

DOH PROGRAM 7 – CAPITAL GRANT-IN-AID PROGRAM

I. PROGRAM OBJECTIVES

The objective of the capital grant-in-aid program is to carry out legislative intent in appropriating grant funds for the acquisition, construction, repair, outfitting and equipping of various health and social services related facilities throughout Alaska. In the event that the department receives a one-time only or pilot project, as a result of legislative action that may contain special terms and conditions outside this supplement, a new supplement will be created.

II. PROGRAM PROCEDURES

Capital grants are appropriated on a non-lapsing fiscal year basis to the Department of Health and Social Services from the General Fund, from Mental Health Trust Authority Authorized Receipts, or from various other funding sources including Federal Funds, which may be authorized during each legislative session, in accordance with Alaska Statutes (AS) 37.25.020.

Some appropriations are for named recipient (designated) grants under AS 37.05.316, although fewer named recipient grants have been appropriated in recent years (with more reliance on the Community Matching Grant Program administered by the Department of Community and Economic Development). The majority of capital grants appropriated to the Department are awarded based on the provisions of 7AAC 78.040 for purposes consistent with the specific appropriation. These grant funds are appropriated and granted under specific authorization provided in various other statutory provisions, including AS 18 and AS 47. Appropriated funds are administered and distributed by Finance and Management Services, Facilities Section through 7 AAC 78.040 provisions. This may include a detailed application, proposal review, and monitoring process to various local governments and/or nonprofit organizations engaged in the delivery of human services to Alaskans. Stringent cash flow control is maintained throughout the life of each grant and a formal close-out process is initiated when the specific project has been completed.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. TYPES OF SERVICES ALLOWED AND UNALLOWED -

1. **Compliance Requirement:** The adoption of regulations for named recipient grants under AS 37.05.316 is expressly prohibited by AS 37.05.318. Furthermore, because of the infrequency of their applicability as authorization for construction grants, no specific regulations have been promulgated or adopted for such grants made under the various provisions of AS 18, AS 47, or any other specific statutory provisions. Consequently, it is necessary to negotiate various compliance details into specific grant agreements. However, for competitive grants, the general grant regulations, 7 AAC 78, adopted by the Department, when applicable and appropriate to capital grants, guide the grant administration, procedures,

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along with provisions of requests for proposals and of specific grant agreements.

Suggested Audit Procedures:

- a) Review enabling legislation;
- b) Review:
 - Grant Procurement Authorization (GPA);
 - Grant agreement, Grant Award (GA) including all conditions;
 - Grant agreement amendments and related transmittal letters;
 - Licenses, certifications, approvals, status of private nonprofit corporation if applicable; and
 - Budget documents including final revised budget and budget narrative.
- c) For competitive grants:
 - Review compliance with Request for Proposals and applicable sections of 7 AAC 78;
 - Determine whether the project is supporting the program as described in the Grant Agreement and agency's proposal;
 - Test financial and related records to determine that funds expended were for purposes specified in the grant agreement;
 - Determine whether expenditures are within the budget limits prescribed in the grant agreement; and
 - Review payment schedules to ensure that negotiated cash flow conditions are being met by both parties.

2. **Compliance Requirement:** Grant or earnings from a grant may not be used for the purpose of influencing legislative action or for travel in connection with influencing legislation.

Suggested Audit Procedures:

- a) Review AS 37.05.321 to determine restrictions on use of grant funds;
- b) Test financial and related records to determine that grant funds are not being used to influence legislature as defined in AS 37.05.321.

B. ELIGIBILITY -

Compliance Requirement: The agency must be a nonprofit or a political subdivision of the State, meeting the requirements of enabling legislation.

Suggested Audit Procedures: Review articles of incorporation or other appropriate documentation, licenses, certifications and approvals to determine status of agency.

C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS -

Compliance Requirements: There is no matching or level of effort requirements, unless specified in the enabling legislation, Request for Proposals, or grant agreement.

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Suggested Audit Procedures:

- a) Review enabling legislation and grant agreement to determine whether or not the recipient must meet matching requirements; and
- b) Test financial and related records to determine whether matching requirements, if any, are met.

D. REPORTING REQUIREMENTS -

- 1. Compliance Requirement:** The agency must submit activity and expenditure reports as required by the terms of the grant agreement.

Suggested Audit Procedures:

- a) Review grant agreement to determine reporting requirements;
 - b) Confirm if such reports are being filed timely;
 - c) Confirm that reported revenues and expenditures agree with the agency's general ledger; and
 - d) Confirm that expenditures are within the budget limits or grant provisions.
- 2. Compliance Requirement:** The agency's audit report must present a statement of revenue and expenses, budget and actual, for each state grant. Such statements must show, for each state fiscal year grant, the final approved budget by line item category, actual revenues and expenditures and variance between budgeted and actual revenues and expenditures. Disallowed or questioned costs must be clearly disclosed.
- Suggested Audit Procedures:** Review grant regulation 7 AAC 78.230 and review audit report for compliance with the above.
- 3. Compliance Requirement:** The agency must clearly show on their audit or final report any outstanding liability to the State as payable to the State. This includes unspent grant funds; interest accrued on grant funds, and disallowed costs.

Suggested Audit Procedures:

- a) Determine whether or not the agency has any outstanding liability to the State.
- b) Reviews grant regulation 7 AAC 78.230.
- c) Review audit report to ensure proper presentation.

E. SPECIAL TESTS AND PROVISIONS -

Compliance Requirement: The agency must act upon any recommendations made by program site review.

Suggested Audit Procedures: Obtain copy of program site review; and determine if recommendations in the site review are being implemented.