

Title 18: Human Services

Part 8: Division of Program Integrity

Part 8 Chapter 1: MDHS Subgrant/Agreement Manual

Rule 1.1 Repeal Prior Rules/Manuals: Upon the effective date, the following Subgrant/Agreement Manual supersedes and repeals all previous Subgrant/Agreement Manuals that were filed by the Mississippi Department of Human Services and adopted.

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INTRODUCTION

Section 1

The Subgrant/Agreement Manual has been prepared to provide uniform procedures and guidance for the administration of subgrants awarded by the Mississippi Department of Human Services (MDHS). The manual serves a three-fold purpose:

- (1) To ensure subgrantee funds are used for the purposes for which they are awarded;
- (2) To safeguard public monies to the greatest extent possible; and
- (3) To provide guidance to subgrantees in establishing and maintaining sound business accounting procedures.

The true measure of an organization's administration effectiveness and efficiency is how it assures accountability of its resources. MDHS is driven by the desire to be a good steward of the programs and services funded and personal responsibility for all Mississippians.

An electronic copy of the Office of Management and Budget's (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR 200) is available online at <http://www.federalregister.gov/articles/2013/12/26/2013-30465/uniformadministrative-requirements-cost-principles-and-audit-requirements-for-federal-awards>.

The Subgrant/Agreement Manual and the respective forms associated with each section of the manual are now available online at the MDHS website (www.mdhs.state.ms.us) They may also be found in the Appendix A.

ALL MDHS SUBGRANTEES AND ANY LOWER-TIER SUBRECIPIENTS ARE REQUIRED TO COMPLY WITH THE DIRECTIVES SET OUT IN THIS MANUAL AND ALL FEDERAL REGULATIONS AS APPLIES.

DEFINITIONS**Section 2**

The terms and definitions included in this section are used by MDHS. The sources of these terms include 45 CFR Parts 74 and 92, documents issued by the State Auditor's Office, the U.S. Office of Management and Budgets (OMB's) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal awards, which has been codified at 2 CFR Part 200, et seq., and applicable OMB circulars.

TERMS**DEFINITIONS**

Accounting Procedures

Methods implemented to ensure that financial information is reflected in accounting records in a consistent, proper, and orderly manner.

Accounting System

All records, formal and informal, together with the procedures related to the assembling, classifying, recording and reporting of information concerning the financial operations and conditions of a fiscal entity.

Accounts Payable

Liabilities of the subgrantee owed to persons, firms, or corporations for goods and services received. Obligations of subgrant funds must be liquidated no later than forty-five (45) days from the end of the subgrant period.

Accounts Receivable

Amounts due to the subgrantee from persons, firms, or corporations for goods and services.

Accrual Basis Accounting

The basis of accounting under which revenues are recorded in the fiscal year they are earned and expenditures recorded in the fiscal year they are incurred. Obligations of subgrant funds must be liquidated no later than forty-five (45) days from the end of the subgrant period.

Accrued Expenditure	An expense incurred for goods and services received during a given period which has not been paid. Accrued expenses cannot be reported on the Final Claim Support Form.
Acquisition Cost	The net invoice unit price of the equipment, including the cost of modifications, shipping, attachments, and accessories, necessary to make the property usable for the purpose for which it was acquired.
Administrative Cost	Any expenditure for governmental functions normally associated with administration of a public assistance program. The cost must be included in determining administrative costs subject to the statutory limitation on administrative costs, regardless of whether the expenditure is incurred by the State, a subrecipient, a grantee, or a contractor of the State.
Administrative Closeout	The process by which MDHS administratively performs subgrant closeout procedures upon determining that the subgrantee failed to close out a program year within the specified amount of time or failed to properly adhere to established closeout policies and regulations.
Allocation	The amount of funds provided by the funding division to a subgrantee to incur obligations and expenditures over certain period of time.
Appropriated Funds	A sum set aside by formal legislative action for a particular purpose for specific use during a specified period of time.

Assets	The entire recourse of the subgrantee fund, including any property (tangible or intangible) of monetary value.
Audit	The process by which a MDHS and/or any other federal entity auditor examines, reviews, and assesses the financial records with supporting documentation of subgrantees to evaluate the overall financial statements and/or to review and evaluate the programmatic measures.
Award	Grants and other agreements in the form of money or property, in lieu of money, by the Federal/State Government to an eligible recipient.
Bond	A form of money guarantee which protects against loss caused by another party or by some contingency over which that party may have no control. Any bond, in which may be required by MDHS, shall be obtained from companies holding certificates of authority as acceptable sureties, according to 31 CFR Part 223. A list of these companies is published annually by the U.S. Department of the Treasury in its Circular 570.
Bond, Bid Guarantee	A firm commitment such as a bid bond, certified check, or other negotiable instrument accompanying a bid as assurance that the bidder will, upon acceptance of the bid, execute such contractual documents as may be required within the time specified. This bond must be equivalent to five percent (5%) of the bid price.
Bond, Fidelity	A bond against any loss resulting from fraud or lack of integrity, honesty, or fidelity of one (1) or more employees, officers, or other persons holding a position of trust with the subgrantee, which must be payable to MDHS. This bond

must be equivalent to twenty-five percent (25%) of the total subgrant amount.

Bond, Payment	A bond executed in connection with a contract to assure payment, as required by law, of all persons supplying labor and materials in the execution of the work provided for the subgrant.
Bond, Performance	A bond executed in connection with a subgrant to secure fulfillment of all the subgrantee's obligations amount within a specified period of time.
Budget	An authorized plan of proposed expenditures and the means of financing them with respect to an allocated amount within a specific period of time.
Budgetary Accounting	A method of accounting, which allows for the comparison of actual revenues and expenditures to budget figures. In many cases, budgetary accounting applies to allocations and the expenditures authorized thereby.
Budget Narrative	A written justification adequately explaining the subgrantee's funding needs.
Budget Summary	A compilation of the detailed data contained in the Cost Summary Support Sheet (MDHS-BS-1006).
Capital Improvement	Expenditures made by the subgrantee that either increase the value of real property or extend its useful life. Examples may include fences, outdoor lighting, heating/cooling systems,

plumbing and minor renovations. Capital improvements are permissible only as allowed by programmatic regulations and approved through the programmatic division.

Cash	Currency, checks, money orders, or bank drafts on deposit in the account of the subgrantee agency.
Cash Balance	Currency, checks, money orders, or bank drafts on deposit in the account of the subgrantee agency less any checks written against these receipts.
Cash Basis Accounting	The basis of accounting under which revenues are recorded when received and expenditures are recorded when paid.
Cash Disbursement Journal	A journal kept to record in sequential order the expenditures of funds whether by check or other method of payment.
Cash Federal/State	Cash held by the subgrantee which has been received from the grantor agency and becomes a part of the total cash balance.
Cash Local	Cash held by the subgrantee which has been received from sources at the local level including private, county and/or municipal government sources.
Cash Outlay	Total amount of cash spent by a subgrantee during a specific period of time either for expenditures, transfers between funds or refunds of unexpended cash to the grantor agency.

Cash Payment	The payment of cash for expenditures. Such payments may precede the expenditure (an advance), coincide with the expenditure (a direct payment), or follow the expenditure (the payment of a liability).
Cash Program Income	Cash held by the subgrantee that is directly generated by a supported activity or earned as a result of the subgrant.
Cash Receipt	Cash received by a subgrantee for which it acknowledges accountability.
Cash Receipts Journal	A journal kept to record in sequential order, the receipt of all funds.
Certification of Subgrant	A form by which the subgrantee releases the unexpended and/or unobligated balance of the subgrant/agreement to MDHS (MDHS-SGCC-1012).
Claim Support Form	The form used to report monthly costs incurred under MDHS subgrants and to request funds on a cost reimbursement or cash advances basis (MDHS-BA-CS-001).
Closeout	The process by which MDHS determines that all applicable administrative actions and all required work elements of the subgrant/agreement have been completed.
Closeout Form	A checklist used by the subgrantee to ensure that all closeout documents are included as a part of the subgrantee closeout package (MDHS-SGCC-1011).

Cognizant Agency	The Federal agency responsible for negotiating and approving indirect cost rates for the subgrantee.
Commodities	Budget category that includes various supplies, goods, merchandise, furniture, equipment of every kind, and other personal property purchased by a subgrantee or lower tier sub-recipient having a unit cost of less than \$1,000.00. All items costing less than \$1,000.00 with a useful life of one (1) year or more are not required to be placed on inventory, excluding specialty items. However, they are required to have a Property of MDHS sticker applied. (Specialty items are listed in the Property Management section of this manual.)
Contract	A legal instrument by which a non-Federal entity purchases property or services needed to carry out the project or program under a Federal award. The term contract as used in this manual does not include legal instruments that are considered Federal grants or subgrants. The nature of the relationship between the parties will determine whether the instrument is a contract or a subgrant.
Cost Reimbursement	A method of funding subgrants under which the subgrantee receives funds the following month for actual expenses incurred during the previous month. The subgrantee is reimbursed for the Federal and/or State portion of cash payments reported on the monthly 'Claim Support Form' (MDHS-BA-CS-001).
Cost Summary Support Sheet	A budget form used to describe the basis for determining the cost for the various activities on the Budget Summary (MDHS-CSSS-1007).
Cumulative Cost	Total cost incurred for a specific grant from the beginning date through the current period.
Current Needs	A method of funding a subgrant where the subgrantee evaluates its cash needs for sixty (60) days and submits a request for these funds thirty (30) days prior to the period

funds will be needed. Pending receipt of federal funding, the subgrantee may request payment for the Federal and/or State portion of expenses expected to be paid during the sixty (60) day period of projected cash needs once the subgrant agreement becomes effective. A 'Cash Advance Claim Support Form' (MDHS-BA-CS-002) is required under the current needs/cash advance method to initiate the payment process. A monthly 'Claim Support Form' (MDHS-BA-CS-01) is also required to report costs incurred.

Debarment	An action taken by a debarring official in accordance with Federal regulations and established procedures to exclude a legal entity or a participant from participating in covered transactions. A participant so excluded is debarred.
Direct Cost	Cost immediately identifiable with specific subgrant activities that is recorded as a subgrant expenditure when incurred.
Encumbrances	Commodities and services which have been ordered but the goods have not been received or the service has not been rendered for funds committed during current subgrant period.
Equipment/Property	Tangible property of a non-consumable nature with a useful life of one (1) year or more and an initial unit cost of \$1,000.00 or more that is purchased by the subgrantee. (See the Property Management section of this manual for items that are classified as equipment, regardless of costs or if the unit cost is \$250.00 or more).
Expenditure	Exchange of an asset or incurrence of a liability for an asset, goods received, or services rendered after a voucher for goods and/or services is approved.
E-verify	An internet-based system that compares information from an employee's Form I-9, Employment Eligibility Verification, to date from U.S. Department of Homeland Security and Social Security Administration records to confirm employment eligibility. (https://www.e-verify.gov/)

Expense	Cost incurred (cash or noncash) which is presumed to benefit operations of the current fiscal period.
Financial Statements	Presentations of financial data that shows the financial position and the results of financial operations of a fund, a group of accounts, or an entire subgrantee unit for a particular accounting period.
Finding	A monetary and/or non-monetary conclusion reached as a result of a monitoring review, investigative audit, or investigation.
Fiscal Year	The twelve (12) month period that is the legal period for budgeting and accounting for the subgrantee.
Fixed Assets	Assets of a long-term character and non-consumable in nature which are intended to be held or used for a period exceeding one (1) year. This includes land, buildings, improvements, machinery, furniture and other equipment with an initial cost of \$1,000.00 or more and other items regardless of cost. See Section 5. Some exclusions apply.
Fixed Price Contract	Contractual agreement whereby payments to the subgrantee are contingent on the subgrantee fulfilling the agreement terms.
Fixed Unit Price	Method of funding subgrants under which the subgrantee is paid a predetermined fixed price for services performed.
Funding Division	A MDHS Division that provides monies from State and/or Federal sources to fund State and/or Federal contracts or subgrants for the provision of services for or on behalf of MDHS.
Funding Source	A source from which funds are derived.
General Journal	A journal or book of original entry that requires both the credited and debited amounts to be listed, along with respective amounts being credited or debited. Specifically, a journal consists of a chronological record of the transactions

showing an explanation of each transaction, the accounts affected, whether those accounts are increased or decreased, and by what amount. It may also be known as a General Ledger.

Generally Accepted

Accounting Principles (GAAP) A set rules and regulations that represent the accepted accounting principles and practices.

Indirect Cost

Costs incurred for common or joint objectives, and therefore, cannot be readily and specifically identified with a particular project or activity.

Indirect Cost Plan

The documentation prepared by an organization to substantiate its claim for reimbursement of indirect cost. The plan provides the basis for review and negotiations leading to the establishment of an organization's indirect cost rate.

Indirect Cost Rate

Expressed as a percentage of the indirect costs to a direct cost base pending prior approval by the appropriate authority.

In-Kind Contributions

The value of non-cash contributions provided by the subgrantee or non-federal parties. Contributions may be in the form of charges for real property and nonexpendable personal property or the value of goods or services directly benefitting and specifically identifiable to the project or program.

Internal Control

The plan of organization and all of the methods and measures adopted within a fund or agency to safeguard its assets, check the accuracy and reliability of the accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies.

Invoice

The original bill from the vendor indicating the price, description of goods or services sold and terms of the sale. This is used as documentary evidence that the service has been performed or the material received. If not an original, the invoice must read "customer copy."

Lower-Tier Agreement	A legally binding document between a MDHS subgrantee and another entity to provide a service required under the MDHS subgrant, rather than the direct delivery of the services by the MDHS subgrantee. Lower-tier agreements must be approved by MDHS. All lower-tier sub-recipients must comply with the requirements specified in the MDHS Subgrant/Agreement Manual.
Matching Contributions Local Cash, Local In-Kind Program Income	The subgrantee's non-federal cash, in-kind contributions program income used to meet federal matching requirements, including the outlay of other non-federal monies contributed to the subgrantee by other public agencies, institutions, private organizations, and individuals.
MDHS Subgrant/Agreement Manual	A policy manual developed by MDHS that implements the agency's policies and procedures that are applicable to MDHS subgrantees, agreements, and any lower-tier agreements.
Non-Expendable Equipment/ Property	Equipment or property that has a continuing use and an expected useful life of one (1) year or more and having a unit acquisition cost of \$1,000.00 or more. Said equipment/property shall be tagged and placed on the Property Control List.
Obligations	Amounts which a subgrantee may be legally required to pay out of its resources including encumbrances, as well as, accounts payable and accrued liabilities.
Outstanding Claimants	A list of all possible claimants to MDHS funds. See the Closeout Procedures section of this manual (MDHS-SGOCL-1013).

Outstanding Encumbrances	The portion of the total prospective expenditures filed (such as purchase orders or executory contracts) that remain to be liquidated.
Outlays	The spending or disbursing of money.
Pass-through Entity	A non-Federal entity that provides a subgrant to a subgrantee to carry out part of a Federal program.
Performance Based Subgrant Agreement	A Subgrant agreement whereby payments to the subgrantee or lower-tier sub-recipient are performance based (contingent on the subgrantee or lower-tier sub-grantee achieving specified elements of performance).
Program Budget	A budget in which projected expenditures are assigned to specific activities.
Program Income	Gross income earned by the subgrantee that is directly generated by a subgrant or agreement supported activities.
Property Control List	An updated list of all equipment purchased by the subgrantee with subgrant funds, as required by the Property Management section of this manual.
Property Management Policy	Uniform standards adopted by all divisions and the Property Unit within subgrant funds, as required by the Property Management section of this manual.
Purchase Order	A document that authorizes the purchase of specified merchandise or services and authorizes the verification and holding of funds to cover said purchase.
Questioned Cost	Those funds questioned by a MDHS state, federal or any other authorized auditor that are expended by a subgrantee and are not in compliance with the terms and conditions of the subgrant/agreement or with any other compliance or federal requirements.
Record Retention and Access Policy	Federal regulations that establish the requirements for record retention and access to records of subgrantees and any lower-tier sub-recipients.

Service Provider	A person or governmental department, agency, or other entity that receives federal financial assistance to carry out a program through a state or local government; but does not include an individual who is a beneficiary of such a program.
Single Audit Act Amendments	A federal act passed by Congress in October of 1984, and amended in 1996, establishing audit requirements according to 2 CFR 200, Subpart F, "Audit Requirements," for subgrants that expend a total amount equal to or in excess of \$750,000 in a single year. The Single Audit Act requires the reporting entity to have its federal financial assistance programs audited on an organization-wide basis by an independent Certified Public Accountant.
Standard Assurance Policy	Assurances and certifications by a subgrantee that they will comply with the regulations, policies, guidelines, and requirements imposed by the federal sponsoring agency and the grantor agency and ensure the compliance of any lower-tier sub-recipients.
Subgrant/Agreement	An award provided through a contractual arrangement by a pass-through entity (MDHS) to a subgrantee for the subgrantee to carry out part of a Federal award received by MDHS. It does not include payments to a contractor or payments to an individual that is a beneficiary of a Federal program.
Subgrant/Agreement Modification	A contractual agreement that alters or amends any subgrant or agreement that has been approved by appropriate MDHS personnel.
Subgrantee Travel Policy	Policy concerning in-state and out-of-state travel that defines uniform guidelines for the reimbursement of travel expenses of subgrantees.

Subsidiary Account	Group of related accounts which support in detail the summary data recorded in a control account.
Subsidiary Ledger	A group of subsidiary accounts; the sum of the accounts should equal the balance of the related control account.
Trial Balance	A list of the debit and credit balances of the individual accounts in a general ledger kept by double entry accounting.
Unallowable Cost	A cost that is: (1) not allocable or beneficial to the subgrant, either directly or indirectly; (2) not treated consistently with costs incurred with non-federal funds; (3) lacking the necessary documentation required by statute or regulation; (4) not authorized under the subgrant agreement: or, (5) not allowable under a specific statute, regulation, or policy.
Unexpended Balance	The portion of an allocation received that has not been expended; the balance remaining after deducting the accumulated expenditures.
Vendor	A company or individual who has rendered a service or sold merchandise to a subgrantee or lower-tier sub-recipient.

REGULATIONS, CERTIFICATIONS AND STANDARD ASSURANCES Section 3

Subgrantees are to comply with the regulations, policies, guidelines, and requirements imposed by the federal sponsoring agency and MDHS. Subgrantees are to comply with State statutes and implementing regulations that may also be applicable. Federal and State requirements include the specific program regulations applicable to each individual award as specified in the subgrant agreement.

Current federal regulations are available on the Internet at the following sites:

1. Code of Federal Regulations – www.ecfr.gov
2. Federal Register – <http://www.federalregister.gov/articles/2013/12/26/2013-30465/uniform-administrative-requirements-cost-principles-and-audit-requirements-for-federal-awards>
3. OMB Circulars – www.whitehouse.gov/omb

Please see 2 CFR 200 Subparts A-F that are particularly applicable to subgrantees, which includes Executive Orders, Federal Regulations, and OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal awards, as implemented by the various Federal grantor agencies. Please note that these rules and regulations are subject to change and it is the Subgrantee's responsibility to maintain compliance with all applicable rules, regulations, standard assurances and certifications as updated.

Certifications and Standard Assurances

Overview

Each subgrantee and any lower-tier sub-recipient must assure compliance with the regulations, policies, guidelines, and requirements imposed by the Federal grantor agency, any applicable state statutes and MDHS. There may be additional assurances required by certain Federal awarding agencies. Therefore, all subgrantees are responsible for knowing the specific requirements of their awards.

CERTIFICATIONS

Each subgrantee must certify in writing that it will comply with the following regulations:

1. Lobbying: Shall provide certification regarding lobbying to comply with Section 319, PL 101-121 (31 USC 1352);

2. Suspension and debarment: Shall provide the required certification regarding their exclusion status and that of their principals prior to the award in accordance with Executive Orders 12549 and 12689 Debarment and Suspension;
3. Drug-Free Workplace: Shall provide certification to comply with the Drug-Free Workplace Act of 1988;
4. Unresolved Monitoring and Audit Findings; and
5. Fidelity Bond Coverage.

STANDARD ASSURANCES

The Subgrantee assures that they:

1. Has the legal authority to apply for and receive the subgrant; that a resolution, motion, or similar action has been duly adopted or passed as an official act of the subgrantee's governing body, authorizing the subgrant, including all understandings and assurances contained therein, and directing and authorizing the person identified as the official representative of the Subgrantee to act in connection with the subgrant and to provide such additional information as may be required;
2. Shall give MDHS, the State Auditor's Office, the Federal grantor agency, the Comptroller General, or any other appropriate authorized State or Federal representatives, access to and the right to examine and copy all records, books, papers, documents, or any items related to the subgrant for as long as these records are required to be retained;
3. Shall establish and maintain both fiscal and program controls and accounting procedures in accordance with Generally Accepted Accounting Principles and Federal grantor agency and MDHS directives and will keep and maintain such books and records for audit by MDHS, by the Federal grantor agency, by the State Auditor, or by the authorized representatives; and will maintain either electronic or paper files of all such records, books, papers, documents, or items for a period of at least three (3) years from the date of submission of the final 'Claim Support Form' (MDHS-BA-CS-002). If any litigation, claim, audit, or action has begun before the expiration of the three (3) year period, subgrantee will retain all such items until the completion of the action and resolution of all issues involved or until the end of the regular three (3) year period, whichever is later, and will obtain written approval from the MDHS Division of Program Integrity prior to destroying any such items as described above upon the expiration of the above-stated period. The request shall be completed by submission of the 'Request of Dispose of Records' form (MDHS-DPI-001);
4. Shall comply with the OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards;

5. Shall provide, in a timely manner, written disclosure, and all violations of Federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the subgrant;
6. Shall establish safeguards to prohibit employees from using their positions for a purpose that involves nepotism, and constitutes or presents the appearance of any other personal or organizational conflict of interest or personal gain;
7. Shall comply with all Federal and State statutes to discrimination, including, but not limited to:
 - a. Title VI of the Civil Rights Act of 1964, prohibiting discrimination on basis of race, color, or national origin;
 - b. Title VII of the Civil Rights Act of 1964, relating to non-discrimination in matters of recruitment, hiring, promotion, and other employment practices;
 - c. Title VIII of the Civil Rights Act of 1968, as amended, relating to non-discrimination of the sale, rental, or financing of housing;
 - d. Title IX of the Education Amendments of 1972, as amended, prohibiting discrimination on the basis of gender in federally assisted education programs and activities;
 - e. Age Discrimination Act of 1975, prohibiting discrimination on the basis of age;
 - f. Section 504 of the Rehabilitation Act of 1973, prohibiting discrimination on the basis of disability;
 - g. Title I, Title II and Title III of the Americans with Disabilities Act (ADA) (1990), as amended by the ADA Amendments Act of 2008;
 - h. Omnibus Reconciliation Act of 1981, prohibiting discrimination on the basis of race, color, religion, sex, national origin, age, and disability;
 - i. Drug Abuse Office and Treatment Act of 1972, as amended, relating to non-discrimination on the basis of drug abuse;
 - j. Comprehensive Alcohol Abuse and Alcoholism Prevention, Treatment, and Rehabilitation Act of 1970, as amended, relating to non-discrimination on the basis of alcohol abuse or alcoholism;
 - k. Section 523 and 527 of the Public Health Service Act of 1912, as amended, relating to confidentiality of alcohol and drug abuse patient records; and
 - l. Any other non-discrimination provisions in the specific statute(s) under which these monies will be granted or awarded and the requirements of any other non-discrimination statute(s) that may apply to this subgrant or award.

8. Shall ensure that buildings and facilities owned, occupied, or financed by the United States government are accessible to and usable by individuals with disabilities in accordance with the 2010 ADA Standards for Accessible Design;
9. Shall comply with the requirements of the provisions of the Uniform Relocation Assistance and Real Property Acquisitions Act of 1970, which provide for fair and equitable treatment of persons displaced or whose property is acquired as a result of Federal assisted programs. These provisions apply to all interest in real property acquired for project purposes regardless of Federal participation in purchases;
10. Shall comply with the provisions of the Hatch Act, as amended, which limit the political activities of employees whose principal employment activities are funded in whole or in part with Federal funds;
11. Shall comply, as applicable, with the provisions of the Davis-Bacon Act, the Copeland Act, and the Contract Work Hours and Safety Standards Act, regarding labor standards for federally assisted construction agreements;
12. Shall conform with Executive Order 11246, entitled “Equal Employment Opportunity,” as amended by EO 11375, and as supplemented in Department of Labor regulations (41 CFR Part 60) and will incorporate an equal opportunity clause in federally assisted construction contracts and subcontracts;
13. Shall comply with the minimum wage and maximum hours provisions of the Federal Fair Labor Standards Act;
14. Shall comply with the Intergovernmental Personnel Act of 1970 relating to prescribed standards for merit systems for programs funded under one of the nineteen statutes or regulations specified in Appendix A of OBM’s Standards for a Merit System of Personnel Administration;
15. Shall comply, if applicable, with Section 102(a) of the Flood Disaster Protection Act of 1973, which requires recipients in a special flood hazard area to participate in the program and to purchase flood insurance if the total cost of the insurable construction and acquisition is \$10,000 or more;
16. Shall comply with the Lead-Based Paint Poisoning Prevention Act, which prohibits the use of lead-based paint in construction or rehabilitation of residential structures;
17. Shall assist the Federal grantor agency in assuring compliance with Section 106 of the National Historic Preservation Act of 1966, as amended, Executive Order 11593, and the Archaeological and Historic Preservation Act of 1974;
18. Shall comply with environmental standards which may be prescribed pursuant to the following: (a) institution of environmental quality control measures under the National Environmental Policy Act of 1969 and Executive Order 11514; (b) notification of

- violating facilities pursuant to Executive Order 11738; (c) conformity of Federal actions to State (Clean Air) implementation plans under Section 176 of the Clean Air Act of 1955, as amended; (d) protection of underground sources of drinking water under the Safe Drinking Water Act of 1974, as amended; (e) Protection of endangered species under the Endangered Species Act of 1973, as amended; (f) Section 6002 of the Resource Conservation and Recovery Act; (g) the Coastal Barriers Resources Act; (h) protection of Wetlands pursuant to EO 11988; (i) evaluation of flood hazards in flood plains in accordance with EO 11988; and (j) assurance of project consistency with the approved State Management Program developed under the Coastal Zone Management Act of 1972;
19. Shall comply with the Wild and Scenic Rivers Act of 1968 related to protecting components or potential components of the national wild and scenic rivers system;
 20. Shall comply with Laboratory Animal Act of 1966 pertaining to the care, handling, and treatment of warm blooded animals held for research, development and related activities supported by this subgrant;
 21. Shall comply with Public Law (PL) 93-348 regarding the protection of human subjects involved in research, development and related activities supported by this subgrant;
 22. Shall comply with Federal regulations regarding criteria for cost sharing or matching contributions;
 23. Shall assure all funds received shall be used only to supplement services and activities that promote the purpose for which the grant is awarded and not supplant, unless specifically authorized by the program regulations and MDHS;
 24. Shall comply with all applicable requirements of all other Federal and State laws, Executive Orders, regulations, and policies governing the program(s) for which these monies are provided and with the terms and conditions of the subgrant, including but not limited to all documentation/information required by MDHS for federal reporting purposes.
 25. Shall comply with The Privacy Act of 1974 (5 U.S.C. 552a) related to gathering and disclosing of information and documentation maintained on individuals;
 26. Shall comply with all requirements of the Federal Funding Accountability and Transparency Act (FFATA). This includes providing the grantor a Data Universal Number (DUNS) and other information such as executive compensation data when required so the grantor can meet the reporting requirements of FFATA;
 27. Shall comply with the Program for Enhancement of Contractor Employee Whistleblower Protections (48 CFR 3.908-3, 48 CFR 52.203-17 and 41 U.S.C. 4712). Specifically, the subgrantee/lower-tier sub-recipient shall provide written notification to all employees of employee whistleblower rights and protections under 41 U.S.C. 4712, as described in 48

CFR 3.908 of the Federal Acquisition Regulation. Subgrantees shall also include in each agreement with lower-tier sub-recipients the required whistleblower provisions, as mandated in 48 CFR 52.203-17.

28. Shall provide the required certification regarding lobbying to comply with Section 319, PL 101-121 (31 U.S.C. 1352);
29. Shall provide the required certification regarding their exclusion status and that of their principals prior to the award in accordance with Executive Orders' 12549 and 12689 Debarment and Suspension;
30. Shall provide certification to comply with the Drug-Free Workplace Act of 1988.

Please note that subgrantees are responsible for ensuring that they will require any lower-tier sub-recipients to comply with the above listed regulations, assurances, and any other applicable requirements of all other Federal and State laws, Executive Orders, regulations, and policies governing the program(s) for which these monies are provided and with the terms and conditions of the original Subgrant, including but not limited to all documentation/information required by MDHS for federal reporting purposes.

FINANCIAL MANAGEMENT**Section 4****OVERVIEW**

The applicable federal and/or state regulations require that subgrantees and any lower-tier sub-recipients have in place, prior to the receipt of funds, a financial management system that will provide:

1. Accurate, current, and complete disclosure of the financial status of each subgrant and lower-tier sub-recipients;
2. Records which identify the source and application of funds for subgrant supported activities, specifically information pertaining to subgrant awards, obligations, unobligated balances, assets, liabilities, outlays, and income;
3. Effective control over and accountability for all subgrant funds, property, and other assets;
4. Comparison of actual expenditures with reported costs and budgeted cost for each cost category and work activity;
5. Procedures to ensure that original cash requested under MDHS subgrants will be expended within thirty (30) calendar days of receipt upon first request;
6. Procedures to minimize the time between receipt and expenditure of subgrant funds;
7. Procedures to ensure that all expenditures are obligated within the effective dates of the subgrant period;
8. Procedures for determining that the cost is allowable and that it may be allocated to an activity;
9. Procedures to prohibit the transfer of funds between federally funded programs and/or between subgrants or between activities within the same subgrant;
10. Procedures to ensure that each expense paid from a subgrant was authorized in the budget of the subgrant charged with the expense;
11. Accounting records (including a general ledger or comparable) that are supported by source documentation;
12. Audits which analyze the fiscal integrity of the subgrantee (required for subgrantees that expend \$750,000 or more of federal financial assistance); and
13. A systematic method to assure timely and appropriate resolution of findings identified in audits or management reviews.

Accounting Procedures

Separate financial records shall be maintained for each subgrant and lower-tier sub-recipients. Separate financial systems insure record keeping requirements are met and also eliminates potential conflicts with the subgrantees usual record keeping system, which may reflect a different fiscal year, or accounting by function or department rather than by subgrant or work activity. Each subgrantee shall maintain one set of accounting records for the subgrant and shall separately identify the receipts and disbursements for each subgrant or other source of funds.

The subgrantee shall be able to isolate and trace every subgrant dollar from receipt to expenditure and have on file appropriate supporting documentation for each and every transaction. Examples of documentation includes, but is not limited to the following:

1. Vendor invoices
2. Bills of lading
3. Purchase orders
4. Payment vouchers
5. Payroll
6. Bank statements and reconciliations
7. Documentation to verify that only eligible clients were served
8. Employee activity sheets to verify activities performed and the actual hours worked for each activity/subgrant
9. Cash receipt logs to verify all funds received and the actual date of receipt

All the basic accounting records and documents listed below comprise the framework for a good financial management system. If implemented properly, such a system can provide accurate, current, and complete disclosure of the financial status of each subgrant, work activity, and cost category.

1. Cash Receipts Journal
2. Cash Disbursements Journal
3. Payroll Journal
4. General Journal/Ledger

Subgrantees shall develop their accounting system to meet the particular needs of their subgrant. The amounts recorded daily to the individual accounts shall be totaled and posted to the general ledger at least monthly in order for the subgrantee to complete the monthly 'Claim Support Form' (MDHS-BA-CS-002). Recording procedures shall be designed to provide information

accurately while at the same time serving as an effective control in preventing mistakes and safeguards against unauthorized uses of funds.

INTERNAL CONTROLS

Subgrantees of MDHS shall have in place a financial management process that contains adequate internal controls for the administration of the subgrant program. This system of internal controls may be evaluated during an audit or monitoring review of the subgrantee.

FINANCIAL MANAGEMENT

The following internal accounting control procedures are required of MDHS subgrantees and lower-tiered sub-recipients:

1. Record all cash receipts immediately;
2. Compare deposit slips with receipts;
3. Bond employees who handle cash;
4. Deposit all checks or other cash receipts within two (2) business days;
5. Make all payments by pre-numbered checks;
6. Reconcile bank accounts monthly by comparing the cash balance in the accounting records to the cash balance in the bank account and retain a copy of the reconciliation in the files;
7. Use serially numbered purchase orders and receiving reports;
8. Issue checks to vendors only in payment of original invoices that have been approved and matched with purchase orders and receiving reports;
9. Distinguish between when the time funds are received and when the funds are disbursed;
10. Mark all documentation paid to prevent duplicate payments; and
11. Retain a Certified Public Accountant firm for an audit, if required. (See the Monitoring and Audit section of this manual for exceptions)

Documentation Requirements

The accounting system of each MDHS subgrantee shall provide the monitors and/or auditors with adequate documentation to support the subgrantee's financial claims. Source documents are required to support transactions entered into the subgrantee's record keeping system. The following is a list of the minimum documentation required for selected transaction types:

CATEGORY**DOCUMENTATION****Grant Revenues**

Federal, State, and
Other Receipts

Identification of the source of funds (i.e., signed subgrant agreement), request for cash or request for reimbursement (i.e., Claim Support Form), cash receipts journal, validated deposit slips, withdrawals and financial reports

Program Income

Record of service, purpose, amount, and deposit slips

Matching Cash
Contributions

Record of source donor, dates, rates, amounts, and deposit slips

Matching Non-Cash
Contributions

Record of source donor, dates, rates, amounts, and activities performed including time, date, place, and agenda, certification of cost or market/appraised values, and documentation to verify that expenses reported as in-kind match were in proportion to the benefits received by the subgrant that was matched

Grant Expenditures

Salaries and Fringe
Benefits

Personnel files shall include a job application or resume, IRS W-4 Form, State Tax withholding form, I-9 Form (if hired after May 1987), e-verify confirmation, date of hire, current approved salary/wage, time sheets and activity reports which reflect the actual hours worked and duties performed, and time distribution/activity sheets are required when the employee's time is charged to more than one (1) subgrant or activity.

Travel	An approved travel voucher showing that all travel expenses were incurred for the benefit of the subgrant; and copies of supporting bills including out-of-state meal receipts, hotel bills, conference registration fee receipts, and conference agendas.
Telephone	Complete telephone bills and long distance telephone logs that indicate the person calling or the person called, the date and time of the call, the reason and purpose of the call, the number called, and the subgrant that benefitted from the telephone call.
Equipment/Property	Original vendor invoices, receiving reports, purchase orders, competitive quotes or proof of newspaper advertisements for bids, property records, authorization to purchase equipment, and/or any other documentation necessary for purchasing law conformity. All purchases of equipment/property must be made in accordance with applicable purchasing requirements.
Commodities (Supplies)	Original vendor invoices, receiving reports, purchase orders, competitive quotes or proof of newspaper advertisements for bids property records, authorization to purchase equipment, and/or any other documentation necessary for purchasing law conformity. All purchases of commodities (supplies) must be made in accordance with applicable purchasing requirements.
Contractual Services	Original contracts for services charged to the subgrant, evidence of completion of contracts, billings for services, rental or lease agreements, competitive quotes or proof of newspaper advertisement for bids (if applicable), or

documentation of fair market value. All contracts for services must comply with applicable rules and regulations.

Subsidies, Loans, and Grants Payments to/for clients: Client attendance records, documentation of services provided, including dates, times, names, and client signatures, or documentation to verify units of service provided.

Lower-Tier Sub-recipients: Copies of the lower-tier sub-recipient agreement, including budget information and the scope of services required, financial and programmatic reports, documentation of payments made to the sub-recipient, evidence of monitoring of lower-tier sub-recipients, documentation of compliance with procurement procedures, and required compliance with the MDHS Subgrant/Agreement Manual.

Other Direct Cost Original vendor invoices, receiving reports, purchase orders, competitive quotes or proof of newspaper advertisements for bids (if applicable), and documentation of any expenses incurred for the benefit of the subgrant.

COST ALLOCATION/ INDIRECT COSTS

Many MDHS subgrantees administer more than one (1) subgrant at a time, which results in differences in the cost rate agreement, that is effective on the beginning date of the subgrant, shall be prepared and submitted as a part of the subgrant agreement. If the subgrantee's cost allocation plan and/or indirect cost rate agreement is updated during the effective dates of the subgrant, a copy of the updated plan shall be submitted to the MDHS funding division that awarded the subgrant.

Each subgrantee shall develop a cost allocation plan and/or an indirect cost rate agreement that covers the subgrantee's entire operation. Costs included in the plan should only be those that are not easily identifiable with a particular subgrant and/or administrative cost of the subgrantee, in which shall be equitably distributed to all subgrant programs and/or other sources of funds in proportion to the relative benefits received.

Required documentation for indirect costs includes:

1. A subgrant cost allocation plan or an indirect cost rate agreement that has been reviewed and approved by the appropriate Federal cognizant agency and MDHS, and
2. Identification of indirect cost in the accounting records that support the actual indirect cost incurred, and evidence to support the monthly allocation of indirect costs to the subgrant.

The cost allocation plan and/or indirect cost rate agreement submitted with the subgrant shall be developed in compliance with the requirements contained in the cost principles applicable to each subgrant.

Careful scrutiny of all vouchers and invoices by subgrantees and/or by MDHS is necessary to verify that they are only for legitimate cost, eligible under the governing regulations, and authorized in the subgrant agreement. MDHS shall include testing to ensure that costs are properly allocated to the correct subgrant and work activity.

The cost allocation plan should be accompanied by a certification of review by MDHS.

TYPES OF COSTS AND DOCUMENTATION

The following is a listing of selected types of cost and suggested bases for distributing shared costs as direct costs to MDHS subgrants:

Salaries/Fringe Benefits	Number of hours worked for each subgrant/activity
Auditing	Direct audit hours dollar amount of each subgrant in proportion to the total amount audited
Office Space Used and Related Costs	Square feet of occupied space (utilities, janitorial service, etc.)
Local Telephone Expenses	Number of telephones

Fidelity Bond Expense	Employees subject to bond or penalty amounts
Motor Pool Cost	Number of miles driven and/or days used
Printing and Reproduction	Direct hours, job basis, pages printed, etc.
Copy Machine Rental and Related	Number of copies made as documented by a copy log or access code
Postage Costs	Amount of postage used by each subgrant as documented by log
Payroll Employees	
Independent Contractors	Payroll Employees/ Independent Contractors paid, in-whole or in-part from MDHS subgrant shall prepare time sheets indicating the hours worked each pay period. The distribution of payroll charges and/or payments to independent contractors shall be based on the actual time worked for the benefit of the subgrant/activity

LOWER-TIER SUB-RECIPIENTS

All expenditures that involve agreements between the subgrantee and a third-party (performing a service related to the program), must be fully disclosed in the cost summaries and budget narrative. If the subgrantee would like to enter into a lower-tier sub-recipient agreement, it must be submitted to MDHS for approval before any funds may be transferred. Said has to be approved by the programmatic funding division director, subgrant units director and a deputy executive director. The subgrantee must provide an explanation as to why a lower-tier sub-recipient is warranted. If authorized, any lower-tier sub-recipient agreement will require the lower-tier sub-recipient to comply with all the provisions of the MDHS Subgrant/Agreement Manual and any other applicable State and Federal laws. Copies of rental agreements, service agreements, consultant agreements, etc. shall be available to validate the basis of the cost category. In addition, any contractual procurement agreement received in response to solicitation, shall be submitted to MDHS within thirty (30) days after execution.

BUDGET PREPARATION

Budget is a tool used by the subgrantee to express its planned goals and objectives. It is a management tool to be used in addressing general management functions such as planning, operational performance, and control. The subgrantee's fiscal staff shall have on file the currently approved subgrant budget including any approved modifications. The required forms and accompanying instructions that shall be used in preparing a budget for MDHS subgrants are:

1. 'Budget Summary' (MDHS-BS-1006): A compilation of the detailed data contained in Cost Summary Support Sheet (MDHS-CSSS-1007);
2. 'Cost Summary Support Sheet' (MDHS-CSSS-1007): A listing of the various budget categories separated for each activity on the 'Budget Summary' (MDHS-BS-1006); and
3. Budget Narrative: A written justification adequately explaining the subgrantee's funding needs. The narrative shall relate funding needs to the operation of individual programs or activities. Sufficient detail within each line item of expenditure and each activity shall be used to clearly explain the funding needs of the operation. Insufficient narrative justification will preclude favorable consideration of requested funding levels. (See the Sample Budget Narrative available on the MDHS website)

BUDGET ACTIVITIES

Each MDHS subgrant shall be organized and budgeted by activities according to the major functions necessary to accomplish the goals and objectives of the subgrant. This grouping by activities shall be used in preparing the 'Budget Summary' and 'Cost Summary Support Sheet' as well as the Budget Narrative. If the first narrative submission does not contain sufficient information, including that information that is program specific, MDHS will request additional documentation.

If any administrative costs (direct or indirect) are included in the subgrant, they shall be budgeted in an Administration activity subject to any limits on the amount of administration that may be charged to the subgrant. Subgrantees shall consult with the MDHS funding division to determine what activities are allowable under the subgrant and whether there are limits on the amount of administrative costs that may be charged to the subgrant. Note a budget may be modified up to three (3) times in a contractual year. Modifying a budget more than three (3) times will require approval from MDHS.

BUDGET CATEGORIES

Funds authorized under MDHS subgrants shall be separated into the following budget categories:

1. Salaries and Wages
2. Fringe Benefits
3. Travel
4. Contractual Services
5. Commodities
6. Capital Outlay – Equipment
7. Capital Outlay – Other
8. Subsidies, Loans, and Grants
9. Indirect Costs

Salaries and Wages

Payments made to officers and employees of a subgrant as compensation for personal services is based on the percentage of time dedicated to the subgrant. The salary budget category shall contain a line item or listing of each position authorized and the salary amount to be paid to each full-time employee and/or hourly rate authorized and number of hours authorized for each part-time employee charged to the subgrant. The salary line should disclose whether salaries are to be paid from the grant fund or in-kind match. The salary budget category shall be strictly adhered to unless a formal modification of the subgrant is approved. A vacant position may be filled at or below the budgeted rate only and no additional positions may be charged to the subgrant unless approved through the budget modification process.

