

Ohio Department of Health
Grants Administration
Policies and Procedures Manual

Chapter 300

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| Chapter: 300 Administering the Grant | | Section (s): 300.0 – 306.7 |
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This Chapter provides an overview of the requirements and procedures the subgrantee must adhere to during the grant program period.

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300.0

Procurement Standards

Subgrantees may use their own procurement policies when using program funds for the procurement of equipment, supplies and services provided they are made in accordance with the standards in this section and the applicable CFR.

The subgrantee is responsible for any contract it enters into on behalf of the grant-supported program. Neither ODH nor the Federal Government assumes any liability arising from contracts, agreements, or obligations entered into by the subgrantee.

When procuring for program activities, the subgrantee shall maintain a code or standard of conduct for its officers, employees or agents that shall include provisions for disciplinary actions for its violation. For governmental subgrantees, such disciplinary actions are required only to the extent otherwise permissible under the government's laws, rules or regulations and shall also provide for action to be taken against contractors or their agents when they violate the code or standard.

Subgrantee officers, employees, or agents shall neither solicit nor accept gratuities, favors or anything of monetary value from ODH contractors or potential contractors. This is not intended to preclude legitimate institutional fund-raising activities. No employee, officer or agent of a subgrantee shall participate in the selection, grant or administration of a contract subject to this section where any of the following has a financial interest in that contract:

1. The employee, officer or agent;
2. Any member of his or her immediate family;
3. His or her partner;
4. An organization in which any of the above individuals are an officer, director or employee;
5. A person or organization with whom any of the above individuals is negotiating or has any arrangement concerning prospective employment.

The subgrantee should be alert to organizational conflicts of interests or non-competitive practices among contractors that may restrict or eliminate competition or otherwise restrain trade. All procurement transactions shall be conducted in a manner that provides, to the maximum extent practicable, open and free competition.

Solicitations by the subgrantee shall clearly set forth all requirements that the bidder must fulfill in order for his bid to be evaluated. Bids and offers made by vendors for contracts in response to the subgrantee's solicitation must be evaluated on the basis of

the lowest bid or offer that provides the most adequate quality of goods or services which will ensure optimal utilization of grant funds per unit value. Factors such as discounts, transportation costs and taxes should be considered in determining the lowest bid. Any and all bids may be rejected when it is in the program's interest to do so, and in the case of governmental subgrantees, such rejections are in accordance with applicable rules, laws or regulations.

The subgrantee shall establish procurement procedures that provide for the following:

1. Assurances that preclude unnecessary duplication of purchases and/or contracts. The subgrantee shall analyze (and document such analysis) alternatives to the procurement (such as leasing) to determine the most economical and practical procurement.
2. Solicitations for goods and services must be based on clear and accurate descriptions of the technical requirements for the material, product or service to be procured. Such descriptions shall not, in competitive procurements, contain features which unduly restrict competition.
3. Preferences and opportunities in the procurement of goods and services shall be given to Indians, Indian organizations, and Indian-owned economic enterprises where applicable to Section 7 (b) of the Indian self-determination and Education Assistance Act (25 U.S.C. 450e (b)).
4. Positive efforts shall be made by procuring parties to utilize small business and minority-owned business sources of supplies and services.
5. The type of procuring instruments used (e.g., fixed-price contracts, cost reimbursable contracts, purchase orders, incentive contracts) shall be determined by the subgrantee but must be appropriate for the particular procurement and for promoting the best interest of the program. The "cost-plus-a-percentage-of-cost" method of contracting shall not be used.
6. Contracts shall be made only with responsible contractors who possess the potential ability to perform successfully under the terms and conditions of a proposed procurement. Consideration shall be given to such matters as contractor integrity, record of past performance, financial and technical resources and accessibility to other necessary resources.
7. Prior approval is needed from GAU and Program unit administering the program when the aggregate expenditure is expected to be greater or equal to \$40,000 and a sole source contract is proposed, or when after seeking competition but receiving only one bid, a non-governmental subgrantee proposes to grant a contract.
8. Non-governmental subgrantees should make some form of price or cost analysis in connection with every negotiated procurement action. Price analysis may include the comparison of submitted price quotations, market prices and similar

indices, together with discounts. Cost analysis is to determine reasonableness, allocability and allowability.

9. The subgrantee's records and files for purchases in excess or equal to \$40,000 shall include the basis for contractor selection; justification for lack of competition when competitive bids or offers are not obtained; and basis for grant cost or price.
10. A system for contract administration shall be maintained to ensure contractor conformance with terms, conditions, and specifications of the contracts, and to ensure adequate and timely follow-up of all purchases.

Governmental subgrantees shall use formal advertising in making procurements whenever practicable or feasible. When formal advertising is not practicable or feasible, procurements may be negotiated with prior written approval from GAU, subject to the conditions of Title 45 Code of Federal Regulations, Part 74.165.

Competition shall be obtained to the maximum extent practicable whether procuring by advertising or negotiation. For every negotiated procurement in excess of \$4,000, a government subgrantee shall have in its procurement files and records written justification for the use of the negotiation in lieu of advertising.

300.1

Property and Equipment

This section addresses the accountability, ownership, use, transfer and disposition of personal property. This section describes the accountability, management and control of equipment having an initial cost of \$300 or more; as well as patents and copyrights that have been purchased or developed in whole or in part with program funds.

Ownership of property purchased in whole or in part with program funds rests with ODH, and title rests with the subgrantee agency. Subgrantee acquires, maintains, inventories and disposes of equipment with ODH approval. ODH shall have the right to transfer or require transfer of program property to an eligible subgrantee agency, to the Federal Government, or to itself. ODH will generally only require return of equipment when program activities are discontinued by the subgrantee or the program is discontinued or granted to another agency. Otherwise, upon notification, ODH will instruct subgrantee to dispose of obsolete or unusable equipment per the subgrantee's individual policies and procedures.

