

THE CITY OF NEW YORK
COMPTROLLER'S OFFICE

COMPTROLLER'S INTERNAL CONTROL AND
ACCOUNTABILITY DIRECTIVES

Directive 4 - DELEGATE (CONTRACT) AGENCY
ENCUMBERING AND PAYMENT PROCEDURES

1.0 INTRODUCTION

Effective July 1, 1977, before any funds can be disbursed to a delegate (contract) agency, Board of Estimate approval and registration into IFMS¹ by the Office of the Comptroller will be required for all programs providing a variety of social services.

Because it may not always be feasible to complete all actions on a contract before the start of a program year, (e.g., late approval from Federal and State funding sources), the new contract encumbering and payment procedure provides a mechanism for a short-form one-page contract which allows ongoing programs to continue their operations for a three-month period, until a full twelve-month contract can be negotiated and executed. The short-form three-month contract, which has been approved by the Corporation Counsel (see Exhibit 1), incorporates all the provisions of the contract for the preceding program period.

The new procedure enables City agencies to:

... Conform fully to City Charter requirement for
Board of Estimate approval of consultant contracts.

¹ The Shaded language indicates areas of high priority for update.

Note: Any questions concerning this directive should be addressed to 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.

... Adhere to requirements for effective encumbrance control.

... Maximize effective use of the City's new central accounting system.

Imprest Fund system for payments to delegate agencies will no longer be necessary. City agencies will be able to make payment to contract agencies directly through **IFMS** within three days. The new system will result in smaller amounts of cash being held by City agencies/contract agencies at any one time.

2.0 CONTRACTING PROCEDURES

2.1 Obtain Necessary Approvals for Contracts

Prior to the start of the program period, City agencies should have obtained all required contract approvals:

Contracts LESS THAN \$10,000 Require:

- ... Applicable Office of Management & Budget (OMB) approval
- ... Mayoral approval
- ... Corporation Counsel approval

Contracts MORE THAN \$10,000 but LESS THAN \$100,000 Re-
quire:

- ... OMB approval
- ... Mayoral approval
- ... Corporation Counsel approval
- ... Board of Estimate approval

Contracts MORE THAN \$100,000 Require:

- ... OMB approval
- ... Mayoral approval
- ... Corporation Counsel approval
- ... Board of Estimate approval
- ... Emergency Financial Control Board (EFCB)
approval

Short-form three-month contracts of less than \$100,000 require EFCB approval if the final twelve-month contract will be equal to or more than \$100,000. (See Exhibit 2 for illustrations)

2.2 Pre-encumber Contracts Over \$100,000 (Purchase Requisition FISA-ACECF 100).

For contracts in excess of \$100,000 funds must be pre-encumbered in IFMS prior to EFCB approval. The use of the Purchase Requisition (FISA-ACECF 100) is required to pre-encumber or reserve the agency's funds for contracts to be issued in amounts of \$100,000 or more. The Purchase Requisition should be sent directly to FISA for processing.

Purchase Requisition (FISA-ACECF 100) is used:

- ... For entry of Purchase Requisitions
- ... To increase or decrease a previously entered Purchase Requisition
- ... To cancel a previously entered Purchase Requisition

(See Exhibit 3)

2.3 Register Contracts

After all necessary approvals have been obtained, the City agency should submit to the Bureau of Contracts, Office of the Comptroller, the contract document (3 month short-form contract or full 12 month contract) together with necessary approvals and the Advice of Award of Contract (FISA-ACECF 300).

For programs that are being reviewed, where 12 month budgets are still in negotiation due to late approvals of funding sources, a 3 month short-form contract may be used.

The Advice of Award of Contract (FISA-ACECF 300) Exhibit 4 will be used to encumber or obligate the administrating City agency's funds for contracts it enters into with public, private, and voluntary organizations to provide a variety of social services. Specifically, it notifies the Comptroller of the Award, so he can enter the contract into IFMS.

Advice of Award (FISA-ACECF 300) is used:

- ... For entry of social service contracts
- ... To increase or decrease a previously entered contract by amendments to the contract
- ... To cancel a previously entered social service contract

The Advice of Award of Contract is sent directly to the Comptroller's Office, Bureau of Contract, for assignment of contract number. The Comptroller's Office routes it to FISA for entry into IFMS. After acknowledgement from FISA that entry has been made, the Comptroller's Office certifies acceptance by IFMS and notifies City agency.

