



Fiscal Manual

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NYC.GOV/DOC

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1 Introduction and Instructions on Use

Introduction

The policies and procedures followed by the Department of Correction (DOC) are in compliance with Federal, State, and City regulations. The requirements outlined in the DOC Fiscal Manuals must be adhered to by all contractors funded by DOC.

Definition

The Fiscal Manual is a set of instructions provided by the Department to the Contractor documenting the applicable policies and procedures of the Department for Contractor to use in such matters as record-keeping, bookkeeping, reporting, invoicing and claiming, budgeting, cost allocating, procurement and payroll, as may be amended by the Department. The Fiscal Manual is not intended to amend the material terms of the Human Services Agreement, the Scope of Work, the terms of payment or Appendix A. The Fiscal Manual is incorporated by reference and may be found online at <http://www.nyc.gov/html/doc/html/contracting/contracting.shtml>.

2 Budget

The DOC awards performance-based contracts where Vendors are paid based on achieving performance outcome measures. Contractor shall provide such services and activities in accordance with the contract. Contractor may request modifications to the contract in the manner prescribed in the Contract.

2.1 Preparation-N/A

2.2 Budget Process-N/A

2.3 Regulations-N/A

2.4 Format-N/A

2.5 Timings-N/A

2.6 Reports-N/A

2.7 Agency Approval-N/A

2.8 Modifications

The contract may be modified pursuant to Article 9 of Appendix A, General Provisions Governing Contracts for Consultants, Professional, Technical, Human and Client Services.

Contract Changes

Changes to the agreement may be made only as duly authorized by the ACCO or his or her designee and in accordance with the PPB Rules.

Any amendment or change to the agreement shall not be valid unless made in writing and signed by authorized representatives of both parties. Contractors deviating from the requirements of the agreement without a duly approved and executed change order document, or written contract modification or amendment, do so at their own risk.

Changes Through Fault of Contractor

In the event that any change is required in the data, documents, deliverables, or other services to be provided under **the agreement** because of negligence or error of the Contractor, no additional compensation shall be paid to the Contractor for making such change, and the Contractor is obligated to make such change without additional compensation.

2.9 Budget Closeout-N/A

3 Financial Records & Internal Controls

Financial Records, Reporting and Invoicing

Contractor shall submit financial reports and invoices to the Department in accordance Appendix C of the Agreement. Any supporting documents required to be maintained by this Manual will be made available for inspection and reproduction by the Department, the City Comptroller, and such other persons as authorized by the Department. Contractor acknowledges that repeated failure to submit required financial reports within the time limits prescribed may result in termination of the Agreement.

Limitation of use of funds, Proper purposes

No funds obtained through the agreement shall be spent for any expense not incurred in accordance with the terms of the Agreement.

Petty Cash Fund

Contractor may maintain a petty cash fund in accordance with this Fiscal Manual, however, no expenditures may be made from such fund for procurements valued in excess of \$1,000. Contractor shall make all procurement expenditures in excess of \$1,000 by check or credit card.

3.1 Bank Accounts

Contractor shall establish and maintain one or more separate accounts for the funds obtained from or through the City of New York related to this and all other agreements with the City, and shall maintain records for such account to track and clearly identify the funds obligated through the agreement.

Contractor shall notify the Department of the name, locations and account numbers of all bank accounts in which any funds pursuant to the agreement are maintained, and of any change in the name, location, or account numbers of such accounts within five (5) days of such establishment or change. Such bank shall have a branch located in New York City unless otherwise approved by the Department.

