



State of Indiana
Indiana Department of Correction

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Page 1 of

Number

03/01/03

10

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ADMINISTRATIVE PROCEDURES
Manual of Policies and Procedures

Title

COMPLIANCE WITH FEDERAL FUNDS TITLES

Legal References (includes but is not limited to)	Related Policies/Procedures (includes but is not limited to)	Other References (includes but is not limited to)
IC 11-8-2-5(a)(8) IC 11-8-2-5(a)(9) IC 11-10-5-1 IC 11-12-3-2	00-04-301 04-01-101	

I. DEFINITIONS:

For the purpose of these administrative procedures, the following definitions are presented:

- A. Direct cost: An expense, which can be specifically or readily identified with a particular grant or contract objective.
- B. Division Director: The administrative staff person responsible for the operation of a division in the department.
- C. Expendable personal property: All tangible personal property other than non-expendable personal property.
- D. Grant (grant in aid): The money, or property in lieu of money, paid or furnished by a federal government agency to a state, local or federally recognized government agency under programs that provide assistance through grant or contractual agreements, not including technical assistance programs, which provide services rather than money, or other assistance in the form general revenue sharing, loans, loan guarantees, insurance contracts which are entered into and administered under procurement law and regulations.
- E. Grant budget: The approved financial plan for both the federal and non-federal shares to carry out the purpose of the grant.
- F. Grantee: The section, division or state department responsible for the administration of the grant.
- G. Indirect cost: An expense incurred for the joint or common benefit of a grant or contract and other activities carried on by the department.

ADMINISTRATIVE PROCEDURES
Manual of Policies and Procedures

Indiana Department of Correction

Number 04-01-103	Effective Date 03/01/03	Page 2	Total Pages 10
---------------------	----------------------------	-----------	-------------------

Title
COMPLIANCE WITH FEDERAL FUNDS TITLES

- H. Line item: A specific element within a budget.
- I. Matching formula: The formula giving complete information concerning the department's financial involvement in the grant program (i.e., cash outlay amount).
- J. Non-expendable personal property: The tangible personal property having a useful life of more than one (1) year and an acquisition cost of \$300.00 or more.
- K. Operating expenses: The expenses necessary to ensure the continued function of the grant program, including such items as service and maintenance contracts, lease or rental agreements and utilities.
- L. Personnel: The positions and proposed salaries, based on the state pay plan, of all staff necessary to implement the grant programs.
- M. Program Director: The person designated by the department to administer a grant program.
- N. Program income: The gross income earned by grant-supported activities, and usage or rental fees, but not including advances in funding.
- O. Program objectives: A narrative description of the purpose and objectives to be accomplished by the grant program.
- P. Real property: Any land, including land improvements and structures and attachments to the structures, excluding machinery and equipment.
- Q. Supplies: The variety of items, when applied to use, are consumed or, if not consumed, are not held for return or specific account.
- R. Total cost: The complete cost of operating the grant program including direct and indirect costs.

II. RESPONSIBILITIES:

The department's Grant Coordinator shall maintain a liaison with various funding sources and shall develop a plan for securing available funds. In conjunction with other department staff, the Grant Coordinator shall locate projects and write proposals as indicated in Policy 00-04-301, "Planning and Grant Development."

The Chief Financial Officer or designee shall institute such procedures as are necessary to administer grants once they have been awarded.

ADMINISTRATIVE PROCEDURES
Manual of Policies and Procedures

Indiana Department of Correction

Number 04-01-103	Effective Date 03/01/03	Page 3	Total Pages 10
Title COMPLIANCE WITH FEDERAL FUNDS TITLES			

A Business Administrator in the Fiscal Management Section shall be designated to be responsible for the administration of each Federal Funding Title. The Business Administrator and any designated accountant or account clerk shall be responsible for:

- A. The review of funding expenditures;
- B. The maintenance of fund accounting records; and,
- C. The draw down and disbursement of title and grant funds.