FRINGE BENEFITS

Fringe benefits are payments made for the employer's portion of expenses for social security (F.I.C.A. and Medicare), employee health/life/disability insurance premiums, worker's compensation insurance, unemployment insurance, and pension plan costs. The fringe benefits budget category may include compensation paid to employees during periods of authorized absences from the job for vacation leave, sick leave, and/or military leave provided such cost are absorbed by all of the subgrantee's activity. The fringe benefits budget category shall contain a line item or listing of each fringe benefit authorized on the 'Cost Summary Support Sheet' and in the Budget Narrative. Fringe benefits shall be limited to no more than thirty (30%) of salaries, unless justification is submitted in the budget narrative, and approved by MDHS. The amounts withheld from the employee's gross pay (i.e., federal and state taxes, employee health/life/disability insurance premiums) cannot be budgeted or claimed for reimbursement under the subgrant as fringe benefits.

TRAVEL

Payments can be made for transportation, lodging, and related cost to employees, officers, and volunteers who are in travel status on official business. Travel includes reimbursement for in-state travel, out-of-state costs for conferences, meetings, etc., and staff reimbursement for the use of privately owned vehicles for project-related functions. The rate of reimbursement per mile will be at the rate approved by the Department of Finance and Administration on the date that travel was performed, as long as the total amount of the subgrant award charged with the expense is not exceeded. Meal costs will be reimbursed based upon the actual cost of each meal; up to the maximum daily meal rate, established by DFA, and receipts will not be required for meals reimbursed through subgrants funded by MDHS. No travel shall be allowed for employees funded through other programs unless approved by MDHS. No reimbursements will be made for the cost of commuting.

CONTRACTUAL SERVICES

Payments can be made for services rendered by persons other than employees of the subgrantee under formal, written, contractual agreements. Examples include, but are not limited to: postage, telephone/internet/pager services, utilities, rent, repair or service agreements, service charges, computer software, and/or contract workers that are independent contractors, as well as, programmatic payments for speakers, trainers, consultants, and other hired professionals.

COMMODITIES

Payments for materials and supplies with an initial unit cost less than \$1,000.00, which are used to benefit the subgrant and are not one (1) of the items required to be reported on inventory regardless of the purchase price. Examples include: office supplies, training materials, fuel for vehicles, furniture and equipment costing less than \$1,000.00, etc. (See the Property Management section of this manual for specific exceptions.)

CAPITAL OUTLAY – EQUIPMENT

Payments for the purchase of equipment, machinery, furniture and fixtures with a unit cost of \$1,000.00 or more and any items which are required to be reported on inventory regardless of cost; or, payments for compensation for the use of equipment on hand through depreciation

or use allowance charges computed in accordance with the cost principles applicable to the subgrantee. Examples include but are not limited to: computers, printers, office furniture, telephone systems, motor vehicles, etc. (Refer to the Property Management section of this manual for details)

CAPITAL OUTLAY – OTHER

Payments for land, buildings and/or improvements to land or buildings that materially increase their value or useful life of the building; or, payments for compensation for the use of buildings through depreciation or use allowance charges computed in accordance with the cost principles applicable to the sub-grantee.

SUBSIDIES, LOANS, and GRANTS

Payments made for assistance to clients and/or lower-tier sub-recipients to governmental and non-governmental entities or individuals. Note the subgrantee must have lower-tier sub-recipient approval by MDHS as referenced previously.

INDIRECT COST

Payments for the recovery of actual costs allocated to MDHS subgrants in accordance with an agency-wide cost allocation plan or indirect cost rate agreement that complies with the cost principles applicable to the subgrantee organization.

LINE ITEM FLEXIBILITY

Transfers of budgeted amounts between budget categories within an activity shall be restricted to no more than ten percent (10%) of the amount authorized in receiving budget category. No funds shall be transferred into the Equipment budget category and no funds shall be transferred into or out of the Salaries, Fringe Benefits, or Indirect Costs budget categories without the submission and approval of the long form subgrant modification. There shall be no flexibility allowed between activities, unless there is a modification. For example, if the total amount authorized in the Commodities budget category is \$1,000.00, the subgrantee may expend up to \$1,100.00 for Commodities, as long as, funds are available from another budget category such as Travel or Contractual Services.

FIDELITY BOND REQUIREMENT

Employees or Board Members of subgrantees, with fiscal responsibility, shall have a fidelity/dishonesty bond in the amount of twenty-five (25%) of the total subgrant amount. Employees or Board Members of subgrantees with fiscal responsibility include:

1. Those personnel who directly authorize the disbursement of funds;
2. Those personnel who approve the request for funds disbursement;
3. Those personnel with check issuance authority; and
4. Those personnel who receive or deposit funds and/or reconcile financial records.

PAYMENTS AND COST REPORTING

MDHS permits two (2) methods of cost reporting: Cost Reimbursement and Current Needs/Cash Advance forms dependent on when submitted.

Under the Current Needs/ Cash Advance, the subgrantee shall project its cash needs for sixty (60) days and submit a 'Cash Advance Claim Support Form'. This form is required at least thirty (30) days prior to the date that funds will be needed to allow processing time for MDHS, as well as DFA. The 'Cash Advance Claim Support Form' may be adjusted pending availability of funds.

The 'Claim Support Form' shall be completed monthly thereafter and shall be submitted to the appropriate MDHS MAGIC claims e-mail address by the tenth (10th) calendar day of the following month. Supporting documentation shall be submitted as requested. To the extent available, subgrantees must use funds from program income, rebates, refunds, contract settlements, audit recoveries, and interest earned on such funds before requesting additional cash payments. Subgrantees will receive funds the following month for expenditures incurred the previous month. The subgrantee shall report the cost incurred for the month and request reimbursement by submitting the 'Cost Reimbursement Claim Support Form.' The form shall be used by subgrantees to report the "total cumulative cost to date."

SPECIAL REQUIREMENTS

DIRECTLY FUNDED SOCIAL SERVICES BLOCK GRANT (SSBG) SUBGRANTS

General

1. A 25% match is required on all SSBG dollars. This match may be in the form of cash and/or in-kind. A waiver may be requested under certain conditions.
2. A maximum of two (2) subgrant modifications may be requested by the subgrantee during the subgrant period. Subgrant modifications shall not be initiated by the subgrantee within the last thirty (30) days of the subgrant period, without prior approval

by the MDHS Executive Director or designee. Requests to move more than \$5,000.00 from one Broad Service Category (Budget Activity) to another will not be approved.

3. Unexpended funds at the end of the subgrant period shall be returned to MDHS.
4. Contracts funded out of SSBG in support of other divisions shall adhere to guidelines set forth by the appropriate program division.

Match

1. The 25% match requirement is a state policy. This match may consist of cash and/or in-kind contributions specifically related to the applicable subgrant scope of services.
2. Match is calculated as a 75/25 shared cost for program operation. Total program cost includes programmatic and administrative costs.
3. Matching costs reported shall be verifiable from source documentation maintained either electronically or paper on file in the subgrantee's office. If sufficient match is not verified, the subgrantee shall return the appropriate amount of federal dollars.
4. Match requirements may be requested to be waived. Each request for waiver of match shall be accompanied by a full explanation for the request, listing specific activities taken to seek the needed match and appropriate documentation of such attempts. Discretion concerning the waiver rests with the MDHS Executive Director or designee. Waiver may be granted for the following reasons:
 - A. The State Legislature failed to appropriate adequate match after being specifically requested to do so;
 - B. In-kind possibilities for match are currently being used as match for other funding sources; or
 - C. Subgrantee is unable to garner sufficient support from local resources.
5. Match does not have to be calculated on an activity basis; however, the overall federal dollars shall be adequately matched.
6. Other federal funds shall not be used to match SSBG unless it is allowable by the regulations of the related federal program.

ALL OTHER MDHS SUBGRANTS

General

1. A maximum of three (3) subgrant modifications may be requested by the subgrantee during the subgrant period. Subgrant modifications shall not be initiated within the last ninety (90) days of the subgrant period without prior approval by the MDHS Executive

Director or designee. (See the ‘Modification Form’ – MDHS-MSS-1004) Modifications shall be approved by the proper avenues.

2. Major changes to the subgrant that alter the scope of services, increase or decrease the total amount of funding, affect the match requirements, authorize salary and wages, fringe benefits, equipment changes or indirect costs requires a modification of the subgrant. (See the ‘Modification Form’ – MDHS-MSS–1004)
3. Minor changes to the subgrant may be made by written agreement to the changes by the subgrantee and MDHS via an approved modification. Consult with MDHS for specific guidance on amending the subgrant.
4. Modifications shall become effective on the date specified on modification forms, or upon the signature of both parties, whichever is later; unless a waiver is approved by the MDHS Executive Director or designee.

Match

1. Match shall be available and expended in accordance with the approved subgrant agreement. If sufficient match is not verified, the subgrantee shall return the appropriate amount of federal dollars to the State.
2. Match expended and reported shall be verifiable from support documentation on file in the subgrantee’s office.

PROCUREMENT STANDARDS

General

Subgrant activities may be contracted through a third-party. Subgrantees shall follow the same policies and procedures used for procuring services, commodities, and equipment paid for by non-Federal funds. The Subgrantees are responsible for ensuring that each vendor agreement contains the required State and Federal contract provisions, as well as, the requirements outlined in the most current version of the MDHS Subgrant/Agreement Manual.

Compliance with State and Federal Regulations

Subgrantees shall adopt and follow their own procurement procedures reflecting applicable State, local, and tribal laws and regulations provided that those procurements procedures conform to applicable Federal procurement requirements as set forth in 45 CFR Part 74 and Part 92 and 2 CFR Part 200.318 to 200.326. These requirements apply to purchase for contractual services, commodities, and equipment. Procurement threshold amounts as outlined in the current version of 2 CFR Part 200.320 are hereby attached and incorporated as Appendix B.

Subgrantee's Use of Lower-Tier Sub-recipients

If the provisions of a subgrant agreement allow a lower-tier sub-recipient to manage and administer sub-grant-supported projects, the lower-tier sub-recipient shall be bound by the lower-tier sub-recipient agreement to adhere to the MDHS Subgrant/Agreement Manual, applicable state and federal law, and all guidelines established by MDHS.

Code of Conduct

There shall be no conflict of interest, real or apparent, in the award or administration of a contract supported by subgrant funds. The subgrantee shall maintain a written code or standards of conduct, which shall govern the performance of their officers, employees or agents engaged in the award and administration of contracts supported by federal funds. (See 45 CFR Part 74 and Part 92, 2 CFR 200.318, or other applicable federal law for further specific guidance.) Contractors/Vendors involved with drafting specifications, requirements, statements of work, request for proposal (RFP), or any other solicitation shall be excluded from bidding or submitting a proposal to compete for award for such procurement.

Open and Free Competition

All subgrantee procurement transitions shall be conducted in a manner that provides maximum open and free competition consistent with 45 CFR Part 74, 92, and 2 CFR Part 200 and other applicable federal laws. Procurement procedures shall not restrict or eliminate competition. Interagency agreements are excluded from this provision. Procurement procedures must also affirmatively encourage use of minority businesses, women's business enterprises, and labor surplus area firms. (See 2 CFR 200.321 for guidance.)

Subgrantee Files

Each subgrantee shall maintain adequate files and documentation to support any purchases made and to detail the procurement process for each purchase. Purchases made by formal bid process or otherwise may be subject to public record as provided in Section 25-61-1 et seq. Mississippi Code of 1972, Annotated.

TRAVEL

Pursuant to 2 CFR 200.474, travel costs are expenses incurred by employees who are in travel status on official business. These costs must be consistent with costs normally allowed under the MDHS written travel reimbursement policy as outlined below. These costs may also be subject to the Federal requirements as outlined in 2 CFR 200.474.

Section 25-3-41, Mississippi Code Annotated (1972), authorizes the Mississippi Department of Finance and Administration to set guidelines for travel reimbursement of state officials and employees. As these laws and regulations are amended, this policy shall be amended accordingly.

A complete list of all current rules and regulations established by the Mississippi Department of Finance and Administration (DFA) is available on the Internet at www.dfa.ms.gov. State travel regulations are also contained in the Mississippi Agency Accounting Policies and Procedures Manual (MAAPP), Section 13.

All travel related expenses will be reimbursed at the State rates and pursuant to DFA policies identified above. Should the federal grant exclude certain travel reimbursements and thereby conflict with any DFA travel policy or regulation, then the federal grant exclusion and/or reimbursement requirement shall control. In that instance, Subgrantees must provide written documentation showing that the Subgrantee exercised due diligence to identify the least expensive and most practical method of transportation.

The 'Travel Voucher Form' is provided in Appendix A to this manual.

DEBARMENT

In order to protect the public trust imposed upon MDHS and its involvement with subgrantees, it is the policy of the agency to conduct business only with responsible persons/subgrantees. Therefore, the applicable MDHS Funding Division shall verify the suspension/debarment status of any potential subgrantee, prior to contracting with the subgrantee and shall maintain written documentation of the verification. In addition, the MDHS subgrantee shall verify the suspension/debarment status of his/her lower-tier sub-recipient(s) prior to contracting with the lower-tier sub-recipient and shall maintain written documentation of the verification. When it appears that a subgrantee's conduct, as determined by the agency, creates a reasonable belief that a particular act or omission has occurred, MDHS shall implement discretionary actions known as debarment and suspension, possibly leading to termination. A subgrantee and/or a lower-tier sub-recipient who is debarred or suspended shall be excluded from agency financial and nonfinancial assistance and benefits. These are serious actions which shall be used only in the public interest and for the agency and State of Mississippi's protection and not for purposes of punishment.

Coverage

This policy shall apply to all persons/subgrantees who are currently participating in transactions under state non-procurement programs. For purposes of these regulations, transactions shall be referred to as covered transactions which may be subdivided into (1) primary covered transactions, (i.e., any non-procurement transactions between MDHS and the subgrantee, regardless of type,) or (2) lower-tier covered transactions, (i.e., transactions between subgrantee and another other than a procurement contract for goods or services), regardless of type, under a primary covered transaction.

Effect of Action

Except the extent prohibited by law, subgrantees that are debarred or suspended shall be excluded from primary covered transactions and lower-tier covered transactions for the period of their debarment or suspension.

Section 5

PROPERTY MANAGEMENT

OVERVIEW

Uniform standards on inventory management shall ensure the effective use and control of subgrantee property and equipment under the jurisdiction of MDHS. Property inventory management is applicable to all non-expendable equipment and property having a useful life of one (1) year or more and having a unit acquisition cost or fair market value of \$1,000.00 or more. All such property and equipment shall be tagged and placed on the inventory. There are other specific items also listed in this chapter that are required to be placed on MDHS' inventory regardless of price. Items with a useful life of one year or more with a unit cost of less than \$1,000.00 are not required to be placed on inventory but are required to have a "Property of MDHS" sticker applied. It will be the responsibility of the MDHS Subgrant Property Officer, in collaboration with the MDHS Director of the Office of Property, to ensure proper reporting of all equipment and property and that such information is accurately recorded and maintained at the MDHS Office of Property.

If equipment or property is authorized under an MDHS subgrant, the property or equipment shall be purchased within ninety (90) days from the beginning date of the subgrant, or within thirty (30) days of the effective date of the modification which authorizes the purchase of property or equipment. If it becomes necessary to purchase other property or equipment to accomplish the purpose of the subgrant after the ninety (90) day beginning date of the Subgrant/Agreement, then this purchase will require a modification to the relevant section of the agreement. No equipment or property shall be purchased during the last thirty (30) days of the subgrant. These time limits are also applicable to property or equipment purchased with nonfederal funds or donated by third parties that is used to match funds under an MDHS subgrant.

This Subgrantee/Agreement Inventory Management section serves as a minimum guide in the development of the MDHS inventory management system as it relates to subgrants and is meant to provide guidelines for the following:

- Purchase approval
- Purchase of used equipment
- 'Inventory Control List' (MDHS-PROP-SE02)
- Property identification
- Physical inventory
- Property which has been lost, stolen, or damaged

- Property disposal or transfer
- Subgrantee or program closeout

Subgrant property management implementation shall be the responsibility of the MDHS office of Property and its Subgrant Property Officer with oversight provided by the Director of the Office of Property in conjunction with the Deputy Director of Programs. Verification shall be the responsibility of the Division of Budgets and Accounting's Property Officer. Property which has been stolen shall be reported by the sub-grantee/contractor to the MDHS Subgrant Property Officer and to the Director of the Office of Property within 24 hours of discovery.

POLICY

Sub-grantees may refer to the 45 CFR Parts 74 and 92, CFR 200.310 through 200.316, or applicable federal law regulating property management for further guidance on property management standards. All property and assets purchased through MDHS sub-grants shall be placed on inventory in accordance with the applicable Federal guidelines, the statutes of the State of Mississippi, and the rules set forth in the State Property Officers Manual. The State Property Officers Manual is available online through the Mississippi Office of the State Auditor's website.

Purchase Approval: All equipment purchased with subgrant monies shall be specifically authorized through the 'Cost Summary Support Sheet' and the 'Budget Narrative' of the subgrant agreement. Any deviation shall require a formal modification (long form) of the subgrant. The equipment needs of the sub-grantee shall be assessed by the Director of the Office of Property in conjunction with the Deputy Director of Program Staff who will analyze all prior sub-grants/contracts and the equipment needs expressed in the Scope of Services and the Terms and Conditions of the current sub-grant. All means of acquiring the proposed equipment, e.g., leasing, shall be reviewed before authorization is given by MDHS.

Duplication of property or equipment purchases is prohibited by statute. A capital lease or lease purchase agreement is prohibited by statute.

The assessment criteria to be used for purchase approval shall include, but is not limited to, the following:

- How significant is the need cited to the successful operation and completion of the project?

- What is the total expense involved to satisfy this need? Include all associated costs that are required for the equipment or property.
- Are there hidden associated costs, i.e., maintenance, rent, shipping, freight, etc.?

Complicated items should have a full cost analysis prior to approval for purchase.

- Who will benefit from the purchase of these items? Short-term contracts should not include the purchase of equipment.
- How long will the need exist?
- What will be the consequences of foregoing such a purchase?
- Should we rent, lease, or purchase the items under consideration?
- Assess availability of needed items from surplus of used property from other active/inactive sub-grantees, or from DFA Office of Surplus Property.

Note: All property or equipment purchased, in whole or in part, with funds provided by MDHS, shall be held in trust by the subgrantee as trustee for MDHS, and shall not be encumbered without the written or signed approval of the MDHS Sub-grant Property Officer, Director of Property, and the MDHS Executive Director. The sub-grantee shall record liens, or other appropriate notices of record, that property or equipment has been acquired, or where applicable, improved with funds provided by MDHS. Only Federal or State property may be upgraded with MDHS funds. The use and disposition of such property or equipment are prescribed by the MDHS Sub-grant/Agreement Manual.

Purchase of Used Property and/or Equipment

Sub-grantees who wish to purchase used property and/or equipment, must submit a written request and justification to the appropriate MDHS Division Director for Approval, before proceeding with procurement. This is in addition to the established purchase requirements set out in the Procurement section of this manual.

Use of Property and/or Equipment under MDHS Subgrants

The subgrantee shall use the property and/or equipment in the project or program for which it was acquired as long as needed, whether or not the project or program continues to be supported by Federal funds and shall not encumber the property without approval of the MDHS Executive Director. When no longer needed for the original project or program, the sub-grantee may contact the MDHS Office of Property, specifically, the designated MDHS Subgrant Property Officer, who may then contact the MDHS Director of Property or his designee and request written authorization for the sub-grantee to use the equipment in connection with the sub-

grantees other federally-sponsored activities, as required under federal regulations, such request to be signed by MDHS Executive Director.

Statement of General Policy – Property Inventory Rules

Where applicable, equipment or property items 1, 3, 5, 6, 8, 9, 10, 11, and 12 listed below shall be included on inventory regardless of the price and items 2, 4, and 7 listed below shall be included on inventory if the price paid to acquire or the fair market value is greater than \$250.00 per unit, as required by the State Property Officer within the Office of the State Auditor. All other items not listed below should be included on inventory if the price paid to acquire or the fair market value is \$1,000 or more. Items costing less than \$1,000 with a useful life of one year or more are required to have an agency “Property of MDHS” sticker applied.

If authorized under an MDHS sub-grant, items 1, 3, 5, 6, 8, 9, 10, 11, and 12 listed below shall be listed on the Cost Summary Support Sheet and in the Budget Narrative under the budget category of Capital Outlay-Equipment regardless of the price. If the purchase price of items 2, 4, and 7 listed below is greater than \$250.00, the items shall be listed on the ‘Cost Summary Support.

Sheet and in the Budget Narrative under the budget category of Capital Outlay-Equipment. Items not listed below should be listed on the Cost Summary Support Sheet and in the Budget Narrative under the budget category of Capital Outlay-Equipment if the purchase price is \$1,000 or more.

1. Weapons
2. Camera and Camera Equipment
(Greater than or equal to \$250.00)
3. Two-way Radio Equipment
4. Televisions
(Greater than or equal to \$250.00)
5. Lawn Maintenance Equipment
6. Cellular Telephones
7. Computers/Computer Equipment, including Printers (Greater than or equal to \$250)
8. Chain Saws
9. Air Compressors
10. Welding Machines
11. Generators
12. Motorized Vehicles

Inventory Control List

All non-expendable equipment or property purchased with (or used to match) federal and/or state funds shall be listed on an Inventory Control List (MDHS-PROP-SE02). The Inventory Control List must be submitted to the MDHS Sub-grant Property Officer for any new and/or additional equipment purchased once the equipment or property has been received and paid for by the sub-grantee. Both the sub-grantee and the MDHS Sub-grantee Property Officer shall maintain a complete and up-to-date list of sub-grantee equipment or property. The Sub-grantee shall keep such list in a place where there is easy and immediate access in case of audits. The Sub-grant Property Officer shall maintain its complete up-to-date list in the MDHS Office or Property. The MDHS Sub-grant Master Inventory shall also be maintained in the MDHS Office of Property by the Sub-grant Property Officer. It shall be the responsibility of the MDHS Office of Property and the Sub-grant Property Officer to provide a copy of the Inventory Control List for each sub-grant that authorizes property or equipment.

- Information for the Inventory Control List shall include:
- Sub-grantee's Name, Address, and Telephone Number
- Agreement Number, Grant Identifier Number, Sub-grant beginning and ending dates and/or modification, if applicable
- Total Equipment Amount Budgeted
- Item description, manufacture's name etc.
- Manufacturer's Serial Number
- Manufacturer's Model Number
- Vendor Name
- Purchase Date or Invoice Data
- Check Number and/or Voucher Number
- Cost plus tac, freight or shipping charges (if applicable)
- Location of equipment or property address
- MDHS Inventory Number Assigned by the MDHS Property Office
- Ultimate disposition date, including data of disposal and sales price of the method used to determine fair market value where a sub-grantee compensates the federal agency, MDHS funding source for its share.

All changes in status, such as, but not limited to, location and program use, require that the sub-grantee update the Inventory Control List, and notify the appropriate funding division in writing within a 10 working day period.

Property Identification

All sub-grantee equipment or property purchased with federal and/or state funds, or provided as match for federal and/or state funds, shall have permanent identification numbers assigned by the MDHS Property Office (Equipment Inventory Tagging Form MDHS-PROP-SE01). Permanent identification shall be made by using metal tags, vinyl tags, etching, or other appropriate means of identification. The equipment or property purchased through sub-grants/agreements awarded by MDHS shall be tagged and accounted for by the MDHS Property Office or, in some instances, by the Office of Monitoring.

Physical Inventory

A periodic physical inventory shall be performed by all sub-grantees at least twice yearly, using the MDHS Inventory Control List (MDHS-PROP-SE02) and submitted to the appropriate funding division and the Sub-grant Property Officer. The physical inventory shall consist of an actual accounting of all sub-grantee/lower-tier sub-recipient equipment or property on the Sub-grantee location listing and/or Inventory Control List, acquired with (or used to match) federal and/or state monies under an MDHS sub-grant. Property records pertaining to the purchase of equipment or property shall be inspected for correctness before items are identified and tagged for inventory control.

Location and use of equipment or property shall be verified by the authorized and designated MDHS Sub-grantee Property Officer who is located in the MDHS Office of Property. Sub-grantee must contact the MDHS sub-grant Property Officer to report any property or equipment that is not being utilized or managed under the terms of the sub-grants. Any such property or equipment not being utilized or managed under the terms of the sub-grants shall be recovered and/or redistributed with approval by the MDHS Property Officer in conjunction with the Director of Property.

Should a subgrant be terminated or not renewed, any equipment or property purchased under the subgrant with public funds or MDHS funds shall neither be transferred to another location nor remain at the present location under a new sub-grant with a different sub-grantee, without the prior written approval of the MDHS Executive Director. The MDHS Inventory Transfer Form (MDHSPROP-114B) shall be completed and submitted to the MDHS Property Office to the Attention of the MDHS Sub-grant Property Officer.

Lost, Stolen, or Damaged Equipment or Property

A sub-grantee shall submit in writing to the MDHS Office of Property, within 24 hours of discovery, a detailed explanation of any stolen, misused or unaccounted for equipment or property. The MDHS Office of Property and the designated MDHS Sub-grant Property Officer will then contact the MDHS Division Director of Administrative Services and report the incident utilizing the MDHS Office of Property reporting system to identify the lost, stolen, or damaged sub-grant equipment or property. The MDHS Office of Property may initiate an investigation to determine the cause and culpability of the matter as necessary. In case of theft, robbery or mysterious disappearance, the local police or sheriff's department should be notified. If so notified, the name of local police or sheriff's department official and the date the loss shall be included in the agency report. If such was not reported to a local police or sheriff's department at the time of the discovery, a complete explanation of such failure shall be provided. A copy of the police or sheriff's department report shall be forwarded with a letter of explanation to the MDHS Director of Property, the Sub-grant Property Officer, and the Division Director of Administrative Services. Additionally, if equipment loss occurs at the home of an employee of the sub-grantee, the employee shall provide a written statement from his/her insurance carrier indicating whether or not the stolen or lost item was paid for under his/her homeowner's or car insurance policy. The MDHS Sub-grant Property Officer shall, with the MDHS Director of Property Office, review the information and the MDHS Director of Property a recommendation of action to be taken, if appropriate.

Liability

The sub-grantee is required to maintain enough insurance coverage for real property and equipment **acquired or improved with Federal funds** that is at least equivalent to insurance maintained on non-Federally funded real property or equipment. The sub-grantee is not responsible for insuring Federally-owned property or equipment unless required by the terms and conditions of the Federal award. (See 2 CFR 200.310 for guidance).

MDHS has the authority to recover the value of any missing property. If property is determined to be missing, an MDHS investigation may be initiated to determine the cause and culpability. If an investigation leads to negligence or misconduct with regards to the missing property, a demand may be made against the head of the sub-grantee agency, the agency's property officer and/or the appropriate supervisor/director or employee.

Damaged, Non-Serviceable Equipment or Property

The subgrantee shall submit a written request to MDHS Property Office requesting authorization to dispose of equipment or property and an on-site inspection by MDHS Property Office may be conducted, if applicable. The MDHS Executive Director is ultimately responsible in the approval or denial of said request.

Property Disposal or Transfer

Sub-grantees shall notify, in writing, the MDHS Office of Property and the designed MDHS Sub-grant Property Officer when an item is either no longer needed or useful to the implementation and objective of the program. The Office of Property and/or the MDHS Sub-grant Property Officer will conduct an on-site visit if necessary with regard to the request. The sub-grantee must include the following information in the notification which can be obtained from the Inventory Control List.

- Inventory Number Assigned by Inventory Funding Source
- Description
- Purchased Price
- Dollar Value
- Agreement Number
- Grant Identifier Number
- Sub-grant Beginning and Ending Dates
- Reason for Disposal

Upon completion of an on-site visit, the MDHS Sub-grant Property Officer and/or the Director of Property shall decide the proper means of disposal in accordance with applicable Federal and state regulations. (See 2 CFR 200.311 to 200.315 and State Property Officer's Manual). Should a sub-grant be terminated or not renewed, any equipment purchased under the sub-grant with public funds or MDHS' funds shall neither be transferred to another location nor remain at the present location under a new sub-grant with a different sub-grantee, without the prior written approval of the MDHS Executive Director. The MDHS Sub-grant Property Officer and to the appropriate MDHS funding division by the sub-grantee whenever property is moved from one office/site to another. Appropriate "From" and "To" signatures shall be obtained.

Subgrant or Program Closeout

A subgrantee that desires to continue using equipment or property after the expiration date of the subgrant period shall submit a written request to the Attention of the MDHS Executive Director and forward it to the Subgrant Property Officer in the MDHS Property Office. Once reviewed and approved by the MDHS Sub-grant Property Officer and Director of the Property Office, the request will be forwarded through the proper channel to the Executive Director of MDHS for denial or approval. It is the established policy the Mississippi Department of Human Services to give consideration to such written request and to allow federally and/or state purchased equipment or property to remain on the premises of the organization so long as the sub-grantee continues to operate at the same site; the organization continues to serve the implementation and objective of the program; and the sub-grantee is in good standing at the time of closeout. The request shall include a copy of the Sub-grantee Inventory Control List for each item of equipment or property under the subgrant. The deadline for equipment or property retention request is the same as for the closeout package. The MDHS Director of Property shall forward the sub-grantee's request to the MDHS Executive Director for Final approval/disapproval. The MDHS Office of Property through its Director or the Sub-grant Property Officer shall forward the final written approval or denial to the sub-grantee. If the request is denied, or if the sub-grantee fails to meet the closeout deadline, MDHS shall retrieve the equipment or property as soon as possible after the sub-grant ends. If property or equipment is left with a sub-grantee, it shall be the responsibility of the MDHS Office of Property to monitor the utilization of all items on a yearly basis, and report the findings to the MDHS Director of Administrative Services.

RECORD RETENTION AND ACCESS**Section 6****Overview**

Appropriate retention of records is vital to maintaining accountability for proper use of funds. Subgrantees of MDHS are required to retain all records pertinent to the subgrant, to allow access to such records including copying and/or removal thereof, and to allow timely and reasonable access to subgrantee personnel for the purpose of interview and discussion related to such documents. Whenever practicable, subgrantees of the MDHS should collect, transmit, and store Federal award-related information in open and machine readable formats rather than in closed formats or on paper.

MDHS shall always provide or accept paper versions of Federal award-related information to subgrantees upon request. If paper copies of Federal award-related information are submitted, MDHS shall not require more than an original and two (2) copies.

Financial records, supporting documents, statistical records, personnel records, and all other records pertinent to the subgrant shall be retained for a period of three (3) years from the date of submission of the final expenditure report, or for subgrants that are renewed quarterly annually from the date of the submission of the quarterly or annual financial report as reported.

The only exceptions are as follows:

1. If any litigation, claim, financial management review, or audit is started before the expiration of the three (3) year period, the records shall be retained until all such litigation, claims, reviews (including monitoring findings), or audit findings involving the records have been resolved and final action taken, whichever is later.
2. When the subgrant is notified in writing by the Federal awarding agency, cognizant agency for audit, oversight agency for audit, cognizant agency for indirect costs or MDHS to extend the retention period.
3. Records for real property and equipment acquired in whole or in-part with Federal or State funds or with funds used to match Federal funds shall be retained for three (3) years after final disposition of such property.
4. When records are transferred to or maintained by the Federal awarding agency or MDHS, the three (3) year retention requirement is not applicable to the subgrantee.
5. Records for program income transactions after the period of performance.
6. Indirect cost rate proposals and cost allocation plans. This only applies to the following types of documents and their supporting records: indirect cost rate computations,

proposals, cost allocation plans, any similar accounting computations of the rate at which a particular group of costs is chargeable.

Record Disposal Request

Prior to the destruction of any records, the subgrantee shall obtain written approval from the MDHS Division of Program Integrity and Programmatic Funding Division Director, by completing the 'Request to Dispose of Records' (MDHS-DPI-001). If the subgrantee fails to complete the said form, it is a serious matter that may subject the subgrantee to the risk of sanctions.

MDHS Programmatic Funding Division Directors are responsible for ensuring that records of subgrantees, whose operations are ceasing or have already done so, are properly safeguarded. If it is determined that the safety of the records should be enhanced, MDHS is authorized to request transfer of records or remove records immediately from the subgrantee's premises.

Federal Awarding Agency Record Request

Records must be transferred from MDHS to the Federal awarding agency upon their request when it is determined that the records possess long-term retention value. The Federal awarding agency may make arrangements for MDHS to retain any records that are continuously needed for joint use in order to avoid duplicate record keeping.

Access to Records

Mississippi Department of Human Services, the Federal awarding agency, the State Auditor, the Comptroller General of the United States, or any of its duly authorized representatives shall have the right to timely and unrestricted access to any of the subgrantee's records that are pertinent to the subgrant. This right also includes timely and reasonable access to the subgrantee's personnel for the purpose of interviews and discussions related to these documents. The rights of access in this section are not limited to the required retention period but last as long as the records are retained.

These records include, but are not limited to, the items listed below:

1. Financial reports supporting expenditures of the subgrant;
2. Internal and external audit reports and program evaluations;
3. Executed copy of the subgrant agreement and any modifications;
4. Approved budget, budget narrative, and any modifications;
5. Contracts, leases, employment agreements, and purchase invoices;

6. Cost allocation plans and/or indirect cost rate proposals, and related support documents,
7. All invoices, billings, receiving reports, and Claim Support Forms;
8. General ledger, general journal, cash receipts journal, cash disbursements journal, payroll earnings register, and all subsidiary records;
9. All personnel records of all individuals paid in whole or in part with subgrant funds including employment applications, personnel files, time and attendance reports, wage authorizations, tax withholding forms, authorization for any deductions, time and effort records, leave records, and all other relevant data;
10. Inventory records for all property and equipment purchased in whole or in part with subgrant funds or which the subgrantee has been compensated for the use of the property and equipment through depreciation or use allowance charges, indicating acquisition date, cost of the property and equipment, identification number, location and use of the property and equipment, and evidence that procurement requirements have been met;
11. Bank statements and reconciliations, all canceled or voided checks, and deposit records;
12. Documentation of proper insurance/bonding coverage; and/or
13. Programmatic records of all types, as pertinent to particular programs involved.

Note: No Federal awarding agency may place restrictions on the subgrant that may limit public access to the records of the subgrant except for personally identifiable information or when the Federal awarding agency can demonstrate such will be a violation of the Freedom of Information Act or if the Federal awarding agency has controlled unclassified information pursuant to Executive Order 1355.

MONITORING AND AUDIT

Section 7

Overview of Monitoring

The monitoring policies and procedures in this section are designed to ensure that all subgrants of MDHS are administered in compliance with laws and regulations applicable to Federal financial assistance programs, agency policies and in accordance with the terms of the subgrant agreement. MDHS Office of Monitoring in the Division of Program Integrity along with the Programmatic Funding Division are responsible for oversight of the development of appropriate monitoring instruments specifically designed to ensure compliance with program requirements, cost principles, and federal regulations.

Subgrant monitoring procedures may include several of the various options listed below but is not limited to such. These options include:

1. Reviewing reports submitted by the subgrantee;
2. Reviewing documentation supporting expenses reported under MDHS subgrants;
3. Reviewing the subgrantee's single audit or program-specific audit results and evaluating audit findings and the subgrantee's corrective action plan;
4. Performing on-site reviews of the fiscal and programmatic records and observing subgrantee operations; and/or
5. Consider enforcement action against non-compliant subgrantee.

Risk Assessment

As required by 2 CFR 200.331 (Requirements for Pass-Through Entities), the extent of monitoring imposed on each subgrantee shall be determined on the risk of noncompliance, MDHS will consider the following factors:

1. Subgrantees prior experience with the same or similar sub-awards;
2. Results of previous audits, in which includes whether or not subgrant receives a Single Audit in accordance with 2 CFR 200 Subpart F (Audit Requirements) and the extent to which the same or similar sub-award has been audited as a major program;
3. Prior experience of the subgrantee operating subgrants supported by Federal funds;
4. Results of previous on-site fiscal and programmatic reviews;
5. Measureable statement of work and deliverables of the subgrant;
6. Whether the subgrantee has new personnel or the subgrantee has recently changed systems; and
7. Potential for conflict of interest with the subgrantee and MDHS.

If it is determined that the subgrantee is a high-risk, a technical assistance visit will be scheduled within the first three (3) months of the subgrant period.

Monitoring Procedures

For a full and exhaustive procedure of how a monitoring visit will be conducted and performed. Please see the Monitoring Procedures Manual.

On-Site Reviews for Program and Fiscal Compliance

On-site reviews for program and fiscal compliance are required to be conducted at least once during the subgrant period for every MDHS subgrant. On-site reviews for program and fiscal compliance may be performed on any subgrant at any time and may be repeated as often as deemed necessary by MDHS. These reviews for program and fiscal compliance will be conducted by the MDHS Division of Program Integrity.

The on-site programmatic and fiscal reviews are formal in nature. Subgrantees should be notified, in writing, at least two (2) weeks prior to a routine on-site visit. MDHS reserves the right to conduct unannounced reviews as its discretion.

Each on-site review shall conclude with an exit conference in which the monitor(s) will advise the subgrantee signatory official (or designee), project director, fiscal officer, or other appropriate staff of the preliminary results of the on-site review and of the monitor's recommendations of corrective actions necessary to resolve each finding.

A written report that follows a standard format will be completed upon return from an on-site review. The monitoring report should be completed within thirty (30) calendar days after the exit conference. The monitoring report will provide, at minimum, a narrative description of each significant instance discovered of noncompliance with federal law or regulation, state law, MDHS policy, or with the terms of the subgrant agreement. This narrative should clearly indicate the deficiency and contain all pertinent information related to such.

MDHS shall follow-up on the subgrantee's corrective action plan for any programmatic and/or fiscal monitoring findings.

Corrective Action Process

The Monitoring Report is sent to the subgrantee and to the applicable MDHS Programmatic Funding Division. Said shall require a written response from the subgrantee within thirty (30) calendar days, unless otherwise indicated. The corrective action plan must include:

1. A statement of whether the subgrantee agrees with the finding or not.
2. A detailed plan of how the subgrantee will correct each individual finding to prevent this or similar finding in the future or justification for the subgrantee's disagreement with the finding(s).
3. Any subgrantee documents, forms, policy changes, reports, accounting tools, time sheets, data collection forms, etc. that ensure the subgrantee has corrected the finding(s)
4. If the subgrantee disagrees with a finding(s) identified in the report, detailed documentation must also be submitted to refute the questioned finding(s).
5. The corrective action plan must be signed by the Authorized Official or designee. (The designee is the person granted permission to sign the Authorized Official's signature.)

Overview of Audit

The Office of Monitoring is responsible for oversight of the subgrantee single audit requirement. The Office of Monitoring collaborates with the applicable MDHS Programmatic Funding Divisions to ensure resolution of any single audit findings that are applicable to the Programmatic Funding Division. Additionally, they are to monitor the success of corrective actions taken by said subgrant.

The provisions of this section do not limit the authority of Federal agencies or their Inspectors General or other Federal officials, MDHS, or the Office of the State Auditor, or their duly authorized representatives, to make or contract for audits, evaluations, or review. Subgrantees shall not constrain the above-named agencies or any other entity, in any manner, from carrying out audits, evaluations, or reviews.

General

The following sets forth standards for obtaining consistency and uniformity among Federal agencies for the audit of non-Federal entities expanding Federal awards. Please refer to 2 CFR 200 Subpart F meet the requirements of Single Audit, it must be conducted on an annual basis. Additionally, ninety (90) days at the end of the subgrant's fiscal year, the subgrant must submit said audit to the Division of Program Integrity – Office of Monitoring. This is necessary to certify the sources and amounts of all Federal awards received and expended by the subgrantee.

A subgrantee that expends Federal financial assistance during the subgrant's fiscal year of:

1. Less than \$750,000.00 shall be exempt from Federal audit requirements unless the subgrantee meets a requirement in 2 CFR 200.503. However, the subgrantee must make records available for review by the appropriate officials and cannot constrain in any manner such as a federal agency, from carrying out or arranging audits;
2. \$750,000.00 or more under only one (1) Federal program and the Federal program's statutes, regulations or the terms and conditions of the Federal award do not require a financial statement audit of the subgrant, may elect to have a program-specific audit in accordance with 2 CFR 200.507; or
3. \$750,000.00 or more under more than one (1) Federal program shall have an organization wide audit performed in accordance with 2 CFR 200.501(c). Please reference above.

Program-Specific Audit

If the subgrantee meets the applicable standard for a program-specific audit, it must follow Generally Accepted Government Auditing Standards and guide when performing said audit. A listing of current program-specific audit guides can be found in the compliance supplement beginning with the 2014 supplement. If a program-specific audit guide is not available, the subgrant and the auditor must have the same responsibilities for the federal program as they would in a single audit. Please refer to 2 CFR 200.507 for the specific requirements the subgrantee must adhere to for program-specific audits.

Responsibilities of a Subgrantee

The subgrantee shall:

1. Maintain and make records available for review or audit by appropriate officials of the Federal agency, pass-through entity, General Accounting Office (GAO), State Auditor and/or the subgrantee's independent auditor;
2. Procure or otherwise arrange for the audit required by 2 CFR 200.508 in accordance with 2 CFR 200.509 ("Auditor Selection") and ensure it is properly performed and submitted when due in accordance with 2 CFR 200.512 ("Report Submission");
3. Prepare financial statements that reflect its financial position, results of operations, and, where appropriate, cash flows for the fiscal awards for the period covered by the subgrantee's financial statements, which shall be prepared in accordance with 2 CFR 200.510 ("Financial Statements");
4. Ensure that audits are conducted and reported in accordance with Generally Accepted Auditing Standard, Government Auditing Standards and 2 CFR 200.514.520, as applicable. Additionally, all copies of the auditor's reports, and any management letters

- issued by the auditors, must be submitted to the Office of Monitoring immediately, but no later than nine (9) months after the end of the subgrantee's fiscal year;
5. Be responsible for follow-up and corrective action on all audit findings, including a preparation of a summary schedule of prior audit findings and a corrective action plan in accordance with 200.511 ("Audit Findings Follow-up");
 6. Assure MDHS subgrants are properly identified and audited as part of an organization wide audit. MDHS may request a subgrantee that is required to have an organization wide audit to have a particular program audited as a major program. Such requests shall be made at least 180 days prior to the end of the fiscal year to be audited. The subgrantee, after consultation with its auditor, shall inform MDHS whether the program would otherwise be audited as a major program using a risk-based approach and, if not, the estimated incremental costs. MDHS shall then promptly confirm to the sub-grantee whether it wants the program audited as a major program.
 7. Prepare a separate schedule of indirect costs. If indirect costs are claimed under any MDHS subgrant (which shall at a minimum include a listing of actual indirect costs incurred during the subgrantee's fiscal year by line-item), a description and amount of the base used to allocate indirect costs to all of the subgrantee's programs, and the calculation of an actual indirect cost rate based on the audited amounts must be submitted to MDHS;
 8. Complete the MDHS 'Subgrantee Audit Information Form' (MDHS-DPI-002) and submit the form to the Office of Monitoring. Said is requested to be completed within ninety (90) days of the end of the subgrantee's fiscal year; and
 9. Submit a copy of the data collection form and the reporting package, which are specified under 2 CFR 200.512, directly to the Federal Audit Clearinghouse (FAC), Bureau of the Census. The data collection form and reporting package **must** be submitted electronically through the FAC web address at <http://harvester.census.gov/facweb/>. Any future updates to the web location of the FAC may be found at the OMB website.

