

CITY OF ATLANTA



OFFICE OF MODEL CITIES PROGRAM

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ACCOUNTING AND FINANCIAL MANAGEMENT
PROCEDURES FOR OPERATING AGENCIES
AND CITIZENS PARTICIPATION ORGANIZATIONS

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PURPOSE

These instructions prescribe the accounting procedures and related fiscal requirements to be followed by agencies which are awarded contracts with the Comprehensive Demonstration Agency to administer projects or activities as approved by the Department of Housing and Urban Development.

The classification and description of accounts are the minimum required by the Comprehensive Demonstration Agency. If the agency desires to establish accounts other than these prescribed herein, such accounts shall be established as subdivisions of the prescribed accounts and should be maintained in such a way that they can be readily combined into the prescribed classifications for uniform reporting purposes.

ACCOUNTING

The operating agency shall establish and maintain on a current basis an adequate accounting system on an accrual basis in accordance with generally accepted accounting principles and standards.

The accounting system, among other things, must be adequate to enable the preparation of a statement of financial condition and a cost control statement for submission to the Comprehensive Demonstration Agency on a current and timely basis.

All such reports must be received by the Comprehensive Demonstration Agency time to permit the data contained therein to be incorporated into the CDA's records prior to the preparation and submission of its reports to HUD.

INTERNAL CONTROL

The operating agency shall maintain an adequate system of internal control. Internal control comprises the plan of organization and all of the coordinate methods and measures adopted within an organization to safeguard its assets, check the adequacy and the reliability of its accounting data, promote operating efficiency, and encourage adherence to prescribed management policies.

The characteristics of an adequate system of internal control include:

- a. A plan of organization which provides appropriate segregation of functional responsibilities.
- b. A system of authorization and record procedures adequate to provide reasonable accounting control over assets, liabilities, revenues, and expenses.
- c. Sound practices to be followed in performance of duties and functions of each of the organizational units.
- d. A degree of personnel competence commensurate with responsibilities.

An adequate system of internal control contains the following features:

- a. No person should have complete control over all phases of any significant transaction.
- b. The flow of work should be from one employee to another so that the work of the second, without duplicating that of the first, provides a check upon it.
- c. Record keeping should be separated from operations or the handling and custody of assets, such as:
 - (1) The function of receiving cash should be centralized in one person, who should not be concerned in any way with approving or certifying vouchers, acting as imprest fund cashier, preparing deposits, making disbursements, or keeping accounting records. In this connection, the person who prepares or makes deposits, approves or certifies vouchers, or disburses cash should have no access to the accounting records.

- (2) At as early a point as possible in the mail handling, preferably at the point where the envelopes are opened immediately upon receipt, all checks and negotiable instruments should be stamped with a restrictive endorsement, all cash items should be listed in duplicate, and a copy of the listing delivered to the person responsible for making bank reconciliations.
 - (3) Periodic examination and count or other review of cash balances should be made by employees who do not handle or record cash or sign checks.
- d. Physical and mechanical facilities should be used to the fullest extent possible to insure security and accuracy, such as using security vaults or safe cabinets and check writing machines.
- e. Responsibilities should be clearly established and then accounted for as close as possible.
- f. Where feasible, employees are rotated to various assignments.
- g. Other control features pertaining to cash include:
- (1) All cash receipts shall be deposited as soon as possible, preferably the day received.
 - (2) All cash receipts shall be deposited intact and for the full amount received.
 - (3) Collections and all other funds held within an office, whether pending regular deposit or in imprest funds, shall be, where possible, restrictively endorsed and kept under complete control and under proper safeguards, preferably in a fire resistant combination safe or safe-cabinet.
 - (4) Uncollectible items and the related documents shall not be handled by the person making up deposits or by the person handling accounts receivable.
 - (5) Persons preparing payrolls or time reporting records should not handle the related pay checks.

- (6) The number of bank accounts and inter-bank transfers should be kept to a minimum. A single bank account for the agency is preferred.

BOOKS OF ACCOUNT AND RECORDS

The following is a brief description of the books of accounts and records considered to be the minimum required for recording transactions relating to the project or activity. However, the agency may establish any additional accounting records it considers necessary to provide adequate financial control of its assets and liabilities and to account for project or activity cost.