Unless notified otherwise by ODH, the subgrantee may continue to use equipment for the purpose for which it was purchased after program support is terminated. However, maintenance and operating costs of such equipment will be the responsibility of the subgrantee. All notification regarding the transfer of equipment will be in writing and at least thirty (30) calendar days prior to the requested date of transfer. The subgrantee shall be entitled to payment for any reasonable shipping or storing costs incurred in the transfer.

When equipment is no longer needed for the purpose for which purchased, either during the period of grant support or after, the agency must notify GAU in writing. The agency must include in this notice its intended use of the equipment and whether its retention is desired. Unless directed otherwise by ODH, the agency may

use the equipment in other programs or programs currently or previously funded by ODH, the state or federal government in the following order of priority:

1. Programs currently or previously funded by ODH or the federal granting agency from which the grant funds were obtained.
2. Programs currently or previously funded by state funds, other than through ODH, or by a federal agency other than that from whom the grant funds were obtained.

As explained in Chapter 100, the percentage of equipment cost charged to the program shall not exceed the percentage of equipment usage for program activities. However, if over a period of time the need for equipment usage diminishes, the subgrantee may make it available for use in other programs currently or previously funded by the state or federal government, provided such other use will not interfere with the work on the original program.

Equipment Disposal

When disposing of property (equipment, inventory, supplies, etc.), the agency must use its established equipment management system (purchase, depreciation, inventory, disposal, etc.) policy and procedure for such disposal, in addition to satisfying Chapter 100 of this manual.

Real property, such as land, buildings or improvements other than buildings, is not addressed in this section, since the purchase or depreciation of real property with program funds is normally disallowed. In unusual circumstances, when program funds are used to purchase real property, the appropriate governing state and federal regulations would prevail.

Sale of Equipment

When program equipment is sold, the program share of the selling price shall be proportionate to that part of the purchase price that was paid by program funds. If the program for which the equipment was acquired is still receiving grant support at the time of sale, the subgrantee, with approval from ODH may rebudget and use the program share of such revenue for program expenses. If the grant has been discontinued, if the subgrantee does not request to use the revenue or if such request is disapproved, the subgrantee is to remit to ODH within sixty (60) calendar days of the date of sale the program share of the selling price less ten percent (10%) for handling and selling expenses. Equipment may be exchanged for replacement equipment with written authorization from GAU. When equipment is exchanged for replacement equipment, the replacement may take place either through trade-in or through sale and application of the proceeds to the acquisition cost of the replacement equipment.

For example, if \$300 of program funds were used toward the purchase of an equipment item costing \$400, the program owns 75% of the equipment. If the equipment is sold at a later date for \$200, 75% of the sales price, or \$150, is the program share.

If the replacement equipment is purchased for \$500 and the subgrantee applied the \$150 program share of the sales price along with an additional \$100 of program funds toward the purchase price, the program share of the replacement equipment is to be computed using the following method.

This method compares the program's total investment in the original equipment and the replacement equipment to the replacement equipment's cost. In this example, the program share of the original equipment being sold or traded (\$150) is added to the additional program funds used (\$100) to arrive at the program's total investment (\$250). The program share of the replacement equipment cost is 50% ($\$250/\500 or .5).

Transfer of Equipment & Supplies

If office, medical or general supplies whose total aggregate market value exceeds \$300 are left over upon termination or expiration of the grant for which they were acquired and the supplies are not needed for the program, they may with approval of ODH be transferred to another ODH or federal funded program or sold. The same conditions applying equipment sold apply to the sale of supplies.

Equipment Management System

The subgrantee must maintain procedures for managing equipment, including replacement equipment, until transfer, replacement or disposition takes place even if the grant has terminated. The equipment management system must, at a minimum, meet the following requirements:

1. An accurately maintained property record-keeping system shall be maintained for equipment costing \$300 or more. These records are subject to the conditions in Chapter 100 regarding retention, maintenance and accessory. For each item of equipment, the records shall include:
 - a) A description of the equipment, including manufacturer's model number, if any,
 - b) An identification number, such as the manufacturer's serial number,
 - c) Identification of the grant under which the equipment was acquired,
 - d) The information needed to calculate the program share of the equipment,
 - e) Acquisition date and unit acquisition cost,
 - f) Location, use and condition of the equipment and the dates of physical inventory, and
 - g) All pertinent information on the ultimate transfer, replacement or disposition of the equipment.
2. Equipment must be tagged or otherwise marked as property of the appropriate funding program.
3. A physical inventory shall be taken and the results reconciled with the property records at least once every two years to verify the existence, current value, utilization and continued need for the equipment.
4. A control system shall be in effect to ensure adequate safeguards to prevent loss, damage or theft of equipment. Any loss, damage or theft of equipment shall be investigated, fully documented and reported to GAU in writing.
5. Adequate maintenance procedures shall be implemented to keep the equipment in good condition. Any program equipment determined to be inoperative shall be reported to GAU in writing.

301.0

Grant Payments

Payments consist of the financial support needed for and committed to the delivery of goods and services in meeting the subgrantee's goals and objectives. These financial resources typically consist of grant payments made by ODH that are determined by the subgrantee's needs and financial contributions, matching funds or cost sharing, in-kind contributions, program income, and donations. In some cases, it may include resources in the form of rebates. This section provides policies and procedures for ODH grant payments with consideration to the subgrantee factors previously noted.

Grant payments will be made in a timely manner to support program operations and to minimize cash flow problems of subgrantee agencies. Grant payments will begin when all of the following conditions are met:

1. Appropriation authority is received from the State Legislature for State funded programs,
2. Federal Notice of Grant Award and grant funds are received for federally funded programs,
3. NOA is issued by the ODH Director,
4. The program budget has been approved,
5. All subsequent special conditions have been met,
6. Required expenditure reports have been received,
7. Funds have been encumbered.

Actual grant payments are based on the approved budget in the program application or its subsequent revision; state or federal grant conditions; cash needs; and adjustments made based on the most recent expenditure report, grant reduction, or audit findings.

Other factors affecting actual grant payments include cost sharing and matching funds, applicant contribution, program income, in-kind support, donations, and rebates.