Management Decision

MDHS is responsible for issuing a management decision within six (6) months of acceptance of the audit report by FAC. The management decision must clearly state whether or not the audit finding is sustained, the reason for the decision and the expected subgrantee action to repay disallowed cost, make financial adjustments or take other action. If the subgrantee has not completed corrective action, a timetable for follow-up should be given. The subgrantee must initiate and proceed with corrective action as rapidly as possible and corrective action should begin no later than upon receipt of the audit report.

Limited Scope of Audits of Specific Compliance Areas

MDHS may engage an independent Certified Public Accountant to perform a Limited Scope Audit of specified MDHS subgrants. The need for this type of review shall be determined on an individual basis and shall be documented by MDHS. The results of this review shall be communicated to the subgrantee and to the applicable MDHS Programmatic Funding Divisions in a written notice.

Non-Compliance

In cases of continued inability or unwillingness to have an audit conducted, MDHS and/or the federal agency shall take appropriate action as provided in Non-Compliance Section of this manual.

Discovery of Possible Fraud, Mismanagement, or Program Abuse

In the event indications of possible fraud, mismanagement, or program abuse are discovered during the course of monitoring a subgrant, it should be referred for an investigation by completing the Fraud Tip Form¹. Program Integrity will investigate as warranted by the policies and procedures established.

¹<https://app.smartsheet/b/form/dc594bd58ad44f808bd8c415a62c65bf>

CLOSEOUT PROCEDURES

Section 8

OVERVIEW

The closeout of a subgrant is the process by which MDHS determines that all applicable administrative actions and all required work of the subgrant have been completed. Subgrantees are responsible for ensuring an orderly and timely work of the subgrant have been completed. Subgrantees are responsible for ensuring an orderly and timely programmatic phase out of subgrants and the financial settlement of subgrantee and vendor claims. The subgrantee closeout procedures describe the instructions to be followed to officially close subgrants awarded by MDHS. Subgrantees should also refer to 45 CFR Part 74 and/or Part 92, as applicable.

DUE DATE OF CLOSEOUT PROCEEDINGS

The closeout proceedings bearing original or electronic signatures is due and shall be received by the appropriate MDHS funding division forty-five (45) calendar days from the ending date of a subgrant, the reported expenditure of all funds allocated for a program year, the end of the time period of availability of funds, or a specific date designated by the funding division, in writing. A copy of the closeout package should be retained by the subgrantee.

Note: Closeout packages that are not received in a timely manner may result in a delay processing 'Cash Advance Claim Support Form' and may adversely affect future subgrant funding.

Subgrantees may revise the closeout proceedings, with a written detailed explanation, after the initial documents are received by MDHS. This revision shall be submitted within sixty (60) calendar days after the ending date of the subgrant or a specific date designed by the funding division, in writing. Supporting documentation, subject to the approval of MDHS, shall be able to make any additional funds available. However, amounts due to MDHS resulting from additional refunds, rebates or credits occurring after this point will be processed. In this case, a revised final 'Claims Support Form' shall also be submitted.

Administrative Closeout

If a subgrantee fails to close out a program year sixty (60) days after the grant ends or fails to properly adhere to established closeout policies and regulations, MDHS may complete an administrative closeout package using fiscal information from the official grant file maintained by the funding division. A copy of the administrative closeout will be provided to the subgrantee to be maintained as a part of their official grant file.

EQUIPMENT/PROPERTY CLOSEOUT

A subgrantee that desires to continue using equipment or property after the expiration date of the subgrant period shall submit a written request to the Director of the MDHS Funding Division. It is the established policy of MDHS to give consideration to written request, to allow federally and/or state purchased equipment or property to remain on the premises of the organization, if the subgrantee continues to operate at the same site, as long as, the organization continues to serve the implementation and objective of the program, and the subgrantee is in good standing at the time of closeout. The request shall include a copy of the 'Subgrantee Inventory Control List' for each item of equipment or property under the subgrant. The deadline for equipment or property retention request is the same as for the closeout package. The Director of the MDHS Funding Division shall forward the subgrantee's request to the Executive Director or designee for approval/disapproval. The Director of the MDHS Funding Division shall then forward the approval or denial to the subgrantee. If property or equipment is left with a subgrantee, it shall be the responsibility of the MDHS Funding Division to monitor the utilization of all items on a yearly basis, and report the findings to the MDHS Property Office. If the subgrantee changes location from the original site, then the aforementioned would have to be resubmitted for approval by the previous subgrantee. If the request is denied, or if the subgrantee fails to meet the closeout deadline, MDHS shall retrieve the equipment or property as soon as possible after the subgrant ends.

NONCOMPLIANCE OVERVIEW

Section 9

If a subgrant fails to comply with Federal Statutes, regulations or terms and conditions of the Federal award, the Federal awarding agency or MDHS additional conditions may be imposed.

Specific Conditions

MDHS may impose additional specific award conditions as needed, under the following circumstances:

1. Based on the criteria set forth in § 200.205 Federal awarding agency review of risk posed by applicants;
2. When an applicant or recipient has a history of failure to comply with the general or specific terms and conditions of a Federal award;
3. When an applicant or recipient fails to meet expected performance goals as described in § 200.210 Information contained in a Federal award; or
4. When an applicant or recipient is not otherwise responsible.

These additional Federal award conditions may include items such as the following:

1. Requiring payments as reimbursements rather than advance payments;
2. Withholding authority to proceed to the next phase until receipt of evidence of acceptable performance within a given period of performance;
3. Requiring additional, more detailed financial reports;
4. Requiring additional project monitoring;
5. Requiring the non-Federal entity to obtain technical or management assistance; and/or
6. Establishing additional prior approvals.

MDHS must notify the subgrant as to:

1. The nature of the additional requirements;
2. The reason why the additional requirements are being imposed;
3. The nature of the action needed to remove the additional requirement, if applicable;
4. The time allowed for completing the actions if applicable, and
5. The method for requesting reconsideration of the additional requirements imposed.

If noncompliance fails to be remedied by implementing additional specific conditions listed above, then the Federal awarding agency or MDHS may take one (1) or more of the following actions:

1. Temporarily withhold cash payments pending correction of the deficiency by the subgrant or more severe enforcement action by the Federal awarding agency or MDHS.
2. Disallow (that is deny both the use of funds and any applicable matching credit for) all or part of the cost of the activity or action not in compliance.
3. Wholly or partly suspend or terminate the Federal award.
4. Initiate suspension or debarment proceedings as authorized under 2 CFR part 180 and Federal awarding agency regulations.
5. Withhold further Federal awards for the project or Program.
6. Take other actions that may be legally available.

Termination

A subgrant may be terminated in whole or in part as follows:

1. By the Federal awarding agency or by MDHS if the subgrant entity fails to comply with the terms and conditions of the Federal award;
2. By the Federal awarding agency or by MDHS for good cause;
3. By the Federal awarding agency or MDHS with the consent of the subgrant, in which case the two (2) parties must agree upon the termination conditions including the effective date and in the case of partial termination the portion to be terminated; or
4. By the subgrant upon sending to the Federal awarding agency or MDHS written notification setting forth the reasons for such termination. Note that the Federal awarding agency or MDHS determines in the case of partial termination that the reduced or modified portion of the award will not accomplish the purposes for which the original award was made, the Federal awarding agency or MDHS may terminate the award in its' entirety.

When an award is terminated or partially terminated the subgrantee will remain responsible for compliance with the requirements for closeout and post-closeout adjustments and continuing responsibilities. See the Closeout Procedures section of this manual. The federal awarding agency or MDHS must provide written notification to the subgrant of termination.

GOOD CAUSE

Good Cause may be imposed for the following situations but not limited to:

1. Conviction, plea agreement of guilt or civil judgement for:
 - a. Commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public or private agreement or transaction;

- b. Violation of Federal or State antitrust statutes, including those proscribing price fixing between competitors, allocation of customers between competitors, and bid rigging;
 - c. Commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, receiving stolen property, making false claims, or obstruction of justice; or
 - d. Commission of any other offense indicating a lack of business integrity or business Honesty that seriously and directly affects the present responsibility of a person/subgrantee.
2. Violation of the terms of a public agreement or transaction so serious as to affect the integrity of a MDHS program, such as:
 - a. A willful failure to perform in accordance with the terms of one or more public agreements or transactions.
 - b. A history of failure to perform or of unsatisfactory performance of one or more public agreements or transactions.
 3. A non-procurement debarment by any Federal agency taken before October 1, 1988, the effective date of these regulations, or a procurement debarment by any Federal agency taken pursuant to 45 CFR 76; or
 4. Knowingly doing business with a debarred suspended, ineligible, or voluntarily excluded person, in connection with a covered transaction, except as permitted by the agency.

Note this is not an exhaustive list.

Costs during Termination or Suspension

Costs to the subgrantee resulting from obligations incurred by the subgrantee during a suspension or after a termination of the award are not allowable unless the Federal awarding agency or MDHS expressly authorizes them in the notice of suspension or termination or subsequently in writing. The costs made during suspension or after termination are allowable if it meets the requirements below:

1. The costs result from obligations that were properly incurred by the subgrantee before the effective date of suspension or termination and subgrantee is not in anticipation of it; and
2. The costs would be allowable of the Federal award was not suspended or expired normally at the end of the period of performance in which the termination takes effect.

Appeals

MDHS provides a subgrantee an opportunity to object and provide information and documentation challenging the adverse or noncompliance action. **Please see “Appendix D” regarding procedures for requesting an administrative hearing or see Part 23 Chapter 1: “Administrative Hearings for MDHS Subgrant/Agreement Manual.**

Title 18: Human Services

Part 8: Division of Program Integrity

Part 8 Chapter 1: MDHS Subgrant/Agreement Manual

Rule 1.1 Repeal Prior Rules/Manuals: Upon the effective date, the following Subgrant/Agreement Manual supersedes and repeals all previous Subgrant/Agreement Manuals that were filed by the Mississippi Department of Human Services and adopted.

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INTRODUCTION**Section 1**

The Subgrant/Agreement Manual has been prepared to provide uniform procedures and guidance for the administration of subgrants awarded by the Mississippi Department of Human Services (MDHS). The manual serves a three-fold purpose:

- (1) To ensure subgrantee funds are used for the purposes for which they are awarded;
- (2) To safeguard public monies to the greatest extent possible; and
- (3) To provide guidance to subgrantees in establishing and maintaining sound business accounting procedures.

The true measure of an organization's administration effectiveness and efficiency is how it assures accountability of its resources. MDHS is driven by the desire to be a good steward of the programs and services funded and personal responsibility for all Mississippians.

An electronic copy of the Office of Management and Budget's (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR 200) is available online at <http://www.federalregister.gov/articles/2013/12/26/2013-30465/uniformadministrative-requirements-cost-principles-and-audit-requirements-for-federal-awards>.

The Subgrant/Agreement Manual and the respective forms associated with each section of the manual are now available online at the MDHS website (www.mdhs.state.ms.us) They may also be found in the Appendix A.

ALL MDHS SUBGRANTEES AND ANY LOWER-TIER SUBRECIPIENTS ARE REQUIRED TO COMPLY WITH THE DIRECTIVES SET OUT IN THIS MANUAL AND ALL FEDERAL REGULATIONS AS APPLIES.

DEFINITIONS**Section 2**

The terms and definitions included in this section are used by MDHS. The sources of these terms include 45 CFR Parts 74 and 92, documents issued by the State Auditor's Office, the U.S. Office of Management and Budgets (OMB's) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal awards, which has been codified at 2 CFR Part 200, et seq., and applicable OMB circulars.

TERMS**DEFINITIONS**Accounting Procedures

Methods implemented to ensure that financial information is reflected in accounting records in a consistent, proper, and orderly manner.

Accounting System

All records, formal and informal, together with the procedures related to the assembling, classifying, recording and reporting of information concerning the financial operations and conditions of a fiscal entity.

Accounts Payable

Liabilities of the subgrantee owed to persons, firms, or corporations for goods and services received. Obligations of subgrant funds must be liquidated no later than forty-five (45) days from the end of the subgrant period.

Accounts Receivable

Amounts due to the subgrantee from persons, firms, or corporations for goods and services.

Accrual Basis Accounting

The basis of accounting under which revenues are recorded in the fiscal year they are earned and expenditures recorded in the fiscal year they are incurred. Obligations of subgrant funds must be liquidated no later than forty-five (45) days from the end of the subgrant period.

<u>Accrued Expenditure</u>	<u>An expense incurred for goods and services received during a given period which has not been paid. Accrued expenses cannot be reported on the Final Claim Support Form.</u>
<u>Acquisition Cost</u>	<u>The net invoice unit price of the equipment, including the cost of modifications, shipping, attachments, and accessories, necessary to make the property usable for the purpose for which it was acquired.</u>
<u>Administrative Cost</u>	<u>Any expenditure for governmental functions normally associated with administration of a public assistance program. The cost must be included in determining administrative costs subject to the statutory limitation on administrative costs, regardless of whether the expenditure is incurred by the State, a subrecipient, a grantee, or a contractor of the State.</u>
<u>Administrative Closeout</u>	<u>The process by which MDHS administratively performs subgrant closeout procedures upon determining that the subgrantee failed to close out a program year within the specified amount of time or failed to properly adhere to established closeout policies and regulations.</u>
<u>Allocation</u>	<u>The amount of funds provided by the funding division to a subgrantee to incur obligations and expenditures over certain period of time.</u>
<u>Appropriated Funds</u>	<u>A sum set aside by formal legislative action for a particular purpose for specific use during a specified period of time.</u>

<u>Assets</u>	<u>The entire recourse of the subgrantee fund, including any property (tangible or intangible) of monetary value.</u>
<u>Audit</u>	<u>The process by which a MDHS and/or any other federal entity auditor examines, reviews, and assesses the financial records with supporting documentation of subgrantees to evaluate the overall financial statements and/or to review and evaluate the programmatic measures.</u>
<u>Award</u>	<u>Grants and other agreements in the form of money or property, in lieu of money, by the Federal/State Government to an eligible recipient.</u>
<u>Bond</u>	<u>A form of money guarantee which protects against loss caused by another party or by some contingency over which that party may have no control. Any bond, in which may be required by MDHS, shall be obtained from companies holding certificates of authority as acceptable sureties, according to 31 CFR Part 223. A list of these companies is published annually by the U.S. Department of the Treasury in its Circular 570.</u>
<u>Bond, Bid Guarantee</u>	<u>A firm commitment such as a bid bond, certified check, or other negotiable instrument accompanying a bid as assurance that the bidder will, upon acceptance of the bid, execute such contractual documents as may be required within the time specified. This bond must be equivalent to five percent (5%) of the bid price.</u>
<u>Bond, Fidelity</u>	<u>A bond against any loss resulting from fraud or lack of integrity, honesty, or fidelity of one (1) or more employees, officers, or other persons holding a position of trust with the subgrantee, which must be payable to MDHS. This bond</u>

must be equivalent to twenty-five percent (25%) of the total subgrant amount.

<u>Bond, Payment</u>	<u>A bond executed in connection with a contract to assure payment, as required by law, of all persons supplying labor and materials in the execution of the work provided for the subgrant.</u>
<u>Bond, Performance</u>	<u>A bond executed in connection with a subgrant to secure fulfillment of all the subgrantee's obligations amount within a specified period of time.</u>
<u>Budget</u>	<u>An authorized plan of proposed expenditures and the means of financing them with respect to an allocated amount within a specific period of time.</u>
<u>Budgetary Accounting</u>	<u>A method of accounting, which allows for the comparison of actual revenues and expenditures to budget figures. In many cases, budgetary accounting applies to allocations and the expenditures authorized thereby.</u>
<u>Budget Narrative</u>	<u>A written justification adequately explaining the subgrantee's funding needs.</u>
<u>Budget Summary</u>	<u>A compilation of the detailed data contained in the Cost Summary Support Sheet (MDHS-BS-1006).</u>
<u>Capital Improvement</u>	<u>Expenditures made by the subgrantee that either increase the value of real property or extend its useful life. Examples may include fences, outdoor lighting, heating/cooling systems,</u>

plumbing and minor renovations. Capital improvements are permissible only as allowed by programmatic regulations and approved through the programmatic division.

<u>Cash</u>	<u>Currency, checks, money orders, or bank drafts on deposit in the account of the subgrantee agency.</u>
<u>Cash Balance</u>	<u>Currency, checks, money orders, or bank drafts on deposit in the account of the subgrantee agency less any checks written against these receipts.</u>
<u>Cash Basis Accounting</u>	<u>The basis of accounting under which revenues are recorded when received and expenditures are recorded when paid.</u>
<u>Cash Disbursement Journal</u>	<u>A journal kept to record in sequential order the expenditures of funds whether by check or other method of payment.</u>
<u>Cash Federal/State</u>	<u>Cash held by the subgrantee which has been received from the grantor agency and becomes a part of the total cash balance.</u>
<u>Cash Local</u>	<u>Cash held by the subgrantee which has been received from sources at the local level including private, county and/or municipal government sources.</u>
<u>Cash Outlay</u>	<u>Total amount of cash spent by a subgrantee during a specific period of time either for expenditures, transfers between funds or refunds of unexpended cash to the grantor agency.</u>

<u>Cash Payment</u>	<u>The payment of cash for expenditures. Such payments may precede the expenditure (an advance), coincide with the expenditure (a direct payment), or follow the expenditure (the payment of a liability).</u>
<u>Cash Program Income</u>	<u>Cash held by the subgrantee that is directly generated by a supported activity or earned as a result of the subgrant.</u>
<u>Cash Receipt</u>	<u>Cash received by a subgrantee for which it acknowledges accountability.</u>
<u>Cash Receipts Journal</u>	<u>A journal kept to record in sequential order, the receipt of all funds.</u>
<u>Certification of Subgrant</u>	<u>A form by which the subgrantee releases the unexpended and/or unobligated balance of the subgrant/agreement to MDHS (MDHS-SGCC-1012).</u>
<u>Claim Support Form</u>	<u>The form used to report monthly costs incurred under MDHS subgrants and to request funds on a cost reimbursement or cash advances basis (MDHS-BA-CS-001).</u>
<u>Closeout</u>	<u>The process by which MDHS determines that all applicable administrative actions and all required work elements of the subgrant/agreement have been completed.</u>
<u>Closeout Form</u>	<u>A checklist used by the subgrantee to ensure that all closeout documents are included as a part of the subgrantee closeout package (MDHS-SGCC-1011).</u>

<u>Cognizant Agency</u>	<u>The Federal agency responsible for negotiating and approving indirect cost rates for the subgrantee.</u>
<u>Commodities</u>	<u>Budget category that includes various supplies, goods, merchandise, furniture, equipment of every kind, and other personal property purchased by a subgrantee or lower tier sub-recipient having a unit cost of less than \$1,000.00. All items costing less than \$1,000.00 with a useful life of one (1) year or more are not required to be placed on inventory, excluding specialty items. However, they are required to have a Property of MDHS sticker applied. (Specialty items are listed in the Property Management section of this manual.)</u>
<u>Contract</u>	<u>A legal instrument by which a non-Federal entity purchases property or services needed to carry out the project or program under a Federal award. The term contract as used in this manual does not include legal instruments that are considered Federal grants or subgrants. The nature of the relationship between the parties will determine whether the instrument is a contract or a subgrant.</u>
<u>Cost Reimbursement</u>	<u>A method of funding subgrants under which the subgrantee receives funds the following month for actual expenses incurred during the previous month. The subgrantee is reimbursed for the Federal and/or State portion of cash payments reported on the monthly 'Claim Support Form' (MDHS-BA-CS-001).</u>
<u>Cost Summary Support Sheet</u>	<u>A budget form used to describe the basis for determining the cost for the various activities on the Budget Summary (MDHS-CSSS-1007).</u>
<u>Cumulative Cost</u>	<u>Total cost incurred for a specific grant from the beginning date through the current period.</u>
<u>Current Needs</u>	<u>A method of funding a subgrant where the subgrantee evaluates its cash needs for sixty (60) days and submits a request for these funds thirty (30) days prior to the period</u>

funds will be needed. Pending receipt of federal funding, the subgrantee may request payment for the Federal and/or State portion of expenses expected to be paid during the sixty (60) day period of projected cash needs once the subgrant agreement becomes effective. A ‘Cash Advance Claim Support Form’ (MDHS-BA-CS-002) is required under the current needs/cash advance method to initiate the payment process. A monthly ‘Claim Support Form’ (MDHS-BA-CS-001) is also required to report costs incurred.

<u>Debarment</u>	<u>An action taken by a debarring official in accordance with Federal regulations and established procedures to exclude a legal entity or a participant from participating in covered transactions. A participant so excluded is debarred.</u>
<u>Direct Cost</u>	<u>Cost immediately identifiable with specific subgrant activities that is recorded as a subgrant expenditure when incurred.</u>
<u>Encumbrances</u>	<u>Commodities and services which have been ordered but the goods have not been received or the service has not been rendered for funds committed during current subgrant period.</u>
<u>Equipment/Property</u>	<u>Tangible property of a non-consumable nature with a useful life of one (1) year or more and an initial unit cost of \$1,000.00 or more that is purchased by the subgrantee. (See the Property Management section of this manual for items that are classified as equipment, regardless of costs or if the unit cost is \$250.00 or more).</u>
<u>Expenditure</u>	<u>Exchange of an asset or incurrence of a liability for an asset, goods received, or services rendered after a voucher for goods and/or services is approved.</u>
<u>E-verify</u>	<u>An internet-based system that compares information from an employee’s Form I-9, Employment Eligibility Verification, to date from U.S. Department of Homeland Security and Social Security Administration records to confirm employment eligibility. (https://www.e-verify.gov/)</u>

<u>Expense</u>	<u>Cost incurred (cash or noncash) which is presumed to benefit operations of the current fiscal period.</u>
<u>Financial Statements</u>	<u>Presentations of financial data that shows the financial position and the results of financial operations of a fund, a group of accounts, or an entire subgrantee unit for a particular accounting period.</u>
<u>Finding</u>	<u>A monetary and/or non-monetary conclusion reached as a result of a monitoring review, investigative audit, or investigation.</u>
<u>Fiscal Year</u>	<u>The twelve (12) month period that is the legal period for budgeting and accounting for the subgrantee.</u>
<u>Fixed Assets</u>	<u>Assets of a long-term character and non-consumable in nature which are intended to be held or used for a period exceeding one (1) year. This includes land, buildings, improvements, machinery, furniture and other equipment with an initial cost of \$1,000.00 or more and other items regardless of cost. See Section 5. Some exclusions apply.</u>
<u>Fixed Price Contract</u>	<u>Contractual agreement whereby payments to the subgrantee are contingent on the subgrantee fulfilling the agreement terms.</u>
<u>Fixed Unit Price</u>	<u>Method of funding subgrants under which the subgrantee is paid a predetermined fixed price for services performed.</u>
<u>Funding Division</u>	<u>A MDHS Division that provides monies from State and/or Federal sources to fund State and/or Federal contracts or subgrants for the provision of services for or on behalf of MDHS.</u>
<u>Funding Source</u>	<u>A source from which funds are derived.</u>
<u>General Journal</u>	<u>A journal or book of original entry that requires both the credited and debited amounts to be listed, along with respective amounts being credited or debited. Specifically, a journal consists of a chronological record of the transactions</u>

showing an explanation of each transaction, the accounts affected, whether those accounts are increased or decreased, and by what amount. It may also be known as a General Ledger.

Generally Accepted

Accounting Principles (GAAP) A set rules and regulations that represent the accepted accounting principles and practices.

Indirect Cost Costs incurred for common or joint objectives, and therefore, cannot be readily and specifically identified with a particular project or activity.

Indirect Cost Plan The documentation prepared by an organization to substantiate its claim for reimbursement of indirect cost. The plan provides the basis for review and negotiations leading to the establishment of an organization's indirect cost rate.

Indirect Cost Rate Expressed as a percentage of the indirect costs to a direct cost base pending prior approval by the appropriate authority.

In-Kind Contributions The value of non-cash contributions provided by the subgrantee or non-federal parties. Contributions may be in the form of charges for real property and nonexpendable personal property or the value of goods or services directly benefitting and specifically identifiable to the project or program.

Internal Control The plan of organization and all of the methods and measures adopted within a fund or agency to safeguard its assets, check the accuracy and reliability of the accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies.

Invoice The original bill from the vendor indicating the price, description of goods or services sold and terms of the sale. This is used as documentary evidence that the service has been performed or the material received. If not an original, the invoice must read "customer copy."

<u>Lower-Tier Agreement</u>	<u>A legally binding document between a MDHS subgrantee and another entity to provide a service required under the MDHS subgrant, rather than the direct delivery of the services by the MDHS subgrantee. Lower-tier agreements must be approved by MDHS. All lower-tier sub-recipients must comply with the requirements specified in the MDHS Subgrant/Agreement Manual.</u>
<u>Matching Contributions Local Cash, Local In-Kind Program Income</u>	<u>The subgrantee's non-federal cash, in-kind contributions program income used to meet federal matching requirements, including the outlay of other non-federal monies contributed to the subgrantee by other public agencies, institutions, private organizations, and individuals.</u>
<u>MDHS Subgrant/Agreement Manual</u>	<u>A policy manual developed by MDHS that implements the agency's policies and procedures that are applicable to MDHS subgrantees, agreements, and any lower-tier agreements.</u>
<u>Non-Expendable Equipment/ Property</u>	<u>Equipment or property that has a continuing use and an expected useful life of one (1) year or more and having a unit acquisition cost of \$1,000.00 or more. Said equipment/property shall be tagged and placed on the Property Control List.</u>
<u>Obligations</u>	<u>Amounts which a subgrantee may be legally required to pay out of its resources including encumbrances, as well as, accounts payable and accrued liabilities.</u>
<u>Outstanding Claimants</u>	<u>A list of all possible claimants to MDHS funds. See the Closeout Procedures section of this manual (MDHS-SGOCL-1013).</u>

<u>Outstanding Encumbrances</u>	<u>The portion of the total prospective expenditures filed (such as purchase orders or executory contracts) that remain to be liquidated.</u>
<u>Outlays</u>	<u>The spending or disbursing of money.</u>
<u>Pass-through Entity</u>	<u>A non-Federal entity that provides a subgrant to a subgrantee to carry out part of a Federal program.</u>
<u>Performance Based Subgrant Agreement</u>	<u>A Subgrant agreement whereby payments to the subgrantee or lower-tier sub-recipient are performance based (contingent on the subgrantee or lower-tier sub-grantee achieving specified elements of performance).</u>
<u>Program Budget</u>	<u>A budget in which projected expenditures are assigned to specific activities.</u>
<u>Program Income</u>	<u>Gross income earned by the subgrantee that is directly generated by a subgrant or agreement supported activities.</u>
<u>Property Control List</u>	<u>An updated list of all equipment purchased by the subgrantee with subgrant funds, as required by the Property Management section of this manual.</u>
<u>Property Management Policy</u>	<u>Uniform standards adopted by all divisions and the Property Unit within subgrant funds, as required by the Property Management section of this manual.</u>
<u>Purchase Order</u>	<u>A document that authorizes the purchase of specified merchandise or services and authorizes the verification and holding of funds to cover said purchase.</u>
<u>Questioned Cost</u>	<u>Those funds questioned by a MDHS state, federal or any other authorized auditor that are expended by a subgrantee and are not in compliance with the terms and conditions of the subgrant/agreement or with any other compliance or federal requirements.</u>
<u>Record Retention and Access Policy</u>	<u>Federal regulations that establish the requirements for record retention and access to records of subgrantees and any lower-tier sub-recipients.</u>

<u>Service Provider</u>	<u>A person or governmental department, agency, or other entity that receives federal financial assistance to carry out a program through a state or local government; but does not include an individual who is a beneficiary of such a program.</u>
<u>Single Audit Act Amendments</u>	<u>A federal act passed by Congress in October of 1984, and amended in 1996, establishing audit requirements according to 2 CFR 200, Subpart F, "Audit Requirements," for subgrants that expend a total amount equal to or in excess of \$750,000 in a single year. The Single Audit Act requires the reporting entity to have its federal financial assistance programs audited on an organization-wide basis by an independent Certified Public Accountant.</u>
<u>Standard Assurance Policy</u>	<u>Assurances and certifications by a subgrantee that they will comply with the regulations, policies, guidelines, and requirements imposed by the federal sponsoring agency and the grantor agency and ensure the compliance of any lower-tier sub-recipients.</u>
<u>Subgrant/Agreement</u>	<u>An award provided through a contractual arrangement by a pass-through entity (MDHS) to a subgrantee for the subgrantee to carry out part of a Federal award received by MDHS. It does not include payments to a contractor or payments to an individual that is a beneficiary of a Federal program.</u>
<u>Subgrant/Agreement Modification</u>	<u>A contractual agreement that alters or amends any subgrant or agreement that has been approved by appropriate MDHS personnel.</u>
<u>Subgrantee Travel Policy</u>	<u>Policy concerning in-state and out-of-state travel that defines uniform guidelines for the reimbursement of travel expenses of subgrantees.</u>

<u>Subsidiary Account</u>	<u>Group of related accounts which support in detail the summary data recorded in a control account.</u>
<u>Subsidiary Ledger</u>	<u>A group of subsidiary accounts; the sum of the accounts should equal the balance of the related control account.</u>
<u>Trial Balance</u>	<u>A list of the debit and credit balances of the individual accounts in a general ledger kept by double entry accounting.</u>
<u>Unallowable Cost</u>	<u>A cost that is: (1) not allocable or beneficial to the subgrant, either directly or indirectly; (2) not treated consistently with costs incurred with non-federal funds; (3) lacking the necessary documentation required by statute or regulation; (4) not authorized under the subgrant agreement; or, (5) not allowable under a specific statute, regulation, or policy.</u>
<u>Unexpended Balance</u>	<u>The portion of an allocation received that has not been expended; the balance remaining after deducting the accumulated expenditures.</u>
<u>Vendor</u>	<u>A company or individual who has rendered a service or sold merchandise to a subgrantee or lower-tier sub-recipient.</u>

REGULATIONS, CERTIFICATIONS AND STANDARD ASSURANCES Section 3

Subgrantees are to comply with the regulations, policies, guidelines, and requirements imposed by the federal sponsoring agency and MDHS. Subgrantees are to comply with State statutes and implementing regulations that may also be applicable. Federal and State requirements include the specific program regulations applicable to each individual award as specified in the subgrant agreement.

Current federal regulations are available on the Internet at the following sites:

1. Code of Federal Regulations – www.ecfr.gov
2. Federal Register – <http://www.federalregister.gov/articles/2013/12/26/2013-30465/uniform-administrative-requirements-cost-principles-and-audit-requirements-for-federal-awards>
3. OMB Circulars – www.whitehouse.gov/omb

Please see 2 CFR 200 Subparts A-F that are particularly applicable to subgrantees, which includes Executive Orders, Federal Regulations, and OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal awards, as implemented by the various Federal grantor agencies. Please note that these rules and regulations are subject to change and it is the Subgrantee's responsibility to maintain compliance with all applicable rules, regulations, standard assurances and certifications as updated.

Certifications and Standard Assurances**Overview**

Each subgrantee and any lower-tier sub-recipient must assure compliance with the regulations, policies, guidelines, and requirements imposed by the Federal grantor agency, any applicable state statutes and MDHS. There may be additional assurances required by certain Federal awarding agencies. Therefore, all subgrantees are responsible for knowing the specific requirements of their awards.

CERTIFICATIONS

Each subgrantee must certify in writing that it will comply with the following regulations:

1. Lobbying: Shall provide certification regarding lobbying to comply with Section 319, PL 101-121 (31 USC 1352);

2. Suspension and debarment: Shall provide the required certification regarding their exclusion status and that of their principals prior to the award in accordance with Executive Orders 12549 and 12689 Debarment and Suspension;
3. Drug-Free Workplace: Shall provide certification to comply with the Drug-Free Workplace Act of 1988;
4. Unresolved Monitoring and Audit Findings; and
5. Fidelity Bond Coverage.

STANDARD ASSURANCES

The Subgrantee assures that they:

1. Has the legal authority to apply for and receive the subgrant; that a resolution, motion, or similar action has been duly adopted or passed as an official act of the subgrantee's governing body, authorizing the subgrant, including all understandings and assurances contained therein, and directing and authorizing the person identified as the official representative of the Subgrantee to act in connection with the subgrant and to provide such additional information as may be required;
2. Shall give MDHS, the State Auditor's Office, the Federal grantor agency, the Comptroller General, or any other appropriate authorized State or Federal representatives, access to and the right to examine and copy all records, books, papers, documents, or any items related to the subgrant for as long as these records are required to be retained;
3. Shall establish and maintain both fiscal and program controls and accounting procedures in accordance with Generally Accepted Accounting Principles and Federal grantor agency and MDHS directives and will keep and maintain such books and records for audit by MDHS, by the Federal grantor agency, by the State Auditor, or by the authorized representatives; and will maintain either electronic or paper files of all such records, books, papers, documents, or items for a period of at least three (3) years from the date of submission of the final 'Claim Support Form' (MDHS-BA-CS-002). If any litigation, claim, audit, or action has begun before the expiration of the three (3) year period, subgrantee will retain all such items until the completion of the action and resolution of all issues involved or until the end of the regular three (3) year period, whichever is later, and will obtain written approval from the MDHS Division of Program Integrity prior to destroying any such items as described above upon the expiration of the above-stated period. The request shall be completed by submission of the 'Request of Dispose of Records' form (MDHS-DPI-001);
4. Shall comply with the OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards;

5. Shall provide, in a timely manner, written disclosure, and all violations of Federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the subgrant;
6. Shall establish safeguards to prohibit employees from using their positions for a purpose that involves nepotism, and constitutes or presents the appearance of any other personal or organizational conflict of interest or personal gain;
7. Shall comply with all Federal and State statutes to discrimination, including, but not limited to:
 - a. Title VI of the Civil Rights Act of 1964, prohibiting discrimination on basis of race, color, or national origin;
 - b. Title VII of the Civil Rights Act of 1964, relating to non-discrimination in matters of recruitment, hiring, promotion, and other employment practices;
 - c. Title VIII of the Civil Rights Act of 1968, as amended, relating to non-discrimination of the sale, rental, or financing of housing;
 - d. Title IX of the Education Amendments of 1972, as amended, prohibiting discrimination on the basis of gender in federally assisted education programs and activities;
 - e. Age Discrimination Act of 1975, prohibiting discrimination on the basis of age;
 - f. Section 504 of the Rehabilitation Act of 1973, prohibiting discrimination on the basis of disability;
 - g. Title I, Title II and Title III of the Americans with Disabilities Act (ADA) (1990), as amended by the ADA Amendments Act of 2008;
 - h. Omnibus Reconciliation Act of 1981, prohibiting discrimination on the basis of race, color, religion, sex, national origin, age, and disability;
 - i. Drug Abuse Office and Treatment Act of 1972, as amended, relating to non-discrimination on the basis of drug abuse;
 - j. Comprehensive Alcohol Abuse and Alcoholism Prevention, Treatment, and Rehabilitation Act of 1970, as amended, relating to non-discrimination on the basis of alcohol abuse or alcoholism;
 - k. Section 523 and 527 of the Public Health Service Act of 1912, as amended, relating to confidentiality of alcohol and drug abuse patient records; and
 - l. Any other non-discrimination provisions in the specific statute(s) under which these monies will be granted or awarded and the requirements of any other non-discrimination statute(s) that may apply to this subgrant or award.

8. Shall ensure that buildings and facilities owned, occupied, or financed by the United States government are accessible to and usable by individuals with disabilities in accordance with the 2010 ADA Standards for Accessible Design;
9. Shall comply with the requirements of the provisions of the Uniform Relocation Assistance and Real Property Acquisitions Act of 1970, which provide for fair and equitable treatment of persons displaced or whose property is acquired as a result of Federal assisted programs. These provisions apply to all interest in real property acquired for project purposes regardless of Federal participation in purchases;
10. Shall comply with the provisions of the Hatch Act, as amended, which limit the political activities of employees whose principal employment activities are funded in whole or in part with Federal funds;
11. Shall comply, as applicable, with the provisions of the Davis-Bacon Act, the Copeland Act, and the Contract Work Hours and Safety Standards Act, regarding labor standards for federally assisted construction agreements;
12. Shall conform with Executive Order 11246, entitled “Equal Employment Opportunity,” as amended by EO 11375, and as supplemented in Department of Labor regulations (41 CFR Part 60) and will incorporate an equal opportunity clause in federally assisted construction contracts and subcontracts;
13. Shall comply with the minimum wage and maximum hours provisions of the Federal Fair Labor Standards Act;
14. Shall comply with the Intergovernmental Personnel Act of 1970 relating to prescribed standards for merit systems for programs funded under one of the nineteen statutes or regulations specified in Appendix A of OBM’s Standards for a Merit System of Personnel Administration;
15. Shall comply, if applicable, with Section 102(a) of the Flood Disaster Protection Act of 1973, which requires recipients in a special flood hazard area to participate in the program and to purchase flood insurance if the total cost of the insurable construction and acquisition is \$10,000 or more;
16. Shall comply with the Lead-Based Paint Poisoning Prevention Act, which prohibits the use of lead-based paint in construction or rehabilitation of residential structures;
17. Shall assist the Federal grantor agency in assuring compliance with Section 106 of the National Historic Preservation Act of 1966, as amended, Executive Order 11593, and the Archaeological and Historic Preservation Act of 1974;
18. Shall comply with environmental standards which may be prescribed pursuant to the following: (a) institution of environmental quality control measures under the National Environmental Policy Act of 1969 and Executive Order 11514; (b) notification of

- violating facilities pursuant to Executive Order 11738; (c) conformity of Federal actions to State (Clean Air) implementation plans under Section 176 of the Clean Air Act of 1955, as amended; (d) protection of underground sources of drinking water under the Safe Drinking Water Act of 1974, as amended; (e) Protection of endangered species under the Endangered Species Act of 1973, as amended; (f) Section 6002 of the Resource Conservation and Recovery Act; (g) the Coastal Barriers Resources Act; (h) protection of Wetlands pursuant to EO 11988; (i) evaluation of flood hazards in flood plains in accordance with EO 11988; and (j) assurance of project consistency with the approved State Management Program developed under the Coastal Zone Management Act of 1972;
19. Shall comply with the Wild and Scenic Rivers Act of 1968 related to protecting components or potential components of the national wild and scenic rivers system;
 20. Shall comply with Laboratory Animal Act of 1966 pertaining to the care, handling, and treatment of warm blooded animals held for research, development and related activities supported by this subgrant;
 21. Shall comply with Public Law (PL) 93-348 regarding the protection of human subjects involved in research, development and related activities supported by this subgrant;
 22. Shall comply with Federal regulations regarding criteria for cost sharing or matching contributions;
 23. Shall assure all funds received shall be used only to supplement services and activities that promote the purpose for which the grant is awarded and not supplant, unless specifically authorized by the program regulations and MDHS;
 24. Shall comply with all applicable requirements of all other Federal and State laws, Executive Orders, regulations, and policies governing the program(s) for which these monies are provided and with the terms and conditions of the subgrant, including but not limited to all documentation/information required by MDHS for federal reporting purposes.
 25. Shall comply with The Privacy Act of 1974 (5 U.S.C. 552a) related to gathering and disclosing of information and documentation maintained on individuals;
 26. Shall comply with all requirements of the Federal Funding Accountability and Transparency Act (FFATA). This includes providing the grantor a Data Universal Number (DUNS) and other information such as executive compensation data when required so the grantor can meet the reporting requirements of FFATA;
 27. Shall comply with the Program for Enhancement of Contractor Employee Whistleblower Protections (48 CFR 3.908-3, 48 CFR 52.203-17 and 41 U.S.C. 4712). Specifically, the subgrantee/lower-tier sub-recipient shall provide written notification to all employees of employee whistleblower rights and protections under 41 U.S.C. 4712, as described in 48

CFR 3.908 of the Federal Acquisition Regulation. Subgrantees shall also include in each agreement with lower-tier sub-recipients the required whistleblower provisions, as mandated in 48 CFR 52.203-17.

28. Shall provide the required certification regarding lobbying to comply with Section 319, PL 101-121 (31 U.S.C. 1352);
29. Shall provide the required certification regarding their exclusion status and that of their principals prior to the award in accordance with Executive Orders' 12549 and 12689 Debarment and Suspension;
30. Shall provide certification to comply with the Drug-Free Workplace Act of 1988.

Please note that subgrantees are responsible for ensuring that they will require any lower-tier sub-recipients to comply with the above listed regulations, assurances, and any other applicable requirements of all other Federal and State laws, Executive Orders, regulations, and policies governing the program(s) for which these monies are provided and with the terms and conditions of the original Subgrant, including but not limited to all documentation/information required by MDHS for federal reporting purposes.

