

**PROGRAM INCOME
GUIDELINES FOR SUBRECIPIENTS**

**IN ACCORDANCE WITH
US Department Of Justice,
Office of Justice Programs,
Office of the Chief Financial Officer
FINANCIAL GUIDE**

**DISTRIBUTED BY
THE LOUISIANA COMMISSION ON LAW ENFORCEMENT
AUGUST 2010**

FEDERAL AND STATE GUIDELINES REGULATING PROGRAM INCOME

I. DEFINITIONS/OVERVIEW

PROGRAM INCOME is all gross income received, generated, or earned by the subgrantee as a direct result of the subgrant activity “during the subgrant funding period.”

FEDERAL AWARD PERIOD is the term limit of the federal grant award to the State Administering Agency.

FEDERAL PORTION OF PROGRAM INCOME is the same as the percentage of Federal participation in the project.

SUBGRANT FUNDING PERIOD/SUBGRANT PROJECT PERIOD is the time between the effective date of the subgrant award and the ending date of the subgrant award as reflected in the Statement of Subgrant Award and Special Conditions or any subsequent project period amendments.

DIRECT RESULT is a specific act(s) or set of activities directly attributable to subgrant funds, and which are directly related to the goals and objectives of the project. Examples of program income as a “direct result” of subgrant activities would be income generated from the sale of seized and forfeited assets (personal or real property) or from seized and forfeited money. Other types of program income would include: interest earned on federal funds, royalties, tuition/registration fees, etc. *Note: Fines/penalties are not considered program income.*

SEIZURE is the obtaining of custody and control over real or personal property for evidence by a law enforcement officer. **Seizure for forfeiture** is the obtaining of custody and control over real or personal property by a law enforcement officer accompanied by a notice of intent to forfeit.

FORFEITURE is obtaining title/ownership of the seized property through judicial action.

II. ACCOUNTABILITY

According to the U.S. Department of Justice, Office of Justice Programs, program income must be tracked until the federal grant is closed. For asset seizures and forfeitures, tracking begins at the point of seizure. The value of the seized asset is based upon current blue book or fair-market value at the time of seizure. The subgrantee should use the valuation guidelines normally used in reporting seizures by their respective agencies.

- A. All income generated as a direct result of federally grant-funded projects (subgrants) during the project period shall be deemed program income. Program income must be used for the purposes and under the conditions applicable to the use of grant funds for allowable program costs.
- B. The Federal portion of program income is the same as the percentage of Federal participation in the project, and it is to this Federal portion of program income that these guidelines apply.

Example: Assume a subgrant project is federally funded at 75% of total project costs. If \$100,000 is earned during the subgrant project period, 75% or \$75,000 must be accounted for and reported as program income by the subgrantee agency. If the subgrantee over matches, this is taken into account when computing the percentages for program income purpose. For example, if the subgrantee overmatches and provides 50% of the project costs and if that subgrantee earns \$100,000, \$50,000 must be accounted for and reported as program income.

Example: Regarding forfeitures, if state law limits the amount of forfeiture accruing to the subgrantee, then the ratio provided by state law is figured in the computation. For example, in Louisiana Revised Statute, Title 40, Chapter 26, Section 2616, 60% of forfeited assets are usually allocated to law enforcement agencies making the seizure. If property is sold, or cash is received under state forfeiture law by a task force or law enforcement agency for \$100,000, program income would be 75% (or

whatever the Federal percentage is as reflected in the Subgrant award/agreement) of 60% (from state law) or \$45,000 (\$100,000 X 60%) X 75%.

- C. The subgrantee is responsible for establishing and maintaining records for tracking and reporting **all** program income earned and disbursed as outlined by the Office of Justice Program's (OJP) guidelines. **The subgrantee is to report the federal share of earned program income on the monthly or quarterly LCLE Subgrant Expenditure Report/Request for Funds form.**

Records for program income should be made available for review by LCLE or the Federal Grantor agency upon request. Supporting documentation does not have to be submitted with quarterly/monthly reports.