Contractor shall notify the Department of the names, titles, and business addresses of such persons authorized by the Contractor to receive, handle or disburse monies under the agreement, including the company name and company address where such persons are not employees of the Contractor. Such notification must be in writing and furnished to the Department within five (5) days from the execution of the agreement, and within five (5) days from any subsequent change or substitution of authorized

3.2 Allowable Costs

3.2.1 General Cost Principles-N/A

3.2.2 Cost Allocation

Contractor shall accurately and equitably allocate costs which are attributable to the operation of two or more programs among such programs, or which are costs attributable to two or more governmental funding sources, by a method which represents the benefit of such costs to each program or funding source. The Contractor shall upon commencement of services or as soon thereafter as practicable develop and deliver to the Department a cost allocation plan for the Department 's approval, pursuant to Article III of the Agreement.

4 Claiming & Payments

Payment

All Contracts will include a term that states: "The Department shall pay the Contractor an amount not to exceed \$__ for all services provided under the Agreement." The agreement shall not obligate the Department beyond the dollar amount designated as the maximum contract amount in the absence of a duly executed written contract amendment registered pursuant to section 328 of the New York City Charter. The terms of payment will be included as an Appendix to the Human Services Agreement.

5 Procurement

5.1 Procurement records

Contractor shall retain proper and sufficient bills, vouchers, duplicate receipts and documentation for any payments, expenditures, refunds or disposals made to or received by the Contractor in connection with this Agreement.

5.2 General Procurement Policies

Any procurement of goods and/or services is to be conducted in the CONTRACTOR's name. The organization is responsible for ordering, receiving, inspecting and accepting merchandise. The name of the Department of Correction, its officials, employees, or the City of New York should not be used, under any circumstances, for the purpose of ordering and/or securing goods and services from a Vendor. Invoices, bills, receipts, etc., must be issued in the name and address of the organization. All expenditures must comply with applicable laws and contract regulations, and are subject to audit.

5.3 Purchasing Requirements/Competitive Bidding

The procurement of goods shall be governed by the competitive bidding requirements described below. The purpose of competitive bidding requirements is to establish a procedure that will secure the best possible price for goods and services while allowing for appropriate competition. The procurement process must be open and competitive (that is, no Vendor qualified to provide the goods or services may be restricted from bidding and there is fair competition among those bidders). These procedures also apply to the rental or leasing of equipment.

1. Purchases less than \$20,000

For purchases with a value of \$20,000 or less, no competitive bids are required. Documentation of the purchase must be maintained by the organization. This document must include the name of the Vendor, the item purchased, the date and amount paid.

2. Purchases from \$20,001 – 25,000

A minimum of five (5) telephone bids must be obtained for the purchase of goods of similar items where the cost can reasonably be expected to be between \$5,001 and \$25,000. Documentation of the bids and the purchase must be maintained by the organization. This document must include the name of the bidder, the Vendor, and the item purchased, the date and amount paid.

3. Purchases from \$25,001 - \$100,000

A minimum of five (5) written bids must be obtained for the purchase of goods of similar items where the cost can reasonably be expected to be between \$25,001 and \$100,000. The bids must contain a description of the item requested, the time, date, place and form of requested responses, and the name of the employee responsible for securing bids.

4. Purchases greater than \$100,000

A public solicitation of a minimum of five (5) sealed, written bids must be conducted for purchases of goods of like items where the cost can reasonably be expected to exceed \$100,000. The bids must be solicited from responsible bidders offering such commodities or services. Detailed product specifications must be developed and provided to all potential bidders in writing. The criteria to be used in determining the acceptability of bids should be contained in the specification. Bids may be solicited in one of the following ways:

Method A

A notice to bidders may be published in a generally circulated daily newspaper at a reasonable time prior to the due date of the bids. The notification should appear for a minimum of three (3) business days.

The notice to bidders should contain a general description of the goods or services for which bids are being solicited, a description of how and where specifications may be obtained, the closing date for acceptance of bids, and the date, place and time of the opening of bids. The bids must be opened at the place and on the date and time in the notice. The process of opening bids is public. Accordingly, Vendors may not be excluded from the bid opening.

