



Grant Management Guidelines

2020 – 2021



North Carolina Department of Public Safety

Governor's Crime Commission

Roy Cooper, Governor
Erik A. Hooks, Secretary

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Message from the Executive Director

Wow! 2020 has been quite a year so far. Thank you so much for making time in your already hectic world to attend the Governor's Crime Commission Grant Award and Grant Writing Workshops.

As you know, this year's workshops are a little different. We cannot gather together safely, so we are offering our workshops remotely. This isn't ideal, but it does allow our team of professionals the opportunity to present the grant application and grant award requirements. The good news for you is that we have shortened the agenda, and the WebEx sessions will be recorded and available on our website for review in the future.

Also, after several years of reorganization, we are proud to announce that there are no big staffing changes which has allowed us to spend time on process improvement. You'll be happy to know we are close to launching an online training program, meaning our subrecipients merely need to visit our website to learn how to make budget adjustments or submit a reimbursement request. We are also moving to DocuSign for our grant awards. That's right ... no more chasing down signatures or lost award documents!

We also want to reiterate that the Governor's Crime Commission recognizes that you are continuing to navigate unprecedented circumstances. We are committed to providing you timely updates as our federal partners continue to make adjustments. We ask only that you do the same. Let us know what is going on in your organization. We will do our best to assist and help you consider all options.

I know you can't talk with our team face to face today, but I encourage you to find time to reach out and introduce yourself – even it is via WebEx, Zoom or MS Teams. Putting a name to a face is always valuable. Let us know what is working for you and how we can further develop our partnership. We are committed to using our funding and human capital resources to positively impact the communities of North Carolina.

Thank you for joining us!

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1 PARTNERING WITH GCC

Congratulations on receiving a grant through the North Carolina Governor's Crime Commission (GCC). The GCC staff is here to help guide you through the process of administering your awarded grant, sometimes referred to as a Project. The terms grant and project are used interchangeably within this guidebook.

The next several sections of this guidebook focus on policies and issues surrounding the administration of your project. This section will discuss the role of your GCC Grant Administrator, who is a key contact for you going forward. This section will also discuss several additional resources available to you during the grant period.

1.1 Your GCC Grant Administrator

Each project is assigned a Grant Manager within the Grants Management Division of GCC. This person is your primary point of contact for all post-award issues, including reimbursements, reporting requirements, and grant adjustments. Your Grant Administrator has been trained to understand the details of a US Department of Justice Grant, GCC policies, and the online Grants Enterprise Management System (GEMS). This person is a resource for you and should be viewed as a member of your project team. In addition to providing grant and technical assistance, your Grant Administrator is charged with oversight and monitoring duties, which are discussed in a future section of this guidebook.

1.2 Grant Opening

1.2.1 *Grantee Acceptance of Award*

Per North Carolina Administrative Code, Grantees have 30 days from the date the grant is awarded and delivered to accept and return the award documents to GCC. If your agency requires further time to process award acceptance, you must contact GCC before the 30-day window expires.

1.2.2 *Pre-opening Review*

Once you have signed and mailed in your complete Grant Package, a Grant Administrator is assigned to your project. Their first step is to review the grant information you mailed in and uploaded to GEMS, to make sure all certifications, policies, and other required documentation have been included for the opening of your project.

Should your grant package be incomplete, your Grant Administrator will contact you, advise you of the situation, and necessary corrective steps. You may also be advised whether the grant can be opened or any hold on reimbursements.

1.2.3 *Required Policies*

Each project must have the following policies attached.

- Conflict of Interest
- Procurement or purchasing policy (**2 C.F.R. 200.318, et seq**)
- Unlawful discrimination
- Whistleblower
- Travel policy (if travel to be incurred)

Depending on the source of your grant, there may be other policies required. Work with your Grant Administrator to determine what is required for your specific situation.

1.2.4 *Introduction Letter*

After that review, your project will officially be opened. At this point, you will receive an introduction letter from your Grant Administrator via e-mail.

In this letter, you will receive additional documents and information specific to your project. While this is a long letter with several attachments; please read the entire document, it contains vital information. The letter should also include your Grant Administrator's contact information, so you can contact them for support.

1.2.5 *Notice of Grant Implementation*

Before beginning any grant activities, the Project Director needs to complete and submit a *Notice of Grant Implementation* in GEMS. This is a short narrative of how grant funds will be implemented. It explains the steps your organization will take to ensure the project is administered according to federal and state regulations. Please be sure to include details on procurement, documentation, and financial reporting. To submit the Notice of Grant Implementation, log into GEMS and navigate to the current project. Select "Notice of Implementation" from the left-hand menu. Once the submission is ready, select the blue "SAVE" button. This will be sent to your GCC Grant Manager for review. You will receive confirmation once the submission is reviewed and approved.

1.3 Grant Closure

1.3.1 *Closure Overview*

Closure means the process by which it is determined that all applicable administrative actions and all required work of the Federal award have been completed. All award subrecipients have 45 days after the project end date to submit all financial, performance or other reports required by the award.

Examples of important closure milestones:

- Final reimbursement submitted for allowable costs
- Any match requirement met
- Any refund(s) owed to GCC paid
- All reports completed and submitted
- Unobligated funds identified for reversion to GCC

Subrecipients should begin the closeout process as soon as the project is completed and all federal and matching funds, if applicable, have been spent.

1.3.2 *Remittance of Funds Owed*

Any funds paid to your organization that exceeds the amount to which the organization is finally determined to be entitled constitutes a debt owed. GCC will contact you, inform you of the amount owed and supervise repayment. If not paid, subrecipients risk:

- Ineligibility from further grant participation until all debts are paid
- High-risk designation for future awards
- Withholding or freezing of funds
- Special conditions placement on all other awards
- Additional collection actions

1.3.3 Administrative Closure

If the award subrecipient does not initiate the closeout within 45 days of the project period end date, GCC will begin an administrative closeout process without consent. During the administrative closure, GCC will perform a financial reconciliation. If the reconciliation process reveals that refunds are due, the recipient will be so notified to request the funds owed. This process also includes the Match portion of the total budget. If the match is not met the subrecipient may have to pay back Federal Funds, if already reimbursed.

In certain other conditions, GCC reserves the right to initiate an Administrative Closure prior to the project end date. In this case, notice will be provided to the recipient.

1.4 Grant Assistance & Service Level Agreements (SLA’s)

Your GCC Grant Administrator strives to provide excellent customer service through the life of your project. Our intent is to respond to your questions and requests in a timely manner. The following Service Level Agreements are our commitment to make sure we are providing excellent customer service.

Type of Request	Conditions	Grant Administrator Turnaround Time
Reimbursement Requests that are submitted on-time	Request must be submitted on time (during the month after the expense is incurred)	10 Calendar Days
Modifications to Reimbursement Requests	Modifications must be resubmitted via GEMS	10 Calendar Days
Reimbursements that are submitted late	Late submissions are requested more than 1 month after the expense was incurred.	30 Calendar Days

1.5 GEMS & Technical Support

The Grants Enterprise Management System (GEMS) is an online tool that helps administer your GCC project. Once you have a valid NCID login, you and your project staff can access GEMS. This is the system where you submit requests to your Grant Administrator, such as reimbursements, adjustments, and project reporting. Your Grant Administrator is a GEMS expert and can provide technical support on the system. This can take the form of walking you through submissions over the phone or hosting a web-based meeting to show you aspects of the system. Please contact your Grant Administrator to schedule technical assistance. at <https://it.nc.gov/ncid>.

1.5.1 Accessing GEMS (First Time)

Anyone needing access to GEMS must follow the following steps.

1. Obtain an ID from NCID: The following URL is your destination for obtaining and updating your NCID, <https://it.nc.gov/ncid>. NOTE: GCC staff does not have access to update your NCID or password. For assistance with your NCID, please visit the NCID help desk.
2. Navigate to GEMS and login. <https://gems.ncdps.gov>

3. Affiliate with your organization.

The first time you log into gems you will be asked for an organization affiliation using an interface similar that shown below:

Organization *

– Select Existing Organization –
▼

or

+ ORGANIZATION

Using the *Organization* dropdown select the appropriate organization name and click the blue “Save My Profile” (or similar) button at the bottom of the interface dialog.

1.5.2 Changes to your Project Personnel

When planning your GCC project, your Project Personnel were defined. This includes an Organization Administrator, Project Director, Finance Officer, and Authorizing Official. Other than the Organization Administrator, no one person can hold multiple roles.

There are times that these contacts need to be changed or updated. To make these changes, you must notify your GCC Grant Administrator prior to making any changes (see **2 C.F.R. 200.308 (b) and (c)**). After approval is received, submit the updates in GEMS.

A letter is required from the Authorizing Official, created on organization letterhead to describe what changes are being made and a justification for each change. (NOTE: Letters concerning changes in Authorizing Official will require counter signatures from board secretaries or municipal clerks.) This letter should be submitted to your GCC Grant Administrator. When the request is approved, the new contact must sign up for an NCID account, and request access and role assignment within GEMS. The Organization Administrator for your agency will need to log in to approve the requests.

NOTE: Except for Project Editors, all roles must be filled with a member of staff or governing board of the subrecipient organization. See the table below for specific qualifications for each role.

1.6 Organization Roles

Organizational roles are specific to an organization and are tied to the user’s duties within that organization. Roles can be assigned to any individual user based on their level of involvement with the grant.

When assigning organizational roles to projects in GEMS, subrecipients should note the following requirements:

ORGANIZATIONAL ROLE/RESPONSIBILITIES	REQUIRED AGENCY CONTACT
<p>Authorizing Official (AO)</p> <ul style="list-style-type: none"> • Signatory to grant award • Chief point of oversight for project • Only one per organization 	<p>Nonprofits: Board Chair ** Must not be an employee of the agency State Government: Division Secretary Local Government: County Manager Law Enforcement Agencies: County or City Manager</p>
<p>Financial Officer (FO)</p> <ul style="list-style-type: none"> • Provides financial oversight to project 	<p>Nonprofits: Board Treasurer ** Must not be an employee of the agency State Government: Chief Financial Officer or Division Finance Officer</p>

ORGANIZATIONAL ROLE/RESPONSIBILITIES	REQUIRED AGENCY CONTACT
<ul style="list-style-type: none"> • Ensures compliance with both agency and Federal financial policies and procedures • Only one per organization 	<p>Local Government: Finance Director Law Enforcement Agencies: Agency Finance Director</p>
<p>Project Director (PD)</p> <ul style="list-style-type: none"> • Signatory to grant award • Responsible for execution of project • Primary point of contact with GCC • Submits reimbursement requests • Submits budget adjustments • Submits non-budgetary adjustments • Submits quarterly reports • Communicates with Grant Administrator 	<p>Nonprofits: Executive Director or appointed project staff responsible for overseeing the work of the project State Government: Designee responsible for overseeing the work of the project Local Government: Designee project staff responsible for overseeing the work of the project Law Enforcement Agencies: Designee project staff responsible for overseeing the work of the project</p>
<p>Project Editor</p> <ul style="list-style-type: none"> • Assists Project Director • Creates and submits reimbursements • Creates and submits budget adjustments 	<p>Consultants, contractors, or other non-staff persons may fill this role.</p>
<p>Organizational Administrator</p> <ul style="list-style-type: none"> • Approves all requests for organization roles (AO, FO, PD) • Approves/denies access to project applications and open projects • Deactivates access/roles • Submits SAM updates to GCC via GEMS • Multiple allowed 	<p>Other agency personnel, such as an internal Grant Administrator or supervisor of project activities</p>

NOTES:

- Individuals/staff assigned with organization roles will require access to the Grants Enterprise Management System (GEMS), to access GEMS a NCID must be obtained through <https://it.ncid.nc.gov/>. Each individual working in GEMS must have their own individual NCID User ID and password.
- In rare circumstances for an open grant an exception to these rules may be required, if this is the case you must receive prior approval from the Grant Administrator.

1.6.1 *Assigning Organization Roles in GEMS:*

When assigning individuals new or additional roles in GEMS, please follow the following steps.

1. **[User]** Log in to GEMS
2. **[User]** Select My Profile tab
3. **[User]** Select Organization or add Organization (if your agency has not applied for funding before); this will open My Organization tab, where the organization information can be entered
4. **[User]** Under My Profile select the Request Organization Roles tab, and follow the instructions on the screen, and Submit Request.
5. **[Organization Administrator]** The Administrator director logs in to GEMS and approves the request.
6. **[Organization Administrator]** Once a role has been assigned, select the Request Project Access tab, and follow the instructions on the screen, and Submit Request.

1.6.2 *Deactivating Organization Roles in GEMS:*

When an individual no longer requires access to GEMS, the Organization Administrator will:

1. Log in to GEMS
2. Select My Profile tab
3. Select Deactivate Roles, the individual's role can be deactivated from the entire organization or from a specific project
4. Once the role has been deactivated it, then a request for a new organization role can be requested to reassign the role

1.7 Communicating with your Grant Administrator

In your Grant Administrator introduction letter, you should receive the contact information (phone and email address) of your assigned Grant Administrator. You can contact your assigned Grant Administrator with questions regarding grant or technical Assistance. You will receive periodic emails from your Grant Administrator. Please be sure to review these communications and respond to any requests for action. Your Grant Administrator may be contacting you to remind you of a reporting deadline, ask questions about submitted documentation, or schedule a review or site visit. Additionally, from time to time your Grant Administrator will reach out to you for updates on the progress of your project.

1.8 GCC Learning Management System (LMS)

The Governor's Crime Commission is finalizing an online learning platform – referred to as LMS. Details on this platform will be available on the GCC website. This interactive tool will include a series of presentations which walk you through many important aspects of the administration of your GCC grant. By completing these modules, you will understand many of the administrative concepts, see examples of GEMS, and can test your knowledge. All Project Directors, Financial Officers, and Authorizing Officials have access to this platform. We can provide access to others working on the grant. Please work with your Grant Administrator if this is required. This is an ongoing project, and new materials will be added periodically.