301.1

Payment Process

All payments of funds by ODH to the subgrantee are in accordance with the conditions of the grant. Payments are usually based on a payment schedule and adjusted to actual expenditures or on a cost reimbursement basis. Payments are

also adjusted according to the proportion of required matching funds contributed and the grant cash balances. **All payments are made through EFT, via the State Central Accounting System.** The program director receives a transmittal notice in the mail as verification of the payment. After initial payment is issued, specific information detailing amount, period covered and date paid will display in GMIS "Payments" link. Subsequent payment information will display in "Payments" link as future payments are made. Grant payments are based on all of the following: (a) the amount requested by the subgrantee and approved in the budget portion of the program application or its subsequent revision; (b) cash needs; and, (c) adjustments determined by the allowable costs reported in the most recent expenditure report. Payment adjustments may also be made for audit findings and/or grant reductions, if applicable.

1. The payment cycle is quarterly in conjunction with the reporting period unless stated otherwise in the RFP.
2. The initial payment is sent during the first quarter of grant funding.
3. The second payment is sent at the beginning of the second quarter providing special conditions have been met or responded to.
4. The subgrantee receives subsequent payments between the end of the first month of a quarter to the middle of the second month.
5. Two payments per quarter may be made for special reasons or upon the subgrantee's request. The subgrantee must have a justifiable reason and expenditure reports must have been submitted on time.

301.2

Payment Formula

Standard GMIS Payment Formula:

1st Payment = amount of approved 1st quarterly allotment.

2nd Payment= dependent upon satisfaction of or response to special conditions, and amount of approved 2nd quarterly allotment.

3rd Payment = dependent upon receipt of 1st and 2nd quarter expense reports, amount of approved 3rd quarterly allotment, less any cash balance indicated on the 2nd quarter expense report plus outstanding obligations.

4th Payment = dependent upon receipt of 3rd quarter expense report, amount of approved 4th quarterly allotment, less any cash balance indicated on the 3rd quarter expense report plus outstanding obligations.

WIC Payment Formula:

WIC subgrantees will receive approximately 7 individual payments instead of 4 throughout the grant year.

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| 1st Quarter | October through December | Three monthly payments; Each for 1/12 of the grant |
| 2nd Quarter | January | One monthly payment based on 1/12 of the grant. |
| | February and March | One payment based 2/12 of the grant. Dependent on receipt of 1 st quarter expense report, and dependent upon satisfaction or response to special conditions. |
| 3rd Quarter | April through June | Dependent on receipt and review of 2 nd quarter expense report, amount of approved 3rd quarterly allotment, less any cash balance indicated on 2 nd quarter expense report plus outstanding obligations. |
| 4th Quarter | July through September | Dependent receipt and review of 3 rd quarter expense report, amount of approval 4 th quarterly allotment, less any cash balance indicated on 3 rd quarter expense report plus outstanding obligations. |

301.3

Cash Balance

A cash balance is the difference between available funds and allowable expenditures. An unobligated balance is the difference between the cash balance and outstanding obligations. When all outstanding obligations are liquidated and paid or canceled, the unobligated balance will equal the cash balance.

Payments are based on the cash balance in order to minimize grant funds in the field. The unobligated balance of grant funds at the end of the grant period (usually the fiscal year) is lapsed from and lost to the program. Such funds must be returned to ODH. The same applies to the unobligated balance of program income when specified in the grant. The unobligated balance will increase when obligations are liquidated at a lower amount than estimated. The balance of funds realized after obligations are liquidated must be returned to ODH.

301.4

Program Funds

Program Funds represent the total funds needed to support the program as designed by the program application. Program funds include grant funds, program income, and applicant contribution (matching funds). Program funds do not include non-matching funds.

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| Chapter: 300 Administering the Grant Section: 302 Program Resources and Factors Affecting Payments | Sub-section(s): 302.0 – 302.9 |
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302.0

Program Resources and Factors Affecting Payments

This section lists various program resources and special conditions or factors that affect grant payments.

302.1

Cost Sharing or Match

Cost Sharing or Match is a commitment by the subgrantee to the program. Matching funds are cost required by ODH or the federal funding authority. Matching requirements are usually required as a percentage of the grant. When cost sharing or matching funds is required, grant payments are made in proportion to cost sharing funds to pay for allowable costs, not to exceed the grant amount. Cost sharing funds must be spent according to the approved budget.

Section Ten of the NOA summarizes the program's budget, including cost sharing, as entered in the program application. Section Eight indicates the required cost sharing that must be provided to support the program. If no cost sharing is required by Section Eight, the program is still expected to provide the cost sharing support indicated in Section Ten; however, grant payments will not be adjusted in the event the cost sharing in Section Ten falls short of anticipated or budgeted amounts.

For Example:

An application may indicate that the subgrantee has budgeted \$2,000 to support a \$1,000 grant. Section Eight of the NOA may require that \$1,500 of the \$2,000 be provided to support the \$1,000 grant - for a total program budget of \$2,500. Grant payment will be made at 40% of the \$2,500 total program budget up to the \$1,000 funding level.

If the total program budget is \$2,000, the grant payment will be \$800 - 40% of the \$2,000. The remaining \$1,200 is cost sharing provided by the subgrantee.

If the total program budget is \$3,000, the grant payment will be the maximum amount granted by ODH, \$1,000. Since 40% of the \$3,000 total program budget is \$1,200, which exceeds the ODH grant amount, the subgrantee must provide \$2,000 in cost sharing.

The subgrantee must budget and report all cost sharing support to the program. If the subgrantee anticipates problems in meeting cost sharing requirements, a budget revision request must be submitted in order that the required cost-sharing ratio can be adjusted.

302.2

Applicant Contribution: For accounting and reporting purposes, applicant contribution may be defined as the difference between the total allowable cost sharing or matching funds during a grant year and the sum of program income expended during the year. An adjustment must be made to delete in-kind

contributions from applicant contributions to determine the amount of applicant funds expended to support the program.

