



**OFFICE OF COMMUNITY SERVICES (OCS)  
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS (DLIR)  
STATE OF HAWAII**

**OPERATING GRANTS-IN-AID (GIAs) GUIDELINES**

(As of August 2016)

Once an Operating Grant-in-Aid (GIA) is approved by the Legislature, the Executive Branch is responsible for execution of the GIAs with Grantees. There are five (5) primary organizations involved in this process:

1. Governor is the Chief Executive and responsible for authorizing the Expending Agency to execute and administer the GIAs.
2. The Office of Community Services (OCS) is administratively attached to the Department of Labor and Industrial Relations (DLIR). OCS serves as the Expending Agency for GIAs designated for administration by DLIR in the Budget.
3. Department of Budget and Finance (B&F) manages the State's financial plan and policies.
4. Department of the Attorney General (AG) provides legal review for the State.
5. Department of Accounting and General Services (DAGS) processes payments.

This document provides information about the process that OCS staff uses to administer Operating GIAs with our Grantees. It is provided to Grantees to clarify expectations to ensure that we can work together to fulfill the Legislative intent for Operating GIAs.

Please keep the following in mind:

1. Timing. It is important that we work with Grantees to contract for funds in the Fiscal Year (July 1 – June 30) for which they are appropriated (i.e., grants appropriated by the 2016 Legislature for Fiscal Year 2017 need to be contracted by June 30, 2017).
2. A contract needs to be executed under Chapter 103F, Hawaii Revised Statutes (HRS). The State Procurement Office's Cost Principles for Purchases of Health and Human Services also apply.
3. Operating GIA contracts are cost-reimbursement. Grantees must expend funds and provide documentation (e.g., receipts) to the State with your request for reimbursement. Expenses must be incurred during the period of performance of the contract.
4. Periodic program and fiscal reports are required for payments to be processed.

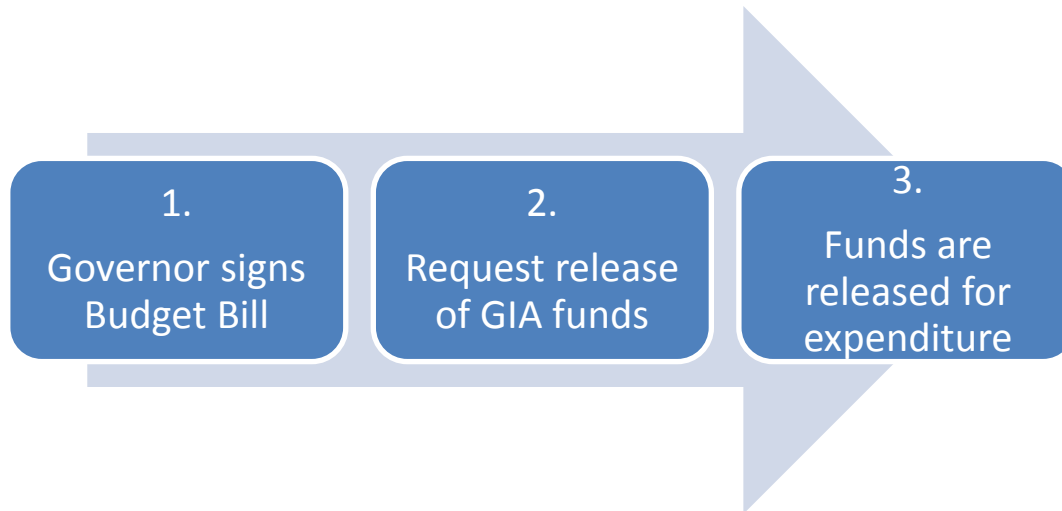
The three stages for Operating GIA administration explained further in this document are:

1. Releasing Funds;
2. Contracting Process; and
3. Contract Administration.

Sample documents and forms are available online at: <http://labor.hawaii.gov/ocs/gia>

# 1 RELEASING FUNDS

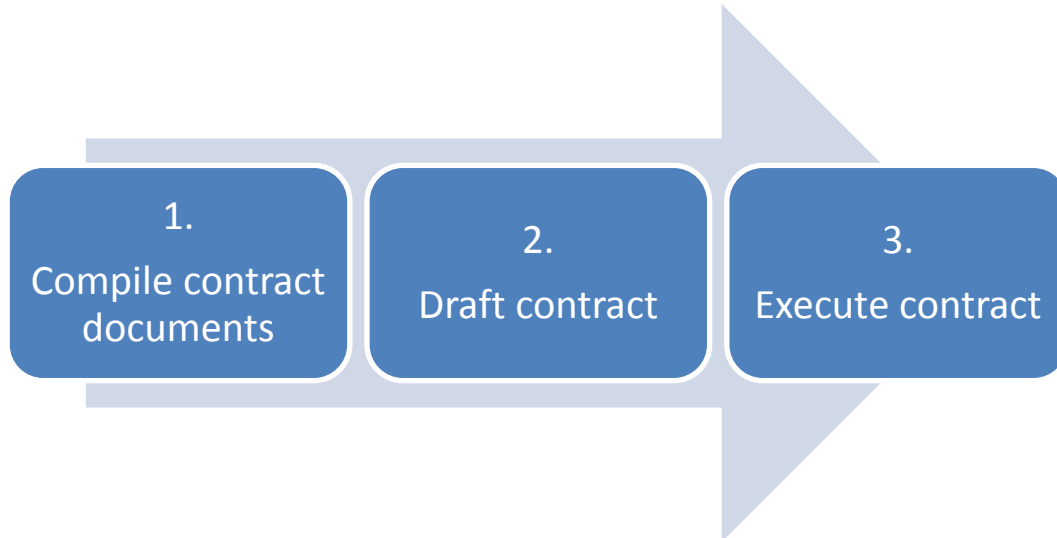
The first stage is to *secure the Governor's approval to release the Operating GIA funds* so that a contract can be executed. The figure and narrative below explain the steps for this stage:



