**Section 540.70 Program Administration Requirements**

a) Program Targeting – Services provided through grants under Sections 540.60(a) and (d) of this program must benefit Illinois business as that term is defined in Section 46.19a(2)(e) of the Civil Administrative Code of Illinois (Ill. Rev. Stat. 1984 Supp., ch. 127, par. 46.19a(2)(e)) and as determined by the review process in Section 540.50.

b) Eligible Grant Recipients – Grants may be awarded by the Department to business, universities, research institutions, research consortia, and other not-for-profit entities, consistent with the legislative intent for each particular grant category as specified in Section 540.60 of this Part.

c) Property Records – The recipient agrees to maintain property records and at least annually conduct an inventory of all equipment or nonexpendable personal property purchased with grant funds. Equipment must be used on the original project as long as needed. While being used on the original project, equipment may be made available for "shared use" with other activities provided that use will not interfere with its use for the original project. When no longer needed for the original purpose, equipment may be used for other projects (projects of the Department are to be given first priority, if there is a choice).

d) Record Retention and Review – Recipients and their subcontractors must permit any agent authorized by the Department upon presentation of credentials, in accordance with the constitutional limitations on administrative searches, to have full access to and the right to examine any documents, papers and records of the recipient involving transactions related to a grant under this program. To the extent authorized by the Freedom of Information Act (Supp. to Ill. Rev. Stat. 1983, ch. 116, pars. 201 et seq.), the Department will not make public any information disclosing program supported technical information if the recipient believes such disclosure would affect the commercialization potential of the project. The term "subcontractor" as used in this clause excludes purchase orders not exceeding $2,500.00.

e) Financial Management Standards – A recipient's financial management system shall be structured under the Accounting Standards of the Financial Accounting Standards Board of the American Institute of Certified Public Accountants (AICPA) (June, 1984) in accordance with the reporting requirements specified in Section 540.70(u) of this Part. The recipient is accountable for funds received under this grant and shall maintain effective control and accountability over all funds, equipment, property, and other assets under the grant. The recipient shall keep records which detail the recipient's expenditures of grant funds and accurately document the recipient's Expenditure Summary and Payments Request Form submitted pursuant to Section 540.70(u).

f) Method of Compensation –

1) Payments pursuant to a grant are subject to the availability of funds appropriated by the General Assembly.

2) Payments to the recipient are subject to the initiation of an invoice voucher. The first payment for program initiation may be an advance for the first month's cash needs. Thereafter, the payments are dual purpose in that they will be sufficient to cover the expenditures to date as well as the cash needs of the recipient for the next period.

g) Audits – The recipient will conduct an audit of all program records which reflect the actual activities conducted and the actual costs and expenses incurred by the recipient, using an independent public accountant, certified and licensed by authority of the State of Illinois. The audit must be conducted in accordance with generally accepted auditing standards adopted by the Codification of Statements on Auditing Standards of the AICPA (January, 1983) and must be submitted to the Department within 45 days of the expiration of the grant. If the recipient is routinely audited by the Auditor General of the State of Illinois, the grant need not be audited separately by the recipient. The audit is to include both the state and required matching share of the project. The recipient shall be responsible for taking the necessary steps to correct any deficiencies disclosed by such audit, including such action as the Department, based on its review of the audit report, may direct. Ten copies of each audit report shall be transmitted to the Department. The recipient shall keep a copy of each audit on file for at least three (3) years.

h) Modification and Amendment of the Grant – The Grant Award is subject to revision as follows:

1) Modifications by Operation of Law – The Grant Award is subject to such modifications as may be required by changes in state law or regulations. Any such required modification shall be incorporated into and made a part of the grant within the provisions of the Illinois Grant Recovery Act (Ill. Rev. Stat. 1983, ch. 127, par. 2301 et seq.). The Department shall notify in writing the recipient of any amendment to such regulations.

2) Modifications in Budget – If the recipient has reason to believe that its operation for the grant period will exceed the budgeted amount, it shall request prior approval of the Department, except that upon specific prior approval of the Department the recipient may vary budgeted line items or cost categories. Any changes in cost categories or line items shall not alter the activities or delivery systems for the project. Requests for budget variations shall be in writing and shall give justifications for the requested variations. The Department will approve modification requests if they are necessary to achieve program objectives; required by increases or decreases in program funding; or result in greater cost efficiencies. If the Department approves the modification request, the recipient will be notified in writing of the change and effective date. If the Department rejects the modification, the Department will notify the recipient in writing of the reason(s) for denial.

3) Other Modifications by Department or Recipient – If either the Department or the recipient desires to modify the terms of the Grant Award other than as set forth in subsections (1) and (2) above, written notice of the proposed modification shall be given to the other party. No modification shall take effect unless agreed to in writing by both the Department and the recipient, except that if the Department proposes a modification without prior agreement of the recipient, the recipient will be notified of the modification by registered letter and be notified that failure to respond within 30 days of the date of the letter will be deemed acceptance of the modification, which will become effective as of the specified future date.

i) Suspension and Termination –

1) If the Department believes that a recipient has failed to comply with the terms and conditions of the Grant Award, then the Department shall suspend the grant and withhold further payments until the grant is terminated, or the recipient's failure has been corrected. The Department will determine that a recipient has failed to comply with the terms and conditions of a grant when:

A) The Department has notified the recipient in writing of the existence of circumstances such as, consistent failure to submit required reports, failure to protect inventory, misuse of equipment purchased with grant funds, evidence of fraud and abuse, consistent failure to meet performance standards, or failure to resolve negotiated points of the agreement, and

B) the recipient fails to develop and implement a corrective action plan within 45 days of the Department's notice.

