# CALIFORNIA TOBACCO CONTROL PROGRAM

# ADMINISTRATIVE MANUAL

# REVISED: DECEMBER 2020

# 100 – Introduction

## Overview of the Administrative Section

The purpose of this section is to guide the administrative, fiscal, and program management of competitive grantees (CGs), Local Lead Agencies (LLAs), and contractors funded by the California Department of Public Health, California Tobacco Control Program (CDPH/CTCP).

This section provides the procedures necessary for CTCP-funded project staff to administer their grant/contract/agreement with CTCP. It includes information and procedures on various issues such as budget revisions, subcontract agreements, cost reports and progress reports. There is also a miscellaneous chapter, which will address additional information that does not fit within the chapters identified in this section. In different chapters of this section you will be guided to instructions located in the Online Tobacco Information System (OTIS).

Throughout this section the terms “contract”, “grant”, and “agreement” are used interchangeably. The term “project” refers to any CDPH/CTCP-funded agency.

## Program Consultants, Project Officers, and Procurement Managers

CTCP assigns two staff to each project. CGs, LLAs, and statewide projects are assigned a Program Consultant (PC) and a Procurement Manager (PM). Evaluation/surveillance projects are assigned a Project Officer (PO) and PM. CTCP staff responsibilities include the following:

- The PC/PO has program responsibility for the project, which includes: the scope of work, scope of work revisions, the scope of work as it relates to the budget, subcontractor scopes of work, and monitoring progress reports.
- The PM has administrative responsibility for the project, which includes: the budget, budget revisions, contract issues, payment of invoices, and approving subcontract agreements. The PM acts as the

point person for obtaining the PC/PO input and approval on administrative and budget issues.

The PC/PO and PM work as a team on issues such as revisions, amendments, etc. Throughout this section, projects will be instructed to send certain documents to the PM even though it may appear to be program-related. The PM will work with the PC/PO to review and approve the document and will submit the written approval back to the project.

The PC/PO and PM are available to help projects whenever needed. Please call or email the projects' assigned PC/PO and/or PM if there are any questions or if the project needs assistance.

# 200 – Invoice Processing Guidelines

## 201 – Invoice Submission

The following chapter applies to all invoices submitted to the California Tobacco Control Program (CTCP) under your contract, grant, or agreement. Invoices must be submitted to CTCP electronically. ***Do not send invoices to CTCP until your contract is fully executed; CTCP cannot process them***. Prompt and consistent invoicing helps to ensure that your agency will have the cash flow needed to provide the services in your executed agreement. It is recommended that invoices be submitted to CTCP within ten (10) working days of the end of the previous billing/performance period. Please provide a copy of this chapter of the Administrative Section to the appropriate fiscal staff within your agency so that they have the information, such as the invoice format, time frames, and processing guidelines.

To ensure timely payment, please follow these instructions:

**Contractors and Grantees:**

A. Submit invoices by email as a Portable Document Format (PDF) file to CTCPinvoices@cdph.ca.gov and cc" the assigned Procurement Manager (PM).
B. Title the subject line of the email and the invoice (PDF) file as follows:

INVOICE: [Grant/Contract Number], [Agency Name].

C. The salutation, in the email, must be directed to the assigned PM.

**Local Lead Agencies:**

Submit prospective payment invoices (PPIs) to the assigned PM via the Online Tobacco Information System (OTIS) Communication Log.

## 202 – Payment Time Frames and Invoice Disputes

A. **Payment Time Frames**

California Tobacco Control Program (CTCP) strives to process invoices in an expeditious manner. CTCP staff review, approve, and forward invoices to the California Department of Public Health (CDPH) Accounting Section for payment. The CDPH Accounting Section then processes the invoices in the

Financial Information System for California (FI$Cal) for the State Controller's Office (SCO) where the payment warrant (check) is prepared and mailed.

Payment must be made in accordance with, and within the time specified in, Government Code Chapter 4.5, commencing with Section 927 known as the Prompt Payment Act. The State has up to **forty-five (45) days** to pay invoices for agencies approved for "prompt payment."

In accordance with the Prompt Payment Act, if CDPH does not pay an undisputed invoice within the 45-day time frame noted above, CDPH may be subject to a late payment penalty.

- A nonprofit organization with a contract or grant greater than $500,000 is **not** eligible for the late payment penalty.
- No penalty shall accrue during any period for which there is no Budget Act in effect.
- A late payment penalty will only be paid if requested by the contractor.
- For a certified small business, nonprofit organization, or a nonprofit public benefit corporation, if the amount of the penalty is ten dollars ($10) or less, the penalty will be waived and not paid by the SCO.
- For all other businesses, if the penalty is 100 dollars ($100) or less, the penalty will be waived and not paid by the SCO.

B. **Invoice Disputes**

If there are problems with the invoice, CTCP staff will contact the agency either by telephone or email and may dispute the invoice.

Invoices disputed for reasonable cause (e.g., incorrect billing amount due, invoice not properly completed) must be acknowledged by CTCP, in writing, by sending Form STD 209 Invoice Dispute Notification to the contractor within 15 business days of receipt of the invoice, to minimize Prompt Payment Act interest penalties. The Invoice Dispute Notification will reference the reason(s) for the dispute. A new invoice may need to be submitted, if applicable.

# 203 – Invoice Format

This section applies only to Contractors and Grantees. Local Lead Agencies should refer to Section 206: Local Lead Agency (LLA) Allocation Agreement and Prospective Payment Invoice (PPI) Processing Guidelines.

Contractors/Grantees shall submit invoices to claim reimbursement for **actual** expenditures incurred during the invoice period which: 1) are contained in and meet the definition of approved line items in your budget and budget justification; and, 2) are used solely for deliverables, goals, and objectives contained in your contract/grant scope of work. You may submit supplemental invoices to the California Tobacco Control Program (CTCP) for expenditures which were incurred during the term of the contract/grant but have not been previously billed. Refer to Section 205: Supplemental Invoices for more information.

Invoices shall:

A. Be prepared on Contractor/Grantee letterhead and signed by an authorized official, employee or agent certifying that the actual expenditures claimed represent activities performed and are in accordance with the Scope of Work, under the agreement.
B. Bear the Contractor/Grantee's name and agreement number as shown on the agreement.
C. Identify the billing and/or performance period covered by the invoice.
D. Identify the invoice number.
E. Itemize costs for the billing period in the same or greater level of detail as indicated in the agreement. Subject to the terms of the agreement, reimbursement may only be sought for those costs and/or cost categories expressly identified as allowable and approved by California Department of Public Health/CTCP.

Contact your assigned Procurement Manager for the most current invoice templates.

# 204 – Processing Guidelines

You can help prevent delays in processing your invoice by following these guidelines:

A. If in doubt, contact your California Tobacco Control Program (CTCP) Procurement Manager (PM) regarding questions or potential problems **before** submitting your invoice.
B. Should your remittance/pay-to address change during your contract term, formally submit: 1) an email to your assigned PM indicating your new payment address; and, 2) a revised STD 204, Payee Data Record Form, or CDPH 9083, Governmental Entity Taxpayer ID Form. CTCP will transmit your notification to the California Department of Public Health (CDPH) Accounting Section. This will ensure checks are mailed to the new address.
C. Do not send your invoices with other CTCP correspondence as the invoice may be misdirected to the wrong CTCP staff and, therefore, delay payment processing. Please use the invoice remittance information specified in Section 201: Invoice Submission.

Other Processing Guidelines for ***Contracts*** Only:

A. Make sure that the Fringe Benefits and Indirect Costs invoice line items are the same as in the approved contract budget and budget justification and that they conform to the specified percentages in each line item. Show the **actual** Fringe Benefit and Indirect Cost rates for the invoice period. Any increases in Fringe Benefits or Indirect Costs expenses above the approved range in your contract must have prior written approval from CDPH/CTCP. Any increases without prior written approval will not be allowed. **At no time can the Indirect Cost rate exceed the CDPH-approved rate in your agreement.**
B. In the Subcontract & Consultant line item, you must list each subcontractor/consultant individually on the invoice and list the total expenses for each subcontractor/consultant, regardless of the total

budget amount for this line item.

C. In the Other Costs line item, you must list each sub line item separately and provide expenses for each, regardless of the total budget amount for this line item. All items reported under Other Costs must be referenced in the SOW and justified in the line item narratives.
D. The invoice must reflect **only** the current fiscal year figures. Do not show the figures for the entire contract term. The budget columns will change each fiscal year according to the approved budget in your contract.
E. Calculate your invoices accurately. Mathematical errors which have to be corrected by CTCP staff prevent the timely processing of invoices and delay payment. An error that would require an increase in the total invoice amount will be rejected by the CDPH Accounting Section. CTCP may ask you to either complete a new invoice for such corrections or, if appropriate, you may submit a supplemental invoice for the difference at a later date. Refer to Section 205: Supplemental Invoices for more information.
F. CTCP may withhold invoices if contract deliverables are not submitted timely and accurately. Submit contract deliverables such as progress reports, subcontract agreements, fiscal documentation, and evaluation requirements, in a form and format prescribed by CTCP on a timely basis.

Other Processing Guidelines for ***Grants*** Only:

A. Although no detail is required on the invoice for the budget line items, the expenses charged to the State must conform to the parameters of the approved Budget. In addition, agreement language requires grantees to maintain financial records documenting all direct and indirect costs incurred in the performance of the grant. Refer to Chapter 300: Fiscal Documentation/Record Keeping and Audit Requirements for more information.
B. Any increases (e.g., percent of time worked, actual salary, space rent/lease, etc.) above the approved ranges in the budget and budget justification must be pre?approved by CTCP before invoicing. Refer to Chapter 500: In-House Revisions and Formal Amendments to Agreements for information on how to obtain that pre-approval.

# 205 – Supplemental Invoices

Supplemental invoices are necessary when expenses were incurred during a given month or quarter but were not included on the invoice that has already been submitted to California Tobacco Control Program (CTCP). For example, in December you realize that you incurred an additional $150.00 in Operating Expenses in July which was not included on the July invoice submitted to CTCP. Please do **not** include this additional expense on the next regular monthly invoice. You **must** submit a supplemental invoice claiming ***just the additional expense*** and label the invoice as “July 20XX Supplemental.”

CTCP will review supplemental invoices in the same way that the original invoice was reviewed. The points outlined in Section 204: Processing Guidelines for contracts and grants will also apply to supplemental

invoices. In addition, for contracts, if the supplemental expenses are for Indirect Costs, CTCP will review both the original invoice and the supplemental invoice combined to ensure that the approved indirect rate in the budget is not exceeded.

# 206 – Local Lead Agency (LLA) Allocation Agreement and Prospective Payment Invoice (PPI) Processing Guidelines

A. **Allocation Agreement**

Annually, California Tobacco Control Program (CTCP) issues a communication via the Online Tobacco Information System (OTIS), requesting that the “Acceptance of Allocation Agreement” form be signed and returned to CTCP. The original communication will be sent to the LLA Project Director with a copy to the LLA’s Day-to-Day Fiscal Contact.

The LLA Project Director must:

1. Ensure that the authorized person signing the form has reviewed the Allocation Agreement Terms, which are located in the LLA Plan Guidelines;
2. Obtain the signature of the “Official Agency Signatory” as identified in OTIS; and
3. Return the signed Acceptance of Allocation Agreement to the assigned CTCP Procurement Manager (PM) in a timely manner.

*Note: CTCP does not require the Board of Supervisor’s review/signature. This does not change any procedures that the LLA may have to follow within their own structure. LLAs should allow sufficient time to obtain their Board of Supervisor’s approval, if applicable.*

CTCP will not process PPIs without a signed Allocation Agreement. It is important that the LLA process the Acceptance of Allocation Agreement promptly to avoid delays in receipt of payment.

B. **Prospective Payment Invoices (PPIs)**

The Acceptance of Allocation Agreement allows CTCP to make quarterly prospective payments to LLAs for tobacco control activities. Each quarterly prospective payment distributes one-fourth of an LLA’s annual state fiscal year allocation. PPIs are anticipated to be released each state fiscal year according to the following schedule:

| Prospective Payment Invoice | Period Covered | Anticipated Release Date |
|---|---|---|

| | | |
|---|---|---|
| First Quarter | July-September | July-August* |
| Second Quarter | October-December | July-August* |
| Third Quarter | January-March | December |
| Fourth Quarter | April-June | March |

*The release of the July-September and October-December PPIs may be delayed pending the signing of the State Budget each year and/or the availability of funds established by the State Controller's Office.

CTCP will send the LLA a PPI via the OTIS Communication Log that will include the amount and period covered (see sample PPI below). LLAs must promptly sign, date, and return the PPI to the assigned CTCP PM electronically via the OTIS Communication Log. The authorized signatory for PPIs can be any person within the LLA who is authorized to sign. The signatory does not have to be the "official agency signatory" identified in OTIS.

Prospective payments are considered an advance payment and as such must be deposited into an interest bearing, insured trust account. Proposition 99 and Proposition 56 funds must be deposited into separate trust accounts. Do not mix different funding sources.

Once both Proposition 99 and Proposition 56 quarterly payments are received, and deposited into their separate trust accounts, the received date must be recorded in OTIS by the LLA. Please refer to the OTIS User Manual for specific instructions.

