



STATE OF ILLINOIS  
EXECUTIVE OFFICE OF THE GOVERNOR  
**GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET**  
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**TO:** State Agency Directors, Chief Financial Officers and Grantees

**FROM:** Carol Kraus and Jennifer Butler  
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**SUBJECT:** Grantee Compliance Enforcement System

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One goal of the Grant Accountability and Transparency Act, 30 ILCS 708/1 *et seq.*, (“GATA”), is to ensure quality grant programs by limiting fraud, waste and abuse. GATA specifically requires the Governor’s Office of Management and Budget (“GOMB”) to maintain a “list of individuals and entities that are ineligible, either temporarily or permanently, to receive an award of grant funds from the State.” 30 ILCS 708/60(a)(8). In response to this requirement, the State of Illinois has set policy based on established federal law and supporting guidance, including the federal Do Not Pay System, OMB Guidelines to Agencies on Government-wide Debarment and Suspension (Nonprocurement) (2 CFR 180) and Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR 200).

GOMB and State agencies have developed the attached policy for the “Grantee Compliance Enforcement System” (GCES). A component of GCES is the Illinois Stop Payment List. (The Illinois Stop Payment List was initially implemented in December 2015.) Effective January 1, 2017, GCES establishes a uniform framework for all State grantmaking agencies to respond to grantee non-compliance.

- GCES outlines procedures for notifying grantees of non-compliance issues which include but are not limited to: failure to provide required reports, return unexpended funds or submit audits, and monitoring reviews of corrective action responses;
- GCES allows grantees the opportunity to respond and resolve non-compliance issues; and
- GCES establishes uniformity for the Illinois Stop Payment List and establishes statewide protocols for grant awards and payments to entities on the Illinois Stop Payment List.

If a grantee is placed on the Illinois Stop Payment List, State agencies are instructed to refrain from executing or modifying grant agreements that would increase funding to that grantee. State agencies should not request or allow a payment to a grantee on the Illinois Stop Payment List. Grantees on the Illinois Stop Payment List may have grant funding withheld from other State agencies until the noncompliance issue is resolved. However, there is flexibility within GCES to allow certain exceptions to the policy parameters.

State agencies are implementing agency-level protocols to support GCES during the rest of fiscal year 2017. This may require changes to agency grant management systems and protocols. State agencies are prioritizing resources to support full implementation of GCES by the start of Fiscal Year 2018.

GOMB will address further details of the GCES to grantees and State agencies this spring. State agency Chief Accountability Officers (“CAOs”) have been directly engaged in the development of the GCES. Please direct any policy-related questions to the State agency CAO or a Grant Accountability and Transparency Unit representative. Thank you for your cooperation.

# STATE OF ILLINOIS GRANT MANAGEMENT POLICY

## GRANTEE COMPLIANCE ENFORCEMENT SYSTEM

12/28/16

Grantees and applicants are subject to Section 25(6)(G) through (I) of The Grant Accountability and Transparency Act (GATA; PA 98-0706), which restricts issuing grants, subgrants and Cooperative Agreements to parties that are debarred, suspended or otherwise deemed ineligible for participation in State grant programs or activities. GATA is utilizing a statewide Grantee Compliance Enforcement System (GCES) to drive compliance with grant requirements.

The GCES applies to all grants that are subject to Uniform Guidance and GATA. (All grants are assumed subject to Uniform Guidance and GATA unless an exception or exemption was authorized by the Grant Accountability and Transparency Unit (GATU) on behalf of the Governor's Compliance Office.) State agencies have discretion to apply the System to other grants not subject to federal Uniform Guidance or GATA.

GATA requires GOMB to maintain a list "that contains the names of those individuals and entities that are ineligible, either temporarily or permanently, to receive an award of grant funds from the State." The list, termed the Illinois Stop Payment List, is a component of the GCES. The Illinois Stop Payment List is based on the federal Do Not Pay System and 2 CFR 180 - OMB Guidelines to Agencies on Government-wide Debarment and Suspension (Nonprocurement). 2 CFR 200.338(a) also provides federal guidance on enforcement of the stop pay framework.

The Illinois Stop Payment List, initially introduced in December 2015, established an internal central repository for cross-agency information sharing to improve risk assessment processes and enhance fiscal management transparency. The Illinois Stop Payment List documents all grantees on Stop Payment Status. The GCES is the statewide, uniform framework for administering the Illinois Stop Payment List. It is anticipated that the next phase of the GCES will directly involve technology solutions through the Comptroller's Office and will establish protocol to withhold state-wide payouts to an entity on the Illinois Stop Payment List.

The Illinois Stop Payment List is dynamic and provides a snapshot of grantees currently out of compliance with select grant management requirements. The centralized list elevates instances of non-compliance to promote timely resolution and safeguard the State's resources.

The GCES policy is presented below in a question / answer format.

