

# **NYC**<sup>®</sup> **Veterans**

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# **Fiscal Manual**

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## **1. Introduction**

Thank you for your desire to do business with the New York City Department of Veterans' Services.

Recognizing the need to better serve New York City's more than 210,000 veterans and their families, the New York City Department of Veterans Services (DVS) – formerly the Mayor's Office of Veteran's Affairs (MOVA) – was officially established in 2016 by Local Law 113. DVS strives to improve the lives of all veterans and their families, regardless of discharge status.

We view veterans as civic assets, whose strength and demonstrated commitment to public service will help New York City thrive. To that end, DVS works to match veterans with programs and services to support fulfilling and purpose-driven lives. DVS is dedicated to improving the lives of all New York City veterans and their families.

## **2. Instructions on Use**

### **2.1 General Guidelines**

This Fiscal Manual contains fiscal policies that your agency must comply with as referred to in your contract with Department of Veterans' Services (DVS). The topics included in this Manual include but are not limited to – budget, payment, financial records, reporting, invoicing, allowable use of funds, cost allocation plans, and audits. Organizations should refer to the DVS public website for the most current version of the DVS Fiscal Manual.

### **2.2 Document as a Baseline**

All guidelines and requirements outlined in this manual are subject to modification or augmentation by individual contract agreement. This document is intended to serve as a baseline requirement for all contract agreements, and omission of requirements here does not absolve organizations from contractual agreements.

## **3. Budget**

### **3.1 Contract Full Budget Submission**

Organizations must submit a detailed line item budget associated with projected costs with any response to DVS Requests for Proposal (RFP) or Requests for Bid (RFB)

### **3.2 Confirmation**

If awarded, at the beginning of each contract service period, organizations will receive confirmation of their total budget value and payment structure. The total budget includes your organization's Base Budget – the service period value, including performance funding, as denoted in your awarded contract; City Council funded initiatives (as administered through DVS partner agencies); and any other adjustments/additions for the current fiscal year if applicable.



DVS will provide your organization with budget documentation concurrently with your contract documentation.

### **3.3 Budget Guidelines in Execution of Contracts**

#### **3.3.1 File Storage Requirements**

For audit purposes, providers must maintain line item details on file. In addition, the scope of work (SOW) associated with each contract on file with DVS must describe the programs and/or services your agency will fund with its contract budget.

#### **3.3.2 Right to Refuse Payment**

DVS reserves the right to refuse payment of any expenditure which proves non-conforming under the established contract guidelines or without merit and or benefit to the contract SOW programs. No payment shall be unreasonably withheld.

### **3.4 Specific Expenditure Guidelines**

#### **3.4.1 Personnel Services**

DVS expects all organizations to pay their employees on a timely basis and at fair and competitive salaries. DVS expects to be informed in writing if a timely payment cannot be made. All Cost of Living Adjustments (COLAs) given to the agencies are expected to be passed on to the staff expeditiously.

#### **3.4.2 Fringe Benefits**

DVS expects that organizations are making all applicable required payments for: employee pension contributions, unemployment insurance, disability insurance, worker's compensation, health insurance, and payroll tax.

#### **3.4.3 Liability Insurance**

Organizations must provide DVS with an original Certificate 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 DVS holding funds until the organization achieves compliance. Non-compliance will also be reflected in the final VENDEX evaluation of the contract.

Providers 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 DVS 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 provider must be covered for loss due to burglaries, vandalism, fire or floods that affect equipment or furniture that is leased or purchased with DVS funds. If the equipment is lost or stolen, the provider must obtain a police report detailing the nature of the incident as well as submit a claim to the insurance carrier. In addition, the provider must submit an official



report to DVS. The provider 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. The City of New York must be included as additional insured in the Description Box on the certificate of General Liability. DVS must receive written notification within fifteen (15) days if the policy is cancelled during the contract term.

#### **3.4.4 Prohibited Use**

Use of DVS funds is limited to DVS contract expenditures. Providers are prohibited from using DVS funds for the following purposes:

- Salary advances to employees
- Payments to employees in lieu of vacation
- Loans to employees

Organization fiscal manuals/procedures should contain the above prohibitions.

#### **3.4.5 Consultants**

Agencies may hire Consultants. DVS expects organizations to pay their Consultants on a timely basis and at fair and competitive rates.