FINANCIAL MANAGEMENT**Section 4****OVERVIEW**

The applicable federal and/or state regulations require that subgrantees and any lower-tier sub-recipients have in place, prior to the receipt of funds, a financial management system that will provide:

1. Accurate, current, and complete disclosure of the financial status of each subgrant and lower-tier sub-recipients;
2. Records which identify the source and application of funds for subgrant supported activities, specifically information pertaining to subgrant awards, obligations, unobligated balances, assets, liabilities, outlays, and income;
3. Effective control over and accountability for all subgrant funds, property, and other assets;
4. Comparison of actual expenditures with reported costs and budgeted cost for each cost category and work activity;
5. Procedures to ensure that original cash requested under MDHS subgrants will be expended within thirty (30) calendar days of receipt upon first request;
6. Procedures to minimize the time between receipt and expenditure of subgrant funds;
7. Procedures to ensure that all expenditures are obligated within the effective dates of the subgrant period;
8. Procedures for determining that the cost is allowable and that it may be allocated to an activity;
9. Procedures to prohibit the transfer of funds between federally funded programs and/or between subgrants or between activities within the same subgrant;
10. Procedures to ensure that each expense paid from a subgrant was authorized in the budget of the subgrant charged with the expense;
11. Accounting records (including a general ledger or comparable) that are supported by source documentation;
12. Audits which analyze the fiscal integrity of the subgrantee (required for subgrantees that expend \$750,000 or more of federal financial assistance); and
13. A systematic method to assure timely and appropriate resolution of findings identified in audits or management reviews.

Accounting Procedures

Separate financial records shall be maintained for each subgrant and lower-tier sub-recipients. Separate financial systems insure record keeping requirements are met and also eliminates potential conflicts with the subgrantees usual record keeping system, which may reflect a different fiscal year, or accounting by function or department rather than by subgrant or work activity. Each subgrantee shall maintain one set of accounting records for the subgrant and shall separately identify the receipts and disbursements for each subgrant or other source of funds.

The subgrantee shall be able to isolate and trace every subgrant dollar from receipt to expenditure and have on file appropriate supporting documentation for each and every transaction. Examples of documentation includes, but is not limited to the following:

1. Vendor invoices
2. Bills of lading
3. Purchase orders
4. Payment vouchers
5. Payroll
6. Bank statements and reconciliations
7. Documentation to verify that only eligible clients were served
8. Employee activity sheets to verify activities performed and the actual hours worked for each activity/subgrant
9. Cash receipt logs to verify all funds received and the actual date of receipt

All the basic accounting records and documents listed below comprise the framework for a good financial management system. If implemented properly, such a system can provide accurate, current, and complete disclosure of the financial status of each subgrant, work activity, and cost category.

1. Cash Receipts Journal
2. Cash Disbursements Journal
3. Payroll Journal
4. General Journal/Ledger

Subgrantees shall develop their accounting system to meet the particular needs of their subgrant. The amounts recorded daily to the individual accounts shall be totaled and posted to the general ledger at least monthly in order for the subgrantee to complete the monthly 'Claim Support Form' (MDHS-BA-CS-002). Recording procedures shall be designed to provide information

accurately while at the same time serving as an effective control in preventing mistakes and safeguards against unauthorized uses of funds.

INTERNAL CONTROLS

Subgrantees of MDHS shall have in place a financial management process that contains adequate internal controls for the administration of the subgrant program. This system of internal controls may be evaluated during an audit or monitoring review of the subgrantee.

FINANCIAL MANAGEMENT

The following internal accounting control procedures are required of MDHS subgrantees and lower-tiered sub-recipients:

1. Record all cash receipts immediately;
2. Compare deposit slips with receipts;
3. Bond employees who handle cash;
4. Deposit all checks or other cash receipts within two (2) business days;
5. Make all payments by pre-numbered checks;
6. Reconcile bank accounts monthly by comparing the cash balance in the accounting records to the cash balance in the bank account and retain a copy of the reconciliation in the files;
7. Use serially numbered purchase orders and receiving reports;
8. Issue checks to vendors only in payment of original invoices that have been approved and matched with purchase orders and receiving reports;
9. Distinguish between when the time funds are received and when the funds are disbursed;
10. Mark all documentation paid to prevent duplicate payments; and
11. Retain a Certified Public Accountant firm for an audit, if required. (See the Monitoring and Audit section of this manual for exceptions)

Documentation Requirements

The accounting system of each MDHS subgrantee shall provide the monitors and/or auditors with adequate documentation to support the subgrantee's financial claims. Source documents are required to support transactions entered into the subgrantee's record keeping system. The following is a list of the minimum documentation required for selected transaction types:

CATEGORY	DOCUMENTATION
<u>Grant Revenues</u>	
<u>Federal, State, and Other Receipts</u>	<u>Identification of the source of funds (i.e., signed subgrant agreement), request for cash or request for reimbursement (i.e., Claim Support Form), cash receipts journal, validated deposit slips, withdrawals and financial reports</u>
<u>Program Income</u>	<u>Record of service, purpose, amount, and deposit slips</u>
<u>Matching Cash Contributions</u>	<u>Record of source donor, dates, rates, amounts, and deposit slips</u>
<u>Matching Non-Cash Contributions</u>	<u>Record of source donor, dates, rates, amounts, and activities performed including time, date, place, and agenda, certification of cost or market/appraised values, and documentation to verify that expenses reported as in-kind match were in proportion to the benefits received by the subgrant that was matched</u>
<u>Grant Expenditures</u>	
<u>Salaries and Fringe Benefits</u>	<u>Personnel files shall include a job application or resume, IRS W-4 Form, State Tax withholding form, I-9 Form (if hired after May 1987), e-verify confirmation, date of hire, current approved salary/wage, time sheets and activity reports which reflect the actual hours worked and duties performed, and time distribution/activity sheets are required when the employee's time is charged to more than one (1) subgrant or activity.</u>

<u>Travel</u>	<u>An approved travel voucher showing that all travel expenses were incurred for the benefit of the subgrant; and copies of supporting bills including out-of-state meal receipts, hotel bills, conference registration fee receipts, and conference agendas.</u>
<u>Telephone</u>	<u>Complete telephone bills and long distance telephone logs that indicate the person calling or the person called, the date and time of the call, the reason and purpose of the call, the number called, and the subgrant that benefitted from the telephone call.</u>
<u>Equipment/Property</u>	<u>Original vendor invoices, receiving reports, purchase orders, competitive quotes or proof of newspaper advertisements for bids, property records, authorization to purchase equipment, and/or any other documentation necessary for purchasing law conformity. All purchases of equipment/property must be made in accordance with applicable purchasing requirements.</u>
<u>Commodities (Supplies)</u>	<u>Original vendor invoices, receiving reports, purchase orders, competitive quotes or proof of newspaper advertisements for bids property records, authorization to purchase equipment, and/or any other documentation necessary for purchasing law conformity. All purchases of commodities (supplies) must be made in accordance with applicable purchasing requirements.</u>
<u>Contractual Services</u>	<u>Original contracts for services charged to the subgrant, evidence of completion of contracts, billings for services, rental or lease agreements, competitive quotes or proof of newspaper advertisement for bids (if applicable), or</u>

documentation of fair market value. All contracts for services must comply with applicable rules and regulations.

Subsidies, Loans, and Grants Payments to/for clients: Client attendance records,

documentation of services provided, including dates, times, names, and client signatures, or documentation to verify units of service provided.

Lower-Tier Sub-recipients: Copies of the lower-tier sub-recipient agreement, including budget information and the scope of services required, financial and programmatic reports, documentation of payments made to the sub-recipient, evidence of monitoring of lower-tier sub-recipients, documentation of compliance with procurement procedures, and required compliance with the MDHS Subgrant/Agreement Manual.

Other Direct Cost

Original vendor invoices, receiving reports, purchase orders, competitive quotes or proof of newspaper advertisements for bids (if applicable), and documentation of any expenses incurred for the benefit of the subgrant.

COST ALLOCATION/INDIRECT COSTS

Many MDHS subgrantees administer more than one (1) subgrant at a time, which results in differences in the cost rate agreement, that is effective on the beginning date of the subgrant, shall be prepared and submitted as a part of the subgrant agreement. If the subgrantee's cost allocation plan and/or indirect cost rate agreement is updated during the effective dates of the subgrant, a copy of the updated plan shall be submitted to the MDHS funding division that awarded the subgrant.

Each subgrantee shall develop a cost allocation plan and/or an indirect cost rate agreement that covers the subgrantee's entire operation. Costs included in the plan should only be those that are not easily identifiable with a particular subgrant and/or administrative cost of the subgrantee, in which shall be equitably distributed to all subgrant programs and/or other sources of funds in proportion to the relative benefits received.

Required documentation for indirect costs includes:

1. A subgrant cost allocation plan or an indirect cost rate agreement that has been reviewed and approved by the appropriate Federal cognizant agency and MDHS, and
2. Identification of indirect cost in the accounting records that support the actual indirect cost incurred, and evidence to support the monthly allocation of indirect costs to the subgrant.

The cost allocation plan and/or indirect cost rate agreement submitted with the subgrant shall be developed in compliance with the requirements contained in the cost principles applicable to each subgrant.

Careful scrutiny of all vouchers and invoices by subgrantees and/or by MDHS is necessary to verify that they are only for legitimate cost, eligible under the governing regulations, and authorized in the subgrant agreement. MDHS shall include testing to ensure that costs are properly allocated to the correct subgrant and work activity.

The cost allocation plan should be accompanied by a certification of review by MDHS.

TYPES OF COSTS AND DOCUMENTATION

The following is a listing of selected types of cost and suggested bases for distributing shared costs as direct costs to MDHS subgrants:

Salaries/Fringe Number of hours worked for each subgrant/activity
Benefits

Auditing Direct audit hours dollar amount of each subgrant in proportion to the
total amount audited

Office Space Used Square feet of occupied space (utilities, janitorial service, etc.)
and Related Costs

Local Telephone Number of telephones
Expenses

Fidelity Bond Expense Employees subject to bond or penalty amounts

Motor Pool Cost Number of miles driven and/or days used

Printing and Reproduction Direct hours, job basis, pages printed, etc.

Copy Machine Rental and Related Number of copies made as documented by a copy log or access code

Postage Costs Amount of postage used by each subgrant as documented by log

Payroll Employees

Independent Contractors Payroll Employees/ Independent Contractors paid, in-whole or in-part from MDHS subgrant shall prepare time sheets indicating the hours worked each pay period. The distribution of payroll charges and/or payments to independent contractors shall be based on the actual time worked for the benefit of the subgrant/activity

LOWER-TIER SUB-RECIPIENTS

All expenditures that involve agreements between the subgrantee and a third-party (performing a service related to the program), must be fully disclosed in the cost summaries and budget narrative. If the subgrantee would like to enter into a lower-tier sub-recipient agreement, it must be submitted to MDHS for approval before any funds may be transferred. Said has to be approved by the programmatic funding division director, subgrant units director and a deputy executive director. The subgrantee must provide an explanation as to why a lower-tier sub-recipient is warranted. If authorized, any lower-tier sub-recipient agreement will require the lower-tier sub-recipient to comply with all the provisions of the MDHS Subgrant/Agreement Manual and any other applicable State and Federal laws. Copies of rental agreements, service agreements, consultant agreements, etc. shall be available to validate the basis of the cost category. In addition, any contractual procurement agreement received in response to solicitation, shall be submitted to MDHS within thirty (30) days after execution.

BUDGET PREPARATION

Budget is a tool used by the subgrantee to express its planned goals and objectives. It is a management tool to be used in addressing general management functions such as planning, operational performance, and control. The subgrantee's fiscal staff shall have on file the currently approved subgrant budget including any approved modifications. The required forms and accompanying instructions that shall be used in preparing a budget for MDHS subgrants are:

- 1 'Budget Summary' (MDHS-BS-1006): A compilation of the detailed data contained in Cost Summary Support Sheet (MDHS-CSSS-1007);
- 2 'Cost Summary Support Sheet' (MDHS-CSSS-1007): A listing of the various budget categories separated for each activity on the 'Budget Summary' (MDHS-BS-1006); and
- 3 Budget Narrative: A written justification adequately explaining the subgrantee's funding needs. The narrative shall relate funding needs to the operation of individual programs or activities. Sufficient detail within each line item of expenditure and each activity shall be used to clearly explain the funding needs of the operation. Insufficient narrative justification will preclude favorable consideration of requested funding levels. (See the Sample Budget Narrative available on the MDHS website)

BUDGET ACTIVITIES

Each MDHS subgrant shall be organized and budgeted by activities according to the major functions necessary to accomplish the goals and objectives of the subgrant. This grouping by activities shall be used in preparing the 'Budget Summary' and 'Cost Summary Support Sheet' as well as the Budget Narrative. If the first narrative submission does not contain sufficient information, including that information that is program specific, MDHS will request additional documentation.

If any administrative costs (direct or indirect) are included in the subgrant, they shall be budgeted in an Administration activity subject to any limits on the amount of administration that may be charged to the subgrant. Subgrantees shall consult with the MDHS funding division to determine what activities are allowable under the subgrant and whether there are limits on the amount of administrative costs that may be charged to the subgrant. Note a budget may be modified up to three (3) times in a contractual year. Modifying a budget more than three (3) times will require approval from MDHS.

BUDGET CATEGORIES

Funds authorized under MDHS subgrants shall be separated into the following budget categories:

1. Salaries and Wages
2. Fringe Benefits
3. Travel
4. Contractual Services
5. Commodities
6. Capital Outlay – Equipment
7. Capital Outlay – Other
8. Subsides, Loans, and Grants
9. Indirect Costs

Salaries and Wages

Payments made to officers and employees of a subgrant as compensation for personal services is based on the percentage of time dedicated to the subgrant. The salary budget category shall contain a line item or listing of each position authorized and the salary amount to be paid to each full-time employee and/or hourly rate authorized and number of hours authorized for each part-time employee charged to the subgrant. The salary line should disclose whether salaries are to be paid from the grant fund or in-kind match. The salary budget category shall be strictly adhered to unless a formal modification of the subgrant is approved. A vacant position may be filled at or below the budgeted rate only and no additional positions may be charged to the subgrant unless approved through the budget modification process.

FRINGE BENEFITS

Fringe benefits are payments made for the employer's portion of expenses for social security (F.I.C.A. and Medicare), employee health/life/disability insurance premiums, worker's compensation insurance, unemployment insurance, and pension plan costs. The fringe benefits budget category may include compensation paid to employees during periods of authorized absences from the job for vacation leave, sick leave, and/or military leave provided such cost are absorbed by all of the subgrantee's activity. The fringe benefits budget category shall contain a line item or listing of each fringe benefit authorized on the 'Cost Summary Support Sheet' and in the Budget Narrative. Fringe benefits shall be limited to no more than thirty (30%) of salaries, unless justification is submitted in the budget narrative, and approved by MDHS. The amounts withheld from the employee's gross pay (i.e., federal and state taxes, employee health/life/disability insurance premiums) cannot be budgeted or claimed for reimbursement under the subgrant as fringe benefits.

TRAVEL

Payments can be made for transportation, lodging, and related cost to employees, officers, and volunteers who are in travel status on official business. Travel includes reimbursement for in –state travel, out-of-state costs for conferences, meetings, etc., and staff reimbursement for the use of privately owned vehicles for project-related functions. The rate of reimbursement per mile will be at the rate approved by the Department of Finance and Administration on the date that travel was performed, as long as the total amount of the subgrant award charged with the expense is not exceeded. Meal costs will be reimbursed based upon the actual cost of each meal; up to the maximum daily meal rate, established by DFA, and receipts will not be required for meals reimbursed through subgrants funded by MDHS. No travel shall be allowed for employees funded through other programs unless approved by MDHS. No reimbursements will be made for the cost of commuting.

CONTRACTUAL SERVICES

Payments can be made for services rendered by persons other than employees of the subgrantee under formal, written, contractual agreements. Examples include, but are not limited to: postage, telephone/internet/pager services, utilities, rent, repair or service agreements, service charges, computer software, and/or contract workers that are independent contractors, as well as, programmatic payments for speakers, trainers, consultants, and other hired professionals.

COMMODITIES

Payments for materials and supplies with an initial unit cost less than \$1,000.00, which are used to benefit the subgrant and are not one (1) of the items required to be reported on inventory regardless of the purchase price. Examples include: office supplies, training materials, fuel for vehicles, furniture and equipment costing less than \$1,000.00, etc. (See the Property Management section of this manual for specific exceptions.)

CAPITAL OUTLAY – EQUIPMENT

Payments for the purchase of equipment, machinery, furniture and fixtures with a unit cost of \$1,000.00 or more and any items which are required to be reported on inventory regardless of cost; or, payments for compensation for the use of equipment on hand through depreciation

or use allowance charges computed in accordance with the cost principles applicable to the subgrantee. Examples include but are not limited to: computers, printers, office furniture, telephone systems, motor vehicles, etc. (Refer to the Property Management section of this manual for details)

CAPITAL OUTLAY – OTHER

Payments for land, buildings and/or improvements to land or buildings that materially increase their value or useful life of the building; or, payments for compensation for the use of buildings through depreciation or use allowance charges computed in accordance with the cost principles applicable to the sub-grantee.

SUBSIDIES, LOANS, and GRANTS

Payments made for assistance to clients and/or lower-tier sub-recipients to governmental and non-governmental entities or individuals. Note the subgrantee must have lower-tier sub-recipient approval by MDHS as referenced previously.

INDIRECT COST

Payments for the recovery of actual costs allocated to MDHS subgrants in accordance with an agency-wide cost allocation plan or indirect cost rate agreement that complies with the cost principles applicable to the subgrantee organization.

LINE ITEM FLEXIBILITY

Transfers of budgeted amounts between budget categories within an activity shall be restricted to no more than ten percent (10%) of the amount authorized in receiving budget category. No funds shall be transferred into the Equipment budget category and no funds shall be transferred into or out of the Salaries, Fringe Benefits, or Indirect Costs budget categories without the submission and approval of the long form subgrant modification. There shall be no flexibility allowed between activities, unless there is a modification. For example, if the total amount authorized in the Commodities budget category is \$1,000.00, the subgrantee may expend up to \$1,100.00 for Commodities, as long as, funds are available from another budget category such as Travel or Contractual Services.

FIDELITY BOND REQUIREMENT

Employees or Board Members of subgrantees, with fiscal responsibility, shall have a fidelity/dishonesty bond in the amount of twenty-five (25%) of the total subgrant amount. Employees or Board Members of subgrantees with fiscal responsibility include:

1. Those personnel who directly authorize the disbursement of funds;
2. Those personnel who approve the request for funds disbursement;
3. Those personnel with check issuance authority; and
4. Those personnel who receive or deposit funds and/or reconcile financial records.

PAYMENTS AND COST REPORTING

MDHS permits two (2) methods of cost reporting: Cost Reimbursement and Current Needs/Cash Advance forms dependent on when submitted.

Under the Current Needs/ Cash Advance, the subgrantee shall project its cash needs for sixty (60) days and submit a ‘Cash Advance Claim Support Form’. This form is required at least thirty (30) days prior to the date that funds will be needed to allow processing time for MDHS, as well as DFA. The ‘Cash Advance Claim Support Form’ may be adjusted pending availability of funds.

The ‘Claim Support Form’ shall be completed monthly thereafter and shall be submitted to the appropriate MDHS MAGIC claims e-mail address by the tenth (10th) calendar day of the following month. Supporting documentation shall be submitted as requested. To the extent available, subgrantees must use funds from program income, rebates, refunds, contract settlements, audit recoveries, and interest earned on such funds before requesting additional cash payments. Subgrantees will receive funds the following month for expenditures incurred the previous month. The subgrantee shall report the cost incurred for the month and request reimbursement by submitting the ‘Cost Reimbursement Claim Support Form.’ The form shall be used by subgrantees to report the “total cumulative cost to date.”

SPECIAL REQUIREMENTS

DIRECTLY FUNDED SOCIAL SERVICES BLOCK GRANT (SSBG) SUBGRANTS

General

1. A 25% match is required on all SSBG dollars. This match may be in the form of cash and/or in-kind. A waiver may be requested under certain conditions.
2. A maximum of two (2) subgrant modifications may be requested by the subgrantee during the subgrant period. Subgrant modifications shall not be initiated by the subgrantee within the last thirty (30) days of the subgrant period, without prior approval

by the MDHS Executive Director or designee. Requests to move more than \$5,000.00 from one Broad Service Category (Budget Activity) to another will not be approved.

3. Unexpended funds at the end of the subgrant period shall be returned to MDHS.
4. Contracts funded out of SSBG in support of other divisions shall adhere to guidelines set forth by the appropriate program division.

Match

1. The 25% match requirement is a state policy. This match may consist of cash and/or in-kind contributions specifically related to the applicable subgrant scope of services.
2. Match is calculated as a 75/25 shared cost for program operation. Total program cost includes programmatic and administrative costs.
3. Matching costs reported shall be verifiable from source documentation maintained either electronically or paper on file in the subgrantee's office. If sufficient match is not verified, the subgrantee shall return the appropriate amount of federal dollars.
4. Match requirements may be requested to be waived. Each request for waiver of match shall be accompanied by a full explanation for the request, listing specific activities taken to seek the needed match and appropriate documentation of such attempts. Discretion concerning the waiver rests with the MDHS Executive Director or designee. Waiver may be granted for the following reasons:
 - A. The State Legislature failed to appropriate adequate match after being specifically requested to do so;
 - B. In-kind possibilities for match are currently being used as match for other funding sources; or
 - C. Subgrantee is unable to garner sufficient support from local resources.
5. Match does not have to be calculated on an activity basis; however, the overall federal dollars shall be adequately matched.
6. Other federal funds shall not be used to match SSBG unless it is allowable by the regulations of the related federal program.

ALL OTHER MDHS SUBGRANTS

General

1. A maximum of three (3) subgrant modifications may be requested by the subgrantee during the subgrant period. Subgrant modifications shall not be initiated within the last ninety (90) days of the subgrant period without prior approval by the MDHS Executive

- Director or designee. (See the ‘Modification Form’ – MDHS-MSS-1004) Modifications shall be approved by the proper avenues.
2. Major changes to the subgrant that alter the scope of services, increase or decrease the total amount of funding, affect the match requirements, authorize salary and wages, fringe benefits, equipment changes or indirect costs requires a modification of the subgrant. (See the ‘Modification Form’ – MDHS-MSS–1004)
 3. Minor changes to the subgrant may be made by written agreement to the changes by the subgrantee and MDHS via an approved modification. Consult with MDHS for specific guidance on amending the subgrant.
 4. Modifications shall become effective on the date specified on modification forms, or upon the signature of both parties, whichever is later; unless a waiver is approved by the MDHS Executive Director or designee.

Match

1. Match shall be available and expended in accordance with the approved subgrant agreement. If sufficient match is not verified, the subgrantee shall return the appropriate amount of federal dollars to the State.
2. Match expended and reported shall be verifiable from support documentation on file in the subgrantee’s office.

PROCUREMENT STANDARDS

General

Subgrant activities may be contracted through a third-party. Subgrantees shall follow the same policies and procedures used for procuring services, commodities, and equipment paid for by non-Federal funds. The Subgrantees are responsible for ensuring that each vendor agreement contains the required State and Federal contract provisions, as well as, the requirements outlined in the most current version of the MDHS Subgrant/Agreement Manual.

Compliance with State and Federal Regulations

Subgrantees shall adopt and follow their own procurement procedures reflecting applicable State, local, and tribal laws and regulations provided that those procurements procedures conform to applicable Federal procurement requirements as set forth in 45 CFR Part 74 and Part 92 and 2 CFR Part 200.318 to 200.326. These requirements apply to purchase for contractual services, commodities, and equipment. Procurement threshold amounts as outlined in the current version of 2 CFR Part 200.320 are hereby attached and incorporated as Appendix B.

Subgrantee's Use of Lower-Tier Sub-recipients

If the provisions of a subgrant agreement allow a lower-tier sub-recipient to manage and administer sub-grant-supported projects, the lower-tier sub-recipient shall be bound by the lower-tier sub-recipient agreement to adhere to the MDHS Subgrant/Agreement Manual, applicable state and federal law, and all guidelines established by MDHS.

Code of Conduct

There shall be no conflict of interest, real or apparent, in the award or administration of a contract supported by subgrant funds. The subgrantee shall maintain a written code or standards of conduct, which shall govern the performance of their officers, employees or agents engaged in the award and administration of contracts supported by federal funds. (See 45 CFR Part 74 and Part 92, 2 CFR 200.318, or other applicable federal law for further specific guidance.) Contractors/Vendors involved with drafting specifications, requirements, statements of work, request for proposal (RFP), or any other solicitation shall be excluded from bidding or submitting a proposal to compete for award for such procurement.

Open and Free Competition

All subgrantee procurement transitions shall be conducted in a manner that provides maximum open and free competition consistent with 45 CFR Part 74, 92, and 2 CFR Part 200 and other applicable federal laws. Procurement procedures shall not restrict or eliminate competition. Interagency agreements are excluded from this provision. Procurement procedures must also affirmatively encourage use of minority businesses, women's business enterprises, and labor surplus area firms. (See 2 CFR 200.321 for guidance.)

Subgrantee Files

Each subgrantee shall maintain adequate files and documentation to support any purchases made and to detail the procurement process for each purchase. Purchases made by formal bid process or otherwise may be subject to public record as provided in Section 25-61-1 et seq. Mississippi Code of 1972, Annotated.

TRAVEL

Pursuant to 2 CFR 200.474, travel costs are expenses incurred by employees who are in travel status on official business. These costs must be consistent with costs normally allowed under the MDHS written travel reimbursement policy as outlined below. These costs may also be subject to the Federal requirements as outlined in 2 CFR 200.474.

Section 25-3-41, Mississippi Code Annotated (1972), authorizes the Mississippi Department of Finance and Administration to set guidelines for travel reimbursement of state officials and employees. As these laws and regulations are amended, this policy shall be amended accordingly.

A complete list of all current rules and regulations established by the Mississippi Department of Finance and Administration (DFA) is available on the Internet at www.dfa.ms.gov. State travel regulations are also contained in the Mississippi Agency Accounting Policies and Procedures Manual (MAAPP), Section 13.

All travel related expenses will be reimbursed at the State rates and pursuant to DFA policies identified above. Should the federal grant exclude certain travel reimbursements and thereby conflict with any DFA travel policy or regulation, then the federal grant exclusion and/or reimbursement requirement shall control. In that instance, Subgrantees must provide written documentation showing that the Subgrantee exercised due diligence to identify the least expensive and most practical method of transportation.

The ‘Travel Voucher Form’ is provided in Appendix A to this manual.

DEBARMENT

In order to protect the public trust imposed upon MDHS and its involvement with subgrantees, it is the policy of the agency to conduct business only with responsible persons/subgrantees. Therefore, the applicable MDHS Funding Division shall verify the suspension/debarment status of any potential subgrantee, prior to contracting with the subgrantee and shall maintain written documentation of the verification. In addition, the MDHS subgrantee shall verify the suspension/debarment status of his/her lower-tier sub-recipient(s) prior to contracting with the lower-tier sub-recipient and shall maintain written documentation of the verification. When it appears that a subgrantee’s conduct, as determined by the agency, creates a reasonable belief that a particular act or omission has occurred, MDHS shall implement discretionary actions known as debarment and suspension, possibly leading to termination. A subgrantee and/or a lower-tier sub-recipient who is debarred or suspended shall be excluded from agency financial and nonfinancial assistance and benefits. These are serious actions which shall be used only in the public interest and for the agency and State of Mississippi’s protection and not for purposes of punishment.

Coverage

This policy shall apply to all persons/subgrantees who are currently participating in transactions under state non-procurement programs. For purposes of these regulations, transactions shall be referred to as covered transactions which may be subdivided into (1) primary covered transactions, (i.e., any non-procurement transactions between MDHS and the subgrantee, regardless of type,) or (2) lower-tier covered transactions, (i.e., transactions between subgrantee and another other than a procurement contract for goods or services), regardless of type, under a primary covered transaction.

Effect of Action

Except the extent prohibited by law, subgrantees that are debarred or suspended shall be excluded from primary covered transactions and lower-tier covered transactions for the period of their debarment or suspension.

Section 5**PROPERTY MANAGEMENT****OVERVIEW**

Uniform standards on inventory management shall ensure the effective use and control of subgrantee property and equipment under the jurisdiction of MDHS. Property inventory management is applicable to all non-expendable equipment and property having a useful life of one (1) year or more and having a unit acquisition cost or fair market value of \$1,000.00 or more. All such property and equipment shall be tagged and placed on the inventory. There are other specific items also listed in this chapter that are required to be placed on MDHS' inventory regardless of price. Items with a useful life of one year or more with a unit cost of less than \$1,000.00 are not required to be placed on inventory but are required to have a "Property of MDHS" sticker applied. It will be the responsibility of the MDHS Subgrant Property Officer, in collaboration with the MDHS Director of the Office of Property, to ensure proper reporting of all equipment and property and that such information is accurately recorded and maintained at the MDHS Office of Property.

If equipment or property is authorized under an MDHS subgrant, the property or equipment shall be purchased within ninety (90) days from the beginning date of the subgrant, or within thirty (30) days of the effective date of the modification which authorizes the purchase of property or equipment. If it becomes necessary to purchase other property or equipment to accomplish the purpose of the subgrant after the ninety (90) day beginning date of the Subgrant/Agreement, then this purchase will require a modification to the relevant section of the agreement. No equipment or property shall be purchased during the last thirty (30) days of the subgrant. These time limits are also applicable to property or equipment purchased with nonfederal funds or donated by third parties that is used to match funds under an MDHS subgrant.

This Subgrantee/Agreement Inventory Management section serves as a minimum guide in the development of the MDHS inventory management system as it relates to subgrants and is meant to provide guidelines for the following:

- Purchase approval
- Purchase of used equipment
- 'Inventory Control List' (MDHS-PROP-SE02)
- Property identification
- Physical inventory
- Property which has been lost, stolen, or damaged

- Property disposal or transfer
 - Subgrantee or program closeout
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Subgrant property management implementation shall be the responsibility of the MDHS office of Property and its Subgrant Property Officer with oversight provided by the Director of the Office of Property in conjunction with the Deputy Director of Programs. Verification shall be the responsibility of the Division of Budgets and Accounting's Property Officer. Property which has been stolen shall be reported by the sub-grantee/contractor to the MDHS Subgrant Property Officer and to the Director of the Office of Property within 24 hours of discovery.

POLICY

Sub-grantees may refer to the 45 CFR Parts 74 and 92, CFR 200.310 through 200.316, or applicable federal law regulating property management for further guidance on property management standards. All property and assets purchased through MDHS sub-grants shall be placed on inventory in accordance with the applicable Federal guidelines, the statutes of the State of Mississippi, and the rules set forth in the State Property Officers Manual. The State Property Officers Manual is available online through the Mississippi Office of the State Auditor's website.

Purchase Approval: All equipment purchased with subgrant monies shall be specifically authorized through the 'Cost Summary Support Sheet' and the 'Budget Narrative' of the subgrant agreement. Any deviation shall require a formal modification (long form) of the subgrant. The equipment needs of the sub-grantee shall be assessed by the Director of the Office of Property in conjunction with the Deputy Director of Program Staff who will analyze all prior sub-grants/contracts and the equipment needs expressed in the Scope of Services and the Terms and Conditions of the current sub-grant. All means of acquiring the proposed equipment, e.g., leasing, shall be reviewed before authorization is given by MDHS.

Duplication of property or equipment purchases is prohibited by statute. A capital lease or lease purchase agreement is prohibited by statute.

The assessment criteria to be used for purchase approval shall include, but is not limited to, the following:

- How significant is the need cited to the successful operation and completion of the project?

- What is the total expense involved to satisfy this need? Include all associated costs that are required for the equipment or property.
- Are there hidden associated costs, i.e., maintenance, rent, shipping, freight, etc.?

Complicated items should have a full cost analysis prior to approval for purchase.

- Who will benefit from the purchase of these items? Short-term contracts should not include the purchase of equipment.
- How long will the need exist?
- What will be the consequences of foregoing such a purchase?
- Should we rent, lease, or purchase the items under consideration?
- Assess availability of needed items from surplus of used property from other active/inactive sub-grantees, or from DFA Office of Surplus Property.

Note: All property or equipment purchased, in whole or in part, with funds provided by MDHS, shall be held in trust by the subgrantee as trustee for MDHS, and shall not be encumbered without the written or signed approval of the MDHS Sub-grant Property Officer, Director of Property, and the MDHS Executive Director. The sub-grantee shall record liens, or other appropriate notices of record, that property or equipment has been acquired, or where applicable, improved with funds provided by MDHS. Only Federal or State property may be upgraded with MDHS funds. The use and disposition of such property or equipment are prescribed by the MDHS Sub-grant/Agreement Manual.

Purchase of Used Property and/or Equipment

Sub-grantees who wish to purchase used property and/or equipment, must submit a written request and justification to the appropriate MDHS Division Director for Approval, before proceeding with procurement. This is in addition to the established purchase requirements set out in the Procurement section of this manual.

Use of Property and/or Equipment under MDHS Subgrants

The subgrantee shall use the property and/or equipment in the project or program for which it was acquired as long as needed, whether or not the project or program continues to be supported by Federal funds and shall not encumber the property without approval of the MDHS Executive Director. When no longer needed for the original project or program, the sub-grantee may contact the MDHS Office of Property, specifically, the designated MDHS Subgrant Property Officer, who may then contact the MDHS Director of Property or his designee and request written authorization for the sub-grantee to use the equipment in connection with the sub-

grantees other federally-sponsored activities, as required under federal regulations, such request to be signed by MDHS Executive Director.

Statement of General Policy – Property Inventory Rules

Where applicable, equipment or property items 1, 3, 5, 6, 8, 9, 10, 11, and 12 listed below shall be included on inventory regardless of the price and items 2, 4, and 7 listed below shall be included on inventory if the price paid to acquire or the fair market value is greater than \$250.00 per unit, as required by the State Property Officer within the Office of the State Auditor. All other items not listed below should be included on inventory if the price paid to acquire or the fair market value is \$1,000 or more. Items costing less than \$1,000 with a useful life of one year or more are required to have an agency “Property of MDHS” sticker applied.

If authorized under an MDHS sub-grant, items 1, 3, 5, 6, 8, 9, 10, 11, and 12 listed below shall be listed on the Cost Summary Support Sheet and in the Budget Narrative under the budget category of Capital Outlay-Equipment regardless of the price. If the purchase price of items 2, 4, and 7 listed below is greater than \$250.00, the items shall be listed on the ‘Cost Summary Support.’

Sheet and in the Budget Narrative under the budget category of Capital Outlay-Equipment. Items not listed below should be listed on the Cost Summary Support Sheet and in the Budget Narrative under the budget category of Capital Outlay-Equipment if the purchase price is \$1,000 or more.

1. Weapons
2. Camera and Camera Equipment
(Greater than or equal to \$250.00)
3. Two-way Radio Equipment
4. Televisions
(Greater than or equal to \$250.00)
5. Lawn Maintenance Equipment
6. Cellular Telephones
7. Computers/Computer Equipment, including Printers (Greater than or equal to \$250)
8. Chain Saws
9. Air Compressors
10. Welding Machines
11. Generators
12. Motorized Vehicles

Inventory Control List

All non-expendable equipment or property purchased with (or used to match) federal and/or state funds shall be listed on an Inventory Control List (MDHS-PROP-SE02). The Inventory Control List must be submitted to the MDHS Sub-grant Property Officer for any new and/or additional equipment purchased once the equipment or property has been received and paid for by the sub-grantee. Both the sub-grantee and the MDHS Sub-grantee Property Officer shall maintain a complete and up-to-date list of sub-grantee equipment or property. The Sub-grantee shall keep such list in a place where there is easy and immediate access in case of audits. The Sub-grant Property Officer shall maintain its complete up-to-date list in the MDHS Office or Property. The MDHS Sub-grant Master Inventory shall also be maintained in the MDHS Office of Property by the Sub-grant Property Officer. It shall be the responsibility of the MDHS Office of Property and the Sub-grant Property Officer to provide a copy of the Inventory Control List for each sub-grant that authorizes property or equipment.

- Information for the Inventory Control List shall include:
- Sub-grantee's Name, Address, and Telephone Number
- Agreement Number, Grant Identifier Number, Sub-grant beginning and ending dates and/or modification, if applicable
- Total Equipment Amount Budgeted
- Item description, manufacture's name etc.
- Manufacturer's Serial Number
- Manufacturer's Model Number
- Vendor Name
- Purchase Date or Invoice Data
- Check Number and/or Voucher Number
- Cost plus tac, freight or shipping charges (if applicable)
- Location of equipment or property address
- MDHS Inventory Number Assigned by the MDHS Property Office
- Ultimate disposition date, including data of disposal and sales price of the method used to determine fair market value where a sub-grantee compensates the federal agency, MDHS funding source for its share.

All changes in status, such as, but not limited to, location and program use, require that the sub-grantee update the Inventory Control List, and notify the appropriate funding division in writing within a 10 working day period.

Property Identification

All sub-grantee equipment or property purchased with federal and/or state funds, or provided as match for federal and/or state funds, shall have permanent identification numbers assigned by the MDHS Property Office (Equipment Inventory Tagging Form MDHS-PROP-SE01). Permanent identification shall be made by using metal tags, vinyl tags, etching, or other appropriate means of identification. The equipment or property purchased through sub-grants/agreements awarded by MDHS shall be tagged and accounted for by the MDHS Property Office or, in some instances, by the Office of Monitoring.

Physical Inventory

A periodic physical inventory shall be performed by all sub-grantees at least twice yearly, using the MDHS Inventory Control List (MDHS-PROP-SE02) and submitted to the appropriate funding division and the Sub-grant Property Officer. The physical inventory shall consist of an actual accounting of all sub-grantee/lower-tier sub-recipient equipment or property on the Sub-grantee location listing and/or Inventory Control List, acquired with (or used to match) federal and/or state monies under an MDHS sub-grant. Property records pertaining to the purchase of equipment or property shall be inspected for correctness before items are identified and tagged for inventory control.

Location and use of equipment or property shall be verified by the authorized and designated MDHS Sub-grantee Property Officer who is located in the MDHS Office of Property. Sub-grantee must contact the MDHS sub-grant Property Officer to report any property or equipment that is not being utilized or managed under the terms of the sub-grants. Any such property or equipment not being utilized or managed under the terms of the sub-grants shall be recovered and/or redistributed with approval by the MDHS Property Officer in conjunction with the Director of Property.

Should a subgrant be terminated or not renewed, any equipment or property purchased under the subgrant with public funds or MDHS funds shall neither be transferred to another location nor remain at the present location under a new sub-grant with a difference sub-grantee, without the prior written approval of the MDHS Executive Director. The MDHS Inventory Transfer Form (MDHSPROP-114B) shall be completed and submitted to the MDHS Property Office to the Attention of the MDHS Sub-grant Property Officer.

Lost, Stolen, or Damaged Equipment or Property

A sub-grantee shall submit in writing to the MDHS Office of Property, within 24 hours of discovery, a detailed explanation of any stolen, misused or unaccounted for equipment or property. The MDHS Office of Property and the designated MDHS Sub-grant Property Officer will then contact the MDHS Division Director of Administrative Services and report the incident utilizing the MDHS Office of Property reporting system to identify the lost, stolen, or damaged sub-grant equipment or property. The MDHS Office of Property may initiate an investigation to determine the cause and culpability of the matter as necessary. In case of theft, robbery or mysterious disappearance, the local police or sheriff's department should be notified. If so notified, the name of local police or sheriff's department official and the date the loss shall be included in the agency report. If such was not reported to a local police or sheriff's department at the time of the discovery, a complete explanation of such failure shall be provided. A copy of the police or sheriff's department report shall be forwarded with a letter of explanation to the MDHS Director of Property, the Sub-grant Property Officer, and the Division Director of Administrative Services. Additionally, if equipment loss occurs at the home of an employee of the sub-grantee, the employee shall provide a written statement from his/her insurance carrier indicating whether or not the stolen or lost item was paid for under his/her homeowner's or car insurance policy. The MDHS Sub-grant Property Officer shall, with the MDHS Director of Property Office, review the information and the MDHS Director of Property a recommendation of action to be taken, if appropriate.

Liability

The sub-grantee is required to maintain enough insurance coverage for real property and equipment **acquired or improved with Federal funds** that is at least equivalent to insurance maintained on non-Federally funded real property or equipment. The sub-grantee is not responsible for insuring Federally-owned property or equipment unless required by the terms and conditions of the Federal award. (See 2 CFR 200.310 for guidance).

MDHS has the authority to recover the value of any missing property. If property is determined to be missing, an MDHS investigation may be initiated to determine the cause and culpability. If an investigation leads to negligence or misconduct with regards to the missing property, a demand may be made against the head of the sub-grantee agency, the agency's property officer and/or the appropriate supervisor/director or employee.

Damaged, Non-Serviceable Equipment or Property

The subgrantee shall submit a written request to MDHS Property Office requesting authorization to dispose of equipment or property and an on-site inspection by MDHS Property Office may be conducted, if applicable. The MDHS Executive Director is ultimately responsible in the approval or denial of said request.

Property Disposal or Transfer

Sub-grantees shall notify, in writing, the MDHS Office of Property and the designed MDHS Sub-grant Property Officer when an item is either no longer needed or useful to the implementation and objective of the program. The Office of Property and/or the MDHS Sub-grant Property Officer will conduct an on-site visit if necessary with regard to the request. The sub-grantee must include the following information in the notification which can be obtained from the Inventory Control List.

- Inventory Number Assigned by Inventory Funding Source
- Description
- Purchased Price
- Dollar Value
- Agreement Number
- Grant Identifier Number
- Sub-grant Beginning and Ending Dates
- Reason for Disposal

Upon completion of an on-site visit, the MDHS Sub-grant Property Officer and/or the Director of Property shall decide the proper means of disposal in accordance with applicable Federal and state regulations. (See 2 CFR 200.311 to 200.315 and State Property Officer's Manual). Should a sub-grant be terminated or not renewed, any equipment purchased under the sub-grant with public funds or MDHS' funds shall neither be transferred to another location nor remain at the present location under a new sub-grant with a different sub-grantee, without the prior written approval of the MDHS Executive Director. The MDHS Sub-grant Property Officer and to the appropriate MDHS funding division by the sub-grantee whenever property is moved from one office/site to another. Appropriate "From" and "To" signatures shall be obtained.