- Step 1. Once the Governor signs the Executive Budget Bill passed by the Legislature, which includes authorization of GIAs, the Governor's Budget Execution Policies will be disseminated to the departments. The Budget Execution Policies will include guidance about restrictions of funds, if necessary. Restrictions of funds will impact the funding made available to Grants.  
[Note (8/1/2016): Governor Ige signed the Supplemental Budget Bill (Act 124, SLH 2016) for Fiscal Year 2017 on June 23, 2016. The "FY 17 Budget Execution Policies and Instructions" from Governor Ige (Governor's Executive Memorandum No. 16-02, June 24, 2016) indicated that there would be a **5 percent contingency restriction placed on department's discretionary general fund appropriations**. As a result, ***all Operating GIAs will be contracted at no more than 95 percent of the dollar amount authorized by the Legislature.***]
- Step 2. The Budget Bill includes the list of GIAs for which DLIR/OCS is designated to serve as the Expending Agency. Using this list, OCS contacts each of the Grantees to request the following documents to submit as part of the package to request release of Grant funds:
- Information to complete B&F Form F, including updated budget and outcomes that conform to the Budget Bill signed by the Governor and the Budget Execution Policies.
  - A copy of the grant application to the Legislature, including the signed "Declaration Statement of Applicants for Grants Pursuant to Chapter 42F, Hawaii Revised Statutes."
- Once OCS receives the documents from the Grantee, OCS reviews the documents and works with the Grantee to compile a final request for release of funds package for processing.
- Step 3. OCS coordinates the request for the release of funds through B&F to the Governor. Upon approval of the release of funds, the Governor notifies the Grantee and OCS.

## 2 CONTRACTING PROCESS

Once the Governor has released the funds for a GIA, OCS works with the Grantee to **execute a contract to expend the funds**, as required by Chapter 42F, HRS. It is important to note that all contracts are always subject to the availability of funds and funds cannot be expended before the contract is executed.



Step 1. To begin contracting, the Grantee needs to provide to OCS the following documents [Note: The Grantee's name needs to be consistently reflect the name specified on the grant application submitted to the Legislature on all documents.]:

- Certificate of liability insurance from the Grantee's insurance agency providing as follows:
  - (a) liability insurance of at least \$1 million per occurrence and \$2 million in the aggregate and automobile liability insurance of \$1 million per accident or such other amount requested in writing;
  - (b) additionally insuring the State of Hawaii and the Office of Community Services, their officers, employees, and agents for any liability arising out of resulting from occurrences connected with the Grantee's performance under the contract;
  - (c) a statement from the insurance agency that the insurance policy shall not be cancelled unless the insurance company has first given the State thirty calendar days prior written notice of the intended cancellation;
  - (d) the period of coverage of the liability insurance shall cover the entire period of the contract, unless the State grants a waiver; and
  - (e) the contract identification number shall be identified on the certificate.
- Certificate of Vendor Compliance from Hawaii Compliance Express;
- Certified copy of the Grantee's corporate resolution identifying the person who is authorized by the Grantee to enter into a contract with the State for administration of the grant; and
- The Grantee's State and Federal Tax identification numbers.

