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Non Secure Placement

Fiscal Manual

Effective July 2013

ACS Division of Financial Services

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Introduction

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, reporting, claiming, budgeting, cost allocating, payment, audit and accounting. The Fiscal Manual sets out the policies and procedures that ACS requires adherence by all contractor Board Members, management and financial staff. 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, 45 CFR PART 74, 45 CFR PART 92 and other financial requirements.

SECTION 1 - BUDGET

NEW PROCESS

1.0 ALLOCATION METHODOLOGY - FY 2014

The Annual Budget will be based on a rate [\$360 (Base NSP Rate) + \$68 (Behavior Management /Education Add-On) + Approved Facility Add-On] x awarded census x 365 days.) Contractors will receive a set allocation based on 100% of their awarded census. **Utilization will be monitored monthly by the ACS Division of Youth and Family Justice (DYFJ) and the Division of Financial Services (DFS) staff. Contractors will be contacted immediately should there be significant variations in anticipated utilization per facility.**

Effective the July, 2013 service period, the Statewide Service Payment System (SSPS) will be the mechanism for NSP payments. Rates will be adjusted to ensure each contractor's FY 2014 NSP Budget value is reached, barring any programmatic adjustments.

Please note that in order for agencies with an NSP contract to be paid for youth via SSPS, each contract agency must make sure that all youth placed in an NSP facility are coded properly in the system as a "J". Such Y youth should no longer be coded as an "A" or "O" in the system effective July 1, 2013. Youth placed with contractors that are not NSP providers are still permitted to utilize codes "A" or "O" as appropriate.

1.1 RATE AND ADD-ON AMOUNTS - FY 2014

- All contractors will receive the \$360 per day as a base rate, assuming that funds are spent on qualifying expenses to support the program model.
- All NYC program site contractors will receive the \$68 per day for Behavior Management/Education Add-On staff, assuming that funds are spent on qualifying expenses to support the program model. The facility add-on will be considered on a case-by-case basis. The facility add-on of up to \$50 per day amount will be evaluated each year of the contract.
- All expenses for the youth are to be covered by the \$360 per day base rate. Additional funding for items such as special payments, Preparing Youth for Adulthood (PYA), Trial Discharge (M970), and Reinvestment is not available in this program.

1.2 BUDGET SUBMISSION

Contractors will submit a budget, which will detail their projected expenses annually. Budgets will be submitted on the NYS State Standard of Payment (SSOP) forms and reviewed by ACS and OCFS.

1.3 PAYMENT RATES

ACS will create an initial rate at the start of each fiscal year which will be used for the billing process in SSPS as contractors now follow for their foster care programs. ACS will adjust the rate accordingly and work with OCFS for approval of those adjusted final rate.

1.4 FINAL RATE

Upon reconciliation of care days and expenses, a final rate for the fiscal year will be set.

1.5 UNSPENT FUNDS

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

1.6 MEDICAID RATES

OCFS will determine which Medicaid rate will be used for programs. These are considered foster care placements, so Medicaid per diem funding will be available.

1.7 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 allocating plan which reflects how these costs are distributed. The direct and indirect cost allocating 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.

1.8 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 for the annual report to the Internal Revenue Service through Forms 990 and State Charitable 500 report. If you need any assistance on producing this CAP, please contact the ACS Budget Unit.

SECTION 2 - PAYMENT AND REPORTING REQUIREMENTS

2.0 REIMBURSEMENT OF ACTUAL EXPENDITURES/RECONCILIATION - ANNUAL ALLOCATION

Based on monthly reporting of actual care days, ACS will work with contractors to reconcile any discrepancies. ACS will pay contractors after the reconciliation period. For example, care days incurred in September must be reported to ACS by the fifth business day of October. There is an approximately two week period to resolve discrepancies. Contractors submit their final request for September's care days the seventh business day before the end of October. Payment of the September care days occurs during the first week of November.

2.1 MONTHLY CARE DAY SUBMISSION

i) SSPS Submissions - Each contractor must submit their care day data via SSPS.

- a. DEMOC file should contain all the demographic information for children that were in the contractor'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 5th 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) to resolve any discrepancies prior to the final upload.
- b. **Final upload** is due by the 7th 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 5th business day, the 10th business day and the 7th business day before the end of the month.

SECTION 3 - FINANCIAL MANAGEMENT – ACCOUNTING - BOOKKEEPING

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 Federally awarded contractor 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 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. Unnecessary funds result in inflexibility, undue complexity, and inefficient financial administration.

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 to 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

A contractor'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. Submission of invoices for payment must occur within 30 days of the last day of the month.

3.11 BANK ACCOUNTS

The contractor shall establish and maintain a bank account in a New York Chartered 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 Budget Department and must be approved by the Assistant Commissioner of Finance. 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

ACS encourages all contractors to seek a bank line of credit to fill temporary or seasonal needs. This credit line is generally an unsecured loan made on the basis of the borrower's financial strength. Banks usually require compensation for offering a credit line in the form of balances and/or fees. The interest rate on a loan may be negotiated depending on the level of balances held at the bank.

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 AUTHORIZED SIGNATURES

A standard safeguard for a contractor is to require two authorized officers to sign all checks. In many organizations, three or four persons will be authorized to provide the two (2) signatures so that if an authorized person becomes ill or goes on an extended trip, the organization always has at least two other authorized persons to sign checks.

This procedure is ineffective if one (1) of the officers signs a quantity of blank checks in advance. While probably well intentioned, this person has abdicated their duty as an officer and director and has put the organization's funds at risk. Signing officers and the entire board should always insist on all checks being completely filled in before anyone signs. Officers with signing authority may also want to verify the checks against the corresponding invoices before signing.

SECTION 4 - AUDIT

4.0 INTERNAL CONTROLS

Contractors 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.

4.1 GENERAL REQUIREMENTS

(ii) 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, loans to employees
- 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)

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