1.9 GCC Online Resources

The GCC maintains a frequently updated web page at <https://ncdps.gov/gcc>. Besides announcements and news items, examples of the resources maintained are listed below:

- Staff Contact Information: <https://www.ncdps.gov/gccstaff>
- GCC Grant Form: <https://www.ncdps.gov/gccforms>
- GCC Grant Resources: <https://www.ncdps.gov/gccresources>

2 GCC ADMINISTRATIVE POLICIES

2.1 Funding and Governance

2.1.1 *Federal Funding Sources*

The Governor's Crime Commission annually awards state and federal grants to North Carolina law enforcement, governmental bodies, and related non-profit agencies. The GCC issues grants funded by —

- **Children's Justice Act (CJA)** — Provides grants to States to improve the investigation, prosecution and judicial handling of cases of child abuse and neglect, particularly child sexual abuse and exploitation, in a manner that limits additional trauma to the child victim.
- **Coronavirus Emergency Supplemental Funding (CESF)** — This program will provide funding to assist eligible states, local units of government, and tribes in preventing, preparing for, and responding to the coronavirus.
- **Edward Byrne Memorial Justice Assistance Act (JAG)** — Provides states, tribes, and local governments with critical funding necessary to support a range of program areas including law enforcement, prosecution, indigent defense, courts, crime prevention and education, corrections and community corrections, drug treatment and enforcement, planning, evaluation, technology improvement, and crime victim and witness initiatives and mental health programs and related law enforcement and corrections programs, including behavioral programs and crisis intervention teams.
- **Juvenile Justice Delinquency Prevention Act (JJ)** — Provides crucial support for state programs that assist communities to take a comprehensive approach to juvenile crime prevention and to address the needs of vulnerable youth and those of their families early and effectively.
- **Paul Coverdell National Forensic Sciences Improvement Grant** — Awards grants to states and units of local government to help improve the quality and timeliness of forensic science and medical examiner/coroner services.
- **Victims of Crime Act (VOCA)** — The Fund is financed by fines and penalties paid by convicted federal offenders, not from tax dollars. As of 2020, the Fund balance is over \$6 billion and includes deposits (also known as receipts) from federal criminal fines, forfeited bail bonds, penalties, and special assessments collected by U.S. Attorneys' Offices, federal courts, and the Federal Bureau of Prisons.
- **Violence Against Women Act (VAWA)** — A landmark piece of legislation that sought to improve criminal justice and community-based responses to domestic violence, dating violence, sexual assault and stalking in the United States. Designed to improve the criminal justice responses to domestic violence, sexual assault, and stalking and to increase the availability of services for victims of these crimes.

Each funding source seeks to aid a specifically targeted area of need and will likely have rules and processes specific to that source. These may not necessarily match those of any other source for which you have a grant. You are responsible for following any laws, regulations, policies or rules (Federal or State) associated with your grant. However, your Grant Administrator will help you if you have any compliance questions.

2.1.2 Governance Issues

Governing legislation authorizing each Federal Program set the overall guidance and policies for grants issued by GCC. Federal policies for one source *may differ* from those of another. Your Grant Administrator will guide you through complying with Federal as well as State and GCC policies.

- Federal Legislation
- Federal Regulations
 - Program specific
 - Federal general
- Federal Policies
 - Program specific
 - Federal general (DOJ, BJA, and others)
- State Administering Agency (SAA)
GCC is the SAA for Federal DOJ/Bureau of Justice Affairs grants.

2.2 Items Requiring GCC Prior Approval

Once the project has been approved and awarded, any changes to the project's scope of work, duration, certain activities, and other significant project areas require prior approval by the GCC. The following list includes, but is not limited to, actions that require prior approval.

2.2.1 Award Recipient Changes

GCC grant subrecipients must initiate an approval process the following changes:

- To change the name of the organization on record with the GCC or to make changes to the person on record with GCC who is responsible for authorizing and signing official documents.
 - The request must include the name, address, phone number, email address, fax number, and title of the subrecipient's new authorized signing official
- To request a change to the organization's mailing address
- To request a change to the organization's DUNS number
- Altering programmatic activities
- Changing the purpose of the project
- Changing the project site
- Certain subawards
- Changes in scope that affect the budget
- To make changes to the name and contact information of your designated recipient or key subrecipient staff due to a permanent withdrawal, change in staff or in case of a temporary absence
- Making changes to the organization's staff with primary responsibility for implementation of the award (key personnel)
- When in doubt, the Grant Administrator should be contacted to determine if an approval is required

2.2.2 Out of State Conferences and Travel

As with any other type of expenditure using award funds, all expenses associated with approved events must be documented and auditable. Out state of state conferences and travel must be included in the project's budget and narrative; actual attendance requires prior approval by the assigned Grant

Administrator. Use the *Prior Approval Request for Attending an Out-of-State Conference* form found in the [Grant Forms](#) section of the GCC web site.

2.2.3 Budget Adjustment/Modification

GCC grant subrecipients must initiate an approval process for the following budget changes:

- The budget adjustment changes the scope of the project
- The budget adjustment affects a cost category that was not included in the previously approved budget
- The proposed cumulative change is greater than 10 percent (10%) of the total award amount

2.3 Timekeeping

Personnel expenses are reimbursed based level of effort provided in support of the grant. This is achieved using a *Time and Activity Form* found on the GCC website forms section.

Usage of the GCC form is mandatory unless your grant administrator approves the use of a local form that provides all information found on the GCC document.

2.4 SAM Registration

2.4.1 SAM Registration Required

All GCC subrecipients are required to enroll and maintain registration on the *Federal System for Award Management (SAM)* site.

Subrecipient SAM records must be publicly viewable.

2.4.2 GEMS Recording of SAM Status

Subrecipient Organization Administrators are required to annually update the organization's SAM information on GEMS. This is accomplished in GEMS as shown below:

1. Organization Administrator logs into GEMS, opens My Profile.
2. Select My Organization
3. Update both SAM Expiration Date and proof of new SAM expiration date.
4. Press blue Save Organization (blue button, bottom of screen). Confirmation message appears in vicinity of SAM data.

The screenshot shows the GEMS user interface. At the top, there is a navigation bar with 'GEMS', 'My Projects', 'My Profile', and 'Workshops'. Below this, a sidebar on the left contains 'My Profile', 'Request Organization Roles', 'Request Project Access', 'My Organization' (highlighted), and 'Approve/Deny Requests'. The main content area is titled 'My Organization' and contains several form fields: 'Legal Organization Name *', 'Federal Tax ID Number *' (with a note '9 digit number'), 'Business Type *' (set to 'State Government'), 'Dun & Bradstreet Number (DUNS) *', and 'Fiscal Year End Date *' (set to 'mm/'). A box labeled 'Select PDF File' with a green arrow points to the 'Attach SAM Expiration Date Proof' section, which includes a 'Choose File' button and 'No file chosen' text. A blue box highlights the 'SAM Expiration Date *' field, which is currently empty and has a calendar icon. A box labeled 'Enter NEW SAM Expiration Date' with a green arrow points to this field.

Failure to do so will result in placement organization-level GEMS hold. Organization holds prevent the subrecipient agency from applying for new grants and prevent the processing of expense reimbursements and budget adjustments for all the subrecipient agency's existing grants.

2.5 Important Dates

Your grant has several critical dates associated with it. Those most referenced are:

- **Start Date.** Earliest date for which activity can be reimbursed. Any expenses *not pre-authorized* incurred prior to this date cannot be reimbursed.
- **End Date.** Last date for which activity can be reimbursed. Any expenses incurred prior to this date cannot be reimbursed.
- **Last Adjustment Date.** Sixty (60) days prior to Project End Date. After this date, budget adjustments are not accepted.
- **Liquidation Date.** Forty-five (45) after Project End Date. Last day to submit expense reimbursements for expenses incurred close to Project End Date.
- **Report Due Dates.** Depending on the source of your grant, there are several types of reports due. Reports not submitted by these dates result in a grant-level GEMS hold.

2.6 Supplanting

Grant funds must supplement and not supplant. Supplanting will be reviewed during the application process, post-award monitoring, and audit. Award funds cannot be used to supplant state, local, or tribal funds unless permitted by statute.

In general, supplanting occurs when a state, local, or tribal government reduces previously allocated or appropriated funds by the entity for an activity, specifically because federal funds are available (or expected to be available) to fund that same activity. Federal funds must be used to supplement existing state, local or tribal funds for program activities, if any, and may not replace state, local, or tribal funds that have been appropriated or allocated for the same purpose. Additionally, federal funding may not replace state or local funding that is required by law.

In those instances where a question of supplanting arises, the applicant or award subrecipient will be required to substantiate that the reduction in non-federal resources occurred for reasons other than the receipt or expected receipt of federal funds.

Any reduction in non-federal resources allocated for the same time period and the same purpose as the federal grant award will be subject to careful review.

If the GCC identifies potential supplanting, the subrecipient may be required to submit documentation demonstrating that the reduction in non-federal resources occurred for reasons unrelated to the receipt or expected receipt of federal funds.

For certain programs, a written assurance or certification from the applicant or award subrecipient may be required by the awarding agency stating that federal funds will not be used to supplant State, local, or tribal funds.

NOTE: Supplanting may be grounds for suspension or termination of current and future federal funding, recovery of misused federal funds, and/or other remedies available by law.

2.6.1 *Guidelines to Avoid Supplanting*

To avoid potential supplanting issues, the following general guidelines should be followed:

- Award funds cannot be used to pay for existing employees unless the existing position is "back-filled" with a new hire. Award funds cannot be used to pay for items or costs that the subrecipient is already obligated to pay with State, local, or tribal funds.
- State, local, or tribal funds previously appropriated, allocated or budgeted for award purposes cannot be reduced or reallocated to other purposes because of receipt of federal funds.
- Maintain contemporaneous documentation demonstrating that any reductions in non-federal resources budgeted for award purposes is unrelated to the receipt or expected receipt of federal funds. Examples of supporting documentation may include (but are not limited to) budget sheets and/or directives; city council or departmental meeting minutes; agency memoranda, notices, or orders; and any other official documents addressing the reduction in non-federal resources.

2.6.2 *Supplanting Example*

To help clarify the differences between supplementing and supplanting, we provide the following example:

- For Fiscal Year (FY) 2019, the award applicant budgeted local funds to hire 50 new police officers. Later in FY2019, the applicant was awarded a GCC grant to hire 60 new police officers. At the end of FY2019, the award subrecipient had only hired the 60 new police officers funded under the GCC grant. The award subrecipient did not use any of its local funds to hire new officers, but instead reduced its budget for that purpose and reallocated the local funds to another purpose.
- In this scenario, supplanting has occurred because the award subrecipient used federal funds to replace local funds budgeted for the same purpose. Supplanting would not have occurred if the award recipient had hired a total of 110 new officers to supplement its existing sworn force, using federal funds for 60 officer positions and local funds for 50 officer positions.

Because of the supplanting violation, the award subrecipient is required to repay the amount of federal funds that were used to supplant local funds.

2.7 Grant Fraud

Federal grants are awarded for a specific purpose, and in signing an award document subrecipients are agreeing to follow certain terms and conditions, some of which are designed to help prevent fraud waste and abuse.

However, fraud, waste, and misuse of these funds can and do occur. These issues can range from award mismanagement to intentional criminal fraud.

Subrecipients should be aware of the common fraud issues that can impact grant-funded programs and should engage in proactive risk-management strategies to detect and deter those concerns.

2.7.1 *Common Grant Fraud Risks*

Most instances of grant fraud fall into one or more of three general categories:

- Conflicts of interest and procurement process issues
- Materially false statements including failure to adequately document the use of funds
- Theft

2.7.2 Conflicts of Interest and Procurement Process Issues

Award subrecipients are required to use federal funds in the best interest of their program and ensure their decisions related to the utilization of the funds are free of personal and organizational conflicts of interest.

2 C.F.R. 200.112 requires subrecipients of federal funds to disclose in writing to the awarding agency any potential conflicts of interest. Undisclosed conflicts of interest can, in some cases, constitute criminal fraud because they are "material omissions." This means that had the government or the GCC initially known the truth about the undisclosed facts (e.g. family members), the GCC would likely not have approved or allowed reimbursements.

Award subrecipients should carefully consider the following issues to better manage this risk:

- The procurement process must be fair and well-documented and free of organizational and personal conflicts of interest, such as a vendor inappropriately participating in the procurement process or an employee of the recipient organization personally benefiting from a contract award.
- Consultants can play a valuable role in many programs, but they must be selected through a valid procurement process, their pay must be fair and reasonable for the services received, and subrecipients must adequately document the purpose and validity of the consultant arrangement.
- Employees of subrecipient organizations cannot use federal funds to pay family members without first disclosing the transaction to the awarding agency and receiving permission.
- Subrecipients cannot delegate their financial and fiduciary responsibilities to a consultant or other vendor. For example, it would be inappropriate to allow a consultant to request reimbursements and budget adjustments and complete and submit financial and progress reports without appropriate oversight by the recipient organization.

Example:

Background: An individual was assigned to purchase equipment using federal award funds.

Possible Fraud Indicators: Circumvention of the established procurement process; vendor complaints.

Scheme Identified: Individual stole more than \$100,000 by directing contracts to bogus companies that he had established.

Result: 240-month prison sentence.

2.7.3 Material Misstatements including Failure to Adequately Document the Use of Funds

Award agreements create a legally binding obligation for the subrecipient to use funds in a certain way and to comply with various certifications, assurances, applicable federal law, rules and regulations. By signing the award agreements, the subrecipient is accepting responsibility for the proper oversight and administration of the grant, in compliance with all applicable rules, regulations and statutes.

Award subrecipients should pay close attention to the following issues to better address this area:

- Subrecipients must establish and maintain an adequate accounting system, be able to provide sufficient documentation to prove that all reimbursement is for reasonable, allowable, documented, allocable and provided with regular consistent treatment. A subrecipient's accounting system must be able to track the specific use of each source of revenue to avoid commingling issues. In some cases, all reimbursements of expenses can be called into question if commingling of separate grant revenues and expenses makes a proper accounting for federal award funds impossible.
- Funds must be used for the purposes identified in the grant solicitation and award documents — they cannot be unilaterally re-directed for another use. Certain uses of award funds are categorically prohibited or restricted, such as lobbying or purchasing land and armored vehicles. Recipients should be familiar with these restrictions to properly oversee or manage award funds.
- Subrecipients should carefully review their accounting procedures and other internal controls related to indirect costs, matching funds, and employee time and effort records — three specific areas that have been identified as an enhanced risk for fraud and other misuse scenarios.

Example:

Background: A federal grant was awarded for a specific purpose.

Possible Fraud Indicators: An inability of the recipient to provide sufficient and verifiable supporting documentation concerning the actual use of award funds.

Result: Award recipient paid the federal government over \$300,000 to settle civil fraud allegations.

2.7.4 Theft

Theft is the most common fraud issue in virtually every organization — including those that receive federal funding.

Award subrecipients should consider implementing policies or procedures consistent with the following suggestions to better mitigate this risk:

- Theft schemes are often perpetrated by very intelligent and creative individuals who take advantage of the fact that "no one" will suspect them of wrongdoing. Consider the fact that embezzlement could be perpetrated by virtually anyone in your organization and establish a check and balance system to mitigate that possibility.
- Subrecipients must have and enforce solid financial internal controls to help prevent theft. The most common control weakness is often a lack of separation of duties. For example, if one employee is allowed to use an organization credit card to make purchases, receive and account for these purchases, review the credit card statement, make payment on the credit card account, and balance the organization check book, no separation of duties exists. That organization has allowed one person to perform all relevant functions for purposes of dispersal of funds. This environment increases the risk of mistakes in the process and potentially fraud.
- Credit cards, payroll, travel and other out-of-pocket reimbursements, are often misused to steal funds — exercise professional skepticism and other due diligence when processing these types of transactions.

Example:

Background: A nonprofit received \$2.7 million in federal award funds to assist underprivileged children.

Possible Fraud Indicators: Unsuccessful program; lack of internal controls; unexplained income.

Scheme Identified: Funds had been diverted to pay for a wedding reception, building construction, plasma TV, and personal credit card bills, with a total estimated loss of \$450,000.

Result: Prison sentences of 36 and 66 months; full restitution

2.7.5 *Fraud Remedies*

When fraud, waste or abuse is identified in a federally funded program, the government can take administrative, civil and/or criminal action as appropriate.

