



**THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER**

INTERNAL CONTROL AND ACCOUNTABILITY DIRECTIVES

**DIRECTIVE #4: CONTRACT AGENCY
MONITORING AND REPORTING**

INTRODUCTION

City agencies often contract with community-based social services programs that provide services to City residents, and are responsible to manage those contracts. These City contracting agencies are commonly referred to as Managing Agencies. The not-for-profit entities are commonly referred to as Contract Agencies or Delegate Agencies, although they are not City agencies. The Managing Agency has a responsibility to ensure that the Contract Agencies provide quality service at economical prices. They also have a responsibility to monitor the Contract Agencies to ensure that the City and the beneficiaries are receiving the contracted services.

This Directive provides guidance on the solicitation and contracting process that the Managing Agencies should use with Contract Agencies. This includes assessing the Contract Agencies' qualifications, expertise, and cost considerations.

This Directive also provides minimal guidance for the monitoring of Contract Agencies by the Managing Agencies' internal auditors and through the hiring of external auditors. Please Note: [*Comptroller's Directive #5 – Audits of Agency Programs and Operations*](#) details the guidelines regarding the entire Audit process. This Directive #4 refers to Directive #5 in several places, but attempts to avoid addressing audit-related issues in detail. Therefore, end users of this Directive should be knowledgeable of all relevant sections of Directive #5.

This Directive also provides recommendations on reporting by Contract Agencies.

All City agency commitments and agreements should comply with the *New York City Charter*, the *Procurement Policy Board Rules*, and the *Comptroller's Internal Control and Accountability Directives*, and are subject to audit by the Office of the Comptroller.

This Directive is issued pursuant to the authority of the Office of the Comptroller as provided in Chapter 5, Section 93 of the *New York City Charter*.

Table of Contents

1. GENERAL INFORMATION.....	4
1.1 <i>Directive Organization.....</i>	4
1.2 <i>Effective Date</i>	4
1.3 <i>Assistance</i>	4
1.4 <i>Comptroller’s Internal Control and Accountability Directives</i>	4
2. SOLICITING CONTRACT AGENCIES.....	5
2.1 <i>Request for Proposal.....</i>	5
2.2 <i>Evaluating the Proposal.....</i>	5
2.3 <i>Assessing Contractor Agency Qualifications</i>	6
3. THE CONTRACTING PROCESS	6
3.1 <i>Contract Components.....</i>	6
3.2 <i>Contract Registration</i>	7
3.3 <i>Financial Management System Documents</i>	7
4. CONTRACT MONITORING	7
4.1 <i>Financial Accounting and Management System</i>	7
4.2 <i>Compliance with Program Objectives</i>	8
4.3 <i>Reporting</i>	8
5. REPORTING REQUIREMENTS	8
5.1 <i>Program Evaluation Reports.....</i>	8
5.2 <i>Audits and Compliance Reports</i>	8
5.3 <i>Integrity Report.....</i>	8
5.4 <i>Compliance with Laws and Regulations</i>	8
5.5 <i>Office of Management and Budget Requirements.....</i>	9
5.6 <i>Timeliness of Reports.....</i>	9

1. GENERAL INFORMATION

1.1 Directive Organization

The Directive is divided into the following primary sections:

1. [General Information](#)
2. [Soliciting Contract Agencies](#)
3. [The Contracting Process](#)
4. [Contract Monitoring](#)
5. [Reporting Requirements](#)

1.2 Effective Date

This Directive is effective immediately, and supersedes the previous version, issued March 1978.

1.3 Assistance

Questions or comments concerning this Directive should be addressed to: The Office of the Comptroller, Attention: Technical Policy and Support Unit, Bureau of Accountancy, Municipal Building, One Centre Street, Room 200 South, New York, NY 10007, (212) 669-3675, or via email to the [Technical Policy and Support Unit](#).

1.4 Comptroller's Internal Control and Accountability Directives

An inventory of existing [Comptroller's Internal Control and Accountability Directives](#) is available on the [Comptroller's Website](#).

