidential payment a receipt for cash advanced to him/her for such purposes. The agent or officer shall receive from the information payee a receipt for cash paid to him/her.

e. Receipt for Purchase of Information. An information payee receipt shall identify the exact amount paid to and received by the information payee on the date executed. Cumulative or anticipatory receipts are not permitted. Once the receipt has been completed, **no alteration is allowed.** The agent shall prepare an information payee receipt containing the following information:

1. The jurisdiction initiating the payment;
2. A description of the information/evidence received;
3. The amount of payment, both in numerical and word form;
4. The date on which the payment was made;
5. The signature of the informant payee;
6. The signature of the case agent or officer making payment;
7. The signature of at least one other officer witnessing the payment;
8. The signature of the first line supervisor authorizing and certifying the payment.

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

g. 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. Grantee shall retain the reconciliation report in their files and have it available for review.

h. 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, process (should include the review and approval/disapproval), modification, closure or impact material, and receipts and /or other documentation necessary to justify and track all expenditures. Refer to the documentation under "Informant Files" below for a list of documents which should be in the informant

files. In projects where grant funds are used for confidential expenditures, it will be understood that all of the above records are subject to the record retention requirements and audit provisions of the awarding agency and program legislation. However, only under extraordinary and rare circumstances would such access include a review of the true name of confidential informants. When access to the true name of confidential informants is necessary, appropriate steps to protect this sensitive information must and will be taken by the recipient, awarding agency, and auditing agency. Any such access, other than under a court order or subpoena pursuant to a bona fide confidential investigation, must be approved by both the OJP program office head and the Comptroller.

D.) Informant Files

a. 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.

b. Documentation. Each file should include the following information:

1. Informant Payment Record, kept on top of the file. This record provides a summary of informant payments.
2. Informant Establishment Record, including complete identifying and locating data, plus any other documents connected with the informant's establishment.
3. Current photograph and fingerprint card (or FBI/State Criminal Identification Number).
4. Agreement with cooperating individual.

5. Receipt for Purchase of Information.
6. Copies of all debriefing reports (except for the headquarters case file).
7. Copies of case initiation reports bearing on the utilization of the informant (except for the Headquarters case file).
8. Copies of statements signed by the informant (unsigned copies will be placed in appropriate investigative files).
9. Any administrative correspondence pertaining to the informant, including documentation of any representation made on his behalf or any other non-monetary considerations furnished.
10. Any deactivation report or declaration of an unsatisfactory informant.

c. 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:

1. Assignment of an informant code name to protect the informant's identity.
2. Creation of an informant code book controlled by the office head or his/her designee containing:
 - Informant's code name;
 - Type of informant (i.e., informant, defendant/informant, restricted-use informant);
 - Informant's true name;
 - Name of establishing law enforcement officer;
 - Date the establishment is approved; and
 - Date of deactivation.

3. Establishment of each informant file in accordance with Documentation, under (Informant Files)
4. Review of all active status informant files on a quarterly basis to assure they contain all relevant and current information. Where 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.
5. A search of all available criminal indices for informants being established. If a verified 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.

d. Payment to Informants

1. 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 payments should be commensurate with the value of services and/or information provided and should be based on the following factors:
 - The level of the targeted individual, organization, or operation;
 - The amount of the actual or potential seizure; and
 - The significance of the contribution made by the informant to the desired objectives.
2. There are various circumstances in which payments to informants may be made:
 - **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.

- **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.

- **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.

3. 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 a least the first line supervisory level. In unusual circumstances, a non-officer employee or an office of law enforcement agency may serve as a witness. In all instances, the original receipt must be submitted to the Project Director for review and recordkeeping.

E.) Accounting and Control Procedures

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

- a. 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.

b. Each law enforcement entity should apportion its PE/PI/PS allowance throughout its jurisdiction.

c. Headquarters management should establish guidelines authorizing officers to spend up to a predetermined limit of their total allowance on any one investigation.

d. In exercising his/her authority to approve these expenditures, the supervisor should consider:

- The significance of the investigation;
- The need for this expenditure to further that investigation; and
- 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.

e. 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.

f. For security purposes, there should be a 48-hour limit on the amount of time funds advance 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, how long an extension is 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, 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.

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

Chapter 12: Closeout

Subgrantees have **45** days after the award end date to pay final bills, submit final claim vouchers, and submit all required closeout information/reports. Failure to meet closeout requirements by the closeout deadline may result in a refund being required. Please submit the following information:

A.) Final Reports

All subgrantees are required to submit quarterly financial and progress reports. Subgrantees must submit all final reports by the closeout deadline.

- **4th Quarter Financial Report**

All funds must be obligated by the award end date. Therefore, the last quarterly report must show all expended funds to date, as well as any obligations incurred by the end date, but not expended. Unpaid obligations should be listed under the last column. Funds not properly obligated within the project period will be de-obligated and returned to ICJI.