- Administrative actions could include termination of an award, reimbursement restrictions, or recoupment of funds.
- Civil actions can include lawsuits under the False Claims Act or other laws that prohibit presenting false claims or otherwise obtaining federal funds under false pretenses.
- Criminal actions often involve arrest and incarceration — in a grant fraud scenario criminal remedies typically relate to a theft scheme.

2.7.6 *Reporting Obligations*

2 C.F.R. Part 200.113 "Mandatory Disclosures" specifically requires that

The non-federal entity or applicant for a federal award must disclose, in a timely manner, in writing to the federal awarding agency or the GCC all violations of federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the federal award. Failure to make required disclosures can result in any of the remedies described in § 200.338. Remedies for noncompliance, including suspension or debarment. (See also 2 C.F.R. Part 180 and 31 U.S.C. 3321).

Award subrecipients must be familiar with this requirement and establish a culture which will facilitate making appropriate disclosures.

Waste, fraud and abuse can be reported to the Governor's Crime Commission. Award recipients and subrecipients can also report such waste, fraud, abuse, or misconduct by

- Email to oig.hotline@usdoj.gov, online through use of one of the reporting forms (www.justice.gov/oig)
- Via the hotline at 800-869-4499 (contact information in English and Spanish) or hotline fax to 202-616-9881.

3 PROJECT REPORTING

The GCC requires award subrecipients to submit both financial reports and performance reports (also called "progress reports"). These reports describe the status of the funds or the project, compare actual accomplishments to objectives, and provide other pertinent information. Grantee award documents may also include information regarding reporting requirements specific to the award.

Progress and performance reports provide information relevant to the performance and activities of a plan, program, or project. Depending on the awarding agency and the specific grant program, progress/program reports may be submitted annually, semi-annually or quarterly.

Progress/performance reports must be submitted within 30 days after the end of the reporting periods for the life of the award. Unless otherwise noted, the final report is due within 90 days after the end date of the award period.

3.1 Program Reporting

3.1.1 *Victims of Crime Act (VOCA)*

- VOCA Subgrant Award Report
 - This must be completed for each VOCA-funded project
 - Due within 30 days of the implementation of a project
 - The Initial Subgrant Award Report (ISAR) is completed by the Subrecipient and entered directly in GEMS
 - The Grant Administrator will enter the SAR Part 1 in OVC-PMT
 - The Subrecipient is notified by the Grant Manager
 - The Subrecipient must complete the SAR Part 2 in OVC-PMT in order to gain access to project reporting in the system

- VOCA Performance Measurement Tool (PMT) Reports
 - While additional project staff can be added to the PMT profile for reporting purposes, the Project Director is the point of contact for all reporting correspondence
 - Performance measurement data required for this reporting period must be entered using the OVC-PMT website: <https://ovcpmt.ojp.gov/>
 - Failure to report quarterly performance for each VOCA-funded project in OVC-PMT and GEMS will result in a hold of **all** grant funds received by the subrecipient

- VOCA PMT deadlines:

Report Window	Due Date
Q1 – October - December	January 30th
Q2: January - March	April 30th
Q3: April - June	July 30th
Q4: July - September	October 30th

The staff at the Governor's Crime Commission cannot address any technical issues with the website. If you are having problems with the website or system, you must contact the OVC-PMT Help Desk at ovcpmt@usdoj.gov or 1-844-884-2503.

3.1.2 Violence Against Women Act (VAWA)

- Annual Progress Reports is by calendar year. GCC Grantees complete reports as follows:
 - First year: October – December (start date – end of year)
 - Jan 31 of following year
 - Intermediate year(s) (Jan 1 – Dec 31):
 - Due Jan 31 of following year
 - Final year (Jan 1 – Sep 30)
 - 30 days after end date (Oct 30)

3.1.3 Byrne JAG (JAG)

- Annual Progress Reports: Reporting period is by Federal fiscal year (Oct – Sep)
 - Due Oct 29 of each year
 - Due 30 days after end date (if not Sep 30).
- May be submitted early *if* project activities completed early and final reimbursement has been submitted.
- JAG Performance Measurement Tool (PMT) Deadlines

Subrecipient Deadline	Due Date
January - March	April 10th
April - June	July 10th
July - September	October 10th
October - December	January 10th

3.2 PMT Report Submission Process

Performance Measurement Tool (PMT) reports are created and first filed on the Federal Bureau of Justice Affairs (BJA), Office of Justice Programs (OJP), or Office for Victims of Crime (OVC) website, as appropriate to your grant. You should have received a login, password, and access instructions from the Federal website.

Upon submission of your report in the PMT system, you must:

5. Save a PDF copy from BJA-PMT/OVC-PMT and submit it to GCC as an upload to the project documents in GEMS.
6. Log into GEMS, navigate to *PMT Reports* using the left menu.
7. At the PMT Reports window, there will be a list of reporting periods for which reports are necessary.
8. Select the appropriate reporting period and upload the PDF report retrieved from the BJA-PMT/OVC-PMT website.

3.3 GCC Project Progress Reports Process

GCC progress reports are completed in GEMS.

1. Log into GEMS, navigate to *Project Progress Report* using the left menu.
2. Select the appropriate report to complete and respond to the questions in each tab.
3. Submit to GCC when complete/finished.

3.4 Audit (Financial) Reporting

North Carolina state law (G.S. 143C-6-23) requires every nongovernmental entity that receives State or Federal pass-through grant funds from a state agency to file annual reports on how those grant funds were used.

3.4.1 Level I (Less than \$25,000)

A grantee receiving less than \$25,000 (combined) in State or Federal pass through funds must submit:

- Certification Form
- State Grants Compliance Reporting for Receipts of Less than \$25,000
- Level I form and reporting instructions is available on the GCC website forms page.

3.4.2 Level II (\$25,000 - \$499,999)

A grantee that receives between \$25,000 - \$499,999 (combined) in State or Federal pass-through funding must submit:

- Certification Form
- State Grants Compliance Reporting for Receipts of \$25,000 or More
- Schedule of Receipts and Expenditures
- Program Activities and Accomplishments Reports
- Level II form and reporting instructions is available on the GCC website forms page.

3.4.3 Level III (\$500,000 - \$749,999)

A grantee that receives a combined **\$500,000** or more in **North Carolina State funding or Federal funding passed through a State Agency** must submit:

- Certification Form
- State Grants Compliance Reporting for Receipts of \$25,000 or More
- Program Activities and Accomplishments Reports
- Submit within nine months of the grantee's fiscal year end:
 - Submit to DPS Internal Audit a single audit prepared and completed in accordance with Generally Accepted Government Auditing Standards.
- Level III form and reporting instructions is available on the GCC website forms page.

3.4.4 Level III Continued (\$750,000+)

A grantee that receives a combined **\$750,000** or more in funding from all **Federal funding sources, even those passed through a state agency** must submit:

- Certification Form
- State Grants Compliance Reporting for Receipts of \$25,000 or More
- Program Activities and Accomplishments Reports
- Submit within nine months of the grantee's fiscal year end:
 - Submit to DPS Internal Audit a single audit prepared and completed in accordance with Generally Accepted Government Auditing Standards.
 - Post the single audit to the Federal Audit Clearinghouse (<https://harvester.census.gov/facweb/>).
 - Make copies of the single audit available to the public.
- Level III form and reporting instructions is available on the GCC website forms page.

4 PROJECT MONITORING

Because GCC is considered a "Pass-through" entity, it must ensure that agencies and organizations that receive Federal grant money meet all federal and state requirements for receiving and using the money. This requirement is addressed in **2 C.F.R. 200.331**. All subawards have agreements that provide subrecipients the information needed to comply with federal award terms and conditions and other applicable legal requirements. The agreement or Award Notice includes information and actions the subrecipient needs to adhere to ensure GCC meets its own responsibilities under the federal award.

The Governor's Crime Commission is responsible for periodic monitoring of grant project activities to assure compliance with all federal requirements and performance expectations. Monitoring covers the program function and activities as well as compliance with fiscal and programmatic responsibilities.

4.1 Monitoring Overview

Governor's Crime Commission is responsible for oversight of operations of grant supported activities. Subrecipients are monitored at least annually must submit quarterly PMT reports, as well as an end of Federal fiscal year performance report, according to the terms and conditions of the Federal award.

4.1.1 *What gets Monitored:*

- Financial Reporting and systems that are aligned with **2 C.F.R. 200.327** for financial reporting.
- Program Performance reporting is aligned with **2 C.F.R. 200.328** which relates to monitoring and reporting program performance.
- Compliance requirements are identified to the subrecipient at the time of the award and subrecipient activities are monitored throughout the period of performance of the grant.

4.1.2 *Process for Monitoring:*

Some of the mechanisms GCC uses to monitor subrecipient activities throughout the period of performance include regular communication with subrecipients, appropriate inquiries concerning program activities; performing subrecipient site visits to examine financial and programmatic records and observe operations; and reviewing detailed financial and program data and information submitted by the subrecipient

4.2 Desk Review:

The financial monitoring desk review includes an analysis of award activities to date and evaluates:

- Compliance with reporting requirements.
- Excess cash analysis (reimbursements compared to expenditures reported).

During a desk review, the award subrecipient may be asked to provide a general ledger. Should deficiencies be identified during either an onsite review or desk review, or if there have been deviations from the approved budget without prior approval from the Governor's Crime Commission, Grants Management staff will work with the recipient to provide technical assistance.

4.3 The On-site Visit

GCC's Grants Management Staff will review the following procedures, policies, documents during an onsite financial monitoring:

- Internal controls

- Accounting system
- Organizational policies and procedures, including accounting procedures
- Federal Financial Reports
- Compliance with reporting requirements and/or award special conditions
- Risk Matrix

The Grant Administrator will compare actual expenditures with award objectives and the approved budget to determine if the subrecipient is spending the funding according to the purpose of the award. The Grant Administrator may also provide technical assistance to the subrecipient during the visit.

4.3.1 Site Visit Process and Requirements

Entrance Interview – Required to attend interview are: Executive Director, Project Director, and CFO/Director of Finance.

During the visit, the program is discussed, tour conducted, and batch review of cost reports the agency has submitted (this will include all original supporting documentation for reimbursement requests). This will also be an opportunity to discuss concerns/issues.

Organization/Financial/Program Review:

Organizational policies and procedures

- List of executive, management, supervisor, and clerical staff being charged to the grant project
- Lease/Rental Agreements (for any facility billed to GCC)
- Organization Chart
- Travel policy, Record Retention policy, Procurement policy (bids, sole source)
- Conflict of Interest Policy

Finance

- Accounting System
- Chart of Accounts (including sub-accounts)
- Accounting Policy and Procedures Manual (documentation of internal controls)
- Bank Reconciliations (with approval signatures)
- General Ledger – Program Specific
- Cost Allocation Plan (related to GCC programs along with worksheets for allocating costs)
- Most current audit/audited financials completed by an outside auditing firm (including A-133 Single Audit)
- List of match sources for program (including volunteers)
- Payroll tax returns (including proof of payment)

Program

- Walk through of intake process
- Determination of participant eligibility
- Walk through follow-up process once clients have completed the program
- System is being utilized to collect client-level data (HMIS, etc.)
- If applicable – finalized contract for services that have been subcontracted that ensures they are not debarred from receiving federal funds
- If applicable - List of equipment purchased by grant (include location, condition, if it was

- disposed of, sale price/fair market value)
- Original timesheets with wet signatures (if electronic)

Exit Interview – Initial assessment of site visit (Corrective action, recommendations, issues/concerns)

4.4 Assignment of Grant Risk

Grant risk is determined in two ways. If the subrecipient is brand new, GCC will conduct a risk assessment prior to the opening of a grant. Risk determined through a risk assessment is assigned by the planner. Subsequent risk measurements are by Grants Management using a matrix-based evaluation too.

Grants may be evaluated as higher risk or lower risk; the assessment of risk is used to determine the monitoring approach for a grant. Generally, a subrecipient that lacks experience in implementing federal awards or with implementing similar grants may require closer monitoring.

Closer monitoring might also be warranted if the subrecipient has a history of non-compliance as either a recipient or subrecipient, new personnel, or new or substantially changed systems.

Each grant will be assigned a risk rating. Some considerations that will impact risk rating are:

- Subrecipients implementing programs with complex compliance requirements may be at a higher risk for non-compliance.
- A pass-through entity passing through a large portion of the federal award (whether in terms of dollars passed-through or in terms of the share of accountability for implementing approved activities within the overall level of effort—or both) may give rise to the need for a careful and deliberate approach to subrecipient monitoring.
- Larger dollar awards may pose some measure of risk.

Examples of Risk Level Designations

Low Risk: Subrecipient is knowledgeable of grants and submitting all documentation on time and accurately. Program is running according to application standards and funds are being utilized at the expected rate.

Medium Risk: Subrecipient is late on reports, submitting reimbursements sporadically or rarely, lack of communication on subrecipient side, frequently missing documents. Requires closer monitoring of projects and assistance from Grant Administrator to bring into compliance.

High Risk: Project is not functioning according to application, reimbursements are not being submitted, missing reports/frequently late, lack of spending funds, subrecipient needs excessive training to come into compliance.

4.5 Fraud, Waste, and Abuse

4.5.1 *Internal Controls*

Internal controls are processes implemented by a subrecipient organization established to provide assurance that all financial transactions supported with federal funds are properly used and accounted for over the life of the project. Fraud, waste and abuse are prevented by having strong internal controls. All financial management systems should have strong internal controls to ensure well-organized operations, accurate and reliable financial reporting and tracking, and compliance with all applicable laws and regulations. A clear-cut system of internal controls also guarantees a system of checks and reviews, so funds cannot be fraudulently used or misappropriated for purposes other than those stated in the project application. Effective internal controls must ensure:

- Transactions are properly recorded to:
 - Permit the preparation of reliable financial statements and Federal reports;
 - Maintain accountability over assets; and
 - Demonstrate compliance with Federal statutes, regulations, and the terms and conditions of the Federal award;
- Transactions are executed in compliance with:
 - Federal statutes, regulations, and the terms and conditions of the Federal award and
 - Any other Federal statutes and regulations that are identified
- Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

A strong system of internal controls should include policies and procedures that define and document all agency processes for planning, managing, operating, and reporting on program funding activities. The system should allow subrecipients to accurately account for all federal funds, match funding, equipment, personnel time, contracts, volunteer hours, and supplies purchased or used as match funding for federally funded program activity. All property purchased with federal funding must be accounted for and used only for approved activities as stated in the project application and the grant award documentation. Effective internal controls guarantee that reliable and timely information is readily available to support agency decision-making.

Proper separation of duties is a critical element of adequate internal control. Organizations should break down fiscal duties that could be completed by a single individual into multiple tasks so that no one person is solely in control of financial processes. For example, the person responsible for reconciling the bank statement for organization's checking account must be someone other than the person writing the checks. The responsibility of recording amounts in the organization's general ledger should be handled by third person. Non-governmental checks require the signatures of two people; local governmental checks are governed by the Local Government Budget and Fiscal Control Act

One approach to assist organization's management in developing and testing internal controls is to start by reviewing existing processes to determine if they are designed efficiently, meet existing laws and regulations, are being implemented properly, and are working effectively. Internal controls must be clearly documented in writing, and staff must be notified and trained regarding the acceptable procedures. For example, written organizational policies should include the requirement that employees working on federally funded projects disclose personal or organizational relationship that might

compromise the integrity of the project. For example, any relationship that would pose a personal or organizational conflict of interest or the appearance of a conflict of interest.

