



Gladys Carrión  
Commissioner

**MEMORANDUM**

Susan Nuccio  
Deputy Commissioner  
Chief Financial Officer  
Financial Services

**DATE:** January 14, 2016

**TO:** Limited Secure Placement & Aftercare Providers  
Fiscal and Executive Directors

Jose Mercado  
Chief Financial Program  
Officer  
Financial Services

**FROM:** Courtney LeBorious

**SUBJECT:** **Close to Home - Limited Secure Placement (LSP) & Aftercare Fiscal Manual (Contract effective September 2013, Program start date December 2015)**

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The ACS Division of Financial Services is issuing the attached final *Close to Home - Limited Secure Placement (LSP) & Aftercare Fiscal Manual*, effective immediately.

This document was originally issued to provider agencies on December 8, 2015 for a 30-day review and comment period. There were no comments submitted during the 30-day review.

Please note that we have attached two appendices with Budget Templates, one for LSP Residential and one for Aftercare.

Thank you for your continued effort and hard work to bring this historic reform to the delivery of services for New York City youth.

CC: F. Franco  
J. Halbridge  
J. McKnight  
J. Purcell

**CLOSE TO HOME**  
**Limited Secure Placement &**  
**Aftercare Services**  
**Fiscal Manual**  
**(FINAL)**

**ACS Division of Financial Services**

**Issue Date: 1-14-16**

**Contract Date: September 2013**

**Program Start Date: December 2015**



# **CLOSE TO HOME - Limited Secure Placement & Aftercare Services Fiscal Manual**

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## **CLOSE TO HOME – Limited Secure Placement & Aftercare Services Fiscal Manual**

### **Introduction**

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The City of New York Administration for Children's Services ("ACS") Fiscal Manual is a set of instructions documenting the applicable policies and procedures for ACS contractors to use in recordkeeping, bookkeeping, accounting, financial reporting, billing/invoicing, budgeting, cost allocating, payment, and audit. ACS requires all contractors' Board Members, management and financial staff to adhere to the policies and procedures included herein. The Fiscal Manual's goals are to ensure compliance with all applicable Federal, State and City regulations, including OMB Circulars A-87, A-110, A-122, A-133, 45 CFR PART 74, 45 CFR PART 92 and other financial requirements. The Federal government has consolidated and streamlined eight Federal regulations (including OMB Circulars A-110, A-122, and A-133) into a single, comprehensive policy guide, called the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, more commonly known as the " Super Circular" (codified at 2 CFR Part 200). The Federal effective date is December 26, 2014. The City of New York's requirements are effective July 1, 2015 for Fiscal Year 2016. All expenditures are to be made in accordance with the terms and conditions of the Limited Secure Placement Services contract.

## **SECTION 1 - BUDGET**

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### **1.0 ALLOCATION METHODOLOGY**

The annual operating Limited Secure Placement (LSP) budget will be based on the approved daily rate multiplied by number of awarded slots multiplied by the number of days per year. For the allowable start up budget, ACS will prorate this value based on the number of months the program is in operation. The year one approved budget amount will become a set allocation allowing contractors, upon reconciliation at year end, to bill up to that amount for allowable expenses using their actual care days. After the initial contract year, utilization rates will be reviewed and a determination will be made by ACS and OCFS (NYS Office of Children and Family Services) regarding number of beds, appropriate utilization and performance measures.

LSP Aftercare is a capped line-item budget for which providers invoice ACS subsequent to the provision of services.

### **1.1 RATE AND ADD-ON AMOUNTS**

- All contractors will receive \$443 per day as a base rate, assuming that funds are spent on allowable expenses to support the program model.
- All NYC contractors will receive additional per diems based on the awarded service type.
- There will be no additional funding beyond the base rate, the agreed upon additional per diems, renovation funds and line-item budgets such as Aftercare unless there is a modification to the contract.
- Funding for items such as Special Payments, Preparing Youth for Adulthood (PYA) and Reinvestment do not apply to this program. All expenses are to be covered by the rate.

