

Regulations of Connecticut State Agencies
TITLE 17a. Social & Human Services & Resources

Agency
Department of Social Services
Subject
Community Services Policy Manual for Title III Programs of the Older Americans Act
Inclusive Sections
§§ 17a-306-1—17a-306-45

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Community Services Policy Manual for Title III Programs of the Older Americans Act

Sec. 17a-306-1—17a-306-19. Transferred

Transferred to Sec. 17b-423-1—17b-423-19, October 7, 1997

Manual of Fiscal Policies for Title III Programs of the Older Americans Act

Sec. 17a-306-20. Introduction

This regulation adopts the manual of fiscal policies in accordance with provisions of Chapter 54 of the Connecticut General Statutes.

(a) The Connecticut Department on Aging's Manual of Fiscal Policies has been prepared, updated, adopted as policy, and distributed by the Department in accordance with the requirements of Section 17a-306 of the Connecticut General Statutes. The manual contains policy regulations and substantive procedures for the grant administration of Title III of the Older Americans Act of 1965, as amended. It provides policies and standards for use by the Connecticut Department on Aging and the area agencies on aging in the administration of grants under Title III of the Older Americans Act.

(b) The purpose of the Manual of Fiscal Policies is to provide detailed information on the administration of grants of the Connecticut Department on Aging and its grantor/contractor agencies. The Manual should assist and guide Connecticut's area agencies on aging in the application of various Federal and state laws and regulations to programs operated under Title III of the Older Americans Act.

(c) The manual constitutes all current fiscal policies and standards that have been developed by the Connecticut Department on Aging, unless otherwise noted, through the time of issuance.

(Effective November 8, 1991)

Sec. 17a-306-21. Definitions—as used in this manual

(a) "Administration on Aging (AoA)" means the Federal agency established in the Office of the Secretary, Department of Health and Human Services as part of the Office of Human Development, charged with the responsibility for administering the provisions of the Older Americans Act except for Title V.

(b) "American Institute of Certified Public Accountants (AICPA)" means that organization which establishes financial, accounting, and auditing procedures to which accountants must adhere.

(c) "Area Agency on Aging" means an agency designated by the department to develop and administer an area plan in a planning and service area.

(d) "Area Plan" means the official planning document submitted by all Area Agencies on Aging to the Department for approval, which identifies measurable objectives and action steps to achieve those objectives, as well as describing all other functions of the Area Agency.

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(e) “Code of Federal Regulations (CFR)” means the federal regulations promulgated to establish uniform requirements for the administration of the Older Americans Act.

(f) “Commissioner” means the Commissioner on Aging of the Administration on Aging.

(g) “Connecticut Aging Network” consists of those organizations or divisions of organizations which provide services for the elderly of Connecticut on a not for profit basis.

(h) “Department (SDA)” means the Department on Aging of the State of Connecticut.

(i) “Elderly Nutrition Project (ENP)” means an entity that is awarded a subgrant or contract from an area agency to provide nutrition services under the area plan.

(j) “Financial Accounting Standards Board (FASB)” means that board designated by the AICPA to have the power to set accounting standards which specify generally accepted accounting principals.

(k) “Grant” means an award of financial assistance in the form of money or property in lieu of money by a grantor to an eligible recipient.

(l) “Grantee” means the government, nonprofit corporation or other legal entity to which a grant is awarded and which is accountable to the grantor for the use of the funds provided. The grantee is the entire legal entity even if only a particular component of the entity is designated in the award document.

(m) “Grantor” means that agency, institution, or organization which is the awarding party with respect to a grant.

(n) “Job Training Partnership Act (JTPA)” means a federal labor program consisting of a public/private partnership between government and the private sector aimed to provide job training for economically disadvantaged persons seeking economic self sufficiency.

(o) “Management Information System (MIS)” means the state wide system of gathering statistical data on the delivery of social services to the elderly as presented by the State Plan.

(p) “Manual” means the Manual of Fiscal Policies for Title III Programs of the Older Americans Act.

(q) “Nonprofit” means that no part of the net earnings of the subject agency, institution, or organization passes, or may lawfully pass, directly or indirectly to the benefit of any corporate shareholder or private individual.

(r) “Older Americans Act (OAA)” means the Older Americans Act of 1965 as amended.

(s) “Recipient” means an organization receiving financial assistance to carry out a program.

(t) “Subgrantee” means the government, nonprofit corporation or other legal entity to which a subgrant is awarded and which is accountable to the grantee for the use of the funds provided. The subgrantee is the entire legal entity even if only a particular component of the entity is designated in the award document.

(u) “Subrecipient” means an organization receiving financial assistance, from a recipient, to carry out a program.

(v) “United States Department of Agriculture (USDA)” means a source of supplemental funding of elderly nutrition programs through commodities or cash.

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(w) “United States Office of Management and Budget (OMB)” means that federal executive organization which produces circulars of administrative guidance for federally funded grantees.

(Effective November 8, 1991)

Sec. 17a-306-22. Scope and organization

The general organization of the Manual of Fiscal Policies is as follows:

(a) **Section 17a-306-20 Introduction**—provides a description of the purpose of the Manual of Fiscal Policies.

(b) **Section 17a-306-21 Definitions**—provides a glossary of words and phrases found in this Manual of Fiscal Policies which require clarification and/or definition.

(c) **Section 17a-306-22 Scope and Organization**—provides a list and short description of the individual sections of the Manual of Fiscal Policies.

(d) **Section 17a-306-23 Principles and Standards for Financial Management and Accounting**—sets forth the standards and principles for the organization of an area agency on aging’s accounting and accounting system.

(e) **Section 17a-306-24 Program Management**—describes those policy statements contained in the overall Manual of Fiscal Policies pertaining to fiscal management, plus a clarification.

(f) **Section 17a-306-25 Conflict of Interest/Code of Conduct**—to protect all personnel and safeguard the assets of agencies in the Connecticut aging network, presents a code of conduct to serve as a guide for area agencies on aging to adopt for procurement matters.

(g) **Section 17a-306-26 Personnel Policies**—sets forth those fiscal related policies pertaining to personnel, fringe benefits and travel reimbursement.

(h) **Section 17a-306-27 Property Control**—presents rules over the definition, inventory and disposition of equipment, furnishings and property.

(i) **Section 17a-306-28 Procurement Practices and Contracting**—spells out the elements of a process for the competitive award of contracts and grants as well as the essential policies under such a process.

(j) **Section 17a-306-29 General Program Income**—sets forth the Connecticut Department on Aging’s fiscal policies on the definition, treatment and use of program income and interest earned.

(k) **Section 17a-306-30 Bank Balances and Check-Handling Procedures**—reviews the Connecticut Department on Aging’s rules on how to request, safeguard and handle cash to comply with the U.S. Government’s rules in Treasury Circular 1075.

(l) **Section 17a-306-31 Financial Reporting**—specifies the Connecticut Department on Aging’s rules on the kind of reports to be submitted and their due dates. The fiduciary responsibility of the report signer is precisely defined.

(m) **Section 17a-306-32 Substantiation of Costs and Allowable Costs**—integrates the various Office of Management and Budget (OMB) Circulars that describe the cost principles in the allowability, allocability and reasonableness of costs and credits.

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(n) **Section 17a-306-33 Cost Allocation Plan**—authorizes area agencies on aging to directly allocate their indirect cost and describes how to accomplish this.

(o) **Section 17a-306-34 In-Kind Costs**—presents a discussion on the types of allowable in-kind costs and how to account for them.

(p) **Section 17a-306-35 Line-Item Approvals**—sets forth the Connecticut Department on Aging’s rules on the control of expenditures against the approved budget.

(q) **Section 17a-306-36 Fiscal Assessment of Area Agencies on Aging and Subgrantees**—presents the role of the Connecticut Department on Aging and the responsibility of area agencies on aging in the fiscal assessment of area agencies on aging and their subgrantees.

(r) **Section 17a-306-37 Carry-Over Balance Policies**—describes the Connecticut Department on Aging’s requirements for reauthorization of carry-over balances and the timing of spending of prior year’s funds.

(s) **Section 17a-306-38 Audits**—presents the Connecticut Department on Aging’s policy to upgrade the quality of audits in the Connecticut aging network by implementing the Single Audit as outlined in OMB Circular A-128, or A-133.

(t) **Section 17a-306-39 Close-Out Procedures**—describes the right of the Connecticut Department on Aging to suspend, terminate or close out grants and the handling of all assets and records.

(u) **Section 17a-306-40 Miscellaneous**—covers those important topics of insurance, release of information and privacy-act applicability not covered elsewhere in the Manual of Fiscal Policies.

(v) **Section 17a-306-41 through 17a-306-44 Reserved**

(w) **Section 17a-306-45 Index**

(Effective November 8, 1991)

Sec. 17a-306-23. Principles and standards for financial management and accounting

The purpose of this section is to set forth the principles and standards for the organization of an area agency on aging’s accounting and accounting system.

(a) **Basis of Accounting**

(1) Each grantee and subgrantee shall report program outlays and program income on the modified accrual basis. Accordingly, expenditures are recorded when a liability is incurred (i.e., when an invoice has been received or the amount can be readily estimated), but revenue is not recorded until actually earned by or is available to the grantee or subgrantee. “Available” means that the revenue is both recognizable and collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

(2) If the grantee or subgrantee presently maintains its accounting system on the cash basis, it must develop the necessary accrual information through analysis of pertinent documentation on hand. Appropriate worksheet entries can be made to convert the books of account under the cash basis to financial statement presentation under the accrual basis.

(3) Unbilled receivables arise when revenues have been recorded but the amounts (or

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portions thereof) cannot yet be billed pending receipt of the final notice of grant award. Unbilled receivables can specifically occur in relation to year-end U.S. Department of Agriculture (USDA) funding where the cost has been incurred, but billing cannot occur until authority for such reimbursement has been granted. Because such sums have been incurred, collection is assured and the amount is estimable, grantees and subgrantees should treat such costs as an unbilled receivable, with a related credit to revenues in the year in which such costs were incurred.

(b) Authority to Expend Federal and State Funds

(1) By virtue of the Connecticut Department on Aging's approval of an area agency on aging area plan and its execution of a contract for the distribution of funds, area agencies on aging are thereby granted authority to obligate funds under the approved plan for eligible activities, for the period covered by their plans. This authority to obligate funds under their approved plans is only extended for allowable and allocable costs which are also reasonable and net of all applicable credits.

(2) Area agencies on aging are to refer to the Federal cost principles applicable to their organization to ascertain if there are any prior approvals required from their granting agency. There are also other prior approvals required by virtue of their award of a grant from the Department on Aging or required by specific program legislation or regulation. The following is a minimum, but not necessarily an inclusive, list of these prior approvals:

(A) Change in Scope. Changes in the scope or objectives of the grant-supported activities.

(B) Restriction on Award. Undertaking any activities that are disapproved or restricted as a condition of the award.

(C) Change of Grantee Institution/Successor in Interest/Recipient Institution Name Change. Grantees of the Connecticut Department on Aging shall notify the Connecticut Department on Aging in writing of any pending change of grantee institution, successor in interest, or institution name change. In a change of grantee or successor in interest situation, the Connecticut Department on Aging will exercise its prerogative to determine whether to continue funding the existing project(s) under the new entity.

(D) Transferring Substantive Responsibility for Management of the area plan. Transferring to a third party, by contracting or any other means, the actual performance of substantive responsibility for the management of the grant.

(E) Carry-over of Funds from One Budget Period to Another.

(F) Extensions of the Budget/Project Period With or Without Additional Funds.

(G) Capital Expenditures. Capital expenditures for land or buildings. Also, such property acquired with Connecticut Department on Aging grant support may not be conveyed, transferred, assigned, mortgaged, leased or in any other manner encumbered by the grantee, without prior written approval of the Connecticut Department on Aging.

(H) Equipment. General and special-purpose equipment exceeding \$500 per unit.

(I) Salaries. Any changes which either increase or decrease salaries and/or the salary account.

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(J) Preagreement Costs Incurred Prior to the Effective Date of Any Grant Award.

