CHAPTER 1

FINANCIAL MANAGEMENT STANDARDS AND PROCEDURES FOR AREA AGENCIES ON AGING AND DISABILITY AND THEIR SUBCONTRACTORS

All accounting for funds received by the Tennessee Commission on Aging and Disability (TCAD) from Federal sources and disbursed to the Area Agencies on Aging and Disability (AAAD) across the state are subject first to Federal requirement as stated in Office of Management and Budget (OMB) Circulars No. A-87 and A-122 titled **"Cost Principles for Non-Profit Organizations"** and **"Cost Principles for State, Local and Indian Tribal Governments"** which are available at the OMB web page at the following address: http://www.whitehouse.gov/omb/circulars/ . This page provides a list of all OMB Circulars. Direct access to Circular A-87 is at http://www.whitehouse.gov/omb/circulars_a087_2004/ and A-122 is at http://www.whitehouse.gov/omb/assets/omb/circulars/a122/a122_2004.pdf which were relocated to Title 2 in the CFR, Subtitle A, Chapter II, Part 225 and to Title 2 in the CFR, Subtitle A, Chapter II, Part 230 respectively. These are located at http://www.whitehouse.gov/omb/assets/omb/fedreg/2005/083105_a87.pdf and http://www.whitehouse.gov/omb/assets/omb/fedreg/2005/083105_a122.pdf .

In 1998, the TN State Comptroller's Office issued Policy 03 titled **"Accounting and Financial Reporting for Not-for-Profit Recipients of Grant Funds in Tennessee"**. Generally, Policy 03 establishes uniform reporting requirements for all subrecipients affected as defined. This policy can be found at the TN State Comptroller's Office web page at the following address http://www.tn.gov/comptroller/ma/finreptmanual.htm

This policy statement calls for the development of efficient and effective cost allocation plans and methods of cost determination, under the supervision of the cognizant State agency as determined by the TN Department of Finance and Administration (F&A Policy 03, No. 1). This policy is maintained under the requirements of Circulars A-87 and A-122 as stated in each as follows:

(1) Circular A-87, Paragraph 7 states, "Required Action. Agencies responsible for administering programs that involve cost reimbursement contracts,

grants, and other agreements with governmental units shall issue regulations to implement the provisions of this Circular and its Attachments."

(2) Circular A-122, Paragraph 6 states, "Responsibilities. Agencies responsible for administering programs that involve awards to non-profit organizations shall implement the provisions of this Circular."

Policy 03 places the same requirements upon State funds as those covered by the OMB Circulars. All policies stated here-in are for the purpose of implementing the requirements of the OMB Circulars and Policy 03 in the operation of programs funded under the Tennessee Commission on Aging and Disability. If any such policy is found to be in conflict with the Circulars and/or Policy 03, the Federal and State policies will have precedence over any policy stated below.

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Abbreviations Used are as follows:

1. AAAD – Area Agency on Aging & Disability (singular)
2. AAADs – Area Agencies on Aging & Disability (plural)
3. AoA – Administration on Aging
4. CFR - Code of Federal Regulations
5. CMS – Centers for Medicare and Medicaid Services
6. Commission – The appointed Commission on Aging and Disability
7. F&A – Tennessee Department of Finance and Administration
8. OAA – Older Americans Act
9. OCR – Department of Finance and Administration's Office of Contract Review
10. NSIP – Nutrition Supplement Incentive Program
11. SHIP – Statewide Health Insurance Program
12. TCAD – Tennessee Commission on Aging and Disability
13. USDHHS – United States Department of Health and Human Services

1-1 INTRASTATE FUNDING FORMULA.

(1) Federal funds received from AoA derived from OAA Titles III and VII are allocated to each of the AAADs as described in the *Rules of Tennessee Commission on Aging and Disability* (***Chapter 0030-1-10***). See Attachment A

(2) State appropriations are allocated to the AAADs as described in the *Rules of Tennessee Commission on Aging and Disability* (***Chapter 0030-1-10***). See Attachment A

(3) Federal funds received from AoA derived from OAA NSIP are to be allocated on a formula based upon the number of NSIP eligible meals served in the most recently available fiscal year. This basis is the same method as the formula used by AoA for the allocations on a nationwide basis.

(4) Federal funds received from CMS and/or AoA for the operation of the SHIP and related programs will be allocated in equal amounts to the AAADs until such time as an allocation formula has been approved through the State's Rules-making process, or in accordance with allocations based upon information provided by CMS and/or AoA in association with the grant award.

(5) Other grants and appropriations will be allocated according to grant and/or grant application requirements if stated.

(6) In the absence of required allocations, all funds allocated to the AAADs will be allocated according to paragraph (1) or (2) above if associated with programs operating under or in association with the OAA.

(7) In the absence of required allocations, all funds allocated to the AAADs other than those covered in paragraphs (1) through (6) above will be allocated evenly to all participating AAADs until such time as an allocation formula has been approved through the State's Rules-making process.

1-2 PROCEDURES FOR FUNDING APPROVED AREA PLANS.

1-2-.01 CONTRACTING PROCEDURES FOR AAADS

(1) Contracting Procedures

a. All funds awarded by TCAD to the AAAD will be authorized by a contract between these agencies in a contract format approved by OCR and approved and signed by both agencies and the Commissioner of F&A.

b. All funds must be expended according to the terms of the contract and as defined in the approved area plan covering the same period as the initial allocation of such funds..

c. Any changes or amendments to the contract between TCAD and the AAAD will not become effective until approved and signed by both agencies and by the Commissioner of F&A.

d. Procedures for the AAAD acceptance of the area plan and contract are outlined in *Section 5 o*f these policies.

(2) Contracting Responsibilities for AAADs:

a. All funds awarded by TCAD for the support of an area plan will be awarded only to the designated AAAD.

b. The AAAD is authorized to enter into contracts for the conduct of activities and services under the area plan. The AAAD will, however, be held responsible by TCAD for the conduct of these services and activities according to federal and state policies and regulations. No service or activity can be provided under an area plan by any subcontract agency without a signed and approved contract.

c. The AAAD will monitor, on an ongoing basis, the performance of all contracting agencies under the area plan and will ensure that funds made available are expended accordingly with the purpose for which they were awarded under the area plan.

d. The AAAD may enter into contracts only after the area plan has been approved by the Commission at their regularly scheduled meeting in May of each year.

(1) The Commission may grant full approval of the area plan, in which case the contracts for services should be issued for the fiscal year covered by the area plan.

(2) The Commission may grant a conditional approval of the area plan. In this case, the contracts for services should be in conformity with the conditions of the approval and the subcontractor will be notified of all conditions that exist on their respective contracts.

e. Once contracts have been executed by an AAAD to carry out a service or activity under an approved plan, a copy of the signed, written contractual agreements will be forwarded to TCAD in an electronic format on a compact disk (CD) by August 31st of each fiscal year. These contractual agreements will be made part of the approved area plan and maintained in the central files of TCAD.

f. Should it become necessary to issue changes and/or amendments to the contracts, noted in the paragraph above, TCAD will require the forwarding of an updated CD including the original contracts and amendments to TCAD. This will not be required for amendments that are solely for the allocation of increased funding received from TCAD during a fiscal year and the only change is to the contract's maximum liability,

g. If a subcontract is entered into by a service provider for the provision of services, a copy of the contract must be submitted to the AAAD, who must keep it on file at the AAAD.

1-2-.02 FUNDING ALLOCATION, MATCHING REQUIREMENTS AND COST SHARING.

(1) Federal funds may be used to pay part of the costs of activities and services under an area plan in accordance with the following policies:

a. Federal funds awarded under Title III of the OAA may be used for the administration of TCAD and the AAADs subject to a limitation on the amount so applied.

(1) TCAD may retain a maximum of 5 percent (<=5%) of the total Title III award for the administration of the programs under the OAA or associated therewith. These funds will be taken from Title

III-B, III-C1 and/or III-E. All administrative funds retained by TCAD not used by the end of the fiscal year must be allocated to the AAADs in accordance with the Intrastate Funding Formula as noted in *Section 1-1(1)* above. Said allocation of funds will be required to be added as one-time funds to services funding in accordance with the Title subpart from which it was withheld.

(2) TCAD will take the balance of the Title III funds, after the amount retained for TCAD administrative activities, and allocate it to the AAADs for operating the programs under the OAA. A maximum of 10 percent (<=10%) of this allocation will be allocated for the administration activities of the AAADs. These funds serve as the maximum federal funds that may be used in the administration of the AAAD. These funds will be taken from the same Title III subpart as the TCAD administrative funding and allocated according to the separate provisions in the Intrastate Funding Formula as noted in *Section 1-1(1)* above. All funds allocated for administrative activities of the AAAD not used by the end of the fiscal year must be added to services funding in the next fiscal year in the same Title III subpart from which it was taken.

(3) Funds retained from OAA Title III-E for the administration activities of TCAD and the AAADs will be used before applying funds drawn from Title III-B or III-C1 each year. These funds should be applied in the first quarter of the state's fiscal year to be applied to the federal award for the federal fiscal year ending at the end of that same quarter.

(4) Federal funds may be used to pay a maximum of 75 percent (<=75%) of the costs of activities involved in the administration of TCAD and/or the AAAD.

b. The balance of the federal award, after funds retained for administrative activities identified in paragraph "a" above, will be allocated for direct services.

c. The AAAD will identify operating costs incurred by the AAAD for program development and coordination separate from costs applied to the administration of the AAAD. Said operating costs will be applied in accordance with requirements of the OAA to cover district-wide program development and coordination as defined under Title III-B of the program and shall be paid from the direct services funds identified in paragraph "b" above. The determination of availability of direct services funds for program development and coordination will be made by the AAAD subject to Commission approval during area plan review. These funds will hereafter be referred to as "III-B Coordination".

d. OAA Title III requires that the State must provide a minimum of 5 percent (=>5%) match for the total funds applied to non-administrative costs in operating the programs in Title III-B, III-C1 and III-C2. These funds are provided and allocated in accordance with the Intrastate Funding Formula noted in *Section 1-1(2)* above. These funds include State Homemaker, State Nutrition and Senior Center Operations. These funds have been determined by the State to require match so that the State funds are a maximum of 90 percent (<=90%) of the total operating costs applied to the State Homemaker and State Nutrition programs and a maximum of 50 percent (<=50%) of the total operating costs applied to the Senior Center Operations.

e. OAA Title III requires that federal funds are a maximum of 85 percent (<=85%) of the total cost of operating the programs under Title III-B, III-C1 and III-C2. Therefore, the funds identified in paragraph "b" above that come from these three subparts require match in addition to the amounts provided by the State in paragraph "d" above. Therefore, the combined total of these three subparts requires a matching ratio of 85-/5+/10+ (Federal 85% maximum/State 5% minimum/Local 10% minimum).

f. In addition to the funds noted in paragraph "d" above, the State provides funds for State Caregiver Match, also known as Title III-E match. This subpart requires that the federal funds cannot exceed a maximum of 75

percent (<=75%) of the total costs of providing the services. The AAAD, State Caregiver Match and/or local service providers must provide a minimum of 25 percent (>=25%) match.

g. Federal funds are provided in Title III-D and Title VII for services to eligible individuals without any requirement of match. The AAAD may have required providers to furnish match in the past and, if so, may continue but services will not be reduced or restricted because of this district required match.