III. FACTORS AFFECTING ALLOWABILITY OF COSTS:

In determining the allowable costs of a program, all costs shall meet the following general criteria:

- A. Be necessary and reasonable for proper and efficient administration of the grant programs(s), be allowable under these procedures, and except as specifically provided herein, not be a general expense required to carry out the overall responsibilities of state or local governments;
- B. Be authorized, or not prohibited, under state or local laws or regulations;
- C. Conform to any limitations or exclusions set forth in these procedures, federal laws or other governing limitations, as to types or amounts of cost items;
- D. Be consistent in the policies and regulations that apply uniformly to both federally assisted and state and other activities of the department;
- E. Be accorded consistent treatment through the application of generally accepted accounting principles appropriate to the circumstances;
- F. Not be allocated for, or included as a cost of any other federally financed program in either the current, or a prior period; and,
- G. Be the net cost of all applicable receipts, or reduction of expenditure type transactions, which offset or reduce expense items allocated to grants as direct or indirect costs.

ADMINISTRATIVE PROCEDURES
Manual of Policies and Procedures

Indiana Department of Correction

Number 04-01-103	Effective Date 03/01/03	Page 4	Total Pages 10
Title COMPLIANCE WITH FEDERAL FUNDS TITLES			

IV. COMPOSITION OF COST:

The composition of the cost of a grant program shall consist of the total cost allowable under the rules and regulations governing the funds. The total costs shall include the direct costs and the allowable portion of the indirect costs, less any applicable credits. These costs apply to costs originating in the department and those costs incurred by other agencies in supplying goods, services and facilities to the department.

V. PROGRAM INCOME:

All program income earned during the grant period shall be retained by the grantee, except interest earned by advances of federal funds, proceeds from the sale of real and personal property purchased in whole or in part with federal funds, and royalties received as a result of copyrights or patents. In accordance with the grant agreement, program income shall be:

- A. Added to funds committed to the project by the grantor and grantee and be used to further eligible program objectives.
- B. Used to finance the non-federal share of the project when approved by the federal sponsoring agency; or,
- C. Deducted from the total project costs for the purpose of determining the net costs on which the federal share of costs will be based.

VI. FINANCIAL MANAGEMENT SYSTEM:

The department shall provide:

- A. An accurate, current and complete disclosure of the financial status of each grant program in accordance with reporting requirements set forth by the federal agency sponsoring the grant;
- B. Any records that adequately identify the source and application of funds for grant supported activities;
- C. Adequate safeguarding of all assets and ensuring that the assets are used solely for authorized purposes through effective control over, and accountability of, all funds, property and other assets;
- D. A comparison of the actual outlay of expenditures with budgeted amounts for each grant;

ADMINISTRATIVE PROCEDURES

Indiana Department of Correction

Manual of Policies and Procedures

Number 04-01-103	Effective Date 03/01/03	Page 5	Total Pages 10
---------------------	----------------------------	-----------	-------------------

Title

COMPLIANCE WITH FEDERAL FUNDS TITLES

- E. Maintenance of source documentation books of the accounts for each grant/program and subsidiary ledger for each approved line item in the budget;
- F. A business administrator or accountant responsible for administering the grant, and scheduling the transfer of funds in a manner consistent with program purposes and applicable treasury regulations; and,
- G. Appropriate depositing of the grant funds into an approved account.

VII. FINANCIAL REPORTING REQUIREMENTS:

The department shall submit financial status reports as required by the federal agency sponsoring the grant/program. The business administrator or accountant responsible for administering the grant funds shall submit the financial status report to the federal sponsoring agency within thirty (30) days after the end of the specified reporting period or as required by the federal sponsoring agency.

The business administrator or accountant responsible for administering the grant funds shall submit a final financial status report at the end of the grant period. The business administrator or accountant shall ensure that adequate source documents are included to support all expenditures. This report shall be submitted within ninety (90) days from the final working day of the grant period or in accordance with the rules and procedures of the federal sponsoring agency.

In the case of the periodic and annual financial status reports, the business administrator or accountant may request an extension beyond the stated deadlines for submission, if the extension would provide a more complete and accurate reporting of the fiscal status of the grant. The business administrator or accountant shall submit this request in writing in accordance with the rules and procedures of the federal sponsoring agency with a copies to the Division Director overseeing the grant and the department's Chief Financial Officer.