Consultants are individuals, with specific skills, retained to perform limited programmatic tasks or to complete program related projects on a temporary and/or limited basis, where the tasks or projects cannot be accomplished by the contractor's staff. The services provided by the Consultant must be related to the scope of work described in the associated contract. All consultants paid by the DVS contract are required to be an approved item within the budget.

Organizations must receive the consent of DVS to use a consultant, approval of which would be part of the regular budget approval process. Consultants cannot be salaried employees of the contractor. Consultants maintain their own service and financial records. Consultants retained by an organization must enter into a written agreement, detailing the specific tasks to be performed. Consultants will be allowed by DVS only for those services that cannot be performed by organization staff. If a consultant's services are required for an extended period, such an individual must be hired as an employee.

Consultant Agreements and invoices must be maintained by the provider for six (6) years. Consultant invoices must include the following details: rate, hours, type of services, date of service, consultant signature, and approval by the Organization's Executive Director or his/her designee. Consultant services are exempt from bidding requirements.



### 3.4.6 Subcontractors

Subcontractors are independent entities retained to perform specific programmatic services. A Subcontract Agreement will be governed by the terms of the DVS contract. Depending on the size of the subcontract, approval of a subcontract may require the completion of VENDEX Vendor and Principal Questionnaires and other information about the entity. A prime Contractor shall not enter into any subcontract for the performance of its obligations without prior written approval from DVS.

### 3.4.7 Program Assets

Agencies must maintain an inventory of all equipment, furniture and supplies purchased with DVS funds, and have it on file.

### 3.4.8 Requirement to Notify

Organizations must notify DVS of any changes to the execution of the SOW as described in contract agreements that affects the budget agreement. DVS must approve all changes to the execution of the SOW.

## 3.5 Budget Modifications

Changes to the approved and registered budget may be submitted only as they relate directly to the accomplishment of services required in the contract. Organizations must submit all modifications (both programmatic and budgetary) to their assigned DVS Project Manager. Budget modifications must not be implemented prior to approval by DVS.

The number of budget modifications allowed is based on the term of the contract. Providers must plan their programs and budgets carefully, since there is a limit on the number of allowable budget modifications. The number of modifications accepted is based on the contract term, as follows:

<b>Contract Term</b>	<b>Number of Modifications Allowed</b>
3 months or less	1 mod
4 to 8 months	2 mods
9 to 12 months	3 mods

Requests are to be submitted to the assigned DVS Project Manager no later than two weeks prior to their proposed effective date. No budget or programmatic changes may be made without prior written approval from DVS. Please note: The last day for budget modifications to be submitted is April 30 of the Fiscal Year. Providers with contracts that were registered after mid-March of the fiscal year are exempt from the above deadline.



## **4. Financial Records and Internal Controls**

Executive and management staffs at organizations are responsible for establishing and maintaining an internal control structure appropriate to the particular organization. Internal controls will vary from one organization to the next, depending on such factors as their size, nature of operations and objectives. However, the need for internal controls remains the same; an organization should find the most efficient and effective way of implementing its needed internal control procedures. DVS expects all funded providers to be in compliance with the new requirements of the New York Not-for-Profit Corporation Law, as mandated by the Non-Profit Revitalization Act signed into law in New York in 2013. In particular (and without limitation), DVS expects all funded not for profit providers to maintain and follow a conflict of interest policy, and, if it is an organization with 20 or more employees and annual revenue in excess of \$1,000,000, a whistleblower policy. Please note that compliance with the requirements of the Nonprofit Revitalization Act are subject to verification by DVS staff and/or DVS contracted audit firms. There are many publicly available resources to help organizations understand the new governance requirements of New York law (which go beyond the points highlighted here); DVS can suggest possible resources, if necessary.

The following are examples of internal control activities:

- Segregation of Duties: Duties and responsibilities should be divided among different staff members to reduce the risk of error or fraud. In large organizations there are often different staff members responsible for procurement and for payment.
- Proper Execution of Transactions and Events: Transactions and significant events should be authorized only by persons acting within the scope of their authority.
- Documentation of Transactions: All transactions need to be clearly documented, and all documents must be readily available for inspection.
- Secure Physical and Financial Assets: An organization must safeguard its assets, including cash and equipment. Periodic inventory checks will help prevent loss or unauthorized use of the organization's assets.

