ATTACHMENT B

FINANCIAL POLICIES AND PROCEDURES

GENERAL PROCEDURE

This attachment is intended to provide information that will be useful to contractees in fulfilling the financial requirements of contracts. These are general guidelines and are subject to change. All providers ***must*** adhere to the current City of Little Rock Budget, and these Financial Policies and Procedures (current revision November 2003). Assurance to comply with these policies requires agency signature in the Assurances Section of the RFP (Request for Proposal) Cover Sheet when responding to the advertised bid. We welcome your recommendations for improvements but ask you to remember that there are many organizations participating in these programs so some concessions must be made. All records must be retained for three (3) years after the end of the program year.

START-UP FUNDS

The general procedure involves start-up funds, to implement the activities of the program. The amount available for start-up is included in the contract terms. If start-up is available, the actual amount that can be accessed will be based on the program type, length of contract, and project budget. Reversal of start-up funds will be begin three months prior to end of contract term, except where contracts are for a short term; e.g., summer recreation contracts, etc., in which, start-up if available will be included in the contract.

ELECTRONIC TRANSFERS

The City of Little Rock has implemented a system of Electronic Funds Transfer (EFT) wherein payments, previously made by check, may now be deposited directly into the payee's bank account. Presently the City mails its checks every Friday. Such checks are usually received on the following Monday or Tuesday. Using (EFT), the funds will be transferred electronically on Thursday and will be in your account on Friday morning. You will be notified by FAX or mail of the transfer, along with all of the information that was previously recorded on the check stub. If a provider is interested in utilizing the (EFT) to receive payments from the City, please complete the "Direct Deposit of Payments" form and return it to Donna Facen at the following address. **(Copy of Direct Deposit of Payments Form is attached.)**

Donna Facen
Department of Finance
500 West Markham, Suite 338
Little Rock, AR 72201-1493.
(501) 371-4550; Fax: (501) 3712-6823. Email: dfacen@littlerock.state.ar.us

Reimbursement Payments

All reimbursement checks are mailed on Fridays. To make the reimbursement process flow as smooth as possible, you should consider the following timetables utilized by the City. To ensure that a check will be mailed within the two-week period on Friday, the associated requisition from Community Programs must be received in the City's Accounting Division by noon on the preceding Tuesday. Before a requisition will be prepared and sent to Accounting, all expenditure reports and supporting documentation must be reviewed and approved. The approval process will require additional time if the reimbursement request is incomplete or inaccurate. Check the calendar each month and turn in reimbursement requests early enough to ensure sufficient processing time. Failure to do so will result in the reimbursement check being delayed at least one additional week. Under normal circumstances, the reimbursement check should be received prior to funds being depleted.

City of Little Rock Policy Relative to Reimbursement/Expenditure Check Processing and Distribution

City policy dictates that all reimbursement checks are mailed. Exceptions require approval from the City's Finance Director, or City Manager. Due to the high cost of processing manual warrants, such exceptions will be considered only under extreme emergency and circumstances.

PURCHASING

The City's purchasing policies must be followed. City purchasing manuals are available upon request; and are available on the City's Web page (***insert CLR web page address).***

BUDGET INFORMATION

Budgets

Budgets must be submitted on the enclosed budget form or simulated exactly if using a word processor. When responding to a request for proposal (RFP), submit the budget and a budget narrative in a separate sealed envelope. Approved budget is a part of the contract. Any changes to the approved budget require a budget revision request. (Budget Revision Form is attached.)

Budget Narratives

The budget narrative must include an explanation for each budget line; how you arrived at the amount, etc. For the salary line, list each position, full-time/part-time/contract staff/temporary staff, and salary for each position charged to the project. All budget items must be directly related to the program activities described in the proposal. "Other Program Sources" is defined as commitments, contributions from collaborating organizations, or other funding sources. The budget narrative is a part of the contract.

ADMINISTRATIVE COSTS

A maximum 20% of the total contract may be used for **all costs** in the administrative cost category. (Administration Category: line items/object codes 2010 thru 2161.02 on budget form.)

INDIRECT COSTS

These costs may originate in the provider's own organization or in other departments that supply goods, services, and facilities to the service provider. Indirect costs are administrative costs incurred to support the overall operation of the organization, and for which a direct relationship to the program cannot be shown without effort, disproportionate to the results achieved. This line item is included in the administrative cost category and includes expense items that are necessary to the daily operation but, does not have a current appropriate budget category, or object code (line item code).