302.3

In-kind Contributions: Is the value of non-cash contributions provided by the subgrantee or third parties for program purposes. In-kind contributions made by nonfederal third parties may be used as cost sharing or matching funds provided that they have not been counted toward any other federal grant, federal procurement contract, or any other award of federal funds on either a matching or cost sharing stipulation of specific grants, if these contributions are normally considered allowable costs. All in-kind contributions counted as allowable or matching cost-sharing funds must be documented and assigned dollar values at the rates established for comparable items or services. In-kind contributions may consist of charges for real property and non-expendable property, and the value of goods and services directly benefiting and specifically identifiable to the program activity.

The subgrantee may not retain grant funds or program income as compensation for in-kind contribution provided. An adjustment must be made deleting in-kind contributors from applicant contributions in order to determine the amount of applicant funds expended to support the program.

302.4

Program Income

Subgrantees must include in the original program application the amount of program income which will be earned as a direct result of program activity. Program income must be listed by source in the Budget Narrative of the program application; the total amount of program income from all sources must be listed in the Budget Summary, Item 1. Subgrantees must account for the receipt and the use of program income for allowable program costs. Subgrantees must submit a budget revision request prior to the end of the program period to notify ODH of any variations between anticipated (budgeted) and actual income. Medicaid/Medicare revenue is not considered program income.

Use of Program Income - The use and reporting of program income can differ based upon federal funding regulations and/or program requirements. There are three alternatives provided in federal regulations for the treatment of program income earned during the grant period: deductive alternative, additive alternative, and matching alternative. The federal funding agency determines which alternative to apply to each federally funded program. Section Eleven of the subgrantee's NOA will indicate how program income must be used relative to total program funding.

Subgrantees should carefully review Section Eleven of the NOA for each program to ensure compliance with the specified requirements for the receipt, spending, and reporting of program income.

Federal regulations require that the deductive alternative apply unless a federal funding agency's regulations or its grant agreement with ODH stipulates otherwise. The majority of programs and programs funded by ODH are required to use the deductive alternative for program income. The program income alternative is indicated on the federal notice of award issued by the funding agency to ODH. The three alternatives for the use of program income are described as follows:

Deductive Alternative - Program income is to be used to reduce the amount budgeted for grant funds and applicant share proportionately. Program income is deducted from the total allowable costs to determine the net amount to which the respective matching ratios (i.e., grant funds and applicant share) are applied. If during the program period, the subgrantee is generating more program income than indicated on the original application budget, the subgrantee should submit a budget revision request to increase budgeted program income and to expand program activity. The generation of more program income than budgeted on the original application budget may be the result of the subgrantee's employee(s) devoting more time and effort to the program than the percentage of time/effort indicated for the employee(s) on the budget. If that is the case, a budget revision request to increase employee(s) time to reflect the increased program activity would be appropriate. Program income in excess of the amount anticipated and budgeted is to be used to further reduce the ODH grant funds and the applicant share contributions.

Additive Alternative - Program income is to be used to further the objectives of the legislation under which the grant was made and to increase the total program budget. Program income is to be added to the funds already committed to the program by the subgrantee and ODH. Program income is to be used for purposes and under the conditions of the grant agreement. Program income in excess of the amount anticipated and budgeted is to be deducted from total costs of the program.

Matching Alternative - Program income is to be used to finance part or all of the applicant share or subgrantee matching requirement for the program and to reduce the amount of applicant contribution. Program income exceeding the sum of the budgeted applicant share and budgeted program income is to be used to reduce the amount of ODH funds contributed to the program.

Examples Illustrating the Program Income Alternatives:

Assume an approved program budget of \$100,000 to be supported 80% by ODH federal funds and 20% by the applicant contribution or matching funds. Assume further that the grant-supported activities generate \$10,000 of program income.

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| \$ 20,000 | (20%) Applicant Contribution or Matching Share |
| <u>\$ 80,000</u> | (80%) ODH Federal Grant |
| \$100,000 | (100%) Approved Program Budget |
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| \$ 10,000 | Program Income Generated |

Deductive Alternative - Program income is to be applied toward the allowable program costs during the grant period to reduce the net cost of both the ODH federal grant and the applicant contribution or subgrantee matching share. The program income (\$10,000) is deducted from the total allowable costs (\$100,000) to determine the net amount (\$90,000) to which the respective matching ratios are applied. As a result, the subgrantee pays \$18,000, and the ODH pays \$72,000 toward the \$90,000 net cost of the program.

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| \$ 100,000 | Approved Program Budget/Maximum Allowable Costs |
| <u>(\$ 10,000)</u> | Less: Program Income |
| \$ 90,000 | Net Allowable Costs |
| \$ 18,000 | (20%) Applicant Contribution or Matching Share of Net Allowable Costs |
| \$ 72,000 | (80%) ODH Federal Grant share of Net Allowable Costs |

The approved program budget remains \$100,000, of which ODH pays \$72,000 which is 80% of the net allowable costs:

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| \$ 10,000 | Program Income |
| \$ 18,000 | Applicant Contribution or Matching Share |
| <u>\$ 72,000</u> | ODH Federal Grant |
| \$ 100,000 | Approved Program Budget |

Additive Alternative - Using the additive alternative, program income is added to the funds already committed to the program by ODH and the subgrantee. The \$10,000 program income is added to the applicant contribution or matching share (\$20,000) and the ODH federal grant (\$80,000) for an approved program budget of \$110,000. Program income is used for purposes and under the conditions of the grant agreement to pay allowable costs of the program. As a result, the subgrantee pays \$20,000 or 18% of the maximum allowable program costs (\$110,000) and ODH pays \$80,000 or 73% of the \$110,000 maximum allowable program costs.

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| \$ 10,000 | Program Income |
| \$ 20,000 | (18%) Applicant Contribution or Matching Share of Approved Program Budget |
| \$ 80,000 | (73%) ODH Federal Grant share of Approved Program Budget/Maximum Allowable Costs |
| \$110,000 | Approved Program Budget/Maximum Allowable Costs |

Matching Alternative_- Under the matching alternative, program income is used to finance part or all of the non-federal matching share. Under this alternative, the amount contributed by the subgrantee is only \$10,000, while the ODH federal contribution is \$80,000. The remaining portion of \$10,000 is the program income. The approved program budget remains \$100,000, of which ODH pays 80% of the allowable program costs.