Subgrant or Program Closeout

A subgrantee that desires to continue using equipment or property after the expiration date of the subgrant period shall submit a written request to the Attention of the MDHS Executive Director and forward it to the Subgrant Property Officer in the MDHS Property Office. Once reviewed and approved by the MDHS Sub-grant Property Officer and Director of the Property Office, the request will be forwarded through the proper channel to the Executive Director of MDHS for denial or approval. It is the established policy the Mississippi Department of Human Services to give consideration to such written request and to allow federally and/or state purchased equipment or property to remain on the premises of the organization so long as the sub-grantee continues to operate at the same site; the organization continues to serve the implementation and objective of the program; and the sub-grantee is in good standing at the time of closeout. The request shall include a copy of the Sub-grantee Inventory Control List for each item of equipment or property under the subgrant. The deadline for equipment or property retention request is the same as for the closeout package. The MDHS Director of Property shall forward the sub-grantee's request to the MDHS Executive Director for Final approval/disapproval. The MDHS Office of Property through its Director or the Sub-grant Property Officer shall forward the final written approval or denial to the sub-grantee. If the request is denied, or if the sub-grantee fails to meet the closeout deadline, MDHS shall retrieve the equipment or property as soon as possible after the sub-grant ends. If property or equipment is left with a sub-grantee, it shall be the responsibility of the MDHS Office of Property to monitor the utilization of all items on a yearly basis, and report the findings to the MDHS Director of Administrative Services.

RECORD RETENTION AND ACCESS**Section 6****Overview**

Appropriate retention of records is vital to maintaining accountability for proper use of funds. Subgrantees of MDHS are required to retain all records pertinent to the subgrant, to allow access to such records including copying and/or removal thereof, and to allow timely and reasonable access to subgrantee personnel for the purpose of interview and discussion related to such documents. Whenever practicable, subgrantees of the MDHS should collect, transmit, and store Federal award-related information in open and machine readable formats rather than in closed formats or on paper.

MDHS shall always provide or accept paper versions of Federal award-related information to subgrantees upon request. If paper copies of Federal award-related information are submitted, MDHS shall not require more than an original and two (2) copies.

Financial records, supporting documents, statistical records, personnel records, and all other records pertinent to the subgrant shall be retained for a period of three (3) years from the date of submission of the final expenditure report, or for subgrants that are renewed quarterly annually from the date of the submission of the quarterly or annual financial report as reported.

The only exceptions are as follows:

1. If any litigation, claim, financial management review, or audit is started before the expiration of the three (3) year period, the records shall be retained until all such litigation, claims, reviews (including monitoring findings), or audit findings involving the records have been resolved and final action taken, whichever is later.
2. When the subgrant is notified in writing by the Federal awarding agency, cognizant agency for audit, oversight agency for audit, cognizant agency for indirect costs or MDHS to extend the retention period.
3. Records for real property and equipment acquired in whole or in-part with Federal or State funds or with funds used to match Federal funds shall be retained for three (3) years after final disposition of such property.
4. When records are transferred to or maintained by the Federal awarding agency or MDHS, the three (3) year retention requirement is not applicable to the subgrantee.
5. Records for program income transactions after the period of performance.
6. Indirect cost rate proposals and cost allocation plans. This only applies to the following types of documents and their supporting records: indirect cost rate computations,

proposals, cost allocation plans, any similar accounting computations of the rate at which a particular group of costs is chargeable.

Record Disposal Request

Prior to the destruction of any records, the subgrantee shall obtain written approval from the MDHS Division of Program Integrity and Programmatic Funding Division Director, by completing the ‘Request to Dispose of Records’ (MDHS-DPI-001). If the subgrantee fails to complete the said form, it is a serious matter that may subject the subgrantee to the risk of sanctions.

MDHS Programmatic Funding Division Directors are responsible for ensuring that records of subgrantees, whose operations are ceasing or have already done so, are properly safeguarded. If it is determined that the safety of the records should be enhanced, MDHS is authorized to request transfer of records or remove records immediately from the subgrantee’s premises.

Federal Awarding Agency Record Request

Records must be transferred from MDHS to the Federal awarding agency upon their request when it is determined that the records possess long-term retention value. The Federal awarding agency may make arrangements for MDHS to retain any records that are continuously needed for joint use in order to avoid duplicate record keeping.

Access to Records

Mississippi Department of Human Services, the Federal awarding agency, the State Auditor, the Comptroller General of the United States, or any of its duly authorized representatives shall have the right to timely and unrestricted access to any of the subgrantee’s records that are pertinent to the subgrant. This right also includes timely and reasonable access to the subgrantee’s personnel for the purpose of interviews and discussions related to these documents. The rights of access in this section are not limited to the required retention period but last as long as the records are retained.

These records include, but are not limited to, the items listed below:

1. Financial reports supporting expenditures of the subgrant;
2. Internal and external audit reports and program evaluations;
3. Executed copy of the subgrant agreement and any modifications;
4. Approved budget, budget narrative, and any modifications;
5. Contracts, leases, employment agreements, and purchase invoices;

6. Cost allocation plans and/or indirect cost rate proposals, and related support documents,
7. All invoices, billings, receiving reports, and Claim Support Forms;
8. General ledger, general journal, cash receipts journal, cash disbursements journal, payroll earnings register, and all subsidiary records;
9. All personnel records of all individuals paid in whole or in part with subgrant funds including employment applications, personnel files, time and attendance reports, wage authorizations, tax withholding forms, authorization for any deductions, time and effort records, leave records, and all other relevant data;
10. Inventory records for all property and equipment purchased in whole or in part with subgrant funds or which the subgrantee has been compensated for the use of the property and equipment through depreciation or use allowance charges, indicating acquisition date, cost of the property and equipment, identification number, location and use of the property and equipment, and evidence that procurement requirements have been met;
11. Bank statements and reconciliations, all canceled or voided checks, and deposit records;
12. Documentation of proper insurance/bonding coverage; and/or
13. Programmatic records of all types, as pertinent to particular programs involved.

Note: No Federal awarding agency may place restrictions on the subgrant that may limit public access to the records of the subgrant except for personally identifiable information or when the Federal awarding agency can demonstrate such will be a violation of the Freedom of Information Act or if the Federal awarding agency has controlled unclassified information pursuant to Executive Order 1355.

MONITORING AND AUDIT

Section 7

Overview of Monitoring

The monitoring policies and procedures in this section are designed to ensure that all subgrants of MDHS are administered in compliance with laws and regulations applicable to Federal financial assistance programs, agency policies and in accordance with the terms of the subgrant agreement. MDHS Office of Monitoring in the Division of Program Integrity along with the Programmatic Funding Division are responsible for oversight of the development of appropriate monitoring instruments specifically designed to ensure compliance with program requirements, cost principles, and federal regulations.

Subgrant monitoring procedures may include several of the various options listed below but is not limited to such. These options include:

1. Reviewing reports submitted by the subgrantee;
2. Reviewing documentation supporting expenses reported under MDHS subgrants;
3. Reviewing the subgrantee's single audit or program-specific audit results and evaluating audit findings and the subgrantee's corrective action plan;
4. Performing on-site reviews of the fiscal and programmatic records and observing subgrantee operations; and/or
5. Consider enforcement action against non-compliant subgrantee.

Risk Assessment

As required by 2 CFR 200.331 (Requirements for Pass-Through Entities), the extent of monitoring imposed on each subgrantee shall be determined on the risk of noncompliance, MDHS will consider the following factors:

1. Subgrantees prior experience with the same or similar sub-awards;
2. Results of previous audits, in which includes whether or not subgrant receives a Single Audit in accordance with 2 CFR 200 Subpart F (Audit Requirements) and the extent to which the same or similar sub-award has been audited as a major program;
3. Prior experience of the subgrantee operating subgrants supported by Federal funds;
4. Results of previous on-site fiscal and programmatic reviews;
5. Measureable statement of work and deliverables of the subgrant;
6. Whether the subgrantee has new personnel or the subgrantee has recently changed systems; and
7. Potential for conflict of interest with the subgrantee and MDHS.

If it is determined that the subgrantee is a high-risk, a technical assistance visit will be scheduled within the first three (3) months of the subgrant period.

Monitoring Procedures

For a full and exhaustive procedure of how a monitoring visit will be conducted and performed. Please see the Monitoring Procedures Manual.

On-Site Reviews for Program and Fiscal Compliance

On-site reviews for program and fiscal compliance are required to be conducted at least once during the subgrant period for every MDHS subgrant. On-site reviews for program and fiscal compliance may be performed on any subgrant at any time and may be repeated as often as deemed necessary by MDHS. These reviews for program and fiscal compliance will be conducted by the MDHS Division of Program Integrity.

The on-site programmatic and fiscal reviews are formal in nature. Subgrantees should be notified, in writing, at least two (2) weeks prior to a routine on-site visit. MDHS reserves the right to conduct unannounced reviews as its discretion.

Each on-site review shall conclude with an exit conference in which the monitor(s) will advise the subgrantee signatory official (or designee), project director, fiscal officer, or other appropriate staff of the preliminary results of the on-site review and of the monitor's recommendations of corrective actions necessary to resolve each finding.

A written report that follows a standard format will be completed upon return from an on-site review. The monitoring report should be completed within thirty (30) calendar days after the exit conference. The monitoring report will provide, at minimum, a narrative description of each significant instance discovered of noncompliance with federal law or regulation, state law, MDHS policy, or with the terms of the subgrant agreement. This narrative should clearly indicate the deficiency and contain all pertinent information related to such.

MDHS shall follow-up on the subgrantee's corrective action plan for any programmatic and/or fiscal monitoring findings.

Corrective Action Process

The Monitoring Report is sent to the subgrantee and to the applicable MDHS Programmatic Funding Division. Said shall require a written response from the subgrantee within thirty (30) calendar days, unless otherwise indicated. The corrective action plan must include:

1. A statement of whether the subgrantee agrees with the finding or not.
2. A detailed plan of how the subgrantee will correct each individual finding to prevent this or similar finding in the future or justification for the subgrantee's disagreement with the finding(s).
3. Any subgrantee documents, forms, policy changes, reports, accounting tools, time sheets, data collection forms, etc. that ensure the subgrantee has corrected the finding(s)
4. If the subgrantee disagrees with a finding(s) identified in the report, detailed documentation must also be submitted to refute the questioned finding(s).
5. The corrective action plan must be signed by the Authorized Official or designee. (The designee is the person granted permission to sign the Authorized Official's signature.)

Overview of Audit

The Office of Monitoring is responsible for oversight of the subgrantee single audit requirement. The Office of Monitoring collaborates with the applicable MDHS Programmatic Funding Divisions to ensure resolution of any single audit findings that are applicable to the Programmatic Funding Division. Additionally, they are to monitor the success of corrective actions taken by said subgrant.

The provisions of this section do not limit the authority of Federal agencies or their Inspectors General or other Federal officials, MDHS, or the Office of the State Auditor, or their duly authorized representatives, to make or contract for audits, evaluations, or review. Subgrantees shall not constrain the above-named agencies or any other entity, in any manner, from carrying out audits, evaluations, or reviews.

General

The following sets forth standards for obtaining consistency and uniformity among Federal agencies for the audit of non-Federal entities expanding Federal awards. Please refer to 2 CFR 200 Subpart F meet the requirements of Single Audit, it must be conducted on an annual basis. Additionally, ninety (90) days at the end of the subgrant's fiscal year, the subgrant must submit said audit to the Division of Program Integrity – Office of Monitoring. This is necessary to certify the sources and amounts of all Federal awards received and expended by the subgrantee.

A subgrantee that expends Federal financial assistance during the subgrant's fiscal year of:

1. Less than \$750,000.00 shall be exempt from Federal audit requirements unless the subgrantee meets a requirement in 2 CFR 200.503. However, the subgrantee must make records available for review by the appropriate officials and cannot constrain in any manner such as a federal agency, from carrying out or arranging audits;
2. \$750,000.00 or more under only one (1) Federal program and the Federal program's statutes, regulations or the terms and conditions of the Federal award do not require a financial statement audit of the subgrant, may elect to have a program-specific audit in accordance with 2 CFR 200.507; or
3. \$750,000.00 or more under more than one (1) Federal program shall have an organization wide audit performed in accordance with 2 CFR 200.501(c). Please reference above.

Program-Specific Audit

If the subgrantee meets the applicable standard for a program-specific audit, it must follow Generally Accepted Government Auditing Standards and guide when performing said audit. A listing of current program-specific audit guides can be found in the compliance supplement beginning with the 2014 supplement. If a program-specific audit guide is not available, the subgrant and the auditor must have the same responsibilities for the federal program as they would in a single audit. Please refer to 2 CFR 200.507 for the specific requirements the subgrantee must adhere to for program-specific audits.

Responsibilities of a Subgrantee

The subgrantee shall:

1. Maintain and make records available for review or audit by appropriate officials of the Federal agency, pass-through entity, General Accounting Office (GAO), State Auditor and/or the subgrantee's independent auditor;
2. Procure or otherwise arrange for the audit required by 2 CFR 200.508 in accordance with 2 CFR 200.509 ("Auditor Selection") and ensure it is properly performed and submitted when due in accordance with 2 CFR 200.512 ("Report Submission");
3. Prepare financial statements that reflect its financial position, results of operations, and, where appropriate, cash flows for the fiscal awards for the period covered by the subgrantee's financial statements, which shall be prepared in accordance with 2 CFR 200.510 ("Financial Statements");
4. Ensure that audits are conducted and reported in accordance with Generally Accepted Auditing Standard, Government Auditing Standards and 2 CFR 200.514.520, as applicable. Additionally, all copies of the auditor's reports, and any management letters

- issued by the auditors, must be submitted to the Office of Monitoring immediately, but no later than nine (9) months after the end of the subgrantee's fiscal year;
5. Be responsible for follow-up and corrective action on all audit findings, including a preparation of a summary schedule of prior audit findings and a corrective action plan in accordance with 200.511 ("Audit Findings Follow-up");
 6. Assure MDHS subgrants are properly identified and audited as part of an organization wide audit. MDHS may request a subgrantee that is required to have an organization wide audit to have a particular program audited as a major program. Such requests shall be made at least 180 days prior to the end of the fiscal year to be audited. The subgrantee, after consultation with its auditor, shall inform MDHS whether the program would otherwise be audited as a major program using a risk-based approach and, if not, the estimated incremental costs. MDHS shall then promptly confirm to the sub-grantee whether it wants the program audited as a major program.
 7. Prepare a separate schedule of indirect costs. If indirect costs are claimed under any MDHS subgrant (which shall at a minimum include a listing of actual indirect costs incurred during the subgrantee's fiscal year by line-item), a description and amount of the base used to allocate indirect costs to all of the subgrantee's programs, and the calculation of an actual indirect cost rate based on the audited amounts must be submitted to MDHS;
 8. Complete the MDHS 'Subgrantee Audit Information Form' (MDHS-DPI-002) and submit the form to the Office of Monitoring. Said is requested to be completed within ninety (90) days of the end of the subgrantee's fiscal year; and
 9. Submit a copy of the data collection form and the reporting package, which are specified under 2 CFR 200.512, directly to the Federal Audit Clearinghouse (FAC), Bureau of the Census. The data collection form and reporting package **must** be submitted electronically through the FAC web address at <http://harvester.census.gov/facweb/>. Any future updates to the web location of the FAC may be found at the OMB website.

Management Decision

MDHS is responsible for issuing a management decision within six (6) months of acceptance of the audit report by FAC. The management decision must clearly state whether or not the audit finding is sustained, the reason for the decision and the expected subgrantee action to repay disallowed cost, make financial adjustments or take other action. If the subgrantee has not completed corrective action, a timetable for follow-up should be given. The subgrantee must initiate and proceed with corrective action as rapidly as possible and corrective action should begin no later than upon receipt of the audit report.

Limited Scope of Audits of Specific Compliance Areas

MDHS may engage an independent Certified Public Accountant to perform a Limited Scope Audit of specified MDHS subgrants. The need for this type of review shall be determined on an individual basis and shall be documented by MDHS. The results of this review shall be communicated to the subgrantee and to the applicable MDHS Programmatic Funding Divisions in a written notice.

Non-Compliance

In cases of continued inability or unwillingness to have an audit conducted, MDHS and/or the federal agency shall take appropriate action as provided in Non-Compliance Section of this manual.

Discovery of Possible Fraud, Mismanagement, or Program Abuse

In the event indications of possible fraud, mismanagement, or program abuse are discovered during the course of monitoring a subgrant, it should be referred for an investigation by completing the Fraud Tip Form¹. Program Integrity will investigate as warranted by the policies and procedures established.

¹<https://app.smartsheet/b/form/dc594bd58ad44f808bd8c415a62c65bf>

CLOSEOUT PROCEDURES**Section 8****OVERVIEW**

The closeout of a subgrant is the process by which MDHS determines that all applicable administrative actions and all required work of the subgrant have been completed. Subgrantees are responsible for ensuring an orderly and timely work of the subgrant have been completed. Subgrantees are responsible for ensuring an orderly and timely programmatic phase out of subgrants and the financial settlement of subgrantee and vendor claims. The subgrantee closeout procedures describe the instructions to be followed to officially close subgrants awarded by MDHS. Subgrantees should also refer to 45 CFR Part 74 and/or Part 92, as applicable.

DUE DATE OF CLOSEOUT PROCEEDINGS

The closeout proceedings bearing original or electronic signatures is due and shall be received by the appropriate MDHS funding division forty-five (45) calendar days from the ending date of a subgrant, the reported expenditure of all funds allocated for a program year, the end of the time period of availability of funds, or a specific date designated by the funding division, in writing. A copy of the closeout package should be retained by the subgrantee.

Note: Closeout packages that are not received in a timely manner may result in a delay processing ‘Cash Advance Claim Support Form’ and may adversely affect future subgrant funding.

Subgrantees may revise the closeout proceedings, with a written detailed explanation, after the initial documents are received by MDHS. This revision shall be submitted within sixty (60) calendar days after the ending date of the subgrant or a specific date designed by the funding division, in writing. Supporting documentation, subject to the approval of MDHS, shall be able to make any additional funds available. However, amounts due to MDHS resulting from additional refunds, rebates or credits occurring after this point will be processed. In this case, a revised final ‘Claims Support Form’ shall also be submitted.

Administrative Closeout

If a subgrantee fails to close out a program year sixty (60) days after the grant ends or fails to properly adhere to established closeout policies and regulations, MDHS may complete an administrative closeout package using fiscal information from the official grant file maintained by the funding division. A copy of the administrative closeout will be provided to the subgrantee to be maintained as a part of their official grant file.

EQUIPMENT/PROPERTY CLOSEOUT

A subgrantee that desires to continue using equipment or property after the expiration date of the subgrant period shall submit a written request to the Director of the MDHS Funding Division. It is the established policy of MDHS to give consideration to written request, to allow federally and/or state purchased equipment or property to remain on the premises of the organization, if the subgrantee continues to operate at the same site, as long as, the organization continues to serve the implementation and objective of the program, and the subgrantee is in good standing at the time of closeout. The request shall include a copy of the ‘Subgrantee Inventory Control List’ for each item of equipment or property under the subgrant. The deadline for equipment or property retention request is the same as for the closeout package. The Director of the MDHS Funding Division shall forward the subgrantee’s request to the Executive Director or designee for approval/disapproval. The Director of the MDHS Funding Division shall then forward the approval or denial to the subgrantee. If property or equipment is left with a subgrantee, it shall be the responsibility of the MDHS Funding Division to monitor the utilization of all items on a yearly basis, and report the findings to the MDHS Property Office. If the subgrantee changes location from the original site, then the aforementioned would have to be resubmitted for approval by the previous subgrantee. If the request is denied, or if the subgrantee fails to meet the closeout deadline, MDHS shall retrieve the equipment or property as soon as possible after the subgrant ends.

NONCOMPLIANCE**Section 9****OVERVIEW**

If a subgrant fails to comply with Federal Statutes, regulations or terms and conditions of the Federal award, the Federal awarding agency or MDHS additional conditions may be imposed.

Specific Conditions

MDHS may impose additional specific award conditions as needed, under the following circumstances:

1. Based on the criteria set forth in § 200.205 Federal awarding agency review of risk posed by applicants;
2. When an applicant or recipient has a history of failure to comply with the general or specific terms and conditions of a Federal award;
3. When an applicant or recipient fails to meet expected performance goals as described in § 200.210 Information contained in a Federal award; or
4. When an applicant or recipient is not otherwise responsible.

These additional Federal award conditions may include items such as the following:

1. Requiring payments as reimbursements rather than advance payments;
2. Withholding authority to proceed to the next phase until receipt of evidence of acceptable performance within a given period of performance;
3. Requiring additional, more detailed financial reports;
4. Requiring additional project monitoring;
5. Requiring the non-Federal entity to obtain technical or management assistance; and/or
6. Establishing additional prior approvals.

MDHS must notify the subgrant as to:

1. The nature of the additional requirements;
2. The reason why the additional requirements are being imposed;
3. The nature of the action needed to remove the additional requirement, if applicable;
4. The time allowed for completing the actions if applicable, and
5. The method for requesting reconsideration of the additional requirements imposed.

If noncompliance fails to be remedied by implementing additional specific conditions listed above, then the Federal awarding agency or MDHS may take one (1) or more of the following actions:

1. Temporarily withhold cash payments pending correction of the deficiency by the subgrant or more severe enforcement action by the Federal awarding agency or MDHS.
2. Disallow (that is deny both the use of funds and any applicable matching credit for) all or part of the cost of the activity or action not in compliance.
3. Wholly or partly suspend or terminate the Federal award.
4. Initiate suspension or debarment proceedings as authorized under 2 CFR part 180 and Federal awarding agency regulations.
5. Withhold further Federal awards for the project or Program.
6. Take other actions that may be legally available.

Termination

A subgrant may be terminated in whole or in part as follows:

1. By the Federal awarding agency or by MDHS if the subgrant entity fails to comply with the terms and conditions of the Federal award;
2. By the Federal awarding agency or by MDHS for good cause;
3. By the Federal awarding agency or MDHS with the consent of the subgrant, in which case the two (2) parties must agree upon the termination conditions including the effective date and in the case of partial termination the portion to be terminated; or
4. By the subgrant upon sending to the Federal awarding agency or MDHS written notification setting forth the reasons for such termination. Note that the Federal awarding agency or MDHS determines in the case of partial termination that the reduced or modified portion of the award will not accomplish the purposes for which the original award was made, the Federal awarding agency or MDHS may terminate the award in its' entirety.

When an award is terminated or partially terminated the subgrantee will remain responsible for compliance with the requirements for closeout and post-closeout adjustments and continuing responsibilities. See the Closeout Procedures section of this manual. The federal awarding agency or MDHS must provide written notification to the subgrant of termination.

GOOD CAUSE

Good Cause may be imposed for the following situations but not limited to:

1. Conviction, plea agreement of guilt or civil judgement for:
 - a. Commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public or private agreement or transaction;

- b. Violation of Federal or State antitrust statutes, including those proscribing price fixing between competitors, allocation of customers between competitors, and bid rigging;
 - c. Commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, receiving stolen property, making false claims, or obstruction of justice; or
 - d. Commission of any other offense indicating a lack of business integrity or business Honesty that seriously and directly affects the present responsibility of a person/subgrantee.
2. Violation of the terms of a public agreement or transaction so serious as to affect the integrity of a MDHS program, such as:
 - a. A willful failure to perform in accordance with the terms of one or more public agreements or transactions.
 - b. A history of failure to perform or of unsatisfactory performance of one or more public agreements or transactions.
 3. A non-procurement debarment by any Federal agency taken before October 1, 1988, the effective date of these regulations, or a procurement debarment by any Federal agency taken pursuant to 45 CFR 76; or
 4. Knowingly doing business with a debarred suspended, ineligible, or voluntarily excluded person, in connection with a covered transaction, except as permitted by the agency.

Note this is not an exhaustive list.

Costs during Termination or Suspension

Costs to the subgrantee resulting from obligations incurred by the subgrantee during a suspension or after a termination of the award are not allowable unless the Federal awarding agency or MDHS expressly authorizes them in the notice of suspension or termination or subsequently in writing. The costs made during suspension or after termination are allowable if it meets the requirements below:

1. The costs result from obligations that were properly incurred by the subgrantee before the effective date of suspension or termination and subgrantee is not in anticipation of it; and
2. The costs would be allowable of the Federal award was not suspended or expired normally at the end of the period of performance in which the termination takes effect.

Appeals

MDHS provides a subgrantee an opportunity to object and provide information and documentation challenging the adverse or noncompliance action. **Please see “Appendix D” regarding procedures for requesting an administrative hearing or see Part 23 Chapter 1: “Administrative Hearings for MDHS Subgrant/Agreement Manual.**

~~Title 18: Human Services~~

~~Part 8: Division of Program Integrity~~

~~Part 8 Chapter 1: MDHS Subgrant/ Agreement Manual~~

~~Rule 1.1 Repeal of Prior Rules/Manuals: Upon their effective date, the following Subgrant Manual supersedes and repeals all previous Subgrant Manuals that were filed by the Mississippi Department of Human Services and adopted.~~

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The *Subgrant/Agreement Manual* has been prepared to provide uniform procedures and guidance for the administration of subgrants awarded by the Mississippi Department of Human Services (MDHS). The manual serves a three fold purpose:

- (1) — To ensure subgrantee funds are used for the purposes for which they are awarded;
- (2) — To safeguard public monies to the greatest extent possible; and
- (3) — To provide guidance to subgrantees in establishing and maintaining sound business-accounting procedures.

The true measure of an organization's administrative effectiveness and efficiency is how it assures accountability of its resources. MDHS is driven by the desire to be a good steward of the programs and services funded by taxpayer monies for the citizens of Mississippi.

MISSION STATEMENT: To provide services for people in need by optimizing all available resources to sustain the family unit and to encourage traditional family values; thereby promoting self sufficiency and personal responsibility for all Mississippians.

ALL MDHS SUBGRANTEES AND ANY LOWER-TIER SUBRECIPIENTS ARE REQUIRED TO COMPLY WITH THE DIRECTIVES SET OUT IN THIS MANUAL.

NOTE: The *Subgrant/Agreement Manual* will be revised as deemed necessary. Subgrantees should not accept any amendment to the content of the Subgrant/Agreement Manual without a written authorization from the MDHS Executive Director and/or designee.

SUMMARY OF REVISIONS

The name of this Manual has been revised from “Subgrant/Contract Manual” to “Subgrant/Agreement Manual.” Substantive revisions to the Subgrant/Agreement Manual reflect the changes set out in the Office of Management and Budget (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, published in the Federal Register on December 26, 2013. These new requirements now implement the formerly referenced OMB Circulars in the Code of Federal Regulations (CFR) at 2 CFR Part 200, organized in three (3) major parts and six (6) subparts:

- ~~Section A. Reforms to administration requirements~~
 - ~~Subpart A, 200.XXX Acronyms and Definitions;~~
 - ~~Subpart B, 200.1XX General;~~
 - ~~Subpart C, 200.2XX Pre Award Federal;~~
 - ~~Subpart D, 200.3XX Post Award Recipients;~~
- ~~Section B. Reforms to cost principles~~
 - ~~Subpart E, 200.4XX Cost Principles; and~~
- ~~Section C. Audit Requirements~~
 - ~~Subpart F, 200.5XX Audit Requirements.~~

An electronic copy of the Office of Management and Budget (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR 200) is available online at <http://www.federalregister.gov/articles/2013/12/26/2013-30465/uniform-administrative-requirements-cost-principles-and-audit-requirements-for-federal-awards>.

While many of the old requirements contained in the OMB Circulars merged, there are also new provisions implemented in the CFR that have now been incorporated into the Subgrant/Agreement Manual. The emphasis on electronic submission and storage of records, risk assessment based monitoring, and the increased Federal expenditure threshold for the Single Audit requirement from \$500,000 to \$750,000 are particularly important.

Similarly, outdated items have been removed from the required inventory list in accordance with the state property regulations. Additionally, the Manual now includes provisions for an internal review of subgrantee grievances and disputes before proceeding to the administrative hearing process. The Subgrant/Agreement Manual also incorporates all addendums to the 2012 edition of this Manual. All forms associated with this Manual have been updated on an as needed basis.

The Subgrant/Agreement Manual and the respective forms associated with each section of this Manual are now available online through subgrantees’ MDHS website employee accounts, at www.mdhs.state.ms.us.

OVERVIEW

The terms and definitions included in this section are used by the Mississippi Department of Human Services (MDHS). The sources of these terms include 45 CFR Parts 74 and 92, documents issued by the State Auditor’s Office, the U.S. Office of Management and Budget (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, which has been codified at 2 CFR Part 200, et seq., and applicable OMB circulars.

TERMS ————— DEFINITIONS

Accounting Procedures	Methods implemented to ensure that financial information is reflected in accounting records in a consistent, proper, and orderly manner.
Accounting System	All the records, formal and informal, together with the procedures related to the assembling, classifying, recording and reporting of information concerning the financial operations and conditions of a fiscal entity.
Accounts Payable	Liabilities of the subgrantee owed to persons, firms or corporations for goods and services received. Obligations of subgrant funds must be liquidated no later than 45 days from the end of the subgrant period.
Accounts Receivable	Amounts due to the subgrantee from persons, firms, or corporations for goods and services.
Accrual Basis Accounting	The basis of accounting under which revenues are recorded in the fiscal year they are earned and expenditures recorded in the fiscal year they are incurred. Note: Obligations of subgrant funds must be liquidated no later than 45 days from the end of the subgrant period.
Accrued Expenditure	An expense incurred for goods or services received during a given period which has not been paid. Accrued expenses cannot be reported on the Final Claim Support Form.
Acquisition Cost	The net invoice unit price of the equipment, including the cost of modifications, shipping, attachments and accessories necessary to make the property usable for the purpose for which it was acquired.
Administrative Closeout	The process by which a MDHS Funding Division Director administratively performs subgrant closeout procedures upon determining that the subgrantee failed to close out a program year within the specified amount of time or failed

	to properly adhere to established close out policies and regulations.
Allocation	The amount of funds provided by the funding division to a subgrantee to incur obligations and expenditures over a certain period of time.
Appropriated Funds	A sum set aside by formal legislative action for a particular purpose for specific use during a specified period of time.
Assets	The entire resources of the subgrantee fund, including any property, tangible or intangible, of monetary value.
Audit	The process by which a MDHS authorized auditor examines, reviews and assesses the financial records, with supporting documentation of subgrantees, to evaluate the overall financial statement presentation.
Award	Grants and other agreements in the form of money or property in lieu of money, by the Federal/State Government to an eligible recipient.
Bond	A form of money guarantee which protects against loss caused by another party or by some contingency over which that party may have no control. Any bond which may be required by MDHS, shall be obtained from companies holding certificates of authority as acceptable sureties, according to 31 CFR Part 223. A list of these companies is published annually by the U.S. Department of the Treasury in its Circular 570.
Bond, Bid Guarantee	A firm commitment such as a bid bond, certified check, or other negotiable instrument accompanying a bid as assurance that the bidder will, upon acceptance of his bid, execute such contractual documents as may be required within the time specified. This bond must be equivalent to 5% of the bid price.
Bond, Fidelity	A bond against any loss resulting from fraud or lack of integrity, honesty, or fidelity of one or more employees, officers, or other persons holding a position of trust with the subgrantee which must be payable to MDHS. This bond must be the equivalent to 25% of the total subgrant amount.
Bond, Payment	A bond executed in connection with a contract to assure

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	<p>payment as required by law of all persons supplying labor and material in the execution of the work provided for the subgrant.</p>
Bond, Performance	<p>A bond executed in connection with a subgrant to secure fulfillment of all the subgrantee’s obligations under such subgrant.</p>
Budget	<p>An authorized plan of proposed expenditures and the means of financing them with respect to an allocated amount within a specific period of time.</p>
Budgetary Accounting	<p>A method of accounting which allows for the comparison of actual revenues and expenditures to budgeted figures. In many cases, budgetary accounting applies to allocations and the expenditures authorized thereby.</p>
Budget Narrative	<p>A written justification adequately explaining the subgrantee’s funding needs.</p>
Budget Summary	<p>A compilation of the detailed data contained in the Cost Summary Support Sheet. (Form MDHS-BS-1006)</p>
Capital Improvement	<p>Expenditures made by the subgrantee that either increase the value of real property or extend its useful life. Examples may include fences, outdoor lighting, heating/cooling systems, plumbing and minor renovations. Capital improvements are allowable only with the prior written approval of the grantor division.</p>
Cash	<p>Currency, checks, money orders, and bank drafts on deposit in the account of the subgrantee agency.</p>
Cash Balance	<p>Currency, checks, money orders, and bank drafts on deposit in the account of the subgrantee agency less any checks written against these receipts.</p>
Cash Basis Accounting	<p>The basis of accounting under which revenues are recorded when received and expenditures are recorded when paid.</p>
Cash Disbursement Journal	<p>A journal kept to record in sequential order the expenditure of funds whether by check or other method of payment.</p>
Cash, Federal/State	<p>Cash held by the subgrantee which has been received from the grantor agency and becomes a part of the total cash balance.</p>

Cash, Local	Cash held by the subgrantee which has been received from sources at the local level, including private, county and/or municipal government sources.
Cash Outlay	Total amount of cash spent by a subgrantee during a specific period of time either for expenditures, transfers between funds or refunds of unexpended cash to the grantor agency.
Cash Payment	The payment of cash for expenditures. Such payments may precede the expenditure (an advance), coincide with the expenditure (a direct payment), or follow the expenditure (the payment of a liability).
Cash, Program Income	Cash held by the subgrantee that is directly generated by a supported activity or earned as a result of the subgrant.
Cash Receipt	Cash received by a subgrantee for which it acknowledges accountability.
Cash Receipts Journal	A journal kept to record in sequential order, the receipt of all funds.
Certification of Subgrant Compliance Form	A form by which the subgrantee releases the unexpended and/or unobligated balance of the subgrant/agreement to MDHS. (See form MDHS SGCC 1012)
Claim Support Form	The form used to report monthly costs incurred under MDHS subgrants and to request funds on a cost reimbursement or cash advance basis.
Closeout Checklist	A checklist used by the subgrantee to ensure that all closeout documents are included as a part of the subgrantee closeout package. (See form MDHS SGCC 1011)
Closeout Procedures	The process by which MDHS determines that all applicable administrative actions and all required work elements of the subgrant/contract have been completed.
Cognizant Agency	The Federal agency responsible for negotiating and approving indirect cost rates for subgrantees.
Commodities	Budget category that includes various supplies, goods, merchandise, furniture, and equipment of every kind, and other personal property purchased by a subgrantee or lower tier subrecipient having a unit cost of less than \$1,000.00.

All items costing less than \$1,000.00 with a useful life of one year or more are not required to be placed on inventory, excluding specialty items. However, they are required to have an agency “Property of MDHS” sticker applied. (Specialty items listed in the Inventory Management section of this manual.)

Contract — A legal instrument by which a non-Federal entity purchases property or services needed to carry out the project or program under a Federal award. The term contract as used in this Manual does not include legal instruments that are considered Federal grants or subgrants. The nature of the relationship between the parties will determine whether the instrument is a contract or a subgrant. (Also see terms Subgrant and Subgrant Agreement).

Cost Reimbursement — A method of funding subgrants under which the subgrantee receives funds the following month for actual expenses incurred during the previous month. The subgrantee is reimbursed for the Federal and/or State portion of cash payments reported via the monthly Claim Support Form; a Request for Cash form is not required under the cost reimbursement method.

Cost Summary Support Sheet — A budget form used to describe the basis for determining the cost for the various activities on the Budget Summary. (See form MDHS CSSS 1007)

Cumulative Costs — Total cost incurred for a specific grant from the beginning date through the current period.

Current Needs/Cash Advance — A method of funding subgrants under which the subgrantee projects its cash needs for 60 days and submits a request for these funds 20 days prior to the period the funds will be needed. Pending receipt of federal funding, the subgrantee may request payment for the Federal and/or State portion of expenses expected to be paid during the 60 day period of projected cash needs once the subgrant agreement becomes effective. A Cash Advance Claim Support Form is required under the current needs/cash advance method to initiate the payment process. A monthly Claim Support Form is also required to report costs incurred. Forms are available online through each employee’s MDHS website account at www.mdhs.state.ms.us.

Debarment — An action taken by a debarring official in accordance with

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	Federal regulations and established procedures to exclude a legal entity or a participant from participating in covered transactions. A participant so excluded is debarred.
Debarring Official	The MDHS Executive Director or his authorized executive designee, who after consultation with the appropriate Funding Division Director may debar a subgrantee for cause in accordance with Federal regulations and established procedures.
Direct Costs	Cost immediately identifiable with specific subgrant activities which is recorded as a subgrant expenditure when incurred.
Encumbrances	Commodities and services which have been ordered but the goods have not been received or the service rendered for funds committed during current subgrant period.
Equipment/Reportable Property	Tangible property of a nonconsumable nature with a useful life of one year or more and an initial unit cost of \$1,000.00 or more that is purchased by the subgrantee. (See the Inventory Management section of this manual for items that are classified as equipment, regardless of costs or if the unit cost is \$250.00 or more.)
Expenditure	Exchange of an asset or incurrence of a liability for an asset, goods received, or services rendered when a voucher for goods and/or services is approved.
E-verify	An Internet-based system that compares information from an employee's Form I-9, Employment Eligibility Verification, to data from U.S. Department of Homeland Security and Social Security Administration records to confirm employment eligibility.
Expense	Cost incurred whether cash or noncash, which are presumed to benefit operations of the current fiscal period.
Financial Statements	Presentations of financial data which show the financial position and the results of financial operations of a fund, a group of accounts, or an entire subgrantee unit for a particular accounting period.
Finding	A monetary and/or non-monetary conclusion reached as a result of a monitoring review, investigative audit, or investigation.

Fiscal Year	The twelve (12) month period that is the legal period for budgeting and accounting for most subgrantees.
Fixed Assets	Assets of a long-term character and nonconsumable in nature which are intended to be held or used for a period exceeding one year. These include land, buildings, improvements, machinery, furniture and other equipment with an initial cost of \$1,000.00 or more and other items regardless of cost. (See the Inventory Management section of this manual for exceptions.)
Fixed Price Contract	Contractual agreement whereby payments to the subgrantee are contingent on the subgrantee fulfilling the agreement terms.
Fixed Unit Price	Method of funding subgrants under which the subgrantee is paid a predetermined fixed price for services performed.
Funding Division	MDHS Division or Office that provides monies from state and/or federal sources to fund state and/or federal contracts or subgrants for the provision of services for or on behalf of MDHS.
Funding Source	Source from which funds are derived.
General Journal	A journal is a book of original entry that requires both the credited and debited accounts to be listed, along with respective amounts being credited or debited. Specifically, a journal consists of a chronological record of the transactions, showing an explanation of each transaction, the accounts affected, whether those accounts are increased or decreased, and by what amount. It is may also be known as a General Ledger.
Generally Accepted Accounting Principles (GAAP)	The rules and practices necessary at a particular time that represent accepted accounting principles and practices.
Indirect Costs	Costs incurred for common or joint objectives, and therefore cannot be readily and specifically identified with a particular project or activity.
Indirect Cost Plan	The documentation prepared by an organization to substantiate its claim for reimbursement of indirect costs. The plan provides the basis for the review and negotiation

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	leading to the establishment of an organization’s indirect cost rate.
Indirect Cost Rate	Expressed as a percentage of the indirect costs to a direct cost base pending prior approval by the appropriate authority.
In Kind Contributions	The value of non-cash contributions provided by the subgrantee or non-federal parties. Contributions may be in the form of charges for real property and nonexpendable personal property or the value of goods or services directly benefitting and specifically identifiable to the project or program.
Internal Control	The plan of organization and all of the methods and measures adopted within a fund or agency to safeguard its assets, check the accuracy and reliability of the accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies.
Inventory Control List	An up-to-date list of all equipment purchased by the subgrantee with subgrant funds, as required by the Inventory Management section of this manual.
Inventory Management Policy	Uniform standards adopted by all divisions and the Property Unit within the Mississippi Department of Human Services to ensure effective use and control of subgrantee property.
Invoice	The original bill from the vendor indicating the price, description of goods or services sold and terms of the sale and used as documentary evidence that the service has been performed or the material received. If not an original, the invoice must read “customer copy.”
Lower Tier Agreement	A legally binding document between a MDHS subgrantee and another entity to provide a service required under the MDHS subgrant, rather than the direct delivery of the service by the MDHS subgrantee. All lower tier subrecipients must comply with the requirements specified in the MDHS Subgrant/Contract Manual.
MAGIC	The Mississippi Accountability System for Government Information and Collaboration.

Matching Contributions (Local Cash, Local In Kind, Program Income)	The subgrantee’s non federal cash, in kind contributions program income used to meet federal matching requirements, including the outlay of other non federal monies contributed to the subgrantee by other public agencies, institutions, private organizations, and individuals.
MDHS Subgrant/Agreement Manual	A handbook developed by the Mississippi Department of Human Services which implements the Agency’s policies and procedures that are applicable to MDHS subgrantees and to any lower tier subrecipients.
Non Expendable Equipment/Property	Equipment or property which has a continuing use and an expected useful life of one year or more, and having a unit acquisition cost of \$1,000.00 or more, which shall be tagged and placed on inventory.
Obligations	Amounts which a subgrantee may be legally required to pay out of its resources, including encumbrances, as well as accounts payable and accrued liabilities.
Outstanding Claimants List	A list of all possible claimants to MDHS funds. (See the Closeout Procedures section of this manual, form MDHS-SGOCL 1013)
Outstanding Encumbrances	The portion of the total prospective expenditures filed (such as purchase orders or executory contracts) that still remain to be liquidated.
Outlays	The spending or disbursing of money.
Pass through Entity	A non Federal entity that provides a subgrant to a subgrantee to carry out part of a Federal program. MDHS acts as a pass through entity for subgrantees.
Performance Based Subgrant/Agreement	Subgrant/Agreement whereby payments to the subgrantee or lower tier subrecipient are performance based (contingent on the subgrantee or lower tier subgrantee achieving specified elements of performance).
Program Budget	A budget in which projected expenditures are assigned to specific activities.

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Program Income	Gross income earned by the subgrantee that is directly generated by subgrant/contract supported activities.
Projected Cash Needs	Cash needs for a given period. The period of projected cash needs is the period in which all cash requested will be expended.
Purchase Order	A document that authorizes the delivery of specified merchandise or the rendering of certain services and the making of a charge for them.
Questioned Costs	Those funds questioned by an auditor that are expended by a subgrantee and are not in compliance with the terms and conditions of the subgrant/contract agreement or with other compliance requirements. There are four general criteria for questioning costs: (1) unallowable; (2) unsupported; (3) unapproved; and, (4) unreasonable.
Record Retention and Access Policy	Federal regulations that establish the requirements for record retention and access to records of subgrantees and any lower tier subrecipients. Generally, records should be retained for three years from the date of the final Claim Support Form. (For exceptions, see Record Retention and Access section of this Manual).
Service Provider	A person or governmental department, agency, or other entity that receives federal financial assistance to carry out a program through a state or local government; but does not include an individual who is a beneficiary of such a program.
Single Audit Act Amendments	A federal act passed by Congress in October of 1984, as amended in 1996, establishing audit requirements according to 2 CFR 200, Subpart F, "Audit Requirements," for subrecipients which expend a total amount equal to or in excess of \$750,000 in a single year. The Single Audit Act requires the reporting entity to have its federal financial assistance programs audited on an organization wide basis by an independent Certified Public Accountant. (See the Audit section of this Manual for details.)
Standard Assurances Policy	Assurance and certification by a subgrantee that it will comply with the regulations, policies, guidelines, and requirements imposed by the federal sponsoring agency and the grantor agency and ensure the compliance of any lower tier subrecipients.

