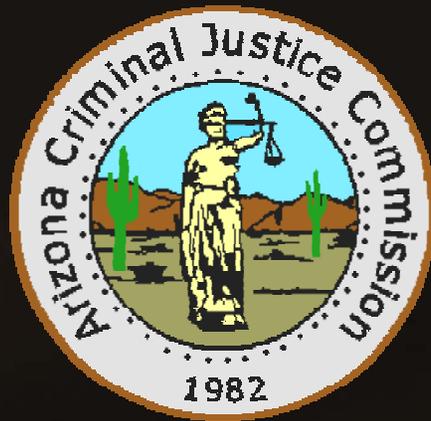


ARIZONA CRIMINAL JUSTICE COMMISSION

Program Income Training



Mission Statement



“Our Mission is to sustain and enhance the coordination, the cohesiveness, the productivity and the effectiveness of the criminal justice system in Arizona.”

ACJC Staff

- **Karen Ziegler,
Deputy Director**
- **Kathy Karam, Program Manager**
- **Kristie Brackens, Program
Coordinator**
- **Amanda Zibell,
Program Compliance Auditor**



Contacting ACJC



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Schedule

8:30 a.m. -- 9:00 a.m.

- Overview of Course
 - Introductions and Welcome

9:00 a.m. -- 9:30 a.m.

- ACJC Policy on Program Income;

9:30 a.m. -- 10:00 a.m.

- Accounting for Program Income
 - BREAK --
- Developing Program Income Formula

10:00 a.m. to 10:30 a.m.

- Status of future funding

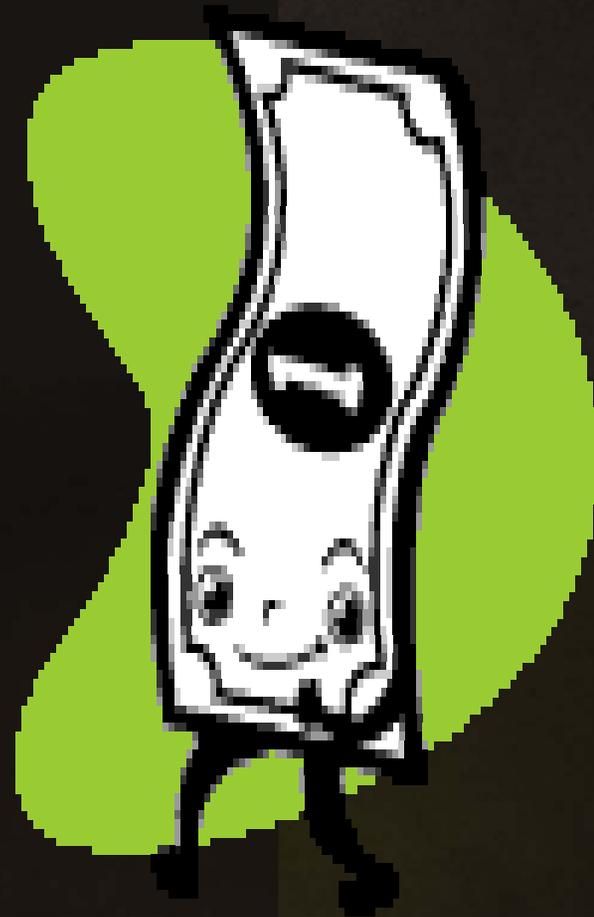
10:30 a.m. to 11:00 a.m.

- Questions



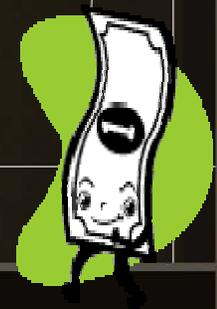
Program Income Training

**Show
Me
The
Money**



Agenda

- What is program income
- Allowable Vs. Disallowable income and expenditures
- How to calculate a formula for program income?



ACJC Policy

Program Income

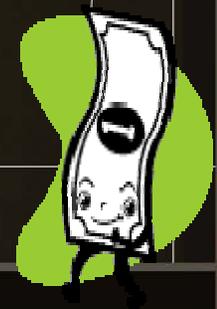
What Is Program Income?

