**Section 1220.370 Accounting Standards**

a) Financial Responsibility

1) Accounting records should provide the information needed to separately identify the receipts and expenditures of State and other matching funds.

2) Entries in accounting records should refer to subsidiary records and/or documentation that supports the entry and that can be readily located.

3) The accounting system should provide accurate and current financial information.

4) The accounting system should have an adequate system of internal controls to safeguard the funds and assets covered, check the accuracy and reliability of accounting information, and promote operational efficiency.

b) Internal Control

1) While it is recognized that many MEG Units have limited staffs, sound internal control requires a certain minimum separation of financial duties. Therefore, no one individual may control all of the following activities:

A) Authorization to initiate expenses, purchase orders, etc.

B) Approving vouchers for payment.

C) Signing checks.

D) Recording transactions in books of account.

E) Responsibility for physical custody of vouchers, payroll records, cancelled checks, and books of account.

2) All MEG Units are required by this subsection (b)(2) to establish a pre-voucher review in order to assure proper payment of funds. The person who signs the checks must assure himself/herself by review of the accompanying voucher, time sheet, or any other reasonable means that payment is correct. The person who initials and/or approves a voucher for payment may not be the sole signer of the check paying for those goods nor may he/she be delegated the entire pre-voucher review responsibility. Financial officers have the responsibility and authority to disallow payment of expenditures made contrary to the requirements of this subsection (b)(2).

3) Financial activities should be separated into the following functions and each should be performed by a different individual:

A) Initiating expense and approving payment.

B) Disbursing funds or signing checks.

C) Recording transactions into books of account.

4) All MEG Units are required to have an annual audit performed by a Certified Public Accountant.

c) Contractual Responsibility

The MEG Unit is the responsible authority, without recourse to the Department, regarding the settlement and satisfaction of all contractual and administrative issues arising out of procurements entered into in support of the MEG Unit. Matters concerning violation of law are to be referred to such local, State or federal authority as may have proper jurisdiction.

d) Procurement Requirements

The requirements outlined in this subsection (d) represent minimum State standards for the procurement of goods and services with Department funds; MEG Units may use their own applicable local rules and regulations if those standards meet or exceed the following:

1) The MEG Unit shall develop or maintain a code of conduct, in addition to the Department rules of conduct, which shall govern the performance of its officers, employees, or agents in contracting with or expending Department funds. To the extent permissible by State or local law, rules or regulations, these standards shall provide for penalties, sanctions or disciplinary actions to be applied for violations of these standards. Officers, employees or agents of the MEG Unit shall neither solicit nor accept gratuities, favors or anything of monetary value from contractors or potential contractors.

2) All procurement transactions, regardless of whether negotiated or advertised and without regard to dollar value, shall be conducted in a manner so as to provide maximum and free competition. The MEG Director should be alert to organizational conflicts of interest or non-competitive practices among contractors that may restrict or eliminate competition or otherwise restrain trade.

3) Proposed procurements shall be reviewed by MEG officials to avoid purchasing unnecessary or duplicative items. When appropriate, a lease vs. purchase analysis shall be conducted by the Unit to determine the most economical and practical procurement. A lease vs. purchase analysis is required for any acquisition of automatic data processing equipment. The analysis must be provided to the Department prior to procurement.

4) All procurements in excess of $20,000 shall contain suitable provisions for termination by the MEG Unit, including the manner by which termination will be effected and the basis for settlement. The provisions shall include conditions under which the contract can be terminated for default, as well as conditions under which the contract can be terminated because of circumstances beyond the MEG Unit's or the contractor's control.