### **4.1 Bookkeeping and Accounting**

Accurate books, records, and documentation of financial transactions should be maintained to substantiate all costs. Accounting records must be established and maintained in accordance with Generally Accepted Accounting Principles. These records must be retained for a period of six years after the date of final payment or termination of a contract. All accounting records are subject to audit.

Organizations must maintain separate accounting records for funds received through each contract with DVS. DVS staff and its representatives will conduct both announced and unannounced site visits to organizations during the contract term to ensure that the books and records are being appropriately maintained



## **4.2 Internal Controls**

Contract agencies must maintain adequate internal controls that safeguard funds, avoid unauthorized transactions, and prevent thefts of assets bought with DVS 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 organizations have written policies and procedures that include all aspects of its fiscal management as it relates to DVS contracts.

## **4.3 Documentation**

Organizations must keep original documentation on file to substantiate execution of contract SOW. Examples of appropriate documents are invoices, bills, receipts, etc. These documents must be available for on-site audit review.

### Payroll Documentation

- Payroll reports detailing PS expenditures for contract staff
- Properly authorized timesheets showing percentage of effort for each of the positions listed in the personnel services of your approved budget
- Time allocation system that allows reporting of hours actually worked by staff on DVS contract

### Accounts Payable

- Accounts payable bank statements detailing cash disbursements and cancelled checks
- General ledger trial balance reports that detail opening balances for the start of the reporting period, changes throughout the month, and closing balances at month's end
- Original source documentation such as purchase orders, invoices, and receipts
- Details of competitive bids for equipment purchases and renovations
- Descriptive narrative explaining purpose of expenditures and number of units purchased

## **5. Claiming and Payments**

### **5.1 Invoices**

Invoices for payments in accordance with contract agreement shall be submitted to DVS by the Contractor no later than five (5) days after the agreed upon due date according to the contract agreement. If the Contractor fails to provide DVS with the required invoices for the amounts incurred sixty (60) days after the date invoices are due and/or if the Contractor fails to provide invoices in a manner acceptable to DVS in accordance with this Fiscal Manual sixty (60) days after the date invoices are due, DVS, may, at its sole option, disallow such invoices. If the Contractor invoices DVS for non-allowable expenses, DVS, may, without any prior notice to the



Contractor, disallow such amounts from the Contractor's invoice(s) and pay the remaining allowable expense amounts, if any.

All invoices maintained as documentation to support a claim (for example, where the provider is using the services of the Fiscal Agent) must be original, and must display the Organization's name as the recipient of the goods/services. If invoices do not need to be submitted, they must nevertheless be maintained and made available for review, in accordance with the record keeping requirements of the contract.

## **5.2 Release Authority**

DVS will release funds associated with invoices only after the project manager or assistant commissioner associated with a contract and the Deputy Commissioner, DVS, review and approve the invoice. This approval is contingent on proper and good faith adherence to the guidelines in this document, as well as any further guidance in the associated contract agreement.

## **6. Procurement**

### **6.1 General guidelines**

Contractors are required to maintain a Fiscal Manual – or equivalent policy documentation - that includes all aspects of financial management, including internal controls, as it relates to DVS contracts, including but not limited to:

- Employee Compensation, salary and bonuses
- Vacation/Sick Leave Policy
- Petty Cash disbursement
- Conflict of interest statement (must include statement of the hiring of relatives)
- Loans to employees (It is prohibitive to use ACS funds for this purpose)
- Employee Payroll
- Maintenance of books and records
- Bank accounts and reconciliations

OMB CIRCULAR A133 REQUIREMENTS Agencies are responsible for ensuring that all OMB Circular A133 requirements and all DVS requirements are met.

BUDGET CLOSEOUT Budget closeout will be performed by DVS reconciling the actual expenditures to the budget in accordance with the contract agreement. Organizations are required to submit all materials required by the contract agreement in order to be in compliance with closeout requirements.

## **6.2 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 must be fair competition among those bidders). These procedures also apply to the rental or leasing of equipment. A procurement shall not be artificially divided in order to meet the requirements of this section. The monetary thresholds identified below refer to payments made or obligations undertaken in the course of a one (1) year period with respect to any one (1) person or entity.