III. USE OF PROGRAM INCOME FROM SEIZURES AND FORFEITURES

Program income earned by the subgrantee from asset seizures/forfeitures during the subgrant period must be accounted for by following either the ADDITION METHOD OR MATCH METHOD.

- A. Under the ADDITION METHOD, PROGRAM INCOME IS ADDED TO THE FUNDS COMMITTED TO THE SUBGRANT AGREEMENT BY THE OJP AND LCLE. Under this method, program income may be retained by the subgrantee that earned it and used for purposes that further the objectives of the legislation under which the subgrant was awarded (i.e., expanding the program/project, continuing the program/project once the subgrant period ends, obtaining equipment or other assets needed for the program/project as permitted by OJP and LCLE.) However, any use of program income from seizures and forfeitures must also adhere to Louisiana Revised Statute, Title 40, Chapter 26, Section 2616.

Program income is added to the project by completing the monthly or quarterly LCLE Subgrant Expenditure Report/Request for Funds form, showing program income earned and disbursed.

Under the ADDITION METHOD, program income must be used to continue the project and is to be spent in accordance with OJP, LCLE, and each respective program's board guidelines. Program income must be spent within the federal award period in which it was earned.

- B. The OJP allows states or local units of government to use program income funds from seized and forfeited assets as match (MATCH METHOD) on a continuation project as long as the match is expended by the end date of the federal grant award in which forfeitures were realized.

Example: 2006 Federal Award Period: 10/01/05-9/30/09; Subgrant No: B06-8-111

Subgrant Funding/Project Period: 1/1/07-12/31/07

Seizures and forfeitures totaling \$100,000 were realized (earned) during the subgrant period at the federal participation rate of 75% (\$75,000). At the conclusion of the subgrant funding period \$5,000 of program income remains unspent. The subrecipient can apply the unspent funds from this (B06) project to the match requirement for a continuation project as long as the match is spent by the end of the 2006 federal award period (9/30/09).

If the program income is not sufficient to meet the total cash match requirement, it can still be used as part of the required match. Assets seized/forfeited must be converted to cash to be used as match. If there is not a continuation project, then the program income must be used as an addition to the project in which it was earned as stated above (ADDITION METHOD) by reporting monthly or quarterly on the LCLE Subgrant Expenditure Report/Request for Funds form.

Should the subgrantee decide to use program income as match, they must identify the source of match as program income in the budget narrative section of the continuation grant application to LCLE and place proper documentation in their tracking records.

IV. USE OF OTHER PROGRAM INCOME

Other program income earned must be expended only on allowable purpose areas under each federal program's guidelines. The ADDITION METHOD utilizing program income is to be used to continue objectives under which the grant was awarded.

LOUISIANA COMMISSION ON LAW ENFORCEMENT

PROGRAM INCOME GENERATED BY SEIZURES AND FORFEITURES REPORTING REQUIREMENTS

This form is a tool for capturing data essential for tracking seizures and forfeitures. See page six (6) for instructions.

Program income from asset seizures made as a direct result of the subgrant award is considered “earned” when the seized property has been adjudicated (forfeited) to the benefit of the plaintiff. Asset seizures and forfeitures must be reported to the Louisiana Commission on Law Enforcement (LCLE) on the Quarterly Progress Report form.

The federal share of the gross amount of program income earned by the subrecipient during the subgrant funding period must be reported on the monthly/quarterly *LCLE Subgrant Expenditure Report/Request for Funds* form.

Quarter Ending:

Subgrant No.:

Agency Name:

Prepared By:

Case, Intel, or ID Number:

Date of Seizure:

Description of Seized Asset:

Estimated Dollar Value: \$

Basis for Determination of Estimate:

Date of Forfeiture:

Dollar Value of Forfeiture: \$

Amount considered Federal Program Income: \$

Disposition:

INSTRUCTIONS FOR LCLE-PI-200

1. All subrecipients must track assets seized/forfeited under the Federal grant from the point of seizure. The attached LCLE-PI-200 form, or a comparable form can be used to track identifying information. At the point of seizure, the following data must be captured by subgrantees for tracking: (a) case number or other case identification, (b) date of seizure, (c) description of seized asset, (d) estimated dollar value if known, and (e) basis for estimate.
2. When a forfeiture occurs, this constitutes “earned” program income. Subrecipients would finish completing the data elements remaining (date of forfeiture, dollar value of forfeiture, and amount considered Federal program income). The “disposition” section would include an explanation of how the seizure/forfeiture will be disposed of (cash will be used as match, asset will be used in the project, asset was sold and cash will be used to continue the project per OJP/LCLE guidelines, etc.)
3. Program income received from asset seizures and forfeitures and other sources will be captured in the Quarterly Progress Report.
4. As program income obtained from forfeitures or other sources is earned and spent it will be reported on the monthly/quarterly LCLE *Subgrant Expenditure Report/Request for Funds* form until program income is spent or refunded. This amount would include only the Federal participation (75% -or whatever Federal participation rate is reflected in the subgrant award) of the income received by the subgrantee.

NOTE: THE PI-200 FORMS, OR COMPARABLE DOCUMENTS ARE TO BE RETAINED BY THE SUBGRANTEE AND SHOULD BE MADE AVAILABLE FOR REVIEW BY LCLE OR THE FEDERAL GRANTOR AGENCY. THEY DO NOT HAVE TO BE SUBMITTED QUARTERLY TO LCLE.

EXAMPLE FOLLOWS. SEE PAGES 7-9.

EXAMPLE

In this example, subgrant number B07-8-111 was awarded with a funding/subgrant period 10/1/2007-9/30/2008. The federal participation in this project is 75% of total project costs.

A house valued at \$100,000 was seized on 1/1/08. The value of the house was based on an appraisal.

- a.) This seizure must be tracked from 1/1/08 on the LCLE PI-200 for the quarter ending 3/31/08. The federal share will not be reported to LCLE until the month that the forfeiture occurs (6/1/08).
- b.) On 6/1/08, the house is forfeited at a value of \$95,000 and sold for \$95,000.
- c.) Assume the subgrantee receives 60% of this amount (\$57,000) under LA State Law. The Federal portion of this amount (assuming 75% Federal share) would be \$42,750. This is program income. Thus, \$42,750, the federal share of forfeitures is entered in the *Earned Project Income To Date "Forfeiture"* section of the *Subgrant Expenditure Report/Request for Funds* for the period ending June 30, 2008.—Sample Expenditure Report Attached. *

When all or part of the \$42,750 (federal share of the forfeited funds) is spent, the expended amount is entered in the *Earned Project Income Status "Expended"* section. In this example, \$22,750 is reported as expended leaving a balance of \$20,000, the amount entered as unexpended in *Earned Project Income Status "Unexpended"*.

Earned Project Income is cumulative for the duration of the subgrant funding period. If additional forfeitures take place, the federal participation rate of those forfeitures are added to those reported previously. In the example shown above, the Subgrantee reported \$42,750 initially and reported \$22,750 as spent by June 30, 2008. On July 5, the federal share of another forfeiture made during this same funding period is \$10,000. The additional \$10,000 would be added to \$42,750 and the sum, \$52,750 is entered in the forfeited section. The *Earned Project Income Status* would change accordingly.

EXAMPLE
LOUISIANA COMMISSION ON LAW ENFORCEMENT

PROGRAM INCOME GENERATED BY SEIZURES AND FORFEITURES REPORTING REQUIREMENTS

This form is a tool for capturing data essential for tracking seizures and forfeitures.

Program income from asset seizures made as a direct result of the subgrant award is considered "earned" when the seized property has been adjudicated (forfeited) to the benefit of the plaintiff. Asset seizures and forfeitures must be reported to the Louisiana Commission on Law Enforcement (LCLE) on the Quarterly Progress Report form.