Subgrant	An award provided by a pass-through entity (MDHS) to a subgrantee for the subgrantee to carry out part of a Federal award received by MDHS. It does not include payments to a contractor or payments to an individual that is a beneficiary of a Federal program.
Subgrant Agreement	Contractual arrangement that sets forth specific programs, activities, and guidelines for the use of subgrant funds which may include the following documents: MDHS Subgrantee/Agreement Manual Acceptance Form, Certificate of Adequate Fidelity Bonding Form, Certifications Regarding Unresolved Audit or Monitoring Findings or Litigation, Certifications Regarding Lobbying, Debarment, Suspension and other Responsibility Matters, Drug Free Workplace Requirements, Standard Assurances, Scope of Services, Subgrant/Agreement Form, Indirect Cost Rate documents (if applicable), Budget Narrative, Cost Summary Support Sheet, Budget Summary, Subgrant/Contract Signature Sheet and Subgrant/Contract Modifications (if applicable).
Subgrant/Agreement Modification	A legal document that alters or amends any subgrant or subgrant agreement which has been approved by MDHS.
Subgrant/Agreement Monitoring Policy	Sets forth monitoring guidelines for use by the grantor agency when monitoring subgrantees and lower-tier subrecipients. (See the Monitoring section of this manual.)
Subgrantee Travel Policy	Policy concerning in-state and out-of-state travel that defines uniform guidelines for the reimbursement of travel expenses of subgrantees. (See the Travel section of this manual.)
Subsidiary Account	Group of related accounts which support in detail the summary data recorded in a control account.
Subsidiary Ledger	A group of subsidiary accounts, the sum of the accounts should equal the balance of the related control account.

Trial Balance	A list of the debit and credit balances of the individual accounts in a general ledger kept by double entry accounting.
Unallowable Cost	A cost that is: (1) not allocable or beneficial to the subgrant, either directly or indirectly; (2) not treated consistently with costs incurred with non federal funds; (3) lacking the necessary documentation required by statute or regulation; (4) not authorized under the subgrant agreement; or, (5) not allowable under a specific statute, regulation, or policy.
Unexpended Balance	That portion of allocation received which has not been expended; the balance remaining after deducting the accumulated expenditures.
Value	The act of describing anything in terms of money, i.e., assessing its worth; (2) the measure of an item in terms of money. The term should not be used in this sense without qualification as to timing and basis of valuation—that is, the value has been established at what point in time and upon what basis.
Vendor	The company or individual who has rendered a service or sold merchandise to a subgrantee or lower tier subrecipient.

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~~Subgrantees are to comply with the regulations, policies, guidelines and requirements imposed by the federal sponsoring agency and the Mississippi Department of Human Services. Subgrantees are to comply with State statutes and implementing regulations that are also applicable. Federal and State requirements include the specific program regulations applicable to each individual award as specified in the subgrant agreement.~~

Current regulations are available on the Internet at the following addresses:

Code of Federal Regulations	www.ecfr.gov
Federal Register	http://www.federalregister.gov/articles/2013/12/26/2013-30465/uniform-administrative-requirements-cost-principles-and-audit-requirements-for-federal-awards
OMB Circulars	www.whitehouse.gov/omb

~~Particularly applicable are the following Executive Orders, Federal Regulations, and OMB Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, as implemented by the various Federal grantor agencies:~~

Cost Principles

State, Local, or Indian Tribal	2 CFR 225, “Cost Principles for State, Local, and Indian Tribal Governments” (formerly OMB Circular A-87)
Non-profit Organizations	2 CFR 230, “Cost Principles for Non-profit Organizations” (formerly OMB Circular A-122)
Educational Institutions (Colleges and Universities)	2 CFR 220, “Cost Principles for Educational Institutions” (formerly OMB Circular A-21)
For-profit Organizations	48 CFR Part 31, “Contract Cost Principles and Procedures”

Audit Requirements

All subgrantees, except for-profit entities	The Single Audit Act Amendments of 1996 (P.L. 104-156)
	2 CFR 200, Subpart F, “Audit Requirements” (formerly OMB Circular A-133)

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~~2 CFR 200, Appendix XI, “Compliance Supplement”
(formerly OMB Circular A 133, Appendix B)~~

Administrative Requirements

~~State and Local Governments — 2 CFR 200, Subparts A-E, “Reforms to
Administrative Requirements” (formerly OMB
Circular A 102)~~

~~———— 2 CFR 215, “Uniform Administration Requirements
for Grants and Other Agreements with Institutions of
Higher Education, Hospitals and Other
Non-Profit Organizations” (formerly OMB Circular
A 110)~~

Other Federal Regulations Requiring Certification of Compliance

~~All Subgrantees/Lower tier
Subrecipients — 2 CFR 376, “Non-Procurement Suspension &
Debarment” (formerly “Government Wide
Common Rule for Debarment and Suspension
(Nonprocurement)” as authorized by Executive
Order 12549)~~

~~Drug Free Work Place Act of 1988 (P.L. 100-690,
Title V, Subtitle D)~~

~~Restrictions on Lobbying — Common Rule (P.L.
101-121, Section 319)~~

~~For additional federal laws that must be followed, see the Standard Assurances and Certification
section of this manual.~~

OVERVIEW

Each Subgrantee and any lower tier subrecipient must assure compliance with the regulations, policies, guidelines, and requirements imposed by the Federal grantor agency and MDHS. The assurances listed in this section may not be applicable to a particular project or program, and there may be additional assurances required by certain Federal awarding agencies. Therefore, all subgrantees are responsible for knowing the specific requirements of their awards. Templates for required certifications are available online through subgrantees' MDHS employee account at www.mdhs.ms.state.us.

In addition, each subgrantee must certify in writing that it will comply with the following regulations:

- Lobbying;
- Suspension and Debarment;
- Drug Free Workplace;
- Unresolved Monitoring and Audit Findings; and
- Fidelity Bond Coverage.

STANDARD ASSURANCES

The Subgrantee assures that it:

1. Has the legal authority to apply for and receive the subgrant; that a resolution, motion, or similar action has been duly adopted or passed as an official act of the subgrantee's governing body, authorizing the subgrant, including all understandings and assurances contained therein, and directing and authorizing the person identified as the official representative of the Subgrantee to act in connection with the subgrant and to provide such additional information as may be required;
2. Shall give MDHS, the State Auditor's Office, the Federal grantor agency, and the Comptroller General, or any other appropriate authorized state or Federal representatives, access to and the right to examine and copy all records, books, papers, documents, or items related to the subgrant for as long as these records are required to be retained;
3. Shall establish and maintain both fiscal and program controls and accounting procedures in accordance with Generally Accepted Accounting Principles and Federal grantor agency and MDHS directives; and will keep and maintain such books and records for audit by MDHS, by the Federal grantor agency, by the State Auditor, or by their authorized representatives; and will maintain either electronic or paper files of all such records, books, papers, documents, or items for a period of at least three (3) years from the date of submission of the final Claim Support Sheet, or, if any litigation, claim, audit, or action has begun before the expiration of the three year period, will retain all such items until the completion of the action and resolution of all issues involved or until the end of the regular three year period, whichever is later, and will obtain written approval from the MDHS Division of Program Integrity or Funding Division Director prior to destroying any such items as described above upon the

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~~expiration of the above stated period. The request shall be completed by submission of the Request to Dispose of Records form (MDHS DPI 001);~~

- ~~4. Shall comply with the Single Audit Act Amendments of 1996;~~
- ~~5. Shall comply with the OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards;~~
- ~~6. Shall provide, in a timely manner, written disclosure, all violations of Federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the subgrant;~~
- ~~7. Shall establish safeguards to prohibit employees from using their positions for a purpose that involves nepotism, or constitutes, or presents the appearance of any other personal or organizational conflict of interest, or personal gain;~~
- ~~8. Shall comply with all Federal and State statutes relating to discrimination, including, but not limited to:~~

~~Title VI of the Civil Rights Act of 1964, prohibiting discrimination on the basis of race, color, or national origin;~~

~~Title VII of the Civil Rights Act of 1964, relating to non-discrimination in matters of recruitment, hiring, promotion, and other employment practices;~~

~~Title VIII of the Civil Rights Act of 1968, as amended, relating to non-discrimination the sale, rental, or financing of housing;~~

~~Title IX of the Education Amendments of 1972, as amended, prohibiting discrimination on the basis of gender in federally assisted education programs and activities;~~

~~Age Discrimination Act of 1975, prohibiting discrimination on the basis of age;~~

~~Section 504 of the Rehabilitation Act of 1973, prohibiting discrimination on the basis of handicaps;~~

~~Subtitle A, Title II of the Americans with Disabilities Act (ADA) (1990);~~

~~Omnibus Reconciliation Act of 1981, prohibiting discrimination on the basis of race, color, religion, sex, national origin, age, and handicap;~~

~~Drug Abuse Office and Treatment Act of 1972, as amended, relating to non-discrimination on the basis of drug abuse;~~

~~Comprehensive Alcohol Abuse and Alcoholism Prevention, Treatment, and Rehabilitation Act of 1970, as amended, relating to non-discrimination on the basis of alcohol abuse or~~

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alcoholism;

~~Sections 523 and 527 of the Public Health Service Act of 1912, as amended, relating to confidentiality of alcohol and drug abuse patient records; and~~

~~Any other non-discrimination provisions in the specific statute(s) under which these monies will be granted or awarded and the requirements of any other non-discrimination statute(s) which may apply to this subgrant or award.~~

- ~~9. Shall ensure that buildings and facilities owned, occupied, or financed by the United States government are accessible to and usable by physically handicapped persons in accordance with the Architectural Barriers Act of 1968;~~
- ~~10. Shall comply with the requirements of the provisions of the Uniform Relocation Assistance and Real Property Acquisition Act of 1970, which provide for fair and equitable treatment of persons displaced or whose property is acquired as a result of Federal and federally-assisted programs. These provisions apply to all interests in real property acquired for project purposes regardless of Federal participation in purchases;~~
- ~~11. Shall comply with the provisions of the Hatch Act, as amended, which limit the political activities of employees whose principal employment activities are funded in whole or in part with Federal funds;~~
- ~~12. Shall comply, as applicable, with the provisions of the Davis Bacon Act, the Copeland Act, and the Contract Work Hours and Safety Standards Act, regarding labor standards for federally-assisted construction subagreements;~~
- ~~13. Shall conform with Executive Order (EO) 11246, entitled "Equal Employment Opportunity," as amended by EO 11375, and as supplemented in Department of Labor regulations (41 CFR Part 60) and will incorporate an equal opportunity clause in federally-assisted construction contracts and subcontracts;~~
- ~~14. Shall comply with the minimum wage and maximum hours provisions of the Federal Fair Labor Standards Act;~~
- ~~15. Shall comply with the Intergovernmental Personnel Act of 1970 relating to prescribed standards for merit systems for programs funded under one of the 19 statutes or regulations specified in Appendix A of OPM's Standards for a Merit System of Personnel Administration;~~
- ~~16. Shall comply, if applicable, with Section 102(a) of the Flood Disaster Protection Act of 1973, which requires recipients in a special flood hazard area to participate in the program and to purchase flood insurance if the total cost of insurable construction and acquisition is \$10,000 or more;~~
- ~~17. Shall comply with the Lead-Based Paint Poisoning Prevention Act, which prohibits the use of lead-based paint in construction or rehabilitation of residence structures;~~

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- ~~18. Shall assist the Federal grantor agency in assuring compliance with Section 106 of the National Historic Preservation Act of 1966, as amended; EO 11593; and the Archaeological and Historic Preservation Act of 1974;~~
- ~~19. Shall comply with environmental standards which may be prescribed pursuant to the following: (a) institution of environmental quality control measures under the National Environmental Policy Act of 1969 and EO 11514; (b) notification of violating facilities pursuant to EO 11738; (c) protection of wetlands pursuant to EO 11990; (d) evaluation of flood hazards in flood plains in accordance with EO 11988; (e) assurance of project consistency with the approved State management program developed under the Coastal Zone Management Act of 1972; (f) conformity of Federal actions to State (Clean Air) Implementation Plans under Section 176 of the Clean Air Act of 1955, as amended; (g) protection of underground sources of drinking water under the Safe Drinking Water Act of 1974, as amended; (h) protection of endangered species under the Endangered Species Act of 1973, as amended; (i) Section 6002 of the Resource Conservation and Recovery Act; and (j) the Coastal Barriers Resources Act;~~
- ~~20. Shall comply with the Wild and Scenic Rivers Act of 1968 related to protecting components or potential components of the national wild and scenic rivers system;~~
- ~~21. Shall comply with Public Law (PL) 93-348 regarding the protection of human subjects involved in research, development and related activities supported by this subgrant;~~
- ~~22. Shall comply with the Laboratory Animal Act of 1966 pertaining to the care, handling, and treatment of warm blooded animals held for research, teaching, or other activities supported by this subgrant;~~
- ~~23. Shall comply with Federal regulations regarding criteria for cost sharing or matching contributions;~~
- ~~24. Shall assure all funds received shall be used only to supplement services and activities that promote the purposes for which the grant is awarded, and not supplant, unless specifically authorized by the program regulations and the appropriate MDHS Division;~~
- ~~25. Shall provide certification regarding lobbying to comply with Section 319, PL 101-121 (31- USC 1352);~~
- ~~26. Shall provide the required certification regarding their exclusion status and that of their principal's prior to the award in accordance with EOs 12549 and 12689 Debarment and Suspension;~~
- ~~27. Shall provide certification to comply with the Drug Free Workplace Act of 1988;~~

- ~~28. Shall comply with The Privacy Act of 1974 (5 USC §552a) related to gathering and disclosure of information and documentation maintained on individuals;~~
- ~~29. Shall comply with all applicable requirements of all other Federal and State laws, Executive Orders, regulations, and policies governing the program(s) for which these monies are provided and with the terms and conditions of the Subgrant Agreement, including but not limited to all documentation/information required by the MDHS funding divisions for federal reporting purposes.~~
- ~~30. Shall comply with all requirements of the Federal Funding Accountability and Transparency Act (FFATA). This includes providing the grantor a DUNS number and other information such as executive compensation data when required so the grantor can meet the reporting requirements of FFATA.~~
- ~~31. Shall comply with the Pilot program for enhancement of contractor employee whistleblower protections (48 CFR 3.908-3, 48 CFR 52.203-17 and 41 U.S.C. 4712). Specifically, the subgrantee/lower tier subrecipient shall provide written notification to all employees, of the subgrantee/lower tier subrecipient, of employee whistleblower rights and protections under 41 U.S.C. 4712, as described in 48 CFR 3.908 of the Federal Acquisition Regulation. Subgrantees shall also include in each agreement with lower tier subrecipients the required whistleblower provisions, as mandated in 48 CFR 52.203-17.~~
- ~~32. Shall ensure that it will require any lower tier subrecipients to comply with the above listed regulations and any other applicable requirements of all other Federal and State laws, Executive Orders, regulations, and policies governing the program(s) for which these monies are provided and with the terms and conditions of the Subgrant Agreement, including but not limited to all documentation/information required by the MDHS funding divisions for federal reporting purposes.~~

OVERVIEW

The applicable federal regulations require that subgrantees, and any lower tier subrecipients, have in place, prior to the receipt of funds, a financial management system that will provide:

- Accurate, current, and complete disclosure of the financial status of each subgrant;
- Records which identify the source and application of funds for subgrant supported activities, specifically information pertaining to subgrant awards, obligations, unobligated balances, assets, liabilities, outlays, and income;
- Effective control over and accountability for all subgrant funds, property, and other assets;
- Comparison of actual expenditures with reported costs and budgeted costs for each cost category and work activity;
- Procedures to ensure that all cash requested under MDHS subgrants will be expended within thirty (30) calendar days of receipt;
- Procedures to minimize the time between receipt and expenditure of subgrant funds;
- Procedures to ensure that all expenditures are obligated within the effective dates of the subgrant period;
- Procedures for determining that the cost is allowable and that it may be allocated to an activity;
- Procedures to prohibit the transfer of funds between federally funded programs and/or between subgrants or between activities within the same subgrant;
- Procedures to ensure that each expense paid from a subgrant was authorized in the budget of the subgrant charged with the expense;
- Accounting records (including a general ledger or comparable) that are supported by source documentation;
- Audits which analyze the fiscal integrity of the subgrantee (required for subgrantees that expend \$750,000 or more of federal financial assistance); and
- A systematic method to assure timely and appropriate resolution of findings identified in audits or management reviews.

ACCOUNTING PROCEDURES

Separate financial records shall be maintained for each subgrant. Separation serves record-keeping requirements and also eliminates potential conflicts with the subgrantee's usual record keeping systems which may reflect a different fiscal year, or accounting by function or department rather than by subgrant or work activity. Each subgrantee shall maintain one set of accounting records for the entire subgrantee entity which shall separately identify the receipts and disbursements for each subgrant or other source of funds.

The subgrantee shall be able to isolate and trace every subgrant dollar from receipt to expenditure and have on file appropriate supporting documentation for each transaction. Examples of documentation are vendor invoices, bills of lading, purchase orders, payment vouchers, payrolls, bank statements and reconciliations, documentation to verify that only eligible clients were served; employee activity sheets to verify activities performed and the actual hours worked for each activity/subgrant; and, cash receipt logs to verify all funds received and the actual date of receipt.

All the basic accounting records and documents listed below comprise the framework for a good financial management system. If implemented properly, such a system can provide accurate, current, and complete disclosure of the financial status of each subgrant, work activity, and cost category:

- Cash Receipts Journal
- Cash Disbursements Journal
- Payroll Journal
- General Journal/Ledger

Subgrantees shall develop their accounting system to meet the particular needs of the subgrant. If there are very few transactions, it may be more efficient to omit the cash receipts and cash disbursements journals and record all funds received and disbursed in the general journal. The amounts recorded daily to the individual accounts shall be totaled and posted to the general ledger at least monthly in order for the subgrantee to complete the monthly Claim Support Form. Recording procedures shall be designed to provide information accurately while at the same time serving as an effective control in preventing mistakes and safeguarding against unauthorized uses of funds.

INTERNAL CONTROLS

Subgrantees of MDHS shall have in place a financial management system which contains adequate internal controls for the administration of the subgrant program. This system of internal controls will be tested during an audit or management review of the subgrantee.

The following internal accounting control procedures are required of MDHS subgrantees:

- Record all cash receipts immediately;
- Compare deposit slips with receipts;
- Bond employees who handle cash;
- Deposit all checks or other cash receipts intact within two business days;
- Make all payments by pre-numbered checks;
- Reconcile bank accounts monthly by comparing the cash balance in the accounting records to the cash balance in the bank account and retain a copy of the reconciliation in the files;
- Use serially numbered purchase orders and receiving reports;
- Issue checks to vendors only in payment of original invoices which have been approved and matched with purchase orders and receiving reports;
- Separate staff duties so that one person does not perform all accounting functions from the time funds are received until the funds are disbursed.
- Mark all documentation paid to prevent duplicate payments; and
- Retain a CPA firm for an audit, if required. (See the Audit section of this manual for exceptions.)

The following internal control procedures should be considered by relatively small subgrantees (having less than \$100,000 in federal awards):

1. All checks shall be co-signed and all supporting documentation shall be closely reviewed and marked paid before or as each check is signed.
2. The principal officer of the subgrantee organization shall oversee all cash collections.
3. Closely examine all monthly reporting to MDHS, noting, in particular, any unusual month to month and budget to actual account variances.
4. Someone other than the person who prepares the checks shall reconcile the monthly bank statement. (This could be an assigned or rotating task.)

DOCUMENTATION REQUIREMENTS

The accounting system of each MDHS subgrantee shall provide the monitors/auditors with adequate documentation to support the subgrantee's financial claims. Source documents are required to support transactions entered into the subgrantee's record keeping system. The following is a list of the minimum documentation required for selected transaction types:

CATEGORY**DOCUMENTATION****Grant Revenues**

Federal, State, and Other Receipts	Identification of the source of funds (i.e., signed subgrant agreement), request for cash or request for reimbursement (i.e., Claim Support Form), cash receipts journal, validated deposit slips, withdrawals, and financial reports.
Program Income	Record of service, purpose, amount, and deposit slips.
Matching Cash Contributions	Record of source donor, dates, rates, amounts, and deposit slips.
Matching Non-Cash Contributions	Record of donor, dates, rates, amounts, activities performed (including time, date, place, and agenda), certification of cost or market/appraised values, and documentation to verify that expenses reported as in-kind match were in proportion to the benefits received by the subgrant that was matched.

Grant Expenditures

Salaries & Fringe Benefits	Personnel files which include a job application or resume, IRS W-4 Form, State Tax withholding form, I-9 Form (if hired after May 1987), e-verify confirmation, date of hire, and current approved salary/wage. Time sheets and activity reports which reflect the actual hours worked and duties performed. Time distribution/activity sheets are required when the employee's time is charged to more than one subgrant or activity.
Travel	An approved travel voucher showing that all travel expenses were incurred for the benefit of the subgrant; copies of supporting bills including out of state meal receipts, hotel bills, conference registration fee receipts, and conference agendas. (See the Travel

section of this manual for specific requirements.)

Telephone ————— Complete telephone bills and long distance telephone logs that indicate the person calling, the person called, the date and time of the call, the reason and purpose of the call, the number called, and the subgrant that benefitted from the telephone call.

Equipment ————— Original vendor invoices, receiving reports, purchase orders, competitive quotes or proof of newspaper advertisements for bids (if applicable), property records, and authorization to purchase equipment, and any other documentation necessary for purchasing law conformity. All purchases of equipment must be made in accordance with state purchasing requirements. The State Procurement Manual is available through each employee's MDHS website account at www.mdhs.state.ms.us.

Commodities (Supplies) ————— Original vendor invoices, receiving reports, purchase orders, competitive quotes or proof of newspaper advertisements for bids (if applicable), and documentation the expenses were incurred for the benefit of the subgrant. All purchases of supplies must comply with state purchasing requirements.

Contractual Services ————— Original contracts for services charged to the subgrant, evidence of completion of contracts, billings for services, rental or lease agreements, competitive quotes or proof of newspaper advertisements for bids (if applicable), or documentation of fair market value. All contracts for services must comply with personal service contract rules and regulations as set forth in the State Personal Service Contract Manual.

Subsidies, Loans & Grants ————— (Payments to/for clients) Client attendance records, documentation of services provided, including dates, times, names, and client signatures, or documentation to verify units of service provided.

(Lower Tier Subrecipients) Copies of the lower tier subrecipient agreement, including budget information and the scope of services required, financial and programmatic reports, documentation of payments made to the subrecipient, evidence of monitoring of lower tier subrecipients, documentation of compliance with procurement procedures, and compliance with

~~the MDHS Subgrantee Manual.~~

~~Other Direct Costs~~ Original vendor invoices, receiving reports, purchase orders, competitive quotes or proof of newspaper advertisements for bids (if applicable), and documentation the expenses were incurred for the benefit of the subgrant.

~~COST ALLOCATION/INDIRECT COSTS~~

~~Many MDHS subgrantees administer more than one subgrant at a time which results in costs that are shared among various subgrant programs and/or other funds such as local resources. In these cases the subgrantee shall document the basis for allocating a portion of the shared costs to the MDHS subgrant and shall distribute the costs in reasonable proportion to the benefits received.~~

~~Each subgrantee shall develop an agency wide cost allocation plan and/or indirect cost rate agreement which covers the subgrantee's entire operations. Costs included in the plan should be only those costs that are not easily identifiable with a particular subgrant and/or administrative costs of the subgrantee which shall be equitably distributed to all subgrant programs and/or other sources of funds in proportion to the relative benefits received.~~

~~If indirect costs are charged to an MDHS subgrant, a formal cost allocation plan or indirect cost rate agreement, that is effective on the beginning date of the subgrant, shall be prepared and submitted as a part of the subgrant agreement. If the subgrantee's cost allocation plan and/or indirect cost rate agreement is updated during the effective dates of the subgrant, a copy of the updated plan shall be submitted to the MDHS funding division that awarded the subgrant.~~

~~Required documentation for indirect costs includes an agency wide cost allocation plan or indirect cost rate agreement that has been reviewed and approved by the appropriate federal cognizant agency and the MDHS funding division, identification of indirect costs in the accounting records that support the actual indirect cost incurred, and evidence to support the monthly allocation of indirect costs to the subgrant.~~

~~The cost allocation plan and/or indirect cost rate agreement submitted with the subgrant shall be developed in compliance with the requirements contained in the cost principles applicable to each subrecipient. (See "Cost Principles" subsection in Section 3 of this Manual for applicable principles.)~~

~~Careful scrutiny of all vouchers and invoices by subgrantees and/or by MDHS is necessary to verify that they are only for legitimate costs, eligible under the governing regulations, and authorized in the subgrant agreement. Management reviews shall include testing to ensure that costs are properly allocated to the correct subgrant and work activity.~~

~~The cost allocation plan should be accompanied by a certification of review, which subgrantees can obtain from their MDHS employee website accounts at www.mdhs.state.ms.us.~~

The following is a listing of selected types of costs and suggested bases for distributing shared costs as direct costs to MDHS subgrants:

Salaries/Fringe Benefits	Number of hours worked for each subgrant/activity.
Auditing	Direct audit hours; dollar amount of each subgrant in proportion to the total amount audited.
Office Space Used and Related Costs	Square feet of occupied space (Utilities, Janitorial Service, etc)
Local Telephone Expenses	Number of telephones.
Fidelity Bond Expense	Employees subject to bond or penalty amounts
Motor Pool Costs	Number of miles driven and/or days used.
Printing and Reproduction	Direct hours, job basis, pages printed, etc.
Copy Machine Rental and Related Costs (Paper, Toner, Drum, etc.)	Number of copies made as documented by a copy log or access code
Postage	Amount of postage used by each subgrant/activity as documented by a postage log.
Payroll/Independent Contractors	Employees/Independent Contractors paid in whole or in part from MDHS subgrant shall prepare time sheets indicating the hours worked each pay period. The distribution of payroll charges and/or payments to independent contractors shall be based on the actual time worked for the benefit of the subgrant/activity.

LOWER TIER SUBRECIPIENTS

All expenditures that involve agreements between the subgrantee and a third party (performing a service related to the program) shall be fully disclosed in the cost summaries and budget narrative. If authorized, any lower tier subrecipient agreement shall require the lower tier subrecipient to comply with the provisions of the MDHS Subgrant/Agreement Manual and any other applicable state and Federal Laws. Copies of rental agreements, service agreements, consultant agreements, etc. shall be available to validate the basis of the cost category. In addition, any procurement contractual agreement received in response to solicitation, shall be submitted to MDHS within 30 days after execution.

BUDGET PREPARATION

The budget is a tool used by the subgrantee to express its planned goals and objectives. It is a management tool to be used in addressing general management functions such as planning, operational performance, and control. The subgrantee fiscal staff shall have on file the currently approved subgrant budget including any approved modifications. The required forms and accompanying instructions that shall be used in preparing a budget for MDHS subgrants are:

- ~~Budget Summary (MDHS-BS-1006): A compilation of the detailed data contained in the Cost Summary Support Sheet (MDHS-CSSS-1007), available on the MDHS website.~~
- ~~Cost Summary Support Sheet (MDHS-CSSS-1007): A listing of the various budget categories separated for each activity on the Budget Summary (MDHS-BS-1006), available on the MDHS website.~~
- ~~Budget Narrative: A written justification adequately explaining the subgrantee's funding needs. The narrative shall relate funding needs to the operation of individual programs or activities. Sufficient detail within each line item of expenditure and each activity shall be used to clearly explain the funding needs of the operation. Insufficient narrative justification will preclude favorable consideration of requested funding levels. (See the Sample Budget Narrative available on the MDHS website.)~~

Budget Activities

Each MDHS subgrant shall be organized and budgeted by activities according to the major functions necessary to accomplish the goals and objectives of the subgrant. This grouping by activities shall be used in preparing the Budget Summary and Cost Summary Support Sheets as well as the Budget Narrative. If the first narrative submission does not contain sufficient information, including that information which is program specific, the Funding Division will request additional documentation.

If any administrative costs (direct or indirect) are included in the subgrant, they shall be budgeted in an Administration activity subject to any limits on the amount of administration that may be charged to the subgrant. Subgrantees shall consult with the MDHS funding division to determine which activities are allowable under the subgrant and whether there are any limits on the amount of administrative costs that may be charged to the subgrant.

Budget Categories

Funds authorized under MDHS subgrants shall be separated into the following Budget Categories. Pending Federal approval and grant allowance, amounts budgeted shall also be identified by the source of funds, i.e., Federal, State, Local, and/or Program Income.

- | | |
|------------------------------------|---|
| a. Salaries and Wages | f. Capital Outlay—Equipment |
| b. Fringe Benefits | g. Capital Outlay—Other |
| c. Travel | h. Subsidies, Loans and Grants |
| d. Contractual Services | i. Indirect Costs |
| e. Commodities | |

Salaries and Wages:

Payments made to officers and employees of a subgrantee as compensation for personal services based on the percentage of time dedicated to the subgrant. The salary budget category shall contain a line item or listing of each position authorized and the salary - amount to be paid to each full time employee and/or the hourly rate authorized and number of hours authorized for each part-time employee charged to the subgrant. The salary line- should disclose whether salaries are to be paid from grant funds or in-kind match. The salary budget category shall be strictly adhered to unless a formal modification of the subgrant is approved. A vacant position may be filled at or below the budgeted rate only and no additional positions may be charged to the subgrant unless authorized.

Fringe Benefits:

Payments made for the employer's portion of expenses for social security (F.I.C.A. and Medicare), employee health, life, and/or disability insurance premiums, worker's compensation insurance, unemployment insurance, and pension plan costs. The fringe benefits budget category may include compensation paid to employees during periods of authorized absences from the job for vacation leave, sick leave, and/or military leave provided such costs are absorbed by all of the subgrantee's activities in proportion to the relative amount of time or effort devoted to each activity. The fringe benefits budget category shall contain a line item or listing of each fringe benefit authorized on the [Cost Summary Support Sheet](#) and in the Budget Narrative. Fringe benefits shall be limited to no more than 30% of salaries, unless justification is submitted in the budget narrative, and approved by funding division. The amounts withheld from the employee's gross pay (i.e., federal and state taxes, employee health/life/disability insurance premiums) cannot be budgeted or claimed for reimbursement under the subgrant as fringe benefits.

Travel:

Payments for transportation, lodging, subsistence and related costs to employees, officers, and volunteers who are in travel status on official business. Travel includes reimbursement for in-state travel, out-of-state costs for conferences, meetings, etc., and staff reimbursement for the use of privately owned vehicles for project-related functions. The rate of reimbursement per mile will be at the rate approved by The Department of Finance and Administration on the date that travel was performed as long as the total amount of the subgrant award charged with the expense is not exceeded. Meal costs will be reimbursed based upon the actual cost of each meal; up to the maximum daily meal rate, established by DFA, and receipts will not be required for meals reimbursed through subgrants funded by MDHS. No travel shall be allowed for employees funded through other programs unless approved by MDHS. (See the Travel section of this manual for specific details.) No reimbursements will be made for the costs of commuting.

Contractual Services:

Payments for services rendered by persons other than by employees of the subgrantee under formal, written, contractual agreements. Examples include: postage, telephone/Internet/pager service, utilities, rent, repair or service agreements, service charges, computer software, or contract workers that are independent contractors, as well as programmatic payments for speakers, trainers, consultants, and other professionals. (See the Procurement and Purchasing section of this manual for details on acquiring contractual services.)

Commodities:

Payments for materials and supplies with an initial unit cost less than \$1,000.00 (one thousand dollars) which are used to benefit the subgrant and which are not one of the items required to be reported on inventory regardless of the purchase price. Examples include: snacks for eligible clients, office supplies, training materials, fuel for vehicles, furniture and equipment costing less than \$1,000.00 (one thousand dollars), etc. (See the Inventory Management section of this manual for specific exceptions.)

Capital Outlay—Equipment:

Payments for the purchase of equipment, machinery, furniture and fixtures with a unit cost of \$1,000.00 (one thousand dollars) or more and any items which are required to be reported on inventory regardless of cost; **or**, payments for compensation for the use of equipment on-hand through depreciation or use allowance charges computed in accordance with the cost principles applicable to the subgrantee. Examples include: computers, printers, office furniture, telephone systems, motor vehicles, etc. (Refer to the Inventory Management section of this manual for details.)

Capital Outlay—Other:

Payments for land, buildings, improvements to land or buildings that materially increase their value or useful life of the building; **or**, payments for compensation for the use of buildings through depreciation or use allowance charges computed in accordance with the cost principles applicable to the subgrantee.

Subsidies, Loans and Grants:

Payments made for assistance to clients and/or for lower tier subgrants to governmental and non-governmental entities or individuals.

Indirect Costs:

Payments for the recovery of actual costs allocated to MDHS subgrants in accordance with an agency wide cost allocation plan or indirect cost rate agreement that complies with the

~~cost principles applicable to the subgrantee organization.~~

~~Line Item Flexibility~~

~~Transfers of budgeted amounts between budget categories within an activity shall be restricted to no more than ten percent (10%) of the amount authorized in the receiving budget category. No funds shall be transferred into the Equipment budget category and no funds shall be transferred into or out of the Salaries, Fringe Benefits, or Indirect Costs budget categories without the submission and approval of a the long form subgrant modification. There shall be no flexibility allowed between activities. For example, if the total amount authorized in the Commodities budget category is \$1,000.00 (one thousand dollars), the subgrantee may expend up to \$1,100.00 (one thousand one hundred dollars) for Commodities as long funds are available from another budget category such as Travel or Contractual Services.~~

FIDELITY BOND REQUIREMENT

~~Employees or Board Members of subgrantees, with fiscal responsibility, shall have a fidelity/dishonesty bond in the amount of 25% of the total subgrant amount. Employees or Board Members of subgrantees with fiscal responsibility include:~~

- ~~1. Those personnel who directly authorize the disbursement of funds;~~
- ~~2. Those personnel who approve the request for funds disbursement;~~
- ~~3. Those personnel with check issuance authority; and,~~
- ~~4. Those personnel who receive or deposit funds or reconcile financial records.~~

PAYMENTS AND COST REPORTING

~~MDHS permits two methods of subgrantee contracting as determined by the Funding Division: Current Needs/Cash Advance and Cost Reimbursement. Cost Reimbursement is the preferred method of subgrantee contracting. To the extent available, subgrantees must use funds from program income, rebates, refunds, contract settlements, audit recoveries, and interest earned on such funds before requesting additional cash payments.~~

~~Under the current needs/cash advance method, the subgrantee shall project its cash needs for 60 days and submit a Cash Advance Claim Support Form at least 20 days prior to the date funds are needed. This form is required at least 20 days prior to the date that funds will be needed to allow processing time for MDHS Program and Budget divisions as well as DFA. The Claim Support Form should be completed monthly thereafter and shall be submitted to the appropriate MDHS MAGIC claims e-mail address by the tenth calendar day of the following month. Supporting documentation should be submitted as requested. The Cash Advance Claim Support Form may be adjusted pending availability of funds.~~

~~Subgrantees funded under the cost reimbursement method will receive funds the following month for expenditures incurred the previous month. The subgrantee shall report the cost incurred for the month and request reimbursement by submitting the Cost Reimbursement Claim Support Form. The form shall be used by subgrantees to report the “total cumulative cost to~~

date.” Its purpose is to provide a simple and concise report of the expenditures for each program or work activity.

Submission of a monthly Claim Support Form is required. Payments may be suspended pending receipt of accurate monthly Claim Support Forms.

SPECIAL REQUIREMENTS

DIRECTLY FUNDED SOCIAL SERVICES BLOCK GRANT (SSBG) SUBGRANTS

I. GENERAL

1. A 25% match is required on all SSBG dollars. This match may be in the form of cash and/or in kind. A waiver may be requested under certain conditions.
2. A maximum of two subgrant modifications may be requested by the subgrantee during the subgrant period. Subgrant modifications shall not be initiated by the subgrantee within the last 30 days of the subgrant period, without prior approval by the MDHS Executive Director or designee. Requests to move more than \$5,000.00 (five thousand dollars) from one Broad Service Category (Budget Activity) to another will not be approved.
3. Unexpended funds at the end of the subgrant period shall be returned to MDHS.
4. Contracts funded out of SSBG in support of other divisions shall adhere to guidelines set forth by the appropriate program division.

II. MATCH

1. The 25% match requirement is a state policy. This match may consist of cash and/or in-kind contributions specifically related to the applicable subgrant scope of services.
2. Match is calculated as a 75/25 shared cost for program operation. Total program cost includes programmatic and administrative costs.
3. Matching costs reported shall be verifiable from source documentation maintained either electronic or paper on file in the subgrantee’s office. If sufficient match is not verified, the subgrantee shall return the appropriate amount of federal dollars to the State.
4. Match requirements may be requested to be waived. Each request for waiver of match shall be accompanied by a full explanation for the request, listing

~~specific activities taken to seek the needed match and appropriate documentation of such attempts. Discretion concerning the waiver rests with the MDHS Executive Director. Waiver may be granted for the following reasons:~~

- ~~a. The State Legislature failed to appropriate adequate match after being specifically requested to do so;~~
 - ~~b. In kind possibilities for match are currently being used as match for other funding sources; and~~
 - ~~c. Subgrantee is unable to garner sufficient support from local resources.~~
- ~~5. Match does not have to be calculated on an activity basis; however, the overall federal dollars shall be adequately matched.~~
- ~~6. Other federal funds shall not be used to match SSBG unless it is allowable by the regulations of the related federal program.~~

ALL OTHER MDHS SUBGRANTS

I. GENERAL

- ~~1. A maximum of two subgrant modifications may be requested by the subgrantee during the subgrant period. Subgrant modifications shall not be initiated within the last ninety (90) days of the subgrant period without prior approval by the MDHS Executive Director or designee. (See the [Modification Form](#) available on the MDHS website through employee's account). Modifications shall be approved at the Funding Division's discretion.~~
- ~~2. Major changes to the subgrant that alter the scope of services, increase or decrease the total amount of funding, affect the match requirements, authorize salary and wages, fringe benefits, equipment changes or, indirect costs, require a long form modification of the subgrant. (See the [Modification Form](#) available on the MDHS website through employee's account.)~~
- ~~3. Minor changes to the subgrant may be made by written agreement to the changes by the subgrantee and MDHS via an approved short form modification. Consult with the MDHS funding division for specific guidance on amending the subgrant.~~
- ~~4. Modifications shall become effective on date specified on modification forms, or upon the signature of both parties, whichever is later; unless a waiver is approved by the MDHS Executive Director.~~

II. MATCH

- ~~1. Match shall be available and expended in accordance with the approved subgrant agreement. If sufficient match is not verified, the subgrantee shall return the appropriate amount of federal dollars to the State.~~

- ~~2. Match expended and reported shall be verifiable from support documentation on file in the subgrantee's office.~~

OVERVIEW

Compliance with Federal Regulations – Subgrantees shall adopt and use MDHS procurement procedures stated in this manual, which reflect applicable state and local laws and regulations, and conform to the standards set forth in 45 CFR Part 74 and Part 92, 2 CFR Part 200.318 to 200.326, and Section 31-7-13 Mississippi Code of 1972, Annotated. These guidelines apply to purchases for contractual services, commodities, and equipment. Subgrantees may supplement procurement policies in this manual upon written approval from the Procurement Services Director, provided that any supplemental policies do not exceed the requirements of this Manual and do not conflict with applicable federal and state procurement law.

EXCEPTION: A general exception is allowed for subgrantees that are Institutions of Higher Learning and for other state agencies. Institutions of Higher Learning and other state agencies are required to follow the procurement requirements applicable to those particular entities. However, those procurement requirements shall conform to the standards set forth in 45 CFR Part 74 and Part 92 or applicable federal law.

Subgrantee's Use of Lower-Tier Subrecipients – If the provisions of a subgrant agreement allow a lower-tier subrecipient to manage and administer subgrant supported projects, the lower-tier subrecipient shall be bound by the lower-tier subrecipient agreement to adhere to the MDHS Subgrantee Manual, applicable state and federal law, and all guidelines established by the MDHS Funding Division.

- **Code of Conduct** – There shall be no conflict of interest, real or apparent, in the award or administration of a contract supported by subgrant funds. The subgrantee shall maintain a written code or standards of conduct which shall govern the performance of their officers, employees or agents engaged in the award and administration of contracts supported by federal funds. (See 45 CFR Part 74 and Part 92, 2 CFR 200.318, or other applicable federal law for further specific guidance.)

Open and Free Competition – All procurement transactions shall be conducted in a manner that provides maximum open and free competition consistent with 45 CFR Parts 74, 92, and 2 CFR Part 200 and other applicable federal law. Procurement procedures shall not restrict or eliminate competition. Procurement procedures must also affirmatively encourage use of minority businesses, women's business enterprises, and labor surplus area firms. (See 2 CFR 200.321 for guidance.) Examples of what is considered to be restrictive of competition include, but are not limited to, the following:

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

PROCUREMENT GUIDELINES

Subgrantees are advised to pay particular attention to 45 CFR Part 74 and Part 92, 2 CFR 200.318, or other applicable federal law regulating procurement. Stated therein are the governing regulations and implementing guidelines for all procurement activity undertaken with grant funds. Some of those items, with particular applicability to MDHS subgrants, are:

Procurement Standards

1. Subgrantees shall maintain a contract administration system which ensures that contractors perform in accordance with the terms, conditions and specifications of their contracts or purchase orders.
2. Procedures shall allow for analysis of the most economical approach in purchasing, including lease versus purchase alternatives. Each proposed procurement shall be reviewed to avoid the purchase of unnecessary or duplicate items.
3. Subgrantees shall make awards only to responsible contractors possessing the ability to perform successfully under the terms and conditions of a proposed procurement. Consideration will be given to such matters as contractor integrity, compliance with public policy, record of past performance, and financial and technical resources.
4. Subgrantees shall maintain records sufficient to detail the significant history of procurement.
5. These standards do not relieve the subgrantee of any contractual responsibilities under its subgrants. The subgrantee is responsible, in accordance with good administrative practice and sound business judgment, for the settlement of all contractual and administrative issues arising out of any procurement entered in support of a subgrant. These include, but are not limited to, source evaluation, protests, disputes and claims.