CTCP may withhold/claim cut prospective payments for any of the following reasons:

- pending enactment of the State Budget each fiscal year
- pending availability of funds established by the State Controller's Office
- pending receipt of a signed Acceptance of Allocation Agreement
- pending approval of the Comprehensive Tobacco Control Plan
- pending receipt of an acceptable cost report (CR) and/or progress report (PR)
- pending approval of a budget revision for categories that have been over-expended
- if there are severe problems with implementation of the Comprehensive Tobacco Control Plan
- to draw down excessive balances to avoid the return of funds to CTCP at the end of the allocation agreement term
- LLA failed to return unexpended funds at the closeout of a prior allocation agreement term
- LLA failed to send the minimum number of participants to CTCP required trainings (see LLA Plan Guidelines for the complete list of CTCP required trainings)

*Note: The Tobacco Control Project Director is responsible for notifying the appropriate LLA fiscal staff of the prospective payment procedures. LLAs should carefully monitor the use of prospective payment funds in order to accurately report expenditures in the CRs.*

# 300 – Fiscal Documentation/Record Keeping and Audit Requirements

## 301 – Overview

The California Tobacco Control Program (CTCP) would like to call your attention to the audit and records retention requirements outlined in your agreement. In addition to these requirements, contractors shall employ fiscal/administrative staff with the appropriate training and experience to maintain fiscal accountability and track grant funds. Staff shall be knowledgeable of and practice: standard accounting and payroll practices (including state and federal tax withholding requirements), maintenance of fiscal/administrative records/documents, appropriate tracking and review/approval of expenditures, and other administrative policies and procedures which will maintain the fiscal integrity of the funds awarded to the contractor/grantee. These items are discussed in further detail in the following sections.

When documents are requested by CTCP, submit all documents electronically to your assigned Procurement Manager (PM) via e-mail and/or the Online Tobacco Information System (OTIS) Communication Log.

## 302 – Fiscal Documentation Reviews/Record Keeping

Contractors/grantees are required to maintain financial records documenting all direct and indirect costs incurred in the performance of the contract/agreement including, but not limited to, accounting books, ledgers, documents, and payroll records (e.g., signed timesheets, time studies, etc.). Contractors must follow standard accounting procedures and practices that properly reflect all direct and indirect expenses related to the project. See Section 303: Audit and Record Retention Contract Requirements for standard contract language.

A. **Access to Records**

In order for the California Tobacco Control Program (CTCP) to ascertain your agency's adherence to the financial documentation requirements of the contract/agreement language, CTCP conducts routine fiscal documentation reviews. At a minimum, agencies are required to submit the backup/supporting documentation with the monthly invoice identified by CTCP. Fiscal documentation reviews typically occur as follows:

1. **New Contractor/Grantee:** New contractors/grantees* are **required** to provide the backup/supporting documentation for all expenses billed with the fourth monthly invoice or the second quarterly invoice immediately following the beginning of the contract/grant term. After this initial documentation process is completed, new contractors/grantees* will fall under the criteria of "existing contractor/grantee" and will be required to comply with the "existing contractor/grantee" fiscal documentation requirements. Please refer to Part B below for the type of documentation required and the format in which it is to be submitted.

**New Contractor/grantee is defined as an agency who has: 1) never been funded by CTCP before; 2) had a gap in CTCP funding of more than one year; or, 3) been funded, however, the new contract is staffed by different/new people.*

2. **Existing Contractor/Grantee**: Existing contractors are required to submit backup/supporting documentation for one of the months of February through May of each calendar year. Your Procurement Manager (PM) will notify you by the fifteenth (15 th) of the month, which month the PM has chosen for you to provide back-up/supporting documentation (e.g., notified by April 15 that documentation will be required for the April invoice). The PM has the option of requiring documentation for every category on the invoice or selecting only a few categories to document. This information will also be provided in the notification sent by the 15 th of the month. The PM's decision on how many categories to document will be based on the outcome of previous documentation. For example, if your previous documentation was not acceptable, you may be required to submit documentation for all categories again. On the other hand, if your documentation was acceptable, the PM will select one or more categories to document. Please refer to Part B below for the type of documentation required and the format in which it is to be submitted.
3. **Local Lead Agency:** Local Lead Agencies (LLA) are not required to complete this requirement because LLAs are required to submit a cost report every six months.

***Note**: CTCP retains the right to request fiscal documentation at any time for any invoice period outside of the established timeframes.*

B. **Type and Format of Documentation**

Separate, batch, and label the documentation according to the line item to which the expense is billed on your monthly/quarterly invoice or detailed in the CTCP-approved Budget. Any documentation that is "batched" for each line item must equal the total amount being billed for that line item on your invoice or Budget. Please provide a summary page that shows the individual amounts for each category. The documentation must be copies of actual receipts, bills, invoices, etc. If those items are not available, you must provide an explanation. If your agency prorates their expenses among several projects, please provide an explanation of how you arrived at the percentage charged to the CTCP-funded contract/grant. In addition, for review purposes, please label the documentation with the contract/grant number.

*If the documentation is not separated, batched, labeled with the contract/grant number, and calculated, it will be returned to you for correction. The invoice to which the documentation pertains may be withheld from payment processing or adjusted until the documentation is submitted correctly.*

This documentation should include, but is not limited to the following line items: *(Please batch and label your documentation according to the following outline)*

1. Personnel Expenses: all payroll records (such as copies of signed timesheets) or other personnel ledgers documenting personnel expenses which includes percent of time, time studies for employees working less than 100% FTE, actual salary, amount of personnel expenses allocated to CTCP, etc.;
2. Fringe Benefits: computation or records and expenditures of actual costs associated with fringe benefits and a list of items billed under fringe benefits;
3. Operating Expenses: vendor invoices, bills or receipts for all:
    a. general expense purchases, i.e., office supplies, communication, postage, duplicating, CTCP communication network
    b. space rent/lease
    c. printing
    d. equipment rental
    e. audit expense, if applicable
    f. other;
4. Equipment Expenses: vendor invoices, bills or receipts for all equipment purchases reflected on the invoice and approved in the Budget by CTCP;
5. Travel/Per Diem and Training: travel log or travel claims and training receipts, bills or invoices and travel policies including the allowable rates established;

**Note:** Please keep the following points in mind when processing travel expense claims:

a. Travel Expense Claims must reflect the start and end date/time of travel so that you can correctly apply the travel reimbursement guidelines.
b. California Department of Human Resources (CalHR) Travel Reimbursement Guidelines must be applied to all employees, subcontractors, consultants, advisory committee members, etc. Refer to Chapter 400: Travel Information, and the CalHR Travel Reimbursements website for the most recent CalHR Guidelines.

- ***Note**: Local Lead Agencies may be reimbursed at county rates.*
- ***Note**: Travel and reimbursement for Universities (UCs/CSUs) shall be in accordance with the University's travel policy in effect as of the date the cost is incurred. Reimbursement for travel by employees of a Subawardee of the University shall be reimbursed at actual cost not to exceed the Federal rates in effect as of the date the costs are incurred.*

d. Travel/Per Diem and Training costs charged to this line item should not include conference room rentals.
e. Training costs charged to this line item should be the registration fees to conferences, meetings, trainings, etc. It should not include educational materials purchased for training purposes (i.e., software training manuals).
f. Subcontracts/Consultants: Provide receipts, invoices, bills, etc., for all subcontract expenses approved in the Budget and reflected on the invoice;
g. Other Costs: vendor invoices, bills or receipts for all sub-line items within this category and approved in the Budget which may include, but is not limited to, the following:

h. Educational Materials
i. Incentives
j. Paid Media
k. Booth Rental/Facilities Fees
l. Stipends
m. Paid Sponsorships
n. Other;

***Note:*** *All items reported under Other Costs must be referenced in the SOW and justified in the line item narratives.*

8. Indirect Expenses: Include computation or records and expenditures of actual costs approved in the Budget and associated with indirect rates (including vendor purchase orders for outside services such as utilities, janitorial, payroll, bookkeeping, legal, etc.) and a list of items billed under indirect expenses; and,
9. Any other evidence to support expenses claimed for the monthly invoice and in the approved Budget.

Backup/supporting documentation that you submit to CTCP (including timesheets and agency purchase orders) should include signatures and approval dates of authorized agency officials and the dates of expense and must be maintained in accordance with Section 305: Agency Documentation Requirements. Invoices, bills or receipts from outside vendors/businesses for indirect costs and operating expenses should identify the name of the vendor, location of vendor (e.g. address and/or phone number), item of expense, amount, and date. If expenses are "split" or shared with other contracts/programs, you should indicate the amount or percent of expense billed to the tobacco contract/grant separate from the portion of expense billed to the contractor's other funded programs.

After examination of this information, your PM will communicate with you their approval or identify any problems that may exist. **Payment of the monthly invoice being substantiated, as well as any subsequent invoices, will be contingent upon your compliance with the requirements of this chapter.**

You must retain a copy of the materials you submit as a record of submission and to facilitate discussion with CTCP in the event any questions arise from the review.

CTCP retains the right to request in the future any additional documentation to support expenses claimed on any monthly/quarterly invoice.

# 303 – Audit and Record Retention Contract Requirements

Carefully review the Financial and Compliance Audit Requirements, record keeping, and fiscal documentation language in the terms and conditions of your contract. Local Lead Agencies (LLAs should

refer to their LLA Allocation Agreement Terms and Conditions. Parts A-D of this section provide standard contract language for grants, personal services/consultant contracts, interagency agreements with state universities (UCs/CSUs), and federally funded contracts/grants.

California Tobacco Control Program (CTCP) requires that all contractors which meet the definition of a "nonprofit organization" as defined in 2 CFR Part 200, Appendix XI, Compliance Supplement, submit to CTCP a copy of the agency's annual financial and compliance audit report for every Fiscal Year of the contract term. Submit the audit reports to your assigned Procurement Manager (PM) via e-mail and/or the Online Tobacco Information System (OTIS) Communication Log.

Additionally, Prop 56, subsection 30130.56 (a) states that the California State Auditor shall at least biennially conduct an independent financial audit of the state and local agencies who are recipients of Prop 56 funds. As such, the contractor is to maintain fiscal and program records documenting expenditures and program implementation for three years beyond the date of the final payment.

A. **Grants**

The following are excerpts from Exhibit C, Standard Grant Conditions of the Grant Agreement:

1. Audit: Grantee agrees that the Department, the Bureau of State Audits, or their designated representative shall have the right to review and to copy any records and supporting documentation pertaining to this Grant. Grantee agrees to maintain such records for a possible audit for a minimum of three (3) years after final payment or completion of the project funded with this Grant, unless a longer period of records retention is stipulated. Grantee agrees to allow the auditor(s) access to such records during normal business hours and to allow interviews of any employees who might reasonably have information related to such records. Further, Grantee agrees to include a similar right of the State to audit records and interview staff in any subcontract related to the project.
2. Fiscal Management Systems and Accounting Standards: Grantee agrees that, at a minimum, its fiscal control and accounting procedures will be sufficient to permit tracing of all grant funds to a level of expenditure adequate to establish that such funds have not been used in violation of any applicable state or federal law, or the provisions of this Grant. Grantee further agrees that it will maintain separate Project accounts in accordance with generally accepted accounting principles.
3. Records: Grantee certifies that it will maintain Project accounts in accordance with generally accepted accounting principles. Grantee further certifies that it will comply with the following conditions for a grant award as set forth in the Request for Applications (Exhibit D) and the Grant Application (Exhibit A).
    a. Establish an official file for the Project which shall adequately document all significant actions relative to the Project;
    b. Establish separate accounts which will adequately and accurately depict all amounts received and expended on this Project, including all grant funds received under this Grant;
    c. Establish separate accounts which will adequately depict all income received which is attributable to the Project, especially including any income attributable to grant funds disbursed under this Grant;
    d. Establish an accounting system which will adequately depict final total costs of the Project, including both direct and indirect costs; and,

e. Establish such accounts and maintain such records as may be necessary for the state to fulfill federal reporting requirements, including any and all reporting requirements under federal tax statutes or regulations.

B. **Personal Services/Consultant Contracts** *(Note: Universities must follow the requirements in the University Terms and Conditions. See Part C of this section)***:**

The following is an excerpt from Exhibit B, Budget Details and Payment Provisions of the Standard Agreement:

Expense Allowability / Fiscal Documentation:

a. Invoices, received from the Contractor and accepted for payment by the State, shall not be deemed evidence of allowable agreement costs.
b. Contractor shall maintain for review and audit and supply to CDPH upon request, adequate documentation of all expenses claimed pursuant to this agreement to permit a determination of expense allowability.
c. If the allowability of an expense cannot be determined by the State because invoice detail, fiscal records, or backup documentation is nonexistent or inadequate according to generally accepted accounting principles or practices, all questionable costs may be disallowed and payment may be withheld by the State. Upon receipt of adequate documentation supporting a disallowed or questionable expense, reimbursement may resume for the amount substantiated and deemed allowable.