- A. General ledger shall be maintained in which to record a summarization of all accounting transactions relating to the project or activity and to classify such transactions according to the accounts listed in the project or activity budget.
- B. A cash receipt and disbursement register shall be maintained for the recording of funds received in connection with the project or activity and for recording checks issued for the withdrawal of funds from the project or activity bank account. All disbursements shall be made by prenumbered checks used in numerical sequence and must be supported by appropriate documentation such as payrolls, invoices, contracts, travel vouchers, etc., evidencing the nature and propriety of each payment, and showing the approval of the project or activity director or other authorized official. If the volume of receipts and disbursements justify the separation of the cash receipts and disbursement registers, then the two should be kept separate.
- C. Journal vouchers (or the agency's suitable substitute therefor) shall be used to document and record transactions in the general ledger which are not recorded from the cash receipts and disbursement registers. Each journal voucher shall contain a complete explanation of the transaction being recorded and references to the related documents or other sources of information, if applicable. Journal vouchers shall be numbered consecutively and filed in numerical sequence. All journal vouchers shall be approved by an authorized official of the agency.
- D. Basic payroll records shall be maintained to accumulate the payroll data required by Federal, State or local law with respect to each employee, such as gross earnings, Federal income tax withheld, State or local income tax withheld, FICA withholdings, etc. The record shall also include data relating to other

deductions as may be required by the agency's personnel policies, including the employer's contribution to retirement plans, health insurance plans, etc.

- E. A record shall be maintained for each item of non-expendable property acquired for the project or activity. Non-expendable property is property which will not be consumed or lose its identity by being incorporated into another item of property, which cost \$100 or more per unit and is expected to have a useful life of one year or more. Grouping of like items, such as chairs, with an aggregate cost in excess of \$100 shall also be controlled and accounted for as non-expendable property even though the cost of a single item is less than \$100. The record shall include:

- (1) Description of the item of property, including model and serial number, if applicable.
- (2) Date of acquisition
- (3) The acquisition cost or assigned value to the project or activity.
- (4) Information as to whether the property was new or used at time of acquisition.

The aggregate of the individual costs shown on the record cards shall equal the balance in the subsidiary cost account for non-expendable property.

A physical inventory shall be taken and reconciled with the record card annually or as frequent as required by the Model Cities Program, City of Atlanta.

BRIEF DESCRIPTION OF ACCOUNT CLASSIFICATION
ACTIVITY COST

- (1) Personnel
Includes the cost of staff and support staff of the operating agency as spelled out in latest approved budget.
- (2) Consultant and Contract Services
Includes the cost of services contracted to other agencies, firms or individuals according to a written contract with the operating agency. All contracts must be in writing and must have prior approval of the CDA.
- (3) Travel
 - a. Auto allowance paid on the basis of actual mileage as spelled out in latest approved budget.
 - b. Staff travel and expenses according to latest approved budget.
- (4) Space Cost
 - a. Monthly office rental.
 - b. Telephone and telegraph expense if not included in Activity Cost (7) and contained in latest approved budget.
 - c. Fire and extended coverage insurance on building and contents if not included in activity cost (7) and contained in latest approved budget.
 - d. Utility cost if not included in activity cost (7).
 - e. Building maintenance, if not included in Activity Cost (7) and contained in latest approved budget.
- (5) Consumable Supplies
Includes the costs of blue prints, drafting materials, charts, graphics, maps, stationery and all small items of non-expendable property, the total cost of which does not exceed \$100.
- (6) Rental, lease or Purchase of Equipment
 - a. Includes rental or lease cost of equipment not on loan or not purchased.
 - b. Total cost of equipment purchased.
- (7) Other Costs
Costs not specifically covered in the above budget categories according to latest approved budget. ✓

PROJECT COST

- (8) Property Acquisition
The cost incident to the acquiring of land and structures and the cost of demolition if necessary.
- (9) Land Improvement
The cost of improving site to meet the qualifications for the

type construction anticipated.

(10) Construction

The cost of construction, rehabilitation, alteration and repair.

(11) Professional Services

The cost of professional services rendered by individuals or organization including legal, accounting and architectural services.

(12) Carrying Charges

The cost of items such as types, interest and insurance premiums incurred during construction.

(13) Other

Costs not included in the above budget categories for capital projects according to the latest approved budget.

The description of the budget categories listed above is by no means exhaustive and in instances where there are questions as to the proper classification of a transaction, the latest approved budget and budget justification break down should govern.