(K) Consultant Fees. When the consulting agreement (1) constitutes a transfer of substantive management or administrative work to a third party, (2) results in a contract for management services that requires Connecticut Department on Aging or the Federal grantor agency's prior approval, or (3) is required by program regulations or other award terms.

(L) Need for Additional Funds.

(M) Closely Related Work. When salaries and/or other activities are being supported by two or more grant sources, area agencies on aging may request authority to charge the cost to the Title III grant for which the costs are originally approved, or to another Department on Aging project, provided all of the following conditions are met:

- (i) The projects are programmatically related;
- (ii) The projects are under the direction of the same project director;
- (iii) There is no change in the scope of the individual grants involved;
- (iv) The relating of costs will not be detrimental to the conduct of work approved under each individual award;
- (v) The relatedness will not be used to circumvent terms and conditions of an individual award; and

(vi) Each funded project has the same completion date.

(N) Indemnification Against Third Parties.

(O) Transfer of Funds Between Construction and Nonconstruction.

(P) Travel Outside of the Continental United States.

(Q) Insurance. Contributions to a reserve fund for a self-insurance program and the cost of insurance on any U.S. Government-owned equipment requires prior approval.

(c) Cost Center Accountability

All costs for the operation of the area agency on aging approved in its annual plan shall be considered administrative and must adhere to the current federal limit.

In general, the following list of costs which are considered necessary for the overall administration of the agency shall be included in this category:

(1) The personnel expenses of administrative secretarial staff, the agency director, and fiscal and planning staff to the extent they are involved in activities of a general nature related to the overall operation of the area agency on aging. Such activities include personnel management or supervision by administrative staff that is not traceable to any specific service.

(2) Staff time devoted to planning activities, which are of a general nature and not assignable or allocable to a service such as: preparing testimony, addressing public hearings, conducting public hearings, overall agency program performance reviews and analysis of program effectiveness, and revision of agency objectives and plans as necessary.

(3) Staff time assigned to coordination activities (which may include joint planning with other agencies), assisting in the development of other agency programs to better serve the elderly; involvement in jointly funded activities and information sharing.

(4) Staff time spent in researching and acquiring other resources to be used for the

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development and expansion of services provided through the area plan.

(5) Providing travel expenses, meal allowances, etc., necessary to support Advisory Council activities.

(6) Staff travel expenses for personnel activities charged to the area agency on aging administration cost center.

(7) General agency personnel management and record keeping related to employee benefits, as well as developing and implementing agency personnel policies and such activities as staff orientation and training of a general nature.

(8) Financial management of the entire agency operation such as maintaining necessary journals, ledgers and accounts, making requisite bank deposits and withdrawals, invoicing and payment processing, payroll administration and preparing periodic financial reports that encompass the overall agency financial status.

(9) Activities involved in providing advocacy for older adults.

(10) Costs of office furniture, supplies, and equipment designated specifically for the administrative staff.

(11) Payments for the agency's annual audit.

(12) The costs of general liability insurance, fidelity bonds, etc.

(d) Chart of Accounts

Provided that area agencies on aging are able to comply with the nine standards for financial management systems in Attachment F of OMB Circular A-110, and the financial management standards contained in Title 45 Code of Federal Regulations Subpart 74.61, area agencies on aging shall adopt their own account structure based on their own external and internal reporting requirements.

(e) Elements of an Acceptable Financial Management System

(1) Title 45 Code of Federal Regulations Subpart 74.61 (b) requires that grantees or subgrantees have records that identify adequately the source and application of funds for grant or subgrant-supported activities. At a minimum, these records shall contain information pertaining to grant or subgrant awards, authorizations, obligations, unobligated balances, assets, outlays, income, and if the recipient is a government, liability.

(2) Special grant conditions may be more restrictive than those prescribed in Title 45 Code of Federal Regulations Part 74 imposed by the Connecticut Department on Aging on its subrecipients as needed when the Connecticut Department on Aging has determined its grantee:

(A) Is financially unstable.

(B) Has a history of poor performance, or

(C) Has a management system which does not meet the standards of Part 74.

(3) For the purpose of determining the adequacy of a subrecipient's financial management system, the Connecticut Department on Aging shall consider the following records maintained on a current basis to be minimum:

(A) General Journal,

(B) General Ledger,

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- (C) Separate or combined Cash Receipts and Disbursements Journal or Voucher Register,
- (D) Payroll Register (if the agency has more than 10 employees),
- (E) Fixed Assets Register for all owned and leased property and equipment,
- (F) In-Kind Journal/Worksheets,
- (G) Project Cost Control Subsidiary Ledger/Worksheets, and
- (H) Bank statements reconciled within 15 working days of receipt.

(4) Grantees of the Connecticut Department on Aging may substitute the equivalent kind of records for those specified in C. above provided the substitute records meet the function for which those records have been required.

(f) Separate Fund for Equipment, Fixtures and Property

(1) Fixed assets should be recorded in a self-balancing group of accounts separate and distinct from the regular General Ledger accounts.

(2) To be classified as a fixed asset, a specific piece of property must possess three attributes: (1) tangible nature, (2) a useful life of two years or more, and (3) a value of \$500 or more.

(3) All fixed assets acquired, either by purchase from the Connecticut Department on Aging or local funding or donated to the area agency on aging, should be immediately recorded in the Fixed Assets Account Group. Purchased fixed assets are valued at cost. Donated fixed assets are recorded at their estimated fair value at the time received by the agency.

(4) Balance in the separate Fixed Assets Account Group is provided by the various asset accounts with their debit balances, offset by equity accounts with credit balances that show by their respective titles the sources from which the assets were acquired.

An example of the Fixed Assets Account Group is as follows:

Asset Accounts

Land

Buildings

Equipment

Equity Accounts

Investment in Fixed Assets—Federal

Investment in Fixed Assets—State

Investment in Fixed Assets—Local

(g) Area Agency on Aging Budgeting System

Area agencies on aging shall establish and maintain a budgeting system that compares the actual and budgeted amounts for each grant or subgrant. Periodically, but no less frequently than quarterly, the system shall be updated with actual cost experience versus originally estimated costs. This system shall also be able to forecast costs to the completion of the grant period.

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(h) Accounting Standards

Grantees and subgrantees of the Connecticut Department on Aging shall observe the standards contained in this part.

(1) Capitalization of Equipment

All tangible personal property with a useful life of more than two years and a unit acquisition cost of \$500 or more shall be capitalized and depreciated over its useful life using the straight-line method of depreciation. All capitalized assets shall be maintained in the special fixed assets account group and are not to be included as an operating expense.

(2) Title to Acquired Equipment or Property

Title to all equipment with a unit acquisition cost of \$1,000 or more and property acquired as a direct cost with funds granted by the Connecticut Department on Aging shall vest with the Grantee. Provided, however, that such property shall not be transferred or otherwise disposed of without the prior approval of the Connecticut Department on Aging. Upon termination of such a grant, the grantee may arrange to retain such equipment or property by paying a fair and reasonable price therefor, or retain custody of such equipment or property, with the approval of the Department on Aging if service will be continued with other funding to older Americans. In all other circumstances such property as remains shall be transferred to the Department on Aging unless said department waives its interest therein, in writing.

(3) Accounting for Paid Absences

To be in conformance with generally accepted accounting principles, in general, and specifically Financial Accounting Standards Board Statement No. 43, the Connecticut Department on Aging requires the accrual method of recognition of entitlement for vacation, holidays and illness in the year earned, not the year when the entitlement was granted or in the year when it is actually taken. This entitlement, if authorized through approved agency personnel policies, shall not exceed a maximum accrual of 30 vacation days and 30 nonvested sick days. This unfunded contingent liability shall be reported in a note to the financial statements of the independent auditor's report. Grantee's or subgrantee's accrued liability should take into consideration probationary employee's entitlement to benefits and any material projected forfeiture of vacation time.

(A) Upon termination of a Fair Labor Standards Act-exempt employee, the Connecticut Department on Aging will not recognize or authorize payment for any accumulated but untaken compensatory time. This applies to both actual payment for earned, but unused compensatory time and to time taken off in lieu of paying for accumulated compensatory time.

(4) Self Insurance

(A) Authorization for self insurance is limited to the deductible amount of insurance policy coverage. Such deductible should be limited to an amount which would not cause undue hardship in the current administrative budget.

(B) There are three possible methods of computing self insurance costs.

(i) Compute "projected average loss" based on the cost or comparable cost of purchased

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insurance based on competitive quotes,

(ii) Compute a “projected average loss” based on data reflecting the grantee’s or subgrantee’s experience and anticipated conditions in accordance with actuarial principles, or

(iii) Compute a self-insurance charge based on the actual amount of losses during an accounting period.

Methods (i) and (ii) are preferred for computing “projected average loss.”

(5) Consistency of Costing Practices

A grantee or subgrantee’s practices used in estimating costs in preparing its grant applications should be consistent with its accounting practices used in accumulating and reporting costs.

(6) Allocation of Indirect Costs

A grantee or subgrantee of the Connecticut Department on Aging shall have a written statement of accounting policies and practices for allocating costs to various programs, which shall be consistently applied. Costs should be allocated to cost objectives in reasonable proportion to the beneficial or casual relationships of the pooled costs to cost objectives.

(7) Unallowable Costs

Costs expressly unallowable or mutually agreed to be unallowable, including costs mutually agreed to be unallowable directly associated costs, shall be identified in separate accounts and excluded from a billing, claim or grant applicable to a grant, or contract with the Connecticut Department on Aging.

(8) Treatment of Any Deferred Compensation

The cost of deferred compensation shall be assigned to the cost accounting period in which the grantee or subgrantee incurs an obligation to compensate the employee. In the event no obligation is incurred prior to payment, the cost of deferred compensation shall be the amount paid and shall be assigned to the cost accounting period in which the payment is paid. The measurement of the amount of the cost of deferred compensation should be the present value of the future benefits to be paid by the grantee or subgrantee.

(9) Leases

(A) Grantees and subgrantees of the Connecticut Department on Aging shall observe rules regarding an operating lease vs. a capital lease, contained in Financial Accounting Standards Board Statement (FASB) No. 13. If, according to FASB 13, it is determined that a capital lease exists, a share of such lease payment will be capitalized and amortized over the life of the lease or the useful life of the asset, whichever is longer.

(B) In the case of long-term leases, the portion of any lease payments that represents the finance costs under an alternate acquisition shall be treated as an unallowable cost.

(C) The maximum amount of cost recovery on a lease with an affiliated division or subsidiary shall be the amount allowed had the grantee retained title. Thus, the cost of depreciation by the straight-line method, taxes, insurance and maintenance, excluding interest, are allowable.

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(10) Credits

To the extent that credits accruing or received by the grantee or subgrantee of the Connecticut Department on Aging relate to allowable costs, they should be credited to the Connecticut Department on Aging as a cash refund. Credits will apply to the year in which the underlying cost occurred rather than in the year of credit receipt. In the case of credits of an immaterial amount, credits may be offset against the current year's costs.

(i) **Control of Inter-Fund Cost Transfers**

For all transfers of cost or program income from one program or fund to another, made on other than a contemporaneous basis, the area agency on aging will:

(1) Have available in its accounting records an appropriate written justification statement for any cost or program income transfer.

(2) Reflect the adjustment in its General Journal. All corrections are to be made by cross-out and new entry, with no erasures or whiteouts.

(j) **Use of Title III-C Funds Until USDA Reimbursement**

Title III-C of the Older Americans Act funds shall be used first in reimbursement for the cost of nutrition services. Nutrition funding from USDA should be used to reimburse Title III-C at the allotted annual rate. Even though funding from USDA has been late to reimburse elderly nutrition providers for the cost of these meals, it is the expectation of the Connecticut Department on Aging that elderly nutrition providers should provide the meals and use Title III-C funds until USDA reimbursement is obtained. Until a notice of grant award for USDA's share of the meal cost has been obtained, elderly nutrition providers shall treat those costs as unbilled receivables. Refer to Policy Statement 17a-306-23 (a) (3) for the purpose and nature of unbilled receivables.