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| \$ 10,000 | Program Income |
| \$ 10,000 | Applicant Contribution or Matching Share |
| <u>\$ 80,000</u> | (80%) ODH Federal Grant share of Approved Program Budget/Maximum Allowable Costs |
| \$100,000 | Approved Program Budget/Maximum Allowable Costs |

Budgeted Program Income - When income falls short of the budgeted level, and the shortage cannot be replaced by additional applicant contribution, the subgrantee must report this to both the program unit and GAU, along with a budget revision request, and explain the effects of the reduced funding on the approved program. This is critical especially when the shortage affects the subgrantee's ability to meet the required cost sharing or match, in which case grant funds will be reduced. When income exceeds the amount budgeted, the excess income must be budgeted by the subgrantee and approved by ODH.

When program income is realized or used during a grant year, the subgrantee must complete Item F-H of the Final Expense Report Summary. Failure to submit the report will result in reduction of allowable program expenditures allowable for reimbursement.

302.5

Fair Market Value

The fair market value is the value placed on in-kind contributions for cost sharing or matching purposes, which must be fair and reasonable. The following guidance is provided for determining fair market value:

- *Valuation of Volunteer Services:* Unpaid services provided by individuals must be valued at rates consistent with those paid for similar work in the subgrantee or subgrantee's organization. If the subgrantee does not have similar work, the rates must be consistent with those ordinarily paid by other employers for similar work. In both cases, a reasonable amount for fringe benefits may be included in the valuation.

- *Valuation of Employees of Other Organizations:* When an employer other than the grantee or subgrantee furnishes free of charge the services of an employee in the employee's normal line of work, the services will be valued at the employee's regular rate of pay exclusive of the employee's fringe benefits and overhead costs. If the services are in another line of work, then the valuation is as stated for volunteer services.

- *Donated Supplies and Loaned Equipment or Space:* Donated supplies will be valued at the market value of the item at the time of donation. When a third party donates the use of equipment or space but retains title, the contribution will be valued at the fair rental rate of the space or equipment.

- *Valuation of Donated Equipment, Buildings, and Land:* Treatment of donated equipment, buildings, or land depends on the purpose of the program as follows:

Grants for Capital Expenditures: If the purpose of the program is to assist the subgrantee in the acquisition of property, the market value of the property at the time of donation may be counted as cost sharing or matching.

Other Grants: If assisting in the acquisition of property is not the purpose of the program then the valuation is as follows:

1. If approval is obtained from ODH, the market value at the time of the donation of the donated equipment or buildings and fair rental rate of the donated land may be counted as cost sharing or matching. The terms of the grant agreement may

require that the approval be obtained from the federal agency as well as the subgrantee. In all cases, the approval may be given only if purchase of the equipment or rental of the land would be approved as an allowable direct cost. If any part of the donated property was acquired with federal funds, only the nonfederal share of the property may be counted as cost sharing or matching.

2. If approval is not obtained from ODH, then no amount may be counted for donated land, and only depreciation or use allowance may be counted for donated equipment and buildings. The depreciation or use allowances are not treated as third party in-kind contributions. Instead they are treated as costs incurred by the subgrantee. They are computed and allocated (usually as indirect costs) in accordance with federal cost principles specified in 7 CFR 3016.22 in the same way as depreciation or use allowances for purchased equipment and buildings. The amount of depreciation or use allowances for donated equipment and buildings is based on the property's market value at the time it was donated.

- *Valuation of Donated Real Property for Construction or Acquisition:* If a subgrantee donates real property for a construction or facilities acquisition program, the current market value of that property may be counted as cost sharing or matching. If any part of the donated property was acquired with federal funds, only the nonfederal share of the property may be counted.

- *Appraisal of Real Property:* In some cases it will be necessary to establish the market value of land or a building or the fair rental value of land or of space in a building. In these cases, the subgrantee may require the market value or fair rental value to be set by an independent appraiser, and that the value or rate be certified.

The subgrantee must maintain records providing the determination of the value of any and all in-kind contributions which are being used as cost sharing or matching for purposes of obtaining program funds.

302.6

Copyrights, Patents and Publications

The publication or patenting of inventions by agencies, subgrantees or employees resulting from program activities is not allowed, unless written authorization is requested of and received from GAU. The provisions outlined in applicable Code of Federal Regulations will be followed for all ODH funded activities. As a general policy, ODH will approve or request approval for such a request when it is determined that a patent is in the public interest.

Written authorization must be requested of and received from GAU to copyright or permit others to copyright materials developed under program activities. ODH shall have a royalty-free, non-exclusive and irrevocable right to reproduce, publish or otherwise use, and to authorize others to use, any program-developed copyright material.

302.7**Interest Income**

Income earned by the subgrantee on the subgrantee's own financial resources may be used to support the program as program funds. Interest earned on federal funds must be treated according to the federal regulations governing the program funding source; i.e., 7 CFR 3016 for non-entitlement USDA funded programs or 7 CFR 3015 for USDA entitlement programs, or OMB Circulars A-87 or A-102.

302.8**Investment Income**

Income from stocks, bonds, etc. earned by the subgrantee on the subgrantee's financial resources may be used to support the program. Federal or state funds received by the subgrantee to operate the program shall not be used at any time for investment purposes.

302.9**Rebate**

The amount of money refunded under cost containment measures to the grantee from the manufacturer of a particular product as the result of the purchase of the product for use in the program. In some instances, there may be conditions on the rebates such that the rebates must be used before the expenditure of federal grant funds.

303.0

Programmatic Reporting

This section establishes minimal standards for subgrantee program reporting. Subgrantees are required to submit performance reports to ODH on the programmatic status of each grant. Program performance reports provide an indication of how the subgrantee is accomplishing program goals. Program reports are to be submitted quarterly or **as indicated in the RFP and NOA**. The reports should identify programmatic activities accomplished and program funds received, disbursed or obligated.