4.5.2 *Personally Identifiable Information*

Internal controls include strong measures to safeguard personally identifiable information (PII) and other information considered to be sensitive and consistent with applicable federal, state, local, and tribal laws regarding privacy and obligations of confidentiality. Agencies are required to have policies and procedures in place to protect the confidentiality of persons receiving VOCA and VAWA services. Subrecipients are not to disclose, reveal, or release PII or individual information collected in connection with VOCA-funded services requested, utilized, or denied, regardless of whether such information has been encoded, encrypted, hashed, or otherwise protected. In addition, victims cannot be required to provide a consent to release information as a condition for receiving VOCA funded services. Subrecipients cannot disclose, reveal, or release client information without the informed written consent of the client. When minors are involved, consent cannot be given by the abuser of that minor, the abuser of the other parent of the minor, or by an incapacitated individual. Victims of Crime Act and VAWA provisions regarding confidentiality do not prohibit compliance with the legally mandated reporting of neglect or abuse.

4.6 Financial Management Systems

All award subrecipients are required to have financial management systems that accurately account for funds awarded to them and have procedures in place to prevent the comingling of funds. An organization's financial management system may be reviewed during the grant application process or at any time after receiving an award.

The following items must be included as part of an acceptable financial management system:

- Track the funding from each award separately from other awards and other funding sources.
- Document the following information:
 - Grant funds awarded
 - Funds reimbursed
 - Matching funds, if applicable
 - Program income, if applicable
 - Subawards (including award amount, purpose, award conditions, and current status)
 - Procurement contracts expensed against the award
 - Expenditures

Financial management system used must allow the award subrecipient to maintain documentation supporting all receipts, expenditures, and financial obligations for federal funds for each separate project funded by GCC.

An organization's accounting system must have strong, clear-cut internal management and budget controls. For example, the accounting system used should allow for the comparison of actual expenditures or outlays against budgeted amounts for each award and subaward. In addition, the system should allow the subrecipient to do all the following things:

- Follow applicable cost principles, agency program regulations, terms of the award, and subrecipient agreements in determining the reasonableness, allowability, and allocability of costs.
- Track source documentation substantiating fund activity, such as cancelled checks, paid bills,

- payroll, time and attendance records, and procurement contract and subaward documents.
- Efficiently manage the drawdown of funds from the U.S. Department of the Treasury, as well as, disbursements.

A strong financial management system also:

- Presents and classifies costs, as required for budgetary and evaluation purposes.
- Provides cost and property control to track useful life of equipment and ensures best and most effective use of funds.
- Controls funds and resources to ensure compliance with general or special conditions.
- Meets requirements for mandatory reporting, as specified in the award terms and conditions.
- Documents financial data for planning, fiscal control, utilization rates, and evaluation of both direct and indirect costs.

The GCC's goal is to ensure that each subrecipient has an accurate, effective system of accounting and internal controls.

Although the physical separation of cash deposits may not be required under a federal award, subrecipients' accounting systems must ensure that federal award funds are not mixed or commingled with funds from other sources. Commingling funds in the accounting system or otherwise is strictly prohibited.

Funds specifically budgeted and/or received for one award may not be used to support or to provide match for another award. In some instances, a high-risk designation may require a recipient to segregate awards into separate bank accounts. Subrecipients should refer to the terms and conditions of their award and the assessed risk status of the agency.

5 ADJUSTMENTS

A Grant Adjustment should occur whenever any terms or conditions mutually agreed upon in the grant agreement need to be adjusted, during the grant's period of performance. In effect, this is making a change to the grant agreement between your organization and the GCC after the initial grant has been signed. Please note that all Grant Adjustments must be within the approved Project Goals, unless specifically approved by your GCC Grant Administrator. Requests for adjustments are evaluated on a case-by-case basis, and only adjustments intended to make changes to help the project meet the goals of the federal award will be approved.

Non-Budgetary Adjustments are submitted to make non-financial changes to a federal award. Non-Budgetary Adjustments are frequently, but not exclusively, personnel adjustments and grant period extensions.

Budget Adjustments (sometimes referred to as modifications) are submitted to make financial changes to a federal award.

5.1 General Rules

There are some GEMS systemic rules to be considered for adjustments

- Adjustments cannot be created while a reimbursement is in process
- Only one adjustment may be active at any given time (may be budget or non-budget)

- Personnel information entered in a budget adjustment will generate a parallel non-budget adjustment (no Grantee action necessary)
- Personnel information rules
 - ADD/CHANGE INFO (Existing budget line): Non-budget
 - NEW INFO (New budget line): Budget
 - UPDATE VOLUNTEER LINE (Existing): Non-budget

5.2 Non-budgetary Adjustments

Non-Budgetary adjustments can be submitted at any time throughout the life of a project **up to 60 days prior** to the project end date. Any non-budgetary adjustment submitted after this deadline must have reasonable justification and approval by the assigned GCC Grant Administrator. *(Note: no reimbursement request can be processed while there is an unapproved adjustment in workflow.)*

GCC subrecipients must initiate an approval process for a non-budgetary adjustment in the event of any one or a combination of, but not limited to, the following:

- Changing programmatic activities.
- Changing the length of time to complete the project.
- Changing the goals/purpose of the project.

5.2.1 Changes in Scope

A change in scope involves making one or more adjustments to the cost, budget, timeline and/or other features of the project to the extent that the changes deviate from the budget, goals and objectives of the award. The changes listed above may or may not involve a change in scope. An example of a non-budgetary change in scope would be when a change of address has an impact on the budget, the timeline or the ability of the subrecipient to meet the goals of the award. When in doubt about whether the needed change involves a change in scope, contact the GCC Grant Administrator.

5.2.2 Extensions

Extensions involve changes to the project end date. These guidelines apply:

- All requests for extensions require prior approval from GCC.
- Extensions generally do not exceed 3 months, but projects may be extended up to 12 months.
- Two awards cannot overlap if they are funded under the same priority for the same purpose. For example, a current Sexual Assault Basic Services project cannot be extended if it overlaps a continuing Sexual Assault Basic Services project that will begin during the extension period.
- Requests for retroactive extensions of project periods will not be considered.
- A request for an extension of the project period must be justified by circumstances that adversely affected the subrecipient's ability to perform some aspect of the project or to fully expend funds during the period of performance.

5.3 Budget Adjustments

Budget adjustments can be submitted at any time throughout the life of a project **up to 60 days prior** to the project end date. Any budget adjustment submitted after this deadline must have reasonable justification and approval by the assigned GCC Grant Administrator.

NOTE: No reimbursement request can be processed while there is an unapproved adjustment in workflow.

GCC subrecipients must initiate an approval process for a budget adjustment in the event of any of the following:

- For grants with budgets in excess of \$250,00, changing the budget in a way that changes the scope of the project or that changes the budget by more than 10% of the awarded budget (referred to as the 10% Rule) requires prior approval of the Grant Administrator, and if approved, submission of a budget adjustment in GEMS.

Example of the 10% Rule (Prior Approval Received):

Total award amount	\$	160,000
10% of the award amount	\$	16,000
Change 1	\$	5,200
Change 2	\$	2,800
Change 3	\$	9,450
Total desired budget adjustment	\$	17,450

exceeds 10% of the award amount.

- The adjustment affects a cost category that was not included in the previously approved budget.
- Moving funds between line items.

5.4 Summary of Adjustment Request Workflow

- An adjustment is prepared in GEMS by the Project Director.
- It is then approved by the Financial Officer prior to being submitted to GCC electronically through GEMS.
- Upon submission of an adjustment request, an email is automatically sent to the GCC Grant Administrator as notification.
- After submission of an adjustment request, the GCC Grant Administrator may contact the subrecipient with questions. An untimely response could delay processing the request.

6 COST PRINCIPLES

6.1 Cost Principles Defined

2 C.F.R. 200 Subpart E sets the cost principles used by the DOJ & GCC. These principles govern costs that may be charged to the government by subrecipients either directly or indirectly. The Cost Principles determine the **reasonableness**, the **necessity**, the **allocability**, and the allowability of the costs incurred by subrecipients under federal awards. The principles are designed to provide that the Federal Government bear its fair share of costs except where restricted or prohibited by law. The principles do not attempt to prescribe the extent of cost sharing or matching on grants, contracts, or other agreements.

Except where otherwise authorized by statute, costs must meet certain general criteria in order to be allowable under a federal award, including that the costs must be necessary and reasonable for the performance of the federal award and such costs must be allocable; conform to any limitations or exclusions set forth in **2 C.F.R. Part 200, Subpart E**, or in the federal award as to types or amount of cost items; be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the recipient or subrecipient; be accorded consistent treatment. (A cost may not be assigned to a federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the federal award as an indirect cost.) This is determined in accordance with generally accepted accounting principles, with certain exceptions; not be included as a cost or used to meet cost sharing or matching requirement of any other federally financed program in either the current or prior period; and must be adequately documented. See **2 C.F.R. 200.403**.

This section highlights only certain elements of allowable and unallowable costs. For more information about specific factors that affect whether costs are allowable, refer to the **DOJ C.F.R. Part 200 Uniform requirements** including but not limited to **2 C.F.R. Part 200, Subpart E**, and the list of specific items of cost in **2 C.F.R. 200.420 through 200.475**. Further, there must be adequate documentation to support the cost item

A cost is allocable to a federal award if the goods or services involved are chargeable or assignable to that federal award in accordance with relative benefits received. This standard is met if the cost is incurred specifically for the federal award, benefits both the federal award and other work of the recipient or subrecipient and can be distributed in proportions that may be approximated using reasonable methods, and is necessary to the overall operation of the recipient or subrecipient and assignable in part to the federal award in accordance with **2 C.F.R. Part 200, Subpart E and 2 C.F.R. 200.405**.

In general, a cost will be considered reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is particularly important when the subrecipient is predominantly federally funded. See **2 C.F.R. 200.404**.

The **DOJ C.F.R. Part 200 Uniform Requirements** including the cost principles contained therein do NOT alter existing federal statutes, including grant program statutes.

6.2 Direct and Indirect Costs

6.2.1 Direct Costs

Direct costs are those costs that can be identified specifically with, or directly assigned to, a federal award relatively easily, with a high degree of accuracy. Typically, direct costs may include:

- Salaries and benefits of certain employees engaged in work under the award
- Travel of certain employees directly related to the federal award
- Materials and supplies used specifically to accomplish the federal award purpose

6.2.2 Indirect Costs

Indirect costs are costs incurred that are not readily assignable to a federal award but are necessary both to the operation of the subrecipient and to the performance of the award.

Examples of costs frequently treated as indirect costs include:

- Facility or building maintenance
- Telephone expenses
- General supplies
- Depreciation
- Rental costs and leases
- Salaries and benefits of certain employees (those whose work benefits the entire organization)

Indirect costs are costs incurred for a common or joint purpose benefitting more than one cost objective. They are not readily assignable to the cost objectives specifically benefitted without effort disproportionate to the results achieved. These costs, though not readily assignable to an award, are necessary both to the operation of the recipient or subrecipient and to the performance of the award.

Examples: of costs frequently treated as indirect costs include:

- Facility or building maintenance
- Telephone expenses
- General supplies
- Depreciation
- Rental costs and leases
- Salaries and benefits of certain employees (e.g., those whose work benefits the entire organization)

A subrecipient may negotiate an "indirect cost" rate with its cognizant federal agency to facilitate the equitable allocation of indirect costs to federal awards. Generally, the rate is determined by the ratio of the total "indirect" costs of an organization (grouped together into an "indirect cost pool") to some equitable "direct" cost base. A subrecipient must be permitted to charge its negotiated indirect cost rate to each of its federal awards if the rate remains current, though certain exceptions are permitted by law. In many cases, the cognizant agency for indirect costs may approve, upon request, a one-time extension of a current (unexpired) negotiated indirect cost rate, for up to four years.

Subrecipients who have never negotiated an indirect cost rate may elect to use the 10% de minimis rate of modified total direct costs. **(See 2 C.F.R.200.414(f)).** This rate may be used indefinitely, or until an indirect cost rate can be negotiated with a cognizant federal agency.

Please note that in some instances, federal law (statutes or regulations) may cap or otherwise limit the indirect costs that subrecipients may charge in connection with an award. Subrecipients must comply with any such applicable federal-law restrictions on charging indirect costs.

6.2.3 *Establishment of a Negotiated Cost Rate*

In general, the requirements for indirect cost proposals are set out in Subpart E of 2 C.F.R. Part 200 and Appendices III – VII to 2 C.F.R. Part 200. The requirements vary by entity type:

- Appendix III to 2 C.F.R. Part 200 - Indirect (F&A) Costs Identification and Assignment and Rate Determination for Institutions of Higher Education;
- Appendix IV to 2 C.F.R. Part 200 - Indirect (F&A) Costs Identification and Assignment and Rate Determination for Nonprofit Organizations;
- Appendix V to 2 C.F.R. Part 200 - State/Local Government wide Central Service Cost Allocation Plans;
- Appendix VI to 2 C.F.R. Part 200 - Public Assistance Cost Allocation Plans;
- Appendix VII to 2 C.F.R. Part 200 - States and Local Government and Indian Tribe Indirect Cost Proposals.

Following review of an indirect cost rate proposal, the cognizant federal agency for indirect costs typically will approve either a predetermined, final, fixed, or provisional rate.

6.2.4 *Distribution Base for Negotiated Cost Rate*

- **Modified Total Direct Cost (MTDC):** This base includes all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first \$25,000 of each subaward or procurement subcontract (regardless of the period of performance under the award).

MTDC excludes equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs, and the portion of each sub-procurement contract or subaward in excess of \$25,000. Other items may only be excluded when necessary to avoid a serious inequity in the distribution of indirect costs, and with the approval of the cognizant agency. **See 2 C.F.R. 200.68.**

- **Direct Salaries and Wages:** This base includes only the costs of direct salaries and wages incurred by the recipient.
- **Direct Salaries and Wages plus Fringe Benefits:** This base includes the costs of direct salary and wages and the direct fringe benefits incurred by the recipient.

6.2.5 *"De minimis" Indirect Cost Rate Availability*

As indicated earlier, under **2 C.F.R. Part 200 Uniform Requirements**, certain award recipients — as well as certain subrecipients — may charge indirect costs using a de minimis rate. The de minimis rate is 10% of "modified total direct costs," as defined in 2 C.F.R. 200.68.

This de minimis rate is available without the need to negotiate with the cognizant federal agency for indirect costs. However, the de minimis rate is an option only for subrecipients that have never received an approved federally negotiated indirect cost rate.

Also, under the provision set out at **2 C.F.R. 200.414(f)**, State and local government departments or agency units that receive more than \$35 million in direct federal funding (as described in paragraph **D.1.b of Appendix VII to 2 C.F.R. Part 200**) are ineligible to use the de minimis rate.