- **Final Financial Report**

This report must show all properly obligated funds as expended within the closeout period. Funds not reported as expended within the closeout period will be de-obligated and returned to ICJI. A final report can be submitted in lieu of the fourth quarterly report if there are no unpaid obligations at that time.

B.) Refunds

Subgrantees that have drawn down funds in excess of final approved expenditures shall return unused funds to ICJI at the same time they submit the final financial report. Refunds must be received by the closeout deadline. Funds not properly obligated by the award end date or expended/liquidated by the closeout deadline must also be returned to ICJI.

Chapter 13: Record Keeping

A.) Retention of Records

All financial records, supporting documents, statistical records, and all other records pertinent to the award shall be retained by each subgrantee for at least three years following the closure of the most recent audit report. Retention is required for purposes of Federal and State examination and audit. Records may be retained in an automated format. State or local governments may impose record retention and maintenance requirements in addition to those prescribed.

1.) Coverage

The retention requirement extends to books of original entry, source documents supporting accounting transactions, the general ledger, subsidiary ledgers, personnel and payroll records, cancelled checks, and related documents and records. Source documents include copies of all awards, applications, and required subgrantee financial and narrative reports. Personnel and payroll records shall include the time and attendance reports for all individuals reimbursed under the award, whether they are employed full-time or part-time. Time and effort reports are also required for consultants.

2.) Retention Period

The three-year retention period starts from the date of the submission of the closure of the single audit report which covers the grant period. If any litigation, claim, negotiation, audit, or other action involving the records has been started before the expiration of the three-year period, the records must be retained until completion of the action and resolution of all issues which arise from it or until the end of the regular three-year period, whichever is later.

B.) Maintenance of Records

Subgrantees are expected to see that records of different fiscal periods are separately identified and maintained so that information desired may be readily located. Subgrantees are also obligated to protect records adequately against fire or other damage. When records are stored

away from the subgrantees principal office, a written index of the location of records stored should be on hand and ready access should be assured.

C.) Access to Records

The awarding agency includes ICJI, the Federal Awarding Agency, the DOJ Office of the Inspector General, the Comptroller General of the United States, or any of their authorized representatives, who shall have the right of access to any pertinent books, documents, papers, or other records of subgrantees which are pertinent to the award, in order to make audits, examinations, excerpts, and transcripts. The right of access must not be limited to the required retention period, but shall last as long as the records are retained.

Chapter 14: Audit Requirements

A.) Audit Objectives

Awards are subject to conditions of fiscal, program, and general administration to which the recipient expressly agrees in accepting the award. Accordingly, the audit objective is to review the administration of funds and required non-Federal contributions for the purpose of determining whether the recipient has:

1. Established an accounting system integrated with adequate internal fiscal and management controls to provide full accountability for revenues, expenditures, assets, and liabilities. This system should provide reasonable assurance that the organization is managing Federal financial assistance programs in compliance with applicable laws and regulations.
2. Prepared financial statements which are presented fairly, in accordance with generally accepted accounting principles.
3. Submitted financial reports (which may include Financial Status Reports, Cash Reports, and Claims for Advances and Reimbursements), which contain accurate and reliable financial data, and are presented in accordance with the terms of applicable agreements.
4. Expended Federal funds in accordance with the terms of applicable agreements and those provisions of Federal law or regulations that could have a material effect on the financial statements or on the awards tested.
5. Accounted for and expended project income in accordance with the conditions and terms of the grant (refer to Chapter 10: Program Income).

B.) Audit Reporting Requirements

Independent auditors should follow the requirements prescribed in OMB Circulars A-133. If the auditor becomes aware of illegal acts or other irregularities, prompt notice shall be given to recipient management officials above the level of involvement. The subgrantee, in turn, shall

promptly notify the cognizant Federal agency of the illegal acts or irregularities and of proposed and actual actions, if any.

All ICJI personnel have the responsibility to inform the OJP's Office of the Comptroller; DOJ's Office of Professional Responsibility and the Office of Inspector General; and State and Local law enforcement agencies or prosecuting authorities, as appropriate, of any known violations of the law within their respective area of jurisdiction.

Costs for audits not required or performed in accordance with OMB Circular A-133 are unallowable. If the grantee did not expend \$500,000 or more in Federal funds during the organization's fiscal year, but contracted with a certified public accountant to perform an audit, these costs may not be charged to the grant.

Note: All subgrantees must a full copy of audits to ICJI within 9 month after the close of each fiscal year.

C.) Audit Threshold

1. Non-Federal entities that expend \$500,000 or more in Federal funds in the organization fiscal year (12-month turnaround reporting period) shall have a single organization-wide audit conducted in accordance with the provisions of OMB Circular A-133.
2. Non-Federal entities that expend less than \$500,000 a year in Federal awards are exempt from Federal audit requirements for that year. However, records must be available for review or audit by appropriate officials including the Federal agency, pass-through entity, and General Accounting Office.