- **Income received by the grantee that is generated by the existence of the grant-supported activity, or earned as a direct result of the grant during the grant period.**



Examples of Program Income

- Sale of Property or equipment
- Royalties
- Attorney's Fees and Costs
- Registration/Tuition Fees
- Interest earned on certain programs (i.e. LLEBG)
- Membership Fees
- Asset Seizures and Forfeitures – RICO



Sale of seized property, forfeited assets and money



Disallowable Income



Income:

- ACJC BYRNE/JAG reimbursement payments
 - Money received from ACJC as reimbursement for program expenditures
- All RICO money
 - Money received from non-task force related activities
- Fines

EXERCISE

Income Exercise

	Income	Allowable	Disallowable	Why
1	Cars seized by task force			Seizure generated by task force.
2	Money seized by DPS Officer not assigned to task force			Seizure not generated by task force.
3	House seized as a result of joint task force investigation with DEA.			Task forces participated in investigation, possibly split proceeds w/DEA
4	Car seized during regular work hours by officer funded by the task force for overtime only.			Seizure not generated during grant funded time.

How can program income be used?

1. Multi-jurisdictional, multi-agency task forces and their tandem prosecution projects;
2. Criminal Justice Records Improvement;
3. Forensic Laboratories, Adjudication, and Detention;
4. Prevention, Education, and Drug Treatment Programs;
5. Match for any of these above projects.



Disallowable expenditures

- Common Disallowable items:
 - ✓ Bottled water
 - ✓ Food/beverage purchases
(except confidential funds)
 - ✓ Sub-grants or awards to other agencies
 - ✓ Items that do not fall in the above priority areas



EXERCISE

Expenditure Exercise

	Expenditures	Allowable	Disallowable	Purpose Area	Cost
1	Lab X-ray Services	✓		Forensic Laboratories	\$ 9,000
2	K-9 Supplies	✓		Task Force	\$ 2,000
3	Employee Appreciation Luncheon		✓		\$ 1,250
4	Postage	✓		Task Force	\$ 600
5	Rental Fees	✓		Task Force	\$ 1,500
6	Software	✓		Records Improvement	\$ 20,500
7	Bottled Water		✓		\$ 1,000
8	Towing	✓		Task Force	\$ 9,000
9	Auto Maintenance	✓		Task Force	\$ 5,000
10	Locksmith	✓		Task Force	\$ 2,000
11	Ammunition	✓		Task Force	\$ 1,500
12	Guns	✓		Task Force	\$ 10,000
13	Sub award/grant to another PD		✓		\$ 50,000
14	Trip to DC to speak to congressional delegates		✓		\$ 1,500
				Grand Total:	\$ 114,850
				Total Allowable	\$ 61,100
				Total Disallowable	\$ 53,750



ARIZONA CRIMINAL JUSTICE COMMISSION FINANCIAL REPORT
 Edward Byrne Memorial State & Local Law Enforcement
 Block Grant
 CYCLE 19

JULY 2005 THRU JUNE 2006

PART I FINANCIAL DETAIL

Provide the following **DETAILED** budget information

Name of Agency:
 Grant Number:
 Report Period: _____

Please round to the nearest dollar.

Category	This Period Expenses	This Period Encumbrances
1. Salaries & Fringe Benefits	\$	\$
2. Overtime	\$	\$
3. Professional & Outside/ Consultant & Contractual Services	\$	\$
4. In-State Travel	\$	\$
5. Out-of-State Travel	\$	\$
6. Confidential Expenses	\$	\$
7. Operating Expenses	\$	\$
Equipment: (See Budget Category Guidelines for definitions)		
8. Capital (List Below)	\$	\$
Non-Capital (List Below)	\$	\$
9. Total paid this period (Enter on Page 2, Line B)	\$	
10. Total Encumbrances this period (Enter on Page 2, Line D)		
11. Program Income spent this period***	\$ 61,100	\$
12. SUBTOTAL	\$ (Add lines 9+11)	\$ (Add lines 10+11)