METHOD OF PROCUREMENT

All procurement transactions shall be made by one of the following methods:

1. ~~PROCUREMENT BY SMALL PURCHASE PROCEDURES: For procurement of services, supplies, or other property with an aggregate cost of at least \$5,000.00 (two thousand five hundred dollars), but not more than \$50,000.00 (fifty thousand dollars), written price or rate quotations shall be obtained from at least two qualified sources. The aggregate sum of all items being purchased is considered one purchase. The procurement shall be made from the lowest and best quote.~~
2. ~~PROCUREMENT BY SEALED BIDS: Formal advertising in a newspaper of general circulation once each week for two consecutive weeks for competitive sealed bids is required for all purchases that exceed \$50,000.00 (fifty thousand dollars). Bids shall not be due less than seven working days following the date the last advertisement appears in the newspaper. The procurement shall be made from the lowest and best bidder.~~
3. ~~PROCUREMENT BY COMPETITIVE PROPOSALS: Formally publicizing a request for proposals which normally results in conducting competitive negotiation with more than one source submitting an offer. This method is generally used when conditions are not appropriate for the use of sealed bids. All evaluation factors and their relative importance will be identified. There shall be procedures for technical evaluations of the proposals and selection of an awardee. Awards shall be made to the proposal most advantageous to the program, with price and other factors considered.~~
4. ~~SOLE SOURCE PROCUREMENT: Noncompetitive negotiation with a single source. In the purchase of noncompetitive items or services only available from one source, a certification of the conditions and circumstances requiring the purchase shall be filed by the subgrantee with the appropriate MDHS Funding Division Director. Upon receipt of such certification, the appropriate MDHS Funding Division Director shall forward the certification to the MDHS Executive Director for approval, and then the certification shall be forwarded to DFA, which may authorize or deny the purchase.~~
5. ~~EMERGENCY PROCUREMENT: The appropriate MDHS Funding Division Director may approve and the Executive Director may authorize, an emergency procurement under the conditions defined in state law, provided such emergency procurement shall be made with such competition as is practicable under the circumstances.~~

Note: Explicit federal and state regulations apply to each procurement method. Subgrantees may proceed with procurement activities only after careful study of the regulations reveals all requirements have been met.

COMPETITIVE PURCHASING

1. — Purchases Under \$5,000.00

~~Purchases for less than two thousand five hundred dollars (\$5,000.00) exclusive of freight or shipping charges, may be made without advertising or otherwise requesting competitive quotes; provided, however, that nothing contained in this paragraph shall be construed to prohibit any agency or governing authority from establishing procedures which require competitive quotes on purchases under two thousand five hundred dollars (\$5,000.00).~~

2. — Purchases between \$5,000.00 and \$50,000.00

~~Purchases which involve an expenditure of at least two thousand five hundred dollars (\$5,000.00), but not more than fifty thousand dollars (\$50,000.00) exclusive of freight and shipping charges, may be made from the lowest and best vendor without publishing or posting advertisements for bids, provided at least two competitive written quotes have been obtained.~~

~~The term “competitive written quotes” means a quote submitted on a quote form furnished by the subgrantee and signed by authorized personnel representing the vendor, or a quote submitted on a vendor’s letterhead or quote form signed by authorized personnel representing the vendor. Quotes obtained from a magazine, newspaper or internet advertising, are not acceptable. Quotes obtained through direct e-mail from authorized vendor personnel, however, are acceptable.~~

3. — Purchases Over \$50,000.00

~~Purchases which involve an expenditure of more than fifty thousand dollars (\$50,000.00) exclusive of freight and shipping charges may be made from the lowest and best bidder after advertising for competitive sealed bids once each week for two consecutive weeks in a regular newspaper published in the county or municipality in which such agency or governing authority is located. The date, as published, for the bid opening shall not be less than seven working days after the published notice has been completed. The notice shall state the time and place at which bids shall be received; types of supplies, and/or equipment to be purchased, and the contact person. If plans or specifications are not published, notice should state where copies may be obtained. Specifications shall be written so as not to exclude any supplier.~~

4. ~~Sole Source/Noncompetitive Purchases~~

~~Noncompetitive items are items available from one source only.~~

~~In connection with the purchase of noncompetitive items only available from one source, a certification of the conditions and circumstances requiring the purchase shall be filed by the subgrantee with the appropriate MDHS Funding Division Director. Upon receipt by the MDHS Funding Division, the certification will be forwarded to the MDHS Executive~~

~~Director for approval of the request for sole source procurement to be forwarded to the Department of Finance and Administration (DFA) for authorization. Only after receiving authorization from DFA is the purchase deemed a sole source procurement. All authorizations shall be received prior to any procurement transactions. The appropriate MDHS Funding Division Director and the MDHS Executive Director may approve, and the Department of Finance and Administration may authorize, a sole source procurement under the conditions defined in state law, provided that the sole source procurement shall be made according to the established purchasing rules and regulations and shall not be made so as to circumvent the competitive purchasing requirements.~~

5. ~~Purchase of Used Equipment~~

~~Subgrantees who would like to purchase used equipment shall submit a written request and justification to the appropriate MDHS Funding Division Director for written approval before proceeding with the purchase. This is in addition to the established requirements set out in the Procurement and Purchasing section and the Inventory Management section of this manual.~~

6. ~~Purchases Made Under State Contract~~

~~Agencies that may purchase under state contract may do so without prior approval or obtaining written quotes. All other purchases shall follow the guidelines outlined in the Purchasing Procedures.~~

7. ~~Subgrantee Files~~

~~Each subgrantee shall maintain adequate files to support any purchases made. A copy of the quotes that were obtained (purchases between \$5,000.00 and \$50,000.00) or a copy of the legal notice (purchases over \$50,000.00) shall also be on file to support the choice of lowest and/or best bid. The subgrantee shall provide adequate justification if the purchase is not awarded to lowest and/or best bidder.~~

~~Purchases made by formal bid process or otherwise shall be public record to the extent provided in Section 25-61-1 et seq. Mississippi Code of 1972, Annotated.~~

~~Information pertaining to the results of any bid may be reviewed at the subgrantee's offices at any time during normal working hours subsequent to the time of the bid opening. This~~

authority shall be granted only to any business or person who has submitted bids on the particular transaction. The subgrantee may restrict the availability of the bids during the evaluation process so as to improve the efficiency of the evaluation and award process. Businesses or persons not participating in the process shall not be permitted access to any applicable file until after an award is made. All information and documents applicable to the awarded contract shall be available to any business or person; provided, however, that records furnished by third parties which contain trade secrets or confidential commercial or financial information shall not be subject to inspection, examination, copying or reproduction until notice to said third parties has been given, but such records shall be released within a reasonable period of time unless the said third parties have obtained a court order protecting such records as confidential.

8. — Emergency Procurement

Emergency procurement is limited to only those supplies, equipment or services required to meet the emergency. Circumstances that could meet the definition of an emergency are listed in section 31-7-1 (f) MS Code of 1972, Annotated and are also set out in the State Procurement Manual. After making a life threatening emergency procurement or prior to making a non-life threatening emergency procurement, a written justification of the circumstances attributing to the emergency shall be submitted to the appropriate MDHS Funding Division. Upon receipt by the MDHS Funding Division, the justification shall be forwarded to the MDHS Executive Director for authorization of the request for an emergency procurement. The MDHS Executive Director may determine that an emergency exists in regard to the purchase so that the delay, incident to giving opportunity for competitive bidding, would be detrimental to the interest of the state. Authorization shall be received prior to any procurement transactions, and purchases shall only be made for the purpose of meeting the needs of the emergency. The appropriate MDHS Funding Division Director may approve and the MDHS Executive Director may authorize, emergency purchases under the conditions defined in state law, provided that such emergency purchases are made according to the established purchasing rules and regulations and are not be made so as to circumvent the competitive purchasing requirements.

OVERVIEW

Uniform standards on inventory management shall ensure the effective use and control of subgrantee property under the jurisdiction of the Mississippi Department of Human Services. Property inventory management is applicable to all non-expendable equipment and property having a useful life of one year or more, and having a unit acquisition cost or fair market value of \$1,000.00 or more shall be tagged and placed on inventory. Other specific items listed in this chapter are required to be placed on MDHS' inventory regardless of price. Items with a useful life of one year or more with a unit cost of less than \$1,000.00 are not required to be placed on inventory. However, they are required to have an agency "Property of MDHS" sticker applied. It will be the responsibility of the MDHS Funding Division to ensure proper reporting of all equipment and property is forwarded to the MDHS Office of Property.

If equipment or property is authorized under an MDHS subgrant, the property or equipment shall be purchased within ninety (90) days from the beginning date of the subgrant, or within thirty (30) days of the effective date of the modification which authorizes the purchase of property or equipment. No equipment or property shall be purchased during the last thirty (30) days of the subgrant. These time limits are also applicable to property or equipment purchased with nonfederal funds or donated by third parties that is used to match funds under an MDHS subgrant.

The Subgrantee Inventory Management Policy provides guidelines for purchase approval; purchase of used equipment; Inventory Control List (MDHS PROP SE02); property identification; physical inventory; property which has been lost, stolen or damaged; property disposal or transfer, and subgrantee or program closeout.

The policy serves as a minimum guide in the development of each MDHS Funding Division's inventory management system. Subgrant property management implementation shall be the responsibility of the appropriate MDHS Funding Division Director. Verification shall be the responsibility of the Division of Budgets and Accounting's Property Officer. Property which has been stolen shall be reported by the subgrantee/contractor to the appropriate MDHS Funding Division Director and to the Director of the MDHS Property Office within 24 hours of discovery.

Subgrantees may refer to the 45 CFR Parts 74 and 92, 2 CFR 200.310 through 200.316, or applicable federal law regulating property management for further guidance on property management standards. All property and assets purchased through MDHS subgrants shall be placed on inventory in accordance with the statutes of the State of Mississippi and the rules set forth in the State Property Officers Manual. The State Property Officers Manual is available online through the Mississippi Office of the State Auditor's website.

POLICY

~~**Purchase Approval:** All equipment purchased with subgrant monies shall be specifically authorized through the Cost Summary Support Sheet and the Budget Narrative of the subgrant agreement. Any deviation shall require a formal modification (long form) of the subgrant. The equipment needs of the subgrantee shall be assessed by the MDHS Funding Division staff analyzing all prior subgrants/contracts and the equipment needs expressed in the Scope of Services and the Terms and Conditions of the current subgrant.~~

~~Duplication of property or equipment purchases is prohibited by statute. All means of acquiring the proposed equipment, e.g., leasing, shall be reviewed before authorization is given. A capital lease or lease purchase agreement is prohibited by statute.~~

~~The assessment criteria to be used by the MDHS Funding Divisions shall include, but are not limited to, the following:~~

- ~~1. How significant is the need cited to the successful operation and completion of the project?~~
- ~~2. What is the total expense involved to satisfy this need? Include all associated costs that are required for the equipment or property.~~
- ~~3. Are there hidden associated costs, i.e., maintenance, rent, shipping, freight, etc.? Complicated items should have a full cost analysis prior to approval for purchase.~~
- ~~4. Who will benefit from the purchase of these items? Short term contracts should not include the purchase of equipment.~~
- ~~5. How long will the need exist?~~
- ~~6. What will be the consequences of foregoing such a purchase?~~
- ~~7. Should we rent, lease, or purchase the items under consideration?~~
- ~~8. Assess availability of needed items from surplus of used property from other active/inactive subgrantees, or from DEA Office of Surplus Property.~~

Note: All property or equipment purchased, in whole or in part, with funds provided by MDHS, shall be held in trust by the subgrantee as trustee for MDHS, and shall not be encumbered without the written approval of the Funding Division Director, MDHS Executive Director, or authorized executive designee. The subgrantee shall record liens, or other appropriate notices of record, that property or equipment has been acquired, or where applicable, improved with funds provided by MDHS. Only Federal or State property may be upgraded with MDHS funds. The use and disposition of such property or equipment are prescribed by the MDHS Subgrant/Agreement Manual.

Purchase of Used Equipment

Subgrantees who wish to purchase used property and/or equipment, must submit a written request and justification to the appropriate MDHS Division Director for approval, before proceeding with procurement. This is in addition to the established purchase requirements set out in the Procurement section of this manual.

Use of Equipment under MDHS Subgrants

The subgrantee shall use the equipment in the project or program for which it was acquired as long as needed, whether or not the project or program continues to be supported by Federal funds and shall not encumber the property without approval of the MDHS Funding Division. When no longer needed for the original project or program, the subgrantee shall contact the MDHS Funding Division and request written authorization to use the equipment in connection with its other federally sponsored activities, as required under federal regulations.

Statement of General Policy – Property Inventory Rules

Where applicable, equipment or property items 1, 3, 5, 6, 8, 9, 10, 11, and 12 listed below shall be included on inventory regardless of the price and items 2, 4, and 7 listed below shall be included on inventory if the price paid to acquire or the fair market value is greater than \$250.00 per unit, as required by the State Property Officer within the Office of the State Auditor. All other items not listed below should be included on inventory if the price paid to acquire or the fair market value is \$1,000 or more. Items costing less than \$1,000 with a useful life of one year or more are required to have an agency “Property of MDHS” sticker applied.

If authorized under an MDHS subgrant, items 1, 3, 5, 6, 8, 9, 10, 11, and 12 listed below shall be listed on the Cost Summary Support Sheet and in the Budget Narrative under the budget category of Capital Outlay Equipment regardless of the price. If the purchase price of items 2, 4, and 7 listed below is greater than \$250.00, the items shall be listed on the Cost Summary Support Sheet and in the Budget Narrative under the budget category of Capital Outlay Equipment. Items not listed below should be listed on the Cost Summary Support Sheet and in the Budget Narrative under the budget category of Capital Outlay Equipment if the purchase price is \$1,000 or more.

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- | | |
|--|--|
| 1. Weapons | 7. Computers/Computer |
| 2. Camera and Camera Equipment
(Greater than or equal to \$250.00) | Equipment, including Printers
(Greater than or equal to \$250) |
| 3. Two-way Radio Equipment | 8. Chain Saws |
| 4. Televisions
(Greater than or equal to \$250.00) | 9. Air Compressors |
| 5. Lawn Maintenance Equipment | 10. Welding Machines |
| 6. Cellular Telephones | 11. Generators |
| | 12. Motorized Vehicles |

Inventory Control List

All non-expendable equipment or property purchased with (or used to match) federal and/or state funds shall be listed on an Inventory Control List (MDHS-PROP-SE02). The Inventory Control List must be submitted to the appropriate MDHS Funding Division Director, for any new and/or additional equipment purchased, when the equipment has been received and paid for by the subgrantee. The subgrantee and each MDHS Funding Division shall maintain a complete and up-to-date list of subgrantee equipment or property. The MDHS Subgrant Master Inventory shall be maintained in the MDHS Office of Property. It shall be the responsibility of each MDHS Funding Division to provide a copy of the Inventory Control List for each subgrant that authorizes property or equipment.

Information for the Inventory Control List shall include:

- (A) ~~Subgrantee's Name, Address, and Telephone Number;~~
- (B) ~~Contact Person and Telephone Number;~~
- (C) ~~Agreement Number, Grant Identifier Number, Subgrant beginning and ending dates and/or modification, if applicable;~~
- (D) ~~Total Equipment Amount Budgeted;~~
- (E) ~~Item description, manufacturer's name, etc;~~
- (F) ~~Manufacturer's Serial Number;~~
- (G) ~~Manufacturer's Model Number;~~
- (H) ~~Vendor Name;~~
- (I) ~~Purchase Date or Invoice Date;~~
- (J) ~~Check Number and/or Voucher Number;~~

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- ~~(K) Cost plus tax, freight or shipping charges (if applicable);~~
- ~~(L) Location of equipment or property address;~~
- ~~(M) MDHS Inventory Number Assigned by the MDHS Property Office; and,~~
- ~~(N) Ultimate disposition data, including date of disposal and sales price of the method used to determine fair market value where a subgrantee compensates the federal agency, MDHS funding source for its share.~~

All changes in status, such as, but not limited to, location and program use, require that the subgrantee update the Inventory Control List, and notify the appropriate funding division in writing within a 10 working day period.

Property Identification

All subgrantee equipment or property purchased with federal and/or state funds, or provided as match for federal and/or state funds, shall have permanent identification numbers assigned by the MDHS Property Office (Equipment Inventory Tagging Form MDHS PROP SE01). Permanent identification shall be made by using metal tags, vinyl tags, etching, or other appropriate means of identification. The equipment or property purchased through subgrants/agreements awarded by MDHS Funding Divisions shall be tagged and accounted for by the MDHS Property Office or, in some instances, by the Office of Monitoring.

Physical Inventory

A periodic physical inventory shall be performed by all subgrantees at least twice yearly, using the MDHS Inventory Control List (MDHS PROP SE02) and submitted to the appropriate funding division. The physical inventory shall consist of an actual accounting of all subgrantee/lower-tier subrecipient equipment or property on the Subgrantee location listing and/or Inventory Control List, acquired with (or used to match) federal and/or state monies under an MDHS subgrant. Property records pertaining to the purchase of equipment or property shall be inspected for correctness before items are identified and tagged for inventory control.

Location and use of equipment or property shall be verified by an authorized MDHS Funding Division or Property Division designee. Property or equipment, that is not being utilized or managed under the terms of the subgrants, shall be recovered and/or redistributed.

Should a subgrant be terminated or not renewed, any equipment purchased under the subgrant with public funds or MDHS funds shall neither be transferred to another location nor remain at the present location under a new subgrant with a different subgrantee, without the prior written approval of the MDHS Executive Director. The MDHS Inventory Transfer Form (MDHSPROP-114B) shall be completed and submitted to the MDHS Property Office.

INVENTORY MANAGEMENT

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~~Lost, Stolen, or Damaged Equipment or Property~~

~~Any stolen, misused or unaccounted for equipment or property, shall be reported in writing to the Director of the MDHS Funding Division who shall contact the MDHS Property Office. The MDHS property office shall develop a reporting system to identify lost, stolen, or damaged subgrant equipment or property. A subgrantee shall submit, in writing, within 24 hours of discovery to the Director of the MDHS Funding Division, a detailed explanation of loss. In case of theft, robbery or disappearance, show the name of the local police or sheriff's department notified, and the date the loss was discovered. If such was not reported to a local police or sheriff's department at the time of the discovery, a complete explanation of such failure shall be provided. A copy of the police or sheriff's department report shall be forwarded with the letter to the Director of the MDHS Funding Division. Additionally, if equipment loss occurs at the home of an employee of the subgrantee, the employee shall provide a written statement from his/her insurance carrier indicating whether or not the stolen item was paid for under his/her homeowner's or car insurance policy. The MDHS Funding Division shall review the information and forward the information to the MDHS Property Office with recommendation of action to be taken, if appropriate.~~

Liability

~~The subgrantee is required to maintain enough insurance coverage for real property and equipment **acquired or improved with Federal funds** that is at least equivalent to insurance maintained on non Federally funded real property or equipment. The subgrantee is **not** responsible for insuring Federally owned property or equipment unless required by the terms and conditions of the Federal award. (See 2 CFR 200.310 for guidance).~~

~~MDHS has the authority to recover the value of any missing property. The demand may be made against the head of the subgrantee agency, the agency's property officer and/or the appropriate supervisor/director or employee. If property is determined to be missing, an MDHS investigation may be initiated to determine the cause and culpability.~~

~~Damaged, Non-Serviceable Equipment or Property~~

~~The subgrantee shall submit a written request to the Director of the MDHS Funding Division requesting authorization to dispose of equipment or property, and an on site inspection by the MDHS Property Office will be conducted, if applicable. The MDHS Funding Division Director will approve or deny the request in writing.~~

~~Property Disposal or Transfer~~

~~Subgrantees shall notify, in writing, the Director of the MDHS Funding Division when an item is either no longer needed or useful to the implementation and objective of the program. The subgrantee must include the following: (Note: Information can be obtained from the Inventory Control List.)~~

~~A. Inventory Number Assigned by Inventory Funding Source;~~

- ~~B. Description;~~
- ~~C. Purchased Price;~~
- ~~D. Dollar Value;~~
- ~~E. Agreement Number;~~
- ~~F. Grant Identifier Number;~~
- ~~G. Subgrant Beginning and Ending Dates; and~~
- ~~H. Reason for Disposal.~~

~~Upon completion of an on-site visit by the MDHS Funding Division or Property Officer, where applicable, the Director of the Property Office shall decide the proper means of disposal in accordance with applicable Federal and state regulations. (See 2 CFR 200.311 to 200.315 and State Property Officers Manual). Should a subgrant be terminated or not renewed, any equipment purchased under the subgrant with public funds or MDHS' funds shall neither be transferred to another location nor remain at the present location under a new subgrant with a different subgrantee, without the prior written approval of the MDHS Executive Director. The MDHS Inventory Transfer Form (MDHS PROP 114B) shall be completed and submitted to the MDHS funding division by the subgrantee and forwarded to the MDHS Property Office whenever property is moved from one office/site to another. Appropriate "From" and "To" signatures shall be obtained.~~

~~Subgrant or Program Closeout~~

~~A subgrantee that desires to continue using equipment or property after the expiration date of the subgrant period shall submit a written request to the Director of the MDHS Funding Division. It is the established policy of the funding division and the Mississippi Department of Human Services, to give consideration to written requests, to allow federally and/or state purchased equipment or property to remain on the premises of the organization, if the subgrantee continues to operate at the same site, as long as, the organization continues to serve the implementation and objective of the program, and the subgrantee is in good standing at the time of closeout. The request shall include a copy of the Subgrantee Inventory Control List for each item of equipment or property under the subgrant. The deadline for equipment or property retention request is the same as for the closeout package. The Director of the MDHS Funding Division shall forward the subgrantee's request to the Executive Director for approval/disapproval. The Director of the MDHS Funding Division shall then forward the approval or denial to the subgrantee. If the request is denied, or if the subgrantee fails to meet the closeout deadline, MDHS shall retrieve the equipment or property as soon as possible after the subgrant ends. If property or equipment is left with a subgrantee, it shall be the responsibility of the MDHS Funding Division to monitor the utilization of all items on a yearly basis, and report the findings to the MDHS Property Office.~~

OVERVIEW

Section 25-3-41, Mississippi Code Annotated (1972), authorizes the Mississippi Department of Finance and Administration to set guidelines for travel reimbursement of state officials and employees. MDHS has adopted some of those guidelines as applicable to its subgrantees. As these laws and regulations are amended, this policy shall be amended accordingly.

A complete list of all current rules and regulations established by the Mississippi Department of Finance and Administration is available on the Internet at www.dfa.ms.gov. State Travel regulations are also contained in the Mississippi Agency Accounting Policies and Procedures Manual (MAAPP), Section 13.

POLICY

The following policy concerning in-state and out-of-state travel has been established for subgrantees of MDHS.

TERMS

DEFINITIONS

Commuting — Commuting is defined as travel by an officer/employee between the official residence, and the official duty station or regular place of work. Mileage is not reimbursed for commuting.

Official Duty Station — An officer/employee's official duty station is the city, town, or other location where the primary office is located, or the city, town or location where the primary work is performed on a permanent basis. If the employee regularly works in two or more areas, the official duty station shall be where the primary place of work is located. The regular place of work shall be determined by the agency head or authorized designee based on total time ordinarily spent working in each area and the degree of business activity in each area. Employees shall be advised in writing of their official duty station. (State law prohibits claiming reimbursement for miles not actually traveled.)

Official Residence — An officer/employee's official residence is the city, town, or other location where an officer/employee maintains a residence which is used as a primary domicile by the officer/employee.

Determination by the agency head or authorized designee regarding his/her residence is to be based on items such as voter registration, ownership, or long term rental of a personal residence, and the permanent address carried in the officer/employee's personnel file.

Travel Status — Travel status employees are those employees who perform duties

TRAVEL

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at locations other than their official duty stations. Travel status employees are expected to report to work at their normal time when the work assignment is within 30 miles one-way. (This will also apply to the return trip.) The employee, who works in two or more offices or regular places of work, may claim mileage reimbursement to travel from one office or regular place of work to another place of work, but not between the regular work site and home, regardless of the distance of the commute. NOTE: An officer/employee is not in travel status and shall not receive lodging or meal reimbursement while at the Official Duty Station. Reimbursement shall continue to be allowed for approved and documented expenses incurred during any authorized meeting, workshop or conference. There are no regulations set by DFA as far as how many miles one must travel to be eligible for meal or lodging reimbursement.

Regular Place of Work—An officer/employee’s regular place of work is any location at which he/she works or provides services on a regular basis. Mileage is not reimbursed between any regular place of work and home.

Temporary Place of Work—An employee’s temporary place of work is any location at which the officer/employee performs services on short term basis. State employees traveling on official business will be reimbursed for authorized and documented expenses between home and the temporary place of work when the temporary place of work is not within the city, town, or location of their regular place of work.

Overnight Travel—When the one-way mileage from an employee’s official duty station to the location of their work assignment exceeds 75 miles and the work assignment exceeds one day, the employee will normally be required to stay overnight. Exceptions may be approved on an individual basis by the Authorized Official of the subgrantee.

ALLOWABLE REIMBURSEMENT FOR TRAVEL, MEALS, LODGING AND OTHER NECESSARY EXPENSES ([MDHS TRAVEL VOUCHER](#))

For out of state travel to be approved it shall be submitted to the appropriate MDHS Division Director through the budget narrative.

All reimbursements claimed for travel, meals, lodging and other necessary expenses shall be within the limitations of the established travel regulations, guidelines, and policies, as follows:

1. ~~Travel in Privately Owned Motor Vehicle~~

- ~~a. If an employee uses a privately owned vehicle to travel in connection with the performance of official duties, he/she shall be reimbursed for such travel at the rate approved by the DFA for its employees at the time that travel was performed, as long as the total amount of the subgrant and activity charged with the expense is not exceeded.~~
- ~~b. When two or more employees travel in one privately owned vehicle, only one travel expense at the authorized reimbursement rate per mile shall be allowed. A notation on the travel voucher shall be made of the employee's name who is a guest passenger.~~
- ~~e. If subsistence is claimed while traveling with another person in a privately owned automobile, entries shall be made on the voucher indicating the name of the person in whose car the trip was made.~~
- ~~d. Reimbursement shall not exceed the commercial airline tourist rate when an employee chooses to travel via personal automobile in interstate travel instead of traveling by airplane. Subsistence claimed must begin and end at the time the traveler would have departed and returned, had the trip been made by airplane. Only the owner of the automobile shall be allowed to claim travel. If employees are required to travel as passengers, only subsistence shall be allowed.~~
- ~~e. Mileage shall be allowed for the distance actually and necessarily traveled in order to promptly discharge the duties required of an employee. The mileage between points, as shown on (Official Highway Map) a recognized mapping program, shall be considered as the official mileage guide between said points.~~
- ~~f. An employee shall be paid the standard rate per mile, plus automobile parking fees, for the round trip in a privately owned automobile from the official station or place of business to an air terminal or from an air terminal to the official station. For parking fees in excess of \$10.00, a receipt shall be attached with the travel expense voucher.~~

2. ~~Travel by Public Carrier~~

- ~~a. When official travel is by means of a public carrier or other means not involving a privately owned motor vehicle, an employee shall receive reimbursement of the actual fare costs and other necessary itemized expenses incurred in connection with such travel. The passenger coupon/ticket stub which notates the fare shall accompany the expense voucher.~~
- ~~b. Out-of-State travel by airlines shall be at the tourist rate, unless such space is unavailable. If travel is in first class airline accommodations, an employee shall certify on the itemized expense voucher that tourist accommodations were not available.~~

- e. ~~When the traveling employee makes changes in airline reservations during the trip which increases or decreases the airfare, a copy of the original ticket and credit or debit adjustments shall all be attached to the voucher, along with an explanation for the changes made on the voucher.~~
- d. ~~In state air travel shall be kept to a minimum.~~

3. Meals, Lodging and Other Necessary Expenses

a. ~~Meals~~

~~An employee shall be reimbursed for lodging and meals for overnight travel only, and for other necessary expenses as supported by receipts, incurred in the course of official travel, subject to the approval of the subgrantee authorized official. Meal reimbursements are for actual expenses not to exceed the daily meal maximums for the specific location of assignment which are currently set by DFA.~~

~~The federal register containing the current federal per diem rates may be obtained from the Mississippi Department of Finance and Administration website. These rates may also be obtained from the State Travel Manual, Section 9, available on DFA's website.~~

b. ~~Lodging~~

- 1. ~~Reimbursement for lodging shall be made when the circumstances prevent departure and return travel to the official duty station in one day. In no case shall an employee be reimbursed for lodging at their official duty station. Reimbursement for lodging expenses shall be made for the amount actually paid when supported by a receipt not to exceed DFA Policy Rules & Regulations for State Travel. When an employee has a choice, extreme care and discreet judgment shall be exercised in selection of lodging to ensure that the cost for lodging is within reason for the area. Reimbursement for lodging shall not exceed the single room rate. All expenses for lodging shall be billed to the employee or the subgrantee agency. The lodging receipt shall be marked paid and indicate a zero balance.~~
- 2. ~~If a member of the employee's family or other non subgrantee employee travels with the employee, the employee shall claim motel/hotel room rate at the single rate. The single rate shall be written across the face of the receipt.~~
- 3. ~~If more than one employee shares a motel/hotel room, each employee shall report his/her pro rata share of the costs on the travel reimbursement request. Separate invoices shall be obtained and are available if the employee so requests when registering at the motel/hotel.~~
- 4. ~~Express check out receipts which do not provide an itemized hotel bill are not~~

~~acceptable documentation.~~

~~e. Other~~

- ~~1. Charges for transportation, such as buses, limousines, taxi, etc., shall be allowed while traveling on official business. Taxi cab charges shall be allowed at the point of origin or from the subgrantee agency/office, whichever is closer to the air terminal.~~
- ~~2. Charges for rental cars shall be allowed only when there is a demonstrated cost savings over other modes of transportation, such as buses, subway, taxi, etc., and not strictly for the convenience of the employee. Where charges for rental are allowed, the actual cost of renting the vehicle and fuel for the rental vehicle are authorized expenses on the travel card. Dates of fuel shall match the time period in which a vehicle was rented for payment of this expense. For vehicle rentals on state contract, the option to purchase insurance should always be declined as the current vehicle rental contracts include unlimited mileage and free CDW/LDW insurance.~~
- ~~3. Reasonable expenses incurred for tips to porters, baggage carriers, housekeeping personnel, waitresses or waiters, etc. are allowable reimbursements. Valet parking tips may be reimbursed between \$2-5; Shuttle tips may be reimbursed up to \$5 per ride; Baggage handling may be reimbursed at \$1-2/bag. Tips over \$10 require a receipt and may require justification. One reasonable laundry expense is reimbursable for each seven (7) consecutive days that travelers are required to be away from their official duty station on official state business. Laundry charges may not be made once the employee returns home.~~
- ~~4. Necessary travel expenses do not include personal expense items such as alcoholic beverages, entertainment and trip insurance. Meal tips should be included in the actual meal expense unless the inclusion of tips would cause the meals to exceed the maximum daily limitations placed on meals. Meal tips shown separately shall not exceed percentage allowed by DFA. Charges for registration fees are allowable as other authorized expenses if accompanied by a receipt. Meals shall not be claimed as separate items of expense on the travel voucher when included in the registration fee.~~
- ~~5. Phone calls, postage, and other expenses directly related to a trip shall be certified as valid business expenses and initialed at the bottom of the travel voucher by the employee. Calls made using personal cell phones are not reimbursable.~~

OVERVIEW

The Mississippi Department of Human Services (MDHS) is required to monitor the activities of its subgrantees by following the Single Audit Act Amendments of 1996 (Public Law 104-156), 2 CFR 200, Subpart F, “Audit Requirements” (formerly OMB Circular A-133), and 2 CFR 200, Appendix XI, “Compliance Supplement” (formerly OMB Circular A-133, Appendix B). MDHS shall monitor each project, program, subgrant, function, or activity supported by a Federal award to assure compliance with applicable Federal regulations and that performance goals are achieved.

POLICY

MDHS has established uniform monitoring policies designed to ensure that all subgrants under the jurisdiction of MDHS are administered in compliance with Federal requirements and with the terms of the subgrant agreements. Monitoring subgrants, for compliance with the applicable Federal regulations, State laws, Agency policies, and the terms of the subgrant agreements, is the responsibility of the MDHS Division of Program Integrity.

Subgrant monitoring procedures may include several of the various options available. These options include: reviewing reports submitted by the subgrantee; reviewing documentation supporting expenses reported under MDHS subgrants; reviewing the subgrantee’s single audit or program-specific audit results and evaluating audit findings and the subgrantee’s corrective action plan; performing on-site reviews of fiscal and programmatic records and observing subgrantee operations; and/or, arranging for limited scope audits of specific compliance areas.

Planning Considerations

As required by 2 CFR 200.331, “Requirements for pass-through entities,” the extent of monitoring imposed on each subgrantee shall be determined by evaluation of each subgrantee’s risk of noncompliance. When determining the extent of monitoring procedures to perform, MDHS will consider factors such as the amount of the subgrant, the percentage of a Federal program’s total funds awarded to subgrantees, and the complexity of the compliance requirements. To determine the appropriateness of monitoring procedures, MDHS will consider the cost effectiveness of monitoring procedures compared to the relative size and complexity of the Federal awards administered by the subgrantee. The following factors will also be considered when determining the monitoring procedures to be performed to ensure compliance with the Federal regulations, State laws, Agency policies and procedures, and the terms of the subgrant agreement:

1. The amount of the subgrant in relation to the total amount of the program;
2. Prior experience of the subgrantee operating subgrants supported by Federal funds;
3. Results of the MDHS follow up on prior year single audit findings;
4. Results of the review of documents submitted by the subgrantee;
5. Results of the desk review of supporting documentation for expenditures;
6. Results of previous on-site fiscal and programmatic reviews;
7. Whether the subgrantee has new personnel or new or substantially changed

- systems; and/or,
8. Specific requests by the MDHS Executive Director or Funding Division Director.

Monitoring Procedures

1. Review of Subgrantee Documentation

Subgrants may be monitored by reviewing reports submitted by the subgrantee for compliance with the subgrant agreement and program instructions. For example, the monthly Claim Support Forms may be reviewed for accuracy and completeness or the quarterly programmatic report may be reviewed to ensure that each element of the Scope of Services is being met.

2. Review of Supporting Documentation for Expenditures

Subgrants may be monitored by performing a desk review of supporting documentation for expenditures reported under the subgrant. This review consists of contacting the subgrantee and requesting documents to support certain amounts included on the subgrantee's Claim Support Forms. These documents will be examined by the monitors to determine compliance with the subgrant agreement and with State and Federal regulations. The results of the desk review will be communicated in a written report to the subgrantee and to the MDHS Funding Division.

Desk reviews may be conducted at any time by staff of the MDHS, Division of Program Integrity. The desk review procedure may be used in lieu of or in conjunction with an on-site fiscal review or as a follow-up to an on-site fiscal review to ensure that corrective actions have been implemented.

Fiscal monitoring through a desk review will include, at a minimum, a review of all documents to support all expenses reported for one month of the subgrant period. At minimum, desk reviews should consist of review, analysis, and notation of: subgrant agreement; subgrant modifications; compliance with grant requirements; compliance with cost principles; correspondence; monthly Claim Support Forms; requests for reimbursements; programmatic reports; prior monitoring findings; and prior year audit findings. The desk review monitoring instrument should be completed by the monitor(s) to determine compliance with state and federal regulations. Any deficiencies or problem areas noted during the desk review should be identified in the monitoring report. Documents shall be reviewed to support costs reported on the Claim Support Form submitted for the month in which the highest dollar amount of expenses was reported as of the date that the schedule letter was prepared to begin the desk review and request support documents.

When fiscal monitoring is initiated through a desk review and sufficient documents are not provided by the subgrantee/lower tier subrecipient to support costs reported on the Claim Support Form, the desk review shall cease and fiscal monitoring shall be completed through an on-site review.

~~Fiscal monitoring shall not be performed through a desk review on the first subgrant awarded to a subgrantee. In addition, monitoring through a desk review shall be alternated with on-site reviews so that on-site fiscal monitoring is performed at least every other year.~~

~~Monitoring for programmatic compliance cannot be performed through a desk review.~~

~~**3. Review of the Subgrantee’s Single Audit Report for Compliance, Evaluation of Audit Findings, and Follow-up on Corrective Actions**~~

~~Subgrantees that expend \$750,000.00 or more of Federal financial assistance during the subgrantee’s fiscal year shall have an audit performed by an independent Certified Public Accountant in accordance with the Single Audit Act and 2 CFR 200, Subpart F, “Audit Requirements”. As a part of MDHS’ monitoring of each of its subgrants, these independent auditor’s reports shall be obtained from the subgrantees and reviewed for compliance with Federal regulations.~~

~~Any audit findings identified in the independent auditor’s reports, as well as the subgrantees proposed corrective action plans, shall be evaluated by the MDHS Funding Divisions. If the subgrantee’s corrective action plan is acceptable, a management decision will be issued by the MDHS Funding Division to resolve the audit findings. The MDHS Division of Program Integrity will follow up on the subgrantee’s corrective action plan during the next on-site fiscal review that is conducted.~~

~~**4. On-Site Reviews for Program & Fiscal Compliance**~~

~~On-site reviews for program and fiscal compliance are required to be conducted at least once during the subgrant period for every MDHS subgrant. On-site reviews for program and fiscal compliance may be performed on any subgrant at any time and may be repeated as often as deemed necessary by MDHS. These reviews for program and fiscal compliance will be conducted by the MDHS Division of Program Integrity.~~

~~The on-site programmatic and fiscal reviews are formal in nature and are normally preceded by written notification to the subgrantee and to the appropriate MDHS Funding Division Directors. Subgrantees should be notified, in writing, two (2) weeks prior to a routine on-site review. Such written notification should include the date and time of the entrance conference, approximate date and time of the exit conference, appropriate staff to be present, and the MDHS contact person for the review. However, the MDHS reserves the right to conduct unannounced reviews at its discretion.~~

~~Each on-site review will begin with an entry conference in which the monitor(s) will brief the subgrantee signatory official (or designee), project director, fiscal officer, or other appropriate subgrantee staff of the purpose and scope of the monitoring review.~~

~~Each on-site review will conclude with an exit conference in which the monitor(s) will advise the subgrantee signatory official (or designee), project director, fiscal officer, or other appropriate staff of the preliminary results of the on-site review and of the monitor(s) recommendations of corrective actions necessary to resolve each finding. It should be noted that the monitor(s) recommendations are not officially required actions until transmitted in writing to the subgrantee.~~

~~A written report that follows a standard format should be completed upon return from an on-site review. The written Monitoring Report should be completed within 30 calendar days after the exit conference. The report should consist of the following:~~

- ~~• A cover letter listing the subgrantee's name and address, the subgrant funding source, period, and effective dates as well as the monitor's name, date of monitoring, and a contact person and telephone number. This cover letter should also summarize the specific findings, suggested corrective action, and questioned costs listed in detail in the monitoring report. If no significant findings were noted, the cover letter should indicate that no response is necessary.~~
- ~~• A monitoring report providing, at minimum, a narrative description of each significant instance discovered of noncompliance with federal law or regulation, state law, MDHS policy, or the terms of the subgrant agreement. This narrative should clearly indicate the condition found and contain all pertinent information related to the exception(s) found.~~

~~The Agency shall follow up on the subgrantee's corrective action plan for any programmatic and/or fiscal monitoring findings.~~

~~5. Limited Scope Audits of Specific Compliance Areas~~

~~The Agency may engage an independent Certified Public Accountant to perform a Limited Scope Audit of certain MDHS subgrants. The need for this type of review shall be determined on an individual basis and shall be documented by the Division of Program Integrity. The results of this review shall be communicated to the subgrantee and to the MDHS Funding Divisions in a written report.~~

~~Corrective Action Process~~

~~The Initial Report of Findings and Recommendations that is forwarded to the subgrantee and to the MDHS funding division shall require a written response from the subgrantee within fifteen (15) working days, unless otherwise indicated. Upon receipt of the response from the subgrantee, the Director of the Office of Monitoring and other appropriate staff shall assess each response for adequacy, and forward their determination to the Procurement Services Attorney for review. The Procurement Services Attorney will then make a recommended determination as to whether an additional response is required, which will then be forwarded to the MDHS Executive Director or an executive designee for adoption, modification, or reversal, and final signature. If all~~

MONITORING

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responses are adequate, a letter will be issued to the subgrantee clearing all findings. If any responses do not adequately address the findings, the subgrantee will be notified in writing by the issuance of a Status Report acceptable to MDHS requiring a second response from the subgrantee within ten (10) working days.

Responses should include at minimum:

- A statement of whether the subgrantee agrees with the finding or not;
- A detailed plan of how the subgrantee will correct each individual finding to prevent this or similar finding in the future or justification for the subgrantee's disagreement with the finding(s);
- Attachment of any subgrantee documents, forms, policy changes, reports, accounting tools, time sheets, data collection forms, etc. that ensure the subgrantee has corrected the finding(s);
- If the subgrantee disagrees with a finding(s) identified in the report, detailed documentation must also be submitted to refute the questioned finding(s); and
- Signature certifying the subgrantee's response.

If the subgrantee fails to satisfactorily resolve all of the monitoring findings, the Office of Monitoring will issue a Final Notice Letter to the subgrantee demanding that the subgrantee refund the amount of questioned costs and advising the subgrantee of the procedures to follow if they wish to request an administrative hearing with the MDHS Executive Director.

If the subgrantee does not respond to the Final Notice Letter, the subgrantee will be referred to the State of Mississippi Office of the Attorney General to recover the unresolved questioned costs, and the Agency may begin procedures for debarment and suspension against the subgrantee organization and the subgrantee authorized official.