(2) State appropriations may be used to pay a maximum of 50 percent (<=50%) of the cost of operation of a multipurpose Senior Center Operations with the following provisions:

a. A minimum of 10 percent (>=10%) of the match must be in cash; and,

b. In each succeeding year of funding thereafter, the grantee must make a concerted effort to increase the level of non-state funds used to support the program.

(3) State appropriations may be used to fund 100 percent of the Public Guardianship program; however, no more than 25 percent of the operation cost may be from an allocation of administrative costs of the Grantee Agency. Any administrative costs exceeding the 25 percent cap amount must be taken from local funds.

(4) The AAAD is ultimately responsible for meeting the non-federal share of the costs of activities conducted under its area plan. The AAAD and/or service providers may utilize cash and/or in-kind resources in order to satisfy these matching requirements, in accordance with the following policies:

a. All nonfederal resources, both cash and in-kind, to be used to match the federal share of program costs must comply with the cost principles delineated in *Section 1-7* of these policies.

b. No cash or in-kind resources, designated for services, regardless of source, may be used to match the AAAD administration budget. However, if funds are designated for administrative use, they may be used for match.

c. There will be a requirement that local cash must be used to match a minimum of 10% (>=10%) of the required local match applied to administrative cost of operating the AAAD..

d. All match requirements can be applied across the entire area plan services for Title III B, III-C-1 and III-C-2 funds. An overmatch in services within an area plan cannot offset an under match of AAAD administrative costs or Title III-E Caregiver Support Services.

e. State funds expended in the Options for Community Living (OPTIONS) program may be used to match Federal Title III funds so long as the expenditure is traceable to individuals who satisfy enrollment requirements of the service to which the match is applied, i.e., individuals receiving services paid from OPTIONS funds that qualify for Title III-E services, may be used to satisfy part or all of the match requirement of Title III-E.

(5) Federal resources authorized under one statutory grant program may not be used to match another except when there is explicit statutory authorization for the use of federal funds to satisfy matching requirements in whole or in part. Any request to apply federal funds from one source against another federally-funded program must have prior approval from TCAD before it will be allowed. Likewise, any match for one federally-funded program cannot be used as match against another federally-funded program and must be accounted for separately.

(6) Goods, services, supplies, space and equipment needed for the operation of a program that are donated rather than purchased may be reported as in-kind contributions. The fair market value of these donated goods, services, supplies, space, and equipment may be used as in-kind match for the non-federal/state share of a federal or state grant unless prohibited in the contract between TCAD and the AAAD. No contract between TCAD and the AAAD will prohibit in-kind match unless the prohibition is required within a federal grant award. Standards applicable to valuation of this match are outlined in *Section 1-7-.05* of these policies.

(7) Participant Cost Share may be applied according to the OAA for services other than nutrition services. The Cost Share formula, approved by the Commission for use by the AAADs, is based upon the Income as a percentage of the Federal Benefit Rate (FBR) for the household. The FBR is issued each year by the federal government. The Cost Share will be calculated for in-home services, excluding home-delivered meals, that are provided with OAA Title III and State funds (both Title III match and Options).

a. If a household of one person has an income of less than 200% of the FBR, the household is exempt from a cost share. This percentage increases 50% points for each additional person in the household.

b. If a household of one person has an income of 600% or more of the FBR, the household is liable for the full charges. This percentage increases 50% points for each additional person in the household.

c. The difference between the minimum (200% FBR) and the maximum (600% FBR) determines the spread upon which the cost share will be calculated. The income in excess of the minimum divided by the spread gives the percentage of the charges the enrollee is liable for paying on the services received, i.e., FBR $500 with income of $1,500 per month with $1,600 in charges would be $3,000 maximum (600% X $500) less $1,000 minimum (200% X $500) equals a $2,000 spread, income exceeds the minimum by $500 divided by spread equals 25% rate which is applied to charges will equal the cost share of $400 ($1,600 X 25%).

d. In no case will services be denied because of failure of the individual to pay the calculated Cost Share.

1-2-.03 BUDGET YEAR AND PLAN PERIOD FOR AN AWARD.

(1) **Plan Period**. The "plan period" is the number of years designated by TCAD during which the AAAD may be granted continuation awards and is a period of time used for budget planning. This period will be the same period covered by a State Plan approved by AoA.

(2) **Budget Year**. For budget purposes, the plan period will be divided into budget years. Federal funds and state appropriated funds may only be awarded for one budget year, not to exceed twelve months, at one time. An exception to this will only be allowed when a federal grant is received for a limited period in excess of twelve months. The exception will not extend beyond the ending date of the grant.

(3) **Beginning Dates**.

a. The beginning of a plan period is the date on which initiation of the area plan is authorized by TCAD to begin.

b. The first budget year will begin on the first day of July following approval the state plan period.

(4) **Revisions**. Once a budget year has been established for an area plan, it may not be changed without prior approval by TCAD. Such approval will be granted only through the issuance of an amended contract.

1-2-.04 OBLIGATION OF FEDERAL AND STATE FUNDS TO THE AAAD

(1) The approval of the area plan by TCAD officially obligates funds for such plan for a given fiscal year.

(2) TCAD may not officially obligate a fiscal year's funds prior to the beginning of that fiscal year nor after the close of that fiscal year.

(3) No more than one entire budget year for the area plan will be funded from a single fiscal year's allotment.

(4) In awarding funds to the AAAD, TCAD grants authority to obligation funds to the AAAD. Such funds are earned only upon the actual accrual of an allowable cost and the contribution of the non-federal share of that cost.

(5) The contract sets a ceiling for federal participation in the cost of operating the area plan. TCAD has no responsibility for payment of funds to an AAAD in excess of those awarded through the official contract.

1-2-.05 CARRY-OVER OF UNEARNED OBLIGATIONAL AUTHORITY.

(1) Funds in excess of 8% of the AAAD total contract budget and unearned at the end of the state budget year, including funds requested and held as unexpended cash by the AAAD and/or unrequested may be carried over into the subsequent budget

year with authorization by TCAD for a 90 day carryover period. Funds unspent above the 8% limit, at the end of the 90 period, shall revert back to TCAD for reallocation. State funds that remain unrequested as of the end of the state fiscal year are not available to be carried over.

(2) Funds authorized for new programs will be exempt from the limitation noted in paragraph (1) from the date of initial inclusion in a contract award to the end of the second full fiscal year of operation, i.e., A new program in initial contract during fiscal year ending June 30, 2008 (partial year) is exempt from the limitation until the end of the fiscal year ending June 30, 2010 (second full year of operation).

(3) Funds added to the contract award by way of an amendment in the last four months of the budget year will be exempt from the limitation and may be carried forward to the subsequent budget year.

(4) Any funds unearned and/or unobligated by the AAAD during the budget year for which they were awarded may remain available to that AAAD for earning during the subsequent budget year only if contractually obligated on or before the end of the first quarter of the subsequent budget year.

(5) Any such funds carried over must be earned at the matching ratio applicable to the budget year in which the funds are earned by the AAAD.

(6) Carryover funds must be spent prior to any current year funds.

(7) Any carryover funds from AAAD administration are exempt from the 8% limitation noted in paragraph (1) above but must be applied in direct services in the subsequent budget year within the same funding allocation as received, i.e., Unexpended III-C Admin must be applied to III-C-1 in the subsequent budget year.

(8) All unexpended funds in excess of the 8% limitation noted in paragraph (1) above, unless exempt due to the exceptions allowed in paragraphs (2), (3) and (7) above, will be reverted to TCAD for reallocation to the AAADs that expended within the 8% limitation for each source.

1-2-.06 DURATION OF FEDERAL AND STATE SUPPORT TO AN AAAD AND RENEWAL REQUIREMENTS.

(1) Awards to AAAD to support area plans will be approved for a maximum of one year.

(2) In order to apply to TCAD for subsequent year funding, the AAAD will submit to TCAD an area plan or update in accordance with the application procedures in *Section 5* of these policies.

(3) TCAD reserves the right to deny continuation funding, or parts thereof, if TCAD determines that the AAAD is not fulfilling its obligations assumed under the area plan.

1-2-.07 PAYMENT OF FUNDS TO AN AAAD.

(1) Payment of funds from TCAD to an AAAD for operation of the area plan will be in the form of an advance or reimbursement upon written request by the AAAD.

(2) Advance payment to an AAAD will be made no more frequent than on a monthly basis, upon receipt of the Invoice for Reimbursement/Advance. These requests for funds are due in the TCAD office on or before the 15th of each month and will be reviewed for correctness. The review will include comparison to the most recent quarterly financial report, prior payments and contract maximum liability amounts. The requests will be submitted in the State's accounting system for payment within five days of completion of the review. The request submitted in the first month of any calendar quarter will be held until TCAD receives the quarterly financial report which is due on the 20th of that same month.

(3) Requests for advance payments should be limited to the AAAD's cash requirements for the month, as opposed to merely requesting 12 equal payments during the budget year.

(4) All AAADs are encouraged to use minority-owned banks.

(5) Payments made to the AAAD for area plan operations must be deposited in an F.D.I.C. covered checking account.

1-2-.08 SUPPLEMENTAL AWARDS.

(1) TCAD may award additional federal funds to all AAADs for any budget year, contingent upon the availability of additional funds awarded to TCAD.

(2) TCAD will issue a supplemental grant award through the issuance of an amendment to the Contract Award.

(3) A supplement may be awarded to the AAADs during a budget year to meet additional costs to be accrued that year by issuing a contract amendment. No amendment to a contract award will be issued to provide funding for expenditures in excess of the executed contract award if insufficient time remains in the budget year for all AAADs to fully execute such amendment. The State's Office of Contract Review, a division of the TN Department of Finance and Administration, may choose to not approve any contract amendment not fully executed prior to the end of the contract period.

1-2-.09 PRIORITY SERVICE REQUIREMENT.

(1) Each area agency must spend an adequate proportion of its Title III-B supportive services funds for the following categories of services, with at least some funds being spent in each category:

a. Services associated with access to other services: including but not limited to transportation, outreach, and information and referral and case management (35%).

b. In-home services: including but not limited to homemaker, personal care, visiting and telephone reassurance, chore maintenance (10%).

c. Legal assistance (2%).

(2) TCAD, in approving an area plan or a plan amendment, may waive the requirement for any category of service for which the AAAD demonstrates to TCAD that the services provided from other sources meet the needs of older persons in the planning and service area for that category of service.