(k) **Sound Internal Control Structure**

(1) Title 45 Code of Federal Regulations Subpart 74.61 (c) requires grantees and subgrantees to maintain effective control and accountability for all grant or sub-grantee cash, real and personal property covered by Subpart O of Part 74, and all other assets.

(2) Typically, grantees and subgrantees would normally observe the following, general internal control measures:

(A) No one person has complete authority over an entire financial transaction.

(B) Maintain a policy manual covering

(i) approval authority for financial transactions

(ii) guidelines for controlling expenditures, such as purchasing requirements and travel authorizations.

(C) Record all cash receipts or participant contributions immediately.

(D) Use special safeguards for cash collections, including: two-person count of receipts; receipts are kept in a locked box, safe or other secure location until deposited; deposit slips compared with receipts; employees handling cash be bonded.

(E) Deposit all cash receipts or participant contributions intact daily.

(F) Make all payments by serially numbered checks.

(G) All checks issued by an area agency on aging shall be signed by two authorized

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officials, each of whom is independent of control of the other person.

(H) Use an imprest petty cash fund entrusted to a single custodian for all payments other than by check to be reimbursed no less frequently than monthly.

(I) Reconcile bank accounts monthly and retain copies of the reconciliations in the files.

(J) Use serially numbered revenue invoices, purchase orders and receiving reports.

(K) Issue checks to vendors only in payment of approved invoices that have been matched with purchase orders and receiving reports.

(L) Balance subsidiary ledgers for grant accounts with actual accounts no less frequently than monthly.

(M) Prepare trial balances monthly for submission of invoices and in sufficient detail to disclose significant variations in any category of revenue or expenses.

(3) Because of their relatively small size and the limit imposed by the administrative cost cap, area agencies on aging shall also adopt the following internal controls:

(A) All checks, irrespective of their dollar amount, will bear two signatures, one of which can be the Director's. No mechanical signatures will be accepted. Any cosigners must be organizationally independent of the Director.

(B) The Director of the area agency on aging will oversee and control all cash collections by regularly reviewing all cash counts used in intact deposits.

(C) The Director of the area agency on aging will closely examine and sign all financial reports furnished to the Connecticut Department on Aging.

(D) The Director of the area agency on aging will closely examine and initial all general journal entries.

(E) Someone other than the person who prepares the check or signs and cosigns the checks will reconcile the agency's bank statements, either on an ongoing basis or on a rotating basis. The bank statement will be delivered to this person unopened. In completing the reconciliation of the bank statement, the name of the payee and the endorsement on all checks will be compared with that in the check register or cash disbursements journal. The reconciliation will be completed within 15 days of receipt. The Director of the area agency on aging will review and initial each bank statement reconciliation. The reconciled bank statement will be maintained on file for a period of three years or until audited, but in any case a minimum of three (3) years.

(F) The area agency on aging will prepare a trial balance that balances within 15 days of month end. For the last month of the fiscal year, the trial balance will be completed within 45 days of year end.

(G) All checks made payable to the Director of the area agency on aging will be cosigned by a person above the level of the Director.

(H) Under no circumstances will the Director of the area agency on aging maintain any of, or make any entries in, the books of original entry.

(I) Liquidation of Obligation:

(1) Grantees and subgrantees of the Connecticut Department on Aging shall liquidate all obligations incurred under the Older Americans Act within 90 days of the end of the

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grant period. The Connecticut Department on Aging will consider written requests for waivers from this rule in the case of accrual accounting for compensated personal absences, for the annual audit fee or for contracts involving construction or renovation.

(2) For state-appropriated funds, the liquidation period for obligations shall be 30 days after the grant period.

(m) Area Agency on Aging Fiscal Manual

Area agencies on aging will prepare a complete, accurate and current set of written fiscal policies to be maintained in the form of an officially adopted manual. This manual will cover the area agency's own fiscal policies and those applicable to their subgrantees. This manual should be modeled after the Connecticut Department on Aging's Manual of Fiscal Policies and be completed within one year of adoption of this rule. As a minimum, this area agency on aging fiscal manual should provide for a description of each of the following accounting applications and the internal controls in place to safeguard the agency's assets for billings, receivables, cash receipts, purchasing, accounts payable, cash disbursements, payroll, inventory control, property and equipment, and general ledger. Each of the agency's fiscal activities for revenue/receipts disbursements and financial reporting should also be described.

(Effective November 8, 1991)

Sec. 17a-306-24. Program management

The purpose of this section is to describe those policy statements contained in the overall Manual of Fiscal Policies pertaining to fiscal management, and to present a few fiscal standards requiring clarification.

(a) Use of Other Federal Funds for Match

For the local match portion, area agencies on aging may use certain other Federal funding sources as authorized match. Such other Federal funds as general revenue sharing funds, and Legal Services Corporation funding may be used in this manner.

(b) Program Development and Coordination

(1) In general, the Connecticut Department on Aging will not fund program development and coordination activities as a cost of supportive services, until it has first spent the federally approved level for Area Agency administration. In addition, Area Agencies shall utilize all state funds provided for Area Agency administration prior to applying for any program development and coordination funds. Moreover, the Connecticut Department on Aging and its area agencies on aging will, consistent with their budgeting cycles, submit the details of their proposals to pay for program development and coordination as a cost of supportive services to the general public for review and comment.

(2) Program development is defined as those activities which entail the planning and development of services that actually result in implementation of a new service approach or new program. Coordination entails those series of discussions and meetings with other agencies or groups which achieves the acceptance of any new service approaches or new programs. Activities that lead toward, but do not actually result in, new service approaches

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or programs should be considered area plan administration.

(Effective November 8, 1991)

Sec. 17a-306-25. Conflict of interest/code of conduct

To protect all personnel and safeguard the assets of agencies in the Connecticut aging network, this section presents a code of conduct to serve as a guide for area agencies on aging to adopt for procurement matters.

(a) Code of Conduct for Procurement Matters

Area agencies on aging shall adopt a written code of conduct that is no less stringent than the following:

“No employee, officer, member of the Board of Directors or agent of the area agency on aging shall participate in selection or in the award or administration of a contract or competitively awarded grant supported by Federal funds if a conflict of interest, real or apparent, would be involved. Such a conflict would arise when: an employee, officer, member of the Board of Directors, or agent; any member of his or her immediate family, his or her partner, or an organization that employs, or is about to employ, any of the above, has a financial or other interest in the organization selected for award.

The area agency on aging’s officers, employees, members of the Board of Directors or agents shall neither solicit nor accept gratuities, favors or anything of monetary value from contractors or potential contractors, grantees or potential grantees, or parties to subagreements. Area agencies on aging may set minimum rules where the financial interest is not substantial or the gift is an unsolicited item of nominal intrinsic value, provided such level is not above \$25.00. To the extent permitted by State or local law or regulations, such standards of conduct shall provide for penalties, sanctions or other disciplinary actions for violation of such standards by the area agency on aging’s officers, members of the Board of Directors, employees or agents, or by contractors or grantees or their agents.”

(Effective November 8, 1991)

Sec. 17a-306-26. Personnel policies

This section sets forth those fiscal-related policies pertaining to personnel, fringe benefits and travel reimbursement.

(a) Clearance of Key Area Agency on Aging Personnel

The Board of Directors of the area agency on aging shall have the authority to hire and otherwise supervise the activities of the area agency on aging Executive Director. Any replacements to an area agency on aging Executive Director vacancy shall be hired using a job description developed in conjunction with the Connecticut Department on Aging.

(b) Biennial Survey of Salaries of Certain Employees

Once every two years, the area agency on aging shall conduct, have conducted or obtain data from a survey of the comparability of Fair Labor Standards Act exempt position holders in the local labor market. This survey data should be obtained from comparable human service organizations, with the approximate same number of employees and funding level

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in the local geographic area. This survey should especially seek to obtain salary data from counterpart human service organizations such as the welfare agency, community action agency, JTPA-funded agency, local health and welfare agency, etc. The results of this salary survey should be used in periodically adjusting the agency's salaries and be maintained on file.

(c) Area Agency on Aging Compliance with the Federal Hatch Act

5 U.S.C. 1501-1508 relates to prohibitions on state or local government employees from influencing elections and taking part in political campaigns. Nonpartisan candidates and persons who exercise no functions in connection with the activity as well as individuals employed by an educational or research institute are exempt. As nonprofit organizations, area agency employees are also exempt from the Hatch Act.

(d) Taking Security Deposits and Making Payments on Behalf of Clients

Unless an area agency on aging has an approved program for such purposes and any such security deposits and payments are explicitly covered under the agency's fidelity bond coverage, all officers, employees, volunteers and agents shall be precluded from taking security deposits or from making payments on behalf of participants of programs funded under the Older Americans Act. In situations where such programs are provided for and explicitly covered under the agency's fidelity bond coverage, adequate safeguards shall be set in place and periodically policed.

(e) Reimbursement for Overtime Premium for Professionals

For Fair Labor Standards Act-exempt personnel, nothing higher than straight time at the regular rate of pay in the form of pay or compensatory time in lieu of pay shall be paid for overtime. For nonexempt personnel, a premium of 50% of the regular rate of pay shall be paid with the prior approval of the Connecticut Department on Aging with the exception of emergencies. In cases where approval cannot be obtained, an area agency on aging must use its own funds to cover such extra costs.

(f) Area Agency on Aging Out-of State Travel

Provided the costs for out-of-state travel are taken from the travel line item of the area agency on aging budget, area agencies on aging are not required to obtain prior approval from the Connecticut Department on Aging. In situations where funding is budgeted in other than the "travel" line item, it will be necessary to obtain prior written approval for out-of-state travel.

(g) Ceilings on Per Diem Rates for Travel in Continental United States

Area agencies on aging shall adopt uniform travel regulations adhering to reimbursement for expenses incurred on authorized agency travel not to exceed the daily reimbursement rate established for comparable personnel employed by the State of Connecticut.

(h) Support for Labor Distribution

(1) Charges to awards for salaries and wages, whether treated as direct costs or indirect costs, will be based on documented payrolls approved by a responsible supervisory official of the area agency on aging. The distribution of time worked must be supported by personnel activity reports.

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(2) Labor distribution reports should be prepared and controlled according to the following minimum standards:

(A) Employees, including subcontracted employees, performing in-house work are responsible for preparing their own timecards/timesheets.

(i) Employees must be provided clear instructions of the work to be performed and the grant to be charged.

(ii) Timecards/timesheets must be prepared in ink.

(iii) Timecards/timesheets must be filled out as work is performed, but no less often than daily.

(iv) All hours worked must be recorded on the timecards/timesheets.

(B) Timecards/timesheets must be signed by employees and the supervisor only after they are filled out.

(C) Corrections are to be made by cross-out and new entry, with no erasures or whiteouts.

(i) Corrections are to be initialed by the employee and supervisor.

(ii) An explanation must be provided for corrections.

(D) Distribution and collection of timecards and/or timesheets must be controlled.

(i) Only one card is to be prepared per employee per period.

(ii) Timecards/timesheets must be turned in to a designated timekeeping office or collected by an authorized person.

(E) Responsibility for distribution and collection of timecards/timesheets should be segregated from that for:

(i) Preparation and approval of time and attendance records.

(ii) Preparation and distribution of the payroll.

(iii) Monitoring performance to budgets.

(F) New employees must be fully indoctrinated on proper timecard/timesheet procedures. Employees must be made aware of their independent responsibility for accurate timecard/timesheet preparation.

(G) Periodic internal reviews are to be performed of the timekeeping system to assure compliance with system controls.

(H) Overtime hours are to be approved in advance and justification provided.

(I) A list of supervisors authorized to approve timecards/timesheets is to be maintained along with signature cards kept on file by the timekeeping office.

(i) Reasonable Fringe Benefit Elements

Individual fringe benefits elements are considered allowable provided that total compensation is reasonable for the service rendered. Besides those fringe benefits (i.e., Old-Age, Survivors, Disability and Health Insurance (OASDHI), unemployment compensation and workers' compensation), which employers in the State of Connecticut must maintain, the cost of pensions, medical care, term life insurance premiums, paid sick leave, vacation and holidays will be considered allowable, if reasonable in amount. Any other proposed fringe benefit must be submitted to the Connecticut Department on Aging for review and approval.