1. Purchases of \$5,000 or less: For purchases with a value of \$5,000 or less, no competitive bids are required. Documentation of the purchase must be maintained by the organization. This documentation must include the name of the vendor, the item purchased, the date and amount paid.
2. Purchases from \$5,001 - 25,000: Contractor shall conduct sufficient market research and/or competition to support its determination that the price of such purchased goods, supplies, services or equipment is reasonable. Documentation of the market research and the purchase must be maintained by the organization. This documentation must include the name of the entities contacted, the vendor, and the item purchased, the date and amount paid.
3. Purchases \$25,001 or greater: A minimum of three (3) written bids must be obtained for the purchase of goods, supplies or services of similar items where the cost can reasonably be expected to be \$25,001 or greater. 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. The bids must be maintained by the organization.

### **6.2.1 Sole Source Procurement**

Purchases exceeding \$5,000 where a Provider 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)



Note: The selection of Consultants and Subcontractors are not subject to the bidding process, but must demonstrate a reasonable degree of care.

### **6.3 Inventory**

Inventory Providers must maintain an inventory of all furniture and equipment purchased with DVS funds. An inventory control decal must be placed on the equipment indicating that it is the property of New York City. A physical inventory is required every year, and inventory records must include the date of the last physical inventory review.

## **7. Taxes**

### **7.1 Requirements**

Contractors will be responsible for all required reporting and payments as defined by City, State, and Federal laws.

## **8. Auditing**

### **8.1 Fiscal Reviews**

While agencies are not required to submit copies of invoices, receipts, and checks unless required by the contract agreement, these records and your accounting books are subject to audit and must be available for review by DVS, New York City Comptroller's Office, the New York State Comptroller's Office, the Federal Department of Health and Human Services and other governmental agencies. Agencies are required to keep fiscal records for at least six (6) years.

### **8.2 On-Going Audit Review**

The following items should be available for review during field visits:

- Documents that support payment of invoices
- Follow-up of prior period outstanding fiscal and program findings
- Cash disbursements for legitimacy of recorded bills
- Inter-program or inter-year loans
- Filing of tax reports and timely payment
- Other records that have an impact on contract execution evaluation
- Adjusting journal entries
- General ledger

### **8.3 GENERAL COST PRINCIPLES FOR NON-PROFIT ORGANIZATIONS**

#### **8.3.1 Cost Allocation**

Cost allocating the total cost of an award, contract, project etc. is the sum of the allowable direct and allowable indirect costs less applicable credits.

### **8.3.2 Factors Affecting Allowable Costs**

To be allowable under any contract agreement with DVS, contracts or project costs must meet the following criteria:

- Be reasonable for the performance of the award, contract, activities or project and be allowable.
- Conform to any limitations or exclusions set forth in the award, activities project etc. as to types or amounts.
- Be consistent with policies and procedures that are applicable to the awards, activities, projects etc.
- Be accorded consistent treatment.
- Be determined in accordance with Generally Accepted Accounting Principles (GAAP).
- Not included in costs used to meet time sharing or matching requirements.

### **8.3.3 Reasonable Costs**

A cost is reasonable if it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the costs.

To determine reasonableness one must look at whether the cost is of a type generally recognized as ordinary and necessary for the operation.

The restraints or requirements imposed by such factors as generally accepted sound business practices, arms length bargaining, Federal, State and City regulations and terms and conditions of the award. c) Whether the individuals concerned acted with prudence in the circumstances.

### **8.3.4 Allowable Costs**

A cost is allowable to a particular cost objective if it is treated consistently with other costs incurred for the same purpose such as:

- Incurred specifically for the award, project or activities.
- Benefits both the award, project or activities and other work and can be distributed in reasonable proportion to the benefits received.
- Is necessary to the overall operation of the organization although a direct relationship to any particular cost objective cannot be shown.
- Any cost allowable to a particular award or other cost objective may not be shifted to other federal awards to overcome funding deficiencies or to avoid restrictions imposed by law or the terms of the award, project or activities.



### **8.3.5 Applicable Credits**

The applicable credits are receipts or reduction of expenditures which operate to offset or reduce expense items that are allowable to the awards, activities or projects, some examples are:

Purchase discounts, rebates or allowances, recoveries or indemnities on losses insurance refunds, erroneous charges, adjustments of over payments etc.

Special payments received to finance organizational activities or service operations should be netted against the expenditures.

## **9. Contract Closeout**

Organizations must follow the closeout process in their contract. The process includes but is not limited to inventory, books and records, final accounting or CPA report, VENDEX questionnaire.