> ***Example.*** The service provider is a department within a larger organization, and the treasurer processes this program's and other programs vouchers for payment. Staff in the treasurer's office cannot readily identify the time and other costs associated with processing vouchers. Rather, the organization's approved indirect cost plan is used to charge its share of the processing costs.

INCENTIVES

Note: Line item 6210/01 for special programs/incentives in the budget has been deleted. Program incentives for individual youth must be funded by "other funding sources" and not from City contract funds.

Compensation, or Salary payments to youth for services rendered**, which is the only incentive or compensation that may be awarded, *must*** be funded under object code 1020, (part time and temporary salary line item). When this occurs, update employee roster, and provide appropriate information.

OTHER PROGRAM SERVICES

The term "Other Program Services" (object code 6210/03) is the code to charge group trips, group meals, trophies, ***and commemorative*** awards such as medals or plaques. Reimbursement for group trips and meals will require the submission of an Activities Expenditure Report form. The completed report will provide a description of the activity, a list of participants and will have a copy of the receipt attached. **(See attached Activities Expenditure Report Form.)**

Budget Revisions

For budget tracking purposes, any changes to the budget require an approved budget revision. Providers must submit a completed budget revision form, accompanied by a budget narrative explaining the reason for the change(s). Budget revisions require written approval prior to expenditure and reimbursement of funds. The

narrative includes the line item being decreased (or increased), the line item the funds are being moved (to or from), and the reason for the change. **No more than one budget revision per quarter is permitted.** (***See following example.)*** A **Budget Revision Form** is attached.

Example: Object Code 5140, (*Meals/Refreshments): Increase line item 5140 by $500.00 due to increased activities and need to provide more substantive meals/refreshments. Transferred $250.00 from Electric, line item 6100 and $250.00 from Copier Rental, line item 6080-01 to line item 5140.*

Consolidated Budgets

In addition to the budget document already prepared, a consolidated budget and an employee roster with job descriptions must be provided at the beginning of the contract term. The consolidated budget must include all of the organization's funding sources and amounts. This report must be updated and resubmitted each time any associated budget is modified or a funding source is added or eliminated. This consolidated budget is the basis for allocation formulas and **must be submitted and approved prior to the first reimbursement request**. A LOTUS or EXCEL spreadsheet designed to assist in determining allocation formulas will be provided upon request. In the event staff provides services in multiple program areas, the consolidated budget should reflect pro-rata amount that is charged to each income source. The individual salary spread is to be included in employee roster. **(Sample Consolidated Budget is attached.)** (***Note to self – use the one prepared for ACH)***

EMPLOYEE ROSTERS, AGREEMENTS, CONTRACTS

Employee Roster

Employee rosters must list each employee, their job title, employment status (full-time, part-time, temporary, etc.), number of hours per week employee works, percentage of time devoted to each contract, hourly wage, or annual salary, and salary charged to each contract. Employee rosters are to be forwarded to Community Programs at the beginning of the contract term; and must be modified each time employees, employee's status changes.

If employee devotes time, or provides services under other contracts, grants, or multiple CLR contracts, the salary should be shared by all affected funding sources. Employee roster should also reflect this spread in salary and time devoted to each contract; (e.g., employment status, percentages of time devoted to contract(s), salary status, etc., submit an updated employee roster; and if applicable, employment/contractual agreements upon hiring replacement employee, but before requesting reimbursement for paid salaries and other related expenditures.

Example

Employee Name	*Title*	*Empl Status*	*# Hrs week*	*Ann. Salary Hourly rate*	*% of time*	*Salary this Contract*
Jane Doe	*Director*	*FT*	*40*	*$35,000/annual*	*30%*	*$10,500*
Jr. Doe	*Instr. Aide*	*PT*	*20*	*$10.00/hour*	*50*	*$4,800*

Employment Agreements, Contractual Agreements, Lease Agreements,

Provide a copy of all lease agreements (rental, copier, equipment, etc.), describing services to be performed, frequency, contract term, amount to be paid, frequency of payment, etc. If contractual agreement for professional services, tutors, staff, etc., provide a copy of agreement signed by contract staff/staff and dated. When contractor performs work, provide documentation that services were provided.

MONTHLY EXPENDITURE REPORTS

Reimbursement requests for the current month should be received by the City no later than the 10th day of the following month and will generally require about two weeks to process. The required format for these reports mirrors the budget document. An automated spreadsheet for producing monthly expenditure reports will be provided for contractors, utilizing LOTUS or EXCEL. Technical assistance in the installation and use of this spreadsheet will be provided as necessary.