1-2-.10 MAINTENANCE OF EFFORT.

(1) For Federal funds provided from OAA funds:

a. Each AAAD must assure that OAA funds are not used to replace funds from non-federal sources;

b. Each AAAD must agree to continue or initiate efforts to obtain support from private sources and other public organizations for services funded under the OAA; and,

c. A statement of assurance that federal funds are not being used to replace local funds will be required on budgets submitted to TCAD and on contracts between the TCAD and the AAAD.

(2) For state funds and other federal funds:

a. Each AAAD must agree to continue or initiate efforts to obtain support from private sources and other public organizations for services funded with state and other federal funds; and,

b. A statement of assurance that state and other federal funds are not being used to replace local funds will be required on budgets submitted to TCAD and on contracts between the TCAD and the AAAD.

(3) Long-term Care Ombudsman Program (LTCOP) funding:

a. The AAAD will expend all Title VII-Ombudsman funds allocated within the budget year in which they are awarded. It is an acceptable practice to expend the full Title VII allocation within the first quarter of the budget year before expending other available funds.

b. The AAAD will assure that each year the allocation of Title III-B funds applied to the LTCOP will equal or exceed the base year requirement as issued in the OAA or the amount expended in the preceding budget year, which ever is larger.

(4) State funds appropriated to satisfy OAA Title III match requirements: AAADs will assure that funds allocated as part of the state's required match will be expended within the budget year in which they are allocated.

1-2-.11 EXPENDITURES IN RURAL AREAS.

(1) An area agency must spend under OAA in each fiscal year for services to older persons in rural areas at least 105% of the amount spent under Titles III, V, and VII of the Act in rural areas during the federal fiscal year 2000 for social and nutrition services and multipurpose senior centers. If a county's designation is

changed from rural to urban, rural expenditures will no longer be required for that county.

(2) For purposes of this section, "rural area" means any area outside a Standard Metropolitan Statistical Area (SMSA) as defined by the US Department of Commerce. In planning and service areas which are not entirely metropolitan or non-metropolitan under the SMSA definition, the area agency, for purposes of this section, must separately account for expenditures in the SMSA and non-SMSA areas.

1-2-.12 LONG-TERM CARE OMBUDSMAN PROGRAM.

The OAA directs each state unit on aging operating the LTCO to maintain a "State Long-term Care Ombudsman" and one or more "Local Long-term Care Ombudsmen (LLTCO)". The act permits TCAD to contract the LLTCO either directly from the state office or through the AAADs. TCAD is directed to determine the amount of funding that is adequate for the conduct of the LTCOP and may take Title III-B funds prior to allocating funds under the intrastate funding formula defined in Section 1-1 above. Without regard for the method of providing the LLTCO, the program must, each year, meet a Maintenance-of-Effort (MOE) by expending Title III funds equal to or greater than the funds expended in the base year plus all Title VII funds received for the year. The current base year is the year 2000 but is subject to change with each Reauthorization of the OAA.

1-3 PROCEDURES FOR FUNDING SERVICE PROVIDERS BY AAADs.

1-3-.01 AGENCIES ELIGIBLE TO CONDUCT ACTIVITIES AND SERVICES UNDER THE AREA PLAN ON BEHALF OF THE AAAD.

(1) To conduct activities or services on its behalf, the AAAD must enter into contracts with agencies and/or organizations willing to provide the services within their respective area.

(2) All AAAD contractors who are private agencies must be incorporated in order to safeguard the interests of TCAD, the AAAD, the recipient of the contract award, and the individuals who are participants in the program, unless otherwise approved by TCAD.

(3) AAADs, to the extent feasible, are to enter into contracts for the conduct of activities and services under the area plan with agencies and organizations which are owned and operated by minority individuals at least in proportion to their relative numbers in the planning and service area. A minority provider is a not-for-profit organization whose controlling board is comprised of a least 51 percent minority individuals or a business concern that is at least 51 percent controlled or owned by one or more individuals who are either: (1) African American, (2) Hispanic origin, (3) American Indian/Native Alaskan/Native Hawaiian, (4) Asian American/Pacific Islander; or, a publicly owned business having at least 51 percent of its stock owned by one or more minority individuals and having its management and daily business controlled by one or more minority individuals.

1-3-.02 PROCEDURES FOR AWARDING CONTRACTS FOR THE CONDUCT OF ACTIVITIES AND SERVICES UNDER THE AREA PLAN.

(1) All contracts for the conduct of activities and services under the area plan must be developed and awarded in a manner which complies with all state and federal regulations and with all procurement standards delineated in *Section 1-5* including, but not limited to, those standards concerning:

a. Code of Conduct;

b. Free Competition;

c. Formal Advertising; and,

d. Negotiated Agreements.

(2) The content and format of all contracts awarded by the AAAD for the conduct of activities and services under the area plan must conform to minimum standards contained in *Section 1-5-.07.*

(3) All contracts awarded by the AAAD to contractor organizations to conduct activities and services under the area plan must not exceed the approved area plan period or contain language limiting funding to available funds.

(4) All proposed contracts between the AAAD and profit-making organizations must be approved and signed by TCAD before they can be implemented.

1-3-.03 RENEWAL OF CONTRACTS UNDER THE AREA PLAN.

(1) Prior to the renewal of a contract agreement for the conduct of services and activities under the area plan, the AAAD will conduct an on-site evaluation of the service provider to determine if the terms of the contract are being met.

(2) Renewal of contracts under the area plan will be subject to all the provisions applicable to new contracts.

1-3-.04 PROCEDURES FOR APPEALS HEARINGS BY AAADs.

Each AAAD must provide an opportunity for a hearing to any agency or organization denied funding under the area plan. The conduct of such hearings will comply with standards of procedural administration and due process as outlined in 0030-1-8 Rules of the State of Tennessee. See ATTACHMENT B.

1-3-.05 PAYMENT OF FUNDS TO SERVICE PROVIDERS.

(1) Payment of funds to service providers by the AAAD must be made on a periodic basis as determined by contracts.

(2) Each service provider will submit to the AAAD a written request for funds. The specific format and submission date of such requests may be determined by the AAAD.

1-4 FINANCIAL MANAGEMENT STANDARDS AND PROCEDURES FOR AREA AGENCIES AND SUBCONTRACTORS.

1-4-.01 ACCOUNTING SYSTEM STANDARDS.

Policy 03 titled **"Accounting and Financial Reporting for Not-for-Profit Recipients of Grant Funds in Tennessee"** Section 2 defines the requirements for the Accounting System necessary to be in compliance with both State and Federal regulation. This policy can be found at the State Comptrollers web page at the following address: http://www.tn.gov/comptroller/ma/finreptmanual.htm .

1-4-.02 FISCAL REPORTING REQUIREMENTS.

(1) The AAAD will submit a quarterly financial report to TCAD by the 20th of the month following the end of each calendar quarter. The report filed the month following the end of the budget year will be a preliminary report with a final report completed and submitted on or before the end of the first quarter. This report will be the final report for the budget year and will include all accounting

entries necessary for the proper closing of the accounting records of the AAAD. Any corrections found after the submission of this final report must be added to the next submitted quarterly financial report along with a full explanation of the correction and reason for it not having been included in the final report.

(2) The area agency will require the service provider agencies and subcontractors to furnish all financial data necessary and in a timely manner so that the AAAD financial report can be completed and forwarded to TCAD by the required date.

(3) All reports will be submitted to TCAD utilizing electronic files in the format furnished by TCAD. These files will be either a spreadsheet or database format. This report file will contain accurate information received from service provider agencies, subcontractors and the AAAD operations. As programs are added and/or changed, the files will be revised by TCAD and given to the AAADs for use from that time forward. The file will also be used annually for the submission of the Area Plan Budget. Requirements for the use of these files will include the following:

a. The file will be password protected at all times unless instructed by TCAD to unprotect in order to apply a correction for any format problems found. As soon as the correction has been made, the protection will be reset to the same password as used prior. This is for the protection of the formulae and format that exist in the file.

b. The file will be submitted to TCAD with the file name determined as [Report Type][Agency Number] [Calendar Month][Calendar Year]. Files that require revisions will be submitted with the above noted file name followed by the letter "R" and additional revisions will be "R1", "R2". These will be as follows:

1) Report Type

[RP] = Quarterly Report,

[BG] = Area Plan Budget,

[BGN] = Area Plan Budget Narrative, and

[FR] = Funds Request.

Other codes may be established and communicated to the AAAD with the file format.

2) Agency Number

1 = First Tennessee AAAD,

2 = East Tennessee AAAD,

3 = Southeast Tennessee AAAD,

4 = Upper Cumberland AAAD,

5 = Greater Nashville Regional Council,

6 = South Central Tennessee AAAD,

7 = Northwest Tennessee AAAD

8 = Southwest Tennessee AAAD

9 = Aging Commission of the Mid-South

3) Calendar Month – this is the numeric number used for the calendar month (do not precede January thru September with a "0").

4) Calendar Year – this is only the last one digit of the year. The year 2010 will be reported using only a "0", 2011 will be reported using only a "1", etc.

c. Revised reports should not be submitted unless approved in advance by the fiscal staff of TCAD. All corrections should be applied to the next scheduled report with a full explanation of the correction submitted along with the report. Revisions received by TCAD after submission of required reports to AoA may never apply the correction. A revision to the final report for the fiscal year will not be approved after the submission of reports including the final figures unless the correction cannot be applied in a subsequent report.

d. All final reports must agree with the audit report issued for the grantee agency or a reconciliation must be prepared and submitted to TCAD along with the audit report when it is submitted.

THIS SPACE HAS BEEN ADDED TO PROVIDE AN AREA TO ADD TO THE PARAGRAPH(S) ABOVE.

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1-4-.03 MAINTENANCE OF FINANCIAL RECORDS.

(1) All accounting records, supporting documents, statistical records, and all other records pertinent to the grant or contract are to be kept readily available for examination by personnel authorized to examine accounts of funds made available through TCAD.

(2) Such records will be retained by recipient agencies for the three year period prior to the current fiscal year with the following qualifications:

a. The records must be retained beyond the three year period if an audit is in progress or exceptions have not been resolved.

b. Records for equipment which was acquired with federal funds must be retained for three years after final disposition of the property.

1-4-.04 AVAILABILITY AND ACCESS TO RECORDS.

(1) All books and records relative to programs funded by TCAD will remain accessible to TCAD and any State or Federal agency, or their authorized representatives, with rights of oversight of the program. Said books and records will be retained for the purposes of making audit, examination excerpts, and transcripts.

(2) TCAD places no restrictions on recipients of awards which will limit public access to the recipients' records or to the records of their contractors, except when the records must remain confidential for any of the following reasons:

a. To prevent a clearly unwarranted invasion of personal privacy;

b. To comply with an Executive Order or statute which specifically requires the records to be kept secret;

c. To protect commercial or financial information obtained from a person or a firm on a privileged or confidential basis; or,

d. To protect information which can be improperly exploited for personal gain.