5) All procurements in excess of $20,000 shall include provisions for compliance with federal Executive Order No. 11246 entitled "Equal Employment Opportunity" as amended by Executive Order No. 11375, as supplemented by U.S. Department of Labor regulations (41 CFR 60). Each contractor shall be required to have an affirmative action plan that declares that it does not discriminate on the basis of race, color, religion, creed, national origin, sex or age and that specifies target goals and target dates to assure implementation of that plan. The MEG Unit shall establish procedures to assure compliance with this requirement by contractors and to assure that suspected or reported violations are promptly investigated. The MEG Unit shall require the contractor to insert this provision in all subcontracts and subgrants in excess of $20,000.

6) Procurement records for purchases in amounts in excess of the small purchase threshold determined by the CPO-GS shall include, as a minimum, the following information:

A) Justification for use of negotiation in lieu of public advertising (if applicable) and the basis for the cost of price negotiation.

B) A copy of the advertisement and related document upon which the contract was awarded.

C) A copy of the purchase agreement and any modifications to that agreement.

7) Contracts shall be made only with responsible contractors who possess the ability to perform successfully under the terms and conditions of the proposed agreement. Consideration shall be given to such matters as contractor integrity, record of past performance, financial and technical resources and accessibility to other necessary resources.

8) Contracts shall contain provisions or conditions that will allow for administrative, contractual or other remedies in instances in which contractors violate or breach contract terms. The provisions of the contract shall provide for such sanctions and penalties as may be appropriate.

9) A cost plus percentage of the cost purchase agreement shall not be used.

10) The MEG Unit shall recognize minority and small business concerns when contracting with Department funds.

e) Invitations for Bids

Formal advertising with adequate purchase descriptions, sealed bids and public bid openings shall be the required method of procurement unless otherwise authorized. When advertised bids are received, the contract award must be made to the lowest responsive, responsible bidder, considering price and factors affecting price. (The factors may be discounts, transportation costs, or taxes.) Invitations for bids shall clearly set forth all requirements the bidder shall fulfill in order for his/her bid to be evaluated by the MEG Director. A fixed price purchase must result from the award after bid selection.

f) Negotiated Procurements

Procurements may be negotiated if it is impractical or unfeasible to use formal advertising. The MEG Unit shall attempt, however, to secure the maximum competition possible in all negotiated procurements. Generally, procurements may be negotiated if:

1) Public exigency/emergency will not permit the delay incident to formal advertising.

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

3) The aggregate amount of the procurement does not exceed the small purchases threshold as determined by the CPO-GS.

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

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

6) The procurement involves use of State or local existing contracts that were originally entered into on a competitive basis.

7) The purchases are for:

A) highly perishable materials or medical supplies;

B) material or service for which the prices are established by law;

C) technical items or equipment requiring standardization and interchangeability of parts with existing equipment;

D) experimental, developmental or research work;

E) supplies purchased for authorized resale; and

F) technical or specialized supplies requiring substantial initial investment for manufacture.

8) Formal advertising may expose the MEG Unit and hinder the MEG agents and the MEG Unit in carrying out drug law enforcement.

g) Special Considerations

1) All procurements in excess of the small procurement threshold determined by the CPO-GS that are entered into without competition must receive prior Department approval. The MEG Unit shall provide a complete justification indicating the reasons that preclude formal competition and a copy of the proposed purchase agreement.

2) Equipment required for MEG operations should be purchased only after determination by responsible officials that no other equipment owned by the Unit is available for the effort.

3) Funds should not be used to provide reimbursement for the purchase price of equipment already owned by the Unit. This does not apply to equipment owned by a State or local government central purchasing department and held in stock available for issuance and sale to the MEG Unit or other government offices.

4) The MEG Unit shall include provisions, as appropriate, to preclude late delivery of equipment by contractors. These provisions may include penalty clauses and contract bonds. If it becomes evident that the contractor will be delinquent in fulfilling projected delivery schedules, the MEG Unit shall notify the Department immediately.

h) Construction Programs

Any MEG project that involves the erection, acquisition, expansion or repair of new or existing buildings or other physical facilities is a construction program and requires prior approval by the Department.

(Source: Amended at 42 Ill. Reg. 19207, effective October 10, 2018)