The periodic and annual financial status reports minimally shall include:

- A. The total amount of federal funding as budgeted, including any authorized carryover of obligated funds from prior fiscal years when permitted;
- B. The total amount of funds received from the authorized budget for the period;
- C. The total amount of funds expended for the particular period;

ADMINISTRATIVE PROCEDURES
Manual of Policies and Procedures

Indiana Department of Correction

Number 04-01-103	Effective Date 03/01/03	Page 6	Total Pages 10
Title COMPLIANCE WITH FEDERAL FUNDS TITLES			

- D. The amount of obligation incurred by the project of program that has not been paid;
- E. The amount representing the balance left by subtracting items C and D from item A; and,
- F. Any other information required by the federal agency sponsoring the grant.

VIII. MONITORING AND REPORTING OF PROGRAM PERFORMANCE:

The appropriate Division Director or designee under whose area the federally funded program operates shall monitor the performance of the grant supported activities continually to ensure that time schedules are met, projected work units are accomplished and other performance goals are achieved.

The Division Director or designee shall submit a performance report (monitoring or narrative report as required by the federal agency) for each grant supported program which briefly presents a comparison of the actual accomplishments and the established goals for the program. Additionally, if applicable, the reasons why goals were not met and other pertinent information including, if appropriate, an analysis and explanation of cost overruns or high unit costs. This report shall be submitted together with the financial status report covering the same period and with the same time frame considerations.

IX. BUDGET REVISION PROCEDURES:

The Commissioner or designee shall request prior approvals promptly from grantor agencies when there is reason to believe that a revision in the program is necessary due to the following:

- A. A change(s) in the scope or the objective of the grant supported project or program;
- B. The need for additional federal funding;
- C. The revision(s) involves the transfer of amounts budgeted for indirect costs to absorb increases in direct costs, if approval is required by the federal agency; and,
- D. The plan is to transfer funds from one category to other categories of expenditures.

ADMINISTRATIVE PROCEDURES
Manual of Policies and Procedures

Indiana Department of Correction

Number 04-01-103	Effective Date 03/01/03	Page 7	Total Pages 10
---------------------	----------------------------	-----------	-------------------

Title
COMPLIANCE WITH FEDERAL FUNDS TITLES

X. GRANT CLOSEOUT PROCEDURE:

The Commissioner or designee shall refund immediately to the federal sponsoring agency any balance of an obligated fund that is not authorized to be retained by the grantee for use or as a carryover to the next grant period and shall account for any property acquired with grant funds.

The Commissioner or designed shall submit within ninety (90) days after the date of completion of the grant period all financial, performance and other reports required as a condition of the grant.

XI. PROPERTY MANAGEMENT STANDARDS:

Title to any real property shall rest in the department as long as it is used within the terms of the grant. The department shall obtain approval from the federal sponsoring agency for the use of the real property in any other projects when it is no longer needed for the original grant purposes. Use in other projects shall be limited to those under other federal grant programs or programs that have purposes consistent with those authorized for support by the federal sponsoring agency. When the real property is no longer needed, the department shall request disposition instructions from the federal sponsoring agency.

Title to federally owned property remains vested in the federal government. The department shall submit annually an inventory list of federally owned property in its custody to the federal sponsoring agency. Upon completion of the agreement or when the property is no longer needed, the department shall report the property to the federal sponsoring agency for further utilization.

Title to expendable personal property shall rest in the department upon acquisition. If there is an individual inventory of such property exceeding \$1,000.00, in total aggregate fair market value, upon termination or completion of the grant and if the property is not needed for any other federally sponsored project or program, the department shall retain the property for use in non-federally sponsored activities or, shall sell the property. In either case, the federal grant shall be compensated for its share unless otherwise authorized by the governing federal agency.

Records of all non-expendable property shall be maintained accurately and shall include:

- A. Description of property;
- B. Manufacture's serial number, model or other identification number;

ADMINISTRATIVE PROCEDURES
Manual of Policies and Procedures

Indiana Department of Correction

Number 04-01-103	Effective Date 03/01/03	Page 8	Total Pages 10
Title COMPLIANCE WITH FEDERAL FUNDS TITLES			

- C. Source of the property including grant or agreement number;
- D. Acquisition date or date received;
- E. Location of the property;
- F. Acquisition cost; and,
- G. Disposition data.