1-4-.05 GENERAL AUDIT REQUIREMENTS AND RESPONSIBILITIES.

(1) All agencies receiving funding from TCAD must prepare and submit, within nine (9) months after the close of their accounting period, an annual report of its activities funded under any contract. Each agency and/or contractor that receives

financial assistance through TCAD that has combined state and/or federal funds that exceed five hundred thousand dollars ($500,000)or more shall have an audited financial statement in accordance with the contract language under "Standard Terms and Conditions," subparagraph titled "Annual Report and Audit."

(2) If an agency or contractor receives less than the amount of state and/or federal funds to be required to have an audit and the agency issuing the contract or grant deems it necessary for an audit to be conducted regardless of the total funds received, the cost of such audit will be paid by the agency requiring the audit.

(3) The purpose of these audits will be to determine the effectiveness of the financial management systems and internal procedures established by the contractor to meet the terms of its contract.

(4) These audits may affect the frequency and scope of federal or state audits. However, nothing in this section is intended to limit the right of the federal government, TCAD, or other appropriate unit of state government to conduct an audit of a grant or contract-supported activity.

(5) When an aging program is operated within a multipurpose organization or one which operates more than one aging program, the organization may obtain an agency-wide audit so long as the audit procedures used and the resulting audit report address the aging program specifically, and the audit covers the same period as the program's budget year.

(6) Audit Resolution.

a. If any deficiencies or recommendations are noted in the audit findings, the contractor must indicate whether it proposes to take corrective action and how such action will be carried out.

b. It is the contractor's responsibility to meet with the auditor to resolve any questions or problems before the audit report is submitted to the contracting agency. Any resolution reached on problems noted in the report should be discussed in a letter accompanying the audit report when it is submitted to the contracting agency.

c. The contracting agency will analyze the audit report and any accompanying comments and will return a statement of adjustments required, if appropriate.

(7) TCAD Actions.

a. TCAD will subsequently monitor a contractor to verify that appropriate actions are being taken to fulfill audit recommendations.

b. If audit findings of a contractor are deemed sufficiently serious, TCAD may immediately begin suspension or termination procedures, as outlined in *Section 5-5* of these policies.

1-5 PROCUREMENT STANDARDS.

1-5-.01 GENERAL.

(1) This section provides standards for use by AAADs and their contractors in establishing procedures for the procurement of supplies, equipment, construction, and other services whose cost is borne in whole or in part as a direct charge to federal or state aging funds. These standards are furnished to insure that such materials and services are obtained in an effective manner and in compliance with the provisions of applicable federal regulations and Executive Orders. Goods and services obtained from a third party (an individual, institution or organization outside the recipient agency's own organization) are subject to the conditions in this section. Third party agreements include fixed-price contracts, cost reimbursable contracts, purchase orders, and affiliation agreements (an agreement between parties to accomplish a mutually beneficial objective). The term "recipient of award" as used in this section, refers to either:

(1) the AAAD or its parent agency; or,

(2) its contractors; or,

(3) both, as appropriate.

(2) General Provisions

a. Recipients of awards may use their own agency procurement policies provided that procurements whose cost is borne in whole or in part as a direct charge to federal or state aging funds equal or exceed the standards set forth in this section and/or in the manual established by the Tennessee

Department of General Services, Purchasing Division available at http://state.tn.us/generalserv/purchasing/documents/topsman.pdf .

b. The third party agreement utilized, e.g., purchase order, contractor, or affiliation agreement, must be selected so as to impose the minimum administrative burden necessary to insure the prudent stewardship of federal and state funds.

c. All agreements must be evidenced in writing, including the terms and conditions appropriate to the type of agreement used. Use of informal agreements with affiliated institutions is not permitted.

d. Contract or third party agreements may be used only to secure services relating to administrative functions which are necessary to the implementation of the program, but cannot be performed by the recipient of award personnel and must conform to the OAA of 1965, as amended and/or reauthorized, the OAA regulations, state rules, and these policies. This requirement does not apply to the purchase of supportive services, such as transportation or outreach, which the AAAD shall not provide directly, except where necessary and where TCAD has granted a specific waiver to the AAAD to provide the service.

e. Special attention must be given to the negotiation of cost reimbursement-type contracts, as the federal and state share of such cost is limited by the project award for a particular budget year. Federal funds may not be obligated from a succeeding budget year's allotment for services performed during a prior budget year. TCAD has no obligation to fund any overruns which exceed annual award amounts.

f. The standards contained in this section do not relieve the AAAD of its responsibilities arising under its contracts. The AAAD is the responsible authority regarding the settlement and satisfaction of all contractual and administrative issues arising out of procurements entered into in support of its functions. This includes but is not limited to disputes, claims, protests of award, sources evaluation, or other matters of a contractual nature. Matters concerning violation of law are to be referred to such local, state,

or federal authority as may have proper jurisdiction over such matters. The AAAD is responsible for the resolution of any audit exceptions related to contractor performance.

1-5-.02 CODE OF CONDUCT.

(1) The recipient of award shall maintain a code or standard of conduct which will govern the performance of its officers, employees, or agents in contracting with and expending federal and state grant funds.

(2) The recipient of award agency's officers, employees, or agents will neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or potential contractors.

(3) To the extent permissible under state or local laws, rules or regulations, such standards shall provide for appropriate penalties, sanctions, or other disciplinary actions to be applied for violations of such standards either by the officers, employees, or agents of the agency or by contractors or their agents.

(4) No employee, officer, or agent of a non-governmental recipient of award will participate in the selection, award, or administration of a contract subject to this sub-section where, to his or her knowledge, any of the following has a financial interest in that contract:

a. The employee, officer or agent;

b. Any member of his or her immediate family;

c. His or her partner;

d. An organization in which any of the above is an officer, director, or employee;

e. A person or organization with which any of the above individuals is negotiating or has any arrangement concerning prospective employment.

(5) This section is not intended to preclude bona fide institutional fund-raising activities.

1-5-.03 FREE COMPETITION.

(1) All procurement transactions will be conducted in a manner to provide, to the maximum extent practical, open and free competition.

(2) The recipient of award should be alert to organizational conflicts of interest or noncompetitive practices among contractors that may restrict or eliminate competition or otherwise restrain trade. In particular, a contractor that develops or drafts specifications, requirements, a statement of work, an invitation for bids or a request for proposals for a particular procurement by a non-governmental recipient should be excluded from competing for that procurement except when, upon request of the recipient, TCAD waives this requirement for a particular procurement.

(3) Solicitations must clearly set forth all requirements that the bidder/offerer must fulfill in order for his bid/offer to be evaluated. Awards will be made to the bidder/offerer whose bid/offer is responsive to the solicitation and is most advantageous to the recipient, price, and other factors considered. Factors such as discounts, transportation costs, and taxes may be considered in determining the lowest bid. Any and all bids/offers may be rejected when it is in the recipient's interest to do so, and, in the case of governmental recipients, such rejections are in accordance with the government's applicable law, rules, or regulations.

1-5-.04 PROCEDURAL REQUIREMENTS.

The recipient of award must establish procurement procedures which, as a minimum, provide for the following:

(1) Proposed procurement actions will follow a procedure to assure that unnecessary or duplicate items are not purchased. Where appropriate, an analysis must be made of lease and purchase alternatives to determine which would be the most economical and practical procurement.

(2) Solicitations for goods and services will be based upon a clear and accurate description of the technical requirements for the material, product, or service to be procured. Such description must not, in competitive procurements, contain features which unduly restrict competition. "Brand name or equal" description may be used as a means to define the performance or other salient requirements of a procurement, and when so used, the specific features of the name brand which must be met by bidders should be clearly specified.

(3) Where applicable, *Section 7(b)* of the Indian Self-Determination and Education Assistance Act (*25 U.S.C. 450e(b)*) must be observed.

(4) Positive efforts will be made by procuring parties to utilize small business and minority-owned businesses as sources of supplies, equipment, construction and services. Such efforts should allow these sources the maximum feasible opportunity to compete for contracts subject to this subsection including the following:

a. Including qualified small and minority-owned businesses and agencies on solicitation lists;

b. Assuring that small and minority-owned businesses and agencies are solicited whenever they are potential sources;

c. When economically feasible, dividing total requirements into smaller tasks or quantities so as to permit maximum small and minority-owned business and agency participation; and,

d. Where the requirement permits, establishing delivery schedules which will encourage participation by small and minority-owned businesses and agencies.

(5) The type of procuring instruments used -- (e.g., fixed priced contracts, cost reimbursable contracts, purchase orders, incentive contracts) -- will be determined by the recipient but must be appropriate for the particular procurement and for promoting the best interest of the project or program involved. The "cost-plus" method of contracting will not be used.

(6) Non-governmental recipients should make some form of price or cost analysis in connection with every negotiated procurement action. Price analysis may be accomplished in various ways, including the comparison of price quotations submitted, market prices and similar indices, together with discounts. Cost analysis is the review and evaluation of each element of cost proposed by the bidder to determine reasonableness, allocability and allowability.

(7) Procurement records and files for purchases in excess of $25,000 will include the following:

a. Basis for contractor selection;

b. Justification for lack of competition when competitive bids or offers are not obtained; and,

c. Basis for award cost or price.

(8) A system for contract administration, as outlined in *Section 1-5-.06*, shall be maintained to insure contractor conformance with terms, conditions and specifications of the contract, and to insure adequate and timely follow-up of all purchases.

1-5-.05 METHODS OF PROCUREMENT.

Procurement of goods, services, construction and/or equipment must be made by one of the following methods and must adhere to the State of Tennessee purchasing procedures.

(1) Procurement Requirements:

Procurement Guidelines	Bid Requirements
Under $2,000.00	No Bids Required
$2,000.00 to $24,999.99	3 Phone/Written Bids
$25,000.00 or more	Formal Sealed Bids

(2) Competitive Sealed Bids utilize formal advertising techniques where sealed bids are publicly solicited and a firm-fixed-price contract awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is lowest.

a. Formal advertising requires, as a minimum, the following appropriate conditions:

1. A complete, adequate and realistic specification or purchase description if available.

2. Two or more responsible suppliers are willing and able to compete effectively for the contractor's business.

3. The procurement lends itself to a firm fixed-price contract, and selection of the successful bidder can appropriately be made principally on the basis of price.

b. When formal advertising is employed by the recipient of award:

1. The awards will be made to the responsible bidder whose bid is responsive to the invitation and is most advantageous to the

recipient of award, price and other factors considered. Factors such as discounts, transportation costs, and taxes may be considered in determining the lowest bid.

2. Invitations for bids will clearly set forth all requirements which the bidder must fulfill in order for his bid to be evaluated by the recipient of award.