When the de minimis rate is used, costs must be consistently charged as either indirect or direct costs. Double-charging is not permitted.

A subrecipient that is eligible to use the de minimis rate and chooses to do so may decide at any time to submit an indirect cost proposal to its cognizant federal agency for indirect costs, if it has one. The de minimis rate may no longer be used once an approved federally negotiated indirect cost rate is in place.

Absent unusual circumstances (such as an applicable restriction set by federal statute), the decision to charge indirect costs to a DOJ award using the de minimis indirect cost rate is an option for the subrecipient, not a decision for DOJ. The award recipient must, however, satisfy the requirements related to use of the de minimis rate as set out in **2 C.F.R. Part 200**.

6.2.6 *Indirect Costs of Subrecipients*

If the subrecipient has a current (unexpired) approved federally negotiated indirect cost rate from its own cognizant federal agency for indirect costs, the GCC in most cases must allow the subrecipient to charge indirect costs to the subaward at the subrecipient's federally negotiated indirect cost rate.

Similarly, the GCC in most cases must allow a subrecipient that is eligible to use the "*de minimis*" indirect cost rate to do so, provided the subrecipient complies with the related requirements in **2 C.F.R. Part 200**. Absent a detailed justification submitted by the award recipient (e.g., one based on federal statutes) and specific advance written authorization from the GCC, the decision to charge indirect costs to a subaward ("subgrant") using the de minimis indirect cost rate is an option for the subrecipient, not a decision for the GCC.

6.2.7 *Changes in Indirect Cost Rates*

When an award extends across two or more fiscal years, the indirect cost rates that may be charged to the award may change over time, such as when the subrecipient receives a new federally approved negotiated rate (from its cognizant federal agency) during the period of performance.

The federally negotiated rate in force at the time a grant is awarded will be used throughout the lifetime of the grant. Should the subrecipient's negotiated rate change, the new rate will be applied for future grants under the updated rate letter. If the rate changes while a grant is in the application stage, the appropriate grant planner must be consulted to ensure the proper rate is assigned.

As noted earlier, award funds may not be moved to or from the "indirect costs" category without prior approval. Any such change to the approved budget for an award requires a formal budget modification.

6.3 Allowable Costs

6.3.1 *Personnel Services*

Salaries, wages, and associated fringe benefits for employees engaged in work under a federal award may be allowable if, among other considerations, it is reasonable and supported with adequate documentation. See 2 C.F.R. Part 200, Subpart E — Cost Principles, including 2 C.F.R. 430. Subrecipients

must refer to their award terms and conditions, and approved budget as part of determining whether costs are authorized under a program and award.

Travel expenses, such as transportation, lodging, and subsistence may be allowable costs for employees who are in travel status on official business of the subrecipient necessary to the federal award. These costs must be in accordance with established federal travel policy or the subrecipient's established written travel policy. (Prior approval by the GCC is required for all out of state travel. See section on travel documentation)

See the Forms section for Prior Approval Form to be used. A budget amendment or approved reimbursement request does not count as prior approval.

Under specific conditions, certain costs of "family-friendly" policies are allowable. See 2 C.F.R Part 200, Subpart E – Cost Principles, including 200.432 (Conferences) and 200.474 (Travel costs).

Award subrecipients must refer to their award terms and conditions and approved budget as part of determining whether costs are authorized under a program and award.

Costs associated with audits and costs associated with monitoring subrecipients may be allowable charges to the federal award.

Cost of audits required by the Single Audit Act and 2 C.F.R Part 200, Subpart F — Audit Requirements that have not been conducted in accordance with those guidelines are unallowable costs. Additionally, any audit costs of subrecipients exempted from having an audit conducted under the Single Audit Act and 2 C.F.R. Part 200, Subpart F — Audit Requirements are unallowable costs.

6.3.2 Rental Costs

Costs for rental of any property (to include commercial or residential real estate) owned by individuals or entities affiliated with the award subrecipient for purposes such as the home office workspace, are unallowable. The cost of related utilities is also unallowable.

In general, and subject to certain limitations, rental costs are allowable to the extent that the rates are reasonable determined by such factors as: rental costs of comparable property, if any; market conditions in the area; alternatives available; type of alternatives available, life expectancy, condition, and value of the property leased. See 2 C.F.R. 200.465.

All rental arrangements should be reviewed periodically to determine if circumstances have changed and other options are available for consideration.

The cost of conferences and workshops may be allowable under certain conditions. Subrecipients must refer to their award terms and conditions and approved budget as part of determining whether costs are authorized under a program and award.

6.3.3 Taxes

As with many other determinations regarding allowable costs, the determination as to whether taxes incurred are allowable under a federal award varies based on, among other considerations, the type of entity that received the award or subaward. See 2 C.F.R. 200.470.

Subrecipients must refer to their award terms and conditions and approved budget as part of determining whether costs are authorized under a program and award.

Termination or suspension of a federal award may give rise to costs which would not have arisen had the federal award not been terminated. Costs incurred during a suspension or after termination of a federal award or subaward are not allowable unless expressly authorized either in the notice of suspension or termination, or subsequently.

The authorization of termination costs may be gained if the costs are not the result of negligence on the part of the award subrecipient, and the subrecipient demonstrates having made diligent efforts to ameliorate such costs; for example, by terminating or assigning a lease.

6.4 Unallowable Costs

Unallowable costs are costs that may not be charged to a federal award, either as direct or indirect costs. An organization is not necessarily prohibited from incurring unallowable costs at their own expense, but they cannot be recovered either directly or indirectly under a federal award.

If unallowable costs are to be incurred, a subrecipient must establish separate accounts for such costs.

6.5 Costs Requiring Prior Approval

Award subrecipients must obtain written approval prior to incurring certain costs (**2 C.F.R. Part 200.407.**) These costs are:

- § 200.201 Use of grant agreements (including fixed amount awards), cooperative agreements, and contracts, paragraph (b)(5);
- § 200.306 Cost sharing or matching;
- § 200.307 Program income;
- § 200.308 Revision of budget and program plans;
- § 200.311 Real property;
- § 200.313 Equipment;
- § 200.332 Fixed amount subawards;
- § 200.413 Direct costs, paragraph (c);
- § 200.430 Compensation - personal services, paragraph (h);
- § 200.431 Compensation - fringe benefits;
- § 200.438 Entertainment costs;
- § 200.439 Equipment and other capital expenditures;
- § 200.440 Exchange rates;
- § 200.441 Fines, penalties, damages and other settlements;
- § 200.442 Fund raising and investment management costs;
- § 200.445 Goods or services for personal use;
- § 200.447 Insurance and indemnification;
- § 200.454 Memberships, subscriptions, and professional activity costs, paragraph (c);
- § 200.455 Organization costs;
- § 200.456 Participant support costs;
- § 200.458 Pre-award costs;
- § 200.462 Rearrangement and reconversion costs;
- § 200.467 Selling and marketing costs;
- § 200.470 Taxes (including Value Added Tax); and
- § 200.474 Travel costs.

Subrecipients must also refer to their award terms and conditions and approved budget to determine whether costs are authorized under a specific program and award and whether such costs may require prior approval.

Subrecipients must submit requests for prior approval in writing to their Grant Administrator. Generally, such requests may be included in the initial grant application, or provided subsequently, and should contain a justification. See forms section for Prior Approval Form.

NOTE: An approved budget amendment or approved reimbursement does not count as prior authorization.

6.6 Pre-agreement Costs

Pre-agreement costs are costs incurred by the applicant prior to the start date of the period of performance of the federal award. All such costs incurred prior to award and approval of the costs is incurred at the sole risk of the applicant. Generally, no applicant should incur project costs before applying requesting federal funding for those costs and receiving an agreement. If pre-arrangement costs are allowable this will be spelled out in your agreement.

6.7 Cost Documentation

A subrecipient of federal funds must have a financial management system in place that maintains documentation and incorporates processes that facilitates the identification of funds and expenditures within a program.

Subrecipients of federal funds must be able to track source documentation substantiating fund activity, such as cancelled checks, paid bills, payroll, time and attendance records, and contract and subaward documents. These records will be reviewed during a financial review.

6.8 Audit Requirements

An auditor will assess and report on the following:

- Whether the records of accounts support all amounts reported to the federal agency.
- If the reported financial activities reconcile to the amounts reported on the audited financial statements.

If there are any differences between the audited financial statements and the financial activity reported to the awarding federal agency, the subrecipient must be able to explain the differences.

Award subrecipients must maintain a bookkeeping or financial management system that is "audit ready" at all times. To be "audit ready," an organization should at a minimum:

- Keep receipts of all transactions, organizing them so that they are easily accessible.
- Ensure all accounts payable documents are reviewed and approved by two separate individuals with explicit authority to approve invoices.
- Stay updated on transactions by posting financial activities on a regular basis.
- Make sure income and expenses are properly recorded to the appropriate accounts.

6.9 Chart of Accounts

One of the first things an auditor will check for is whether a chart of accounts has been established to identify all accounts in the accounting system.

The chart of accounts will vary from organization to organization depending on the types of funding and expenditures. Basic categories in common include:

- Asset accounts (cash, accounts receivable, inventory, equipment, buildings, etc.)
- Liability accounts (notes payable, accounts payable, wages payable, etc.)
- Owner's equity accounts
- Revenue
- Costs of goods sold (costs to provide the services or manufactured item)
- Operating expenses (cost of running the business)
- Other revenues and expenses (not usual costs of running the business)

The chart of accounts lists the accounts that are available for recording transactions. In keeping with the double-entry system of accounting, a minimum of two accounts are needed for every transaction—at least one account is debited and at least one account is credited.

For example, when using accounting software to write a check to pay the telephone bill, the software automatically reduces the asset account cash and prompts you to assign or designate the amount to an expense account such as telephone expense.

Each general ledger account should have a number to identify it. Three digits is the minimum, with additional digits being more desirable because they will allow for the addition of a greater number of account categories in the future. The chart of accounts should include an account code for separating out unallowable expenses.

Management reports examining budgeted versus actual expenses should be prepared and reviewed monthly.

7 PROPERTY, EQUIPMENT, AND CAPITAL EXPENDITURES

7.1 Definitions.

7.1.1 Property

Property includes both real property and personal property. Real property typically includes things such as land and buildings. Personal property includes both tangible personal property, which is classified as either equipment or supplies; and intangible personal property, which includes things having no physical existence, like trademarks, copyrights, and patents. See definitions in 2 C.F.R. 200.1.

When purchasing and managing property paid for with federal award funds, the award subrecipient is expected to use good judgement and abide by applicable laws and regulations. For example:

- Grant subrecipients are required to be prudent in the acquisition and management of such property.
- Property and equipment must be procured in ways in keeping with applicable laws and regulations.
- If award funds are used to purchase new property or equipment when suitable property or equipment is already available, the purchase will be considered an unnecessary expenditure.

7.1.2 Equipment

Equipment, defined under **2 C.F.R. 200.33**, means tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which **equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or \$5,000.**

7.1.3 Acquisition Cost

The net invoice, unit price of the item, including the cost of any modifications, attachments, accessories, or auxiliary apparatus necessary to make it usable for the purpose for which it is acquired.

Acquisition costs may or may not include taxes, duty or protective in-transit insurance, freight charges, and installation. What is included in the cost varies according to your organization's accounting policies. **See 2 C.F.R. 200.2.**

7.1.4 Capital Expenditures

Payments covering the acquisition cost of capital assets, or payments to make improvements to capital assets that materially increase their value or the useful life of the item. See **200 C.F.R. 200.13.**

Examples of capital expenditures: *equipment, motor vehicles, computers, office furniture, and real estate.*

In contrast, a payment that keeps an asset in an ordinarily efficient operating condition and does not upgrade, add to its value, or substantially prolong its useful life is generally considered a currently deductible repair or maintenance expense.

Useful Life Determination: Unless a sub-recipient has a policy to the contrary, GCC recognizes IRS Pub 946, *How to Depreciate Property, Appendix B* as the source for determining the useful life of a given asset.

7.1.5 Encumbrances

An encumbrance on an asset means to use it as collateral in another financial transaction or place any other barrier to its sale or use (easement, partial sale, or restriction).

Subrecipients must not encumber equipment acquired under a federal award without prior approval of GCC. An example would be a joint-ownership of forensic lab equipment would require a memorandum of understanding spelling out ownership shares, usage rights, expense management, and other items to include fractional buy-in amounts. (GCC will not fully fund an item that is not fully owned by the grantee.)

7.1.6 Supplies

From 2 C.F.R. 200.94: *Supplies* means all tangible personal property other than those described in §200.33 Equipment. A computing device is a supply if the acquisition cost is less than the lesser of the capitalization level established by the non-Federal entity for financial statement purposes or \$5,000, regardless of the length of its useful life. See also §§200.20 Computing devices and 200.33 Equipment.

7.2 Property Control

7.2.1 Property Control Required

Federal regulations require positive property controls must be used for all equipment items. However, GCC also requires property control for grant-purchased items with serial numbers and items susceptible to repurposing without authorization. **All firearms and non-lethal weapons are subject to property control.** Examples of non-equipment-qualifying items requiring control are:

- Computers, monitors, printers and other IT items
- IT networking items (switches, routers, hubs)
- Tablets and similar devices
- Audio-visual devices

7.2.2 Property Management System

An effective property management system must be in place to properly screen and monitor property and equipment purchases. Careful screening should take place before purchasing property to ensure that it is needed. An effective property management system will avoid incurring property acquisition costs that are later disallowed by the awarding agency.

Careful screening may include the following elements and procedures:

- Consider whether existing equipment already owned can meet identified needs.
- Consider establishing a screening committee to make decisions about purchases.
- Utilize effective management techniques as a basis for determining that property/equipment is needed.
- Initiate a screening process to ensure that effective controls are in place for property management.

7.2.3 Property Management – Record-Keeping

A state must ensure equipment acquired under a federal award to the State is managed in accordance with state laws and procedures. Award subrecipients, other than states, must maintain accurate records that include the following:

- Description of the property/equipment (include make and model)
- Manufacturer's serial number or other identification number
- Source of the property, including the federal grant number
- Who holds title
- Acquisition date
- Cost of the property
- Percentage of federal participation in the project costs for the relevant award
- Location of the property
- Use and condition of the property
- Disposition data, including the date of disposal and sale price

All award subrecipients (including states) must retain records for equipment and real property for a period of 3 years from the date of final disposition.

If any litigation, claim, or audit is started before the expiration of the 3-year period, you must retain records until all litigation, claims, or audit finds involving the records have been resolved. **See 2 C.F.R. 200.333.**

7.2.4 Property Management – Inventory and Maintenance

A physical inventory of the property must be taken, and the results reconciled with the property records at least once every 2 years. This includes a verification of the existence, current utilization, and continued need for each item.

You must establish and use adequate maintenance procedures to keep the property in good condition. You also must have a control system in place with adequate safeguards to prevent loss, damage, and theft.