(j) Up-to-Date Job Description for all Title III-Funded Positions

For all paid and volunteer positions funded by Title III of the Older Americans Act, the area agency on aging shall maintain an up to date and complete job description. This job description should cover the scope of each position-holder's duties and responsibilities and minimum entry-level standards of performance. These job descriptions should be updated as job content changes or for any reorganization of duties or jobs.

(Effective November 8, 1991)

Sec. 17a-306-27. Property control

This section presents rules for the definition, inventory and disposition of equipment, furnishings and property.

(a) Title to Equipment Acquired with Connecticut Department on Aging Funds

(1) For all nonexpendable, tangible personal property having a useful life of more than two years and an original acquisition cost of \$500 or more per unit, and acquired with funds granted by the Connecticut Department on Aging, the area agency on aging should capitalize this equipment and depreciate it using the straight-line method over its useful life. The area agency on aging will also maintain an up-to-date listing of all such equipment and make it available to representatives of the Connecticut Department on Aging upon request.

(2) Area agencies on aging should maintain information on their subgrantees of all equipment acquired with funds granted by the Connecticut Department on Aging. This subgrantee information may be in the form of the original equipment purchase lists, periodic inventories or data maintained in a separate manual or automated database.

(b) Inventorying Acquired Equipment

Area agencies shall conduct or have conducted on an annual basis an inventory of all equipment acquired with funds granted by the Connecticut Department on Aging. Refer to Section 17a-306-25 (a) for the definition of all covered equipment.

(c) Title or Lien-Interest to Equipment or Property with Older Americans Act Funding

(1) Title to all equipment or property reimbursed as a direct cost under the Older Americans Act shall vest upon acquisition in the grantee or subgrantee respectively, without consideration as to whether the payment was from an advance of funds or a reimbursement of funds.

(2) In the case of equipment or property purchased on a fixed price or fixed unit rate contract awarded by an area agency on aging, a lien-interest shall be placed on such equipment or property until the contractor fulfills all terms and conditions of the award. Area agencies on aging shall incorporate such a provision in their standard terms and conditions for fixed-price or fixed-unit-rate contracts.

(d) Transferred Equipment or Property

Custody of equipment or property originally acquired with Older Americans Act funds may be transferred at program closeout with prior approval from the Connecticut Department on Aging in instances where the operation of the program serving older

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Americans will be continued by the original or another agency with its own funds. When custody over such equipment or property is transferred, from one grantee to another, title to such equipment or property will reside with the transferee. In all circumstances where equipment or property are authorized to be maintained by a program, the title holding agency will be required to report annually on the status and condition of such equipment or property to the Area Agency on Aging.

(e) Control of USDA Commodities

To prevent unauthorized diversion, all elderly nutrition projects obtaining commodities from USDA shall conduct a periodic inventory of all USDA commodities and maintain a perpetual inventory system over such commodities.

(f) Purchase of Automated Data Processing Equipment

Prior approval for the purchase, rental-purchase agreement or other transfer of title method of purchase of any automated data processing (ADP) equipment, including the purchase of computer software, with a unit acquisition cost of \$500 or over with funding under the Older Americans Act must be obtained through the AOA Regional Office. Prior Federal approval is not applicable for the purchase of ADP services. All such requests for approval must first be forwarded to the Connecticut Department on Aging, which will submit them, in turn, to the AOA Regional Office.

(g) Auditor Review of Agency Inventory

In the course of the annual audit, the independent public accountant retained by the area agency on aging shall make provision in its audit procedures for test-checking the agency's inventory of transferred, acquired or leased equipment and property using Title III of the Older Americans Act funds.

(h) Treatment of Equipment and Property Acquired with Title III Older Americans Act Funding

(1) Title to all equipment as defined in Section 17a-306-25 (a) and property acquired with Title III of the Older Americans Act funds automatically vests with the grantee or subgrantee. Grantees and subgrantees must make suitable provision for transferring custody of such equipment or property to a successor grantee or the Area Agency on Aging.

(2) In those instances where a grantee or subgrantee of the Connecticut Department on Aging continues to operate a program for older Americans with funding other than from the Connecticut Department on Aging, it may request in writing, soon after closeout or termination of any award, that custody, and title, to such equipment or property shall be maintained. It is the prerogative of the Connecticut Department on Aging to grant such requests. If granted, the grantee or subgrantee of the Connecticut Department on Aging would still be expected to maintain sufficient control and care over such equipment or property, until returned to the Connecticut Department on Aging, and to report annually in writing the custody of such equipment or property to the Area Agency on Aging.

(3) Area agencies on aging shall include in any grant or contractual agreements with their subrecipients provision for notice to the Connecticut Department on Aging through the Area Agency on Aging concerning proposed disposition of equipment or property

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acquired with Title III of the Older Americans Act funds, and of their grant recipient responsibility to return such equipment or property promptly upon grant/contract closeout or termination.

(Effective November 8, 1991)

Sec. 17a-306-28. Procurement practices and contracting

This section spells out the elements of a process for the competitive award of contracts and grants, as well as the essential policies under such a process.

A fundamental tenet of sound procurement practice is the guarantee of open and free competition. In general, all purchases of goods and services shall be based, where possible and practical, on competitive bids. Evidence of competition, or documentation of the reasons for a lack of competition, shall be maintained in the procurement and contracting records of the agency.

(a) Threshold for Competition

(1) As stated in Section 17a-306-28 (c), free and open competition should prevail in all awards—grant or contract—of over \$5,000.

(2) Even when a small-purchase arrangement or a purchase order will be employed for purchases of \$5,000 or less, competition among potential bidders or proposers should be sought to the maximum extent feasible. This can be achieved by telephone bids/quotes with written confirmation by the lowest, qualified bidder or by obtaining documented bids/quotes from all bidders/proposers.

(3) For minor, recurring purchases of under \$100, grantees and subgrantees of the Connecticut Department on Aging should periodically test the comparability of alternative vendors' prices.

(b) Grant Awards to Area Agencies on Aging

The Connecticut Department on Aging is authorized under Section 309 (a) of the Older Americans Act to award grants or contracts, or a combination of both, to a designated area agency on aging to administer programs under an approved area plan. The Connecticut Department on Aging has determined that the contract mechanism is the appropriate vehicle for making awards to area agencies on aging in furtherance of its purpose under its approved area plan.

(c) Use of Contracts and Grants by Area Agencies on Aging

(1) Area agencies on aging are authorized to award grants or contracts, or a combination of both, to further the goals under its approved area plan. As covered by Section 17a-306-28 (a), all grant or contract awards above \$5,000 shall be competitively awarded.

(2) The Federal Grant and Cooperative Agreement Act of 1977, as amended, should be consulted for guidance on when to award a grant or financial assistance award versus those instances where a contract or a procurement action would be preferable. In general, under a financial assistance award, its purpose is to advance the capacity or interests of the recipient, not the granting agency; the awarding agency does not direct work or approve deliverables; the granting agency acts as a resource and provides advice and guidance to

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the recipient. Under grants, cost to the awarding party is not a controlling evaluation factor, provided total cost is within an acceptable range. Procurement actions are always entered into to meet an awarding party's need for a particular product or service and such agreements establish mutual rights and obligations of the awarding party as buyer and the contractor as the seller. Cost under contracts is usually the controlling factor in determining the successful bidder.

(3) To the extent practical, area agencies on aging should preclude mixing cost-reimbursement and fixed-price or fixed rate awards to the same provider for the same or similar service.

(d) Prior Approval of all Noncompetitive Grant or Contract Awards

(1) All subgrant and contract awards exceeding \$5,000 must be competitively awarded unless the area agency on aging obtains prior written approval from the Connecticut Department on Aging.

(2) All proposed sole-source contracts or where only one bid or proposal is received in which the aggregate expenditure is expected to exceed \$5,000 shall be subject to prior approval of the Connecticut Department on Aging.

(e) Authorized Types of Contracts and Solicitation Methods

(1) Area agencies on aging may award grants and/or contracts for the provision of services under Title III of the Older American Act. Irrespective of the type of contract awarded, area agencies on aging shall provide, to the maximum extent practical, open and free competition. Area agencies on aging may use fixed-price contracts, cost-reimbursement contracts, purchase orders or incentive contracts, or a combination of each, based on a determination by the area agency on aging of the contract type most appropriate for the procurement and for promoting the best interests of the program involved.

(2) In soliciting interest from potential contractors, area agencies on aging may use an invitation for bid (IFB), a request for proposal (RFP), or a request for quotation (RFQ). Under an invitation for bid, it is anticipated that the area agency on aging has a precise specification of the product or service to be rendered, does not intend to engage in discussion with potential bidders before the award, contemplates a fixed price contract and will make the award to the "lowest qualified bidder."

(3) Under an RFP, the area agency on aging may make a fixed price or a cost reimbursement award, intends to engage in negotiations or discussions with potential proposers, has a precise set of criteria of which price is secondary to technical factors and the specifications to which the proposer will be required to adhere are not that precise or specific.

(4) Under certain circumstances, an area agency on aging may request potential contractors to respond to an RFQ. Under an RFQ, the area agency on aging would not only want to know the proposer's price, but how the proposer intends to conduct the project and the staffing the proposer intends using. Unlike an IFB, the award would be based on technical factors, but price would still be uppermost in the award decision. Unlike an RFP, the technical factors for award are not as numerous or important.

(f) Restriction on Purchase or Order-Splitting

In attempting to circumvent the thresholds for required competition and advertising of bids or proposals, area agencies on aging shall not resort to breaking an entire product or service into its component parts and securing each through other-than-competitive means. The product or service should be bought “whole.”

(g) Connecticut Department on Aging Approval of Contracts with For-Profit Organizations

Section 212 of the Older Americans Act requires the approval of the Connecticut Department on Aging prior to entering into agreements with for-profit or commercial organizations. This statutory requirement does not apply to contracts with private or public non profit agencies or organizations.

(h) Cost Principles for Commercial Organizations

In the case of all negotiated contracts, awarding organizations are required to perform some form of cost analysis. In order to perform this analysis, as well as provide some guidance to commercial organizations on the appropriate cost principles, area agencies shall incorporate in all solicitations for negotiated contracts with commercial organizations the applicable cost principles: OMB Circular A-122 for nonprofit organizations, OMB Circular A-21 for educational institutions.

(i) Allowability of Profit on Contracts

On contracts, profit as well as loss may be earned in addition to incurring direct and indirect costs. For a cost-reimbursement contract, in order to charge for such a profit, it must have been originally bid. Nothing precludes a nonprofit as well as a for-profit organization from earning a profit on a contract.

(j) Reasonableness of Contractor Profit

The level of profit to be earned by a contractor shall be determined by the area agency on aging and depend on a contract-by-contract negotiation.

(k) Cost or Price Analysis of All Contract Awards

(1) Some form of price or cost analysis should be made in connection with every contract. Price analysis may be accomplished in various ways, including the comparison of price quotations submitted, market prices and similar indices, together with discounts. Cost analysis is the review and evaluation of each element of cost to determine reasonableness, allocability and allowability.

(2) Support for all price or cost analyses conducted for contracts of over \$10,000 should be retained in the contract file for a period of three years from final contract payment, or until audited.

(l) Performance Based Contracting by Area Agencies on Aging

Guidance from the Administration on Aging provides that area agencies on aging should model performance-based payment systems for use in managing Title III funds awarded to local service providers.

(m) Use of Contract Reporting Elements Other Than in Statewide Management Information System (MIS)

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(1) Area agencies on aging and all grantees and contractors under all Title III programs are required to participate in the Statewide MIS unless a waiver is received from the Connecticut Department on Aging.

(2) When performance-based contracting is used, area agencies on aging shall reimburse contractors based on reconciled MIS statistics.