### **1.2 FINANCIAL REPORTING**

- **LSP Residential Budget Submission:** At the start of every fiscal year, contractors will submit a line-item budget to the ACS Budget Department. Contractors will be required to meet the programmatic guidelines and stay within the budget for each rate component.
- **LSP Aftercare Budget Submission:** At the start of every fiscal year, contractors will submit a line-item budget to the ACS Budget Department. Contractors will be required to meet the programmatic guidelines and stay within the budget for each rate component.
- **LSP Residential Expense Reporting:** Contractors will be required to submit quarterly expenses against their approved budget. This information will be submitted using the LSP Residential Budget Template (Appendix A). At the end of each Fiscal Year contractors will report their LSP Residential expenditures and income using the OCFS

State Standard of Payment (SSOP) application and should report this information using the "Other" column of the template.

- **LSP Aftercare Expense Reporting:** Contractors will be required to submit monthly expenses against their approved budget. This information will be submitted using the LSP Aftercare Budget Template (Appendix B.) LSP Aftercare expenses and income are NOT reported on the SSOP.

### **1.3 PAYMENT RATES**

- **Residential Care:** ACS will create an initial rate at the start of the each fiscal year which will be used for the billing process in SSPS. ACS will adjust the rate accordingly, if needed and work with OCFS for approval of those adjusted rates.
- **Aftercare:** Rate calculation is not applicable for aftercare.

### **1.4 FINAL RATE**

Upon reconciliation of care days and allowable expenses, a finalization will be completed.

### **1.5 START-UP FUNDS**

The start-up funds will be included in the year one budget that is established for each service program. The start-up budget will be based on the approved annual budget. Start-up funds will be accessible prior to the program start date.

### **1.6 UNSPENT FUNDS**

Upon audit, ACS will reconcile with contractors. All unspent funds will be recouped.

### **1.7 MEDICAID RATES**

LSP is not a Medicaid eligible program. Allowable medical expenses will be covered by the approved medical rate add-on.

### **1.8 ALLOCATING PLAN FOR DIRECT AND INDIRECT COSTS**

ACS is aware that many nonprofit organizations enter into additional contractual agreements with other funding sources. These funding sources have their own programmatic and administrative requirements. A common element to all of these funding sources is the need to have a plan that allocates direct and indirect costs. All organizations are required to have an approved direct and indirect cost allocation method which reflects how these costs are distributed. The direct and indirect cost allocation plan can be a stand-alone plan for a single-source funded program or it can be incorporated as the foundation of a Cost Allocation Plan (CAP) for an organization with multiple funding sources. It is important to understand that allocating between direct and indirect costs is different than a CAP.

### **1.9 COST ALLOCATION PLAN**

A Cost Allocation Plan (CAP) is used to manage how resources are shared and accounted for among the funding sources. It is the process of assigning two or more programs the costs of an item shared by the program. The goal is to ensure that each program bears its fair share

and only its fair share, of the total cost of the item. The plan is the roadmap for reporting cost items. Regular reporting should incorporate and reflect the structure of the CAP.

A CAP is required based on the contractual agreement with ACS as well as Federal regulations of the Department of Health and Human Services and administrative requirements of OMB Circular No. A- 87 (Cost Principles for State, Local and Tribal Governments), which determines allowable costs and OMB Circular No. A-122 (Cost Principles for Nonprofit Organizations) which requires nonprofit organizations to report direct and indirect costs. This information is also a reporting requirement of OMB Circular No. A-133 (Audit of States, Local Governments, and Nonprofit Organizations) which stipulates the guidelines for auditing the above costs; as well as an annual report to the Internal Revenue Service through Forms 990 and State Charitable 500 report. Please see page 1 regarding the circular changes. If you need any assistance on producing this CAP, please contact the ACS Budget Unit.

## **SECTION 2 - PAYMENT AND REPORTING REQUIREMENTS**

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### **2.0 START UP AND RENOVATION EXPENSES**

Start up and renovation expenses will be reimbursed upon submission of an invoice. ACS will provide start up invoice and renovation templates. Contractors will submit these invoice templates along with supporting documentation to receive reimbursement.

### **2.1 RESIDENTIAL EXPENSES**

- i) **SSPS Submissions** - Each contractor must submit their care day data via the Statewide Services Payment System (SSPS) and comply with all OCFS and ACS requirements.
  - a. DEMOC file should contain all the demographic information for children that were in the agency's care during the service month.
  - b. MOVEC file should contain all movements that occurred during the service month and any changes to prior service periods.
  - c. Both DEMOC and MOVEC files need to be submitted concurrently for the payments to be processed.
  