Method B

Contractors may elect to establish a list of qualified firms from which bids may be solicited. To establish this list, publication of a notice in a widely circulated newspaper is required. This notice is not a solicitation for bids. Such notice shall contain a general description of the goods and services that contractors may wish to obtain. Respondents to the notice should indicate their capability to provide the goods and services and their willingness to subsequently submit bids in response to a future solicitation. The list must be constantly updated to ensure competition.

Contractors may solicit bids from the qualified bidders on the list by mailing those invitations to bid. The invitation to bid must include all relevant specifications, the due date for submission and the date, place and time of the bid opening. The bids must be opened at the place and on the date and time specified.

Contractors must document the process followed in its selection of the most responsible lowest bidder and, upon request, submit the same to DOC. The criteria for selection of the most responsible lowest bidder should include at least the following:

- a. Meeting or exceeding the bid specifications;
- b. Price;
- c. Reliability of bidder;
- d. Net 30 days, unless discount is given; and,
- e. Availability of goods and time frame for delivery.

Contractors shall make every reasonable effort to obtain competition before the purchase of commodities or services and must document any situation where reasonable competition is not available.

5.4 Essensa Group Purchasing

In 2011, the City of New York entered into a business agreement with Essensa, a New York-based group purchasing organization. Through this relationship, community-based organizations from NYC can gain access to the Essensa portfolio, which includes discounted pricing on a wide variety of products and services.

Essensa uses the total purchasing volume of all of its members to negotiate discounts with manufacturers, suppliers, and service providers.

Essensa membership is absolutely free. Contact an Essensa Client Service Associate today by phone at (866) 430-5330 or info@essensa.org for more information or to become a member. Visit Essensa online at www.essensa.org. To sign up, contact Greg Warner at (866) 430-5330 or email at warner@essensa.org.

5.5 Sole Source Procurement

Purchases exceeding \$5,000 where a CONTRACTOR is purchasing items that are considered to be sole source in nature, do not require bids. Sole source procurements are exceptions to normal purchasing procedures and are permitted only when there is one, and only one, potential bidder or offer for an item or service. Examples of circumstances that could justify sole source procurements are:

- Newspaper advertisements
- Health and Liability Insurances, Workers Compensation
- Tickets to sporting events or theme parks
- One-time performances by artists for participants
- Utilities (gas, electricity, telephone)

Bids are required if there are multiple purchases totaling more than \$5,000 with the same Vendor in a 30 day period.

Note: Consultants and Subconsultants are exempt from the bidding process.

5.6 Insurance

Central Insurance Policy (CIP)

If offered to Contractor by the Department, participation in the City-sponsored Central Insurance Program (CIP) plan shall satisfy Contractor's responsibility to obtain any of the types of insurance provided under such CIP plan. The Department may facilitate the provision of this insurance plan as a convenience for Contractor and for the protection of the City. Provision of these plans through the Department is in no way an admission by the Department or the City of liability for acts, omissions or negligence of Contractor or its employees.

Vendors That Provide Their Own Insurance

Vendors that choose not to buy into the CIP Insurance Program must provide DOC with two **original Certificates of General Liability Insurance**, as well as any renewal certificates required during the contract term. Required certificates not presented in a timely manner may result in Vendor being placed on check hold. Non-compliance will also be reflected in the final VENDEX evaluation of the contract.

Vendors are required to have General Liability Insurance in the sum of not less than **one million dollars per occurrence** to protect itself, the City of New York and the Department of Correction against claims, losses, or damages. The policy should include theft insurance to guard against loss of equipment as a result of a break-in or robbery. Each Vendor must be covered for loss due to burglaries, vandalism, fire or floods that affect equipment or furniture that is leased or purchased with DOC funds. If the equipment is lost or stolen, the Vendor must obtain a police report detailing the nature of the incident as well as submit a claim to the insurance carrier. In addition, submit an official report to DOC. The Vendor must replace lost or stolen equipment with funds obtained from settlement of the claim.