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Quarter Ending: **3/1/08**

Subgrant Number: **B07-8-111**

Subgrantee Name: **Anytown Police Department**

Prepared By: **A. Police Officer**

Case, Intel, or ID number: **123-456-000**

Date of Seizure: **1/1/08**

Description of Seized Asset: **HOUSE 3br./2bth.**

Estimated Dollar Value: **\$100,000**

Basis for Determination of Estimate: **Appraisal-Fair Market Value**

Date of Forfeiture: **6/1/08**

Dollar Value of Forfeiture: **\$95,000**

Amount considered Federal Program Income: **\$42,750**

Disposition: **These funds will be used as cash match on continuation project that ends prior to the ending date of the federal funding period that these funds were attained.**

*NOTE – 60% used for example purposes only

DISTRICT # 4
Date: _____

LOUISIANA COMMISSION ON LAW ENFORCEMENT
SUBGRANT EXPENDITURE REPORT/REQUEST FOR FUNDS
PRINT DATE: 05/12/09

EXP REPORT #: 3
DATE DUE: 07/15/09
GMIS DOCUMENT 3H

EXPENDITURES FOR THE PERIOD OF 04/01/08 to 6/30/08 .

Initials _____

SUBGRANTEE:
PROJECT TITLE:
PROJECT START DATE: 10/01/07

PROJECT END DATE: 09/30/08

SUBGRANT #: B07-8-111
PROJECT ID: B07-8-111
FINAL REPORT? _____

	APPROVED BUDGET	TOTAL PREVIOUSLY REPORTED	EXPENDED THIS PERIOD	UNLIQUIDATED OBLIGATIONS
100 PERSONNEL	\$ 12,312	\$ 1,852	\$	100 \$
200 FRINGE BENEFITS	\$ 0	\$ 0	\$	200 \$
300 TRAVEL	\$ 0	\$ 0	\$	300 \$
400 EQUIPMENT	\$ 10,455	\$ 0	\$	400 \$
500 SUPPLIES	\$ 0	\$ 0	\$	500 \$
600 CONTRACT SERVICES	\$ 0	\$ 0	\$	600 \$
700 CONSTRUCTION	\$ 0	\$ 0	\$	700 \$
800 OTHER DIRECT COSTS	\$ 0	\$ 0	\$	800 \$
850 CONFIDENTIAL FUNDS	\$ 0	\$ 0	\$	850 \$
900 INDIRECT COSTS	\$ 0	\$ 0	\$	900 \$
TOTAL	\$ 22,767	\$ 1,852	\$	TOTAL \$
FEDERAL SHARE (75.00%)	\$ 17,074	\$ 1,389	\$	FEDERAL \$
MATCH SHARE (25.00%)	\$ 5,693	\$ 463	\$	MATCH \$

EARNED PROJECT INCOME TO DATE:
FORFEITED \$42750
OTHER \$

EARNED PROJECT INCOME STATUS:
EXPENDED \$ 22750
UNEXPENDED \$ 20000

ROUND ALL MONIES ON THIS FORM TO THE NEAREST WHOLE DOLLAR!

REQUEST FOR PAYMENT: LCLE has approved \$1,389 as of 03/31/09

Mark one of the options below:

- OPTION 1: NO REQUEST - No payments are requested at this time.
- OPTION 2: REIMBURSEMENT ONLY - LCLE will calculate the allowable payment based on reported Federal expenditures and previous payments. The reimbursement amount may be zero.
- OPTION 3: REIMBURSEMENT PLUS ADVANCE - Reimbursement calculated same as Option #2 plus an advance of \$. The advance requested may require written justification.

I CERTIFY TO THE BEST OF MY KNOWLEDGE AND BELIEF THAT THIS REPORT IS CORRECT AND COMPLETE AND THAT ALL SUBGRANT FUNDS ARE USED FOR THE PURPOSES SET FORTH IN THE APPROVED SUBGRANT APPLICATION AND AWARD DOCUMENT.

Signature of Financial Officer or Project Director _____ Title _____ Date _____

FOR LCLE USE ONLY

SUBGRANT VERIFICATION:
A REQUEST FOR FUNDS IN THE AMOUNT OF \$ _____
MEETS ALL SUBGRANT REQUIRMENTS.

FEDERAL EMPLOYER ID: '
INVOICE #: B07-8-111E03
ORG #: 1012 OBJ CODE: 3560
RPT CAT: 0733 SUB OBJ: _____

Date _____ LCLE Grant Manager _____