3. Any or all bids may be rejected when it is in the recipient of award's interest to do so, and such rejections are in accordance with applicable state or local laws, rules, and regulations.

4. Criteria for judging the bids must be developed and available before any bids are opened.

c. In making procurements that are subject to this subsection, governmental recipients will use formal advertising.

(3) Competitive Negotiation methods are based upon requests for proposals which are requested from a number of sources and the RFP is publicized. Negotiations are normally conducted with more than one of the sources submitting offers, and either a fixed-price or cost-reimbursable type contract is awarded as appropriate. Competitive negotiation may be used if conditions are not appropriate for the use of formal advertising.

a. Procurements may be negotiated if it is not practical or feasible to use formal advertising. Generally, such procurements may be negotiated if one or more of the following conditions prevail:

1. The public urgency will not permit the delay incident to advertising.

2. The material or service to be procured is available from only one person or firm.

3. The aggregate amount involved does not exceed $10,000.

4. The contract is for personal or professional services, or for any service to be rendered by a university, college, or other educational institution.

5. No acceptable bids have been received after formal advertising.

6. The purchases are for highly perishable materials or medical supplies; for material or services where the prices are established by law; for technical items or equipment requiring standardization and interchangeability of parts with existing equipment; for experimental, developmental or research work; for supplies purchased for authorized resale; or for technical or specialized supplies requiring substantial initial investment for manufacture.

7. Formal advertising is otherwise not practical or feasible, and negotiation is authorized by applicable law, rules or regulations.

b. When competitive negotiation is used for procurement, the following requirements apply:

1. Proposals are to be solicited from an adequate number of qualified sources to permit reasonable competition.

2. The RFP is to identify all significant evaluation factors, including price or cost where required and their relative importance.

3. The contractor is to provide mechanisms for technical evaluation of the proposals received, determinations of responsible contact person(s) for the purpose of written or oral discussions, and selection for contract award.

4. Award may be made to the responsible negotiator whose proposal will be most advantageous to the procuring party, price and other factors considered. Unsuccessful parties should be notified promptly.

c. Notwithstanding the existence of circumstances justifying negotiation, competition will be obtained to the maximum extent practical.

d. For every negotiated procurement in excess of $10,000 by a governmental recipient, written justification for the use of negotiation in lieu of formal advertising will be included in the government's procurement records and files, in addition to the information required above. The justification may be on a class basis, i.e., covering a group of related or similar contracts, or it may be on an individual contract basis.

(4) Noncompetitive Negotiation is procurement through solicitation of a proposal from only one source, or after solicitation of a number of sources, competition is determined inadequate.

a. Circumstances under which a contract may be awarded by noncompetitive negotiation are limited to the following:

1. The item is available only from a single source;
2. Public urgency or emergency when the urgency for the requirement will not permit a delay incident to competitive solicitation;
3. The federal or state grantor agency authorizes noncompetitive negotiation;
4. After solicitation of a number of sources, competition is determined inadequate;
5. The aggregate amount involved does not exceed $5,000.

b. All contemplated sole source procurements where the aggregate expenditure is expected to exceed $10,000 must be referred to the grantor agency for prior approval.

1-5-.06 CONTRACTOR RESPONSIBILITIES.

(1) Contracts will be made by the recipient of award only with responsible contractors who possess the potential ability to perform successfully under the terms and conditions of a proposed procurement. Consideration must be given to such matters as contractor integrity, record of past performances, financial and technical resources, and accessibility to other resources.

(2) The procurement records or files of the recipient of award for negotiated purchases in amounts of excess of $10,000 must include the following pertinent information:

a. Justification for the method of procurement;
b. The basis for contractor selection or rejection;
c. The basis for the cost or price negotiated; and,
d. The basis for selection of contract type.

(3) Justification for the use of negotiation in lieu of advertising may be provided on a class basis or on an individual contract basis.

(4) A system for contract administration will be maintained by the recipient of award to assure contractor compliance with terms, conditions and specifications of the contract or order, and to assure adequate and timely follow-up of all purchases.

1-5-.07 CONTRACT PROVISIONS.

(1) This sub-section contains requirements relating to provisions that must be included in contracts that are subject to this section. The requirements must also apply to sub-contracts of any tier under such contracts, and the term "contracts" in this section will be construed as including sub-contracts.

(2) The recipient of award shall include provisions to define a sound and complete agreement in all contracts which it awards when the contract costs are to be borne as a direct charge, in whole or in part, by federal and/or state aging funds. (See the standard contract format in *Section 1-5-.09.*)

(3) The OCR establishes standards for contracting of all state agencies. This office provides template formats for contracts to be issued by all state agencies. These templates are updated on a regular basis by OCR. The recipient of award must request from TCAD the appropriate contract template prior to the establishment of any subcontracts. All language requirements within the contract templates will be followed in awarding any state and/or federal funds received under contracts with TCAD.

(4) Except as otherwise provided by these or other rules, every contract must contain the contractor's duties which must be clearly and specifically defined in detail in the Scope of Services for each of the following:

a. Type
b. Scope
c. Duration
d. Form
e. Quality
f. Quantity
g. Place
h. Size
i. Time
j. Purpose

5. Public Notice Clause: All notices, informational pamphlets, press releases, research reports, signs and similar public notices prepared and released by the contractor must include the statement, 'This project is funded (in part) under an agreement with (name of State Agency)'."

1-5-.08 REQUEST FOR PROPOSALS (RFP).

If it is determined, according to the criteria set forth in *Section 1-5-.05(3)* that the appropriate method of negotiation is to solicit written proposals, the following procedures will apply:

(1) A Request for Proposal (RFP) will be prepared by the contracting agency, and, as a minimum, contain the following:

a. A clear and accurate description of the technical requirements for the service to be procured. It must not contain features which unduly restrict competition, and it will be in sufficient detail to minimize the likelihood of requests from vendors for clarification;

b. The OCR establishes templates for use as an RFP. These templates can be requested through TCAD at any time that an RFP is needed.

c. From time to time, the AAADs and TCAD may create a RFP format to be used for procuring services where multiple providers will furnish services to individuals funded through state and/or federal funds where the individuals will have the ability to select the provider from a listing of providers of the same service. These RFP are not for the selection of a sole provider of the service and therefore, do not follow the requirements of Section 1-5-.05 Procurement. Contracts may be issued to all provider applicants that qualify under Section 1-5-.06-(1) above.

c. A statement that the contracting agency reserves the right to further negotiate with any or all potential providers after proposals are received.

(2) The contracting agency will send an RFP to all potential contractors known to the agency except that it is not necessary to send requests to more than 15 different vendors. An office of the contracting agency shall be designated as the place to which proposals are to be delivered.

(3) Opening of proposals will be a matter of public record. Proposals for each contract will be opened at the time specified in the RFP. After a contract is made and finally approved, all proposals received pertaining to that contract will be held open to public inspection by the contracting agency during reasonable hours on working days.

(4) Analysis of proposals must include the following:

a. The contracting agency will analyze the proposals and conduct verbal negotiations if deemed advisable. Nothing will prohibit the contracting agency from conducting as many negotiation sessions as it deems necessary.

b. Proposals will be analyzed on the basis of factors pertinent to the service in question. Contracts will be awarded to the vendor who offers the best terms, and neither the price nor the technical factor will be the sole criterion, although price may be the criterion for determining which proposals to consider (if more than five proposals are received, those quoting prices higher than the fifth lowest may be disregarded.). The contracting agency may then draft a contract. (See *Section 1-5-.09.*)

1-5-.09 CONTRACT FORMAT.

(1) After the terms of the contract have been determined, the contract will be drawn, including the provisions required by *Section 1-5-.07-(3)* and executed.

(2) The contract must be executed in no less than duplicate (one to area agency, one to the contracting agency). The original contract is to stay at the AAAD.

(3) After all contracts for the fiscal year or award period have been executed, an electronic copy of each will be put onto an electronic storage device and sent to TCAD. Said storage device will then be sent to TCAD on or before August 31st of each year for fiscal year contracts. Should any amendments to the contract be executed, an additional submission of the contract with the amendments will be submitted to TCAD unless the change is only for additional funding resulting from an amendment in the contracts between the AAAD and TCAD.

(4) If the contract originated through an RFP or the bid process, the following information must be available:

a. The number of requests for proposals delivered to vendors.

b. The number of proposals received.

c. The number and type of verbal negotiation sessions conducted.

d. Whether the vendor selected has made the lowest cost proposal, and if not, the basis for the selection.

(5) Amendments to existing contracts will be made as follows:

a. The contracting agency will negotiate the terms, draw the amendment and have it executed.

b. The amendment will be submitted in duplicate and signed by all officials who were required to approve the contract being amended.

c. An amendment will clearly state the additions, deletions and modifications to the contract, including a statement of whether the new terms are in place of, or in addition to, the terms expressed in the contract.

1-6 PROPERTY MANAGEMENT REQUIREMENTS

1-6-.01 GENERAL

(1) This section applies to real property, equipment, and supplies acquired with financial support from TCAD. This includes property for which some or all of the acquisition cost is a direct cost under a grant or contract from TCAD, or is counted toward satisfying a grant cost-sharing or matching requirement.

(2) Recipients of awards may follow their own property management policies and procedures, provided they observe the minimum requirements of this section. The term "recipient of award" as used in this section refers to either:

a. The area agency; or,

b. Its contractors; or,

c. Both, as appropriate.

(3) This subsection does not apply to:

a. Property for which only depreciation or use allowances are charged;

b. Property donated entirely as a third-party in-kind contribution; or,

c. Equipment or supplies acquired primarily for sale or rental rather than for use.

(4) Equipment or supplies acquired by a contractor or subcontractor under a grant or contract will be subject to this subsection if the property was purchased in whole or in part with State Agency administered funds.

1-6-.02 DEFINITIONS.

(1) As used in this section:

a. Acquisition of Property: Includes purchase, construction, or fabrication of property.

b. Acquisition Cost of Equipment Acquired by Purchase: The net invoice price of the property, including any attachments, accessories, or auxiliary apparatus(es) necessary to make the property usable for the purpose for which it was acquired. Ancillary charges such as taxes, duty, protective in-transit insurance, freight, or installation shall be included in the acquisition cost in accordance with the recipient of award's regular accounting practices.

c. Personal Property: Property of any kind except real property. It may be tangible--having physical existence, or intangible--having no physical existence, e.g., patents, inventions, and copyrights.

d. Equipment: Tangible personal property having a useful life of one year or more and an acquisition cost of $300 or more per unit.

e. Real Property: Land, land improvements, structures and additions thereto, excluding movable machinery and equipment.

1-6-.03 REAL PROPERTY.