The following is an excerpt from Exhibit B, Budget Details and Payment Provisions of the Standard Agreement:

Recovery of Overpayments

a. Contractor agrees that claims based upon the terms of this agreement or an audit finding and/or an audit finding that is appealed and upheld, will be recovered by the State by one of the following options:
    i. Contractor's remittance to the State of the full amount of the audit exception within 30 days following the State's request for repayment;
    ii. A repayment schedule agreeable between the State and the Contractor.
b. The State reserves the right to select which option as indicated above in paragraph a will be employed and the Contractor will be notified by the State in writing of the claim procedure to be utilized.
c. Interest on the unpaid balance of the audit finding or debt will accrue at a rate equal to the monthly average of the rate received on investments in the Pooled Money Investment Fund commencing on the date that an audit or examination finding is mailed to the Contractor, beginning 30 days after Contractor's receipt of the State's demand for repayment.
d. If the Contractor has filed a valid appeal regarding the report of audit findings, recovery of the overpayments will be deferred until a final administrative decision on the appeal has been reached. If the Contractor loses the final administrative appeal, Contractor shall repay, to the State, the over-claimed or disallowed expenses, plus accrued interest. Interest accrues from the Contractor's

first receipt of State's notice requesting reimbursement of questioned audit costs or disallowed expenses.

The following is an excerpt from Exhibit C, General Terms and Conditions of the Standard Agreement:

Audit: Contractor agrees that the awarding department, the Department of General Services, the Bureau of State Audits, or their designated representative shall have the right to review and to copy any records and supporting documentation pertaining to the performance of this Agreement. Contractor agrees to maintain such records for possible audit for a minimum of three (3) years after final payment, unless a longer period of records retention is stipulated. Contractor agrees to allow the auditor(s) access to such records during normal business hours and to allow interviews of any employees who might reasonably have information related to such records. Further, Contractor agrees to include a similar right of the State to audit records and interview staff in any subcontract related to performance of this Agreement. (Gov. Code §8546.7, Pub. Contract Code §10115 et seq., CCR Title 2, Section 1896).

The following is an excerpt from Exhibit E, Additional Provisions of the Standard Agreement:

Subcontract Requirements: "(Subcontractor Name) agrees to maintain and preserve, until three years after termination of (Agreement Number) and final payment from CDPH to the Contractor, to permit CDPH or any duly authorized representative, to have access to, examine or audit any pertinent books, documents, papers and records related to this subcontract and to allow interviews of any employees who might reasonably have information related to such records."

C. **Interagency Agreements with State Universities (UCs/CSUs)**

The following are excerpts from Exhibit C, University Terms and Conditions of the UC/CSU Interagency Agreement:

Expense Allowability / Fiscal Documentation

University will maintain financial records and supporting documentation of all costs incurred in the performance of this Agreement. If the State agency or State Controller's Office requires clarification of any expenditure prior to payment of an invoice, University will provide documentation of such expenditure to support its allowability. If any expenditures are disputed by the State, pending resolution, State agrees to pay all other undisputed invoiced costs.

Audit

The University agrees that the awarding State agency, the Department of General Services, the California State Auditor, or their designated representative shall have the right to audit and/or review, and copy any records and supporting documentation pertaining to the performance of this Agreement if it exceeds $10,000. The University agrees to maintain such records for possible audit for a minimum of three (3) years after final payment, unless a longer period of record retention is stipulated in Exhibit D. If any litigation, claim, or audit begins prior to the expiration of the retention period, the records shall be retained until all litigation, claims or audit findings involving the records have been resolved and final action taken. University agrees to refund to the State any amounts claimed for reimbursement and paid to University which are later disallowed by the State after audit or inspection of records.

D. **Federally-Funded Contracts/Grants**

The following are excerpts from Exhibit F, Federal Terms and Conditions of the Grant Agreement and Standard Agreement:

Financial and Compliance Audit Requirements

By signing this Agreement, the Contractor/Subcontractor agrees to abide by all requirements specified in 2 CFR 200 et seq., 2 CFR et seq., as applicable, including but not limited to obtaining an annual audit, and any subsequent federal regulatory additions or revisions.

1. The definitions used in this provision are contained in Section 38040 of the Health and Safety Code, which by this reference is made a part hereof.
2. Direct service contract means a contract or agreement for services contained in local assistance or subvention programs or both (see Health and Safety [H&S] Code section 38020). Direct service contracts shall not include contracts, agreements, grants, or subventions to other governmental agencies or units of government nor contracts or agreements with regional centers or area agencies on aging (H&S Code section 38030).
3. The Contractor, as indicated below, agrees to obtain one of the following audits:
    a. If the Contractor is a nonprofit organization (as defined in H&S Code section 38040) and receives $25,000 or more from any State agency under a direct service contract or agreement; the Contractor agrees to obtain an annual single, organization wide, financial and compliance audit. Said audit shall be conducted according to Generally Accepted Auditing Standards. This audit does not fulfill the audit requirements of Paragraph c(3) below. The audit shall be completed by the 15th day of the fifth month following the end of the Contractor's fiscal year, and/or
    b. If the Contractor is a nonprofit organization (as defined in H&S Code section 38040) and receives less than $25,000 per year from any State agency under a direct service contract or agreement, the Contractor agrees to obtain a biennial single, organization wide financial and compliance audit, unless there is evidence of fraud or other violation of state law in connection with this Agreement. This audit does not fulfill the audit requirements of Paragraph c(3) below. The audit shall be completed by the 15th day of the fifth month following the end of the Contractor's fiscal year, and/or
    c. If the Contractor is a State or Local Government entity or Nonprofit organization (as defined in 2CFR Part 200) and expends $750,000 or more in Federal awards, the Contractor agrees to obtain an annual single, organization wide, financial and compliance audit according to the requirements specified in 2CFR Part 200. An audit conducted pursuant to this provision will fulfill the audit requirements outlined in Paragraphs c(1) and c(2) above. The audit shall be completed by the end of the ninth month following the end of the audit period. The requirements of this provision apply if:
        i. The Contractor is a recipient expending Federal awards received directly from Federal awarding agencies, or
        ii. The Contractor is a subrecipient expending Federal awards received from a pass-through entity such as the State, County or community based organization.

4. If the Contractor submits to CDPH a report of an audit other than a single audit, the Contractor must also submit a certification indicating the Contractor has not expended $750,000 or more in federal funds for the year covered by the audit report.
5. Two copies of the audit report shall be delivered to the CDPH program funding this Agreement. The audit report must identify the Contractor's legal name and the number assigned to this Agreement. The audit report shall be due within 30 days after the completion of the audit. Upon receipt of said audit report, the CDPH Program Contract Manager shall forward the audit report to CDPH's Audits and Investigations Unit if the audit report was submitted under Section 16.c(3), unless the audit report is from a City, County, or Special District within the State of California whereby the report will be retained by the funding program.
6. The cost of the audits described herein may be included in the funding for this Agreement up to the proportionate amount this Agreement represents of the Contractor's total revenue. The CDPH program funding this Agreement must provide advance written approval of the specific amount allowed for said audit expenses.
7. The State or its authorized designee, including the Bureau of State Audits, is responsible for conducting agreement performance audits which are not financial and compliance audits. Performance audits are defined by Generally Accepted Government Auditing Standards.
8. Nothing in this Agreement limits the State's responsibility or authority to enforce State law or regulations, procedures, or reporting requirements arising thereto.
9. Nothing in this provision limits the authority of the State to make audits of this Agreement, provided however, that if independent audits arranged for by the Contractor meet Generally Accepted Governmental Auditing Standards, the State shall rely on those audits and any additional audit work and shall build upon the work already done.
10. The State may, at its option, direct its own auditors to perform either of the audits described above. The Contractor will be given advance written notification, if the State chooses to exercise its option to perform said audits.
11. The Contractor shall include a clause in any agreement the Contractor enters into with the audit firm doing the single organization wide audit to provide access by the State or Federal Government to the working papers of the independent auditor who prepares the single organization wide audit for the Contractor.
12. Federal or state auditors shall have "expanded scope auditing" authority to conduct specific program audits during the same period in which a single organization wide audit is being performed, but the audit report has not been issued. The federal or state auditors shall review and have access to the current audit work being conducted and will not apply any testing or review procedures which have not been satisfied by previous audit work that has been completed. The term "expanded scope auditing" is applied and defined in the U.S. General Accounting Office (GAO) issued Standards for Audit of Government Organizations, Programs, Activities and Functions, better known as the "yellow book."

# 304 – Agency Documentation Requirements

The California Department of Public Health may audit contracts at any time. The documentation required for each audit may typically include, but is not limited to the following:

**Fiscal Records**

A. General Ledger, Journals, and Accounts and corresponding financial statements
B. Cash Receipts and Disbursements Journal with Supporting Documents
C. Vendor and/or Subcontractor Invoices to Support Expenditures
D. Remittance Advices received from the State Controller's Office
E. Payroll Records, including, but not limited to personnel time sheets signed/dated by the employee and supervisor reflecting actual time worked on program including time studies for employees working less than 100% Full Time Equivalent (FTE) funded by multiple fund sources or programs
F. Travel Logs signed/dated by employee and supervisor, Employee Expense Claims and appropriate receipts
G. Billing Records (Program Log)
H. State and Federal Tax Withholding Records
I. Financial Statements including copies of annual Independent Audit Reports and Independent Audit of County Auditor's Report (for Local Lead Agencies)
J. Computation of the Fringe Benefit of Fund Sources including records and expenditures of actual costs associated with fringe benefits
K. Agency-wide Budget and separate accounting records for different Fund Sources and adequate accounting record keeping
L. Copies of Monthly/Quarterly Invoices submitted to the State for payment and supporting documentation for invoice expenses
M. Copies of Reimbursement Warrants and Remittance Advices from the State Controller's Office
N. Administrative Manuals such as Personnel Policies and Procedures, Travel Policies and Procedures, and methods and processes used to record, compile, and report the expenditures and allocated costs
O. Internal control policies and procedures including the policies, procedures, documents and reports, that affect the revenues, expenditures, and allocation of expenditures

**Program Records**

A. Project Application/Proposal (submitted in response to Request for Applications or Solicitation)
B. Contract and Contract Amendments
C. California Tobacco Control Program (CTCP) Competitive Grantee Administrative and Policy Manual
D. Progress Reports and the Final Report
E. Program Audit Reports of Site Visits
F. Project Scope of Work
G. Subcontract/Consultant/Vendor Agreements
H. Bidding Documents used in subcontract/consultant/vendor selection or justification(s) supporting the absence of bidding
I. Correspondence Regarding the Contract and/or Subcontracts

J. Program implementation records that document the number of people served, materials developed, activities conducted, etc. These records may include, but are not limited to logs, sign-in sheets, meeting minutes, survey and evaluation data, etc
K. If applicable, an approved mini-grant process (approved by the State) along with program records of awards, correspondence, fiscal records, etc

**Other Records**

A. Board of Director's Minutes and Articles of Incorporation
B. Non-Profit State Approval Letter/Certification
C. Organization Chart (Agency wide) and Duty Statements
D. Program Correspondence Files related to the CTCP-funded project
E. Other Program Audits of the Facility

# 500 – In-House Revisions and Formal Amendments to Agreements

## 501 – Overview

***Most California Tobacco Control Program-funded projects contain the following:***

- Scope of Work (SOW)
- Budget/Budget Justification (Budget)

The SOW identifies objectives (goals) and operationalizes a set of activities that work toward accomplishing the objectives. The SOW contains the following:

- Intervention Activities
- Evaluation Activities

The Budget contains the following eight (8) major categorical line items, which are:

- Personnel Costs
- Fringe Benefits
- Operating Expenses
- Equipment Expenses
- Travel/Per Diem & Training
- Subcontracts and Consultants
- Other Costs
- Indirect Expenses

The Budget Justification contains the formulas and cost narratives which justify the spending plan in the Budget.

For the purposes of this chapter, the Budget and Budget Justification will be referred to as the Budget even though revisions and amendments may be made to one or the other, or both at the same time.

***There are two procedures available for changing the SOW and Budget contained in your contract: 1) in-house revisions; 2) formal amendments to the agreement. These procedures are explained in more detail in the following sections.***

## 502 – In-House Revision Overview

An **in-house revision** is the less formal of the two procedures and may only be requested by Local Lead Agencies (LLAs) and Competitive Grantees (CGs). In general, revisions to evaluation/surveillance contracts, media contracts, certain statewide projects, and interagency agreements with state universities require a formal amendment to the agreement/contract. Amendment criteria and procedures are explained in more detail in Section 505: Amendment Criteria and Procedures.

In-house revisions must be requested, completed and approved in the Online Tobacco Information System (OTIS) by California Tobacco Control Program (CTCP) during the designated open revision period. The annual open revision period for CGs is generally scheduled for February 1 through March 31; for LLAs, the annual open revision period is generally scheduled September 1 through October 31. Exact dates may be adjusted if these dates fall on a weekend/holiday. CTCP will provide submittal timelines for each Plan Revision through the OTIS Communication Log in order to ensure all final Plan Revision approvals are completed by the end of the open revision period.

Because Plan Revisions (SOW and Budget) require a significant amount of time and effort to complete, LLAs/CGs should carefully consider which Plan Revisions will be required, and seek conceptual approval from their assigned CTCP Program Consultant (PC) and Procurement Manager (PM) through the OTIS Communication Log. Please note, the PC/PM may require follow-up meetings and/or documents before approval can be given. LLAs/CGs should ensure adequate time and personnel are available so that the revision can be completed in a timely manner.

If a revision is needed outside of the annual open revision period, CTCP may “approve” the revision request conceptually via the OTIS Communication Log, and then request the project formally update the SOW and/or Budget during the next open revision period.