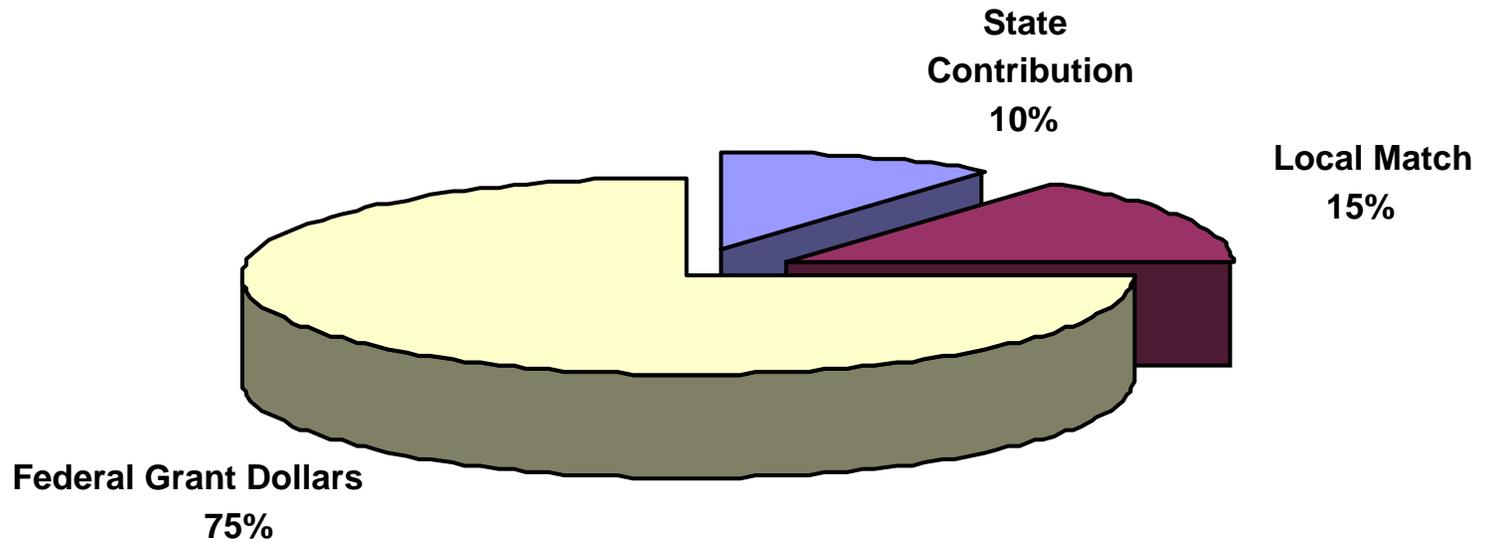


Please round all line items to the nearest dollar.

Type of Equipment Purchased: List Each Item Included Above (Written Approval is Required)	Quantity	Amount Each (\$)
<input checked="" type="checkbox"/> Capital <input type="checkbox"/> Non-Capital <input type="checkbox"/> _____ <input type="checkbox"/> _____ <input type="checkbox"/> _____ <input type="checkbox"/> _____	_____ _____ _____ _____	_____ _____ _____ _____

***Refer to Part III Chapter 4: Program Income; OJP Financial Guide, for explanation of Program Income.

Project Funding



Program income must be accounted for up to the same ratio or percent as federal dollars provided to the project.

**How to calculate a formula for program
income using positions?**



EXAMPLE

PROGRAM INCOME WORKSHEET

NUMBER OF EMPLOYEES METHOD

List of employees working for task force (use additional sheet if necessary) and the fund they are paid out of:

Employee Name (Or Badge #)	Fund Paid	Employee Name	Fund Paid
1 Employee 1	General Fund	11 Employee 11	General Fund
2 Employee 2	General Fund	12 Employee 12	BYRNE
3 Employee 3	General Fund	13 Employee 13	General Fund
4 Employee 4	BYRNE	14 Employee 14	BYRNE
5 Employee 5	Other Funds	15 Employee 15	Other Funds
6 Employee 6	General Fund	16 Employee 16	General Fund
7 Employee 7	BYRNE	17 Employee 17	BYRNE
8 Employee 8	BYRNE	18 Employee 18	BYRNE
9 Employee 9	BYRNE	19 Employee 19	General Fund
10 Employee 10	BYRNE	20 Employee 20	BYRNE