(3) Area agencies on aging, grantees and contractors may request a waiver from the requirement to conform to the MIS statistics when the service cannot be accurately measured by the MIS or the cost of collecting a statistic would far outweigh the benefit from collecting the data. Prior approval must be obtained from the Connecticut Department on Aging for any exception to Statewide MIS reporting or use of reconciled MIS results to reimburse contractors.

(n) Unauthorized Awards to Debarred, Suspended or High-Risk Grantees or Contractors

(1) Area agencies on aging will make awards only to responsible grantees or contractors possessing the ability to perform successfully under the terms and conditions of the proposed grant or procurement. Consideration will be given to such matters as the integrity of the grantee or contractor, compliance with public policy, record of past performance and financial and technical resources.

(2) Area agencies on aging must not make any award or permit any award (subgrant or contract) at any tier to any party that is debarred or suspended or is otherwise excluded from or ineligible for participation in Federal assistance programs.

(3) Area agencies on aging will require their proposed subrecipients and contractors at any tier to certify whether they have been excluded from participation in Federal assistance programs.

(4) If an area agency on aging believes that there are compelling reasons for making an award to a debarred, suspended or voluntarily excluded person in a particular area, the recipient may apply to the Connecticut Department on Aging for a waiver from this requirement. Such waivers will be granted only in unusual circumstances upon the written determination, by an authorized Connecticut Department on Aging Official, of the compelling reasons justifying the participation.

(o) Area Agency on Aging Contracts for an Administrative Function

Provided the area agency on aging does not transfer substantive responsibility for management of the area plan to a third party, as described in Section 17a-306-23 (b) (2) (D), all contracts, even those for an administrative function, must abide by Section 17a-306-28 (a), (c), (d), and (g). No other prior approvals are required for area agencies on aging contracts for an administrative function.

(p) Authority for Multiyear Awards

(1) Nothing precludes an area agency on aging from making a multiyear award provided it requests subsequent year's prices in the original solicitation, the resulting contract has a satisfactory performance clause and a funds availability clause. An optional-year contract is the contracting mechanism.

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(2) The maximum period of time for a multiyear contract from the effective date of the contract to closeout shall be three years. Contracts for periods longer than three years shall be reprocured at the end of the three-year period through normal competitive processes.

(q) Use of Bid, Payment, Performance Bonds or Retainage

(1) Awards should only be made with responsible contractors. In instances where area agencies on aging would be taking undue risk to award a contract without such assurances, provided the imposition of a bonding requirement would not unduly limit the number of small or minority firms bidding, area agencies on aging should consider the requirement for bid, payment or performance bonds.

(2) To ensure the adequacy of performance of a product over an extended period, an area agency on aging should also consider a retainage in circumstances where the cost of a performance bond would be prohibitively expensive.

(r) Preference for Small Business and Minority Firm Awards of Grants and Contracts

It is the Connecticut Department on Aging's policy that a fair share of contracts and grants be awarded to small and minority business firms and nonprofit organizations. Accordingly, affirmative steps must be taken to assure that small and minority businesses are utilized when possible as sources of supplies, equipment, construction and services. Refer to Section 9 (a) (1)-(6), Attachment O of OMB Circular A-102 as guidance on the kind of affirmative steps area agencies on aging should consider in their contracting activities.

(s) Contract and Competitive Grants Appeals Process

Area agencies on aging shall establish an appeals and hearing process to resolve disputes, claims or appeals involving contracts and competitively awarded grants. As a minimum, this process should describe:

- (1) Applicable procurement rules to be used in the process.
- (2) Designation of an impartial officer to hear and pass on the dispute, claim or appeal.
- (3) Form and timing of the claim to be filed.
- (4) Right of the claimant to counsel.
- (5) Hearing procedures.
- (6) Manner and timing of the hearing officer's opinion.
- (7) Right to appeal to the Connecticut Department on Aging.
- (8) Record retention and disposal of the hearing's record.

(Effective November 8, 1991)

Sec. 17a-306-29. General program income

The purpose of this section is to set forth the Connecticut Department on Aging's fiscal policies in the definition, treatment and use of program income and interest earned.

(a) Acceptable Methods for General Program Income

For Title III-B and C of the Older Americans Act, area agencies on aging are authorized to observe the cost sharing or matching alternative. Under this alternative, the income is used for allowable costs of the project or program but, in this case, the costs borne by the

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income may count toward satisfying a cost-sharing or matching requirement. Therefore, the maximum percentage of Federal participation is applied to total allowable costs and third-party in-kind contributions. The income shall be used for current costs unless the granting agency authorizes deferral to a later period.

(b) Application to General Program Income of Profit from Fundraising, Fee-for Service, Entrepreneurial Opportunities and Ventures

Where income is derived from activities funded partially or completely by a grant or counted as a direct cost toward meeting cost sharing or matching requirement, it shall be considered program income.

(c) Treatment of Interest Earned on Advances

Provided an area agency on aging doesn't overrequest funds in violation of Treasury Circular 1075, interest earned on Title III funds passed through the Connecticut Department on Aging is the area agency on aging's own funds. Such funds may be used as cash match, to expand any approved program or in furtherance of any activity of benefit to the elderly and approved by its Board of Directors and contained in the area plan.

(d) Allowable Investment and Custody Policies

The investment of available Federal or state funds must be directed by two principles: (1) to protect all funds received from unreasonable loss or diminished value, and (2) to earn a reasonable return on funds not expected to be disbursed immediately. In furtherance of such principles, the following investments are authorized:

(A) Any interest bearing account that is fully insured by the Federal Deposit Insurance Corporation.

(B) NOW accounts.

(C) Treasury notes, bills and bonds, specifically, participation in funds wholly backed by U.S. Treasury notes, bills, and bonds.

(D) Certificates of Deposits (CDs) purchased from Connecticut chartered banks. CDs must be Any interest bearing account that is fully insured by the Federal Deposit Insurance Corporation.

(E) Participation in a cash management service administered by a Connecticut-chartered bank, which assures that all funds so invested are: (i) fully secured by direct obligations of the United States government, (ii) fully insured by the Federal Deposit Insurance Corporation.

(e) Timing of Spending General Program Income

To avoid any excessive accumulation of funds the Connecticut Department on Aging has determined that general program income earned shall be spent in the year in which it is earned. If it is earned near the end of the agency's fiscal year and the agency is unable to spend this income by then, it shall at least be spent before the expenditure of any Federal or state funds in the beginning of the next fiscal year.

(f) Special Internal Control Safeguards over Participant Contributions

Because of the cash nature of participant contributions, agencies should exert special safeguards over such funds. At a minimum, agencies receiving cash for participant

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contributions should employ one or all of the following precautions: (1) have two persons count all cash contributions; (2) deposit the amount intact; (3) deposits should be made on a daily basis; (4) until deposit, all cash contributions should be maintained in a secure place; (5) counts of cash should be regularly compared with the deposit receipts received from the bank; (6) for home-delivered meals, a combination of lock boxes in the vans and/or mailed contributions should be used with responsibilities for counting cash; (7) staff should be rotated periodically, if staffing permits, etc.

(Effective November 8, 1991)

Sec. 17a-306-30. Cash requests, bank balances and check-handling procedures

This section reviews the Connecticut Department on Aging's rules on how to safeguard and handle cash to comply with the U.S. Government's rules in Treasury Circular 1075. In general, it is the policy of the Connecticut Department on Aging to conform to the rules established by the U.S. Government with regard to its letter-of-credit privileges.

(a) Maximum Authorized Bank Balance

(1) General

Section 205.4 (a) of Treasury Circular 1075 states that "cash balances should be limited to the minimum amounts needed and should be timed to be incurred with actual, immediate cost requirements of the recipient organizations in carrying out the purposes of the approval program." Title 31 Code of Federal Regulations 205.7 provides that recipients not demonstrating a willingness or ability to establish procedures should be required to finance their operations with their own capital.

(b) Rules on Cash Management by Area Agencies on Aging

(1) General

Section 205.4 (e) of Treasury Circular 1075 states that "cash allowances made by primary recipient organizations to secondary recipient organizations should conform substantially to the same standards of timing and amount as cash advances by Federal program agencies to primary recipient organizations."

(2) It is the Connecticut Department on Aging's policy that area agencies on aging institute such procedures to minimize their cash balances on funding provided under Title III of the Older Americans Act. Accordingly, area agencies on aging shall tighten their forecasting of cash requirements from the Connecticut Department on Aging to closely coincide with their actual disbursement of such funds.

(c) Authorized Methods of Payment

(1) Treasury Circular 1075 and Attachment J of OMB Circular A-102 authorize the Connecticut Department on Aging to make grant payments through an advance by check or a reimbursement by check. An advance by check is a payment by a government check to a grantee upon its request before cash outlays are made by the recipient or through the use of predetermined payment schedules before payments are made by the grantee. A reimbursement by government check is a payment made to a grantee with a government check upon request for reimbursement from the grantee.

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(2) The method of advancing funds by government check will be used, in accordance with the provisions of Treasury Circular 1075, when the grantee meets all of the following requirements:

(i) When the area agency on aging has established or demonstrated to the Connecticut Department on Aging the willingness and ability to establish procedures that will minimize the time elapsed between the transfer of funds and their disbursement by the area agency on aging; and

(ii) When the area agency on aging's financial management system meets the standards for funds control and accountability prescribed in Subpart H of Title 45 Code of Federal Regulations Part 74.

(3) The reimbursement by government check method will be the preferred method when the grantee does not meet the requirements in either or both of subsection (2) (i) and (2) (ii) above.

(d) Accounting for the Source and Application of Funds

(1) General

Title 45 Code of Federal Regulations Subpart 74.61 (b) requires grantees and subgrantees to maintain "records which identify adequately the source and application of funds for grant or subgrant supported activities." This subpart further states "these records shall contain information pertaining to grant or subgrant awards, authorizations, obligations, unobligated balances, assets, outlays, income, and, if the recipient is a government, liabilities."

(2) Fund Accounting and Accounting by Fund

Area agencies on aging are free to adopt fund (encumbrance) accounting or to track costs and revenues by program (commonly called accounting by funds).

(3) Separate Bank Accounts

Provided area agencies on aging separately account for the source and application of funds by program, there is no requirement for use of a separate bank account for the deposit of grant or subgrant funds.

(e) Interest-Bearing Accounts

Recipients shall maintain funds provided by the Connecticut Department on Aging in interest-bearing accounts.

(f) Use of Title III-C Funds Until Reimbursed by USDA

(1) Only as it relates to late receipt of USDA funds, area agencies on aging are authorized to draw down funds under Title III-C of the Older Americans Act for use of that amount to be reimbursed by the USDA.

(2) (2) Normally, area agencies on aging may not use funds requested for one program for another program's cash requirements.

(g) Use of Minority-Owned Banks

Consistent with the state goal of expanding opportunities for minority business enterprises, grantees and subgrantees are encouraged to use minority-owned banks.

(h) Endorsement Requirement for Area Agencies on Aging Checks

(1) As stated in Section 17a-306-23 (k) (2) (G), all checks issued by an area agency on

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aging shall be signed by two authorized officials, each of whom is independent of control of the other person.

(2) The practice of presigning blank checks is a specific violation of an agency's internal control.

(3) The use of check-signing machines or rubber stamps for either one or both of the signatures is not authorized in the Connecticut aging network.

(4) Except in the case of emergencies, payment of small dollar expenditures, under \$25.00, should be made from an imprest petty cash fund. The total amount of the fund shall not exceed \$300.00.

(i) Fidelity Bond Requirements

For all personnel handling cash or preparing or signing checks, the area agency on aging shall obtain a minimum of one-month's cashflow, including checks received, in blanket fidelity bond coverage.

(Effective November 8, 1991)

Sec. 17a-306-31. Financial reporting

The purpose of this section is to specify the Connecticut Department on Aging's rules on the kind of financial reports to be submitted and their due dates. The fiduciary responsibility of the report signer is precisely defined.

(a) Fiscal Reporting Requirements

(1) Area agencies on aging shall prepare and submit reports required by the Connecticut Department on Aging's General Letter on Fiscal Reporting Requirements, as amended.

(2) A Cash Transactions Report and an Outlays Report must be submitted for each fiscal year for which funds have not been closed out.