(1) Title to real property whose acquisition cost was borne in whole or in part by aging funds will vest in the recipient of award upon acquisition. In the absence of applicable statutory provisions governing the use or disposition of such property, it will be subject to the following requirements, in addition to any other requirements imposed by the terms and conditions of the project award:

a. The recipient of award will use the real property for the purposes authorized by the project award as long as needed.

b. The State Agency may authorize the recipient of award to use the property for the following (but no other) purposes when the recipient of award

determines that the property is no longer needed for the originally authorized purposes:

1. When no longer used in accordance with subparagraphs (a) or (b), the recipient of award will return to the control of TCAD all real property whose acquisition cost was borne in whole by OAA funds. If the acquisition cost of the property was borne in part by OAA funds, the recipient of award may be relieved of accountability to TCAD with respect to the federal interest in the property by compensating TCAD for its fair share of the sale proceeds.
2. The amount of compensation to TCAD will be computed by applying the percentage of federal participation in the cost of the program for which the property was acquired to the property's current fair market value (if the recipient of award retains the property) or to the proceeds from sale (if the recipient of award sells the property).

1-6-.04 EQUIPMENT.

(1) Title to equipment where acquisition cost is borne in whole or in part by aging funds will vest in the recipient of award upon acquisition, and except as provided in Section 1-6-.05 will be subject to the restrictions on use and disposition set forth below.

(2) Use.

a. The recipient of award will use the property as long as there is a need for such property to accomplish the objectives of the OAA program whether or not the recipient of award continues to be supported by federal funds.

b. When there is no longer a need for the property to accomplish the objectives of the aging program, the recipient of award will use the property in connection with other federal awards it has received in the following order of priority:

1. For other awards made by the USDHHS needing the property;
2. For awards of other federal agencies needing the property.

c. When the recipient of award no longer has need for such property in any of its federal/state financed activities, the property may be used for the recipient of award's own official activities in accordance with the following standards:

1. If the property had an acquisition cost of less than $5,000 per unit and has been used four years or more, the recipient of award may use the property without reimbursement to TCAD or sell the property and retain the proceeds.

2. For all such property not covered above, the recipient of award may retain the property for its own use provided that a fair compensation is made to TCAD for the federal/state share of the property. The amount of such compensation will be computed by applying the percentage of federal/state participation in the cost of the project to the current fair market value of the property.

(3) If the recipient of award has no need for the property, disposition of the property must be made as follows:

a. If the property had an acquisition cost of $5,000 or less per unit, the equipment may be retained, sold or disposed of with no further obligation to federal government.

b. If the property had an acquisition cost of over $5,000 per unit, the recipient of award will request disposition instructions from TCAD. Then TCAD will issue instructions to the recipient of award within 120 days following the receipt of such request and the following procedures must govern:

1. If the recipient of award is instructed to ship the property elsewhere, the recipient of award will be reimbursed with an amount which is computed by applying the percentage of the recipient of award participation in the cost of the project to the current fair market value of the property, plus any shipping or interim storage costs incurred.

2. If the recipient of award is instructed to otherwise dispose of the property, it will be reimbursed for the costs incurred in such disposition.

3. If the disposition or other instructions are not issued within the 120 day period specified in this section, the recipient of award must sell the property and reimburse TCAD with an amount which is computed by applying the percentage of federal participation in recipient of award costs to the sales proceeds. The recipient of award, however, may deduct and retain from that amount $100 or ten percent of the total sales proceeds, whichever is greater, for its selling and handling expenses.

1-6-.05 TRANSFER OF TITLE OF CERTAIN PROPERTY.

(1) Where TCAD determines that an item of equipment with an acquisition cost of $5,000 or more which is to beborne in whole by aging funds is unique, difficult, or costly to replace, TCAD may reserve the right to require the recipient of award to transfer title to the property to TCAD or to a third party named by TCAD.

(2) Such reservation will be subject to the following:

a. The right to require transfer of title may be reserved only by means of an express special condition in the project award, or, if approval for the acquisition of the property is given after the project award has been made, approved by means of a written stipulation at the time such approval is given.

b. The property must be appropriately identified in the project award or otherwise made known to TCAD.

c. TCAD will not exercise the right until the recipient of award no longer needs the property for the furtherance of its objectives. Such needs will be assumed to end on the date of termination of the award unless the recipient of award continues to conduct its activities after that date and demonstrates to TCAD a continued need for the property.

d. In order to exercise the right, TCAD will issue disposition instructions to the recipient of award not later than 120 days after the recipient of award

no longer needs the property in the project for which it was acquired. If instructions are not issued within that time, TCAD's right will lapse, and the recipient of award will act in accordance with the applicable standards.

e. The recipient of award will be entitled to reimbursement for any shipping and interim storage costs it incurs plus an amount computed by multiplying the market value of the equipment by the non-federal share pursuant to TCAD's disposition instructions.

1-6-.06 PROPERTY MANAGEMENT STANDARDS.

(1) Recipient of award property management standards for equipment mustl include the following procedural requirements:

a. Property records must be maintained accurately and provide for:

1. A description of the property;
2. Manufacturer's serial number or other unique identification number;
3. Acquisition date and cost;
4. Source of property;
5. Percentage of federal or state funds used in the acquisition of the property;
6. Location, use, and condition of the property, and
7. Ultimate disposition data, including sales price or the method used to determine the current fair market value if the recipient of award reimburses TCAD for the federal or state share.

b. A physical inventory of property will be taken and the results reconciled with the property records annually to verify the existence, current utilization, and continued need for the property.

c. A control system must be in effect to insure adequate safeguards to prevent loss, damage, or theft to the property (see Section 5-3-.05 regarding insurance requirements.). Any loss, damage or theft of equipment will be investigated, fully documented and reported to TCAD in a timely manner.

d. Adequate maintenance procedures must be implemented to keep the property in good condition. Funds may be expended to purchase bona fide maintenance agreements from suppliers, manufacturers or their authorized service outlets.

e. The recipient of state or federal funds from TCAD will establish a capitalization policy for the purchase of any equipment used within the operation of the funded programs. The agency may set any level of minimum value to be capitalized so long as it does not exceed the limit set by the Tennessee Department of Finance and Administration. This limit may change from time to time but is currently set at an amount of $5,000. Purchases below this limit are applied to any single purchase which may be recorded as **Supplies - Minor Sensitive Equipment** and charged in whole to the operating cost in the year purchased. For purposes of this limitation, a single purchase will include all cost of acquiring an item or group of similar items purchased at a given time.

f. Proper sales procedures will be established for unneeded property which would provide for competition, to the extent practical, and result in the highest possible return. For disposition of any property exceeding $5,000 estimated fair market value, the recipient of award will consult with the grantor agency regarding sales procedures.

1-6-.07 SUPPLIES.

(1) Consumable Materials and Supplies. The cost of materials and supplies with a useful life of less than one year will be applied to operating cost in the year consumed or purchased. If consumable materials and supplies are maintained as an inventory, they will be charged at actual cost when consumed within the operation.

(2) Other Supplies. In many cases, items of supplies (other than consumable supplies or materials) whose acquisition cost was borne in whole or in part by a project award have a useful life longer than the period of need on the project or program for which they were acquired. The recipient of award may, at its option, either retain or sell such items when no longer needed for any federally-sponsored

activity, including activities sponsored by federal agencies other than the USDHHS. However, compensation to TCAD will be required if the aggregate fair market value of all such items acquired under the same project award exceeds $5,000 when no longer needed for any federally-sponsored activity. The amount of compensation will be computed by applying the percentage of federal participation in the cost of the original project award to the current fair market value of items retained, and to the sales proceeds of items sold.

1-6-.08 WAIVER OF ACCOUNTABILITY.

(1) Where authorized under federal law (e.g., 42 U.S.C. 1982 [P.L 85-934]), title to tangible personal property whose acquisition cost is borne in whole or in part by aging funds will vest in the recipient of award without regard to any other requirements and without further obligation to the federal government, except as provided in Section 1-6-08(2) below.

(2) When title to an item of property having an acquisition cost of $5,000 or more is vested in the recipient of award pursuant to Section 1-6-.08(1) above, TCAD has the right to require the recipient of award to transfer title to the item of property to TCAD or to a third party named by TCAD. The right may be exercised at any time, but no later than twelve months after TCAD has received the final financial report from the recipient of award after completion or termination of activities for which the property was acquired. If the right is exercised, the recipient of award will be entitled to reimbursement for the costs incurred in transferring the property.

1-6-.09 COPYRIGHTS.

When a book or other material is developed under a federal award, the author or recipient of award is free to copyright the work, but TCAD and the AoA will have a royalty-free, non-exclusive and irrevocable license to reproduce, publish, or otherwise use, and the right to authorize others to use the work for government purposes.

1-6-.10 DETERMINING PERCENTAGE OF PARTICIPATION.

Various provisions in Section 1-6-.05 of these policies require a determination of the percentage of federal participation in the cost of the project or program in order to

compute the amount of compensation for the value, or proceeds from the sale of property. The percentage to be used should be the same as the matching share utilized in the program award during the year in which the property was acquired.

1-7 COST PRINCIPLES APPLICABLE TO GRANTS AND CONTRACTS.

1-7-.01 PURPOSE AND SCOPE.

(1) Objectives. This section sets forth principles for determining the allowable costs of the aging programs administered by agencies under grants from, and the contracts with, the AoA, or TCAD, or AAAD. The principles are for the purpose of cost determination and are not intended to identify the circumstances or dictate the extent of federal and state or local participation in the financing of a particular grant. They are designed to provide that federally or state-funded programs bear their fair share of costs recognized under these principles, except where restricted or prohibited by law. No provision for profit or other increment above cost is intended.

(2) Policy Guides. The application of these principles is based upon the fundamental premise that:

a. Government agencies are responsible for the efficient and effective administration of grant and contract programs through the application of sound management practices.

b. The grantee or contractor assumes the responsibility for assuring that aging program funds have been expended and accounted for consistent with underlying agreements and program objectives.

c. Each grantee or contractor organization, in recognition of its own unique combination of staff, facilities and experience, will have the primary responsibility for employing whatever form of organization and management techniques may be necessary to assure proper and efficient administration.

(3) Applicability. These principles will be applied in determining costs incurred by government agencies under aging grants and cost-reimbursement type contracts (including sub-grants and sub-contracts) except for those with:

a. publicly-financed educational institutions subject to requirements of Appendix D of 45 CFR 74; and,

b. publicly-owned hospitals and other providers of medical care subject to requirements of Appendix E of 45 CFR 74. These principles apply to federal, state and local government agencies. For further clarification, refer to the definition of "local government" in Section 1-7-.02 below.

1-7-.02 DEFINITIONS.

