

5/20/86

THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER

COMPTROLLER'S INTERNAL CONTROL AND
ACCOUNTABILITY DIRECTIVES

Directive 23 - MONITORING AND ACCOUNTABILITY OF DISCRETIONARY
FUNDS PROVIDED TO BOROUGH PRESIDENTS

1.0 INTRODUCTION AND SUMMARY

The purpose of this Directive is to insure that the Offices of the Borough Presidents have adequate controls over discretionary fund expenditures.

Borough Presidents receive discretionary funds through the City's budgetary process and have wide latitude in how these funds are expended. These funds are City funds and are thus subject to the same accounting and procedural controls as other agencies' expenditures. State and City Laws and regulations, and the Comptroller's Accounting Directives apply to these expenditures.

Discretionary funds have been used primarily for grants to not-for-profit organizations, cultural events, community needs and consultant services. At times they are also used for routine operating purposes. Borough Presidents should be able to fully document use of these funds and show how these expenditures relate to official City business.

Highlights from the Directive follow:

Section

Reference

Records of budget modifications must be maintained at the Borough Presidents Office.

3.0

City purchasing rules and regulations must be followed in making discretionary fund expenditures.

3.0

Payments to not-for-profit organizations, community groups and for cultural events require appropriate monitoring and accounting.

4.0

Purchase of consultant services must be made in accordance with the City's laws, procedures and guidelines.

5.0

Amendments to existing contracts must be approved before work begins on new or expanded services.

6.0

2.0 GENERAL INFORMATION

2.1 Organization

1.0 Introduction and Summary

2.0 General Information

3.0 General Guidelines

4.0 Payments to Not-for-Profit Organizations, Community Groups, and for Cultural Events

5.0 Payments for Consultant Services

6.0 New and/or Expanded Contracts

7.0 Payments for Administrative Expenses

2.2 Effective Date

This Directive is effective immediately.

2.3 Assistance

Questions or comments concerning this Directive should be addressed to: The Office of the Comptroller, : Directives/Policy Unit, Bureau of Accountancy, Municipal Building, One Centre Street, Room 200 South, New York, NY 10007, (212) 669-3675 e mail:

directives@comptroller.nyc.gov.

2.4 Internet Availability

An inventory of existing Comptroller's Internal Control and Accountability Directives, with download and print capability, are available on the Comptroller's website at <http://www.comptroller.nyc.gov>.

3.0 GENERAL GUIDELINES

3.1 Budget Allocations and Modifications

- a. Discretionary funds are initially allocated to Object Code 499 "Other Expenses - General." Payments are not permitted to be vouchered directly against Object Code 499. Thus, budget modifications are used to move funds from Code 499 to the appropriate budget codes from which expenditures will be made. To determine which code to charge, refer to the City of New York Chart of Accounts. The Chart of Accounts describes each object code and provides guidelines for appropriate charges.
- b. All budget modifications must be made in accordance with Office of Management and Budget (OMB) procedures. Records of each budget modification transferring funds from Code 499 must be maintained at the Borough President's Office.
- c. Regardless of the purpose of the discretionary expenditure, all applicable City

purchasing rules and regulations, including competitive bidding procedures, should be followed. All expenditures of City funds are subject to audit by the Office of the Comptroller.

3.2 Conflict of Interest

Borough Presidents must be alert to situations where use of discretionary funds could result in possible conflict of interest situations. For example, it may not be appropriate for Borough President employees to take part in business dealings between their office and organizations with which they are affiliated. The City's Board of Ethics provides guidelines in this area and should be consulted when questions arise.

4.0 PAYMENTS TO NOT-FOR-PROFIT ORGANIZATIONS, COMMUNITY GROUPS, AND FOR CULTURAL EVENTS

4.1 General

The following guidelines apply to grants provided to not-for-profit organizations, and to grants or awards to community groups, or for cultural events. These guidelines apply to all grants and awards, however, they should be adapted, as appropriate, for each case. For example, a minor award to a community group for a single event requires an accounting, but may not need as rigorous a degree of monitoring and accountability as a substantial grant to a not-for-profit organization which will provide services over a period of time.

Before authorization of payments to any organization or group, a written statement approved by the Borough President or designee which describes the purpose of the proposed grant must be prepared and kept on file. The name and address of the organization or group and a complete listing of its directors, executives and principals at the time of the grant must be on file. A post office box number is not acceptable as a street address.

4.2 Monitoring Use of Grants

The Borough President must monitor grantee activities to insure that funds are properly expended for the intended purpose by:

- o Establishing a reporting system wherein the grantee periodically reports the project's progress.
- o Examining grantee administrative costs, such as salaries, travel and other personal expenses to insure their reasonableness.
- o Avoiding the use of discretionary funds to supplement or increase the salaries of grantees' program staff.
- o Avoiding the use of discretionary funds to pay allocated administrative overhead costs from parent organizations.

- o Conducting field visits to grantee sites to insure that services are being delivered as specified in the grant.
- o Requiring financial reports where appropriate.

4.3 Accounting for Awarded Funds

- a. Grantees should adequately account for awarded funds. Such accounting includes but is not necessarily limited to:
 - o The maintenance of adequate books and records to account for grant revenues and expenditures.
 - o Maintaining supporting documentation such as timesheets, invoices, receipts and other information. For example, if amounts were allocated for a street fair, copies of advertisements, flyers and street permits should be on file at the Borough President's Office to show that the event took place.
- b. Certain administrative practices should be instituted:
 - o Arrangements with grantees should be in writing.

- o Where formal writing is inappropriate, a justification for the award must be prepared by the Office of the Borough President and signed by a designated officer.

- o With large awards partial payments should be made as work progresses.

5.0 PAYMENTS FOR CONSULTANT SERVICES

- a. When funds are used for consultant services, they must be obtained in accordance with the City's Laws, procedures and guidelines. Contracts in excess of \$10,000 must be approved by the Mayor's Contract Review Committee and the Board of Estimate.

- b. Consultant contracts must clearly describe the "deliverables" or work to be provided under the contract. The contract must also specify dates for the completion of work.

- c. Payments to consultants must be conditioned upon pre-specified deliverables, work phases or dates.

- d. Records should be maintained at Borough President's Office to show:
 - o The methods used for the recruitment of consultants. These methods must

encourage competition.

- o The need for specific services and why they cannot be done by City employees.
- o The criteria to be used in the selection of consultants. Criteria should include but not be limited to proposed cost, prior experience, skill and expertise.
- o A description of the selection process.
- o Procedures for monitoring the contractor's performance and compliance with the terms of the contract.
- o Procedures for maintaining and verifying records pertaining to the contract's procurement and the vendor's performance.

6.0 NEW AND/OR EXPANDED CONTRACTS

- a. Amendments to existing contracts for new or expanded services or other increases in the scope of work must not begin until the amendment, where required by regulations, is approved by the Board of Estimate.
- b. Prior to awarding a grant to an organization for new, long-term programs, Borough

Presidents must obtain a written commitment from the sponsoring agency for future program funding.

7.0 PAYMENTS FOR ADMINISTRATIVE EXPENSES

When using funds for Borough President administrative or operating expenses, expenditures must be made in accordance with existing City purchasing procedures.