(3) All reports will be submitted as a package to the Business Management Division of the Connecticut Department on Aging with a duplicate of all reports submitted to the Community Services Division.

(b) Reconciliation of Billing Records and Official Books of Account

To the extent that an area agency on aging prepares billing records (including MIS records) other than the agency's official books of account, it shall reconcile these records no less frequently than monthly.

(c) Fiduciary Responsibilities of Key Personnel for Title III Funds

(1) Whoever, in any manner within the jurisdiction of any department or agency of the United States, knowingly and willfully falsifies, conceals or covers up any trick, silence or device of material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry shall be fined not more than \$10,000 or imprisoned not more than five years or both. 18 U.S.C. 1001.

(2) Whoever makes or presents to any person or office in the civil, military or general service of the United States, or to any department or agency thereof, any claim upon or against the United States, or any department or agency thereof, knowing such claim to be

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false, fictitious or fraudulent shall be fined not more than \$10,000 or imprisoned not more than five years, or both. 18 U.S.C. 287.

(3) Any person who serves as a director, officer or trustee of a nonprofit organization qualified as a tax-exempt organization under Section 501 (c) of the Internal Revenue Code of 1954, as from time to time amended, and who is not compensated for such services on a salary or prorated equivalent basis, shall be immune from civil liability for damage or injury occurring on or after October 1, 1987, resulting from any act, error or omission made in the exercise of such person's policy or decision-making responsibilities if such person was acting in good faith and within the scope of such person's functions and duties, unless such damage or injury was caused by the reckless, wilful or wanton misconduct of such person, as provided in Section 52-557m of the Connecticut General Statutes.

(Effective November 8, 1991)

Sec. 17a-306-32. Substantiation of costs and allowable costs

The purpose of this section is to integrate the various OMB Circulars that describe the cost principles on the allowability, allocability and reasonableness of costs and credits.

(a) Participation in Statewide Automated MIS

(1) Area agencies on aging and all grantees and contractors under Title III programs are required to participate in the Statewide Automated MIS unless a waiver is approved by the Connecticut Department on Aging.

(2) Chargeback Rates for Participation in Statewide Automated MIS As a condition of receiving funds under its approved area plan, area agencies on aging will contribute their fair share of the cost of the Statewide Automated MIS based upon their proportion of the Federal share of total Title III funding.

(b) Verification Methods of Meals Served

(1) Accurate verifiable meal counts must be made to satisfy AOA eligibility standards, USDA reimbursement requirements, the MIS and generally accepted auditing standards.

(2) Verification systems for meals served will be instituted by Elderly Nutrition Projects to provide adequate documentation for meals served and safeguard the privacy of individuals.

(c) Allowable and Reasonable Costs Reimbursable under Title III of the Older Americans Act.

General Rule

As to cost principles, the various types of organizations are controlled by their own applicable OMB circular. OMB Circular A-122 sets forth the cost principles for nonprofit organizations, OMB Circular A-87 for government entities, and OMB Circular A-21 for educational institutions. Each type of organization shall observe the rules contained in its applicable circular as to those costs explicitly unallowable and those requiring prior approval. For the sake of bidding, costing and billing for their costs incurred, subrecipients should segregate any unallowable costs from their allowable and reasonable costs.

(1) Additional Unallowable Costs

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In addition to the cost principles contained in the OMB circulars, the Connecticut Department on Aging will consider the following costs to be unallowable:

(A) Alcoholic Beverages

Costs of alcoholic beverages are unallowable.

(B) Agency-Furnished Vehicles

That portion of the cost of agency-furnished vehicles that relates to personal use by employees (including transportation to and from work) is unallowable regardless of whether the cost is reported as taxable income to the employees.

(C) Membership in Social, Dining or Country Clubs Costs of membership, in social, dining or country clubs or other organizations having the same purposes are unallowable, regardless of whether the cost is reported as taxable income to the employees.

(D) Standard Commercial Airfare

Airfare costs in excess of the lowest customary standard, coach or equivalent airfare offered during normal business hours are unallowable except when such accommodations require circuitous routing, require travel during unreasonable hours, excessively prolong travel, result in increased cost that offset transportation savings, are not reasonably adequate for the physical or medical needs of the traveler or are not reasonably available to meet the requirements of the program.

(E) Cost of Promotional Items

The costs of souvenirs, models, imprinted clothing, buttons and other mementos provided at no cost to the recipient are unallowable.

(F) Membership in Civic and Community Organizations

Cost of memberships in civic and community organizations are unallowable unless such membership has a bona fide relationship to fulfilling the goals of the Older Americans Act.

(G) Contributions, Donations or Gifts

Contributions, donations or gifts, including cash, property and service, regardless of the recipient, are unallowable.

(H) Retroactive or Backdated Insurance

Premiums for retroactive or backdated insurance written to cover occurred or known losses are unallowable.

(I) Maximum Mileage Rate for Personal Automobiles

Reimbursement for use of personal automobiles above the mileage rate authorized by the State of Connecticut for state personnel, is nonreimbursable regardless of whether this additional amount is reported as taxable income to the employees.

(2) Allowable Costs with Prior Written Approval

The following costs shall require prior written approval from the Connecticut Department on Aging to be reimbursable under Title III of the Older Americans Act:

(A) Participant Medical Cost Reimbursement

No costs of medical services reimbursable under Federal or third-party health/medical insurance or other available sources may be reimbursed from Older Americans Act funds unless full documentation has been obtained for the unavailability of funds from any other

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source and prior written approval obtained from the Connecticut Department on Aging.

(B) Participant Personal Moving Expenses

Title III funds of the Older Americans Act may not be used to pay for participant personal moving expenses without prior written approval from the Connecticut Department on Aging.

(Effective November 8, 1991)

Sec. 17a-306-33. Cost allocation plan

In this section, the Connecticut Department on Aging authorizes area agencies on aging to directly allocate their indirect costs and describes how to accomplish this.

(a) Authorization for a Cost Allocation Plan for Reimbursement of Area Agency on Aging Indirect Costs

(1) Normally, nonprofit organizations or agencies elect to charge their programs directly for all costs except those identified as “supporting services” costs. These organizations usually separate their costs into two basic categories:

(A) “Program Services,” which include direct functions such as community service activities, research, education and training; and

(B) “Supporting Services,” which include general administration and general expenses, and fund raising expenses. These two expense groups are usually separately disclosed in the financial statements.

(2) Many joint costs, such as depreciation, operation and maintenance of facilities, and telephone expenses, are prorated individually to each activity within program services (including projects performed under Federal awards) and to each activity within supporting services. Each joint cost would be prorated by using the most appropriate distribution base. The direct allocation method is acceptable provided each joint cost is prorated on a distribution base which is:

(A) Established in accordance with reasonable and consistently applied criteria,

(B) Adequately supported by current data of the organization, and

(C) Based on benefits received.

(3) The general administration and general expenses are allocated to Federal awards and other activities within program services and to fund raising by an indirect cost rate(s). The process of developing indirect cost rates under the direct allocation method is summarized below.

(A) Eliminate capital expenditures and unallowable costs identified in Attachment B of OMB Circular A-122.

(B) Compute the indirect cost rate by dividing the allowable general administration and general expenses by the rate base. The rate base would consist of program services and fund raising costs.

(4) Inasmuch as area agencies on aging do not provide services directly, such indirect costs should not be allocated to supportive services. Any allocations that can be made must be made among the general administrative expenses authorized under the separate funding sources: the various Titles of the Older Americans Act, Job Training Partnership Act, etc. It

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is to these cost objectives that indirect costs should be directly allocated. For such cost objectives, an area agency seeking reimbursement for its indirect costs should pinpoint each kind of indirect service provided or indirect cost incurred and allocate each cost or base representative of the beneficial or casual relationships of such cost to the underlying activity. For example, such representative indirect cost services and related bases could include:

Type of <u>Indirect Service</u>	Suggested <u>Bases of Allocation</u>
Accounting	Number of transactions processed
Auditing	Direct audit hours
Data processing	Machine hours (CPU)
Disbursing service	Number of checks written
Fringe benefits	Salaries using fringe benefit rate
Insurance	Dollar value of insurance premiums
Legal	Direct hours
Motor pool	Miles driven and/or days used
Office machines utilization	Direct hours
Office space use	Square feet of space occupied
Payroll	Number of employees
Personnel	Number of employees
Printing and reproduction	Direct hours, job basis, pages printed, etc.
Local telephone	Number of telephone instruments
Fidelity bonding	Employees subject to bond amount

Other indirect costs such as workers' compensation, office supplies, postage, training, recruiting, etc., shall be allocated in any way the area agency on aging believes to be equitable.

(5) Area agencies on aging seeking reimbursement for indirect costs using the direct allocation method shall prepare an allocation plan and submit it in connection with its annual plan as part of the agency's budget to the Connecticut Department on Aging.

(Effective November 8, 1991)

Sec. 17a-306-34. In-kind costs

This section presents a discussion on the types of allowable in-kind costs and how to account for them.

(a) Allowable Types of In-Kind Costs

(1) Required by most Federal grants, agencies are required to account for cost-sharing and matching, whether cash or in-kind. By definition, matching share is that portion of

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allowable project costs not borne—covered by cash or in-kind contributions—by the Federal Government.

(2) Allowable costs to satisfy matching or cost-sharing requirements may include:

(A) Charges incurred by the grantee as project costs, including non-cash items such as depreciation or use charges.

(B) Project costs financed with cash contributed or donated to the grantee by non-federal third parties or in the case of Federal funds: General Revenue-Sharing, Legal Services Corporation and other Federal funds specifically authorized by law for matching.

(C) Project costs represented by services and real or personal property donated to the grantee by non-Federal third parties, provided such costs are:

(i) Identifiable from grantee records;

(ii) Not included as contributions for all other Federally assisted programs;

(iii) Necessary and reasonable for proper and efficient accomplishment of project objectives;

(iv) Allowable if the grantee itself was required to pay for them.

(3) Several items are not normally counted as in-kind:

(A) Goods and services normally available free in the community and which would be available whether you operated the project or not, e.g., CPR training, space in a community center, etc.

(B) Donated overtime of project staff whose regular working hours are paid with Federal funds.

(C) Value of space donated for meetings and other purposes in the homes of individuals, especially staff members.

(D) Outdoor space such as playgrounds, park space and undeveloped lots.

(4) Valuation of third-party, in-kind contributions:

(A) Volunteer services: unpaid services valued at rates paid by other activities of the agency should be consistent with those paid for similar work in the same labor market. Rates of employees of other agencies should be priced at the base compensation rate exclusive of fringe benefits and overhead costs. Refer to Section 17a-306-34 (b) for the maximum valuation rate for volunteer time unless an exemption has been approved by the Connecticut Department on Aging.

(B) Donated real or tangible personal property:

(i) Tangible personal property and donated real property (land and buildings): purchase price or fair market value at the time of transfer.

(ii) Donated use of property: valued as if the grantee has rented the property and has paid the property's fair rental value.

(iii) Grantees may be required to establish the value of real property through the use of an appraiser.

(C) Other charges: adequately supported and permissible. Charges must be reasonable and properly justified.

(b) **Valuation of In-Kind Contributions**

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Area agencies on aging shall not declare an hourly rate for volunteer time of more than \$10.00 an hour without Connecticut Department on Aging prior approval. This rate has been determined to be reasonable, based on the average state hourly wage value rate for volunteer services. In situations where an area agency on aging seeks approval of any higher in-kind volunteer hourly rate, it must submit an analysis based on the local labor market's rate. In-kind contributions for volunteer time should be listed under "Other Resources."

(c) Documentation for In-Kind Costs

Grantees and subgrantees of the Connecticut Department on Aging shall obtain the same kind of documentation, to be retained for the same period of time, as required for incurred costs. To the extent feasible and practical, the grantees and subgrantees shall obtain independently generated documentation for in-kind costs: timesheets or log-in sheets for donated labor, written verification of the value of donated equipment or space, etc.