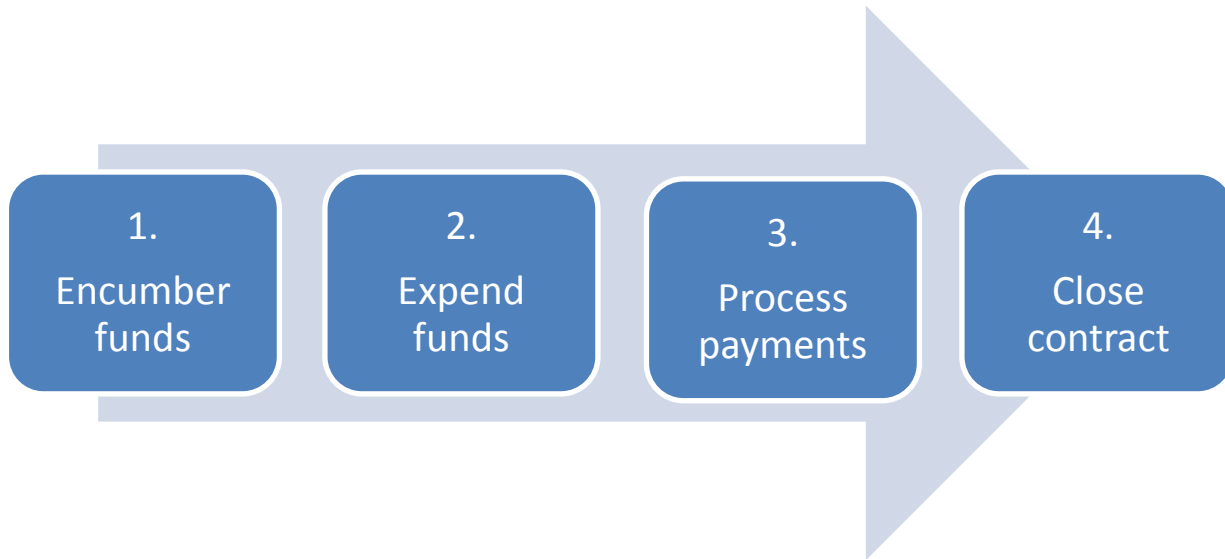
Step 2. OCS will then prepare draft contract documents with the Grantee, including the scope of work, deliverables, schedule, and budget. These documents will be used to monitor the Grantee's program and fiscal progress.

Once the draft contract package is compiled, it will be routed for approval by the AG. Upon approval, OCS sends two (2) copies of the contract documents to the Grantee for signature.

Step 3. The Grantee's duly designated person signs both copies of the contract and has them notarized, then returns the signed contracts to OCS. The OCS Executive Director, AG, and DLIR Director will then sign the contract. Once executed, OCS returns an original to the Grantee for file.

### 3 CONTRACT ADMINISTRATION

Once the contract is executed, OCS begins contract administration to expend funds according to the contract.



Step 1. OCS shall send a copy of the executed contract and required encumbrance forms to the Pre-Audit Branch of the Department of Accounting and General Services (DAGS) to encumber the contract so that expenditures may begin.

Step 2. In order to expend grant funds, the Grantee completes and submits periodic (monthly or quarterly, as defined in the contract) fiscal and program reports. Forms are provided by OCS. OCS reserves the right to modify these forms or substitute new forms during the course of the grant period. Please note the following:

- Grant funds are made available on a **cost reimbursement** basis.
- Requests for payments (i.e., cash requests) need to be submitted to OCS by the Grantee on or before the 15<sup>th</sup> day of the calendar month following the quarter/month for which the request is made (e.g., By September 15 for expenses incurred in June-August) using OCS Forms 300 and 310.
- All requests for payment must be accompanied by **accurate and complete copies of supporting documentation of expenditures (e.g., receipts, invoices, timesheets, payroll, etc.)**. The Grantee shall retain all original documentation for its tax, audit, and other purposes. OCS cannot approve requests for payments without proper documentation.
- Expenditure Variance. The Grantee may make adjustments between the budgeted line items within the total budget of the program, provided that the funds are used for allowable costs of the program and do not exceed 5 percent or \$500 on any budget line item, whichever is more. In the event that the adjustment exceeds 5 percent or \$500, a contract amendment must be in place before such cash request is approved.
- Prohibition on Deficiency Spending. There shall be no expenditure of funds in excess of amounts appropriated and allotted, nor shall agencies establish positions in excess of the

numbers authorized in the budget and allotted, unless otherwise provided by specific legislation and the budget execution policies of the Executive Branch.

- If applicable, the fiscal reports must include an up-to-date list of funding agencies (if more than one funding agency is involved), up-to-date totals of funds received from the funding agencies, as well as up-to-date reports on cumulative expenditures incurred for the project.
- The program progress report shall provide narrative justification of the expenditures and financial obligations.
- Reports must be submitted on the dates specified in the contract, even if activity has not taken place during the period. If no activity has taken place during the period, the reports should describe why no activity has taken place and what the Grantee is doing to complete work specified in the contract.

Step 3. OCS processes each payment request with DAGS. Then, OCS sends the payment to the Grantee once received from DAGS.

Option Contract Extension. A grant contract may be extended once for up to 12 months beyond the initial expiration date, at the sole discretion of OCS, provided that:

- (a) the original contract provides for extensions;
- (b) the extension is made before the original expiration date or the expiration date of any prior extension;
- (c) there is good cause to extend the contract; and
- (d) the Grantee is continuing to perform its duties under the contract.

Step 4. Contract Closing. When the grant contract between a Grantee and State is completed, the Grantee shall submit to OCS the following documentation in order to process the final payment:

- Certificate of Grantee's liability insurance with State as additional insured;
- Certificate of Vendor Compliance from Hawaii Compliance Express;
- A final program report within 60 days after the end of the contract; and
- Other documentation as may be required.