**Note:** Progress Reports and Cost Reports may be submitted and viewed but cannot be approved while a Plan Revision is open.

**Note:** If submittal dates do not allow CTCP sufficient time to review and approve Plan Revisions, the Plan Revisions may be suspended and then canceled by CTCP. Any edits made in that version will be permanently deleted from OTIS and the Plan will revert to the last approved version.

**Scope of Work**

Changes or revisions to the activities, deliverables and/or performance time frames specified in the SOW may be made through an in-house revision provided the changes do not alter the overall goals and basic purpose of the project.

**Budget**

Modifications to the funding levels of the budget line items or subcategories in the Budget can be made through an in?house revision, provided that the:

1. total contract/agreement amount remains unchanged;

2. funding amount for any fiscal year remains unchanged; and
3. change is programmatically justified and does not alter the approved SOW.

**Note:** CTCP can only approve invoice expenses that conform to the currently approved project Budget. Invoices cannot be approved against a pending in-house Budget revision. Supplemental invoices for additional expenses incurred during the pending period may be submitted after the Budget revision is approved.

# 503 – In-House Revision Criteria and Procedures

**Budget Revision Criteria**

LLAs/CGs may make changes to the funding levels and narratives of the categorical or sub-categorical line items in the Budget, but may not use the in-house revision process to add additional line items to the Budget or increase the total funding amount per fiscal year or the total overall Budget amount.

An in-house budget revision is required when actual expenditures in specific categorical line items will exceed the budgeted levels. A budget revision allows a project to move money from one categorical line item to other categorical line items in the budget in order to reconcile the budget line items with actual expenditures and/or projected expenditures. For example, a project discovers that the Operating Expenses line item was over-budgeted and insufficient amounts were budgeted in the Other Costs line item. With an in-house budget revision, the project can move funds from Operating Expenses into Other Costs within the same fiscal year.

**Scope of Work Revision Criteria**

Certain changes can be made to the Scope of Work (SOW) without obtaining a formal amendment to the agreement. Adjustments can be made to activities, deliverables and/or performance time frames provided these changes do not result in a change in the overall goals and basic purpose of the project. For example, a SOW currently states that the project will staff a booth at 4-6 events for 1-2 hours each; however, the project has found that conducting town hall events is much more conducive to collecting surveys, recruiting workgroup members, and/or providing educational presentations. To replace this activity, this change can be accomplished through an in-house SOW revision.

***Note:*** *When making changes to the SOW, you may need to adjust the program deliverable percentages to appropriately reflect the SOW changes.*

**Budget/SOW Revision Procedures**

When a circumstance such as those described above arises, complete the following steps:

1. Contact the California Tobacco Control Program (CTCP) Procurement Manager (PM) and Program Consultant (PC) assigned to your project and discuss the proposed revision to the Budget and/or SOW.

2. If it is agreed that an in-house revision is necessary, submit a formal request in the Online Tobacco Information System (OTIS) Communication Log that includes:

a. An explanation as to why changes to the Budget or SOW are necessary;
b. For Budget revisions, the PM may request a detailed breakdown of the changes to the current approved budget prior to opening the plan for revisions in OTIS, which should include: 1) existing budget levels for each of the budget line items; 2) amount of increase or reduction for each line item; and, 3) new line item amounts. This can be accomplished by attaching a Word document using the "Track Changes" function to the OTIS Communication Log message that will indicate which item(s) in the Budget have changed by: 1) ~~striking out~~ the items you wish to delete, and 2) <u>underline</u> the items being added.
c. For SOW revisions, clearly describing the proposed changes in narrative form generally suffices. If a revision is extensive, the PC may request a detailed breakdown of the changes to the current SOW (e.g., attach a Word document using the "Track Changes" function to the OTIS Communication Log message) prior to opening the plan for revisions in OTIS. Projects should work with their PC to establish how to best formalize the SOW revision request.

3. If an in-house revision is approved, the PM and PC will open up the plan to enter the edits in OTIS. Upon submission of the edits, the PM and PC will coordinate final approval.

# 504 - Local Lead Agency In-House Revision Procedures and Considerations

A. **Questions Local Lead Agencies (LLAs) must consider at the start of each fiscal year (FY)** following **Years One, Two and Three** of the Plan period to determine the sequence of procedures that need to be followed:

1. **Do you have unexpended funds from the prior FY, or have any line item expenditures exceeding the budgeted line item amount?**
    a. **Yes:** A Budget Revision will be opened for you during the September-October open revision period, once the January-June cost report (CR) is ready to be approved (refer to Section C below). When the Budget Revision is approved, go to Question 2 below.
    b. **No:** Go to Question 2 below.
2. **Are there changes to your allocation amount for the current FY, per advice from California Tobacco Control Program (CTCP)?**
    a. **Yes:** A Budget Revision will be opened for you during the September-October open revision period, once the January-June CR is ready to be approved (refer to Section C below). When approved, go to Question 3 below.
    b. **No:** Go to Question 3 below.

3. **Would you like to request a Scope of Work (SOW) Revision, a Budget Revision or a Combined Revision for the current FY, -OR- was your allocation amount increased by $50,000 or more this FY, making a Combined Revision mandatory?**
    a. **Yes:** Request a SOW, Budget, or Combined Revision (refer to Sections B-D below).
    b. **No:** END, no further action is necessary for your LLA Plan.

B. **Procedures for Sow Revisions**

Annually, after the January-June Progress Report (PR) is submitted for Years One, Two or Three of the Plan period, the project may request a SOW revision.

**STEPS:**

1. Obtain conceptual approval from your assigned CTCP Program Consultant (PC) and PM through the OTIS Communication Log. If you receive conceptual approval from CTCP and:
    a. **IF:** It is between September 1 and the October 31 deadline, **THEN**: Go to Step 2 below.
    b. **IF:** It is outside the September 1-October 31 period, **THEN:** Contact your assigned PC and PM via the OTIS Communication Log detailing your revision request(s). If approved, the change must be added to the SOW and/or Budget in the next formal revision.
2. Open a formal “Revision Request” in the OTIS Communication Log. As part of this request, you must:
    a. Select the “Desired Effective Date for Revision,” and choose the current fiscal year from the drop-down menu.
    b. Select the section(s) of the Plan to be opened for revision by checking the boxes (e.g., Objective Two in the SOW).
    c. Describe each change requested in the narrative portion/text box provided and/or attach a Word document using the “Track Changes” function to the OTIS Communication Log message.
    d. Submit to CTCP.
3. CTCP may approve or deny your request, or seek additional clarification.
4. If your revision request is granted, requested sections of the Plan will be opened for you to edit in OTIS and you will be given a timeline for submitting the Plan Revision and subsequent due dates.
5. Make changes to the open sections by the due dates indicated and submit to CTCP.
6. One extension of the overall Plan Revision completion date in OTIS may be requested (but not beyond October 31).
7. The PC and PM will review the SOW Revision and approve if acceptable.
8. When CTCP grants final approval, the new version of the Plan is in effect, and the Abstract will be opened for you to make any needed edits.
9. Revise the Abstract if required and resubmit it to CTCP with or without changes.
10. CTCP will review and approve the Abstract.

C. **Procedures for Budget Revisions**

Annually, after the January-June CR is submitted and ready to be approved for Years One, Two or Three of the Plan period, the assigned PM will typically open a Budget Revision in OTIS before the CR approval to allow:

1. CTCP to adjust the LLA budget allocation amounts if allocations have changed;

2. LLAs to adjust prior year budget line items to eliminate any line item deficits and to match actual expenses in the CR; and,
3. LLAs to reallocate (rollover) unexpended funds from the prior to the current FY and adjust current FY line items to reflect actual allocation amounts. **Note:** Justifications will be required for all line item adjustments (e.g., "rollover of unspent funds from Year Two to Year Three").

**STEPS:**

1. Submit CR on or before the August 31 deadline.
2. The PM will review your CR and:
    a. add comments for any required changes to the CR, if applicable
    b. advise you that the CR can only receive approval after the remaining steps outlined in this section have been completed;
    c. note calculations of rollover and changes to allocation amounts; and
    d. return the CR to you as "Needs Revisions" -or- will coordinate with the PC to open a Plan revision, -or- approve/disapprove CR with no Plan revision opened.
    e. ***Note:*** *If prior year expenditure was equal to your allocation amount, and your new allocation amount is unchanged, no Budget Revision would be required unless expenditure has exceeded the budget in individual line item budgets for the prior year.*
3. You will access the Budget and make changes to budget line items for the prior and current FYs as required. The following explains the scenarios that may apply to your LLA:
    a. Your TOTAL expenditures for the prior FY were reported as:
        i. Lower than your allocation amount
        ii. Equal to your allocation amount
        iii. Higher than your allocation amount
    b. And your ALLOCATION AMOUNT for the new FY, per CTCP advice, is:
        i. Higher than previous estimates
        ii. Equal to previous estimates
        iii. Lower than previous estimates
        iv. ***Note:*** *Over-expenditure is not permitted, so you will be required to reduce actual prior year expenses in the CR to match budget estimates and return the CR to CTCP.*
    c. In all cases (except those outlined in the Notes above), you will:
        i. Note the total amount of any unspent funds and unspent funds in each budget line from the prior FY, and any change to the allocation amount for the current FY.
        ii. In the prior FY's budget line items, enter the amount of any unspent funds for each line as a negative adjustment. You may also be required to move (reallocate/add) funds into line items at this time due to higher than anticipated expenses in those lines. The final budget line items should then reflect your actual expenses in each line item as reported in the CR submitted to CTCP.
        iii. In the current FY's budget line items, adjust selected budget line items so that the sum of these adjustments equals the sum of any unspent funds from the prior year and any change to the allocation amount for the current FY.
        iv. ***Note:*** *Some costs may be ineligible for rollover authorization, depending on the*

*Solicitation or guidelines (e.g., if the minimum number of LLA project staff did not attend required CTCP Travel/Trainings, funds allocated for that purpose cannot be reallocated elsewhere and are forfeited).*

v. ***Note:*** *The movement of unexpended balances from one year to the next does not have to stay within the same category it came from in the previous FY. However, you may choose to simply move unexpended balances from each line item from the last budget year into the corresponding line item in the current budget year to simplify this Budget Revision and have the CR approved. You may then request a second Budget Revision or a Combined Revision to move funds between categories within the current budget year (see Section D below).*

vi. ***Note:*** *Whenever there is an adjustment on a budget line item (for both deduction and addition of funds), a Budget Justification narrative must be added explaining why the adjustment is needed and how any unexpended balances will be used. The budget formula must be corrected to match the adjusted amount.*

4. One extension of the overall Budget Revision completion date may be requested, but not beyond the October 31 deadline.
5. Submit Budget Revision to CTCP.
6. Resubmit CR with or without changes as specified in PM's cost report analysis comments.
7. The assigned PM and PC will review and approve the Budget Revision.
8. When CTCP grants final approval, the Abstract will open for you to make any desired changes.
9. Revise the Abstract if required and resubmit to CTCP with or without changes.
10. CTCP will review and approve the abstract.
11. When CTCP approves the CR, the FY is closed out.

D. **Procedures for a Combined Revision**

Discuss a Plan Revision with your assigned PC and PM as soon as possible if:

1. current or future activities may be outside the scope of the current objectives in your Plan's SOW or the Budget;
2. your LLA received an allocation adjustment of $50,000 or more above prior estimates (*Note: a revision may be requested for an allocation adjustment below the prior estimate but is not required*); and/or,
3. A Budget Revision is required to reallocate funds between line items within the current FY.

**STEPS:**

1. Use the OTIS Communication Log to discuss in concept the changes desired with the assigned PC and PM.
2. If you receive conceptual approval from the PC and PM and:
   a. **IF:** It is between September 1 and the October 31 deadline, **THEN:** Go to Step 3 below.
   b. **IF:** It is outside the September 1-October 31 period, **THEN:** Contact your assigned PC and PM via the OTIS Communication Log detailing your revision request(s). If approved, the change must be added to the SOW and/or Budget in the next formal revision.
3. Open a formal "Revision Request" in the OTIS Communication Log. As part of this request, you must:

   a. Select the “Desired Effective Date for Revision” and choose the current six-month PR period (i.e. July–December) from the drop-down menu.
   b. Select the section(s) of the Plan to be opened for revision by checking the boxes (e.g., Objective Two in the SOW).
   c. Describe each change requested in the narrative portion/text box provided and/or attach a Word document using the “Track Changes” function to the OTIS Communication Log message.
   d. Submit to CTCP.
4. The PC and PM may approve or deny your request, or request clarification.
5. If your request is granted, requested sections of the Plan will be opened for you to edit in OTIS and you will be given a timeline for submitting the Plan Revision and subsequent due dates.
6. Make changes to the open sections by the due dates indicated and submit to CTCP.
7. One extension of the overall Plan Revision completion date in OTIS may be requested (but not beyond October 31).
8. The PC and PM will review the Combined Revision and approve if acceptable.
9. When CTCP grants final approval, the new version of the Plan will be in effect, and the Abstract will be opened for you to make any desired revisions.
10. Revise the Abstract if required and resubmit to CTCP with or without changes.
11. CTCP will review and approve the Abstract in OTIS.