DISBURSEMENT PROCEDURE

1. Disbursements (other than from Petty Cash) for goods, and for services of persons or firms not payrolled by the Operating Agency shall be supported by executed purchase orders or contracts. Purchase and contract procedures should follow CDA practice and policy. Such policies and procedures shall be approved by the CDA prior to implementation.
2. Disbursements must be supported by invoices or requisitions which can readily be traced to the contract or purchase order for the services, supplies, or equipment (except as noted in Four (4) below).
3. Disbursements shall be made by pre-numbered checks countersigned by two officers unless the amount of the individual disbursement is small (under \$10) that payment from a Petty Cash Fund is more economical.
4. A Petty Cash Fund may be established for use in making payment of minor items of expense whenever it is not practicable to issue a check. An authorized official of the Operating Agency shall approve the establishment and the amount of the Petty Cash Fund. Each disbursement from the Petty Cash Fund shall be supported by a receipted bill or invoice. However, if a receipted bill or invoice is not obtainable, the disbursement shall be supported by an itemized list of the items purchased and the list shall be approved by an official of the Operating Agency other than the custodian of the fund. The Petty Cash fund shall be replenished at the end of each calendar quarter or as frequently as may otherwise be required.

ELIGIBLE AND INELIGIBLE COSTS

All cost must be reasonable and of a nature which clearly relates to the specific purposes and end product of the contract under which the services are being performed. Care must be exercised by all concerned in incurring costs to assure that expenditures conform to these general standards and the following criteria for eligibility of costs.

1. To be eligible for inclusion in the program, cost must:
 - a. Be necessary and reasonable for proper and efficient execution of the contractual requirements and in accordance with the approved budget.
 - b. Not be a general expense required to carry out regular responsibilities of the operating agency.
 - c. Be in conformance with any limitations or exclusions in these instructions, federal laws, city ordinances, or other governing limitations.
 - d. Be no more liberal than policies, procedures, and practices applied uniformly to both federally assisted and other activities of the operating agency.
 - e. Be accorded consistent treatment through application of accounting policy and procedures approved and/or prescribed herein.
 - f. Not be allocable to or included as a cost of any other federally financed program in either prior or current periods.
 - g. Be net of all applicable credits such as purchase discounts, rebates or allowances, sales of publication or materials, or other income or refunds.
 - h. Be in accordance with budgetary or other restriction of expenses established by the comprehensive Demonstration Agency (City of Atlanta) and approved by the Department of Housing and Urban Department.
 - i. Be fully documented.

- j. Comply with policies governing administrative practices, including policies with respect to employment, salary and wage rates, working hours, and holidays, fringe benefits (health and hospitalization insurance, retirement, etc.) vacation and sick leave privileges, and travel. The policies relating to the above must be in writing and approved by the governing body of the Agency, or Director, as authorized, as well as by the City. Such policies and practices should take account of situations where the operating agency is a temporary, non-governmental entity composed primarily of part-time staff which may have full-time employment elsewhere.
2. In addition to costs ineligible under the above criteria, the following costs are specifically ineligible:
- a. Accounting- Costs of maintaining central accounting records necessary for overall agency purposes, such as appropriation of fund accounts by the treasurer or similar official, are considered to be a general expense of the agency and are unallowable. However, the cost of establishing and maintaining accounting or other information systems required for the management of the contract is allowable. This includes costs incurred by central service agencies for these purposes.
 - b. Bad Debts- Any losses arising from uncollectable accounts and other claims, and related costs.
 - c. Contingencies. Contributions to a contingency reserve or any similar provision for unforeseen events.
 - d. Contributions and Donations.
 - e. Entertainment. Costs of amusements, social activities, and incidental costs, such as meals beverages, lodgings, and gratuities, relating to entertainment.
 - f. Fines and Penalties. Costs resulting from violation of or failure to comply with federal, state, and local laws and regulations.
 - g. Interest and other Financial Costs. Interest on borrowing (however represented), cost of financing and refinancing operations, and legal and professional fees paid in connection therewith.

- h. Legal expenses. Legal expenses for the prosecution of claims against the Federal Government. However, the costs of legal expenses required directly for the administration of the program are allowable.
- i. Membership Expenses. Cost of membership in an organization which devotes a substantial part of its activities to influencing legislation.
- j. Travel. Costs in excess of those allowed by the City of Atlanta for its equivalent employees. In a case, the difference in cost between first-class air accommodations and less-than-first-class air accommodations is not allowed except when less-than-first-class air accommodations are not available and is so documented.
- k. Meeting Attendance. Costs of attending meetings which are not open for attendance on a non-segregated basis.
- l. Executive Expenses. The salary and expenses of the chief executive officer of the agency are considered a cost of the agency and are not allocable in any way to the project or activity.