3.0 CONTRACT VOUCHERING PROCEDURES

3.1 Advances

Advances are made to the delegate agency at the beginning of each month (30 day period) based on the delegate agency's projection for that month's anticipated expenditures.

a. Initial Advance

The initial advance to the delegate agency should be approximately one-twelfth of its annual budget. The City agency submits Part 1 of the payment voucher FISA Form ACECF-400 (see exhibits) requesting the initial advance at the beginning of the program year. The Agency should batch this payment voucher requesting the initial advance separately from any other type voucher and transmit it attached to the FISA courier transmittal form and the batch transmittal form. The batched documents are to be submitted to the Bureau Chief, Bureau of Contracts, Office of the Comptroller.

The agency will file copy 2 of the payment voucher with copy 2 of the batch transmittal form, in accordance with Agency File Maintenance procedures, listed in Section 9.0 of Directive Number 1 of the Comptroller's Internal Control and Accountability Directives, for the period of time prior to document acceptance into **IFMS**.

The Comptroller will submit the batch transmittal form and copy 1 of the voucher to FISA for special processing to assure that warrants are issued by IFMS within three (3) days.

b. Subsequent Advances

The second payment should also be approximately one-twelfth (1/12) of the annual budget and submitted consistent with procedures listed under the above - Initial Advance Section.

The third advance and all other subsequent advances are based on the contract agencies monthly projection is based on their historical monthly spending rate as reflected in their monthly financial operating reports. These monthly reports should contain such information as: line item budget, current month's expenditures, cumulative expenditures, unpaid bills, cash receipts, check book balance, projected expenditures for subsequent month. (See Exhibit 6 for example of monthly report.)

Contract agency monthly financial report should be reviewed by the City agency for overall reasonableness, completeness, arithmetical accuracy, verification that expenditures are within approved budget lines, verification of receipts as reported by contract agency, and authorized signatures. Based on this monthly report an agency's expenditure projection, the City agency should calculate and verify the amount requested by the contract agency.

All monthly reports should be submitted to the City agency within 15 days after the end of the month.

4.0 MONITORING OF DELEGATE AGENCY COSTS AND PERFORMANCE

Delegate agency's monthly financial and performance reports should be submitted and periodically verified. Financial reports should be verified by use of City agency's Technical Assistance Unit through field visits and through the use of independent auditing firms. Performance reports should be verified by City Agency's program personnel.

4.1 Technical Assistance

The City agency should have its technical assistance personnel conduct as many visits as may be appropriate (With at least one surprise visit) to the contract agency, to determine whether or not:

- ... the contract agency is actually operating
- ... the fiscal practices of the agency conform with the accounting guidelines for contract agencies
- ... the source documentation and other evidence adequately supports reported monthly expenditures
- ... the deficiencies noted in the last CPA report have been or are in process of being corrected

4.2 Use of Independent Auditing Firms

The auditing firm should normally conduct at least one surprise visit to substantiate the Personnel Services expenditure category. That visit should include the following audit procedures:

- ... observation of a payroll distribution
- ... a determination that each employee is actually performing his job function
- ... tracing annualized salary and employees job title to the approved budget

The auditor should advise the City agency and the Comptroller's Office, Bureau of Contracts, by letter of the visit to the contract agency.

See Comptroller's Directive 5 for a more complete discussion of the utilization of CPAs.

4.3 Program Evaluation

Monthly Program Management Reports should be required of contract agencies. These reports should include program goals, performance plan, and performance statistics.

The City agency should have its program personnel conduct as many visits as may be appropriate (with one surprise visit) to evaluate the contract agency program. The report should pinpoint the progress made toward fulfilling stated objectives. Program weaknesses should be indicated and recommendations offered to enhance the effectiveness of the program.

The Technical Assistance Unit and Evaluation Units should coordinate their efforts and wherever feasible, joint reports should be issued.

4.4 Close-Outs

Not later than two months after the close of the program year, the final CPA report is due. The report

should be used as the basis for the final close-out of the contract agency in addition to a program evaluation by the City agency.

Following resolution of questioned costs by the CPA (e.g., through budget modification or Audit Review Council decisions), a Final Payment Voucher should be processed through **IFMS** together with the Advice of Award of Contract **(FISA-ACECF 300)** adjusting the contract to the exact amount of the total expenditures.

The close-out procedure should include a narrative evaluation by the City agency of the contract agency's programs and/or services in operation for the period of the contract, discussing whether or not the contract agency delivered the specific service, operated the particular programs, and achieved the projected goals as contracted. Included in this evaluation should be a programmatic analysis of the dollar value received by the target population (or community) supported by contract agency Monthly Program Management Reports.

Recommendations for the continuation, modification, or dissolution of the program and/or services of the contract agency should be appended to the evaluation.

5.0 PRE-AUDITING PROCEDURES

The City Charter has extended greater autonomy to agencies, especially in respect to financial operations. For instance, the Charter stipulates that "agencies shall prepare and audit vouchers before payment, prepare and audit payrolls, receive and inspect goods and forward bills to the Comptroller for payment."