2. SOLICITING CONTRACT AGENCIES

The Managing Agency has a responsibility to obtain qualified Contract Agencies at economical prices. Before a Contract Agency can be selected, the Managing Agency should make determinations regarding the scope of service, service delivery timeframes, and estimated costs, and reflect them in relevant documents (Requests for Information, Requests for Proposals, Minority/Women Business Enterprise documents, Vendor Evaluations, Equal Employment Opportunity forms, etc.).

2.1 *Request for Proposal*

A Request for Proposal (RFP) is a document that is used to solicit competitive proposals for services. City Agencies should use the RFP as a tool for ensuring that an appropriate vendor is awarded the work. To ensure that proposals received are responsive and comparable, agencies should issue RFPs that are written clearly and comprehensively.

Agencies should ensure that RFPs include all of the elements specified in Section 3-03, Subsections (a) and (b), of the [Procurement Policy Board \(PPB\) Rules](#).

2.2 *Evaluating the Proposal*

The following factors should be considered when evaluating proposals received from proposing Contractor Agencies:

1. The technical merits and feasibility of the Contract Agency's proposed approach to providing the services.
2. The qualifications and experience of the Contract Agency in performing services. This information may include:
 - a) Successful experience in delivering similar services for the Managing Agency, other City Agencies, other governmental units, not-for-profit organizations, or commercial concerns.
 - b) Successful experience in delivering the quantity and quality of services at the cost anticipated in the price proposal.
 - c) Evidence of knowledge of relevant regulatory and contractual requirements applicable to the service they will be providing.
3. The levels of skill and expertise of the staff that will be providing the contracted services, and likelihood of their ability to provide the services within the contracted timeframe. Resumes of the Contract Agency personnel should reflect that the proposed staff have the necessary training and expertise, including any licensing requirements. Staff qualifications should be evaluated based on similar criteria as those specified for the Contract Agency, above.

4. The total proposed cost, including professional and administrative support services.
5. Eligibility to receive a contract under the City's and grantor's requirements (i.e., whether a proposer has been disbarred from Federal contracts).
6. The possession by the Contract Agency of a management system that provides current, accurate data and has a strong system of internal control.

Refer to the [PPB Rules](#), Section 3-03, Subsections (g) and (h), for more information about the evaluation process.

2.3 Assessing Contractor Agency Qualifications

The Managing Agency should evaluate the reputability of the Contract Agency and its ability to perform the function for which it is to be contracted. The following sources should be reviewed when assessing the qualifications of the Contract Agencies:

- VENDEX evaluations;
- Quality and quantity of past work, as documented by other City, State, or Federal agencies;
- Consumer information databases, such as the Better Business Bureau and the System for Award Management and the Office of Federal Contract Compliance Programs' Debarred Companies List;
- Past Audit Reports;
- Client Satisfaction Surveys;
- Reference Checks;
- Internet searches for verifiable information regarding the Contract Agency, which is relevant to the contracting decision.

3. THE CONTRACTING PROCESS

Once a Contract Agency has been chosen, it is important that a detailed contract is executed. The following section discusses what should be included in a contract and other City requirements once a contract has been executed.

3.1 Contract Components

Among the key provisions that Managing Agencies should incorporate into the contract:

- Work Delivery Dates
- Contract Length
- Contract Termination
- Payment Terms
- Reporting Requirements
- Requirements When Engaging an Independent Auditor

- Insurance
- Compliance with Laws, Regulations, Internal Control and Accounting Directives
- Managing Agency's and Comptroller's Authority to Audit
- Remedies for Noncompliance

Included with all NYC consultant, professional, technical, human, and client services' contracts is [Appendix A, General Provisions Governing Contracts for Consultants, Professional, Technical, and Human Client Services](#), which details contractual insurance requirements. Multiple sections of the [PPB Rules](#) document provide details of the contracting process.

3.2 Contract Registration

The [Charter](#) requires that City Agencies file a copy of every contract with the Comptroller; the Comptroller then has to register each contract. Refer to the Charter for more information, specifically in Subsections 375 and 328.

3.3 Financial Management System Documents

The Managing Agency should properly enter contract documents in the City's Financial Management System (FMS), according to FMS procedures and policies. A broad range of FMS Training information can be found on the [FISA Applications Portal](#).