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### **I. What is the Grantee Compliance Enforcement System (GCES)?**

The Grantee Compliance Enforcement System (GCES) outlines a statewide framework for State agencies to manage occurrences of non-compliance with grant requirements. Under this System, occurrences of grantee non-compliance will be consistently processed among State agencies. Under the terms of the System, the severity of the non-compliance issue dictates the enforcement action required by the State agency.

## **II. Is there a process before placing a grantee on the Illinois Stop Payment List?**

Yes, procedures at the State agency level are required before Stop Pay Status will be invoked. The State agency must notify the grantee in writing of the non-compliance issue. (Refer to Section III for non-compliance issues associated with Stop Payment Status.) The communication should state that the grantee and its parent organization, if applicable, will be placed on the Illinois Stop Payment List if adequate action by the grantee, including raising any objections, is not taken within 15 calendar days. If applicable, the parent of the entity shall be copied on the correspondence. The written correspondence must specify:

- Grantee name of record and FEIN;
- Applicable grant award name and number;
- Non-compliance issue(s) as cited in Section III with detailed facts to support the issue(s);
- How the grantee can correct the non-compliance issue;
- An opportunity for dialog or written objections regarding the non-compliance issue;
- Contact information to inquire and/or coordinate corrective action; and
- That State agencies cannot execute or modify grants to entities on the Illinois Stop Payment List. Payments to entities on the Illinois Stop Payment List will be subject to additional authorization.

(State agencies shall have discretion to determine the medium of written correspondence including email distribution, certified mail or P.O. delivery.)

If no adequate action is taken by the grantee within 15 calendar days, the State agency shall place the grantee and the grantee's parent, if applicable, on the Illinois Stop Payment List. A written notice must be provided to the grantee and the grantee's parent, if applicable, alerting that the Stop Pay Status has been invoked effective \_\_\_\_\_ (date).

If the State agency receives a timely written objection from the grantee, the agency shall endeavor to review the objection within 15 calendar days to determine whether the grantee has complied with the requirement(s) at issue. After the agency's review, it will notify the grantee stating either: (a) the grantee has complied and that it will not be placed on the Illinois Stop Payment List on the basis of the non-compliance issue, or (b) that the grantee is not in compliance and will be added to the Illinois Stop Payment List. If the non-compliance issue is for a delinquent report, following the resolution of an objection in favor of the State agency, the grantee will be added to the Illinois Stop Payment List 30 calendar days after the original report due date, the date specified by the State agency's JCAR Rules, or within ten (10) calendar days if more than 30 calendar days has passed since the original report due date.

## **III. What non-compliance issues will result in a Stop Payment Status?**

Effective 1/1/17, the following Stop Payment framework is implemented to establish uniformity to Stop Pay Status. Non-compliance in the following areas will result in an entity being placed on the Illinois Stop Payment List:

- A. The Grant Funds Recovery Act (30 ILCS 705/4.1) states: "Grantor agencies may withhold or suspend the distribution of grant funds for failure to file required reports." State agencies must have an internal protocol for managing grantee submittal of required financial and performance reports. Delinquent reporting, based on the terms of the Grant Agreement, will result in enforcement of the State agency protocol.

1. Internal State agency protocol shall allow for reporting extensions by the awarding agency due to *grantee specified extenuating circumstances*.
    - a. Reporting extensions must be justified in writing by the awarding agency. Electronic communication is permitted.
    - b. A report due date may only be extended one time per reporting period.
  2. The awarding State agency shall withhold payments to the entity if a report is more than 15 calendar days past the due date or the date specified by the State agency's JCAR Rules (including approved extension). The grantee notification (required in Section II) shall state that the agency's payments to the entity will be withheld until the report is received, or any written objection is satisfactorily resolved, and that, if the report is more than 30 calendar days delinquent, without any reasonable written objection by the grantee, the entity will be placed on the Illinois Stop Payment List.
  3. If the report is not submitted within 30 calendar days of the due date or the date specified by the State agency's JCAR Rules (including approved extension), and the agency has not received a written objection from the grantee, the awarding State agency shall report the grantee on the Illinois Stop Payment List.
- B. The following additional types of occurrences of non-compliance will result in the grantee being placed on the Illinois Stop Payment List:
1. Failure to submit a required refund payment (as required by the Grant Funds Recovery Act) or missing a payment in the payment plan;
  2. Failure to clear fiscal / administrative monitoring issues;
  3. Failure to submit an audit report;
  4. Failure to respond to an outstanding audit report or monitoring review correction action for deficiencies and material weaknesses including payment of questioned costs; or
  5. Factually-based discretionary issues documented by the Agency Director, General Counsel, Agency's Office of the Inspector General, Chief Financial Officer, Chief of Staff or Chief Operating Officer.
- C. As allowed under the Grant Funds Recovery Act (30 ILCS 705) and in accordance with the Illinois State Collection Act of 1986 (30 ILCS 2010/5) and Accounting Bulletin 181, all debts pursuant to Section III, Scenario B.1. that exceed \$250 and are more than 90 days past due (including approved extensions) may be referred for inclusion in the Comptroller's Offset System, subject to any permitted exceptions or required exemptions pursuant to Federal or State law. All requirements of 30 ILCS 2010/5 shall be applied and all required processes for inclusion onto the Comptroller Offset System shall be followed. State agencies also may offset payments initiated to its own debtors without referral to the Comptroller Offset System (30 ILCS 210/5(d)).