# 505 - Amendment Criteria and Procedures

An **amendment** to a contract/agreement is a formal revision procedure. It is used to make broad changes such as increasing the total contract amount, adding line items to an already approved plan, or adjusting one or more line items, per fiscal year, which cannot be made by an in-house revision.

California Tobacco Control Program (CTCP) can only approve invoice expenses that conform to the currently approved Budget and contract/agreement (as applicable). Invoices and supplemental invoices, for additional expenses, may not be submitted for approval until the amendment is fully executed (signed by CDPH).

Amendments are subject to the same approval process as the original contract/grant agreement. Final approval may take as long as three months from the time CTCP approves the request. The project may request one (1) formal amendment per 12-month period, whether it is a Scope of Work (SOW) amendment and/or a Budget amendment. No amendment will be considered within the last ninety (90) days of the project term.

**Criteria**

A formal amendment to the contract/agreement may be appropriate when broad changes in the

contract/agreement need to be made that could not be accomplished informally with an in-house revision. In general, a formal amendment is required for, but not limited to the following:

- Add a budget line item to an already itemized category. For example, your subcontract category is currently itemized to show two subcontractors. To add a third subcontractor would require an amendment.
- Increase or decrease the total dollar amount of the budget.
- Increase or decrease the dollar amount for any fiscal year budget.
- Change the overall goals and basic purpose of the SOW.
- Change the project agency's legal name.
- Change the project term.
- Make any other justifiable changes that cannot be made through an in-house revision because the terms and conditions of the signed contract/agreement have been altered.

**Procedures**

When circumstances such as those described above arise, complete the following steps:

1. Contact the CTCP Procurement Manager (PM) and Program Consultant (PC) or Project Officer (PO) assigned to your project and discuss the issues.
2. If it is agreed that an amendment is necessary, submit a formal written request via the Online Tobacco Information System (OTIS) Communication Log that includes:
    a. An explanation as to why changes to the Budget or SOW are necessary;
    b. A revised budget (e.g., Word document using the "Track Changes" function) which specifically includes: 1) existing budget levels for each of the budget line items; 2) amount of increase or reduction for each line item; and, 3) new line item amounts. Include the rationale for each line item change. You must indicate which item(s) in the Budget have changed by: 1) ~~striking out~~ the items you wish to delete, and 2) **bold/underline** the items being added. ***Please Note: The proposed budget amendment must incorporate any previously approved in-house budget revisions***; and
    c. A revised SOW. You must indicate which item(s) in the SOW have changed by: 1) ~~striking out~~ the items you wish to delete, and, 2) **bold/underline** the items being added.
    d. Upon submission of the edits, the PM will coordinate final approval of the amendment with the PC or PO and California Department of Public Health's (CDPH's) Contracts Management Unit (CMU).

# 700 – Progress Reports and Cost Reports

## 701 - Overview

A. **Progress Reports**

The California Department of Public Health (CDPH), California Tobacco Control Program (CTCP) manages a large volume of funded projects. The progress report (PR) is one of the primary communication tools with CTCP and serves as a “snapshot” so that CTCP sees and understands how the Proposition 99 and Proposition 56 funds are being used in each community. CTCP understands that completing the PR is time consuming, but it is one of the most important management and communication tools you have. Additionally, CTCP is subject to Proposition 56 mandated audits conducted by the California State Auditor (CSA) every two years. In the performance of these audits, CSA randomly selects projects and requests the agreement, progress report, and progress report analysis.

The Program Consultants (PC) or Project Officers (PO) review the PRs to monitor progress on the SOW. For Local Lead Agencies (LLAs)/Competitive Grantees/Statewide Projects, PRs are also used to identify the degree of program collaboration and coalition participation, identify individual and statewide technical assistance and training needs, recommend resources, and identify outstanding programs and materials that should be scaled up for broader statewide dissemination and use. PR documents may be shared with reporters, State legislators, or staff from other State programs that are looking for good examples of successful program strategies. Your PRs, survey findings, and evaluation reports also serve as a means for CTCP to have a better understanding of successes and barriers to project implementation. For example, Final Evaluation Reports can help other projects with planning their interventions, and have been used as part of larger studies that have reviewed the most successful tobacco control programs in the world, including California, to identify policies that can lead to reductions in disparities in smoking initiation, cessation, and intensity.

B. **Cost Reports – *LLAs only***

LLAs are required to submit cost reports (CRs) which detail the expenditures incurred in the implementation of the LLA Comprehensive Tobacco Control Plan for the six-month reporting period.

The Procurement Manager (PM) reviews the CRs to ensure the LLA is spending their prospective payments in accordance with the approved LLA Comprehensive Tobacco Control Plan Budget. Since the Budget serves as an expenditure plan, CTCP will use it to review the appropriateness of expenditures as detailed in the CRs. Therefore, it is necessary that the Budget accurately reflects costs in accordance with the approved SOW activities.

***NOTE:*** Detailed accounting records and appropriate accounting procedures are to be maintained based on

generally accepted accounting procedures of your county/city. Proper fiscal documentation supporting expenditures must be maintained in the LLA files for audit purposes. It is expected that the LLA will follow the first-in-first-out rule regarding their allocation. This means that the oldest money is to be used first (i.e., fiscal year [FY] 2020-21, then FY 2021-22, etc.). Additionally, Proposition 56 funds are to be liquidated before Proposition 99 funds.

# 702 - Submission Requirements

A. **Progress Reports**

All Progress Reports (PRs) must be submitted electronically by 5:00 p.m., Pacific Time, on the due dates outlined in your agreement. Contact your assigned Program Consultant (PC) or Project Officer (PO) if you have any questions.

1. **Local Lead Agencies (LLAs)/Competitive Grantees/Statewide Projects:**

PRs must be submitted electronically through the Online Tobacco Information System (OTIS). The OTIS User Manual contains the instructions and illustrations needed to complete and submit the PRs. Please follow those instructions. Once a PR is approved or disapproved, you will **not** be able to go back and make changes to it. If a tracking measure or activity progress was inadvertently omitted from a PR, it must be included in a subsequent PR period.

2. **Evaluation/Surveillance Contracts:**

PRs are due 30 days after the closing of each six-month period from the start of the contract date. PRs should be emailed directly to your PO. Starting in mid-2021, PRs will be entered into OTIS. The Final Report is due at the end of the contract term.

3. **Media Contracts:**

Media progress reports happen on a regular basis per the contract language contained in the Exhibit A Scope of Work (SOW). The contractor is responsible for a project management and monitoring plan for keeping California Department of Public Health (CDPH) apprised of all campaign activities, current personnel and subcontractors responsible for activities, and an evaluation of the effectiveness and cost efficiency of these activities. At a minimum, written semi-monthly status and insight reports and monthly budget summaries will be provided by the Contractor and subcontractors to CDPH, with additional reporting required at the discretion of CDPH during peak activity periods such as weekly hot sheets of priority items. Semi-monthly status reports from the Contractor and subcontractors contain the following information at a minimum:

a. A list of open work orders, projects, and timelines.
b. Status of progress and accomplishments for each work order and project.
c. Description of steps remaining for completion of each work order and project, and the date each step

will be completed.

In addition to regularly scheduled updates, the media contractors are required to provide timely project-specific wrap-up reports for all public relations and advertising activities as requested detailing the effort from implementation to the results, including recommendations for continued leverage of the activity.

a. Media recommendations are made for every quarter. After approval of media, there are launch reports to show proof of placements, scheduled mid-campaign reporting, as well as a wrap up report for each quarter and/or campaign.
b. Research and production projects have scheduled stages of approvals from CTCP.
c. A monthly report summarizing the impact of all advertising and public relations campaign elements on web traffic requires collaboration between the advertising and public relations contractors.
d. Public relations activities have agreed upon touchpoints for each project and an annual report summary is also required.

B. **Cost Reports** ***- LLAs Only***

All Cost Reports (CRs must be submitted electronically by 5:00 p.m., Pacific Time, on the due dates noted below through OTIS. The OTIS User Manuals contains the instructions and illustrations needed to complete and submit the CRs. Contact your assigned Procurement Manager (PM) if you have any questions. Once a CR is approved, you will **not** be able to go back and make changes to it. If an expense item was inadvertently omitted from a CR, contact your PM to determine if the CR must be reopened by CTCP to make revisions or if the item(s) can be included in a subsequent CR period.

| **LLA Six-Month Cost Report Periods** | **Due Date** |
|---|---|
| July 1 – December 31 | February 28 (or 29th) |
| January 1 – June 30 | August 31 |

C. **Budget reports –** ***Media Contracts Only***

Budgets are tracked by individual work orders with progress billings on a monthly basis. The contractor provides monthly budget reports in addition to the invoice that shows approved work order amounts, billed to date and remaining per work order.

# 800 – Equipment Purchases

## 801 – Overview

This chapter only applies to personal services/consultant contractors using a Standard Agreement (Form STD 213), that have identified and budgeted for the purchase of major/minor equipment. This chapter does not apply to Local Lead Agencies or Competitive Grantees. Wherever the term equipment and/or property are used, the definitions provided in Part A below shall apply.

This chapter provides you with the information you need to report the purchase and inventory of this equipment obtained through your California Department of Public Health (CDPH), California Tobacco Control Program (CTCP) contract. There are two forms associated with this process, which are: 1) *Contractor Equipment Purchased With CDPH Funds* (Form CDPH 1203) ***(*hereinafter referred to as the purchase form*);*** and 2) *Inventory/Disposition of CDPH-Funded Equipment* (Form CDPH 1204) ***(*hereinafter referred to as the inventory form*)***. Contact your assigned Procurement Manager (PM) for the most current version of these forms.

Carefully read the language contained in your Agreement and your approved budget. Unless otherwise stipulated in the Agreement, all equipment and/or property that are purchased/reimbursed with agreement funds or furnished by CDPH under the terms of the Agreement shall be considered state equipment and the property of CDPH. If your agency received CTCP approval to purchase equipment, please follow the instructions provided below for reporting the purchase and inventory of this equipment. For those contractors who have an equipment purchase in their approved budget, no equipment purchases billed (invoiced) to the contract will be paid until a purchase form has been submitted and approved by CTCP in accordance with this chapter.

**All equipment must be budgeted for in the Equipment Expenses category and reported to CTCP using the purchase form**. The inventory form must be completed annually and at the termination of the contract. All equipment purchased with State funds belongs to the State and may be retrieved upon termination of the contract. Do not dispose of equipment in any manner without obtaining prior written approval from CTCP.

A. **Equipment Definitions**

All equipment, regardless of type, must be budgeted in the Equipment Expenses category and reported on the purchase and inventory forms.

1. Major Equipment: A tangible or intangible item:
    a. Having a useful life of at least one year;
    b. Having a base unit price **of $5,000 or more**; and,

c. Used to conduct state business.

Software and videos are examples of intangible items that meet this definition.

2. Minor Equipment: A tangible item:
   a. Having a useful life of at least one year;
   b. Having a base unit price **under $5,000**; and,
   c. Used to conduct state business.

B. **Types of Equipment**

Types of equipment include, but are not limited to, the following:

- Camera
- Cell Phone
- Conference System Bundle (Phone and Camera)
- Conferencing Monitor
- Desktop Computer Monitor
- Computer System
- Copier
- Laptop
- Office Furniture
- Printer
- Projector
- Scanner
- Specialized Software
- Tablet
- Television

# 802 – Purchase Form

All equipment purchased under this contract must be described in the CTCP approved budget in the Equipment Expenses line item. The following steps must be completed to report the purchase of this equipment:

A. When submitting an invoice for payment that reflects equipment purchases, you must complete the purchase form CDPH 1203 and forward to CTCP **with the invoice**. List all equipment purchased during that monthly invoice. Contact your assigned Procurement Manager (PM) for the most current version of the CDPH 1203 form. When preparing the purchase form CDPH 1203, please keep in mind the following:
   1. Exhibit Reference: Enter the exhibit reference as appropriate to your contract.
   2. Current Contract Number: Enter your current contract number.

3. Previous Contract Number: If you had a previous contract with CTCP, enter that contract number here ONLY if the equipment was purchased through the previous contract; otherwise, leave it blank.
4. Contractor's Name and Complete Address: Enter your agency's name and complete physical address (do not use post office boxes).
5. Contractor's Contact Person and Contact's Telephone Number: Enter the name of the person within your agency whom CTCP can contact regarding this form and the phone number where they can be reached.
6. Date Current Contract Expires: Enter the termination (ending) date of your current CTCP contract.
7. CDPH Program Name/Contract Manager/Address/Telephone No.: Enter CTCP as the program name; the program contract manager will be the name of your assigned PM; enter CTCP's physical address and your PM's phone number.
8. Date of this Report: Enter the date the report is prepared.
9. State/CDPH Property Tag: If Property ID tags were issued, enter the number assigned to each piece of equipment. Make sure the tag numbers correspond to the serial number of the equipment being listed. If no Property ID tags were issued, enter "N/A."
10. Quantity: This should always be one (1) because you must enter only one item per line.
11. Item Description: Provide the manufacturer's name, model number, type, size and/or capacity.
12. Unit Cost Per Item: Enter the unit cost, before sales tax, per item, (e.g., two Chromebooks cost $500 total, so each must be listed separately and the base price of each is $250).
13. Date Purchased: Enter the date your agency took possession of the equipment.
14. Major/Minor Equipment Serial No.: Enter the manufacturer's serial number from the equipment.
15. Optional Program Use Only: Leave blank – for CTCP use only.