- Promptly and properly investigate and fully document any loss, damage, or theft, and make the documentation part of the official project records. 2 C.F.R. 200.313 (d)(3).
- Provide, at a minimum, the equivalent insurance coverage for real property and equipment acquired or improved with federal funds as provided to property that the recipient or subrecipient owns. Federally owned property need not be insured unless required by your award. 2 C.F.R. 200.310.
- Award subrecipients are responsible for replacing or repairing property that is willfully or negligently lost, stolen, damaged, or destroyed.

7.3 Equipment

Subrecipients must follow the standards and procedures for ownership (title), use, management, and disposition of equipment set out below, except for recipients and subrecipients of Byrne Justice Assistance Grant (JAG) Program formula grant funds from the Bureau of Justice Assistance. JAG award recipients must follow slightly different standards and procedures set out in **42 U.S.C. § 3789**. (See the "Equipment and Supplies Acquired with Edward Byrne Memorial Justice Assistance Grant Program Funds" SECTION 8.8.6 AND 8.9.)

7.3.1 Ownership of Equipment

Title to equipment acquired under a federal award will vest in the subrecipient's organization. The legal right of ownership and conditions for use, management, and disposal of equipment are set forth in 2 C.F.R. 200.313 and are described below.

7.3.2 Use of Equipment

A State must use equipment acquired under a federal award in accordance with state laws and procedures. DOJ encourages the States to follow the procedures that are in the DOJ Grants Financial Guide.

Award subrecipients other than state agencies must use equipment acquired under an award (or subaward) for the authorized program or project purposes for which it was acquired if needed, whether or not the project or program continues to be supported by federal funds. When no longer needed for the original program or project, the equipment may be used in other activities currently or previously supported by the GCC or another federal agency.

7.3.3 Use for Other Federal Projects

Equipment must be made available for use on other projects or programs currently or previously supported by the federal government, provided the use does not interfere with the work on the projects or programs for which it was originally acquired. First preference for other use must be given to other programs or projects supported by DOJ.

7.3.4 User Fees

User fees should be considered and treated as program income to the project, when appropriate. See **2 C.F.R. 200.307** (Program Income). During the time the federal government retains an interest in the equipment, the subrecipients must not use equipment acquired with a federal award to provide services for a fee that is less than private companies charge for equivalent services, unless doing so is specifically authorized by law. See **2 C.F.R. 200.313(c)(3)**.

7.3.5 Replacement of Existing Equipment

When acquiring replacement equipment, the equipment to be replaced may be used as a trade-in or may sell the equipment and use the proceeds to offset the cost of the replacement equipment, subject to the written approval of the awarding agency.

7.3.6 Federal Equipment

When award subrecipients are provided federally owned equipment, the following requirements apply:

- Title remains vested in the federal government.
- The equipment must be managed in accordance with the grant-making component's rules and procedures and submit an annual inventory listing.
- When the equipment is no longer needed, disposition instructions must be requested from the grant-making component.

7.3.7 Replacement of Grant-purchased Equipment

When an item of property is no longer efficient or serviceable but continues to be needed, the property in the program or project for which it was acquired, or other programs permitted under **2 C.F.R. 200.313(c)**, the property may be replaced through trade-in or sale and subsequent purchase of new property. In this case, the following conditions must be met:

7.3.8 Same Function and Character

Replacement property must serve the same function as the original property and be of the same nature or character, although not necessarily of the same grade or quality.

7.3.9 *Timing*

Purchase of replacement property must take place soon enough after the sale of the property to show that the sale and the purchase are related.

7.3.10 *Trade-ins*

When acquiring replacement property, the property may be used to be replaced as a trade-in. Value credited for the property, if the property is traded in, must be related to its fair market value. The proceeds from the sale of the property may also be used to offset the cost of the new property

7.3.11 *Subrecipients of States*

State subrecipients must obtain the written permission of the state to use the provisions of this section prior to entering negotiation for the replacement or trade-in of property.

7.3.12 *Disposition of Equipment*

A state subrecipient must dispose of equipment acquired under the award in accordance with state laws and procedures.

Award subrecipients *other than States* must dispose of the equipment when original or replacement equipment acquired under the award or subaward is no longer needed for the original project, or for other activities currently or previously supported by a federal awarding agency, as follows:

- If the item to be disposed of has a current per-unit fair market value of \$5,000 or less, you may retain, sell, or otherwise dispose of it with no further obligation to the awarding agency.
- If the item has a current per-unit fair market value of more than \$5,000, you may retain or sell it, but the awarding agency will have a right to a specific dollar amount.

Calculate this amount by multiplying the current market value or proceeds from the item sale by the awarding agency's share of the equipment (i.e., the agency's percentage of participation in the cost of the original purchase). The seller is also eligible for limited sale and handling costs of \$500 or 10% of the proceeds, whichever is less.

7.4 **Real Property**

Real property means land, including land improvements, structures and appurtenances thereto, but excludes moveable machinery and equipment. **See 2 C.F.R. 200.85.** Funds generally cannot be used for land acquisition unless specifically permitted under the awarding program or terms of your award. Subject to the obligations and conditions in the award, title to real property acquired or improved under an award or subaward vests upon acquisition in the subrecipient, as applicable.

7.5 **Supplies**

For supplies acquired under an award, the title to the supplies vest with the recipient upon acquisition. For supplies acquired under a subaward, the title vests with the subrecipient upon acquisition. The grant-making component must be compensated for its share of residual inventory of unused supplies if both of the following apply:

- The residual inventory of unused supplies exceeds \$5,000 in total aggregate fair market value upon termination or completion of the funding support.
- The supplies are not needed for any other federally sponsored programs or projects.
- Compute the compensation amount in the same manner as for equipment.

Award subrecipients may use real property acquired, in whole or in part, with federal funds for the authorized purposes of the original award or subaward if needed for that purpose. Disposal of or encumbrance of its title or other interests should not occur without clear instructions from the GCC.

When real property is no longer needed for the original award purposes, disposition instructions should be obtained from the grant-making component or pass-through entity, as appropriate. The instructions may allow for one of the following:

- Retain title after compensating the federal awarding agency.
- Sell the property and compensate the federal awarding agency.
- Transfer title to the federal awarding agency or to a third party designated/approved by the federal awarding agency.

Additional information can be found in the DOJ Grants Financial Guide and at **2 C.F.R. 200.311(c)**.

8 PROCUREMENT/PURCHASING

Procurement transactions involving contracts under awards of federal assistance (see **2 C.F.R. 200.22** for a definition) may happen when subrecipients seek to purchase from a third-party property or services needed to carry out the federally funded project. Contrast this with a subaward, through which a subrecipient receives some portion of the federal award funds to carry out part of the federally-funded project (see **2 C.F.R. 200.92**).

Subrecipients are expected to conform to the Procurement Standards that can be found in **2 C.F.R. 200.317 through 200.326**. The GCC applies these procurement standards, as applicable, to all subrecipients.

NOTE: When a purchase exceeds the micro threshold and is less than the simplified threshold (currently \$10,000 – 249,999), GCC requires a minimum of three price quotes before the purchase may be approved. If the purchase is above \$250,000 a sealed bid process must be utilized. The simplified Acquisition Threshold was updated by the Office of Management and Budget on June 20, 2018.

- For procurement transactions using federal award funds, the subrecipient must use their own documented procurement procedures consistent with applicable state, local, and tribal laws and regulations and the Procurement Standards set out at **2 C.F.R. 200.317 through 200.326**. Procurement procedures must be formally documented and periodically reviewed to ensure compliance with applicable laws and regulations.
- Subrecipient must maintain written standards of conduct covering conflict of interest and employee participation in selection, award, and administration of contracts. Subrecipients must also ensure that contractors perform in accordance with the terms, conditions, and specifications of their awards.
- In addition, subrecipients are responsible, in accordance with good administrative practice and sound business judgment, for the settlement of all contractual and administrative issues arising out of the procurement.

8.1 Procurement Standards

State governments have their own procurement regulations and must follow the same policies and procedures when using federal funding to procure products and services that the State uses for its procurements with nonfederal funds. All other award subrecipients must follow the procurement guidelines outlined in **2 C.F.R. 200.318 through 200.326**.

All subrecipients must keep records detailing the history of all procurements funded using federal award funds. At minimum, these records should include, but not be limited to:

- Rationale for the method of procurement;
- Selection of contract type;
- Contractor selection and/or rejection process; and
- Basis for the contract prices.

As an award subrecipient you must:

- Have a documented process to check for organizational conflict of interest with potential contractors;

- Have a process in place to ensure that contracts are not awarded to contractors or individuals excluded from participation in federal programs (see information formerly maintained as the Excluded Parties List System, which is incorporated into the System for Award Management [SAM], and DOJ's non-procurement debarment and suspension implementing regulations at **2 C.F.R Part 2867**); and
- Perform a System for Award Management review of potential contractors or individuals.

Your procurement procedures must avoid acquisition of unnecessary or duplicative items. Where appropriate, lease versus purchase analysis should be performed as well as other appropriate analysis for determining the most economical method for obtaining items or services. You are encouraged to use federal excess and surplus property whenever feasible and economical and to enter into inter-agency or inter-governmental agreements where appropriate to procure common or shared goods and services. Award subrecipients must include any applicable provisions found at **2 C.F.R. Part 200 Appendix II** (Contract Provisions for Non-Federal Entity Contracts under Federal Awards) in all contracts made under the Federal grant award.

8.2 Methods of Procurement

Award subrecipients may use the following procurement methods:

- Procurement by micro-purchase;
- Procurement by small purchase procedures;
- Procurement by sealed bids;
- Procurement by competitive proposal; and
- Procurement by noncompetitive proposal.

8.3 Competition

You are required to conduct procurement transactions in a manner providing full and open competition consistent with the procurement standards. This requirement holds whether purchasing transactions are negotiated or competitively bid, and without regard to dollar value.

Subrecipients must ensure objective contractor performance and avoid unfair competitive advantage, contractors that develop or draft specifications, requirements, statements of work, and invitations for bids or requests for proposals must be excluded from competing for such procurements.

The following situations are restrictive of competition and should not take place:

- Placing unreasonable requirements on firms for them to qualify to do business;
- Requiring unnecessary experience or excessive bonding;
- Noncompetitive pricing practices between firms or between affiliated companies;
- Noncompetitive contracts to consultants that are on retainer contracts;
- Organizational conflicts of interest;
- Specifying a "brand name" product instead of allowing "an equal" product to be offered; and
- Any arbitrary action in the procurement process.
-

Written procedures for procurement transactions must ensure that all solicitations or invitations for bids incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured. Solicitations or invitations for bids should also identify all requirements which offerors or bidders must fulfill and all other factors to be used in evaluating bids and proposals.

Under sealed bidding procedures, awards must be made to the lowest (priced) responsive and responsible bidder. Any or all bids may be rejected if there is a sound documented reason. For example, if only one bid is received, and the bid is much higher than anticipated and budgeted for, you may cancel the procurement and revisit the competition process. It may be possible to adjust specifications or increase the number of bids received by better marketing of the opportunity.

Contracts, under procurements by competitive proposals, must be awarded to the responsible firm (vendor) whose proposal is most advantageous to your project, when price, quality, and other factors are considered.

8.4 Sole Source Procurement

Award subrecipients may conduct noncompetitive proposals (or "sole source" procurement), by procurement through solicitation from only one source when one or more of the following circumstances apply:

- The item or service is available only from a single source;
- The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;
- The GCC expressly authorizes noncompetitive proposals in response to a written request from the subrecipient, or
- After solicitation of several sources, competition is determined to be inadequate.

Sole source procurement should be used only when use of competitive solicitation procedures like sealed bids or competitive proposals are not applicable to the requirement or is impracticable. A sample sole source justification outline can be found in the DOJ Grants Financial Guide.

All sole source procurements above the simplified acquisition threshold (**200 C.F.R. 200.88**) set in accordance with 41 U.S.C. 1908 (currently set at \$150,000) must receive prior approval from the grant-making component before entering into the contract.

8.5 Additional Procurement Considerations

Subrecipients are responsible for all property management functions under the award. Title to any property purchased by the subrecipient's contractor with federal award funds remains the property of the subrecipient, respectively, subject to the conditions stipulated in **2 C.F.R. 200.313(a)**. Also, award subrecipients are accountable for any federally owned property purchased or furnished by the federal government for use under the federal award.

Contractor use of excess and surplus property from federal sources should be encouraged. The current federal capitalization threshold is \$5,000, but each subrecipient must follow its own organization's threshold policy limitations if the organization's policy specifies a capitalization level that is less than \$5,000.

8.5.1 *Contracting Do's*

- You must provide for full and open competition consistent with the procurement standards.
- You must develop and incorporate clear and accurate descriptions for technical requirements, specifications, statements of work, or other required documents used in your procurement transactions.
- You must ensure any prequalified lists of persons, firms, or products used in acquiring goods and services are current and include enough qualified sources to ensure maximum open and free competition consistent with the procurement standards.
- You must make awards under your procurements only to responsible contractors that can perform successfully in accordance with contract terms and conditions.
- You must maintain records sufficient to detail the history of any procurement action.

8.5.2 *Contracting Don'ts*

- Don't include unreasonable (or otherwise unjustifiable) requirements in your procurements that would be restrictive of competition.
- Don't require unnecessary experience or other unnecessary criteria or elements under your procurements that cannot be justified or supported with your procurement procedures and the procurement standards.
- Don't allow for, engage in, or facilitate noncompetitive pricing practices between firms or affiliated companies under your procurement transactions.
- Don't forget to include all applicable contract provisions described in Appendix II to **2 C.F.R. Part 200** in any procurement contracts.
- Don't require unreasonable time frames for performance under your procurements.

8.6 Contract Closeout

Contract closeout is an important function of contract administration and may be characterized logically as the last of the many functions related to contract administration. The contract is officially closed once all deliverables have been delivered and accepted, all contractual terms have been met, and a final invoice has been received and paid.

9 REIMBURSEMENTS

9.1 Introduction

Reimbursement requests for payment of wages must be made based on actual time worked, rather than the budgeted amount.

FOR EXAMPLE: If your application budget proposes that VOCA cover 20% of an employee's salary, but timesheets indicate that employee only worked on the grant 15% of the time, only 15% of their salary is allowable. Reimbursements are due on the last day of the month for the prior month's expenses.

Ensure that the cover sheets are completed and submitted on top of back-up documentation for reimbursement requests for wages. See Forms section of the GCC website for the coversheets.

9.2 Payroll Documentation

Charges made to federal awards for salaries, wages, and other fringe benefits must be based on records that accurately reflect the work performed and comply with the established policies and practices of the organization. See **2 C.F.R. 200.430**.

9.2.1 Timesheets

All reimbursements for salaries, fringe benefits or work performed in conjunction with a signed contract must be documented with a timesheet and description of work performed (also known as a time and activity sheet). These documents must be completed for each pay period and be signed by the individual and countersigned by that individual's supervisor or someone on staff who is capable of attest attendance and satisfactory completion of assigned/contracted duties.

- The employee must sign or certify in ink.
- Timesheets must be prepared on a regular basis (at least monthly).
- Timesheet periods should coincide with one or more pay periods.
- Timesheets must record by project and/or by activity the actual hours worked.
- The employee's supervisor must approve his/her timesheet. This is usually done with a countersignature that verifies that the timesheet is accurate.
- All Time and Activity sheets must have two signatures from employee and supervisor. Project Director must have the board sign for the second signature.