Forward to Community Programs monthly expenditure reports, accompanied by documentation itemizing each purchase or expenditure for the previous month. Documentation forwarded with these reports should consist of

legible copies of invoices, receipts, with vendor's name, and date of purchase, itemization of purchases, etc. Illegible receipts will not be considered for reimbursement. Such documentation is required for all ***non-recurring*** or ***variable*** expenditures. **Documentation should be sorted in the same order as they appear on the expenditure report**, with sub-totals, totals, and line item number appropriately annotated. **ORIGINAL DOCUMENTATION OF EXPENDITURES MUST BE RETAINED IN YOUR FILES.**

Monthly Audits of Expenditures

All monthly expenditure/reimbursement requests are subject to an audit. The Department of Community Programs, and/or Internal Audit Division of the City of Little Rock will perform audits. Once approved, a reimbursement check for the approved expenditures will be processed and mailed. This audit will include a review of enrollments to ensure contract funds are utilized for enrolled Little Rock youth, and where appropriate, for youth residing in target neighborhood. Enrollment lists should contain name of youth, address, zip, age, birth date, enrollment date and termination date, and forwarded to Community Programs. These lists must be updated when youth are added, terminated, etc.

Good documentation for expenditures includes:

- A copy of original invoices itemizing purchases, vendor's name, address, and date of purchase.
- Copies of original cash register receipts. Receipt must clearly show vendor's name, address, and date of purchase and should list each item and price. If cash register receipt does not conform to these requirements, a separate receipt should be obtained to be included as further documentation. In this case, have vendor write required information on receipt. A receipt or invoice generated by a provider in lieu of a vendor's receipt or invoice will not be accepted for reimbursement purposes. Reimbursement will be considered for handwritten numbered receipts that contain the required vendor information and cost itemization noted above.
- An explanation of the purchase should be written on the invoice or receipt. **When writing an explanation, remember that what is obvious to you now may not be obvious to everyone and may not be obvious to you when the auditors arrive in six months.**
- Mark the invoice or receipt "paid" after payment is made, record on the invoice the check number for payment of the invoice or receipt, and the budget category in which it will be reported.
- Copies of payroll information and time sheets for each person dedicated full-time, part-time, or temporarily to this contract.
- ***Credit card statements*** must be accompanied by receipt itemizing purchases.
- Program and field trip expenditures combined with meals/refreshments should be charged to object code 5140 (meals/refreshments).

DISALLOWED COST

All expenditures not directly related to contacted services and expenditures with inadequate documentation will be disallowed. The amount disallowed and reason will be noted on the Audit Memo faxed to providers when requisition is forwarded to Finance for check processing. If you have questions relative to disallowed cost, contact Community Programs. If additional, acceptable documentation can be provided to support the allow ability of cost, resubmit the item, with documentation along with the next month's expenditure report. Highlight the item being resubmitted.

Recurring cost: reimbursable contract costs; such as rent, copier rental, contract/lease payments, other non-salary payments, etc. where the amount is the same each month. These costs need to be documented only at the beginning of the contract term, or on the first reimbursement request; and must be revised if changes occur.

Capital Equipment Purchases

Capital expenditures, if an allowable expenditure, must be used directly for program activities described in the proposal and may not exceed 10% of total contract. Capital equipment purchased with contract funds is the property of the City of Little Rock. The City retains ownership of computers, copiers, furniture, and other capital equipment purchased with City funds. All computer equipment (including any individually, separately purchased components) is considered capital equipment, even if the cost is less than $1,000. The City must be notified immediately of such purchases so that the equipment may be tagged and entered into the City's fixed assets control system. Contact the Barbara Osborne, Department of Community Programs at 399-3420 to report capital

equipment purchases. Capital equipment purchases (object codes 2160 and 2161) are included in the administrative category. The total for all administrative line items cannot exceed 20% of the total budget.

The purchase of capital equipment and major program supplies and equipment will be disallowed if the purchase occurs within three (3) months or less is remaining in the contract term.

Real Property
Purchases, repair, and improvements to real property (e.g., buildings, land, etc.) are not allowable expenditures.

Time sheets, payroll information:
Each contractor will be required to maintain a payroll register. If your organization already maintains a payroll register, it is not necessary to maintain a separate register for this program. Payroll information must be attached as back-up documentation when submitting monthly expenditure reports. Documentation for reimbursement for personnel costs must include individual time sheets, itemized payroll information with a break out all related salary information; e.g., Medicare, FICA, insurance, workers compensation, etc. (**Sample timesheet included.)**

DEFINITIONS OF PERSONNEL CATEGORIES

Employees are appointed to positions within the following categories. Provide agency definitions if different than the following definitions. The following definitions of personnel categories are offered only as a guide:

Regular Full-Time Employees: An employee who is appointed to a position in this category is regularly scheduled to work a minimum of forty (40) hours in a workweek on a regular basis, whose employment is not time-limited and who has completed the orientation period. Regular full-time employees usually qualify for all fringe benefits.