(1) General.

a. Approval or Authorization of the AoA: Documentation evidencing consent prior to incurring specific cost.

b. Cost Allocation Plan: The documentation identifying, accumulating, and distributing allowable costs under contracts together with the allocation methods used.

c. Cost: As used herein, cost as determined on a cash, accrual, or other basis acceptable to the AoA as a discharge of the contractor's accountability for aging program funds.

d. Cost Objectives: A pool, center, or area established for the accumulation of cost. Such areas include organizational units, functions, objects or items of expense, as well as ultimate cost objectives including specific grants, projects, contracts, and other activities.

e. Federal Agency: AoA, USDHHS.

f. Grant: The agreement between the AoA and TCAD or TCAD and a local government agency whereby aging funds are provided to carry out specified programs, services, or activities. The principles and policies stated in this section, as applicable to grants in general, also apply to any aging program-sponsored cost reimbursement type of agreement performed by a government agency including contracts, sub-contracts and sub-grants.

g. Grant Program: Those activities and operations of the grantee which are necessary to carry out the purposes of the grant, including any portion of the program financed by the grantee.

h. **Local Government**: A local unit of government including specifically a county, municipality, city, town, township, local public authority, special district, intrastate district, council of governments, sponsor group representative organization, and other regional or intrastate government entity, or any agency or instrumentality of a local government exclusive of institutions of higher education, hospitals and school districts.

i. **Other State or Local Agencies**: Departments or agencies of the state or local government which provide goods, facilities, and services to a grantee.

j. **Services:** As used herein includes all goods, facilities and services provided to the grantee, service provider or participant within the programs administered through TCAD and the AAADs.

k. **Supporting Services**: Auxiliary functions necessary to sustain the direct effort involved in administering a grant program or an activity providing service to the grant program. These services may be centralized in the grantee agency or in some other agency, and include procurement, payroll, personnel functions, maintenance and operation of space, data processing, accounting, budgeting, auditing, mail and messenger service, and the like.

(2) Definition of Nonprofit Institution.

a. For purposes of this document, any corporation, foundation, trust, association, cooperative or other organization other than:

1. Educational institutions;
2. Hospitals; and,
3. State and local government agencies, bureaus or departments, which is operated primarily for scientific, educational, service, charitable, or similar purposes in the public interest, which is not organized primarily for profit, and which uses all income exceeding costs to maintain, improve and/or expand its operation.

b. The charter or other legally binding authority for the existence of the institution must provide that no part of the net earnings, properties or other assets of the institution, on dissolution or otherwise, will inure to the

benefit of any private person or individual including any member, employee, officer, director or trustee of the institution and that, on liquidation or dissolution all properties and assets remaining after providing for all debts and obligations, will be distributed and paid over to such other fund, foundation or other organization formed and operated as a non-profit institution, as defined herein, as the board of directors or trustees may determine. Institutions which have received tax exemptions as nonprofit institutions from the U.S. Internal Revenue Service will be considered to have met the criteria of this definition.

c. For purposes of the guidelines, the terms non-profit and not-for-profit, as they are descriptively applied to institutions, will be considered synonymous provided the requirements above are met.

1-7-.03 BASIC GUIDELINES.

(1) Factors Affecting Allowability of Costs for Government Agencies are identified and defined in **OMB Circular A-87.**

(2) Factors affecting allowability of cost for non-profit institutes are identified and defined in **2 CFR Part 230,** also known as **OMB Circular A-122**.

1-7-.04 COMPOSITION OF COST.

The total cost of a grant is comprised of the allowable direct cost incident to the conduct of activities by the grantee plus its allocable portion of allowable indirect costs and allocable direct costs, less applicable credits. Policy 03 Section 4 – Cost Allocation defines cost and the various types of cost and how that cost is to be allocated to the services to which benefit was provided. These may be Direct or Indirect Cost in accordance with the definitions and directives of OMB Circular A-122.

1-7-.05 STANDARDS FOR SELECTED ITEMS OF ALLOWABLE COSTS.

The standards as set forth in **2 CFR Part 230 Appendix B,** also known as **OMB Circular A-122 ATTACHMENT B,** provide principles to be applied in establishing the allowability of certain items of cost for the conduct of programs for aging and disabled Tennesseans. These standards will apply irrespective of whether a particular item of cost is treated as a direct or indirect cost. Failure to mention a particular item of cost is not

intended to imply that it is either allowable or unallowable; rather, determination of allowability in each case should be based on the standards provided for similar or related items of cost. The cost policies prescribed in the circulars provide that cost is allowable only to the extent that the costs are reasonable and necessary to carry out the program in which they are applied. The determination of reasonable and necessary will be made by TCAD on the basis of numbers of staff, locality, type of activities proposed and other factors in any plan or proposal submitted, as compared with plans and proposals from other areas of the state.

1-8 STANDARDS APPLICABLE TO PARTICIPANT CONTRIBUTIONS, PROJECT INCOME, AND PETTY CASH.

1-8-.01 PARTICIPANT CONTRIBUTIONS FOR SERVICES.

(1) **Minimum Standards.**

a. Each program recipient must have the free and voluntary opportunity to contribute toward the cost of the service provided.

b. Each individual recipient will determine what amount to contribute.

c. Methods for receiving contributions from individuals must protect the privacy of each participant with respect to contribution.

d. No qualified participant will be denied a service because of failure to contribute.

e. Each service provider will develop a suggested contribution schedule as required by 45 CFR, 1321.111(b).

f. The suggested contribution schedule will be posted conspicuously at all service sites (including meal sites, information and referral, legal services, ombudsmen, and in all vehicles transporting participants) and should include:

1. The cost of a unit of service;

2. The suggested fee recommended by the AAAD's advisory council for eligible participants; and,

3. A statement that state staff, AAAD staff and guests must pay the program cost.

g. At no time will a means test, individual arrangement or record of amount contributed be made with any participant for soliciting a contribution.

h. Service providers must apply for authorization to accept food coupons (food stamps) in lieu of cash from participants who are eligible to receive food coupons and who wish to use the coupons for paying for meals, either congregate or home delivered. Application for such authorization must be made to the nearest field office of the Food and Nutrition Service, USDA.

(2) **Procedures for Collecting Contributions.**

a. Each location and vehicle will provide a locked and conspicuously marked container for the collection of participant contributions.

b. Each location and vehicle will provide small, non-transparent collection envelopes for use by participants in transferring their individual contributions to the collection container.

c. Absolutely all contributions must be placed in the locked collection container.

d. The key to the collection container will not be kept at the service location or in the vehicle.

e. Each collection container will be permanently marked identifying the location or vehicle where it is used.

f. The locked collection container will be transferred to a central location to be opened and the amount of contributions noted.

(3) **Policy on Internal Control of Contributions (Not Performed on Site).**

a. A minimum of two persons must be present when contributions are removed from the collection container and counted at the central location.

b. The cash receipts journal will be maintained by only one person, but the entries should be witnessed.

c. The cash receipts journal will be kept using a computer or in a locked file cabinet with access limited to a minimum number of persons.

d. The transfer of contributions will be receipted each time the responsibility is transferred from collection to deposit.

e. The total of each day's contributions must be deposited into a dedicated account at an FDIC insured institution on a daily basis.

f. Daily deposit slips will be used to maintain a subsidiary cash receipts journal.

g. The cash receipts journal and subsidiary cash receipts journal will be reconciled monthly by site, provider or vehicle and any discrepancies investigated promptly.

h. Proper documentation must be maintained on all deposits and withdrawals from this account.

i. All individuals handling contributions will be covered by a fidelity bond.

(4) **Accounting and Use of Participant Contributions.**

a. All contributions made by older persons who are recipients of services are considered program income and reported as "Participant Contributions"..

b. All contributions must be expended during the budget year in which they are generated.

c. All aging program contributions must be used to expand the services of the provider as outlined in the area plan. Nutrition service providers will use contributions to increase the number of meals served, to facilitate access to nutrition services, and to provide other supportive services directly related to nutrition services.

d. Accumulated contribution income and/or earned interest may not be used as carryover.

e. Participant contributions will be included in the external audit of the service provider.

1-8-.02 PROGRAM INCOME.

(1) **Funds Included as Program Income.**

a. Program income means gross income earned by a grantee or contractor from activities part or all of the cost of which is either borne as a direct cost by a grant or contract from TCAD or counted as a direct cost or allocable direct cost towards meeting a cost sharing or matching

requirement of such a grant or contract. Program income includes, but is not limited to:

1. Income from service fees;
2. Proceeds from the sale of personal or real property;
3. Usage or rental fees;
4. Sale of assets purchased with grant funds;
5. Contributions received from participants for services received by the participant, and interest earned on such contributions;
6. Proceeds from sales of goods or services where the grantee or contractor has a sales operation for the purpose of raising funds (including but not limited to used books, quilts, ceramics); and,
7. Other income as defined by TCAD.

b. In other cases not specifically excluded or defined in this section, TCAD will apply the following test to determine if a specific revenue is to be classed as program income. TCAD may classify the revenue as program income, and it will be subject to the provisions of this section if the revenue:

1. Can clearly be shown to have been generated from some particular activity conducted by the grantee or contractor; and,
2. Was generated by an activity supported in whole or in part by OAA funds, other federal/state funds administered by TCAD, or related matching funds.

c. The following specific revenues will not be included as program income:

1. Interest income on federal/state funds. Interest income on federal/state funds may be retained by projects if such income is used for project purposes. If interest income on federal/state funds is not used for project purposes, it must be returned to TCAD.
2. Rebates, discounts, and recoveries.
3. Income earned by individuals or a group of program participants, when such income accrues directly to the participants.

4. Revenues raised by a governmental recipient (grantee or contractor) under its governing powers, such as taxes, special assessments, etc.

5. Tuition and related fees received by an institution of higher education for a regularly offered course taught by an employee performing under a grant or contract.

(2) **Allowable Uses of Program Income.**

a. General

1. Project grant-related program income must be included in the budget for each aging contract, and must be budgeted for costs allowable under the program which earns the income.

2. If a contractor does not request and receive approval for a specific allowable use of the program income, the income will be deducted from total allowable project costs.

3. Program income must be budgeted and used during the current period, i.e., the year in which it is earned. If a project has unexpended grant-related program income at the end of the project year, such funds will be deducted from total allowable project costs before computing federal and matching expenditures.

b. **Special Requirement for Nutrition Services.** Under nutrition services, program income, including Participant Contributions, must be used to increase the number of meals served, facilitate access to nutrition services, and to provide other supportive services directly related to nutrition.

c. **Program Income Accrued After the Contract Period.** Should program income be earned during a budget period in which TCAD contract support is provided but did not actually accrue until a later budget period, it must be used in a manner consistent with the provisions of this section but as budgeted, and approved by TCAD, in the subsequent budget period.

(3) **Procedures to be Followed in Obtaining Permission to Utilize Program Income.**

a. Contractor should project an anticipated amount of program income and incorporate this estimate into the area plan or annual plan update and the project's annual budget.

b. If revisions are necessary, the contractor should follow the procedures described in Section 5-5-.07 for submitting a plan and budget change.