Discovery of Possible Fraud, Mismanagement, or Program Abuse

In the event indications of possible fraud, mismanagement, or program abuse are discovered during the course of monitoring subgrants, the Director of the Office of Monitoring shall notify the Director of the Division of Program Integrity, who shall notify the MDHS Executive Director. The MDHS Executive Director and appropriate personnel will decide the course of action to be taken, including the degree of disclosure to subgrantee personnel and to the MDHS Funding Divisions. The format for reporting such incidents will be determined by the Director of the Office of Monitoring and/or the Director of the Division of Program Integrity, after consultation with the MDHS Executive Director.

OVERVIEW

The Division of Program Integrity (DPI) is responsible for oversight of the subgrantee audit process and for monitoring program and fiscal activities involving subgrants. DPI collaborates with MDHS Funding Divisions to ensure resolution of audit findings by the MDHS Funding Divisions and to monitor the success of corrective actions taken.

The provisions of this section do not limit the authority of Federal agencies or their Inspectors General or other Federal officials, the Mississippi Department of Human Services, or the Office of the State Auditor, or their duly authorized representatives, to make or contract for audits, evaluations, or reviews. Subgrantees shall not constrain the above-named agencies, in any manner, from carrying out audits, evaluations, or reviews.

GENERAL

All MDHS subgrantees are required to complete the MDHS Subgrantee Audit Information Form ([MDHS DPI 002](#)). This form must be submitted to the Division of Program Integrity—Office of Monitoring no later than ninety (90) calendar days after the end of the subgrantee's fiscal year. This form is necessary to certify the sources and amounts of all Federal awards received and expended by the subgrantee.

The MDHS Subgrantee Audit Policy has been prepared using as references the Single Audit Act Amendments of 1996 (Public Law 104-156) as implemented by 2 CFR 200, Subpart F, "Audit Requirements." Subgrantees that are commercial organizations (i.e., for-profit) shall not be subject to the audit requirements contained in 2 CFR 200, Subpart F unless specifically required by program regulations or by the terms and conditions of the subgrant agreement. Following the Single Audit changes effective for years ending December 31, 2015 and after, subgrantees which expend Federal financial assistance during the subrecipient's fiscal year of:

1. Less than \$750,000.00 shall be exempt from Federal audit requirements, but must make records available for review by the appropriate officials. In addition, these subgrantees shall complete the MDHS Subgrantee Audit Information form and submit the form to the Division of Program Integrity—Office of Monitoring no later than ninety (90) calendar days after the end of the subgrantee's fiscal year;
2. \$750,000.00 or more under only one Federal program may elect to have a program-specific audit, or a series of program audits, performed on each subgrant awarded by MDHS in accordance with Government Auditing Standards, or an organization-wide audit performed in accordance with 2 CFR 200, Subpart F; or
3. \$750,000.00 or more under more than one Federal program shall have an organization-wide audit performed in accordance with 2 CFR 200, Subpart F. A subgrantee that is a commercial organization which is specifically required by program regulations or by the terms and conditions of the subgrant agreement to have an audit, may elect to have a program-specific audit of all MDHS subgrants performed in accordance with Government

~~Auditing Standards.~~

RESPONSIBILITIES OF SUBGRANTEES

~~The subgrantee shall:~~

- ~~1. Maintain and make records available for review or audit by appropriate officials of the Federal agency, pass-through entity, General Accounting Office (GAO), and/or the subgrantee's independent auditor;~~
- ~~2. Prepare financial statements that reflect its financial position, results of operations, and, where appropriate, cash flows for the fiscal year audited. The subgrantee shall also prepare a schedule of expenditures of Federal awards for the period covered by the subgrantee's financial statements, which shall be prepared in accordance with 2 CFR 200.510, "Financial Statements.";~~
- ~~3. Follow procurement standards prescribed by 2 CFR 215, "Uniform Administration Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations" and the procurement section of this subgrantee manual in arranging for an independent audit to be performed by a Certified Public Accountant (CPA), in accordance with GAAS, GAGAS, and/or 2 CFR 200, Subpart F, as applicable;~~
- ~~4. Ensure that audits are conducted and reported in accordance with Generally Accepted Auditing Standards (GAAS), Government Auditing Standards (GAS) and 2 CFR 200.514-.520, as applicable, and that copies of the auditor's reports, and any management letters issued by the auditors, are submitted to the Division of Program Integrity – Office of Monitoring within nine (9) months after the end of the subgrantee's fiscal year;~~
- ~~5. Be held responsible for follow-up and corrective action on all audit findings; (As part of this responsibility, the subgrantee shall prepare a summary of prior audit findings and a corrective action plan for current year audit findings. The summary schedule of prior audit findings and the corrective action plan shall include the reference numbers the auditor assigns to audit findings and the fiscal year in which the finding initially occurred. At the completion of the audit, the subgrantee shall prepare a corrective action plan to address each audit finding included in the current year auditor's reports. The corrective action plan shall provide the name(s) of the contact person(s) responsible for corrective action, the corrective actions planned or implemented, and the anticipated completion date.);~~
- ~~6. Assure MDHS subgrants are properly identified and audited as part of an organization-wide audit. (MDHS may request a subgrantee which is required to have an organization-wide audit to have a particular program audited as a major program. Such requests shall be made at least 180 days prior to the end of the fiscal year to be audited. The subgrantee, after consultation with its auditor, shall inform MDHS whether the program would otherwise be audited as a major program using a risk based approach and, if not, the estimated incremental costs. MDHS shall then promptly confirm to the subgrantee whether it wants the program audited as a major program.);~~

7. ~~Ensure that adequate funding is available to cover the cost of audits made in accordance with this section, either from non-Federal non-matching sources or as part of the subgrant agreement or other arrangement approved in advance by the MDHS Funding Division. For any audit costs charged directly or indirectly to any MDHS subgrant, or otherwise paid by an MDHS Funding Division, the subgrantee shall submit a detailed invoice to the MDHS Funding Division that indicates the total audit cost, the audit cost allocated to each subgrant and the basis for allocating the audit cost to the subgrant;~~
8. ~~Prepare a separate schedule of indirect costs, if indirect costs are claimed under any MDHS subgrant, which shall at a minimum include a listing of actual indirect costs incurred during the subgrantee's fiscal year presented by line item; a description and amount of the base used to allocate indirect costs to all of the subgrantee's programs; and the calculation of an actual indirect cost rate based on the audited amounts;~~
9. ~~Complete the MDHS Subgrantee Audit Information Form (MDHS-DPI-002) and submit the form to the Division of Program Integrity – Office of Monitoring no later than ninety (90) calendar days from the end of the subgrantee's fiscal year; and,~~
10. ~~Submit a copy of the data collection form and the reporting package, which are specified under 2 CFR 200.512, directly to the Federal Audit Clearinghouse (FAC), Bureau of the Census, 1201 E. 10th Street, Jeffersonville, Indiana 47132. The data collection form and reporting package **must** be submitted electronically through the FAC web address at <http://harvester.census.gov/facweb/>. Any future updates to the physical or web location of the FAC may be found at the OMB website.~~

OVERVIEW

The closeout of a subgrant is the process by which the Mississippi Department of Human Services (MDHS) determines that all applicable administrative actions and all required work of the subgrant have been completed. Subgrantees are responsible for ensuring an orderly and timely programmatic phase out of subgrants and the financial settlement of subgrantee and vendor claims. The subgrantee closeout procedures describe the instructions to be followed to officially close subgrants awarded by MDHS. Subgrantees should also refer to 45 CFR Part 74 and/or Part 92, as applicable.

POLICY**DUE DATE OF CLOSEOUT PACKAGE**

The closeout packages bearing original or electronic signatures is due and shall be received by the appropriate MDHS funding division 45 calendar days from the ending date of a subgrant, the reported expenditure of all funds allocated for a program year, the end of the time period of availability of funds, or a specific date designated by the funding division, in writing. A copy of the closeout package should be retained by the subgrantee. Instructions for completing the closeout package are available online through subgrantees' MDHS website employee accounts, at www.mdhs.state.ms.us.

Note: Closeout packages that are not received in a timely manner may result in a delay processing Cash Advance Claim Support Forms and may adversely affect future subgrant funding.

Subgrantees may revise the closeout package, with a written detailed explanation, after the initial package is received by MDHS. This revision shall be submitted within 60 calendar days after the ending date of the subgrant or a specific date designated by the funding division, in writing. Supporting documentation, subject to the approval of the appropriate MDHS official, shall accompany any request for additional funds. Should the Federal grant period be closed, MDHS will be unable to make any additional funds available. However, amounts due MDHS resulting from additional refunds, rebates or credits occurring after this point will be processed. In this case, a revised final Claims Support Form shall also be submitted.

ADMINISTRATIVE CLOSEOUT

If a subgrantee fails to close out a program year 60 days after the grant ends or fails to properly adhere to established closeout policies and regulations, the Procurement Services Unit may complete an administrative closeout package using fiscal information from the official grant file maintained by the funding division. A copy of the administrative closeout will be provided to the subgrantee to be maintained as a part of their official grant file.

OVERVIEW

Appropriate retention of subgrant records is vital to maintaining accountability for proper use of subgrant funds. Subgrantees of MDHS are required to retain all records pertinent to the subgrant, to allow access to such records including copying and/or removal thereof, and to allow timely and reasonable access to subgrantee personnel for the purpose of interview and discussion related to such documents. Whenever practicable, subgrantees of the MDHS should collect, transmit, and store Federal award related information in open and machine readable formats rather than in closed formats or on paper.

MDHS shall always provide or accept paper versions of Federal award related information to subgrantees upon request. If paper copies of Federal award related information are submitted, MDHS shall not require more than an original and two copies. When original records are electronic and cannot be altered, there is no need to create and retain paper copies. Additionally, when original records are paper, electronic versions may be substituted through the use of duplication or other forms of electronic media provided that they are subject to periodic quality control reviews, provide reasonable safeguards against alteration and remain readable.

POLICY

Financial records, supporting documents, statistical records, and all other non-federal entity records pertinent to the subgrant must be retained for a period of three (3) years from the date of submission of the final expenditure report. The only exceptions are as follows:

1. If any litigation, claim, financial management review, or audit is started before the expiration of the three year period, the records shall be retained until all such litigation, claims, reviews (including monitoring findings), or audit findings involving the records have been resolved and final action taken, whichever is later.
2. Records for real property and equipment acquired in whole or in part with Federal or State funds or with funds used to match Federal funds shall be retained for three (3) years after final disposition of such property.
3. When records are transferred to or maintained by the Federal awarding agency or MDHS, the three year retention requirement is not applicable to the subgrantee.

Prior to the destruction of any records, the subgrantee shall obtain written approval from the MDHS Division of Program Integrity and Funding Division Directors, by completing the Request to Dispose of Records form (MDHS-DPI-001). Improper destruction of records is a serious matter which subjects the subgrantee to the risk of sanctions, including debarment or suspension.

MDHS Division Directors are responsible for ensuring that records of subgrantees, whose operations are ceasing or have already done so, are properly safeguarded. If it is determined that the safety of the records should be enhanced, MDHS representatives shall be authorized to request transfer of records or remove records immediately from the subgrantee's premises.

~~Records must be transferred from MDHS to the Federal awarding agency upon its request and determination that the records possess long term retention value. In the event that records must be~~

~~transferred from MDHS to the Federal awarding agency, the Federal awarding agency may make arrangements for MDHS to retain any records that are continuously needed for joint use.~~

~~The Mississippi Department of Human Services, the Federal grantor agency, the State Auditor, the Comptroller General of the United States, or any of its duly authorized representatives shall have the right to timely and unrestricted access to any of the subgrantee's books, documents, papers, or other records that are pertinent to the subgrant, in order to make audits, examinations, excerpts, transcripts, and copies of such documents. This right also includes timely and reasonable access to the subgrantee's personnel for the purpose of interviews and discussions related to these documents. Access rights described here shall last as long as the records are required to be retained.~~

~~These records include, but are not limited to, the items listed below:~~

- ~~1. Financial reports supporting expenditures of the subgrant;~~
- ~~2. Internal and external audit reports and program evaluations;~~
- ~~3. Executed copy of the subgrant agreement and any modifications;~~
- ~~4. Approved budget, budget narrative, and any modifications;~~
- ~~5. Contracts, leases, employment agreements, and purchase invoices;~~
- ~~6. Cost allocation plans and/or indirect cost rate proposals, and related support documents;~~
- ~~7. All invoices, billings, receiving reports, and Claim Support Forms;~~
- ~~8. General ledger, general journal, cash receipts journal, cash disbursements journal, payroll-earnings register, and all subsidiary records;~~
- ~~9. All personnel records of all individuals paid in whole or in part with subgrant funds including employment applications, personnel files, time and attendance reports, wage authorizations, tax withholding forms, authorization for any deductions, time and effort records, leave records, and all other relevant data;~~
- ~~10. Inventory records for all property and equipment purchased in whole or in part with subgrant funds or which the subgrantee has been compensated for the use of the property and equipment through depreciation or use allowance charges, indicating acquisition date, cost of the property and equipment, identification number, location and use of the property and equipment, and evidence that procurement requirements have been met;~~
- ~~11. Bank statements and reconciliations, all canceled or voided checks, and deposit records;~~
- ~~12. Documentation of proper insurance/bonding coverage; and~~
- ~~13. Programmatic records of all types, as pertinent to particular programs involved.~~

~~INTERNAL REVIEW AND ADMINISTRATIVE HEARINGS~~ ~~Section 13~~

Please see “Appendix A” regarding procedures for requesting an administrative hearing or see Part 23-Chapter 2: “Administrative Hearings for MDHS Subgrant/Agreement Manual”

~~DEBARMENT AND SUSPENSION~~ ~~Section 14~~

~~POLICY OVERVIEW~~

~~In order to protect the public trust imposed upon the Mississippi Department of Human Services (MDHS) and its involvement with subgrantees, it is the policy of the agency to conduct business only with responsible persons/subgrantees. Therefore, the applicable MDHS Funding Division shall verify the suspension/debarment status of any potential subgrantee, prior to contracting with the subgrantee and shall maintain written documentation of the verification. In addition, the MDHS subgrantee shall verify the suspension/debarment status of his/her lower tier subrecipient(s) prior to contracting with the lower tier subrecipient and shall maintain written documentation of the verification. When it appears that a subgrantee's conduct, as determined by the agency, creates a reasonable belief that a particular act or omission has occurred, MDHS shall implement discretionary actions known as debarment and suspension, possibly leading to termination. A subgrantee and/or a lower tier subrecipient who is debarred or suspended shall be excluded from agency financial and nonfinancial assistance and benefits. These are serious actions which shall be used only in the public interest and for the agency and State of Mississippi's protection and not for purposes of punishment.~~

~~Coverage~~

~~This policy shall apply to all persons/subgrantees who are currently participating in transactions under state nonprocurement programs. For purposes of these regulations, transactions shall be referred to as covered transactions which may be subdivided into (1) primary covered transactions, i.e., any nonprocurement transaction between MDHS and the subgrantee, regardless of type, or (2) lower tier covered transactions, i.e., transactions between subgrantee and another (other than a procurement contract for goods or services), regardless of type, under a primary covered transaction.~~

~~Effect of Action~~

~~Except to the extent prohibited by law, subgrantees that are debarred or suspended shall be excluded from primary covered transactions and lower tier covered transactions for the period of their debarment or suspension.~~

~~DEBARMENT~~

~~The MDHS Executive Director, or its designee, after consultation with the appropriate Division Director, may debar a subgrantee for any of the causes noted below. However, the existence of a cause for debarment does not necessarily require that the subgrantees acts or omissions and any mitigating factors shall be considered in making a debarment decision. Debarment means, for purposes of this agency, an action taken by the agency in accordance with these regulations to exclude a subgrantee from participating in a covered transaction.~~

Causes for Debarment

Debarment may be imposed for:

- a. ~~Conviction, plea agreement of guilt or civil judgment for:~~
 - 1. ~~Commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public or private agreement or transaction;~~
 - 2. ~~Violation of Federal or State antitrust statutes, including those proscribing price fixing between competitors, allocation of customers between competitors, and bid rigging;~~
 - 3. ~~Commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, receiving stolen property, making false claims, or obstruction of justice; or~~
 - 4. ~~Commission of any other offense indicating a lack of business integrity or business Honesty that seriously and directly affects the present responsibility of a person/subgrantee.~~
- b. ~~Violation of the terms of a public agreement or transaction so serious as to affect the integrity of an agency program, such as:~~
 - 1. ~~A willful failure to perform in accordance with the terms of one or more public agreements or transactions;~~
 - 2. ~~A history of failure to perform or of unsatisfactory performance of one or more public agreements or transactions; or~~
 - 3. ~~A willful violation of a statutory or regulatory provision or requirement applicable to a public agreement or transaction.~~
- c. ~~Any of the following causes:~~
 - 1. ~~A non procurement debarment by any Federal agency taken before October 1, 1988, the effective date of these regulations, or a procurement debarment by any Federal agency taken pursuant to 45 CFR Part 76; and~~
 - 2. ~~Knowingly doing business with a debarred, suspended, ineligible, or voluntarily excluded person, in connection with a covered transaction, except as permitted by the agency.~~

DEBARMENT AND SUSPENSION

Section 14

Procedures

~~MDHS shall process debarment actions as informally as practicable, consistent with the principles of fundamental fairness.~~

~~Information concerning the existence of a cause for debarment from any source shall be promptly reported, investigated, and referred, when appropriate, to the debarring official for consideration. After consideration, the debarring official, MDHS Executive Director, or its designee, may issue a notice of proposed debarment.~~

Notice of Proposed Debarment

~~A debarment proceeding shall be initiated by notice to the respondent advising:~~

- ~~a. The debarment is being considered;~~
- ~~b. The reasons for the proposed debarment in terms sufficient to put the respondent on notice of the conduct or transaction(s) upon which it is based;~~
- ~~c. The reasons covered in “Causes for Debarment” above;~~
- ~~d. The provisions regarding investigations, notice of proposed debarment, an opportunity to contest proposed debarment and a final decision; and~~
- ~~e. The potential effect of a debarment.~~

Opportunity to Contest Proposed Debarment

~~a. Submission in Opposition~~

~~Within 30 days after receipt of the notice of proposed debarment, the respondent may submit to the Procurement Services Attorney, in person, in writing, or through a representative, information and argument in opposition to the proposed debarment. The Procurement Services Attorney will forward a recommendation to the MDHS Executive Director or authorized executive designee, whichever acted as the suspending official, for adoption, modification, or reversal terminating the debarment.~~

~~b. Additional Proceedings As to Disputed Material Facts~~

- ~~1. In actions not based upon a conviction or civil judgment, if the debarring official finds that the respondent's submission in opposition raises a genuine dispute over facts material to the proposed debarment, respondent(s) shall be afforded an opportunity to appear with a representative, submit documentary evidence, present witnesses, and confront any witness the agency presents.~~
- ~~2. A transcribed record of any additional proceedings shall be made available at cost to the respondent, upon request, unless the respondent and the agency, by mutual agreement, waive the requirement for a transcript.~~

Debarring Official's Decision

~~a. No Additional Proceedings Necessary~~

~~In actions based upon a conviction or civil judgment, or in which there is no genuine dispute over material facts, the debarring official shall make a decision on the basis of all the information in the administrative record, including any submission made by the respondent. The decision shall be made within 45 days after receipt of any information and argument submitted by the respondent, unless the debarring official extends this period for good cause.~~

~~b. Additional Proceedings Necessary~~

- ~~1. In actions in which additional proceedings are necessary to determine disputed material facts, written findings of fact shall be prepared. The debarring official shall base the decision on the facts as found, together with any information and argument submitted by the respondent and any other information in the administrative record.~~
- ~~2. The debarring official may refer disputed material facts to another official for findings of fact. The debarring official may reject any such findings, in whole or in part, only after specifically determining them to be arbitrary and capricious or clearly erroneous.~~
- ~~3. The debarring official's decision shall be made after the conclusion of the proceedings with respect to disputed facts.~~

~~c. Standard of Proof~~

- ~~1. In any debarment action, the cause for debarment must be established by a preponderance of the evidence. Where the proposed debarment is based upon a conviction or civil judgment, the standard shall be deemed to have been met.~~
- ~~2. The burden of proof is on the agency proposing debarment.~~

~~d. Notice of Debarring Official's Decision~~

- ~~1. If the debarring official decides to impose debarment, the respondent shall be given prompt notice:~~
 - ~~i. Referring to the notice of proposed debarment;~~
 - ~~ii. Specifying the reasons for debarment;~~
 - ~~iii. Stating the period of debarment, including effective dates; and~~

DEBARMENT AND SUSPENSION

Section 14

- ~~iv. — Advising that the debarment is effective for covered transactions throughout the agency.~~

- ~~2. — If the debarring official decides not to impose debarment, the respondent shall be given prompt notice of that decision. A decision not to impose debarment shall be without prejudice to a subsequent imposition of debarment by MDHS or any other agency.~~

Settlement and Voluntary Exclusion

~~When in the best interest of the agency, MDHS may, at any time, settle a suspension action.~~

Period of Debarment

- ~~a. — Debarment shall be for a period commensurate with the seriousness of the cause(s). If a suspension precedes a debarment, the suspension period shall be considered in determining the debarment period.~~

- ~~b. — The debarring official may extend an existing debarment for an additional period, if that official determines that an extension is necessary to protect the public interest.~~

SUSPENSION

~~Suspension is a serious action to be imposed only when there exists adequate evidence, as set out below, and immediate action is necessary to protect the public interest. For MDHS purposes, suspension is an action taken by the agency in accordance with the following regulations that immediately excludes a subgrantee from participating in covered transactions for a temporary period, pending investigation and such legal action, debarment, or other proceedings as may ensue.~~

Causes for Suspension

~~Suspension may be imposed upon adequate evidence to suspect the commission of a debarment offense as listed in “Causes for Debarment” section above. Indictment shall constitute adequate evidence for purposes of suspension actions.~~

Procedures

~~Investigation and referral — Information concerning the existence of a cause for suspension from any source shall be promptly reported, investigated, and referred, when appropriate, to the suspending official for consideration. After consideration, the suspending official may issue a notice of suspension.~~

Notice of Suspension

When a respondent is suspended, notice shall be immediately given:

- a. That suspension has been imposed;
- b. That the suspension is based on an indictment, conviction, or other adequate evidence that the respondent has committed irregularities seriously reflecting on the propriety of further State Government dealings with the respondent;
- c. Describing any such irregularities in terms sufficient to put the respondent on notice without disclosing the State Government's evidence;
- d. Of the cause(s) relied upon above for imposing suspension;
- e. That the suspension is for a temporary period pending the completion of an investigation or ensuing legal action, debarment, or other proceedings;
- f. Of the notice of suspension, the opportunity to contest suspension, and the suspending official's decision; and
- g. Of the effect of the suspension.

Opportunity to Contest Suspension

a. Submission in Opposition

Within 30 days after receipt of the notice of suspension, the respondent may submit to the MDHS Procurement Services Attorney, in person, in writing, or through a representative, information and argument in opposition to the suspension. The Procurement Services Attorney will forward a recommendation to the MDHS Executive Director or authorized executive designee, whichever acted as the suspending official, for adoption, modification, or reversal terminating the suspension.

b. Additional Proceedings as to Disputed Material Facts

- 1. If the suspending official finds that the respondent's submission in opposition raises a genuine dispute over facts material to the suspension, respondent(s) shall be afforded an opportunity to appear with a representative, submit documentary evidence, present witnesses and confront any witness the agency presents, unless the action is based on an indictment, conviction or civil judgment as described in the "Causes for Debarment" section above.
- 2. A transcribed record of any additional proceedings shall be prepared and available at cost to the respondent, upon request, unless the respondent and the agency, by mutual agreement, waive the requirement of a transcript.

Suspending Official's Decision

The suspending official may modify or terminate the suspension or may leave it in force. A decision

~~to modify or terminate the suspension shall be without prejudice, to the subsequent imposition of~~
DEBARMENT AND SUSPENSION **Section 14**

~~debarment. The decision shall be rendered in accordance with the following provisions:~~

~~a. No Additional Proceedings Necessary~~

~~In actions based on an indictment, conviction, or civil judgment in which additional proceedings to determine disputed material facts; or in which additional proceedings to determine disputed material facts have been denied on the basis of law enforcement advice, the suspending official shall make a decision on the basis of all information in the administrative record, including any submission made by the respondent. The decision shall be made within 45 days after receipt of any information and argument submitted by the respondent, unless the suspending official extends this period for good cause.~~

~~b. Additional Proceedings Necessary~~

~~In actions in which additional proceedings are necessary to determine disputed material facts, written findings of fact shall be prepared. The suspending official shall base the decision on the facts as found, together with any information and argument submitted by the respondent and any other information in the administrative record. The suspending official may refer matters involving disputed material facts to another official for findings of fact. The suspending official may reject any such findings, in whole or in part, only after specifically determining them to be arbitrary or capricious, or clearly erroneous.~~

~~c. Notice of Suspending Official's Decision~~

~~Prompt written notice of the suspending official's decision shall be sent to the respondent.~~

Period of Suspension

~~Suspension shall be for a temporary period pending the completion of an investigation or ensuing legal action, debarment, or other proceedings, unless terminated sooner by the suspending official.~~

~~If legal or administrative proceedings are not initiated within 12 months after the date of suspension notice, the suspension shall be terminated, unless the Executive Director receives a request from the applicable MDHS Funding Division Director and determines that this time should be extended.~~

~~“Appendix A”~~

~~Title 18: Human Services~~

~~Part 23: Division of Administrative Hearings~~

~~Part 23 Chapter 2: Administrative Hearings for MDHS Subgrant/Agreement Manual~~

~~ADMINISTRATIVE HEARINGS FOR MDHS
SUBGRANT/AGREEMENT MANUAL~~

~~MISSISSIPPI DEPARTMENT OF HUMAN SERVICES
DIVISION OF ADMINISTRATIVE HEARINGS
750 NORTH STATE STREET
JACKSON, MISSISSIPPI 39202~~

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~~1. GENERAL~~

~~An administrative hearing provides the right to a fair and impartial hearing in contested cases involving disputes that include subgrants and contracts and other appropriate issues as determined on a case-by-case basis and approved by the Executive Director of Mississippi Department of Human Services (MDHS) or an authorized executive designee. It is an informal proceeding that gives both parties their due process rights and a forum to provide evidence.~~

~~2. OVERVIEW~~

~~The Mississippi Administrative Procedures Law generally defines a contested case as a proceeding in which the legal rights, duties, or privileges of a party are required by rules, regulations, or statutes to be determined by an agency following opportunity for a hearing, other than disciplinary proceedings and agency actions involving only employees of an agency. Individuals shall not be discriminated against on the basis of race, color, national origin, religion, sex, age, sexual orientation, gender identity, or disability in any provision of this policy.~~

~~3. GLOSSARY OF TERMS~~

- ~~a. **Administrative Hearing Process:** the established procedure to provide a subgrantee an opportunity to appeal an adverse decision.
 - ~~i. **Agency Appeal Level One (AAL-I):** The first level of agency appeal, which occurs upon the claimant's timely written request. The AAL-I is an informal telephonic meeting between the subgrantee and an attorney in the Executive Director's office or to a designated agency attorney to attempt to resolve the issue(s). If the issue(s) is not resolved after the AAL-I to subgrantee's satisfaction, the subgrantee may request an Administrative Hearing, which is the final level of agency review.~~
 - ~~ii. **Administrative Hearing (AH):** The final level of review within MDHS, which occurs upon the subgrantee's timely written request. The AH will be held at the MDHS state office, and shall be conducted by the MDHS Executive Director or executive designated hearing officer.~~~~
- ~~b. **MDHS Subgrant/Agreement Manual:** A handbook developed by MDHS that implements the agency's policies and procedures that are applicable to MDHS subgrantees and to any lower-tier subrecipients.~~
- ~~c. **Prehearing Conference:** An informal conference that is scheduled at the discretion of the hearing officer to resolve issues of procedure, jurisdiction or representation, or to clarify other issues prior to the hearing.~~
- ~~d. **Subgrant:** An award provided by a pass-through entity (MDHS) to a subgrantee for the subgrantee to carry out part of a Federal award received by MDHS. It does not include payments to a contractor or payments to an individual that is a beneficiary of a Federal program.~~
- ~~e. **Subgrant Agreement:** Contractual arrangement that sets forth specific programs, activities, and guidelines for the use of subgrant funds which may include the following documents: MDHS Subgrantee/Agreement Manual Acceptance Form, Certificate of Adequate Fidelity Bonding Form, Certifications Regarding Unresolved Audit or Monitoring Findings or Litigation, Certifications Regarding Lobbying, Debarment, Suspension and other Responsibility Matters, Drug-Free Workplace Requirements, Standard Assurances, Scope of Services, Subgrant/Agreement Form, Indirect Cost Rate documents (if applicable), Budget Narrative, Cost~~

~~Summary Support Sheet, Budget Summary, Subgrant/Contract Signature Sheet and Subgrant/Contract Modifications (if applicable).~~

~~f. **Subgrant/Agreement Modification:** Sets forth monitoring guidelines for use by the grantor agency when monitoring subgrantees and lower tier subrecipients. (See Monitoring section of MDHS Subgrant/Agreement Manual.)~~

~~4. BASIS FOR AN APPEAL~~

~~For an agency appeal to commence it must be a matter that can be reviewed as a contested case, or under a federal statute, state statute, regulation, or policy and there must be an adverse decision that affects the subgrantee.~~

~~If the agency appeal arises from monitoring findings, a subgrantee shall have fifteen (15) business days from receipt of the 'Initial Report of Findings and Recommendations' to provide an initial response or dispute the findings. If a second response to the monitoring findings is required, subgrantees may submit a dispute within ten (10) business days for secondary response if no dispute was raised in their initial response. (See Monitoring Section of MDHS Subgrant/Agreement Manual). If the subgrantee is still unsatisfied after the response, the subgrantee may start the agency appeal process.~~

~~5. TIME LIMITS FOR AGENCY APPEAL PROCESS~~

~~a. A subgrantee who seeks to dispute an appealable decision must submit a written request for an AAL-I received at MDHS within thirty (30) calendar days following the notification date on the adverse act letter. Failure to submit a timely written request shall be construed as a waiver of the subgrantee's right to appeal, and shall serve as a procedural bar to appeal the agency decision.~~

~~b. If the subgrantee seeks to dispute the decision in the AAL-I, the subgrantee must submit a written request for an Administrative Hearing within fourteen (14) calendar days of the date on the AAL-I letter of decision. The subgrantee may not initiate an Administrative Hearing until the subgrantee has received an adverse decision in an AAL-I. In the written request, a subgrantee must explain the reason(s) the subgrantee believes the AAL-I is in error, enclose a copy of all correspondence relevant to this decision, and attach a copy of the MDHS's notice of an adverse act letter.~~

~~6. WRITTEN REQUEST REQUIRED FOR APPEALS~~

~~In order for the subgrantee to formally initiate the agency appeals process, the subgrantee must submit a written request for the appropriate level of appeal. The written request must contain the subgrantee's name, the agency decision the subgrantee seeks to dispute, and the subgrantee's signature. A written request should be submitted to the Executive Director for AAL-I. After exhausting the first level of appeal, if the subgrantee wishes to pursue an Administrative Hearing, the subgrantee must make an additional written request for a hearing to the attention of the Executive Director of MDHS. The subgrantee may be represented by anyone he/she designates; however, he/she must make the designation in writing and submit such to the Executive Director of MDHS.~~

~~7. ACKNOWLEDGEMENT OF APPEAL REQUEST~~

~~When the subgrantee makes a timely request for an AAL-I, the Director of~~

~~Administrative Hearings Divisions of MDHS shall send a letter acknowledging receipt of the request within ten (10) business days, and setting a date and time for an appeal conference. The letter shall state that the subgrantee has the right to reschedule the appeal conference date and time, and shall give specific instructions for doing so. The subgrantee shall have the responsibility for rescheduling the appeal conference anytime after receipt of the acknowledgement letter, and twenty-four (24) hours before the scheduled appeal conference date and time.~~

~~When the subgrantee makes a timely request for an Administrative Hearing in the final appeal level, the Director of Administrative Hearings Division of MDHS shall send a letter acknowledging receipt of the request within ten (10) business days. The letter shall state a date and time for the hearing, and that the subgrantee has the right to reschedule the hearing with specific instructions for doing so. The letter shall state that the subgrantee may reschedule the hearing anytime after receiving the letter of acknowledgement and twenty-four (24) hours before the hearing time and date.~~

~~8. AGENCY APPEALS PROCESS, LEVEL I (AAL-I) AND LEVEL II, ADMINISTRATIVE HEARING~~

- ~~a. **AAL-I:** The MDHS agency appeals process for subgrantees begins with the AAL-I. If a subgrantee seeks to dispute an appealable decision, the subgrantee must engage in the AAL-I process by submitting a written request, pursuant to subsection 6 of the Administrative Hearings Manual to the Executive Director of MDHS within thirty (30) calendar days of the notification date on the adverse act letter. The Administrative Hearings Division will send the subgrantee a written notice acknowledging receipt of the subgrantee's request, and setting a date and time for the AAL-I. The AAL-I will be conducted by an attorney in the Executive Director's office or an agency attorney designated by the Executive Director, and will be conducted telephonically. All documents must be submitted prior to or during the AAL-I. If the subgrantee is dissatisfied with the decision in the AAL-I, the subgrantee may appeal that decision by submitting a written request within fourteen (14) calendar days of the notice of the adverse decision to MDHS to initiate an Administrative Hearing.~~
- ~~b. **ADMINISTRATIVE HEARING:** The final level of agency appeal occurs in the Administrative Hearing. The Director of Administrative Hearings will send the subgrantee a written notice acknowledging receipt of the subgrantee's request, and setting a date and time for the Administrative Hearing. The Administrative Hearing will be conducted by the Executive Director of MDHS or an executive designated hearing officer, and will be conducted at the State Office of MDHS. All documents must be submitted prior to or during the hearing.~~

~~9. ADMINISTRATIVE HEARING PARTICIPANTS~~

- ~~a. The respondent, MDHS Executive Director and/or authorized executive designee, MDHS Funding Division Director, MDHS legal representative, and any other appropriate MDHS representatives deemed necessary by the Executive Director may be present for the Administrative Hearing.~~
- ~~b. The petitioner and a legal representative, if any, must attend the hearing.~~

- c. ~~Witnesses for both the respondent and the petitioner shall also be present to testify when necessary.~~

~~10. REPRESENTATIVE FOR PETITIONER~~

~~Any petitioner may appear in person; or be represented by an officer, board member, or bona fide employee in its stead, or be represented, at the subgrantee's own expense, by a licensed attorney authorized to practice law in the State of Mississippi upon presentation of written authority to the Executive Director of MDHS. The subgrantee may be represented during any stage of the agency appellate process.~~

~~11. RESPONDENT'S LEGAL REPRESENTATION~~

~~As respondent, MDHS will be represented by an attorney with the Attorney General's office who normally provides counsel to the MDHS Executive Director or the affected programmatic division.~~

~~12. INDIVIDUAL'S RIGHTS AND RESPONSIBILITIES~~

~~The subgrantee has the following rights in the two (2) levels of the administrative hearing process:~~

- a. ~~To present facts about his/her circumstances orally or through documentation; and~~
- b. ~~To have an attorney, relative, or friend to assist him/her if he/she wishes or to present the facts on his/her behalf.~~

~~The subgrantee has the following responsibilities in the two (2) levels of the administrative hearing process:~~

- a. ~~To reschedule the Administrative Hearing if necessary, by contacting the appropriate MDHS staff at least twenty-four (24) hours before the designated start time of the hearing. Failure to be present for the hearing without having rescheduled according to policy, will result in dismissal of the appeal.~~
- b. ~~To provide the Executive Director of MDHS with a written designation of agency twenty-four (24) hours before the start time of the hearing if a non-attorney will attend the hearing on the subgrantee's behalf.~~
- c. ~~To provide or ensure that subgrantee's attorney provides the Executive Director of MDHS with an 'Entry of Appearance' if the subgrantee will be represented by a licensed attorney.~~

~~13. PREHEARING PROCEDURE~~

~~On the motion of the petitioner, the respondent, or the hearing officer, the parties may be directed to appear for a prehearing conference for the purpose of formulating issues and such other matters that may aid in the simplification of the proceedings and the disposition of the matters in controversy. The hearing officer may direct that other certain information be submitted, as specified in MDHS AP-18.~~

~~14. PREPARATION OF CASE FILE AND WRITTEN ARGUMENTS BEFORE AN ADMINISTRATIVE HEARING~~

- a. ~~The petitioner should provide a thorough and detailed statement of the facts giving rise to the dispute and develop legal arguments on the issues raised by the facts. Whenever possible, the petitioner should stipulate, where appropriate, material~~

~~facts and provide copies of documents that have not been submitted previously. The hearing officer can dismiss an appeal or proceed to a recommended decision if a party fails to comply with an order, deadline, or other requirement. Only the hearing officer may grant an extension of time, based upon a written request submitted prior to the established deadline.~~

- ~~b. The petitioning subgrantee, within thirty (30) calendar days after requesting an Administrative Hearing, should submit an original and one working copy to the hearing officer, with a copy to the respondent, of the following: 1) a chronological case file containing numbered, tabbed, and indexed documents supporting the petitioner's position, and 2) a written statement of the petitioner's arguments (petitioner's brief) concerning why the respondent's adverse action is considered in error.~~
- ~~e. The respondent, within thirty (30) calendar days after receiving the petitioner's submission, shall present the following to the hearing officer, with a copy to the petitioner: 1) a tabbed and indexed supplement to the case file that does not duplicate documents submitted by the petitioner, and 2) a written statement (respondent's brief) responding to the petitioner's brief.~~
- ~~d. Within fifteen (15) calendar days after receiving the respondent's submission, the petitioner may submit a short reply.~~

~~15. FILING OF DOCUMENTS~~

~~All documents relating to any pending proceeding must be submitted to the Director of Administrative Hearings Division of MDHS. The documents are considered filed only when received.~~

~~16. TIME AND PLACE OF ADMINISTRATIVE HEARING~~

~~All acknowledgement letters and notices of hearing shall be sent via U.S. Post to the subgrantee's last reported address at least ten (10) business days before the scheduled hearing day. The Administrative Hearing shall be held at the State Office of MDHS.~~

~~17. AUTHORITY AND RESPONSIBILITY OF THE HEARING OFFICER~~

- ~~a. The hearing officer has delegated powers specified in MDHS AP-18, including, but not limited to, the following:
 - ~~i. to issue orders;~~
 - ~~ii. to administer oaths;~~
 - ~~iii. to call, hear and examine witnesses;~~
 - ~~iv. to take steps necessary for the conduct of an orderly hearing;~~
 - ~~v. to rule on requests and motions;~~
 - ~~vi. to dismiss cases for failure to meet deadlines and other requirements;~~
 - ~~vii. to close, suspend, or remand a case for further action;~~
 - ~~viii. to waive or modify procedures with notice to parties;~~
 - ~~ix. to compile the record of the proceedings;~~
 - ~~x. make a recommended decision or a recommended reconsideration decision; and~~
 - ~~xi. to take any other action necessary to resolve disputes in accordance with the objectives of these procedures.~~~~
- ~~b. The hearing officer shall enjoy absolute immunity from all liability and shall have decisional independence throughout this process and under these administrative proceedings.~~

~~18. INFORMAL DISPOSITION~~

~~Informal disposition may be made of any case by written stipulation, agreed settlement, consent order, or default.~~

~~19. POSTPONEMENT/CONTINUANCE~~

~~The hearing officer may grant a postponement or continue the hearing based upon a written, advance request submitted to the Director of Administrative Hearings Division of MDHS.~~

~~20. MOTIONS~~

~~Any motion relating to a pending proceeding, unless made during a hearing, must be in writing and specify the desired relief and the specific reasons and the basis for this relief.~~

~~21. ADMINISTRATIVE HEARING IN GENERAL~~

- ~~a. Hearings will be ordinarily open to the general public and as informal as reasonably possible.~~
- ~~b. The hearing officer may request the parties to submit written statements of witnesses prior to the hearing so that the hearing will primarily be concerned with cross examination and rebuttal.~~
- ~~c. All participants and observers must show proper dignity, courtesy, and respect for the hearing officer and each other.~~
- ~~d. The hearing is not to be conducted as a formal court hearing and the hearing officer is not required to follow the Mississippi Rules of Civil Procedure or the Mississippi Rules of Evidence.~~

~~22. CONDUCT OF ADMINISTRATIVE HEARING~~

- ~~a. Subject to the hearing officer's ruling and recommended decision, opportunity must be given to all parties to respond and present evidence and argument on all issues involved and to call witnesses.~~
- ~~b. A recording of each hearing should be made.~~
- ~~c. If a party fails to appear, it may forfeit all rights and be assessed the court reporter fee, if present.~~

~~23. ORDER OF ADMINISTRATIVE HEARING~~

- ~~a. The hearing officer may confer with the parties prior to the hearing to explain the order of the proceeding, admissibility of evidence, to discuss the number of witnesses and other matters.~~
- ~~b. The hearing officer calls the hearing to order; introduces himself/herself and gives a brief statement of the nature of the proceeding; if applicable, calls upon petitioner's counsel and respondent's counsel to introduce themselves; states what documents the record contains; may administer oaths or affirmations or may ask court reporter to do so, if available; asks the parties whether they wish to have all witnesses excluded from the hearing room except during their testimony; entertains preliminary motions, stipulations, or agreed orders; calls for opening statements by each party; questions witnesses at will, and adjourns the hearing after all evidence has been presented.~~
- ~~c. During testimony, the petitioner and the respondent question witnesses, cross-examine the other party's witnesses, and redirects if necessary. The petitioner and~~

~~respondent are allowed to call appropriate rebuttal and rejoinder witnesses within the established proceeding format.~~

~~24. RECOMMENDED DECISIONS AND FINAL DECISIONS~~

- ~~a. The hearing officer shall have the responsibility of preparing a statement summarizing the facts brought out in the hearing, indicating the policy governing the issue at hand, and making a recommended decision based on the evidence presented. The recommended decision shall be based only on evidence, testimony, and documents presented at the hearing.~~
- ~~b. Following the hearing adjournment, the hearing officer will forward both the record and recommended decision to the MDHS Executive Director for adoption, modification, or reversal. The final order of the MDHS Executive Director will be mailed via US Post to the attorney of record for the subgrantee or to the subgrantee's last known mailing address, if not represented. The MDHS Executive Director's Office will maintain an appropriate record of that mailing. The subgrantee or attorney of record, notified by mailing of a final decision, is presumed to have been notified on the date such notice is mailed. The decision of the MDHS Executive Director shall be final and binding.~~