Regular Part-Time Employees: An employee who is appointed to a position in this category is scheduled to work only a part of the workweek, and shall not exceed thirty-five (35) hours on a regular basis, who has completed the orientation period. Regular part-time employees do not qualify for fringe benefits.

Temporary Employees: An employee who is appointed to a position in this category is scheduled to work full-time or part-time for a designated length of time, not to exceed 40 hours per week. Temporary employees do not qualify for fringe benefits.

Temporary Emergency Position: An employee who is appointed to a position in this category is scheduled to work full-time or part-time for the duration of an emergency, not to exceed a budget, or contract year.

Consultants: A consultant is an individual serving with or without compensation, who provides expertise in a particular field. Consultants do not qualify for employee benefits. Contractee is required to develop a contractual agreement, describing services to be performed, contract term, rate of pay, hours to be worked, work schedule, and frequency of payment. Copy of contractual agreement must be forwarded to Community Programs; and, Contractee must include documentation with monthly expenditure report following the month services were actually performed by contract staff.

CAR ALLOWANCE AND MILEAGE REIMBURSEMENT

Use of agency-owned vehicle: Reimbursement for actual expenses associated with the use of agency owned vehicles is available at fifty percent (50%) of actual expenses for gas, oil, and minor repairs.

The ***actual expense method*** may be used only for vehicles owned by the agency, ***and utilized "solely" for purposes related to this City of Little Rock funded program***. In the event an agency owned vehicle is utilized for multiple contracts, a maximum of 50% of actual expenditures will be considered for reimbursement, and the 50% maximum must be pro-rated and spread among ***all*** contracts. Provider must submit the actual receipt for such expense to include the license plate number, year and make of the vehicle on the receipt or invoice. A list of vehicles to be used in the program must be submitted to Community Programs ***prior*** to the processing of the first

reimbursement request. This list must include vehicle license number, year and vehicle model, ownership information, and a list of drivers. Reimbursements will be disallowed until such information is provided.

Mileage: If mileage is the reimbursement method, prior to first reimbursement request, declare reimbursement method to be used. Mileage will be reimbursed at a rate not to exceed the rate allowed by the IRS. At the beginning of the contract period, provider must decide which reimbursement method will be used; changes will not be allowed during the contract year. Mileage will be reimbursed for transportation; **directly related to this contract**; and for which appropriate documentation is provided for mileage for group activities. (Sample Group Expenditure Form is included). If multiple vehicles are used for trip(s), submit separate mileage reports for each vehicle and driver. Drivers' names must be included on agency vehicle information provided at beginning of contract term.

Use of ***personal vehicles*** will be reimbursed based on mileage ***only***. Forms documenting the amount of mileage to be reimbursed include trip date, beginning and ending odometer readings, number of miles, starting points, destination point, purpose of trip, clearly identify the vehicle that was used, and must be signed by both the vehicle owner and program director. Mileage will be reimbursed for transportation directly related to this contract. (Sample Mileage Form included)

FINAL EXPENDITURE REPORTS

The Final Expenditure Report is generally due thirty (30) days following the end of the contract term. Any exceptions will be submitted in writing. For short-term contracts, the final expenditure report should detail all expenditures for the entire contract term. The Department of Community Programs will notify each service provider of the date final financial and programmatic reports are due. Any of the start-up remaining unspent must be returned to the City with the final report.

If you have any questions regarding financial requirements or if you need assistance establishing your record keeping system or producing the required financial reports, you may contact the following individuals at City Hall:

Barbara Osborne, Programs Coord.
500 W. Markham, Room 220W
Little Rock, AR 72201
Ph: 371-4481 Fax: 399-3425
Bosborne@littlerock.state.ar.us

Clifford Smith, Auditing Mgr.
500 WQ. Markham, Room B-9
Little Rock, AR 72201
Ph: 371-4777 Fax: 918-5202
Csmith@littlerock.state.ar.us

Financial Policies and Procedures Attachments:

Budget Form
Budget Revision Request Form
Monthly Expenditure Report Form
Activities Expenditure Report Form
Mileage Report Form
Sample Time Sheet
Direct Deposit of Payment Form
Sample Consolidated Budget Form