



# Multnomah County Oregon

## **CONTRACTOR'S FISCAL POLICIES AND PROCEDURES MANUAL**

# MULTNOMAH COUNTY

## FISCAL POLICIES AND PROCEDURES

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# FISCAL POLICIES AND PROCEDURES

## INTRODUCTION

Multnomah County recognizes and appreciates the extraordinary dedication and hard work provided by our contractors. We strive for a relationship with our contractors that will result in strong financial management to support increasingly better client services.

This manual was written for two main purposes:

- to inform contractors of their financial management responsibilities by gathering Federal, State, County and accounting industry requirements together into a comprehensive reference summary; and
- to provide technical assistance to contractors in using these requirements to establish and maintain appropriate financial systems for their organizations.

It should be noted that although the manual contains authoritative references, Contract General and Special Conditions take precedence in the event of contradiction.

## CONTRACTS

Contracts generally commence on the County's fiscal year, which is from July 1 through June 30th.

Periodic reviews after the commencement of the contracts determine the administrative, programmatic and fiscal status of the provider. Providers contracting with Multnomah County are sub-contractors and their review files are made available to State and Federal auditors in compliance with State and Federal regulations.

Contract provisions relate to County, State and Federal regulations, since contract funds are derived from County, State and Federal sources.

## CONTRACT DEFINITIONS - CLASS I, II, III

**Class I** contracts include the following types:

- Professional Services not to exceed \$75,000.00
- Revenue not to exceed \$75,000.00 (and not awarded by RFP or Exemption)
- Intergovernmental Agreement (IGA) not to exceed \$75,000.00
- Architectural & Engineering not to exceed \$10,000.00 (for tracking purposes only)

**Class II** contracts include the following types:

- Professional Services that exceed \$75,000.00 or awarded by RFP or Exemption (regardless of amount)
- Revenue that exceeds \$75,000.00 or awarded by RFP or Exemption (regardless of amount)
- PCRB Contract
- Maintenance Agreement
- Licensing Agreement
- Construction
- Grant

**Class III** contracts include the following types:

- Intergovernmental Agreements (IGA) that exceed \$75,000.00 (both revenue and expenditure)

## ADMINISTRATIVE QUALIFICATIONS AND RFPs/RFPQs

### *ADMINISTRATIVE CAPACITY*

The process of determining **administrative** capacity of organizations will become part of the Request for Proposal/Request for Programmatic Qualifications process.

The administrative section of the RFP/RFPQ determines if organizations meet minimum standards in the following areas:

- Power to Contract
- Insurance Requirements
- Organizational Capacity
- Advisory/Oversight (Accountability) Functions
- Fiscal Structure and Stability

**Contracts for less than the Class I limit (currently \$75,000) and non-human service contracts are exempt from providing administrative qualifications. Exceptions to the provision of administrative qualifications may be made for specific RFPs/RFPQs, on a case-by-case basis.**

Some contractors may have different administrative, program, or contract requirements due to funding sources, State regulations, etc. Requirement variations will be communicated to contractors separately.

### *REQUESTS FOR PROPOSALS /REQUESTS FOR PROGRAMMATIC QUALIFICATIONS*

Multnomah County selects contractors for specific services through open, competitive procurement processes, known as **Requests for Proposals (RFP)** and **Requests for Programmatic Qualifications (RFPQ)**. Each program area must be opened for competition periodically under County requirements, but may be opened more frequently as needed or as required by the specific funding source.

The **Request for Proposal** is used to select a specific number of providers for contract awards. Depending on programmatic needs, one or more providers may be selected. The contract so awarded usually, but not always, purchases a minimum number of services or outcomes or a specified program. RFP's frequently specify a set funding level. The **Request for Programmatic Qualifications** establishes a qualified provider list or panel from which the County may purchase services. Under an RFPQ process, the County is not obligated to contract with all qualified providers, and contracts awarded to qualified providers are often requirements contracts, where the contract authorizes the County to purchase services but does not commit the County to a set funding level.

## FINANCIAL

### *FISCAL CAPACITY-COUNTY STANDARDS*

Organizations that hold contracts with Multnomah County must have the fiscal capability and financial stability to manage a contract. Following is a summary of the elements of fiscal capability:

- The organization's financial Statements must conform to GAAP standards.
- Once an organization receives a Multnomah County contract, it will be required to comply with applicable Federal requirements, Oregon Administrative Rules and County Financial procedures as identified in this manual.

- The organization must maintain and routinely review an organizational budget that is clear, arithmetically accurate, and appropriately detailed. This detail includes cost centers (service elements), revenue and expense line items appropriate for the size and nature of the organization.
- The organization must have documented policies and procedures for all aspects of fiscal management that are appropriate to the size, nature and needs of the organization and comply with Generally Accepted Accounting Principles (GAAP) and Multnomah County contract requirements. These policies and procedures must accurately reflect the organization's actual fiscal and administrative practices. These policies and procedures are to be reviewed by management regularly.
- The organization's governing body must receive timely and appropriate fiscal information.
- The organization must be on stable financial footing, as indicated by a lack of excessive losses or liabilities.

## **FEDERAL, STATE, AND LOCAL REQUIREMENTS**

The County receives the majority of its funding from various local, State and Federal sources. Each County Department has established financial requirements to sure that both the County and its contractors are in compliance with State and Federal rules and regulations.