(4) **Accountability for Program Income.**

a. Contractors must utilize generally accepted accounting standards for collecting and recording participant contributions and other program income. Such standards require the accurate recording of amounts received and the subsequent use of these funds.

b. All program income must be reported to TCAD on the project's quarterly financial report.

c. Contractor accounting records and the reports submitted to TCAD should provide a clear audit trail on all program income/participant contributions and its uses. Account records and reports should accurately reflect the expenditure of funds with the separate line-item reporting of program income/participant contributions along with the reporting of applied federal funds, state funds, and/or the use of local resources to cover the full cost of services.

d. Contractors should use reasonable care in safeguarding program income/participant contributions collected at project sites, including locking cash in secure storage facilities and making timely deposits to an appropriate account to prevent on-site storage of significant amounts of cash.

e. Although interest income on federal funds is not considered program income, programs and contractors should maintain adequate accounting records on any interest income earned on OAA funds. TCAD must approve the proposed use for interest income as an activity which will further the purposes of the program and the OAA.

f. Rebates, discounts, and recoveries on leases should be treated as applicable credits and credited towards the current operating cost of the

program or service on which they were generated. If the amount of credit exceeds the current expenditures, the excess will be credited to the federal grant used to provide the program or service in the prior accounting period.

1-8-.03 PROCEDURES FOR THE MAINTENANCE OF A PETTY CASH FUND.

Petty cash funds will be limited to the amount of funds needed for minor purchases of goods or services on a daily basis that require immediate payment and a check is not immediately available. Petty cash funds will be further limited to more than is usually necessary for a reasonable amount of time no to exceed one (1) month. If a petty cash fund is used it must be maintained with the following guidelines:

(1) All disbursements made from the petty cash fund must be supported by a petty cash disbursement voucher and a receipt, as a back-up document.

(2) Petty cash disbursements must be shown in the accounting records under the appropriate line item and also on the service provider financial report for the quarter in which the payment was made.

(3) The petty cash fund should be reimbursed at least quarterly to bring the fund back up to its maximum level.

(4) One individual, who is solely responsible for maintenance of the fund, should be designated as the petty cash custodian.

1-9 PROCEDURES FOR REIMBURSEMENT OF TRAVEL EXPENSES.

1-9-.01 IN-STATE TRAVEL.

(1) In-state travel costs are allowable for expenses for transportation, lodging, subsistence, and related items incurred by employees, board members, and advisory committee members who are in travel status on official business incident to the program.

(2) Such costs may be reimbursed on a basis consistent with the State of Tennessee Comprehensive Travel Regulations (Rules of the State of Tennessee, *Sections 0620-1-1 through 0620-1-5*).

(3) The difference in cost between first-class air accommodations must be reasonably justified (e.g., first class is available only).

(4) The rate of reimbursement for use of private automobiles must conform to the rate set by the State Comprehensive Travel Regulations.

1-9-.02 OUT-OF-STATE TRAVEL.

Out-of-state travel requests by AAAD staff must be submitted in writing to TCAD at least 10 working days prior to the travel. The executive director of TCAD will respond in writing, either approving or disapproving the out-of-state travel. For some conferences or workshops, TCAD will issue a blanket travel approval which will eliminate the need for written requests. If out-of-state travel is expected and is detailed in the AAAD's annual area plan, approval of the plan will constitute approval of such detailed travel. If there are any changes to the details noted in the area plan, the request for approval will be required.

1-9-.03 FOREIGN TRAVEL.

Foreign travel is not allowable without the specific written approval of TCAD. Travel outside the continental forty-eight (48) United States will be considered as foreign travel for purposes of this policy.

ATTACHMENT A

RULES
OF
TENNESSEE COMMISSION ON AGING AND DISABILITY

CHAPTER 0030-1-10
FINANCIAL MANAGEMENT STANDARDS AND PROCEDURES

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0030-1-10-.01 INTRASTATE FUNDING FORMULA.

(1) Federal funds received under Title III of the Older Americans Act shall be allocated to each of the nine area agencies on aging using the following formula:

(a) Ten percent of the Title III funds for area agencies is designated for administration of area agencies on aging. From this amount each area agency is allocated an identical base sub-grant of $100,000 plus a pro rata share of the remaining funds. The pro rata share shall be equal to the percentage which reflects a given area agency's portion of total state funds allocated to all area agencies by the state agency for nutrition services and senior centers in the state fiscal year immediately preceding the distribution of funds.

(b) Ninety percent of the Title III funds for area agencies is allocated for services. This amount shall be distributed as follows:

1. Thirty-five percent of the services allocation shall be distributed among the area agencies in proportion to each planning and service area's share of the total number of elderly persons (aged 60 and over) in the state.

2. Thirty percent of the services allocation shall be distributed among the area agencies in proportion to each planning and service area's share of the total number of elderly persons with income below 100% of the poverty level established by the Office of Management and Budget.

3. Ten percent of the services allocation shall be distributed among the area agencies in proportion to each planning and service area's share of the total number of minority elderly persons with income at or below 100% of the poverty level established by the Office of Management and Budget.

4. Fifteen percent of the services allocation shall be distributed among the area agencies in proportion to each planning and service area's share of the total number of elderly living in rural areas (as defined by the Census Bureau).

5. Ten percent of the services allocation shall be distributed among the area agencies in proportion to each planning and service area's share of the total number of elderly persons who are age 80 and above.

(c) The Commission shall review and update the Title III formula as often as a new State Plan is submitted to the Administration on Aging.

(d) The source of data for all formula factors listed in sub-paragraph (1)(b) above shall be the most recent decennial federal census of population.

(e) The Commission shall submit its formula for distribution of Title III funds to the Commissioner of the Administration on Aging prior to implementation, as specified by the Older Americans Act.

(2) The state appropriation for multipurpose senior citizen centers shall be allocated to each area agency on aging in the following manner:

(a) Thirty eight percent of the total funds available to senior citizen centers will be distributed among the area agencies using an identical sub-grant for each county in the state multiplied by the number of counties in each planning and service area.

(b) Of the remaining funds, fifty percent will be allocated based on each district's proportion of the state's elderly population and fifty percent will be allocated based on the district's proportion of the state's elderly with incomes at or below 100 percent of the poverty level.

(3) The state appropriations for home delivered meals and homemaker services are allocated to each area agency on the formula outlined in paragraph (2)(b), fifty percent based on the number of elderly in the district and fifty percent based on the number of elderly with incomes at or below 100 percent of the poverty level. There is no base subgrant for these services.

(4) The Commission will review and update its formulas for distribution of state funds as often as a state plan is submitted to the Administration on Aging using the same source of data as for the federal formula (1)(d) above.

Authority: *T.C.A. §§71-2-104(a) and 71-2-105.* ***Administrative History:*** *Original rule filed July 6, 1982; effective August 6, 1982. Amendment filed June 26, 1990; effective August 10, 1990. Amendment filed October 21, 1991; effective January 29, 1992. Amendments filed February 28, 2006; effective June 28, 2006. Amendment filed July 26, 2006; effective October 9, 2006.*

The above rule is available at http://tennessee.gov/sos/rules/0030/0030-01-10.pdf

ATTACHMENT B

RULES
OF
TENNESSEE COMMISSION ON AGING

CHAPTER 0030—1—8
RULES OF PROCEDURE FOR
STATE AGENCY HEARINGS ON CONTESTED CASES

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0030—1—8—.01 RULES OF PROCEDURE FOR HEARING CONTESTED CASES. For rules of procedures for hearing contested cases see rules of the Secretary of State, Chapter 1360—1—7.

Authority: T.C.A. §4—509. Administrative History: Original rule filed and effective December 31, 1980.

0030—1—8—.02 STATE AGENCY HEARINGS.

(1) The State Agency will provide an opportunity for a hearing to:

(a) Any Area Agency when the State Agency proposes to:

1. Disapprove the area plan or plan amendment submitted by the Area Agency; or,

2. Withdraw the Area Agency's designation.

(b) Any applicant for designation as a planning and service area whose application is denied;

(c) Any nutrition project which the Area Agency proposes to defund; and,

(d) Any service provider whose application to provide services under an area plan is denied or whose contract is terminated or not renewed except as provided in 45 CFR, Part 74, Subpart M, of the regulations.

(2) If any agency or organization wants a hearing, it must file a written request for a hearing with the State Agency within thirty (30) days following its receipt of the notice of the adverse action.

(3) When it receives a request for a hearing, the State Agency will notify the agency or organization of the date, time, and location of the hearing. The State Agency will complete the hearing within 120 days of the date the request for hearing was received by the State Agency. The State Agency will issue the hearing decision within sixty (60) days after the hearing is completed.

(4) The State Agency hearing procedures for Area Agencies and service provider organizations will include:

(a) Timely written notice of the reasons for the agency action that is being appealed and the evidence on which the action was based;

(b) An opportunity to review any pertinent evidence on which the agency action was based;

(c) An opportunity to appear in person before an administrative hearing office and/or the board of the Commission to refute the basis for the decision in accordance with Section 1360—1—7—.02(j);

(d) An opportunity to be represented by counsel or other representative;

(e) An opportunity to present witnesses and documentary evidence;

(f) An opportunity to cross-examine witnesses; and,

(g) A written decision which sets forth the reasons for the decision and the evidence on which the decision is based.

(5) The State Agency may terminate formal hearing procedures at any point if the State Agency and agency or organization that requested the hearing negotiate a written agreement that resolves the issue(s) which led to the hearing.

***Authority**: T.C.A. §14—6—105. **Administrative History**: Original rule filed July 6, 1982; effective August 6, 1982.*

0030—1—8—.03 DISAPPROVAL OF AN AREA PLAN AND/OR WITHDRAWAL OF AREA AGENCY DESIGNATION.

(1) The State Agency will withdraw the Area Agency designation whenever the State Agency, after reasonable notice and opportunity for a hearing finds that:

(a) The Area Agency does not meet the requirements set out in the policies for Area Agency administration;

(b) The plan or plan amendment is not approved; or,

(c) There is substantial failure in the provisions or administration of an approved area plan to comply with any provision of this part.

(2) If the State Agency withdraws an Area Agency's designation, it will:

(a) Notify the Commissioner in writing of its action;

(b) Provide a plan for the continuity of services in the affected planning and service area; and,

(c) Designate a new Area Agency in the planning and service area in a timely manner.

(3) If necessary to ensure continuity of services in a planning and service area, the State Agency may, for a period of up to 180 days after its final decision to withdraw designation of an Area Agency:

(a) Perform the responsibilities of the Area Agency; or,

(b) Assign the responsibilities of the Area Agency to another agency in the planning and service area.

(4) The Commissioner may extend for a period of up to an additional 180 days the limit in the previous paragraph of this section if the State Agency:

(a) Requests an extension; and,

(b) Demonstrates to the satisfaction of the Commissioner a need for the extension.

***Authority**: T.C.A. §14—6—105. **Administrative History**: Original rule filed July 6, 1982; effective August 6, 1982.*

The above rule is available at http://tennessee.gov/sos/rules/0030/0030-01-08.pdf