2) A grant shall be terminated in the absence of full state funding; if the Department determines that the recipient has failed to comply with the terms and conditions of the grant in whole or in part; or if the Department and the recipient agree to terminate the grant.

j) Nondiscrimination – The recipient shall refrain from unlawful discrimination in employment and undertake affirmative action to assure equality of employment opportunity and eliminate the effects of past discrimination in accordance with the Illinois Human Rights Act (Ill. Rev. Stat. 1983, ch. 68, pars. 1-101 et seq.).

k) Complaint Process – In the case of a recipient complaint, the Department will follow the procedures outlined in the Administrative Review Law (Ill. Rev. Stat. 1983, ch. 110, pars. 3-101 et seq.).

l) Royalty-Free Use for State Agencies – The Department, or its agents, shall negotiate royalties with recipients on any subject data, copyrights, patents, or technical data to be developed under the recipient's contract as part of the specified work plan i*f the product or service to be developed by the grantee is subsequently licensed for production* (Ill. Rev. Stat. 1984 Supp., ch. 127, par. 46.19a(2)). These royalties shall include negotiated monetary compensation and royalty-free use of the product or service by the Department.

m) Patent and Technical Information – Recipient copyright and patent policies must provide for protection of technical information, identify ownership and control of patents, detail procedures for the sale or licensing of patents and protect government use of patented and copyrighted items.

n) Publication, Promotion, and Marketing – Recipients must inform the Department of the nature and contents of all public information and promotional documents prior to or concurrent with the dissemination of such information and documents (i.e., program reports, annual reports, informational brochures, fact sheets, manuals, or other similar documents). Any failure to submit this information shall not be the sole basis for termination of a Grant Award. In addition, all such documents must include acknowledgement of the support of the Department of Commerce and Community Affairs and must include logo(s) identified by the Department.

o) Program Coordination – The Department will require applicants to arrange for program coordination with existing services of federal or state agencies and with those projects funded under this program.

p) Program Income – Income generated under any program and accrued interest on such program income shall be used to further program objectives when retained by the recipient or may be remitted to the State.

q) Administrative Costs – There is a 15 percent ceiling on the amount of a Department grant which can be used for general indirect costs incurred. Entities which want to recover indirect costs shall do so in accordance with their approved cost plan. An approved cost plan is one which has been approved by the entity's cognizant federal agency or the Department.

r) Program Match – Each recipient must match Department funds. Match can include in-kind or cash contributions as well as indirect cost contributions. Program income generated from project activities can also be counted as match. Grant monies or other funds received from the federal government or from state entities can be counted as match, provided that such funds are reprogrammed to directly relate to the objectives of the project. Matching contributions must:

1) be under the control of the project officer;

2) be identified in the recipient's application as necessary for the proper and efficient administration of the project;

3) be incurred during the Grant Award period;

4) be supported by records of services rendered and/or detailed documentation of costs incurred; and

5) not be a general expense of the recipient which is incurred in carrying out overall responsibilities other than those required under this grant.

s) Interest on Grant Funds – In accordance with Section 10 of the Illinois Grant Funds Recovery Act (Ill. Rev. Stat. 1983, ch. 127, par. 2310), all interest earned on funds held by the recipient under this grant shall become part of the grant when earned; however, interest earned on grant funds may be retained by the recipient when the cost of accounting for the interest or allocating the interest to the grant is more than the amount of interest earned. Any interest earned under the grant, and not expended as grant principal during the term of the grant, shall be returned to the Department.

t) Return of Unobligated Funds – In accordance with Section 4(d) of the Illinois Grant Funds Recovery Act (Ill. Rev. Stat. 1983, ch. 127, par. 2304), the recipient shall refund to the Department within 45 days after the expiration of the grant any balance of funds that were unobligated at the end of the grant period.

u) Program Reports – Each recipient is required to report financial and programmatic data to the Department on a regular basis on forms prepared by the Department. Standard reports are as follows:

1) Expenditure Summary – The recipient shall maintain appropriate records of actual grants costs on Expenditure Summaries supplied by the Department. These Expenditure Summaries will identify line item costs charged to the grant and line item matching share supplied by the applicant or third parties. Expenditure Summaries are to be submitted to the Department by the 10th day following the end of each month.

2) Client Status Report – Each recipient shall maintain individual records of each client provided service through the project using the Client Status Report supplied by the Department. These Client Status Reports will identify basic demographic information about the firm being assisted, summarize the work plan designed for this firm, and relate the manner and types of service delivered. One copy of each active Client Status Report shall be delivered to the Department on a monthly basis, due the 10th day following the end of each month.

3) Quarterly Program Report – Each recipient shall prepare a Quarterly Program Report in the form designated by the Department. The Quarterly Program Report shall include an aggregated statistical summary of small businesses and firms served, their demographic composition, and the types of services delivered; and a narrative report on progress towards achieving objectives and activities, economic impact of the program, and a list of business/institutional interactions. Quarterly Program Reports shall be submitted to the Department by the 10th day following the end of each program quarter.

v) Monitoring and Evaluation – The Department will monitor and evaluate the grant made to the recipient under this program. The grant will be monitored for compliance with the Section 540.70 and will be monitored periodically throughout the program year. The grant will be evaluated to gauge its impact upon the business community and for the effective and efficient utilization of funds. Evaluations will occur both during the operation of the program and upon its completion.

w) State Not Liable – The recipient shall save the State of Illinois harmless from any and all claims, demands, and actions based upon or arising out of any services performed by themselves or by their associates and employers under this grant.

(Source: Amended at 9 Ill Reg. 15829, effective October 9, 1985)