- ii) **Due Dates**
  - a. **Initial upload** is due by the 5<sup>th</sup> business day of each month. This allows contractors to view any payment discrepancies between the contractor's request for payment and ACS' systems of record. Contractors can work with the ACS Systems Support Office (SSO) Reconciliation Center to resolve any discrepancies prior to the final upload.
  - b. **Final upload** is due by the 7<sup>th</sup> business day before the end of the month. A contractor's payment will be based on the matching records in this submission.
  - c. **Intermittent uploads** may be done at any time. Data submitted will only be compared to ACS' systems of record on the 5<sup>th</sup> business day, the 10<sup>th</sup> business day and the 7<sup>th</sup> business day before the end of the month.

## **2.2 AFTERCARE EXPENSES**

- Aftercare expenses are reported based on actual cash disbursements. The original Monthly Expense Report, the Child-Specific Schedules, and the Summary Child Specific Schedules are all needed for payment processing and reimbursement of programmatic expenditures. All allowable expenses will be reimbursed up to the amount of the Aftercare Budget with reconciliation occurring on an as-needed basis.
- Aftercare services should be billed within 30 days of the completion of the service month. The invoices should be submitted to ACS DYFJ for review and approval.

## **2.3 FISCAL YEAR END INVOICING**

Contract agencies should close their financial books at the end of each fiscal year, June 30. Invoices for actual expenses incurred in June of each fiscal year shall be submitted to ACS by the contract agency within thirty (30) days after the end of the fiscal year which such expenses were incurred. If the contract agency fails to provide ACS with the required invoices for the amounts incurred sixty (60) days after the date the invoices are due and/or if the contract agency fails to provide invoices in a manner acceptable to ACS in accordance with this Fiscal Manual sixty (60) days after the date the invoices are due, ACS, may, at its sole discretion, disallow such invoices.

In the event that ACS deems it necessary to request additional documentation from the contract agency in order to process the year-end payment, ACS will send a request letter to the contract agency. Requested documentation must be received by ACS no later than thirty (30) days from the date of the ACS request letter was emailed. If the contract agency fails to provide ACS with the requested documentation within the timeframe provided, ACS may at its sole discretion, disallow such invoices.

## **SECTION 3 - FINANCIAL MANAGEMENT - ACCOUNTING - BOOKKEEPING**

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### **3.0 FINANCIAL MANAGEMENT SYSTEM**

In accordance with OMB Circular A-110, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and other Nonprofit Organizations, contractors must maintain a financial management system that provides for the following:

- (1) Accurate, current and complete disclosure of the financial results of each federally-sponsored project or program in accordance with the reporting requirements. If a Federal awarding agency requires reporting on an accrual basis from a recipient that maintains its records on other than an accrual basis, the recipient shall not be required to establish an accrual accounting system. These recipients may develop such accrual data for its reports on the basis of an analysis of the documentation on hand.
- (2) Records that identify adequately the source and application of funds for federally-sponsored activities. These records shall contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, outlays, income and interest.

- (3) Effective control over and accountability for all funds, property and other assets. Recipients shall adequately safeguard all such assets and assure they are used solely for authorized purposes.
- (4) Comparison of outlays with budget amounts for each award. Whenever appropriate, financial information should be related to performance and unit cost data.
- (5) Written procedures to minimize the time elapsing between the transfer of funds to the contractor and payment to satisfy any accounts receivables.
- (6) Written procedures for determining the reasonableness, allocability and allowability of costs in accordance with the provisions of the applicable Federal cost principles and the terms and conditions of the award.
- (7) Accounting records including cost accounting records that are supported by source documentation.

### **3.1 ACCOUNTING SYSTEM**

Contractors should have accounting systems which outline the methods, procedures, and standards followed in accumulating, classifying, recording, and reporting financial events and transactions. The accounting system should include the formal records and original source data and should also be able to produce financial information and financial statements.

A contractor's accounting system must make it possible to:

- (a) Present fairly and with full disclosure the funds and activities of the contractor in conformity with generally accepted accounting principles; and
- (b) Determine and demonstrate compliance with financial-related legal and contractual provisions.

