



Roland W. Burris

Comptroller
State of Illinois

ACCOUNTING BULLETIN NO. 30

201 State House
Springfield, Illinois 62706
217/782-6000

March 25, 1981

TO: Agency Heads and Chief Fiscal
Officers of All State Agencies

SUBJECT: Distinguishing Between "Operational" Expenditures and "Awards
and Grants" Expenditures

A review of contracts filed with the Comptroller discloses that certain agencies are, in some instances, improperly charging operational expenses to "grant" line items.¹ When an appropriation is made to an agency for "awards and grants", without further specification, that appropriation shall be expended for the following purposes only:

- 1) Payments for awards and indemnities;
- 2) Payments for pensions and annuities;
- 3) Shared revenue payments;
- 4) Grants to local governments;
- 5) Grants to quasi-public agencies; and
- 6) Gratuitous payments to, or charges incurred for the direct benefit of, natural persons who are not wards of the State.²

Award and grant line items may not be charged with expenses required for normal agency activities which are classified within the operational line items.³ For example, it is improper for a State agency to make a "grant" to a local government to pay for the postage of the State agency, as postage is an operational expense of the agency which is properly chargeable to the agency's contractual services line item. For another example, it is improper for an agency to charge expenditures pursuant to a contract for electronic data processing hardware or software to an awards and grants line item, even though an indirect benefit is received by a recipient of a grant program, because the amount appropriated in the agency's electronic data processing line item is the limitation on expenditures for that purpose.

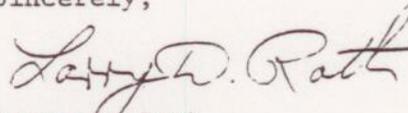
Agencies wishing to charge expenditures for operations to awards and grants line items must specify the purpose of the expenditure in the appropriation bill, except where the charge is expressly authorized by law. For example, where an agency administers a federally funded grant project for which the administrative (operational) expenses of the project and the distributive portion of the project are properly chargeable together under the federal funding source, the agency must seek a State appropriation which specifically

includes the "grant" and "administrative" aspects of the project. For example, the appropriation could read "For grants and associated administrative expenses pursuant to the (Federal Project)". An alternative would be to seek separate line items within the grants portion of the budget bill for each of the distributive and administrative expenses of the project. In the absence of specific legislative authority to the contrary, where the agency receives a direct benefit which is properly chargeable to an "operational" appropriation line item, the expenditure must not be charged to an award and grant line item.

As a reminder, Accounting Bulletins 22 and 26 require the filing and formal obligation of contractual agreements entered into against appropriations for Awards and Grants. Beginning July 1, 1981, the Comptroller will institute programmatic checks to ensure that awards and grants expenditures charged to a contractual agreement of more than \$500 are filed and obligated.

Questions concerning this bulletin should be directed to Jim Kane of this office who may be reached at 782-7920.

Sincerely,



Larry D. Roth
Director, State Accounting

LDR/kdh

¹ CUSAS Common Object 4400 and related detail objects.

² Ill. Rev. Stat. 1979, ch. 127, para. 418.02

³ The most common operational line items are: 1) personal services, retirement contributions, social security contributions and group insurance, 2) contractual services, 3) travel, 4) commodities, 5) printing, 6) equipment, 7) telecommunications, 8) electronic data processing and 9) operation of automotive equipment. See also CUSAS Procedure 11.10.40 at page 3.