One of the major aspects of the new Integrated Financial Management System is that it recognizes the need for decentralization of major City financial operating functions.

The decentralization will allow your agency to better control operations and meet budget responsibilities.

The Charter further stipulates that the "Comptroller shall prescribe methods for preparing and auditing vouchers before payment, preparing payrolls and recording, reporting and accounting in the several agencies and shall conduct reviews to assure compliance."

In response to this decentralization and the Comptroller's responsibilities in respect thereof, this section lists basic pre-auditing procedures to be used by the City agency.

5.1 Contracts

A responsible person independent of the individual preparing the Advice of Award Contract should review and approve the completed Advice of Award of Contract.

- Verify that the contract is fully executed, notarized and that corporate seals are attached.
- Compare name and address of Contractor on Advice of Award form to contract for agreement.
- Verify that the time of performance on the Advice of Award form is consistent with the performance dates in the contract.
- Review the coding on the Advice of Award form.
- Verify that contract dollars appearing on the Advice of Award agree with the contract terms.

- Review check list to see that all attachments to the contract are accounted for:
 - approvals, Board of Estimate, MFC, EFCB and/or OMB,
 - CP form - Capital Budget,
 - DM form - Expense Budget.

- Sign the pre-audit certification after the review.

- Establish contract file to provide a permanent reference source. The contracts, Advice of Awards and contract adjustment notices are to be filed in an efficient retrievable manner. See section 9.0 of Directive No. 1 of the Comptroller's Internal Control and Accountability Directives.

- Establish control log. The log should contain:
 - Date (Advice of Award and copy of contract were forwarded to Comptroller),
 - Number (Agency assigned contract number - this would be for Agency identification purposes only and is not the contract number),
 - Name (of vendor),
 - Date (certified copy of the Advice of Award form received back from the Comptroller's Office),
 - Contract ID number,
 - Comments (if any).

- When the certified copy of the Advice of Award is received from the Comptroller, it should be re-

viewed to:

- Verify that a contract ID number has been assigned,
- Verify that the certification of acceptance into IFMS block has been signed.

5.2 Vouchers

The payment voucher requires a number of certifications:

- 1) Preparer's certification,
 - 2) Pre-audit certification,
 - 3) Departmental certification.
- It should be noted that although the individual signing the preparer's and pre-audit certifications may be the same, the departmental certification must be a different person.
 - The individual who assembles the documents into a voucher package and then completes the voucher form (excluding certification) should sign the preparer's certification.
 - The individual performing the pre-audit function certifies that based upon a detailed review of the voucher and all of its supporting documentation, that goods or services have been received in accordance with City requirements and that the transaction will be correctly recorded in the City accounts.
 - In order to perform the pre-audit function, the reviewer should follow the following audit proce-

dures:

- Verify that the preparer's certification has been signed.
- Determine that the correct transaction type has been checked on the voucher form.
- Review voucher for all required certification.
- Determine that the codes are proper and that the appropriate fund is charged.
- After completing the review and there are no exceptions, affix pre-audit signature.

6.0 INPUT CONTROLS TO FISA

6.1 Written Batch Control Transmittal Document

Controls the total number of documents and the value of transactions submitted to FISA. The document is the medium for routing input documents to and from the processing point.

6.2 Logging of Batches in Numerical Sequence

Provides a sequential record of all batches submitted to FISA.

6.3 Logging of FISA Output

Provides an accountability of FISA output.

6.4 Investigation of Documents Regarding FISA Exception Reports

Investigation and correction of errors per the FISA error listings will help insure correct output.

7.0 MULTI-YEAR CONTRACTS

Multi-year contracts are obligations of the City that span more than one fiscal year. These contracts are to be encumbered in **IFMS** only for the amount of the contract that applies to the current fiscal year. In order to encumber multi-year contracts in future years, a new Advice of Award Contract is to be filed with the Contracts Division in the Comptroller's Office no later than June 5th of each year. In future years, multi-year contracts must be encumbered prior to charging any other contracts against an agency's budget.

When filing an Advice of Award of Contracts (**FISA-ACECF 300**), the entire time of performance of the contract must be entered in the form's heading, and a memo is to be attached stating the following:

- Name of Vendor
- Time of Performance
- Total Amount of Contract
- Amount Registered in Prior Years
- Amount to be Registered in Current Year
(from Advice of Award of Contract)
- Prior Year's Contract Number

As the Comptroller's Office receives the Advice of Award of Contract, it will assign a unique series of numbers to multi-year contracts. Each Advice of Award of Contract will be assigned a document number with an "M" in the sixth (6th) position, i.e., 01582M0023.

To facilitate the encumbering of all of an agency's multi-year contracts at the beginning of a year, each agency is to maintain a filing system which will clearly identify all multi-year contracts.