Subgrantees should monitor the performance of the program activities and assure that adequate progress is being made towards achieving program goals. Site visits may be made by ODH staff to review program accomplishments, management control systems, and to provide such technical assistance as required.

The subgrantee should inform the Program Unit in writing of any events that significantly impact program activity as soon as they are known. Information regarding problems, delays, or adverse conditions which will materially impair the ability to attain the program objectives shall be accompanied by a statement of action taken or contemplated and any assistance needed to resolve the situation. The subgrantee should also inform the Program Unit of favorable developments, which enable meeting time schedules or goals sooner or at a lower cost than anticipated or producing more beneficial results than originally program.

Procedures for Completion of the Programmatic Performance Report

Subgrantees are to use the following procedures for preparation and submission of programmatic status reports.

1. Subgrantees are to submit program performance reports quarterly unless otherwise indicated in the RFP or NOA.
2. Subgrantees should include their 11 digit program number and the title of the grant program on the cover page of the report and the name of the subgrantee.
3. Program reports must include a statement of the subgrantee's progress in achieving stated goals in the terms and conditions of the grant request for proposal, the subgrantee application, and the notice of award.
4. The report should describe the overall progress, including results to date and comparison of actual accomplishments with proposed goals for the period, any current problems or favorable or unusual developments, and work to be performed during the succeeding period.
5. The report should identify and elaborate on problems, delays, and adverse conditions that will materially affect the subgrantee's ability to meet the program's objectives or time schedules.

6. Subgrantees must submit an original and required number copies of each performance report to the Central Master Files or submitted via GMIS by the designated due dates. Due dates for program performance reporting may be extended by ODH, with a written request to Program Consultant via GMIS. The request must provide the details and circumstances which require the proposed extension. The request must be received 30 days prior to the designated reporting due dates. ODH is expected to take action on any proposed extension request within 15 workdays after receipt of the request.
7. Failure to submit required program performance reports may have an affect on future payments and the agency flexibility status.

304.0

Program Expenditure Reports

Subgrantees are required to submit quarterly expenditure reports via GMIS by the designated dates listed in the RFP. The Subgrantee Final Expense Report and any overpayments must be submitted to ODH within 45 calendar days following the end of the grant year. Refer to Chapter 400 for details regarding closeout processes.

Procedures:

1. The quarterly expenditure report is to be submitted via GMIS, within fifteen (15) calendar days following the end of the report period. Due dates for quarterly reporting may be extended by ODH, with a written request to GAU via GMIS. The request must provide the details and circumstances which require the proposed extension. The request must be received 30 days prior to the designated reporting due dates. ODH is expected to take action on any proposed extension request within 15 workdays after receipt of the request.
2. The information in the expenditure report must reflect the subgrantee's accounting records. Supportive documentation must be maintained by the subgrantee for review by ODH staff during on-site visits.
3. The Item F "Monthly Totals" of the report should reflect the accounting records for each individual month and not the budgeted amounts.
4. Subgrantees are to submit expenditure reports quarterly unless otherwise indicated in the RFP or NOA.
5. The fourth quarterly expenditure report will be considered by ODH as an interim Final Expense Report. The fourth quarterly expenditure report must include all expense to date, all outstanding obligations and receivables. **The total amount of Outstanding Obligations listed on the fourth quarterly expenditure report is the maximum amount that can be listed as current expenditures upon submission of the Final Expense Report. Any additional amounts of current expenditures or any additional outstanding obligations will not be accepted or paid with program funds.**
6. The Section entitled Subgrantee Program Financial Summary (Item D) should reflect the percentage listed in Section Ten of the NOA.
7. Program revenues must be accounted for and identified **by the method indicated on the NOA, Section Eight.**
8. Program income allocation plans must be consistent with the agency accounting records.

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| Chapter : 300 Administering the Grant Section: 305 Budget Revisions | Sub-section(s): 305.0 – 305.1 |
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305.0

Budget Revisions

A budget revision request must be initiated by either the program unit or the subgrantee to increase or decrease the total program budget; document change in estimated program income or applicant share; increase or decrease contractual line items; remove or reallocate between cost categories and/or a change in quarterly allotments. However, subgrantees that have been given flexibility per Section 306 may follow those guidelines to determine when a budget revision is required.

A budget revision may be submitted by the subgrantee via GMIS to modify an existing program budget. The date of submission is the date the budget revision request is submitted via GMIS. The information contained in the request must reflect the agency's accounting records for the periods already concluded at the time of the revision. ODH reserves the right to verify all information submitted in the budget revision. When approved by ODH, the revised budget supersedes the existing budget. No retroactive approval of expenditures is allowed. All approvals/disapprovals are displayed on GMIS.

The budget revision is submitted using the Budget screens in GMIS and should indicate the changes from the most recently approved budget and the reason for those changes in the budget revision narrative.

Sufficient review and response time of at least one month should be allowed in order to assure a timely approval or disapproval. A maximum of 3 subgrantee-initiated budget revisions will be accepted per program period, with no more than one per quarter being accepted, and the final one accepted not less than 60 days prior to the end of the program period.

Program funds may be spent after submission of a budget revision request and before the budget revision approval is received by the subgrantee. However, any such expenditures of a pending budget revision request is done so at the risk of the subgrantee, and in the event of disapproval, must be paid from the subgrantee's non-program funds. In no event will program expenditures be allowed when the budget revision request is submitted after the expenditure is incurred.

Line items within a budget category may experience cost overruns. Budget categories, however, are limited to the total amount of each category in the approved budget. A line item must be listed in either the original budget approved by receipt of a NOA, or a subsequent approved budget revision by ODH. Any unauthorized expenditure must be paid for by the subgrantee with non-program funds.

For those subgrantees who have NOT been granted flexibility: a 10% cost overrun allowance is permitted in categories Other Direct Costs and Equipment (ONLY), provided there is an approved line item in the category, and will not necessitate a budget revision. There is no 10% allowance in the Personnel or Contracts categories. Money can be shifted within the Personnel category, between approved, budgeted positions without requiring a budget revision. However, the subgrantee cannot add positions without a budget revision.