(d) Methods of Accounting for In-Kind Costs

(1) There are three accepted methods of accounting for in-kind costs: (1) a book of original entry, (2) general journal entries supported by worksheets detailing the in-kind costs, and (3) worksheet entries without recording in-kind in the agency's official books of account.

(2) There is considerable concern that recording in-kind costs in the books of account could distort the financial position of the agency, especially when more than minimum match is reflected. On the other hand, a true picture of an agency's ability to achieve its mission would not be reflected if in-kind costs were not fully reflected.

(3) In situations where in-kind services, equipment or space represents a major element whereby the area agency on aging can achieve its overall mission, in-kind costs should be recorded in the books of account either in a special in-kind book of original entry or a general journal entry. Usually, when such costs represent at least 15% of the agency's total costs, reflecting such costs in its books of account is indicated. However, where in-kind services, equipment or space does not represent a major element in the agency achieving its program mission, it can merely be reflected as a worksheet entry without having it reflected in the agency's books of account.

(e) Accounting for Minimum Match vs. Accountability over Maximum Match

(1) The standard notice of grant agreement specifies the portion of the final award that represents the Federal share and relatedly the local share. Presently, 85% of the cost for services under Title III-B and C and 75% of the cost for administration of area plans are the Federal share, and 15% and 25%, respectively, the local shares.

(2) Area agencies on aging are required to supply only their portion of the cost of the program and nothing else.

(3) Because the level and valuation of in-kind services is frequently questioned by auditors, human service agencies accumulate more than the minimum match. Whereas it is wise for such agencies to accumulate and maintain accountability over more than minimum match, area agencies on aging are only required to account for and report minimum match

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on their awards under the Older Americans Act.

(Effective November 8, 1991)

Sec. 17a-306-35. Line-item approvals

This section sets forth the Connecticut Department on Aging's rules on the control of expenditures against the approved budget.

(a) Line-Item Controls on Approved Budgets

(1) Area agencies on aging will conform to the line-item budgets submitted and approved as part of the annual plan.

(2) In instances where the original estimates are no longer realistic or when an area agency anticipates exceeding any budgetary line item by more than 10% of the total of the budgetary line item or \$500, whichever is greater, it should request, before the line item is exceeded, prior approval in writing for any such expenditures from the Connecticut Department on Aging.

(b) Within Line-Item Limits

(1) In instances where an area agency on aging does not expect to exceed the approved budget line item, it will still be restricted on the type of expenditures it may make by line item.

(2) Where there is expected to be lapsed or available funding in a line item, all additional out-of-state travel, salary increases and purchases of equipment, furnishings and property must be approved in writing by the Connecticut Department on Aging before such expenditures are incurred.

(Effective November 8, 1991)

Sec. 17a-306-36. Fiscal assessment of area agencies on aging and subgrantees

This section presents the role of the Connecticut Department on Aging and the responsibility of area agencies on aging in the fiscal assessment of area agencies on aging and their subgrantees.

(a) Annual Fiscal Assessment of Area Agencies on Aging

(1) The Connecticut Department on Aging is required to monitor the performance of grant-supported activities. More specifically, Section 307 (a) (8) of the Older Americans Act provides that the State agency will conduct periodic evaluations of activities and projects carried out under the State plan.

(2) The Connecticut Department on Aging will rely on two instruments as part of its comprehensive monitoring program.

(A) Fiscal assessment of all Connecticut Department on Aging-funded area agencies on aging.

(B) Annual audit and any follow-up thereto.

(3) The Connecticut Department on Aging will use both to assess an area agency on aging's progress on its annual plan and to monitor its follow-up on any diagnosed deficiencies.

(b) Area Agency on Aging Fiscal Assessment of Service Providers

(1) Title 45 Code of Federal Regulations Subpart 74.81 provides that recipients shall monitor subgrantee-supported activities. Section 306 (a) (6) (A) of the Older Americans Act provides that the area agency on aging will conduct periodic evaluations of activities carried out under the area plan.

(2) As a part of the annual area plan, area agencies on aging will develop a comprehensive program to monitor their subgrantees.

(3) The Connecticut Department on Aging, as the recipient under the State plan to the U.S. Department of Health and Human Services, will, on a test basis, check the progress of selected subgrantees and also assess the effectiveness of the area agency on aging's own monitoring activities.

(4) Area agencies on aging will maintain full documentation of all desk reviews conducted and field visits completed, and the results achieved by each.

(Effective November 8, 1991)

Sec. 17a-306-37. Carry-over balance policies

This section describes the Connecticut Department on Aging requirements for reauthorization of carry-over balances and the timing of spending down of prior year's funds.

(a) Prior Approval to Obligate Carry-Over Funds

Carry-over funds may represent obligated, but unspent funds, as well as funds not obligated at year end. For such funds to be available for expenditure in a subsequent fiscal year, the Connecticut Department on Aging must reauthorize, in the subsequent area plan, such funds for an area agency to obligate and expend. Authority for such reauthorization of funds must be requested by an area agency on aging. Approval of such carry-over funds will only be granted by the Connecticut Department on Aging for specific uses and for a delineated period of time.

(b) First-In, First-Out Method for Spenddown of Federal Fund

In order to minimize the number of separate-year reportings, area agencies on aging should, to the extent not inconsistent with the applicable cost principles, spenddown and closeout prior year's funding before spending down subsequent year's funds. In circumstances where implementation of this policy is not feasible, the area agency on aging should request from the Connecticut Department on Aging that any significant amounts of prior year's obligated, but unspent funds be reauthorized in a subsequent year.

(Effective November 8, 1991)

Sec. 17a-306-38. Audits

Subsection (b) of Section 7-396a of the General Statutes requires that any agreement for a State grant entered into between a State agency and a public or private agency shall provide for an audit of grant expenditures which is acceptable to such State agency. This section presents the Connecticut Department on Aging's policy on what constitutes an acceptable

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audit. That is, to ensure the quality of audits in the Connecticut aging network, the Commissioner on Aging directs the Connecticut aging network to implement the Single Audit Act of 1984 and OMB Circular A-128, or OMB Circular A-133, Audits of Institutions of Higher Education and Other Nonprofit Institutions, whichever is applicable.

(a) Agency Wide Audit, Requirement for

Each area agency on aging receiving \$100,000 or more of funding from the Connecticut Department on Aging will have conducted an annual audit in accordance with the Single Audit Act of 1984, P.L. 98-502, and OMB Circular A-128, or OMB Circular A-133 whichever is applicable. Moreover, independent public accountants conducting such audits will abide by the American Institute of Certified Public Accountant's (AICPA) Audit and Accounting Guide, Audits of State and Local Government Units, as revised.

(b) Area Agencies on Aging Retain Own Independent Public Accountants

(1) Area agencies on aging shall retain their own independent public accountant, sufficiently independent of those who authorize the expenditure of Federal funds, to produce unbiased opinions, conclusions or judgments. They shall meet the independence criteria described in the text of the U.S. Government Accounting Office publication, Government Auditing Standards, Standards for Audit of Governmental Organizations, Programs, Activities, and Functions.

(2) In arranging for audit services, area agencies on aging shall follow the procurement standards in Section 17a-306-28 of this manual. In particular, small audit firms and minority owned and controlled audit firms shall have the maximum practical opportunity to participate in audit contracts awarded under this section.

(3) In soliciting and retaining auditors to conduct the annual audit, area agencies on aging must make specific reference in their request for proposal and any resulting contract that the auditor would be required to conform its audit to the requirements in the Single Audit Act of 1984, P.L. 98-502, and OMB Circular A-128, or OMB Circular A-133 Audits of Institutions of Higher Education and other Nonprofit Institutions, whichever is applicable. This would relate to the scope of the audit, standardized audit report, reportable events, monitoring by the Connecticut Department on Aging and quality assurance review, access to audit workpapers, plan for corrective action and resolution of audit findings.

(4) The audit solicitation and any resulting contract for audit services shall make specific reference that "if it is determined that the contractor's audit work was unacceptable as determined by the Connecticut Department of Aging or a Federal supervisory agency, either before or after a draft or final report was issued because it did not meet the Connecticut Department on Aging's standards, the AICPA Standards or those promulgated by the Comptroller General of the United States, the contractor may, at the area agency's written request, be required to reaudit at its own expense and resubmit a revised audit report which is acceptable."

(5) Area agencies on aging are encouraged to award multiyear audit contracts of not longer than a three year duration provided they conform to the requirements in Section 17a-306-28 (p). At the end of such a multiyear contract, area agencies on aging will observe

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competitive procedures in reprocurring audit services.

(c) Separate Area Agency on Aging Audit Committee

(1) It is recommended that area agencies on aging establish a separate committee of the Board of Directors to supervise the completion of the annual audit.

(2) The audit committee generally serves as liaison between the organization's Board of Directors and the auditor. The auditor should establish a working relationship with the audit committee and should inform its members of the result of the examination, particularly the discovery of material errors and irregularities, and any illegal acts or material weaknesses in internal accounting controls. The auditor may often be requested to attend meetings of the audit committee and to assist the committee in connection with its duties.

(d) Frequency of Audits and Due Date for Submission of Audit Reports

(1) The audit of area agencies on aging and their grantees and cost-reimbursement contractors shall be conducted no less frequently than annually.

(2) The audit report shall be submitted to the Connecticut Department on Aging within six months of the end of the agency's fiscal year. If for reasons within the control of the area agency on aging, this report cannot be submitted by that time, funding of the agency may be suspended by the Connecticut Department on Aging. Area agencies on aging shall make a written request for an extension of time for justifiable reasons beyond its control to the Connecticut Department on Aging before the expiration of the six month submission period. Such request shall be submitted with sufficient time for Connecticut Department on Aging review and approval.

(e) Audits of Service Providers

(1) Area agencies on aging shall ensure that all grantees and cost-reimbursement contractors receiving \$25,000 or more annually shall be audited. This audit will either be conducted by a service provider-selected auditor or by the area agency's independent public accountant. All audit reports of service providers shall be made available to the area agency on aging's auditor.

(2) For grantees and cost-reimbursement contractors receiving less than \$25,000 a year from the area agency on aging, the area agency may employ substitute means to satisfy itself that its subrecipient spent its funds in accordance with applicable laws and regulations. These substitute means could include, but not be limited to, audit by the area agency's accountant, program reviews, fiscal assessments, accounts examination, etc. The results of the agency's substitute means shall be documented and made available for review by representatives of the Connecticut Department on Aging for a period of three years after completion.

(f) Scope of Audit Report

The Single Audit provides that:

(1) The audit shall be made by an independent auditor in accordance with generally accepted government auditing standards covering financial and compliance audits.

(2) The audit shall cover the entire operations of an agency or, at the option of that agency, it may cover departments, agencies or establishments that received, expended or

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otherwise administered Federal financial assistance during the year. A series of audits of individual departments, agencies and establishments for the same fiscal year may be considered a single audit. The auditor shall determine whether:

(A) The financial statements of the agency, department or establishment present fairly its financial position and the results of its financial operations in accordance with generally accepted accounting principles.

(B) The organization has internal accounting and other control systems to provide reasonable assurance that it is managing Federal financial assistance programs in compliance with applicable laws and regulations.

(C) The organization has complied with laws and regulations that may have a material effect on its financial statements and on each major Federal assistance program.

(g) Area Agency on Aging Oversight of Service Provider Audits

(1) The area agency's auditor retained to conduct an audit of the agency should include in its audit report an opinion on the costs incurred by the area agency's subrecipients. This is normally accomplished by the area agency's auditor reviewing the subrecipients' unqualified audit report for the same period and otherwise satisfying himself or herself of the extent to which such audit report may be relied upon. Section 543.03 of the generally accepted auditing standards provides guidance to independent auditors when they either assume or not assume responsibility for another auditor's work.

(2) The area agency on aging should provide to its independent public accountant copies of all service providers' audits for an expression of an opinion on the overall agency's financial operations, including funding made available to its service providers.

(3) The area agency or its auditor shall review all service provider audits using the following guidance:

(A) In general, a determination should be made during the desk review of audited financial statements as to whether:

(i) The audit reports include financial statements and a schedule of Federal assistance, including footnotes of the recipient organization.