Insurance must be obtained from a company licensed to do business in the State of New York. **Both the City of New York and DOC are to be included as additional insured in the Description Box and Certificate Holder Box** on the certificate of General Liability (**See Appendix 3.**) The Risk Management Unit/CAFD must receive written notification within fifteen (15) days if the policy is cancelled during the contract term. All other mandatory insurance policies must be made available for inspection by DOC staff, CPA Auditors or other authorized agents.

DOC retains the right to enroll a non-compliant Vendor in CIP and to withhold 4.5% of the contract

Employer's FICA is budgeted at 7.65% of total salaries. The maximum of wages taxed for the Social Security portion of FICA is currently \$106,800. Please note that these rates and dollar amounts are determined by the Federal government, and are subject to change.

State Unemployment Insurance (SUI) is budgeted at the Vendors insurance rate for up to and including the first \$8,500 of an employee's salary. **Please note:** Terminated staff as well as new staff hired within the same calendar year must be covered by SUI. 11

Medical Benefits, Life Insurance, Pension, Workers Compensation, and Disability costs are to be calculated based upon the Organization's policies.

6 Taxes

The Contractor must affirm in Appendix A that it is not in arrears to the City of New York upon debt, contract or taxes and is not a defaulter, as surety or otherwise, upon obligation to the City of New York, and has not been declared not responsible, or disqualified, by any agency of the City of New York, nor is there any proceeding pending relating to the responsibility or qualification of the proposer or bidder to receive public contract.

7 Auditing

Audit and financial reporting requirements

Pursuant to Article V of the Agreement, the Contractor must meet the following requirements:

A. If any Contractor is exempt from making annual filings to the Charities Bureau of the New York State Department of Law, the Contractor will, at direction of City, provide the City with annual disclosure reports equivalent to those filings that Contractor would have filed with the State had they been required to file. Reporting requirements must be made in accordance with, and is subject to, the policies and procedures set out in Article V of the agreement. If any Contractor is exempt from making annual filings to the Charities Bureau of the New York State Department of Law, the Contractor will, at direction of City, provide the City with annual disclosure reports equivalent to those filings that Contractor would have filed with the State had they been required to file. As of the effective date of this Agreement, the requirements are as follows:

1. Contractors with gross revenues between \$100,000 and \$250,000 in any fiscal year shall file an annual financial statement with the Department, which includes an independent certified public accountant's review report in accordance with the "statement on standards for accounting and review services" issued by the American Institute of Certified Public Accountants. The financial statement shall be prepared in conformance with generally accepted accounting principles (GAAP), including compliance with all pronouncements of the Financial Accounting Standards Board and the American Institute of Certified Public Accountants that establish accounting principles relevant to not-for-profit organizations.

2. Contractors with gross revenues in excess of \$250,000 shall file with

the Department an annual audit report by an independent certified public accountant. Said audit report shall contain an opinion, signed by such certified public accountant that the financial statements are presented fairly in all material respects and in conformity with GAAP, including compliance with all pronouncements of the Financial Accounting Standards Board and the American Institute of Certified Public Accountants that establish accounting principles relevant to not-for-profit organizations, and that the financial sheet and balance sheet present fairly the financial operations and position of the organization. The financial report must be signed by the president or other authorized officer and the chief fiscal officer under penalties of perjury that the statements are true and correct to the best of their knowledge.

B. Contractors receiving funds pursuant to this Agreement in excess of \$1,000,000 will, at direction of City, provide to the Department an audit report from an independent certified public accountant containing an opinion that the Contractor has appropriately allocated costs in accordance with the terms of the Agreement, including that the costs have not been improperly double-charged between multiple City and/or State contracts or between multiple governmental funding sources. The Contractor may satisfy this requirement by including the appropriate analysis in any audits required pursuant to Section 5.04 or 5.05.