B. Submit the completed purchase form to your assigned PM along with the invoice on which the equipment expense is billed. **DO NOT submit the form directly to Asset Management within CDPH. If this occurs, payment of any invoices pending submission of the purchase form may be delayed.**

C. CTCP will review the items listed to ensure the items purchased are included in the CTCP approved budget. If the items are not included in the approved budget, the purchase may be denied or you may be asked to revise or formally amend your budget before the purchase can be approved. If the purchase is denied, the monthly invoice may be adjusted to remove the purchase price of the equipment. If the form is incomplete, it will be returned to you for completion.

D. The contractor is responsible for this equipment throughout the term of the contract. If the equipment is lost/stolen/destroyed at any time, the procedures outlined in Section 803: Lost/Stolen/Destroyed Equipment must be followed.

E. If the equipment becomes inoperative during the contract term, you must complete an inventory form. See Section 804: Inventory Form. Once the inventory form is approved, you will be instructed by your PM on how to dispose of the equipment.

F. The contractor is not to dispose of the equipment in any manner without first obtaining prior written approval from CTCP.

# 803 – Lost/Stolen/Destroyed Equipment

Whenever equipment is lost/stolen/destroyed, a report must be filed immediately with California Tobacco Control Program (CTCP) via the Online Tobacco Information System (OTIS) Communication Log. The report must contain:

A. A description of the events;
B. A list of the identification tag number(s) of the item(s) stolen;
C. A copy of the police report *(not applicable for lost/destroyed equipment)*;
D. Precautions to be taken to prevent repeat situations; and,
E. Completed purchase form CDPH 1203 for replacement equipment. Purchasing replacement equipment will most likely require a budget revision to move additional funds into the Equipment Expenses line item.

# 804 – Inventory Form

Contract language requires a final inventory of all equipment purchased through your contract. Additionally, if the Contractor enters into an agreement with a term of more than twelve months, the Contractor must submit an annual inventory (CDPH 1204) of state equipment and/or property to the assigned California Tobacco Control Program (CTCP) Procurement Manager (PM). In addition, at least sixty (60) calendar days prior to the termination or end of the agreement, the Contractor shall provide a final inventory report (CDPH 1204) of equipment and/or property to the assigned CTCP PM. Contact your assigned PM for the most current version of this form.

This form must also include all equipment reported on previously submitted purchase forms. This form must also be completed when equipment has become obsolete/inoperative and needs to be replaced. Do not wait until the end of the contract term.

The following steps must be completed (**Please note: DO NOT include lost/stolen/destroyed equipment information; include only the replacement (i.e., currently existing) equipment.)**:

A. Complete the inventory form and forward to CTCP. List all equipment purchased. When preparing the inventory form, please keep in mind the following:
    1. Exhibit Reference: Enter the exhibit reference as appropriate to your contract.
    2. Current Contract Number: Enter your current contract number.
    3. Previous Contract Number: If you had a previous contract with CTCP, enter that contract number here ONLY if the equipment was purchased through the previous contract; otherwise, enter N/A.

4. Contractor's Name and Complete Address: Enter your agency's name, complete physical address (do not use post office boxes).
5. Contractor's Contact Person and Contact's Telephone Number: Enter the name and phone number for the contact person.
6. Date Current Contract Expires: Enter the date.
7. CDPH Program Name/Contract Manager/Address/Telephone Number: Enter CTCP as the program name; the program contract manager will be the name of your assigned PM; enter CTCP's physical address and your PM's phone number.
8. Date of this Report: Enter the date the report is prepared.
9. State/CDPH Property Tag: If Property ID tags were issued, enter the number assigned to each piece of equipment. **Make sure the tag numbers correspond to the serial number of the equipment being listed.** If no Property ID tags were issued, enter "N/A."
10. Quantity: This should always be one (1) because you must enter only one item per line.
11. Item Description: Provide the manufacturer's name, model number, type, size and/or capacity.
12. Unit Cost Per Item: Enter the unit cost, before sales tax, per item (e.g., two Chromebooks cost $500 total, so each must be listed separately and the base price of each is $250).
13. Original Purchase Date: Enter the date your agency took possession of the equipment.
14. Major/Minor Equipment Serial No.: Enter the manufacturer's serial number from the equipment. Separate tags are issued for each piece of equipment.
15. Optional-Program Use Only: Leave blank – for CTCP use only.
16. Condition: Immediately following the description of the item, provide a brief description of the condition (refer to the sample).

B. Submit the completed inventory form to your assigned PM. **DO NOT submit the form directly to Asset Management within CDPH. If this occurs, payment of any invoices pending submission of the inventory form may be delayed.**

C. CTCP will review the inventory form for accuracy and completeness. Forms that are not accurate or are incomplete will be returned to you for correction.

D. After review of the inventory form, CTCP will:

- **For Contract Termination:** Determine if the equipment should be returned to the State based on its condition. You will be notified in writing within 30 days of receipt of the inventory form.
- **For Obsolete/Inoperative Equipment:** Instruct you on how to dispose of the equipment. This review involves other CDPH programs and can take up to two (2) months to complete.

# 900 – Completion of Contract Requirements

## 901 – Overview

The purpose of this chapter is to provide information regarding the close-out of California Tobacco Control Program (CTCP) contracts/agreements.

It is important to carefully and periodically review your contract's current Scope of Work (SOW) and Budget to ensure compliance with the terms and conditions of the agreement. Incomplete/unmet deliverables will ultimately prevent payment by CTCP. At the appropriate time, in-house revisions may be proposed to substitute acceptable alternative activities, and if accepted, suffice to meet minimum deliverable requirements. A no-cost extension may be possible to allow for completion of key activities if the contract/agreement is less than 60 months in length.

On a case by case basis, CTCP **may consider** an amendment to your contract, including a no-cost extension, if it is sufficiently justified. If you foresee a need to request a no-cost extension, an in-house SOW and/or Budget revision, or an amendment to your SOW and/or budget, please follow the directions in Section 902: Amendment/In-House Revision Procedures/Due Dates.

## 902 - Amendment/In-House Revision Procedures/Due Dates

A. **Procedures**

1. If you plan to submit a request for a no-cost extension, an in-house Scope of Work (SOW) and/or Budget revision, or an amendment to your SOW and/or Budget, contact your Program Consultant (PC)/Project Officer (PO) and Procurement Manager (PM) **as early as possible, and no later than six months prior to your contract termination date** to discuss your plans.
2. **No-cost extension requests submitted less than six months prior to your contract termination date will not be considered.** No-cost extension requests shall not include major SOW changes. The work to be performed during the extension period is to be a continuation of existing services or continued effort to meet existing contract deliverables.
3. If it is agreed that an amendment/in-house revision is necessary, submit a formal request in the Online Tobacco Information System (OTIS) Communication Log that includes:

i. An explanation as to why changes to the SOW and/or Budget are necessary; and,
ii. A revised SOW and/or Budget in the correct format outlined in Chapter 500: In-House Revisions and Formal Amendments to Agreements.

4. The formal request must be submitted in the OTIS Communication Log to your PC/PO and PM by the due dates specified below.

B. **Due Dates**

1. **Amendments**: The final SOW and/or Budget must be received and approved by CTCP **no later than six months prior to your contract termination date. Amendment documents submitted after this deadline will not be considered.**
2. **In-House Revisions**: The request for an in-house SOW and/or Budget revision must be received and approved by CTCP **no later than ninety (90) days prior to your contract termination date. Requests for in-house revisions after this deadline will not be considered.**

# 903 – Last Monthly and Final Invoice Dates

A. **Last Monthly/Quarterly Invoice**

The last monthly/quarterly invoice covers the expenses accrued in the final month or quarter of the contract/agreement term. California Tobacco Control Program (CTCP) will withhold payment of the last regular monthly/quarterly invoice for the contract period (i.e., June invoice) until the final comprehensive progress report and other requirements (see Section 904: Requirements for Contract Close-out) have been received and approved by the CTCP staff.

B. **Final Invoice**

A final invoice may or may not be the last monthly/quarterly invoice. A final invoice may be a supplemental invoice that captures expenses that were not included in invoices from prior months. The final invoice must be marked in the upper left-hand corner with an "X" next to "Check For Final Invoice."

The Payment Provisions of your contract/agreement states that invoices submitted more than thirty (30), sixty (60), or ninety (90) calendar days after the contract termination date may not be paid unless the Contractor has obtained prior written approval from the State during the contract term to bill after the thirty (30), sixty (60), or ninety (90) day period (refer to your contract/agreement language for the specific timeframe). You **MUST** either submit a request for an extension PRIOR to the contract termination date or submit the final invoice within the required timeframe; **OTHERWISE, CTCP CANNOT PAY THE FINAL INVOICE.** The request must state when the invoices will be submitted. This requirement applies not only to the final invoice but also the last regular monthly invoice and any supplemental invoices for additional expenses incurred during the contract term and not included in the last regular monthly invoice.

# 904 – Requirements for Contract Close-out

A. **Program Deliverables**

*Please note: If a no-cost extension is granted as outlined in Section 902: Amendment/In-House Revision Procedures/Due Dates, the subsequent contract amendment will include new due dates for the regular progress reports and the final comprehensive progress report.*

A final comprehensive progress report covering the entire contract/agreement term must be submitted by the date outlined in your agreement (e.g., program deliverables are due June 30, 2021, if the contract terminates on June 30, 2021). Refer to Chapter 700: Progress Reports and Cost Reports for progress report submission requirements.

B. **Audit Reports**

Please note that audit reports must cover the entire term of the contract/agreement. If the contractor's final audit is scheduled **after** the contract termination date, the contractor must provide a letter that indicates when the final audit will be conducted and when the report will be submitted to California Tobacco Control Program (CTCP) for inclusion in the contractor's file documentation. Please refer to the Financial and Compliance Audit Requirements provision of your contract language and Chapter 300: Fiscal Documentation/Record Keeping and Audit Requirements for more information on audit requirements.

C. **Final Equipment Inventory**

This requirement only applies to personal services/consultant contractors using a Standard Agreement (Form STD 213), that have identified and budgeted for the purchase of major/minor equipment. Contractors are reminded to review their contract/agreement language regarding equipment purchases. If your agency received CTCP approval to purchase equipment (either via the prime contract or through subcontractors), you must inventory that equipment using the inventory form, Form CDPH 1204. Contact your assigned Procurement Manager (PM) for the most current version of this form. The inventory form must be completed and submitted to CTCP at least 60 (sixty) calendar days prior to the termination of your contract. Refer to Chapter 800: Equipment Purchases for further instructions.

D. **Subcontract Agreements**

If you have not submitted copies of the fully executed subcontract/consultant agreements to your PM, please do so within 60 days of the contract termination date. These documents are required as part of your contract file documentation.

E. **Incentives**

At the conclusion of the contract/agreement, surplus incentives (e.g., merchandise cards that were not distributed) must be returned to CTCP. If you anticipate having a surplus of incentives at the conclusion of your contract/agreement, notify your assigned PM at least ninety (90) calendar days prior to the termination

of your contract.

F. **Contractor's Release Form**

In accordance with the Timely Submission of Final Invoice provisions of your contract language, some agreement types must submit a Contractor's Release form (CDPH 2352) to CTCP. This form is used by the California Department of Public Health to obtain the contractor's acknowledgment that final payment for services has been submitted. CDPH 2352 is to be completed by the contractor when the final invoice is prepared. **An original copy of the form must be submitted to CTCP along with the final invoice**. Contact your assigned PM for the most current version of this form.

The final invoice cannot be processed without this form. If the invoice is submitted without it, your PM will send you a notification that the invoice will be held until the form is submitted.

G. **Return of Funds (*Local Lead Agencies Only*)**

The Local Lead Agency (LLA) Allocation Agreement requires any unspent Proposition 99 or Proposition 56 funds and/or interest earned be returned to the State within ninety (90) days from the expiration date of the agreement. The words "Unexpended Tobacco Control Program (Proposition 99 or Proposition 56 funds) and/or (Proposition 99 or Proposition 56 Interest)" and the agreement number shall be written on the face of the check or warrant issued by the LLA. The checks are to be submitted to your assigned PM at the following address: **Procurement Manager's Name, California Department of Public Health, CHC/California Tobacco Control Program, MS 7206, P.O. Box 997377, Sacramento, CA 95899-7377.**

The envelope should be marked "personal and confidential" so the check will not get misdirected to the Cashiers Unit within the Department.

***Note:*** CTCP may withhold/claim cut LLA prospective payments to draw down excessive balances to avoid the return of funds to CTCP at the end of the allocation agreement term. Please refer to Chapter 200: Invoice Processing Guidelines, Section 206: LLA Allocation Agreement and Prospective Payment Invoice (PPI) Processing Guidelines for reasons why prospective payments may be withheld/claim cut.

# 1000 – Miscellaneous

## 1001 – Overview

This chapter of the manual will be used to provide information and instructions on issues that do not fit within any of the other chapters.

## 1002 – Interest Earned (Local Lead Agencies Only)

The Local Lead Agency (LLA) allocation agreement requires prospective payments to be deposited into **separate** interest bearing, insured trust accounts for Proposition 99 and Proposition 56 funds. The allocation agreement also requires that any interest earned on Proposition 99 or Proposition 56 funds be used for tobacco-related program activities and that you obtain California Tobacco Control Program (CTCP) approval for the use of these funds.