9.2.2 Payroll and Cost Allocation Process

The payroll register must identify paid employees by name, and show gross pay, withholdings, and net pay. Timesheets must be used in preparation of payroll. A worksheet or other record will be prepared to document the allocation of the gross payroll expenses to the proper accounts/funds/cost centers in the general ledger.

9.2.3 Travel Documentation

Travel expenses, such as transportation, lodging, and subsistence, may be allowable costs for employees who are in travel status on official business related to the federal award. These costs must be in accordance with established state travel policy or the subrecipient's acceptable written travel policy.

Items that an auditor may review include, but are not limited to, the following travel reimbursement documentation:

- Documentation of prior authorization for travel for which an individual was reimbursed. Travel within the state does not require prior authorization; foreign and out of state travel always requires GCC prior authorization.
- Expense reports. Will be reviewed for itemization of expenses, travel dates and the reason for travel.
- Receipts submitted with the reimbursement claim. At a minimum, the Federal Travel Regulation indicates receipts must be submitted for lodging and any other authorized travel expense over \$75.00. Many organizations have their own policies that require receipts for travel expenses under \$75.00.
- Documentation supporting requests for mileage reimbursement. Online programs, such as MapQuest, easily provide point-to-point mileage summaries.

9.2.4 Contractor and Vendor Documentation

An auditor will review invoices for accuracy, compliance, allowability, approval, use of proper account code, payment amount, taking of appropriate discounts, correct vendor, and payment address.

Contractors, subcontractors, and vendors should submit invoices that contain the following pieces of information that tie the expense directly to the funded program:

- Name of vendor and invoice date
- Purchase order number and an invoice number, as assigned by the vendor
- Description, price, and quantity of the item and/or services delivered or rendered
- Shipping and payment terms
- Other substantiating documentation or information as required by a contract
- Name, title, telephone number, and complete mailing address of contract person

Prior to payment, invoices must be approved by staff authorized by the subrecipient to do so. Approval is usually noted either by a direct notation/signature on the invoice, or the use of a signature cover sheet where the appropriate general ledger accounting code can be noted.

9.2.5 Conference Documentation

As with any other type of expenditure using award funding, all expenses associated with approved events must be documented. All actual costs associated with an approved event sponsored by a cooperative agreement subrecipient or a contractor must be documented and auditable.

Prior Approval for out of state travel must be approved by your Grant Administrator using the required from provided in the compliance documents section.

9.2.6 Subrecipient Documentation

Requests for payment from subrecipients must include information specifically tying the work being performed to the award. The subrecipient's documentation must be made available to the GCC for monitoring.

10 OTHER RESOURCES

10.1 Acronyms

ACRONYM	MEANING
ADC	ALLOWABLE DIRECT COSTS
ALA	ANTI-LOBBYING ACT
AIC	ALLOWABLE INDIRECT COSTS
BJA	BUREAU OF JUSTICE ASSISTANCE
CAS	COST ACCOUNTING STANDARDS
CAP	CORRECTIVE ACTION PLAN
CFDA	CATALOG OF FEDERAL DOMESTIC ASSISTANCE
CFR	CODE OF FEDERAL REGULATIONS
CJI	CRIMINAL JUSTICE IMPROVEMENT
COA	CHART OF ACCOUNTS
COG	COUNCILS OF GOVERNMENTS
COSO	COMMITTEE OF SPONSORING ORGANIZATIONS OF THE TREADWAY COMMISSION
CRM	CUSTOMER RELATIONSHIP MANAGEMENT
CVS	CRIME VICTIM’S SERVICES
DOJ	DEPARTMENT OF JUSTICE
DPS	DEPARTMENT OF PUBLIC SAFETY
DHHS	DEPARTMENT OF HEALTH AND HUMAN SERVICES
ERISA	EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974
F&A	FACILITIES AND ADMINISTRATION
FAC	FEDERAL AUDIT CLEARINGHOUSE
FAIN	FEDERAL AWARD IDENTIFICATION NUMBER
FAPIIS	FEDERAL AWARDEE PERFORMANCE AND INTEGRITY INFORMATION SYSTEM
FAR	FEDERAL ACQUISITION REGULATION
FCM	FINANCIAL CLEARANCE MEMORANDUM
FFATA	FEDERAL FUNDING ACCOUNTABILITY AND TRANSPARENCY ACT
FFR	FEDERAL FINANCIAL REPORT
FICA	FEDERAL INSURANCE CONTRIBUTIONS ACT
FMV	FAIR MARKET VALUE
FOIA	FREEDOM OF INFORMATION ACT
EPOC	FINANCIAL POINT OF CONTACT
FR	FEDERAL REGISTER
FTE	FULL-TIME EQUIVALENT
FTR	FEDERAL TRAVEL REGULATION
GAAP	GENERALLY ACCEPTED ACCOUNTING PRINCIPLES
GAGAS	GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS
GAN	GRANT ADJUSTMENT NOTICE
GAO	GOVERNMENT ACCOUNTABILITY OFFICE
GCC	GOVERNOR’S CRIME COMMISSION
GEMS	GRANT ENTERPRISE MANAGEMENT SYSTEM
GPRA	GOVERNMENT PERFORMANCE AND RESULTS ACT
GPRS	GRANT PAYMENT REQUEST SYSTEM
GSA	GENERAL SERVICES ADMINISTRATION
IHE	INSTITUTIONS OF HIGHER EDUCATION
IRC	INTERNAL REVENUE CODE
ISDEAA	INDIAN SELF-DETERMINATION AND EDUCATION AND ASSISTANCE ACT

NC Governor's Crime Commission
Grant Management Guidelines, 2020 - 2021

ACRONYM	MEANING
JAG	(BRYNE) JUSTICE ASSISTANCE GRANT
JJA	JUVENILE JUSTICE ACT
JJP	JUVENILE JUSTICE PLANNING
MTC	MODIFIED TOTAL COST
MTCDD	MODIFIED TOTAL DIRECT COST
M&IE	MEALS AND INCIDENTAL EXPENSES
NCDPS	NORTH CAROLINA DEPARTMENT OF PUBLIC SAFETY
NDAA	NATIONAL DEFENSE AUTHORIZATION ACT
NFE	NON-FEDERAL ENTITY
NIJ	NATIONAL INSTITUTE OF JUSTICE
OCFO	OFFICE OF THE CHIEF FINANCIAL OFFICER
OCR	OFFICE FOR CIVIL RIGHTS (OF THE OFFICE OF JUSTICE PROGRAMS)
OIG	OFFICE OF INSPECTOR GENERAL
OJP	OFFICE OF JUSTICE PROGRAMS
OJJPD	OFFICE OF JUVENILE JUSTICE DELINQUENCY PREVENTION
OMB	OFFICE OF MANAGEMENT AND BUDGET
OVC	OFFICE FOR VICTIMS OF CRIME
OVW	OFFICE FOR VIOLENCE AGAINST WOMEN
PAN	PAYEE ACCOUNT NUMBER
PII	PERSONALLY IDENTIFIABLE INFORMATION
PMS	PAYMENT MANAGEMENT SYSTEM
PMT	PERFORMANCE MEASUREMENT TOOL
POP	PERIOD OF PERFORMANCE
PPOC	PROGRAMMATIC POINT OF CONTACT
PRPH	POST-RETIREMENT HEALTH PLANS
PTE	PASS-THROUGH ENTITY
REUI	RELATIVE ENERGY USAGE INDEX
SAA	STATE AWARDING AGENCY
SAM	SYSTEM FOR AWARD MANAGEMENT (ACCESSIBLE AT HTTPS://WWW.SAM.GOV)
SASP	SEXUAL ASSAULT SERVICES PROGRAM
SF-SAC	STANDARD FORM-SINGLE AUDIT COMPONENT
SPOC	SINGLE POINT OF CONTACT
TANF	TEMPORARY ASSISTANCE FOR NEEDY FAMILIES
TFM	TREASURY FINANCIAL MANUAL
U.S.C.	UNITED STATES CODE
USDHHS	UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES
VAT	VALUE ADDED TAX
VAWA	VIOLENCE AGAINST WOMEN ACT
VOCA	VICTIMS OF CRIME ACT

10.2 Definitions

§200.2 Acquisition Cost

Acquisition Cost means the cost of the asset including the cost to ready the asset for its intended use. Acquisition cost for equipment, for example, means the net invoice, unit price of the item, including the cost of any modifications, attachments, accessories, or auxiliary apparatus necessary to make it usable for the purpose for which it is acquired. Acquisition costs for software includes those development costs capitalized in accordance with generally accepted accounting principles (GAAP). Acquisition costs may or may not include taxes, duty or protective in-transit insurance, freight charges, and installation. What is included in the cost varies according to your organization's accounting policies.

§200.4 Allocation

Allocation means the process of assigning a cost, or a group of costs, to one or more cost objective(s), in reasonable proportion to the benefit provided or other equitable relationship. The process may entail assigning a cost(s) directly to a final cost objective or through one or more intermediate cost objectives.

§200.5 Audit Finding

Audit Finding means deficiencies which the auditor is required by §200.516 Audit findings, paragraph (a) to report in the schedule of findings and questioned costs.

§200.6 Auditee

Auditee means any non-Federal entity that expends Federal awards which must be audited under Subpart F—Audit Requirements of this part.

§200.7 Auditor

Auditor means an auditor who is a public accountant or a federal, state, local government, or Indian tribe audit organization, which meets the general standards specified for external auditors in Generally Accepted Government Auditing Standards (GAGAS). The term auditor does not include internal auditors of nonprofit organizations.

§200.8 Budget

Budget means the financial plan for the project or program that the federal awarding agency or pass-through entity approves during the federal award process or in subsequent amendments to the Federal award. It may include the federal and non-federal share or only the federal share, as determined by the federal awarding agency or pass-through entity.

§200.10 Catalog of Federal Domestic Assistance (CFDA) number

CFDA number means the number assigned to a federal program in the CFDA.

§200.11 CFDA program title

CFDA program title means the title of the program under which the federal award was funded in the CFDA.

§200.14 Claim

Claim means, depending on the context, either:

A written demand or written assertion by one of the parties to a federal award seeking as a matter of right:

- The payment of money in a sum certain

- The adjustment or interpretation of the terms and conditions of the federal award
- Other relief arising under or relating to a federal award
- A request for payment that is not in dispute when submitted

§200.16 Closeout

Closeout means the process by which the federal awarding agency or pass-through entity determines that all applicable administrative actions and all required work of the federal award have been completed and takes actions as described in §200.343 Closeout.

§200.19 Cognizant Agency for Indirect Costs

Cognizant Agency for Indirect Costs means the federal agency responsible for reviewing, negotiating, and approving cost allocation plans or indirect cost proposals developed under this part on behalf of all federal agencies. The cognizant agency for indirect cost is not necessarily the same as the cognizant agency for audit. For assignments of cognizant agencies see the following:

- For IHEs: Appendix III to Part 200—Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Institutions of Higher Education (IHEs), paragraph C.11.
- For nonprofit organizations: Appendix IV to Part 200—Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Nonprofit Organizations, paragraph C.2.a.
- For state and local governments: Appendix V to Part 200—State/Local Government-wide Central Service Cost Allocation Plans, paragraph F.1.
- For Indian tribes: Appendix VII to Part 200—States and Local Government and Indian Tribe Indirect Cost Proposal, paragraph D.1.

§200.20 Computing devices

Computing devices means machines used to acquire, store, analyze, process, and publish data and other information electronically, including accessories (or “peripherals”) for printing, transmitting and receiving, or storing electronic information. See also §§200.94 Supplies and 200.58 Information technology systems.

§200.112 Conflict of Interest

The federal awarding agency must establish conflict of interest policies for federal awards. The non-federal entity must disclose in writing any potential conflict of interest to the federal awarding agency or pass-through entity in accordance with applicable federal awarding agency policy.

§200.22 Contract

Contract means a legal instrument by which a non-federal entity purchases property or services needed to carry out the project or program under a federal award. The term as used in this part does not include a legal instrument, even if the non-federal entity considers it a contract, when the substance of the transaction meets the definition of a federal award or subaward (see §200.92 Subaward).

§200.23 Contractor

Contractor means an entity that receives a contract as defined in §200.22 Contract.

§200.26 Corrective Action

Corrective Action means action taken by the auditee that:

- Corrects identified deficiencies

- Produces recommended improvements
- Demonstrates that audit findings are either invalid or do not warrant auditee action

§200.27 Cost Allocation Plan

Cost Allocation Plan means central service cost allocation plan or public assistance cost allocation plan.

§200.29 Cost Sharing or Matching

Cost Sharing or Matching means the portion of project costs not paid by federal funds (unless otherwise authorized by federal statute). See also 200.36 Cost sharing or matching.

§200.31 Disallowed costs

Disallowed Costs means those charges to a federal award that the federal awarding agency or pass-through entity determines to be unallowable, in accordance with the applicable federal statutes, regulations, or the terms and conditions of the federal award.

§200.33 Equipment

Equipment means tangible personal property (including information technology systems) having (1) a useful life of more than 1 year and (2) a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-federal entity for financial statement purposes or \$5,000. See 200.20 Computing devices, 200.48 General purpose equipment, 200.58 Information technology systems, 200.89 Special purpose equipment, and 200.94 Supplies. Examples of equipment: personal protective gear, forensic lab equipment, communications equipment.

§200.34 Expenditures

Expenditures means charges made by a non-federal entity to a project or program for which a federal award was received.

The charges may be reported on a cash or accrual basis, if the methodology is disclosed and is consistently applied:

- For reports prepared on a cash basis, expenditures are the sum of:
- Cash disbursements for direct charges for property and services;
- The amount of indirect expense charge
- The value of third-party in-kind contributions applied
- The amount of cash advance payments and payments made to subrecipients

For reports prepared on an accrual basis, expenditures are the sum of:

- Cash disbursements for direct charges for property and services;
- The amount of indirect expense incurred;
- The value of third-party in-kind contributions applied

The net increase or decrease in the amounts owed by the non-federal entity for:

- Goods and other property received
- Services performed by employees, contractors, subrecipients, and other payees
- Programs for which no current services or performance are required such as annuities, insurance claims, or other benefit payments

§200.35 Federal agency

Federal agency means an "agency" as defined at 5 U.S.C. 551(1) and further clarified by 5 U.S.C. 552(f).

§200.36 Federal Audit Clearinghouse (FAC)

FAC means the clearinghouse designated by OMB as the repository of record where non-federal entities are required to transmit the reporting packages required by Subpart F—Audit Requirements of this part. The mailing address of the FAC is Federal Audit Clearinghouse, Bureau of the Census, 1201 E. 10th Street, Jeffersonville, IN 47132 and the web address is: <http://harvester.census.gov/sac/>. Any future updates to the location of the FAC may be found at the OMB web site.

§200.37 Federal Awarding Agency

Federal Awarding Agency means the federal agency that provides a federal award directly to a non-federal entity.