### **3.2 GENERAL LEDGER**

The general ledger contains all of the financial accounts of a contractor; and contains offsetting debit and credit accounts (including control accounts). The general ledger is the core of the contractor's financial records. These constitute the contractor's central "books", and every transaction flows through the general ledger. These records remain as a permanent track of the history of all financial transactions since day one of the life of an organization. A contractor's accounting system will have a number of funds. All the entries that are entered (called posted) to these funds will transact through the general ledger account.

The two primary financial documents of any organization are the Statement of Position or the balance sheet and the Statement of Activities or the profit and loss statement. Both of these are drawn directly from an organization's general ledger. The order of how the numerical balances appear is determined by the chart of accounts, but all entries that are entered will appear. The general ledger accrues the balances that make up the line items on these reports, and the changes are reflected in the profit and loss statement as well.

### **3.3 FUND ACCOUNTING**

A contractor's accounting system should be organized and operated on a fund basis. A fund is a group of functions combined into a separate accounting entity having its own assets, liabilities, equity, revenue and expenditures/expenses. The types of funds used are determined by generally accepted accounting principles. The number of funds established within each type is determined by sound financial administration.

Contractors should establish and maintain funds received by ACS through sound financial administration. Only the minimum number of funds consistent with legal and operating requirements should be established.

### **3.4 GENERALLY ACCEPTED ACCOUNTING PRINCIPLES FOR CONTRACTORS**

All contractors are to adhere to Generally Accepted Accounting Principles (GAAP). GAAP is a uniform minimum standard of and guidelines for financial accounting and reporting. The GAAP are the framework within which financial transactions are recorded and reported resulting in financial statements that provide comparability between entities, consistency between accounting periods and reliability for internal and external users of financial statements. The Financial Accounting Standard Board (FASB) sets the General Accepted Accounting Principles (GAAP) for Nonprofit Organizations. Contractors should follow FASB announcements in order to ensure their accounting systems are up to date with new GAAP requirements.

### **3.5 BASIS OF ACCOUNTING**

An entity's accounting basis determines when transactions and economic events are reflected in its financial statements. Listed below is the basis for recording financial transactions. All ACS contractors should follow the accrual basis of accounting.

#### **Accrual Basis**

A system recording financial transactions when they occur, irrespective of when actual cash is received or paid. Revenues are recorded when earned or when the contractor has the right to receive the revenue. Expenses are recorded when incurred. Expenses for which the contractor is liable within the fiscal year are counted in that fiscal year.

### **3.6 ACCOUNTING CALENDAR**

The accounting calendar is a schedule of anticipated dates for financial activities throughout the month. It is important that contractors establish an accounting calendar and adhere to the schedule in order to ensure all financial transactions are appropriately recorded. The accounting calendar is divided into two sections:

#### **Management Reports**

- Report Month
- Report Date
- Scheduled Closing Date

#### Transaction Due Date

- Departmental Deposits
- Journal Entries
- Interface Billings & Reallocation

### **3.7 BOOKKEEPING - DEFINED**

**Bookkeeping** is the practice of recording the transactions of a business; financial transactions which are either monetary-cash, or non-monetary inventory or volunteer's time.

### **3.8 ACCOUNTING - DEFINED**

**Accounting** is the bookkeeping methodology involved in creating a financial record of a business transaction. It includes the preparation of statements concerning assets, liabilities (Balance Sheet), expenses and revenue (Income Statement) and operating results of a business. Accounting is the management of assets and financial information.

### **3.9 CHART OF ACCOUNTS**

Contractors should establish a chart of accounts that list asset, liability, net asset, revenue and expense accounts used to record financial transactions in the general ledger.

### **3.10 MONTHLY CLOSE**

Every organization should close their financial books every month, produce a trial balance, adjusting entries, closing entries and financial statements.

### **3.11 BANK ACCOUNTS**

The contractor shall establish and maintain a bank account in a New York Chartered Bank located in New York City and/or a bank authorized to do business in New York State to be used solely in connection with funds received from ACS. The contractor should establish one bank account to receive all ACS payments made to the contractor. Contractors can request a waiver from this requirement from ACS. This request should be sent to the ACS Audit and Banking Department. If approved the contractor may use a general bank account or a set of accounts for deposits and disbursements.