Total Number of Employees Paid by BYRNE/JAG Grant: 10

Total Number of Employees Working for Task Force: 20

Program Income Formula: 50%

Total Allowable Program Income: \$500,000

Grant Related Program Income: \$250,000

Percentage of Federal Funding: 75%

Total Reportable Program Income: \$187,500

= Byrne/Total Task Force

= Program Income x Program Income Formula

= Federal Share of Program Income

EXERCISE 1

FORMULA EXERCISE 1

PROGRAM INCOME WORKSHEET

NUMBER OF EMPLOYEES METHOD

List of employees working for task force (use additional sheet if necessary) and the fund they are paid out of:

Employee Name (Or Badge #)	Fund Paid	Employee Name	Fund Paid
1 Employee 1 (0.5 FTE)	General Fund	11 Employee 11 (0.5 FTE)	General Fund
2 Employee 2	BYRNE	12 Employee 12 (0.5 FTE)	BYRNE
3 Employee 3 (0.5 FTE)	General Fund	13 Employee 13	General Fund
4 Employee 4	BYRNE	14 Employee 14	General Fund
5 Employee 5 (0.25 FTE)	Other Funds	15 Employee 15 (0.25 FTE)	Other Funds
6 Employee 6	General Fund	16 Employee 16	General Fund
7 Employee 7 (0.5 FTE)	BYRNE	17 Employee 17	BYRNE
8 Employee 8	BYRNE	18 Employee 18	BYRNE
9 Employee 9	BYRNE	19 Employee 19	BYRNE
10 Employee 10	BYRNE	20 Employee 20	BYRNE

Total Number of Employees Paid by BYRNE/JAG Grant:

10

= Byrne/Total Task Force

Total Number of Employees Working for Task Force:

17

Program Income Formula:

59%

= Program Income x Program Income Formula

Total Allowable Program Income:

\$100,000

Grant Related Program Income

\$58,824

Percentage of Federal Funding:

75%

= Federal Share of Program Income

Total Reportable Program Income:

\$44,118

How to calculate a formula for program income using total salary?



EXAMPLE

PROGRAM INCOME WORKSHEET

SALARY OF EMPLOYEE METHOD

List of employees working for task force (use additional sheet if necessary) and the fund they are paid out of:

Employee Name (Or Badge #)	Fund Paid	\$ Paid	Employee Name	Fund Paid	\$ Paid
1 Employee 1	General Fund	50,000	11 Employee 11	General Fund	
2 Employee 2	General Fund	50,000	12 Employee 12	BYRNE	10,000
3 Employee 3	General Fund	50,000	13 Employee 13	General Fund	50,000
4 Employee 4	BYRNE	20,000	14 Employee 14	BYRNE	15,000
5 Employee 5	Other Funds	15,000	15 Employee 15	Other Funds	10,000
6 Employee 6	General Fund	40,000	16 Employee 16	General Fund	40,000
7 Employee 7	BYRNE	15,000	17 Employee 17	BYRNE	20,000
8 Employee 8	BYRNE	15,000	18 Employee 18	BYRNE	20,000
9 Employee 9	BYRNE	15,000	19 Employee 19	General Fund	50,000
10 Employee 10	BYRNE	15,000	20 Employee 20	BYRNE	10,000

Total Salary of Employees Paid by BYRNE/JAG Grant:	\$155,000	= Byrne/Total Task Force
Total Salary of Employees Working for Task Force:	\$510,000	
Program Income Formula:	30%	
Total Allowable Program Income:	\$500,000	= Program Income x Program Income Formula
Grant Related Program Income	\$151,961	
Percentage of federal funding:	75%	= Federal Share of Program Income
Total Reportable Program Income:	\$113,971	

EXERCISE 2

FORMULA GROUP EXERCISE 2

PROGRAM INCOME WORKSHEET

SALARY OF EMPLOYEES METHOD

List of employees working for task force (use additional sheet if necessary) and the fund they are paid out of:

Employee Name (Or Badge #)	Fund Paid	\$ Paid	Employee Name	Fund Paid	\$ Paid
1 Employee 1	General Fund	40,000	11 Employee 11	General Fund	40,000
2 Employee 2	General Fund	50,000	12 Employee 12	BYRNE	20,000
3 Employee 3	General Fund	55,000	13 Employee 13	General Fund	35,000
4 Employee 4	BYRNE	5,000	14 Employee 14	BYRNE	15,000
5 Employee 5	Other Funds	25,000	15 Employee 15	Other Funds	10,000
6 Employee 6	General Fund	40,000	16 Employee 16	General Fund	55,000
7 Employee 7	BYRNE	5,000	17 Employee 17	BYRNE	10,000
8 Employee 8	BYRNE	5,000	18 Employee 18	BYRNE	5,000
9 Employee 9	BYRNE	5,000	19 Employee 19	General Fund	50,000
10 Employee 10	BYRNE	20,000	20 Employee 20	BYRNE	10,000

Total Salary of Employees Paid by BYRNE/JAG Grant:

\$ 100,000

= Byrne/Total Task Force

Total Number of Employees Working for Task Force:

\$ 500,000

Program Income Formula:

20%

= Program Income x Program Income Formula

Total Allowable Program Income:

\$ 400,000

Grant Related Program Income

\$ 80,000

= Federal Share of Program Income

Percentage of Federal Funding:

75%

Total Reportable Program Income:

\$ 60,000

Recap

- ✓ Develop a program income formula for each Cycle.
 - ✓ Decide who will be reporting program income.
- ✓ Send copy of formula to Kathy Karam for approval.
- ✓ Go back and revise program income for
Cycle 17 (July 1, 2003 – June 30, 2004)
Cycle 18 (July 1, 2004 – June 30, 2005)
Cycle 19 (July 1, 2005 – Present)
- ✓ Forward revised program income reports to Kathy Karam by January 31, 2006.



Report

&

Spend

100% of expenditures

**To support the task force
& prosecution projects**

GOAL

ALLOWABLE VS DISALLOWABLE

INCOME:

Does it fall into one of these categories?

- Items that were seized, forfeited or money received from task force related activities.
- Sale of Property
- Royalties
- Attorney's Fees and Costs
- Registration/Tuition Fees
- Interest earned on certain programs
- Membership Fees

Common Disallowable items:

- ACJC BYRNE/JAG reimbursement payments
- All RICO money
- Money received from non-task force related members

EXPENDITURES:

Does the item purchased relate to one of these priority areas?

Priority #1 Multi-jurisdictional, multi-agency task forces and their tandem prosecution projects;

Priority #2 Criminal Justice Records Improvement;

Priority #3 Forensic Laboratories, Adjudication, and Detention;

Priority #4 Prevention, Education and Drug Treatment Programs.

Is the item purchased an allowable cost under the OJP and ACJC Guidelines?

Including ACJC Match for BYRNE/JAG Grant

Common Disallowable items:

- Bottled water
- Food/beverage purchases (except confidential funds)
- Subgrants or awards to other agencies
- Items that do not fall in the above priority areas

APPENDIX A

Program Income except from OJP Financial Guide
<http://www.ojp.usdoj.gov/FinGuide/>

USE OF PROGRAM INCOME

Program income may be used to supplement project costs or reduce project costs, or may be refunded to the Federal government. Program income may only be used for allowable program costs and must be expended prior to additional OJP draw downs. (The draw down restriction does not apply to LLEBG and JABG).

EXAMPLES OF PROGRAM INCOME AND DISPOSITION REQUIREMENTS

1. Addition Method of Handling Program Income. In the absence of other restrictions on disposition contained within the award or the terms and conditions of the project, program income shall be added to the funds committed in the agreement. The program income shall be used as earned by the recipient/subrecipient for any purpose that furthers the broad objectives of the legislation under which the award was made (i.e., expanding the project or program, continuing the project or program that furthers the broad objectives of the State, obtaining equipment or other assets needed for the project or program, or for other activities that further the statute's objectives).

Responsibilities:

- a. Primary recipients of block/formula recipients will be responsible for requiring subrecipients to comply with program income guidelines.
- b. Block/formula subrecipients and the awarding agency's discretionary recipients will be responsible for the implementation and compliance of program income guidelines.
- c. Technical assistance, where needed, will be provided by the Office of the Comptroller.