ODH initiated budget revisions are those that result from changes in overall funds available through ODH, either an increase or decrease; changes in program scope; or changes in administrative requirements. These situations may warrant waiver or reconsideration of the limit on the number of budget revisions permitted in the grant cycle, or the time limits as described above. Requests for such revisions will be in writing ONLY.

Requests by ODH staff for changes or additional information on a budget revision which result from inappropriately submitted budget revisions, inadequate subgrantee justification, or other negotiated items are not considered ODH initiated and therefore, the number of allowable revisions and the time limits apply.

If the revision results in a change in the grant, program period, or resource composition, a revised NOA will be forwarded to the subgrantee and the approved budget revision posted on GMIS. Rejection of the budget revision will be conveyed to the subgrantee via GMIS.

305.1

Instructions for Completion of the Program Budget Revision via GMIS

Revisions to existing budgets are made using the same GMIS screens that were completed for submission of the initial grant application. Budget screens consist of "Cover Page", "Other Direct Costs", "Equipment", "Contracts", "Confirmation of Contractual Agreement", "Section D" and "Summary".

Original budget figures are available as the beginning point of a revised budget. These can be edited as necessary, re-saved and submitted as the revision. Or completely new budget figures can be created. Once the revision has been completed and the information saved a "Submit Revised Budget" button will appear at the bottom of the "Cover Page" screen.

If changes to the budget are required and necessary, proceed with the following steps on GMIS:

1. Login to the specific grant account using the username and password,
2. From the Welcome Screen, select the "Budget" link,
3. Select budget history as "New",
4. Click "Retrieve Budget" button,
5. Select data to be copied for beginning point of revised budget, original budget, or subsequent created revisions, - Do not mix WIC (CL) and non-WIC budget sections.
6. Enter name for current revision (if desired),
7. Click "Retrieve Budget" button,
8. Click "OK" when prompted for creation

GMIS will position on the budget "Cover Page". All other screens for budget creation are also available via the links at the bottom of the screen or by utilizing the navigational "Next" and "Previous" buttons.

Budget Cover Page - Allows for narrative entry for description of reason(s) for revision. A detailed narrative explanation supporting the reason(s) for the revision **must** be provided. Screen also provides check choices for "Categorical," "Funding Sources," "Budget Period," or "Other."

Personnel – Enter information on individual staff of the subgrantee whose salary and fringe benefits are charged in whole or in part to the grant. Entry of data should be from left to right utilizing the keyboard “Tab” key to actuate the calculation functionality and move the cursor.

Employee name should be entered last name, comma, and first name to allow system to retain in alphabetical order. Program Time Percentage column can be no less than a whole percent. Individual’s TOTAL annual salary should be entered in Yearly Salary cost and system will calculate amount to be charged to the grant based upon the Program Time Percentage. **WIC subgrantees ONLY – enter amount from “Program Total Cost \$” column in the appropriate Nutrition, Clinic, Breastfeeding & Administrative columns section. The total of these 4 categories must equal the amount in “Program Total Cost \$” for each line item.**

Calculation for amounts of total fringe benefits should be entered as a percent (including up to 4 decimal places) in the Fringe Rate Percentage column. Tabbing will then calculate the amount of fringe benefits charged to the grant and total all amounts for the individual line in the Program Total Cost column. Total amount of fringe benefits should coincide with those benefits listed as charged to the grant budget in Section D, Question 8.

Any staff position listed as charged LESS than 100% to the grant will display upon saving in the lower section of the screen under “Explanation of Personnel Funding.” The preparer must enter the amount and source of the difference not charged to the grant. If various sources are utilized, make notation in the Amount column and provide more detailed explanation of those sources on the Budget Cover Page narrative.

The instructions listed below should be used to process revisions made to other budget sections such as Other Direct Costs, Equipment, Contracts, CCA and Section D. All expenses must be identified and included in a line item. Miscellaneous expenses are not allowed costs, nor are Indirect or Administrative costs.

Enter the description and amount for each line item. Tab key will foot and total line amounts. (WIC subgrantees ONLY – enter amount from “Budget Amount” column in the appropriate Breastfeeding & Administrative columns section. The total of these 2 categories must equal the amount in “Budget Amount” for each line item.)

Budget Summary – Reconciliation of completed budget dollar amounts, source of budget revenue and quarterly allotment (payment amounts for previous quarters) requests.

Previously completed and saved Personnel, Other Direct Costs, Equipment, and Contracts budget section totals will pre-populate Section A. Budget Categories for the total program budget amount in line 2.e.

Enter the amounts that will total the Section A. line 2.e dollar amount in 1. Funding Sources under the categories Grant Funds, Program Income, and/or Applicant Share. After entering individual amounts, use the Tab key to extend lines and foot the columns. The grand total (extreme right hand box) of Funding Sources should equal Section A. line 2.e.

Next enter the amounts requested for each quarterly allotment (payment amounts for previous quarters) in Section B. "Forecasted Cash Needs." Each quarter's request should include portions of any of the 3 potential sources of funds categories listed in Section 1.

Use the Tab key to advance to the next quarter. Doing so will activate the calculator listed under "Difference" column that will show the remaining balance to be allocated over the remaining quarters. When all 4 quarters are completed the "Difference" column should show "0."

Note: For previous quarters, enter amount actually received.

When the Summary page is completed it must be in balance to be saved. Section 1 Funding Sources total must equal Section A. line 2. E and Section B line 6.

Once a budget revision is prepared, edited, summarized and saved, return to "Budget Cover Page" to submit. Submit by clicking "Submit Revised Budget" button on the lower portion of the screen. Budget Revision number and status will then display on the "Welcome" screen.