You may use funds from interest earned to purchase items already in the approved Comprehensive Tobacco Control Plan (e.g., incentives, media, campaign materials, etc.) or temporary help (and the fringe benefit expenses associated with the temporary help position) without obtaining **additional** prior written approval (the approval of the Comprehensive Tobacco Control Plan constitutes prior written approval). These funds cannot be used to supplement fringe benefit expenses for regular staff or for Indirect Cost expenses.

Prior written approval will be required to use these funds for equipment purchases or for purchases of any items not in the approved Comprehensive Tobacco Control Plan (e.g., consultants, new media, etc.). The request for approval must include the following:

1. A request in the Online Tobacco Information System (OTIS) Communication Log to the assigned Procurement Manager (PM) requesting approval to use interest earned to purchase items not in the approved Comprehensive Tobacco Control Plan;
2. A description of how the funds will be used (e.g., purchase office furniture, hire consultants, etc.); and,
3. The amount of money to be used from interest earned.

The PM will coordinate approval with the Program Consultant (PC) if necessary. The PM will send an OTIS Communication Log response within approximately seven (7) days after receipt of the request with a decision. If approved, the expense must be reported in the “interest earned” area of the cost report (CR) during the CR period in which the expense was incurred. Include in your comments a description of the approved expenses and the CTCP approval date.

Unspent Proposition 99 or Proposition 56 interest earned must be returned to the State within ninety (90) days from the expiration date of the agreement. Refer to Chapter 900: Completion of Contract Requirements, Section 904: Requirements for Contract Close-out for more information.

## 1003 – Generated Revenue

CTCP does not support the use of generated revenue in any contract/agreement to pay for program activities. Refer to the Terms and Conditions of your agreement and the Policy Section of this manual for more information.

# 1004 – Project Director Changes

Whenever changes occur with project director information such as a new project director, new address/phone and fax numbers, e-mail addresses, etc., please notify the California Tobacco Control Program (CTCP) immediately so that our contact lists can be updated. You must access the Online Tobacco Information System (OTIS) and Partners and use the online forms to provide these changes. Please contact CTCP if technical assistance is needed.

# 1005 – Indirect Cost Rate

An indirect cost rate (ICR) is the ratio between the total indirect expenses and direct cost base. Every agreement has a maximum ICR allowed, which depends on the type of agency being funded.

- Local Health Department (LHD): LHDs may not claim an ICR that exceeds the ICR rate approved for that LHD by California Department of Public Health.
- Non-LHD Agencies: Agencies not considered LHDs may not exceed a maximum of 25% of the Total Personnel Services (Personnel Costs plus Fringe Benefits Cost) or 15% of Total Allowable Direct Costs.
- University of California (UC)/California State University (CSU) Interagency Agreements: UCs/CSUs may use the ICR rate agreed upon by the Department of General Services and the UC/CSU. The current ICR rate for a UC/CSU is found on the UC website: https://www.ucop.edu/research-policy-analysis-coordination/policies-guidance/indirect-cost-recovery/state-of-california.html.

# 400 – Travel Information

## 402 – Out-of-State Travel

The California Tobacco Control Program (CTCP) requires that projects obtain prior approval for all out-of-state travel (OST) unless it is pre-approved through the CTCP modification process. To obtain approval for OST that is not in your currently approved Scope of Work and Budget, you must submit an OST request via the Online Tobacco Information System (OTIS). Refer to the Policy Section of this manual, Chapter 400, Policy #03, for more information regarding out-of-state travel.

When budgeting funds for OST, please note CTCP funds may not be utilized to travel to a State that has enacted a law, after June 26, 2015, that discriminates against individuals who identify as lesbian, gay, bisexual, or transgender. Per Assembly Bill (AB) 1887 (Government Code Section 11139.8), state-funded and state-sponsored travel is prohibited to states with discriminatory laws. See https://oag.ca.gov/ab1887 for states subject to AB 1887's travel prohibition.

Do NOT assume that the request is approved if you have not heard from CTCP. The approval must be made in OTIS before the travel expenses are incurred. OST, including salary, which occurs without prior written approval will be denied and is not reimbursable.

## 404 – Sample Government Rate Letter

**SAMPLE GOVERNMENT RATE LETTER**

Date: _____

To: Hotel/Motel Name: _____

Hotel/Motel Address: _____

**This is to certify that I, the undersigned traveler, am a representative of the State agency indicated below; that the charges for the occupancy at the above-establishment on the dates set forth below have been, or will be paid for by the State of California; and that such charges are incurred in the performance of my official duties as a representative of the State of California. State rates are hereby requested. This certificate is valid until [Month, Day, Year].**

Occupancy Date(s): _____

Amount Paid: _____

State Agency/Representative of: California Department of Public Health, California Tobacco Control Program, MS 7206, P.O. Box 997377, Sacramento, CA 95899-7377

Contract/Grant Name: [Agency Name]

Headquarters Address: [Address]

Traveler's Name: (Printed or Typed) _____

Executed At: (City): _____

Traveler's Signature: _____Date: _____

# 403 – Government Rate for Project Travel

When travel to implement your scope of work or to conduct business on behalf of the state requires overnight lodging, it may be beneficial to obtain a Government Rate Letter from your Procurement Manager (PM). This letter can be presented to hotels/motels to request the California state government rate for their establishment (see Section 404: Sample Government Rate Letter). If you are interested in using this letter when conducting state business, please send a request to your PM via the Online Tobacco Information System (OTIS) Communication Log. Please note that hotels/motels are not required to offer the California state government rate to individuals who are not California state employees, even when presented with a Government Rate Letter.

The letter will be a “template” that you can use multiple times. Please make copies of the original letter the PM sends and use the copies throughout the grant/contract term. You will need to complete the blanks noted on the letter each time you request the California state government rate from a hotel/motel.

Please keep in mind that the government rate offered by some hotels/motels may exceed the maximum per diem allowed under your contract. This government rate letter does NOT authorize excess lodging rates above the maximum per diem amount. See Section 401: State Rate Reimbursement, Part B: Excess Lodging Approval for information on how to obtain approval for excess lodging.

# 401 – State Rate Reimbursement

A. **General**

The California Department of Public Health (CDPH), California Tobacco Control Program (CTCP) requires that travel expenses for activities not exceed rates established by the California Department of Human Resources (CalHR). Projects that have money allocated for travel in their approved budgets should be knowledgeable of the current allowable rates and should ensure that billings to CTCP for travel costs do not exceed the allowable rates. This will prevent an audit exception in the travel line item. For general information and current travel reimbursement rates visit: https://www.calhr.ca.gov/employees/Pages/travel-reimbursements.aspx.

***Note**: The allowable lodging rates are the base rate before taxes and fees are applied.*

The travel and per diem rates apply to all travel reimbursement that occurs through the funded project whether reimbursement is made to an employee, advisory committee member, consultant or subcontractor, etc. Please share this information with anyone who might receive reimbursement so that the rates/guidelines will be implemented. This information should be shared with the appropriate fiscal staff within your agency so they can assist you in preparing your monthly travel expense claims and/or reimbursing travel expenses for consultants and subcontractors.

Additionally, please keep the following points in mind:

- All travel expense claims used for travel reimbursement should indicate the start/end time and beginning/ending date(s) for travel as well as the individual's normal work hours. This information is necessary in order to correctly apply the travel reimbursement guidelines. *For example:* If the individual starts travel status at 5:30 a.m. and ends their travel at 8:30 p.m. the same day, the individual may claim breakfast and dinner. However, because the travel status is less than 24 hours, the individual may not claim lunch.
- Lunch cannot be claimed if on travel status less than 24 hours. **NO EXCEPTIONS.**
- CTCP will not reimburse for tips paid to cab/Uber/Lyft drivers, shuttle services, servers, etc. If the individual is on travel status more than 24 hours, they may use the incidental allowance to cover these expenses. If travel status is less than 24 hours, the individual must pay this expense out of his/her own pocket.
- If an individual is renting a car for business purposes, the car is to be rented in that person's name only, not in the name of anyone else.
- Overnight lodging is not allowed for travel less than 50 miles from the main office, headquarters, or primary residence.
- The purchase of travel gift cards/certificates is not allowed.
- Projects are allowed to cover the travel costs for volunteers, as long as the individuals are not employed by a CTCP-funded project or government agency. Per CDPH's Office of Legal Services, paying a CTCP-funded agency to attend a training/meeting appears as a "gift of state funds" which is prohibited.
- In the event that airfare is required to attend an event, it is recommended that the lowest possible fare be selected. However, if there is uncertainty that the event may be held, due to unplanned circumstances (e.g., COVID-19), and/or the designated staff person is not able to attend (e.g., illness), CTCP may approve the purchase of refundable tickets on a case-by-case basis. Contact your assigned PM/PC for additional information.

**Local Lead Agencies**

Local Lead Agencies may be reimbursed at county travel reimbursement rates.

**State Universities (UCs/CSUs)**

Travel and reimbursement for University employee travel costs shall be in accordance with the University's travel policy in effect as of the date the cost is incurred. The University will immediately inform the State in writing of any changes in its travel policy.

Reimbursement for travel by employees of a Subawardee of the University shall be reimbursed at actual cost not to exceed the Federal rates in effect as of the date the costs are incurred. Federal rates are available on the US General Services Administration website:
https://www.gsa.gov/travel/plan-book/per-diem-rates

B. **Excess Lodging Approval**

CalHR has established maximum allowable nightly lodging rates, which can be found at https://www.calhr.ca.gov/employees/Pages/travel-reimbursements.aspx. The allowable lodging rates are the base rate, before taxes and fees are applied. CTCP is aware that it is becoming increasingly difficult to stay within these rates for large meetings, conferences, etc. Therefore, CTCP has established the following procedures to obtain approval for excess lodging rates.

1. The request must contain the following documents:
    a. A cover letter requesting approval for the excess lodging, which includes the following information:
        - Travel Dates (start/end dates)
        - Point of Origin and Destination (city to city)
        - Information for the Requested Commercial Lodging Establishment: Name, Address, Room Rate Requested, including confirmation of availability of lodging.
    b. Documentation from a minimum of three commercial lodging establishments indicating no alternative lodging available at the allowable State rate for the period of travel. The documentation may include screen shots of the establishments' online reservation site, including lodging rates and confirmation of availability and/or email from establishments, which include their lodging rates and the availability of lodging.
    c. A copy of the agenda, conference brochure, etc.
2. Submit the request to your Procurement Manager (PM) via the Online Tobacco Information System (OTIS) Communication Log.
3. Please **allow at least 25-35 business days** to receive a response to your written request because the PM must coordinate the review/approval with the appropriate channels within CDPH.
4. Do NOT assume that the request is approved if you have not heard from CTCP.
5. When approved, your PM will provide written notification of the approval, which must also be given to all CTCP-funded projects attending the event. This documentation must be maintained to document approval of the excess lodging rate.

6. If the request is disapproved, your PM will provide written notification of the disapproval.
7. After the fact requests will be denied and are not reimbursable.

# 600 – Subcontract Requirements

## 601 – Overview

Subcontracts may be used when the prime agency (Contractor) funded by the California Tobacco Control Program (CTCP) requires a level of service or expertise that extends beyond what is available within the funded agency, or when the work may be more appropriately completed by another agency/organization. Prior to reviewing this chapter, please review the Policy Manual, Chapter 305 – Program Requirements, Subcontract Agreement Requirements.

***Note:*** *The term "Contractor" below refers to the project funded directly by CTCP. Subcontracts include the following two subcategories: subcontractors and consultants.*

**Subcontractors**: Performs a component of the scope of work (SOW) and/or activity on a limited term basis. An eight line budget (including salaried positions, indirect expenses, etc.) is typically prepared. Typical services may include translation services or website development.

**Consultants**: Performs a service that is advisory in nature. Fees are typically paid on an hourly basis. Typical services my include training, or program design and development. Refer to Section 602: Subcontract Agreement Criteria and Approval Process for further information.

***Note:*** *Throughout the rest of this chapter the term "subcontractor" refers to consultants and subcontractors. Also, the term "subcontract agreement" refers to all agreements entered into with subcontractors and consultants.*

Please keep the following points in mind:

A. Subcontract agreements totaling $5,000 or more are to be selected via a competitive three bid process that is conducted in a fair and unbiased manner to eliminate any real or perceived allegation of preference (e.g., favoritism, bias, nepotism). ***Note:*** *Local Lead Agencies (LLAs), Tribal Governments, Tribal Government Agencies, and state universities (UCs/CSUs) must follow their own competitive bid process, policies, and procedures for awarding a subcontract or community engagement agreement or explain why another process was used.*
B. CTCP reserves the right to withhold payment to the Contractor for expenses related to a subcontractor/consultant until CTCP approves the subcontract package. Refer to Section 602: Subcontract Agreement Criteria and Approval Process for more information.
C. Contractors are responsible for the performance of all requirements under the contract with CTCP even if such performance is carried out pursuant to a subcontract agreement.
D. Contractors agree that all subcontract agreements entered into for performance under the contractor's award, shall be in writing and include a provision requiring the subcontractor to comply

with the terms and conditions of the contractor's award and all other applicable state laws.