2. Sale of Property. In the case of real property purchased in part with Federal funds, the recipient and/or subrecipient may be permitted to retain title upon compensating the awarding agency for its fair share of the property. The Federal share of the property shall be computed by applying the percentage of the Federal participation in the total cost of the project for which the property was acquired to the current fair market value of the property.

3. Royalties. Recipient shall retain all royalties received from copyrights or other works developed under projects or from patents and inventions, unless the terms and conditions of the project provide otherwise, or a specific agreement governing such royalties has been negotiated between the awarding agency and the recipient.

4. Attorney's Fees and Costs. Income received pursuant to a court-ordered award of attorney's fees or costs, which is received subsequent to completion of the project, is program income to the extent that it represents a reimbursement for attorney's fees and costs originally paid under the

award. Disposition of such program income is subject to the restrictions on the use of program income set forth in the award.

5. Registration/Tuition Fees. These types of program income shall be treated in accordance with disposition instructions set forth in the project's terms and conditions.

6. Asset Seizures and Forfeitures. Program income from asset seizures and forfeitures is considered earned when the property has been adjudicated to the benefit of the plaintiff (i.e., law enforcement entity). Income received from the sale of seized and forfeited assets (personal or real property) or from seized and forfeited money shall follow the "Addition Method" of handling program income unless an alternate method is designated in the recipient's award document. The following policies apply to program income from asset seizures and forfeitures:

a. Subrecipient program income, with the approval of the recipient, may be retained by the entity earning the program income or used by the recipient for any purpose that furthers the objectives of the legislation under which the grant was made.

b. States or local units of government MAY USE PROGRAM INCOME FUNDS FROM SEIZED AND FORFEITURE ASSETS AS MATCH when assets are adjudicated by a State Court, in accordance with the State law. In addition, State and local units of government MAY use cash received under the equitable sharing program for the non-Federal portion (match) of program costs, as provided for in the guidelines established by the DOJ Asset Forfeiture Office, when the assets are adjudicated by a Federal Court.

7. Interest Earned on LLEBG and JABG Grants Funds. Interest earned on LLEBG and JABG grant funds is considered program income and should be expended only on allowable purpose areas under these programs. Recipients are required to use all funds within the fixed expenditure period. No extensions of the expenditure periods will be approved. LLEBG and JABG recipients are not required to expend program income before applying Federal funds.

8. Membership Fees. When an organization receives membership fees and its only source of income is Federal grant funds, the membership fees will generally be considered program income. Where non-membership income is received and used to provide services to members in addition to the federally funded services, membership income may be considered program income in proportion to the amount of Federal and non-Federal funds received. However, to the extent that membership fees were received by the organization prior to the receipt of Federal grant funds, or are used to provide services to members that are separate and distinct from grant-funded services, the membership fees need not be reported as program income.

NOTE: Fines as a result of law enforcement activities are not considered program income.

ACCOUNTING FOR PROGRAM INCOME

All income generated as a direct result of an agency-funded project shall be deemed program income (e.g., if the purpose of the grant is to conduct conferences, any training fees that are generated would be considered program income). Program income must be used for the purposes

and under the conditions applicable to the award. Unless specified by the awarding agency, program income should be used as earned and expended as soon as possible. If the cost is allowable under the Federal grant program, then the cost would be allowable using program income. If program income earned on a discretionary grant during the grant period remains at the end of the grant period, the recipient should request a no-cost extension of the grant period to provide the recipient with ample time to expend the program income for allowable project purposes. If there is no special condition on the award concerning the accounting for program income earned after the funding period, then such program income can be used at the discretion of the recipient. The Federal portion of program income must be accounted for up to the same ratio of Federal participation as funded in the project or program. For example:

1. A discretionary project funded with 100 percent Federal funds must account for and report on 100 percent of the total program income earned. If the total program income earned was \$20,000, the recipient must account for and report the \$20,000 as program income on the Financial Status Report.
2. If a recipient was funded by formula/block funds at 75 percent Federal funds and 25 percent non-Federal funds and the total program income earned by the grant was \$100,000, \$75,000 must be accounted for and reported, by the recipient, as program income on the Financial Status Report.