§200.38 Federal award

Federal award has the meaning, depending on the context, in either paragraph (a) or (b) of this section:

- The federal financial assistance that a non-federal entity receives directly from a federal awarding agency or indirectly from a pass-through entity, as described in §200.101 Applicability; or
- The cost-reimbursement contract under the Federal Acquisition Regulations that a non-federal entity receives directly from a federal awarding agency or indirectly from a pass-through entity, as described in §200.101 Applicability.
- The instrument setting forth the terms and conditions. The instrument is the grant agreement, cooperative agreement, other agreement for assistance covered in paragraph
- (b) of §200.40 federal financial assistance, or the cost-reimbursement contract awarded under the Federal Acquisition Regulations.
- Federal award does not include other contracts that a federal agency uses to buy goods or services from a contractor or a contract to operate Federal Government owned, contractor operated facilities (GOCOs).

§200.39 Federal award date

Federal award date means the date when the federal award is signed by the authorized official of the federal awarding agency.

§200.42 Federal program

Federal program means:

- All Federal awards which are assigned a single number in the CFDA.
- When no CFDA number is assigned, all Federal awards to non-Federal entities from the same agency made for the same purpose must be combined and considered one program.

Notwithstanding paragraphs (a) and (b) of this definition, a cluster of programs. The types of clusters of programs are:

- Research and development (R&D)
- Student financial aid (SFA)
- (3) "Other clusters," as described in the definition of Cluster of Programs

§200.43 Federal share

Federal share means the portion of the total project costs that are paid by federal funds.

§200.48 General purpose equipment

General purpose equipment means equipment which is not limited to research, medical, scientific or other technical activities. Examples include office equipment and furnishings, modular offices, telephone networks, information technology equipment and systems, air conditioning equipment, reproduction and printing equipment, and motor vehicles. See also Equipment and Special Purpose Equipment.

§200.49 Generally Accepted Accounting Principles (GAAP)

GAAP has the meaning specified in accounting standards issued by the Government Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB).

§200.50 Generally Accepted Government Auditing Standards (GAGAS)

GAGAS, also known as the Yellow Book, means generally accepted government auditing standards issued by the Comptroller General of the United States, which are applicable to financial audits.

§200.51 Grant agreement

Grant agreement means a legal instrument of financial assistance between a federal awarding agency or pass-through entity and a non-federal entity that, consistent with 31 U.S.C. 6302, 6304:

- Is used to enter into a relationship the principal purpose of which is to transfer anything of value from the federal awarding agency or pass-through entity to the non-federal entity to carry out a public purpose authorized by a law of the United States (see 31 U.S.C. 6101(3)); and not to acquire property or services for the federal awarding agency or pass-through entity's direct benefit or use
- Is distinguished from a cooperative agreement in that it does not provide for substantial involvement between the federal awarding agency or pass-through entity and the non-federal entity in carrying out the activity contemplated by the federal award

Does not include an agreement that provides only:

- Direct United States Government cash assistance to an individual;
- A subsidy;
- A loan;
- A loan guarantee
- Insurance

§200.53 Improper payment

- Improper payment means any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; and
- Improper payment includes any payment to an ineligible party, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), any payment that does not account for credit for applicable discounts, and any payment where insufficient or lack of documentation prevents a reviewer from discerning whether a payment was proper.

§200.54 Indian tribe (or “federally recognized Indian tribe”)

Indian tribe means any Indian tribe, band, nation, or other organized group or community, including any Alaska Native village or regional or village corporation as defined in or established pursuant to the Alaska Native Claims Settlement Act (43 U.S.C. Chapter 33), which is recognized as eligible for the special programs and services provided by the United States to Indians because of their status as Indians (25 U.S.C. 450b(e)). See annually published Bureau of Indian Affairs list of Indian Entities Recognized and Eligible to Receive Services.

§200.56 Indirect (facilities & administrative (F&A)) costs

Indirect (F&A) costs means those costs incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. To facilitate equitable distribution of indirect expenses to the cost objectives served, it may be necessary to establish a number of pools of indirect (F&A) costs. Indirect (F&A) cost pools must be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived.

§200.57 Indirect cost rate proposal

Indirect cost rate proposal means the documentation prepared by a non-federal entity to substantiate its request for the establishment of an indirect cost rate as described in Appendix III to Part 200—Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Institutions of Higher Education (IHEs) through Appendix VII to Part 200—States and Local Government and Indian Tribe Indirect Cost Proposals of this part, and Appendix IX to Part 200—Hospital Cost Principles.

§200.58 Information technology systems

Information technology systems means computing devices, ancillary equipment, software, firmware, and similar procedures, services (including support services), and related resources. See also §§200.20 Computing devices and 200.33 Equipment.

§200.55 Institutions of Higher Education (IHEs)

IHE is defined at 20 U.S.C. 1001.

§200.59 Intangible property

Intangible property means property having no physical existence, such as trademarks, copyrights, patents and patent applications and property, such as loans, notes and other debt instruments, lease agreements, stock and other instruments of property ownership (whether the property is tangible or intangible).

§200.61 Internal controls

Internal controls mean a process, implemented by a non-federal entity, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations;
- Reliability of reporting for internal and external use; and
- Compliance with applicable laws and regulations.

§200.62 Internal control over compliance requirements for federal awards

Internal control over compliance requirements for federal awards means a process implemented by a non-federal entity designed to provide reasonable assurance regarding the achievement of the following objectives for federal awards:

Transactions are properly recorded and accounted for, in order to:

- Permit the preparation of reliable financial statements and federal reports
- Maintain accountability over assets
- Demonstrate compliance with federal statutes, regulations, and the terms and conditions of the federal award

Transactions are executed in compliance with:

- Federal statutes, regulations, and the terms and conditions of the federal award that could have a direct and material effect on a federal program
- Federal statutes and regulations that are identified in the Compliance Supplement
- Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition

§200.64 Local government

Local government means any unit of government within a state, including a:

- County
- Borough
- Municipality
- City
- Town
- Township
- Parish
- Special district
- School district
- Intrastate district
- Local public authority, including any public housing agency under the United States Housing Act of 1937
- Council of governments, whether or not incorporated as a nonprofit corporation under state law
- Any other agency or instrumentality of a multi-, regional, or intra-state or local government

§200.66 Management decision

Management decision means the evaluation by the federal awarding agency or pass-through entity of the audit findings and corrective action plan and the issuance of a written decision to the auditee as to what corrective action is necessary.

§200.67 Micro-purchase

Micro-purchase means a purchase of supplies or services using simplified acquisition procedures, the aggregate amount of which does not exceed the micro-purchase threshold. Micro-purchase procedures comprise a subset of a non-federal entity's small purchase procedures. The non-federal entity uses such procedures in order to expedite the completion of its lowest-dollar small purchase transactions and minimize the associated administrative burden and cost. The micro-purchase threshold is set by the Federal Acquisition Regulation at 48 CFR Subpart 2.1 (Definitions). It is \$3,000 except as otherwise discussed in Subpart 2.1 of that regulation, but this threshold is periodically adjusted for inflation.

(NOTE: However, the *DOJ Financial Guide, section 3.8* has increased the micro-purchase threshold to \$10,000 for federal grants administrative purposes, consistent with the provisions of an Office of Management and Budget memorandum, OMB M-18-18, dated June 20, 2018.)

§200.68 Modified Total Direct Cost (MTDC)

MTDC means all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first \$25,000 of each subaward (regardless of the period of performance of the subawards under the award). MTDC excludes equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs and the portion of each subaward in excess of \$25,000. Other items may only be excluded when necessary to avoid a serious inequity in the distribution of indirect costs, and with the approval of the cognizant agency for indirect costs.

§200.69 Non-federal entity

Non-federal entity means a state, local government, Indian tribe, institution of higher education (IHE), or nonprofit organization that carries out a federal award as a recipient or subrecipient.

§200.70 Nonprofit organization

Nonprofit organization means any corporation, trust, association, cooperative, or other organization, not including IHEs, that:

- Is operated primarily for scientific, educational, service, charitable, or similar purposes in the public interest
- Is not organized primarily for profit; and uses net proceeds to maintain, improve, or expand the operations of the organization

§200.71 Obligations

When used in connection with a non-federal entity's utilization of funds under a Federal award, obligations refer to orders placed for property and services, contracts and subawards made, and similar transactions during a given period that require payment by the non-federal entity during the same or a future period.

§200.72 Office of Management and Budget (OMB)

OMB means the Executive Office of the President, Office of Management and Budget.

§200.74 Pass-through entity

Pass-through entity means a non-federal entity that provides a subaward to a subrecipient to carry out part of a federal program.

§200.76 Performance goal

Performance goal means a target level of performance expressed as a tangible, measurable objective, against which actual achievement can be compared, including a goal expressed as a quantitative standard, value, or rate. In some instances (e.g., discretionary research awards), this may be limited to the requirement to submit technical performance reports (to be evaluated in accordance with agency policy).

§200.77 Period of performance

Period of performance means the time during which the non-federal entity may incur new obligations to carry out the work authorized under the federal award. The federal awarding agency or pass-through entity must include start and end dates of the period of performance in the federal award (see

§200.210 *Information contained in a federal award paragraph (a)(5) and 200.331 Requirements for pass-through entities, paragraph (a)(1)(iv).*

§200.79 Personally Identifiable Information (PII)

PII means information that can be used to distinguish or trace an individual's identity, either alone or when combined with other personal or identifying information that is linked or linkable to a specific individual. Some information that is considered to be PII is available in public sources such as telephone books, public Web sites, and university listings. This type of information is considered to be Public PII and includes, for example, first and last name, address, work telephone number, email address, home telephone number, and general educational credentials. The definition of PII is not anchored to any single category of information or technology. Rather, it requires a case-by-case assessment of the specific risk that an individual can be identified. Non-PII can become PII whenever additional information is made publicly available, in any medium and from any source, that, when combined with other available information, could be used to identify an individual.

§200.78 Personal property

Personal property means property other than real property. It may be tangible, having physical existence, or intangible.

§200.80 Program income

Program income means gross income earned by the non-federal entity that is directly generated by a supported activity or earned as a result of the federal award during the period of performance except as provided in **§200.307** paragraph (f). (See **§200.77** *Period of performance*.) Program income includes but is not limited to income from fees for services performed, the use or rental of real or personal property acquired under federal awards, the sale of commodities or items fabricated under a federal award, license fees and royalties on patents and copyrights, and principal and interest on loans made with federal award funds. Interest earned on advances of federal funds is not program income. Except as otherwise provided in federal statutes, regulations, or the terms and conditions of the federal award, program income does not include rebates, credits, discounts, and interest earned on any of them. See also **§200.407** *Prior written approval (prior approval)*. See also **35 U.S.C. 200-212** "*Disposition of Rights in Educational Awards*" applies to inventions made under Federal awards.

§200.83 Project cost

Project cost means total allowable costs incurred under a federal award and all required cost sharing and voluntary committed cost sharing, including third-party contributions.

§200.81 Property

Property means real property or personal property.

§200.84 Questioned cost

Questioned cost means a cost that is questioned by the auditor because of an audit finding:

- Which resulted from a violation or possible violation of a statute, regulation, or the terms and conditions of a federal award, including for funds used to match federal funds;
- Where the costs, at the time of the audit, are not supported by adequate documentation; or
- Where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.

§200.85 Real property

Real property means land, including land improvements, structures and appurtenances thereto, but excludes moveable machinery and equipment.

§200.86 Recipient

Recipient means a non-federal entity that receives a federal award directly from a federal awarding agency to carry out an activity under a federal program. The term recipient does not include subrecipients. See also §200.69 Non-Federal entity.

§200.88 Simplified acquisition threshold

Simplified acquisition threshold means the dollar amount below which a non-federal entity may purchase property or services using small purchase methods. Non-federal entities adopt small purchase procedures in order to expedite the purchase of items costing less than the simplified acquisition threshold. The simplified acquisition threshold is set by the federal Acquisition Regulation at 48 CFR Subpart 2.1 (Definitions) and in accordance with 41 U.S.C. 1908. As of the publication of this part, the simplified acquisition threshold is \$150,000, but this threshold is periodically adjusted for inflation. (Also see definition of §200.67 Micro-purchase.)

§200.89 Special purpose equipment.

Special purpose equipment means equipment which is used only for research, medical, scientific, or other technical activities. Examples of special purpose equipment include microscopes, x-ray machines, surgical instruments, and spectrometers. See also §§200.33 Equipment and 200.48 General purpose equipment.

§200.90 State

State means any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, U.S. Virgin Islands, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, and any agency or instrumentality thereof exclusive of local governments.

§200.92 Subaward

Subaward means an award provided by a pass-through entity to a subrecipient for the subrecipient to carry out part of a federal award received by the pass-through entity. It does not include payments to a contractor or payments to an individual that is a beneficiary of a federal program. A subaward may be provided through any form of legal agreement, including an agreement that the pass-through entity considers a contract.

§200.93 Subrecipient

Subrecipient means a non-federal entity that receives a subaward from a pass-through entity to carry out part of a federal program; but does not include an individual that is a beneficiary of such program. A subrecipient may also be a recipient of other federal awards directly from a federal awarding agency.

§200.94 Supplies

Supplies means all tangible personal property other than those described in §200.33 Equipment. A computing device is a supply if the acquisition cost is less than the lesser of the capitalization level established by the non-federal entity for financial statement purposes or \$5,000, regardless of the length of its useful life. See also §§200.20 Computing devices and 200.33 Equipment.

§200.95 Termination

Termination means the ending of a federal award, in whole or in part at any time prior to the planned end of period of performance.

§200.96 Third-party in-kind contributions

Third-party in-kind contributions means the value of non-cash contributions (i.e., property or services) that—

- Benefit a federally assisted project or program; and
- Are contributed by non-federal third parties, without charge, to a non-federal entity under a federal award.

§200.97 Unliquidated obligations

Unliquidated obligations refer to financial reports prepared on a cash basis, obligations incurred by the non-Federal entity that have not been paid (liquidated). For reports prepared on an accrual expenditure basis, these are obligations incurred by the non-Federal entity for which an expenditure has not been recorded.

§200.98 Unobligated balance

Unobligated balance means the amount of funds under a federal award that the non-federal entity has not obligated. The amount is computed by subtracting the cumulative amount of the non-federal entity's unliquidated obligations and expenditures of funds under the federal award from the cumulative amount of the funds that the federal awarding agency or pass-through entity authorized the non-federal entity to obligate.

§200.99 Voluntary committed cost sharing

Voluntary committed cost sharing means cost sharing specifically pledged on a voluntary basis in the proposal's budget or the federal award on the part of the non-federal entity and that becomes a binding requirement of federal award.

10.3 Links

Name	Link	Type of Information Available
Electronic Code of Federal Regulations	https://www.ecfr.gov/	Code of Federal Regulations Details on 2 CFR.200
Federal Audit Clearinghouse	https://harvester.census.gov/facweb/	Destination for audit packages transmitted to Federal location.
NC Governor's Crime Commission	https://www.ncdps.gov/gcc/	GCC Policies Grant Forms & Sample Documents Commission Overview Contact Information
US Department of Justice	https://www.justice.gov/grants	Grant Program and Agency Details Information on Funding Opportunities