# 603 – Revisions/Amendment to Agreements

Both the prime contractor and subcontract revisions/amendments will require review and approval by the Program Consultant (PC)/Project Officer (PO) and Procurement Manager (PM). ***Note:*** *This process does not apply to Local Lead Agencies (LLAs), Tribal Governments, Tribal Government Agencies, or state universities (UCs/CSUs) when their own competitive bid process is applied. However, California Tobacco Control Program (CTCP) reserves the right to request documentation for any subcontract, subcontractor, and/or consultant regardless of contractor/agreement type.*

A. **Subcontract Revisions/Amendments**
   1. CTCP requires review and approval of the following changes since these may constitute a subcontract and/or prime budget and program change. Notify PC/PO and PM if there is any change to:
      a. Total amount awarded to the subcontractor;
      b. Subcontractor's SOW;
      c. Term of the subcontract;
      d. Subcontractor and/or subcontractor name; and/or
      e. Salary ranges or personnel percent of time in the subcontractor's budget without changing the total amount awarded to the subcontractor. Keep in mind that subcontractor/consultant salaries are to be comparable to State Civil Service positions or a strong justification is needed.

B. **Procedures for Submitting a Revision/Amendment:**
   1. Email through the Online Tobacco Information System (OTIS) communication log the PC/PO and PM assigned to the contract and discuss the matter to determine whether an amendment is necessary.
   2. If it is agreed that a formal amendment is necessary, submit the following in the OTIS communication log:
      a. Explanation of why changes to the budget and/or SOW are necessary, including an effective date that was decided upon in consultation with the PC and PM;
      b. Revised subcontract Budget/Budget Justification, if applicable;
      c. Revised subcontract SOW, if applicable;
      d. Revised subcontract agreement, if applicable;
      e. Explanation of the bid process, if a change in subcontractor is being proposed; and
      f. Revised Subcontract Agreement Transmittal Form in OTIS.
   3. Contract amendments are subject to the same approval process as the original contract. This approval process may take up to three months from the date CTCP approves the amendment. As a reminder, the prime contractor may only request one (1) contract amendment per twelve

month period, therefore, plan accordingly. In addition, supplemental invoices may be submitted to CTCP only after the amendment has been fully executed.

# 604 – Minimum Elements in a Subcontract Agreement

The following information is intended to assist the Contractor in developing a subcontract agreement. At a minimum, a subcontract agreement shall include the following elements:

A. The execution date of the subcontract agreement, (this date will be a date in the opening paragraph or a date on the signature page. For purposes of CTCP review, this date will be blank). Also include the legal name of both parties, and the Agency contract number.
B. The time period (starting date and ending date) for performance of activities. The subcontract agreement time period must be **WITHIN** your Agency's contract term with CTCP.
C. The total amount paid to the subcontractor. Amount should correspond to the dollar amount provided in the Budget and Budget Justification in both your Agency contract and subcontractor's budget (an amount under the approved amount is acceptable). All reimbursement for services must be necessary and reasonable.
D. The subcontractor's Scope of Work. A provision stating: "The Scope of Work is hereby referenced and attached." and the Scope of Work would be attached as an exhibit to the subcontract agreement. Or another option would be to provide within the subcontract agreement itself a complete description of the measurable work or service to be performed/provided or product(s) to be delivered. Time period(s) for work completion and deliverables should be compatible with your Agency's start/end date time periods in your Scope of Work.
E. The method of reimbursement (monthly or quarterly in arrears, lump sum at completion of work, etc.).
F. A provision stating: "The subcontractor agrees to comply with all terms and conditions of the (your Agency name) contract with the State of California, California Tobacco Control Program, Contract (or Grant) # ____-_____ and all other addenda to this contract (or grant) and all other applicable state laws.
G. A provision stating: "The subcontractor shall acknowledge the financial support of State funds whenever any findings, data, and materials developed pursuant to this contract (or grant) are published or whenever the subcontractor creates a product (e.g., conference brochure, a film, videotape, manual, book, pamphlet, etc.) pursuant to this contract (or grant), in the following manner: "*This _____ was made possible by funds received from the California Department of Public Health, California Tobacco Control Program, under Contract (or Grant) No. _____."* All printed materials shall include the California Smokers Helpline toll?free telephone number unless granted exemption from the State."
H. A provision stating: "The subcontractor agrees to maintain and preserve, until three years after termination of *(your Agency's Contract (or Grant) Number)* and final payment from the State, and to permit the State or any duly authorized representative, to have access to, examine or audit any

pertinent books, documents, papers, and records related to this subcontract agreement and to allow interviews of any employees who might reasonably have information related to such records."

I. A statement that travel reimbursement shall be reimbursed at the rate established by the California Department of Human Resources (CalHR).

# 602 – Subcontract Agreement Criteria and Approval Process

**Criteria**

The following provides general information and outlines the type of information needed to assist California Tobacco Control Program (CTCP) in review of agreements for subcontractors and consultants.

***Note**: The subcontract agreement, even if fully executed (signed by the prime contractor and the subcontractor) and approved by the state, is not in effect until the prime contract is fully executed and signed by both the prime contractor and the State of California.*

A. **Subcontractor**
   1. Subcontractors perform specialized tasks that are directly related to providing project services in the Scope or Work (SOW).
   2. A subcontract agreement must be developed for each subcontractor costing $5,000 or more. Circumventing the $5,000 requirement for a subcontract agreement by splitting the costs into multiple agreements is not allowed.
   3. When personnel salaries exceed the salary of a comparable State Civil Service classification, a justification for the higher salary is required. Contact your assigned Procurement Manager (PM) for assistance.

B. **Consultant**
   1. Consultants paid under CTCP contracts are to be used only for activities directly related to the tobacco education and prevention program. A consultant is an individual whose level or area of expertise relating to the target population extends beyond that possessed by project staff. Consultants typically provide advice on programmatic issues (e.g., group facilitation, training, program design and development). The use of consultants must be clearly defined in the SOW.
   2. A subcontract agreement must be developed for all consultant services costing $5,000 or more. Circumventing the $5,000 requirement for a subcontract agreement by splitting the costs into multiple agreements is not allowed.
   3. Travel and per diem expenses incurred by the consultant may be paid out of the prime contractor's travel line item.
   4. A consultant's fee should not exceed the fee of a comparable State Civil Service classification, inclusive of all costs, but excluding travel/per diem. The rate should be commensurate with the

consultant's level of training, expertise and national recognition. Every effort should be made to negotiate the lowest possible cost. A justification for a higher salary is required. Contact your assigned PM for assistance.

**Approval Process**

This process does not apply to Local Lead Agencies (LLAs), Tribal Governments, Tribal Government Agencies, or state universities (UCs/CSUs) when their own competitive bid process is applied. However, CTCP reserves the right to request documentation for any subcontract, subcontractor, and/or consultant regardless of contractor/agreement type.

When the subcontract agreement is $5,000 or more and the subcontractor was not pre-identified in the executed agreement (e.g., TBD), a request for prior approval of the subcontract package must be submitted to CTCP and shall include the following:

A. Subcontract agreement transmittal form in the Online Tobacco Information System (OTIS) at the following website: https://otis.catcp.org;
B. Subcontract agreement draft (that is not yet signed by either party). See Section 604: Minimum Elements in a Subcontract Agreement for the minimum elements of boilerplate language and Section 605: Sample Subcontract Agreement;
C. Budget Justification, and additional justification for any salaries that may exceed the state comparable rates (if applicable);
D. SOW; and
E. Explanation of the bid and award process. For subcontract agreements costing $5,000 or more, three competitive bid quotations must be submitted with the request, or the absence of bidding must be thoroughly justified. In addition, all particulars necessary to evaluate the necessity or desirability of incurring such cost, and the reasonableness of the cost must be provided.

The draft subcontract package should be submitted in OTIS to your assigned PM who will coordinate the approval process with the assigned Program Consultant (PC)/Project Officer (PO). The PC/PO and PM will provide written approval/disapproval within thirty (30) days of receipt of the subcontract package. Once the subcontract package is approved, you should provide your PM with one copy of the final subcontract agreement (signed by the prime contractor and subcontractor).

***Note:*** *CTCP reserves the right to request documentation for any subcontract, subcontractor, and/or consultant regardless of cost or agreement type. CTCP may invalidate any subcontract if required documentation is not submitted, or if CTCP is unable to verify a legitimate competitive bid process was implemented.*

# 605 – Sample Subcontract Agreement

**ABC Incorporated**

**Subcontractor Agreement**

I. PARTIES: This Subcontractor Agreement (hereinafter "Agreement") is entered into this **First** day of **July 2020,** by and between ABC Incorporated (hereinafter "ABC Inc."), a California nonprofit, public benefit corporation, and 123 County of Public Health (hereinafter "123 County").

II. RECITALS

A. The California Department of Public Health (CDPH), California Tobacco Control Program (CTCP) awarded ABC Inc. a grant to administer the tobacco control plan which was designed in response to requirements under Request for Applications #20-00000.

B. 123 County has agreed to provide selected services in accordance with the CTCP-funded scope of work and all specified requirements therein.

C. 123 County agrees to comply with all terms and conditions of the ABC Inc. contract with CDPH/CTCP, and all other addenda to this grant and all other applicable state laws.

III. SUBCONTRACTOR'S DUTIES

A. 123 County agrees to complete the Subcontractor specific deliverables and activities as specified in the Scope of Work. The Scope of Work is hereby referenced and attached as Exhibit A and made part of this Agreement.

B. Compliance with all reporting and grant management requirements.

IV. ABC INC'S DUTIES

A. Function as 123 County's sole point of contact for all matters related to this Agreement.

B. Provide project-related data, information, and correspondence as necessary.

V. FEES, COLLECTIONS AND BILLINGS

A. ABC Inc., through CTCP funds, shall make payment to 123 County for charges incurred in providing services under this Agreement.

B. Contingent on funding from CTCP and annual fiscal appropriations as stated in the ABC Inc. contract, the maximum amount payable to 123 County under this Agreement shall not exceed **$125,000.00** for the term of July 1, 2020 through June 30, 2023.

C. 123 County shall submit invoices for payment to ABC Inc., not more frequently than monthly in arrears.

D. 123 County understands and agrees that all activities, deliverables, and objectives as specified in the Scope of Work must be fully and satisfactorily performed in order to receive the maximum amount payable identified in Section V.B. above.

VI. TERMS AND TERMINATION

A. The term of this Agreement shall be from **July 1, 2020 to June 30, 2023**.

B. Both parties agree that if the funds that ABC Inc. utilizes to fund this Agreement are reduced or terminated by the funding source, for any reason, ABC Inc. may terminate this Agreement, with no further amounts due, except for work already completed, upon ten (10) business days advance written notice.

C. Either party may terminate this Agreement upon thirty (30) days advance written notice.

VII. INSURANCE AND INDEMNIFICATION

A. 123 County is responsible for and agrees to pay any amounts due for services rendered under this Agreement, including all payroll taxes, necessary withholding and any employee wage

related taxes or costs and expenses including workers' compensation insurance, disability insurance, professional liability insurance and any non-obligation fringe benefit programs 123 County provides for its personnel.

B. ABC Inc. hereby agrees to indemnify, defend, save and hold harmless 123 County from and against any and all liability, losses, damages, claims or causes of action, including any expenses connected therewith, including reasonable attorneys' fees, which directly or indirectly arise out of any negligent act or omission by ABC Inc.

C. 123 County hereby agrees to indemnify, defend, save and hold ABC Inc. harmless from and against any and all liability, losses, damages, claims or causes of action, including any expenses connected therewith, including reasonable attorneys' fees, which directly or indirectly arise out of any negligent act or omission by 123 County or its personnel or agents.

D. 123 County shall be solely liable for their wrongful acts or negligence in operating their private vehicle(s) and shall maintain their own vehicle insurance coverage.

VIII. MISCELLANEOUS

A. This Agreement can be amended only by written agreement executed by the parties. No breach of any provision can be waived unless such waiver is in writing and signed by the party waiving the breach.

B. Either party may propose a revision or amendment to this Agreement or scope of work (Exhibit A) associated herewith, provided such revisions or amendments do not alter the overall goals and basic purpose of the grant and such revisions or amendments are requested per guidelines set forth by CTCP and prior written approval is received from ABC Inc.

C. 123 County shall acknowledge the financial support of State funds whenever any findings, data, and materials developed pursuant to this grant are published or whenever 123 County creates a product (e.g., conference brochure, a film, videotape, manual, book, pamphlet, etc.) pursuant to this grant, in the following manner: "*This _____ was made possible by funds received from the California Department of Public Health, California Tobacco Control Program, under Grant #20-00000*"

D. 123 County agrees to maintain and preserve, until three years after termination of Grant #20-00000 and final payment from the State, and to permit the State or any duly authorized representative, to have access to, examine or audit any pertinent books, documents, papers, and records related to this subcontract agreement and to allow interviews of any employees who might reasonably have information related to such records.

E. 123 County agrees that travel reimbursement shall be at the rate established by the California Department of Human Resources (CalHR).

**Exhibit A, Scope of Work**

[insert Subcontractor's Scope of Work]

IN WITNESS WHEREOF, ABC Inc. and 123 County have duly executed this Agreement.

123 COUNTY: _____

ABC INC.: _____