The Managing Agency should also record Contract Agency information in [VENDEX](#). See [Comptroller's Directive #24 – Agency Purchasing Procedures and Controls](#), for a more detailed discussion of the FMS documentation requirements.

4. CONTRACT MONITORING

The Managing Agency should ensure that the Contract Agency is complying with all contract objectives.

4.1 Financial Accounting and Management System

As noted earlier in this Directive, the Managing Agency should attempt to ensure that the Contract Agencies maintain a financial accounting and management system. The system should provide, at a minimum:

1. Accurate, current, and complete disclosure of the program's financial operations;
2. Effective control over the accountability for program funds, property, and other assets;
3. Evidence that expenditures are within approved budgetary limitations;
4. Procedures for determining the reasonableness, accountability, and allowability of costs in accordance with contract requirements;
5. Reports that accurately and appropriately reflect total program costs incurred, and
6. Any other applicable requirements of the City and other applicable funding sources.

4.2 Compliance with Program Objectives

Contracts with Contract Agencies should contain specific and measurable program objectives. The Managing Agency should determine whether the Contract Agency complied with the provisions of the contract, ~~and institute sanctions for noncompliance.~~

4.3 Reporting

Contract monitoring should provide for both financial and operational assurances. Reporting ranges from audits of the financial statements to audits or agreed-upon procedure reports of compliance with contract requirements. [Comptroller's Directive #5 – Audits of Agency Programs and Operations](#) details the guidelines regarding the entire Audit process.

5. Reporting Requirements

The Managing Agencies should carefully review the terms of their grants, contracts, and all related regulations to determine a Contract Agency's reporting requirements. Frequently an independent auditor is needed to satisfy contract requirements (refer to [Comptroller's Directive #5 – Audits of Agency Programs and Operations](#)). The following section discusses the reporting requirements for Contract Agencies.

5.1 Program Evaluation Reports

Monthly program evaluation reports should be required by contract. These reports should include program goals, performance plan, and performance statistics.

5.2 Audits and Compliance Reports

The Contract Agency should have audits and/or agreed-upon procedure reviews (compliance reviews) to support their assertions on compliance with the terms of the contract. The level of assurance for the compliance reports will vary, depending on external reporting requirements and on the Managing Agency's needs. Refer to [Comptroller's Directive #5 – Audits of Agency Programs and Operations](#).

5.3 Integrity Report

All Contract Agencies should include, with their annual audit, an evaluation of their fiscal integrity similar to the one required by [Comptroller's Directive # 1– Principles of Internal Control](#).

5.4 Compliance with Laws and Regulations

The Managing Agency should ensure that the Contract Agency is in full compliance with laws, regulations, statutes, and all other legal requirements or funding agreement terms that apply to the contract. Any entity receiving City treasury funds should comply with local laws, such as fire codes and building codes. In addition, all entities should comply with State and Federal laws and mandates, such as the requirements of the Occupational Safety and Health Act (OSHA), and the Americans with Disabilities Act (ADA).

5.5 Office of Management and Budget Requirements

Entities that expend Federal awards may be subject to audit by the provisions of the [U.S. Office of Management and Budget's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards](#). The provisions of those requirements should be complied with to assure continued program funding. The Managing Agency should ensure that all Contracting Agencies are in compliance with the Single Audit Amendments of 1996. Refer to [Comptroller's Directive #5 – Audits of Agency Programs and Operations](#) – for guidelines on the entire Audit process.

5.6 Timeliness of Reports

Managing Agencies should ensure that all reports are submitted on a timely basis. The Managing Agency needs to have current information in order to properly monitor the Contract Agencies and make needed program changes. All program audit and compliance reports should be received no later than three months after the close of the program year. Refer to [Comptroller's Directive #5 – Audits of Agency Programs and Operations](#). The Managing Agency may, in many cases, need compliance reports on a timelier basis. In those cases the contract should specify when the reports should be submitted to meet the Managing Agency's needs.

[Back to the Beginning of the Directive](#)