The bank account must have a minimum of three signatories with access to the bank account. At least two of the signatories must be Board Members. The contractor will provide to ACS immediately upon request, copies of all bank records including bank statements and cancelled checks. The contractor will also inform ACS within five business days of any change or substitution of a person authorized by the contractor to receive, handle, or disburse monies.

### **3.12 BANK CREDIT LINE**

Contractors seeking a bank line of credit to fill temporary or seasonal needs must use unrestricted funds to pay for interest on loans.

### **3.13 CASH TRANSACTIONS**

Some activities of organizations may be most easily handled with cash. This may result in large amounts of cash being handled at one time. Some simple procedures can limit the

possibility of theft or any accusations of theft.

- Have cash receipts counted and recorded as soon as possible from the time that the receipts are received.
- Always ensure that there are at least 2 people present when cash is being handled.
- Once cash has been counted, lock it up in a location that can only be accessed by authorized individuals.
- Make bank deposits regularly to avoid having significant amounts of cash on hand.
- In cases where cash is being distributed, request receipts or have the individuals receiving the cash sign a form stating that they have received it.

### **3.14 CHECKS**

Checks provide an easy-to-follow paper trail for organizations. One risk with checks is the possibility of forgery. While this risk may be relatively small, the increasing popularity of automated teller machines (ATMs) and the accompanying trend toward less personal banking can make it more tempting for some individuals to attempt to pass forged checks. The following actions can help reduce this risk.

- Keep all blank checks in a secure and preferably locked location.
- Keep signed cancelled checks that are returned from the bank in a secure and preferably locked location.

### **3.15 INTERNAL CONTROLS**

Contract providers must maintain adequate internal controls that safeguard funds, avoid unauthorized transactions, and prevent thefts of assets bought with ACS funds. Examples of adequate internal controls include: prohibitions on issuing ATM cards for access to publicly funded accounts; two signatures are required for checks; and submission of written purchase requests and approvals for payment from the Director and Board representative(s). It is expected that providers have written policies and procedures that include all aspects of its fiscal management as it relates to ACS contracts.

### **3.16 GENERAL REQUIREMENTS**

(i) Contractors are required to maintain a Fiscal Manual that includes all aspects of financial management, including internal controls as it relates to ACS contracts. Procedures must include but are not limited to:

- a. Employee compensation, bonuses
- b. Vacation/Sick Leave Policy
- c. Employee Payroll
- d. Maintenance of financial books and records
- e. Petty Cash disbursement
- f. Bank Reconciliations
- g. Conflict of Interest Statement (must include statement of hiring of relative)
- h. Credit card authorization, issuance and usage
- i. Loans to employees (is prohibitive to use ACS funds for this purpose)

j. Check signing authority

(ii) As per State guidelines, contractors are responsible for filing the (SSOP), Report of Expenses and Care Days on a yearly basis and must forward a copy to ACS within 30 days of filing with the State.

#### **SECTION 4 - AUDIT**

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The audit will be performed in accordance with Generally Accepted Accounting Principles (GAAP), Generally Accepted Auditing Standards (GAAS), U.S. Government Auditing Standards (GAO)/ Yellow Book and the provider organization's ACS contract terms. Audit guidelines will be sent for each fiscal year.

#### **4.0 AUDIT OBJECTIVES**

The audit objectives will encompass the following but will not be limited to:

Assessment of the agency's start-up operation with regard to compliance as per the contract requirements and evaluation of implemented procedures. For example, start-up funding was to be spent only on one-time expenses associated with program.

- Determine whether expenses related to LSP (start up and per diem) were properly spent and reconciled as per final budget.
- Determine whether effective internal accounting controls and proper accounting procedures were maintained to record all financial transaction (revenues, expenditures and care days).
- Determine whether the LSP Program financial record keeping complied with the applicable rules and regulations of New York State OCFS and New York City ACS.
- Determine whether the costs for start-up expenses and non-eligible costs on the agency's OCFS submission were reported in separate cost centers.
- Compute amounts due to/(from) Administration for Children Services.

#### **APPENDICES**

Appendix A: LSP Residential Budget Template

Appendix B: Aftercare Budget Template