This property is to be marked to indicate federal ownership. A physical inventory of the property shall be taken and the results reconciled with the property records at least once every two (2) years. Any difference in the accounting records shall be investigated to determine the causes of the difference. The appropriate Division Director or designee shall verify the existence, current utilization and continued need for the property annually.

XII. GRANT FUNDED PERSONNEL:

All grant funded positions that are established within the Department shall be consistent with established Merit Service positions. If the work to be performed consists of unique activities not comparable to other government positions, the rate of pay shall be established by the State Personnel Department based upon job descriptions submitted by the department.

The program director shall initiate through the department's Supervisor of Personnel the establishment of all positions provided in the grant document. Positions shall be established consistent with the title in the grant document and job descriptions that accompany a request to establish positions and must also be consistent with duties and responsibilities set forth in the grant document.

Under no circumstances shall a position be established nor shall a person be employed in a grant funded position under a position title or at a higher pay grade and step than is provided for in the program budget. If it appears that a position other than that provided for in the program budget is needed or in the event that pay grade or steps must be adjusted in order to recruit qualified employees, the program director must first receive prior approval from the department Chief Financial Officer and the appropriate Deputy Commissioner under whose area the grant falls.

The program director and other employing personnel shall advise all applicants for federally funded positions that employment beyond the grant period is not guaranteed. Each person who accepts employment on a grant position should

ADMINISTRATIVE PROCEDURES
Manual of Policies and Procedures

Indiana Department of Correction

Number 04-01-103	Effective Date 03/01/03	Page 9	Total Pages 10
Title COMPLIANCE WITH FEDERAL FUNDS TITLES			

verify that he/she understands the conditions of his/her employment relative to this matter. The one exception occurs when a reduction in force applies.

Federal regulations require that all personnel charges be supported by daily time and attendance records. Therefore, an attendance sheet, State Form 48781, EMPLOYEE ATTENDANCE REPORT (A-4A), shall be submitted each pay period by every person who fills a federally funded position. The form must be filled out by the employee and signed by the employee and the supervisor. The paycheck of any employee who fails to submit State Form 48781 shall be withheld until the employee submits this form.

XIII. EQUIPMENT:

It is the responsibility of the facility Program Coordinator to ensure that no equipment is ordered that is not a line item in the equipment budget of the grant. Program directors shall order all equipment in accordance with established state and department purchasing procedures. All requisitions will be cleared through the facility Program Coordinator prior to routine processing of a purchase requisition to assure that the request is in line with the grant budget.

Persons authorized to receive equipment purchased with grant funds are to sign and date all receiving documents, keep a copy of the receiving documents in the local office and forward the original to Central Office. The person receiving that equipment shall check for damages and report any damage to the Central Office within five (5) days after receipt.

XIV. RETENTION OF RECORDS:

All records pertinent to a grant shall be retained in accordance with established Records Retention Schedules or in compliance with the rules and guidelines of the federal sponsoring agency. If litigation, claim or audit is started prior to the expiration of the records retention period, the records shall be retained until all litigation, claims or audit findings involving these records have been concluded.

The record retention period shall start on the date of the submission of the final expenditure report. For grants that are renewed annually, the retention period shall commence from the date of the submission of the annual financial status report.

The department may, upon approval by the federal agency, substitute microfiche copies in lieu of original records.

ADMINISTRATIVE PROCEDURES
Manual of Policies and Procedures

Indiana Department of Correction

Number 04-01-103	Effective Date 03/01/03	Page 10	Total Pages 10
Title COMPLIANCE WITH FEDERAL FUNDS TITLES			

XV. APPLICABILITY:

These administrative procedures are applicable to all department staff responsible for administering programs that involve grants to state and local governments. If the enabling legislation for a specific grant program prescribes policies or requirements that differ from the standards provided herein, the provisions of the enabling legislation shall govern.

Evelyn I. Ridley-Turner
Commissioner

Date