PROCEDURES FOR RECOVERY OF COSTS INCURRED

1. **Authorization of Reimbursement.** When a State or local law enforcement agency provides information to the Internal Revenue Service (IRS) that substantially contributes to the recovery of Federal taxes imposed with respect to illegal drug-related activities (or money laundering in connection with such activities), the agency may be reimbursed by the IRS for costs incurred in the investigation (including but not limited to reasonable expenses, per diem, salary, and overtime) not to exceed 10 percent of the sum recovered.
2. **Records.** The IRS shall maintain records of the receipt of information from a contributing agency and shall notify the agency when monies have been recovered as the result of such information. Following such notification, the agency shall submit a statement detailing the investigative costs it incurred. Where more than one State or local agency has given information, the IRS shall equitably allocate investigative costs among the agencies not to exceed an aggregate amount of 10 percent of the taxes recovered.
3. **No Duplicative Reimbursement.** No State or local agency may receive reimbursement under Section 7624 if reimbursement has been received by the agency under a Federal or State forfeiture program or under State revenue laws.
4. **Awarding Agency Funds.** If the information/investigation is performed with awarding agency funds, the reimbursement received from the IRS would be program income and subject to the guidelines discussed above.

APPENDIX B

ACJC Policy on Program Income
Adopted on 03/24/2005 Commission Meeting
<http://www.azcjc.gov/finance/agenda.asp>

ADDITION METHOD

Program income shall be used as earned by the recipient/subrecipient for any purpose that furthers the broad objectives of the legislation under which it was made.

PURPOSE AREAS

There were three priorities established in the 2004-2007 Arizona State Strategy adopted by the Commission:

Priority #1 Multi-jurisdictional, multi-agency task forces and their tandem prosecution projects;

Priority #2 Criminal Justice Records Improvement;

Priority #3 Forensic Laboratories, Adjudication, and Detention;

Priority #4 Prevention, Education and Drug Treatment Programs.

ACJC Grants Manual

http://azcjc.gov/pubs/home/021104_Manual_GrantReferenceManual.pdf

PROGRAM INCOME

Grantees who generate program income as a direct result of Federal grant funds for a project must report program income and program expenditures. Example: Byrne forfeiture monies and interest on LLEBG Block Grant.

Program income means income received by the grantee that is generated by the existence of the grant-supported activity, or earned as a result of the grant during the grant period. "During the grant period" is the time between the effective date of the award and the ending date of the award reflected in the final financial report.

EXAMPLES OF PROGRAM INCOME:

- Income from fees for services performed;
- Income from the use or rental of real or personal property acquired with grant funds;
- Income from the sale of commodities or items fabricated under a grant;

- Proceeds from the sale of property or equipment;
- Income from royalties and license fees for copyright materials, patents, and inventions developed by the grantee;
- Income received from a court ordered award of attorney's fees or costs, to the extent that it represents a reimbursement for attorney's fees and costs originally paid under the award;
- Reimbursement received from the IRS if award funds were used in the information and investigation leading to the recovery of Federal taxes imposed with respect to illegal drug-related activities or money laundering in connection with illegal drug-related activities.
- Income received from asset seizures and forfeitures is considered "earned" when the property has been forfeited to the benefit of the law enforcement agency by court order.

Fines as a result of law enforcement activities are not considered program income.

USE OF PROGRAM INCOME

Program income may be used to supplement or reduce project costs, or may be refunded to the Federal government. Program income may only be used for allowable program costs and must be expended prior to federal grant funds.

Program income shall be added to the funds committed in the Grant Agreement, known as the "Addition Method" and used by the grantee for any purpose that furthers the broad objectives of the legislation under which the award was made.

ACCOUNTING FOR PROGRAM INCOME

Program income must be accounted for up to the same ratio or percent as Federal dollars provided to the project. For example:

- A project funded with 100 percent Federal funds must account for and report on 100 percent of the total program income earned. If the total program income earned was \$20,000, the recipient must account for and report the \$20,000 as program income on the Financial Report.
- If a project was funded with 75 percent Federal funds and 25 percent non-Federal funds (match) and the total program income earned by the grant was \$100,000, \$75,000 must be accounted for and reported, by the recipient, as program income on the Financial Report.

Program income received can be found on the financial report line I, page 1.

Program income expenditures can be found on the second page of the Financial Report. (See Appendix C for Financial Report sample.)