(ii) The financial statements cover the entire operations of the area agency, including all Federal funds known to have been received by the auditee.

(iii) The audit report:

(I) Identifies the statements examined and the period covered.

(II) Identifies the various programs under which the organization received Federal funds, and the total amount of the expenditures for each Federal program.

(III) States that the examination was made in accordance with the Standards for Audit of Governmental Organizations, Programs, Activities, and Functions; and Guidelines for Financial and Compliance Audits of Federally Assisted Programs, issued by the Comptroller General.

(IV) Expresses an opinion as to whether the financial statements are fairly presented in accordance with generally accepted accounting principles and states the nature of any qualifications, if an unqualified opinion cannot be expressed.

(B) Report on Compliance

The auditor's report on compliance should contain a statement of positive assurance with respect to those items tested for compliance, including compliance with laws and regulations pertaining to financial reports and claims for advances and reimbursements; negative assurance on those items not tested; a summary of all instances of noncompliance; and an identification of total amounts questioned, if any, for each Federal assistance award, as a result of noncompliance.

(C) Report on Internal Control

The desk review should determine that the auditor's report on the study and evaluation of internal control systems identifies (1) the organization's significant internal accounting controls, and those controls designed to provide reasonable assurance that Federal programs are being managed in compliance with laws and regulations, and (2) the controls that were evaluated, the controls that were not evaluated, and the material weaknesses identified as a result of the auditor's evaluation.

(D) Comments on Other Matters

The desk review should determine whether the recipient has provided comments on the independent auditor's findings and recommendations and its corrective action plan to address the recommendations.

(E) Adequacy of Information Provided

The review should also determine whether the information provided by the auditor on findings identified in the report is sufficient to facilitate resolution by program officials. If the findings contain insufficient information to enable resolution by program officials, the area agency on aging should contact the recipient or subrecipient and arrange for corrective action.

(F) Further, qualified agency personnel should:

(i) Review the complete audit report and note any deviations in the report format from that prescribed in the audit contract scope of work.

(ii) Prove the clerical accuracy of all footings, extensions, etc., of all statistical data in the report.

(iii) Verify that all exhibits, schedules and supporting statements in the report are in agreement and reconcilable, where appropriate.

(iv) Review and evaluate the propriety of all questioned costs presented in the report and/or other management and internal control weaknesses.

(h) Audits of Commercial Organizations

(1) In general, the audit requirements in the various OMB circulars do not apply to commercial organizations.

(2) If an area agency intends to apply these rules on audits to a commercial organization receiving a cost-reimbursement contract, it must specify the audit requirement in the original solicitation, contractor's budget and resulting contract, or the area agency must arrange to have the records of the contractor audited by an area agency-retained auditor.

(3) Area agencies on aging normally will perform price or cost analysis of a commercial

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organization's fixed-price or fixed-unit-rate bid or proposal. As such, post-awards audits would not normally be conducted of a commercial organization receiving a fixed-price or fixed-unit-rate contract provided the organization performed the contract according to its terms and conditions. However, area agencies may use other means, such as first-article testing, inspection, and/or program reviews, to determine if the funds are being spent properly by commercial organizations.

(i) Period for Audit Resolution

The Area Agency on Aging will ensure that appropriate corrective action, including settlement and payment of any unacceptable costs, is taken within six months after receipt of an acceptable audit report in instances of noncompliance with Federal or State laws and regulations.

(j) Access to Records

In addition to the head of the Federal-sponsoring agency and the Comptroller General of the United States, or any of their duly authorized representatives, the Commissioner, Connecticut Department on Aging, and the Auditors of Public Accounts, and their duly authorized representatives, shall have right of access to any pertinent books, documents, papers and records of the area agency on aging and their subgrantees and contractors to make audits, examinations, excerpts and transcripts.

(k) Final Audit Adjustments

(1) The area agency on aging shall submit its final fiscal report 45 days after the end of the grant period.

(2) Because the exact accruals and adjustments the audit or may make will not be known until after the auditor submits its audit report, the final fiscal report frequently differs from the audited financial figures. The carry-over balance estimated by the area agency will frequently be different from that available after the auditor reports the costs incurred.

(3) Any material differences between the costs and carry-over balance reported by the area agency on its final fiscal report and the auditor's reported figures shall be reported to the Connecticut Department on Aging. Such report shall be in the form of a revised final report covered by a letter to the Commissioner on Aging, with a copy to the Board of Directors of the Area Agency, explaining the differences. Any changes authorized by the Connecticut Department on Aging will be reflected in an adjustment of the area agency's area plan budget.

(Effective November 8, 1991)

Sec. 17a-306-39. Close-out procedures

This section describes the right of the Connecticut Department on Aging in suspending, terminating or closing out grants, and the handling of all assets and records.

(a) Connecticut Department on Aging Right to Suspend or Terminate a Grant or Contract

(1) General

By suspension, the Connecticut Department on Aging means temporary withdrawal of

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the grantee's authority to obligate grant funds pending corrective action by the grantee/contractor or a decision to terminate the grant/contract. By termination, the Connecticut Department on Aging means permanent withdrawal of the grantee's/contractor's authority to obligate previously awarded grant or contract funds before that authority would otherwise expire. It also means the voluntary relinquishment of that authority by the grantee. In the case of contractors, contractors may not voluntarily relinquish a contract without the right of the Connecticut Department on Aging to repurchase the goods or services and charge the original contractor for any additional costs the Connecticut Department on Aging incurs by virtue of the Contractor's decision to withdraw from the contract.

(2) Suspension

When a grantee or contractor has failed to comply with a material requirement in the terms and conditions of the grant or contract, the Connecticut Department on Aging shall, upon reasonable notice to the grantee or contractor, suspend the grant or contract in whole or in part. The notice of suspension will state the reasons for the suspension, any corrective action required, and the effective date. Suspensions ordered by the Connecticut Department on Aging shall remain in effect until the grantee or contractor has taken satisfactory corrective action, or has presented satisfactory evidence that such corrective action will be taken, or until termination of the grant or contract.

Typical of matters that could be the basis of a suspension are inadequacies in a grantee's or contractor's financial management system, delays in completing the annual audit, failure to adequately monitor or follow up its subgrantees, excessive delays in disbursing funds to a subrecipient, thereby undermining its ability to perform, and similar temporary problems.

(3) Termination

The Connecticut Department on Aging may terminate any grant or contract in whole or in part at any time before the time of expiration, in accordance with the provisions of the contract relating to termination, or whenever it determines that the grantee or contractor has materially failed to comply with the terms and conditions of the grant or contract. The Connecticut Department on Aging will promptly notify the grantee or contractor in writing of the determination and the reasons for the termination, together with the effective date.

Termination on other grounds can include: by mutual consent of the grantee or contractor and the Connecticut Department on Aging, or by notice from the grantee or contractor, setting forth the reasons and effective date of the termination. Matters over which the Connecticut Department on Aging will consider the basis for a cancellation include:

- (A) actual or potential for loss of life or limb;
- (B) substantial and continued non-performance by the grantee or contractor for reasons within its control;
- (C) inability or unwillingness by the grantee or contractor to fill key managerial positions, thereby undermining the capacity of the agency to meet its responsibilities under the grant;
- (D) actual or significant potential loss of material amounts of funds thereby indicating

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the absence of an adequate structure of internal control;

(E) repeated suspensions for the same or similar deficiencies, etc.

In taking into consideration whether or not to terminate a grant or contract for other than life-safety reasons, the record the Connecticut Department on Aging compiles in notifying the grantee or contractor in writing of material deficiencies, adequate opportunity given for improvement and technical assistance offered, and the responsiveness and effectiveness of the grantee's or contractor's corrective actions will weigh heavily in the decision to terminate or not terminate.

(b) Follow-Up Actions to Grant or Subgrant Close-Out or Termination

(1) The provisions of Title 45 Code of Federal Regulations Subpart 74.111 shall be adhered to with regard to a grant or subgrant closeout. That is, in closing out grants, the following shall be observed:

(A) Upon request, the Connecticut Department on Aging shall promptly pay the grantee for all allowable reimbursable costs not covered by previous payments.

(B) The grantee shall immediately refund or otherwise dispose of, in accordance with instructions from the Connecticut Department on Aging, any unobligated balance of cash advanced to the grantee.

(C) The grantee shall submit, within 90 days of the date of expiration or termination, all financial, performance and other reports required by the terms of the grant. The Connecticut Department on Aging may extend the due date for any report upon receiving a justified request from the grantee.

(D) The Connecticut Department on Aging shall make a settlement for any upward or downward adjustment of the Federal share of costs, to the extent called for by the terms of the grant.

(c) Record Retention Requirements

(1) Title 45 of the Code of Federal Regulations Subpart 74.21 (a) requires that records shall be maintained for three years from the date the Connecticut Department on Aging submits to the U.S. Department of Health and Human Services its final expenditures report for the funding period.

(2) In the case of contractors and subcontractors under grants and subgrants, there should be a three-year record retention requirement from the date when final payment is made and all other pending matters are closed. Grantees and subgrantees of the Connecticut Department on Aging should include a provision in contracts under grants and subgrants for the three-year record retention period and for access to the contractor's records by the Connecticut Department on Aging, the Auditors of Public Accounts and the U.S. Government. This provision must also state that, if an audit, litigation, or other action involving the records is started before the end of the three-year period, the records must be retained until all issues arising from the action are resolved or until the end of the three-year period, whichever is later.

(3) In the case of personnel and related records, these must be treated in accordance with Schedule I Personnel Records: State Agencies issued by the Department of Public Records

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Administration, Connecticut State Library.

(Effective November 8, 1991)

Sec. 17a-306-40. Miscellaneous

This section covers those important topics of insurance, release of information and privacy act maintenance not covered elsewhere in the Manual of Fiscal Policies.

(a) Minimum Insurance Requirements

In general, Attachment B of OMB Circulars A-102 and A-110 and specifically Title 45 Code of Federal Regulations Subpart 74.15 provide that “no additional bonding and insurance requirements, including fidelity bonds, shall be imposed by the terms of the grant or subgrant.” Separate rules are imposed on projects involving construction and fidelity bond coverage. Thus, while the Connecticut Department on Aging may not impose as policy any additional requirements, the Department may make nonbinding suggestions that its subrecipients might consider in determining the scope and level of their insurance coverage, provided the costs of such insurance coverage are reasonable.

(1) Types and Levels of Insurance

As a guideline, subrecipients of the Connecticut Department on Aging should consider the following types and levels of insurance as minimum, either for themselves and/or their subgrantees or subcontractors, in their risk management programs:

(A)

Comprehensive liability	\$1,000,000
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(B)

Automobile for employees, volunteers, 1,000,000
or escorts

(C)

Fire and water damage	Coverage for all items with acquisition cost of greater than \$1,000
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(D)

Directors’ and officers’ liability	\$1,000,000 (with an adequate deductible level)
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(E)

Theft	Coverage for all items with acquisition cost of greater than \$1,000
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(F)

Workers' compensation

To the extent required by state law

(G)

Product liability

Adequate coverage for weatherization contractors, nutrition providers and caterers

(2) Keeping Down the Cost of Insurance

Subrecipients of the Connecticut Department on Aging should employ all practical means to keep down the cost of insurance, including, but not limited to, product liability, self insurance of reasonable risks, adequate but not excessive deductible levels for purchased insurance, and clustered insurance programs with other providers in the same or similar risk category.

(b) **Federal and State Freedom of Information Act Rules**

(1) The Federal Freedom of Information Act applies to agencies of the U.S. Government.

(2) In accordance with the State Freedom of Information Act, upon request area agencies on aging shall make all nonexempt information available within the required deadline.

(c) **Safeguards to Protect Certain Confidential Data**

For all client and confidential employee data, area agencies on aging and their subgrantees shall exert special safeguards to preclude the unauthorized release of such data. These restrictions shall include (1) access controls, (2) personnel controls and (3) system controls in accord with Sections 4-190 through 4-197 of the Connecticut General Statutes.

(Effective November 8, 1991)

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