INSTRUCTIONS FOR COMPLETION OF MONTHLY ADMINISTERING AGENCY
PROJECT REPORTS

This report is to be delivered to Model Cities prior to the fifth day of the month following the reporting month. This deadline is imperative in order to report expenditures to HUD.

The heading of this report includes lines for Agency Name and Address, Project Name, and Project Number. The Reporting Period item should reflect beginning and ending dates (usually first to last of month) of the report. The Cum. Supplemental Expenditures item should contain a total of all funds designated supplemental which have been expended on the project to date. The Cash Received item refers to supplemental funds that have been deposited to your agency. The Balance item should reflect the amount of supplemental funds expended but not yet received by your agency.

The Cost Statement section of the report is a breakdown of expenditures by line item and by source of funds. For projects which receive supplemental funds, costs for each line item for the Current Period should be listed. These should be broken down between Supplemental funds and Other funds if the project or activity is jointly funded.

For projects that do not involve the use of Model Cities supplemental funds, it is requested that a total amount expended on the project for the current period be entered by line item 13 (non-contracted agency).

Under the Cummulative Total column, funds expended to date on the project should be broken down in the same manner as current period expenditures.

The Work Program Status section of the Administering Agency Project Report is designed to report against the Project Work Program which was formulated by your agency in cooperation with Model Cities Personnel. Each month the various tasks listed on the work program should be analyzed to determine if they are being started and completed in the planned time frame.

Any tasks which will have different start and complete dates should be listed under the "Description of Task" column of the agency project report. The applicable revised start and complete dates should then be entered in the reporting month, that task should be entered under the "Description of Task" column and the actual complete date shown.

Start or complete dates for a task will be considered on schedule if they are within three weeks of the originally planned time frame. A variance of more than three weeks in a task should be reported as described above. Every effort should be made to report time revisions as soon as they become evident. For example, if it becomes apparent that some operational phase of a project will be delayed due to problems in acquiring equipment, this should be reported as soon as it is known rather than at the time the operational phase is to begin.

The Project Highlights section of the report should be used to briefly summarize project activity for the month and to list any unusual circumstances concerning the project. Amplifying information about revised start or complete dates should also be given in this section. An example of a completed Administering Agency Project Report follows these instructions.

ADMINISTERING AGENCY PROJECT REPORT

AGENCY Georgia State Employment Service PROJECT Employer Services
 ADDRESS No. 1 Peachtree Room 408
Atlanta, Georgia 30301 NUMBER

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REPORTING PERIOD:	CUM. SUPPLEMENTAL EXPENDITURES	CASH RECEIVED	BALANCE
FROM <u>8/1/69</u> TO <u>8/31/69</u>	<u>\$30,000</u>	<u>\$25,000</u>	<u>\$5,000</u>

COST STATEMENT		CURRENT PERIOD		CUMMULATIVE TOTAL	
COST CATEGORY	CODE	SUPPLEMENTAL	OTHER	SUPPLEMENTAL	OTHER
PERSONNEL	01	10,000	5,000	20,000	10,000
CONSULTANTS, CONT SERV	02	-0-	1,000	2,000	1,000
TRAVEL	03				
SPACE	04	1,500		3,000	
CONSUMABLE SUPPLIES	05	300		1,000	
RENT, LEASE, PURCH EQP	06	500	1,000	4,000	2,000
OTHER	07				
PROPERTY ACQUISITION	08				
LAND IMPROVEMENTS	09				
CONSTRUCTION	10				
PROFESSIONAL SERV	11				
CARRYING CHARGES	12				
NON-CONTRACTED AGENCY	13				
TOTAL		12,300	7,000	30,000	13,000

WORK PROGRAM STATUS	ACTUAL	REVISED	REVISED
DESCRIPTION OF TASK	COMPLETE	START	COMPLETE
Occupy temporary facility		9/8/69	9/19/69
Establish contact with 66 employers in MNA		10/6/69	4/30/70
Acquire supplies	8/15/69		
Personnel orientation	8/20/69		

PROJECT HIGHLIGHTS: During the month of August project personnel were given orientation sessions concerning project tasks and objectives. All supplies have been purchased, but occupation of the temporary facility is being delayed due to a carpenter's strike. This delay will also delay establishing contacts with employers. Sample inquiries to employers have produced enthusiastic responses and it appears that the project will exceed its objective of developing 200 jobs.

(USE REVERSE, IF REQUIRED)

THE UNDERSIGNED CERTIFIES THAT THE ABOVE INFORMATION IS CORRECT.

SIGNATURE AND TITLE John C. Smith, Director DATE Sept. 2, 1969
 (FORM MOD. 9)