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| Chapter : 300 Administering the Grant Section: 306 Flexibility Policy | Sub-section(s): 306.0 – 306.7 |
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306.0

Flexibility Policy

ODH receives funds from both the Federal and the State of Ohio governments to offer grants relating to a variety of public health programs and organizations in Ohio. ODH administers each grant program based on the required federal, state and departmental rules and regulations. The Code of Federal Regulations, "Common Rule for Uniform Administrative Requirements for Grants and Cooperative Agreements" requires that subgrantees receiving federal funds at a minimum follow the associated federal rules and regulations. The Code also states that local (i.e. ODH) rules and regulations can be more restrictive but not less restrictive. ODH rules and regulations in some instances are more restrictive than federal requirements due to administrative program responsibilities imposed as the federal pass-through entity. Therefore, the GAPP manual governs ODH funds received by subgrantees.

Effective January 1, 2001, ODH instituted the **Subgrantee Flexibility Policy** for subgrantee agencies that have consistently followed federal, state and ODH rules and regulations. The Flexibility Policy reduced some of the administrative burdens associated with program budget revisions. Internally, the new policy will allow program and grant consultants to focus on providing technical assistance and increase on-site monitoring.

Agencies are determined eligible for budget revision flexibility through a collaborative review by the GAU, Program areas, Internal Audit Section, and the EEO Office.

Flexibility status is based on a calendar year period, January 1 through December 31 of the preceding calendar year. On an annual basis ODH reviews all active subgrantees eligible for consideration of flexibility status. ODH reserves the right to place restrictions on this policy based on federal and/or state mandates.

Subgrantees deemed non-compliant are notified of their non-compliant status and of the agency and/or program eligibility criteria that were not met. Technical assistance is available to assist such agencies to become compliant for the next annual review.

306.1

Eligibility Criteria

To be eligible for Flexibility, subgrantees must first meet the requirement of having active ODH grants for 18 consecutive months. Additionally, the subgrantees must satisfy both agency and program criteria.

306.2

Agency Eligibility Criteria

An agency must have met all of the following requirements for compliance **(no exceptions)**:

- 1) Assurances current. (Ref. Chapter 200, Section 201.5)
- 2) Current audit on file. (Ref. Chapter 100, Section 108)
- 3) EEO assurances met. (Ref. Chapter 100, Section 107)
- 4) Electronic funds transfer form on file. (Ref. Chapter 200, Section 201.5)
- 5) Evidence of non-profit status on file. (Ref. Chapter 200, Section 201.5)
- 6) Administrative compliance. (Ref. Chapter 500 Forms, Section 501.0)
- 7) All overpayments returned to ODH timely. (Ref. Chapter 400).

306.3

Program Eligibility Criteria

An agency must have satisfied all of the following compliance items for each program or subgrant **(no exceptions)**:

- 1) Satisfactory past program performance. (Ref. Chapter 300, Section 303.0)
- 2) Satisfactory filing of fiscal and program reports. (Ref. Chapter 300)
- 3) All special conditions satisfied. (Ref. Chapter 200, Section 203.1)
- 4) All aspects of each Request for Proposal (RFP) satisfactorily addressed.

306.4

Flexibility Procedures

Subgrantees demonstrating compliance in both areas, (the agency and program criteria) will be notified in writing and deemed eligible for flexibility for the calendar year for all of their ODH grants. The level of flexibility is based on the amount of ODH share of the total budget for the calendar year reviewed, as listed in Section 306.

Subgrantees that have flexibility status are authorized to move funds within their approved budgets, with less requirements for submission of budget revisions.

306.5

Programs with ODH Share of \$100,000 or Less

For programs with an ODH share of \$100,000 or less, expenditure of funds between categories does not require submission of a budget revision request unless any of the following occur:

- 1) Increase or decrease of grant amount;
- 2) Change in the program income or applicant share;
- 3) Change in requested quarterly allotments;
- 4) Addition of a new budget category; and,
- 5) Programmatic changes. A programmatic change may be required or defined by statute or rule. Subgrantees must obtain prior ODH approval whenever any of the following actions is anticipated:

- a) Any revision of program scope or objectives (as outlined in Goals & Objectives Section of the Request For Proposal); and,
- b) Changes in key positions.

306.6

Programs with ODH Share Over \$100,000

For programs with an ODH share of more than \$100,000, expenditure of funds between categories does not require submission of a budget revision request unless any of the following occur:

- 1) Increase or decrease of grant amount;
- 2) Change in the program income or applicant share;
- 3) Change in requested quarterly allotments;
- 4) Addition of a new budget category and changes;
- 5) Programmatic Change. A programmatic change may be required or defined by statute or rule. Subgrantees must obtain prior ODH approval whenever any of the following actions is anticipated:
 - a) Any revision of program scope or objectives (as outlined in Goals & Objectives Section of the Request For Proposal) ;
 - b) Changes in key positions;
- 6) Cumulative transfers among budget categories expected to exceed ten percent of the current total ODH approved budget (which includes, when relevant, applicant share and/or as program income).

Examples:

The following illustrations demonstrate allowable and unallowable cumulative transfers between categories.

Column B - the transfer of \$10,000 from personnel to equipment, on a total approved budget of \$110,000 is allowed.

Column C - the transfer of 14,000 from personnel to equipment, on a total approved budget of \$135,000 is not allowed.

| | A | B | C |
|--|---|---------------------|---------------------|
| ODH Share | | <i>\$110,000.00</i> | <i>\$110,000.00</i> |
| <i>Program Income</i> | | <i>\$0.00</i> | <i>\$12,500.00</i> |
| <i>Applicant Share</i> | | <i>\$0.00</i> | <i>\$12,500.00</i> |
| <i>Total Approved Budget</i> | | <i>\$110,000.00</i> | <i>\$135,000.00</i> |
| <i>Maximum Allowable Cumulative Transfer (up to 10%)</i> | | <i>\$11,000.00</i> | <i>\$13,500.00</i> |

306.7**All Subgrants Regardless of the Amount of ODH Share**

- 1) All contractual changes require the submittal of a new Confirmation of Contractual Agreement (CCA) form;
- 2) All quarterly and final line items expenditures must be allowable. If expenses are disallowed, funds must be returned and the organization may be classified as high-risk status which may also jeopardize future funding or flexibility status.