C. The Contractor must submit all required audit and financial reports under this Section to the Department within thirty (30) days after receipt of the final audit from its accountant, but in any event no later than twelve (12) months after close of the audit period, or such longer period as determined by the Department. The audit and financial reports shall comply with the applicable provisions in the Fiscal Manual throughout the term of this Agreement, including terms mandating the audit period and frequency of such audits and reports.

D. The Department may in its sole discretion conduct its own programmatic or financial audits of the Contractor.

8 Contract Close Out

8.1 Process

Upon termination or expiration of this Agreement, the Contractor shall comply with the City close-out procedures pursuant to Appendix A, including but not limited to:

- Accounting for and refunding to the Department, within forty-five (45) Days, any unexpended funds which have been advanced to the Contractor pursuant to this Agreement;
- Furnishing within forty-five (45) Days an inventory to the Department of all equipment, appurtenances and property purchased through or provided under this Agreement and carrying out any Department or City directive concerning the disposition of such equipment, appurtenances and property;
- Turning over to the Department or its designees all books, records, documents and material specifically relating to this Agreement that the Department has

requested be turned over;

- Submitting to the Department, within ninety (90) Days, a final statement and report relating to the Agreement. The report shall be made by a certified public accountant or a licensed public accountant; and
- Providing reasonable assistance to the Department in the transition, if any, to a new contractor.

8.2 Close out Letter

N/A

8.3 Terminated Contractors

Close Out Procedures for Terminated Contractors

Upon receipt of a termination notice and effective date of termination, the Contractor shall comply with all applicable DOC closeout procedures, which include, but are not limited to the following:

- Any balance of funds not accounted for by an approved expenditure is to be refunded to DOC.
- Comply with guidelines outlined in the Agreement pertaining to Relinquishment of Equipment.

8.4 VENDEX Evaluation

DOC will conduct on-going assessments of Contractors' fiscal and programmatic performance. This assessment will be rated and reported on the City of New York's VENDEX System. The Financial portion of each rating is based upon an Organization's ability to submit timely and accurate monthly expenditure reports (PERS). In addition, an evaluation of the organization's ability to maintain financial books and records in accordance with generally accepted accounting procedures may be conducted. This evaluation will assess the organization's capacity to maintain an internal control structure with reasonable assurances that its assets are safeguarded against loss or misuse. Contractors found to be deficient in the conduct of their financial duties may receive poor VENDEX ratings and be mandated to use the Fiscal Agent Services.

8.5 Other Reporting Requirements (By Agency/By Program)

The Contractor must meet other reporting requirements as required within the Agreement

8.6 Fiscal Agent

Fiscal Agent Services

All Vendors have the option of purchasing the services of the Fiscal Agent who will:

- Establish financial records
- Maintain and report on available Vendor budget balance
- Verify invoices
- Provide payroll services and personnel reporting
- Ensure the timely filing and payment of employment -related taxes
- Ensure that Accounts Payable and Ledger system and activities are in accordance with generally accepted accounting practices and procedures.
- File Federal Tax Form 941 and 941B • Prepare W2s, W3s, and 1099s 16

8.7 Payment by fiscal agent

Where the Department has retained a Fiscal Agent to make payments to third parties on behalf of Contractor, then the Contractor is obligated to use the Fiscal Agent to make payment to third parties at the Department's direction, including for the purchase of such goods, supplies, services and/or equipment made by Contractor under this Agreement. Where the Department directs that Contractor utilize a Fiscal Agent, Contractor shall not pay any obligations on its own behalf except to the extent specifically allowed by this Agreement and the Department's Fiscal Manual.

8.8 Payroll processing by fiscal agent

In the event that a Fiscal Agent is processing the Contractor's payroll, Contractor shall deliver to the Fiscal Agent signed and dated time and attendance records for each staff member and consultant to be paid under this Agreement, in the form required and delivered at the time required by the Fiscal Agent and the Department's Fiscal Manual. Subject to the Department's approval, the Fiscal Agent shall prepare the payroll checks and supporting materials based on the documents submitted.

9 Forms

10 Standard Forms