A flag in the Illinois Stop Payment List will indicate that the entity has been placed on the Comptroller's Offset System. Accordingly, if an entity is flagged, a State agency may choose not to make a payment of grant funds to that entity if that payment is an advance of funds as opposed to reimbursement for previous expenditures.

#### **IV. How do agencies report Stop Payment Status?**

All State agencies are required to use the Illinois Stop Payment System. When a non-compliance infraction occurs, the State agency must update the Illinois Stop Payment List. This can be done by establishing an automated data transfer to GOMB or by direct data entry into the GATA Implementation website. Automated data transfers are strongly recommended to maintain data integrity. The following information is required for the Illinois Stop Payment List:

- Grantee's FEIN - 9 digit Federal Employer Identification Number, or Federal Tax ID Number
- Grantee's DUNS – Dun and Bradstreet Number
- Grantee's Name
- Stop Pay Date – date the stop payment was initiated
- Stop Pay Reason – cite the applicable infraction
- Agency Contact – contact name, phone number and email address of agency personnel with knowledge of the non-compliance issue

#### **V. What impact does the Illinois Stop Payment List have on grant agreements?**

State agencies cannot execute or modify a grant to increase funding if an entity is on the Illinois Stop Payment List unless extenuating circumstances (e.g., court order or consent decree) dictate or the grant modification is approved by the agency and would allow the grantee to become compliant.

The Illinois Stop Payment List will be dynamic. It is incumbent for State agencies to verify that a grantee is not on the Illinois Stop Payment List before entering into or modifying grant agreements. This can be done by verifying the GATA Implementation website or through an electronic verification service available upon request.

#### **VI. How will payments be impacted by the Illinois Stop Payment List?**

Current system limitations prevent the IOC from blocking statewide payments to an entity. Until further notice, State agencies will have flexibility to determine if an entity on Stop Pay Status should be paid. It is recommended that the Stop Pay Status be enforced; however, circumstances (e.g., consent decree not associated with the Illinois budget or matching requirement) may necessitate the payment. System limitations will default to allow payments to entities on Stop Pay Status unless action is taken by the State agency to withhold payments.

A nightly data feed will compare grantee's FEIN and DUNS numbers on the Illinois Stop Payment List to the Illinois Comptroller's Data Warehouse to determine if any transactions have occurred after the stop pay date. If so, the agency that initiated the transaction will be notified via email of the Stop Pay status. The email will include a link to the Illinois Stop Payment List record.

- If the State agency decides to withhold payment to an entity on Stop Pay Status, the agency will contact the IOC to cancel the payment.
- If the State agency decides to allow the payment, the agency must use the Payment Justification field of the Illinois Stop Payment System to explain why the Stop Payment Status is being over-ridden.

As provided in the Stop Payment System, the over-ride can be valid for one payment or a period of time. A Stop Payment over-ride cannot exceed the duration of the fiscal year (including the lapse period) in which the entity was placed on Stop Payment status. The awarding agency may renew a Stop Payment over-ride in the following fiscal year if grant funding continues and circumstances require a payment.

**VII. Can an entity on Stop Payment Status resolve their compliance issue?**

Yes, when the compliance issue is resolved, the grantee is removed from the Illinois Stop Payment List.

- Only the agency that assigned Stop Pay Status can remove Stop Pay Status.
- The state agency that issued the Stop Pay Status is responsible for follow-up to resolve non-compliance.

When the non-compliance issue is resolved, the state agency should remove the entity from the Illinois Stop Payment List using the automated data transfer or by manually removing the Stop Pay Status from the entity's stop payment record.

**VIII. How long does the Stop Payment Status last?**

If the compliance issue(s) is not resolved, the entity could stay on Stop Pay Status and on the Illinois Stop Payment List for three (3) years. (Per Section VII, when the entity becomes compliant, the entity is removed from the Illinois Stop Payment List.)

The Illinois Stop Payment List will be archived for documenting prior performance issues. State agencies are encouraged to view the Illinois Stop Payment List and the archive for informational purposes.

**IX. Does this system address debarment?**

State agencies are not permitted to do business with an entity on Federal or State Debarred Status. The next phase of the Grantee Compliance Enforcement System will address details regarding the Illinois Debarred Status, which is a more elevated level of non-compliance.