Contractors shall comply with all Federal, State, and local laws applicable to the work on the Contract, and all regulations and administrative rules established pursuant to those laws, including, without limitation: ORS 279.314, ORS 279.314, ORS 379.316, ORS 279.334 (8) and ORS 279.320

**Please Note:** State and Federal rules and regulations change frequently, especially State of Oregon Administrative Rules. It is the service provider's responsibility to obtain copies of various regulations. Most regulations and publications may be obtained via the Internet

## **FEDERAL REQUIREMENTS**

Specific statutes and authoritative guidelines include: the Single Audit Act and OMB Circular A-133 (68 FR 38401), OMB Circular A-122 (2 CFR, 230), OMB Circular A-110 (2 CFR 215), OMB Circular A-102 (2 CFR Part 215), OMB Circular A-87 (2 CFR 225), and FAR 31.2, 31.6, and 31.7. As referenced above, Circulars have been codified with the same representative guidance found in both the Circular and the Federal Rule (FR) or Code of Federal Regulations (CFR).

The Single Audit Act requires Multnomah County to monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements. This includes monitoring the achievement of program goals.

OMB Circular A-133 requires agencies that pass Federal dollars on to contractors to:

- Determine that contractors have met the audit requirements of applicable OMB Circulars;
- Determine that contractors have spent Federal assistance funds in accordance with applicable laws and regulations;
- Ensure that appropriate corrective action of noncompliance is taken within six months of discovery;
- Consider whether contractor audits necessitate adjustment of the County's own records; and
- Require contractors to permit independent auditor's access to records as necessary to comply with applicable OMB Circulars.

The County performs both fiscal and programmatic monitoring activities. County subrecipients that subcontract Federally-funded programs to others are required to document their performance of monitoring activities as they relate to their subcontractors. Sample monitoring activities can be found in the OMB A-133 Compliance

Supplement. Documentation for monitoring activities must be made available to the County and its funders upon request.

It is our policy to honor the spirit of the Single Audit Act by eliminating duplication and coordinating with independent auditors as much as possible. However, it should also be recognized by all parties that Federal compliance audits technically apply only to Federal, and not necessarily State or local funds, and that these audits may not address State and local restrictions. In light of this, Multnomah County may need to carry out its own review or audit functions.

Multnomah County has developed the following contractor monitoring system and financial procedures to comply with the Single Audit Act, Oregon Administrative Rules and accounting industry standards and practices.

## **CONTRACTOR GENERAL AND SPECIAL CONDITIONS**

Contractors are also subject to all current general and special conditions of their contract(s) with Multnomah County. Since each provider's contract is unique, the contract is your best reference. Contracts should be reviewed annually for changes.

## **FINANCIAL REPORTING REQUIREMENTS**

A calendar of report due dates will be sent to all contractors at the beginning of each fiscal year. Contract payment depends on timely submission of required reports. When a report due date falls on a weekend or a holiday, the actual due date is the next workday.

### ***FORMATS FOR FISCAL REPORTS***

Two formats are permitted for reports:

- County forms. Exhibits are included with each contract. Contractors may duplicate this form on their own systems for ease of processing.
- Required information may be submitted on the contractor's existing internal reports with County forms used as cover sheets. The County form must contain:
  - All identifying information (contractor name, period being reported, original signature, etc.)
  - Amounts for each column for Total Revenue (if applicable), sub-total for Personnel, Services & Supplies, and Total Expenses.

If the contractor chooses to use the second mode of reporting, subtotals and totals on the County form must match those on the contractor's internal report. Internal reports must contain at least the level of detail required on the County form.

### ***AUTHORIZED SIGNATURES***

The report forms must have an **original** signature of an authorized Officer of the contracting organization as authorized by its governing body. This is a legally binding signature attesting to the accuracy of the report; payment cannot be made without it.

Please do not use pencil on any forms submitted to Multnomah County.

## ***SUBMISSION OF ANNUAL FINANCIAL STATEMENTS AND MANAGEMENT LETTERS***

Submit all reviewed or audited annual financial Statements, including any related management letter, to:

**Multnomah County, Department of County Management  
Fiscal Compliance Unit  
501 SE Hawthorne Blvd., Suite 531  
Portland, OR 97214**

## **ANNUAL BUDGETS (COST REIMBURSEMENT CONTRACTS ONLY)**

### ***INITIAL ANNUAL BUDGETS***

Contracts, which are paid on a “cost reimbursement” basis, will be required to submit a contractor annual budget. Annual contractor budgets must be submitted to Multnomah County within thirty (30) calendar days of contract effective date.

Start-up funds should not be included on the annual budget, as there is a separate reporting process. See the subsection entitled “Start-up Expense Reporting” under “Contract Payment Processing”.

### ***REVISED ANNUAL BUDGETS***

Revised annual budgets are due within thirty (30) days of the County’s receipt of any contract amendment if the cumulative year-to-date changes for that service type exceed 25%. The format for revised budgets is the same as the initial annual budgets.

## **MONTHLY EXPENDITURE REPORTS**

***Monthly Expenditure Reports are due the 20<sup>th</sup> day of the month after the end of the reporting period***

### ***FORMAT***

The Monthly Expenditure report is based on the minimum line item Annual Budget as in the previous section. Copies of the form are included with annual contract documents, and can also be sent to contracting organizations upon request.

### ***DUE DATES***

Reports are due the 20<sup>th</sup> of the month following the month when expenses were incurred. The final expense report for the year must be received within 20 days after the end of the contract period. Expenses not reported by the final deadline will be the sole responsibility of the contractor.

### ***RECONCILIATION TO GENERAL LEDGER***

Contractors are required by contract to segregate expenses by service type within the accounting system of the organization. Therefore, monthly reported expenses must agree with general ledger balances or reconcile to the general ledger via an itemized supporting work sheet.

Contractors reporting expenses exactly equal to monthly contract payments may be required at any time to substantiate this with general ledger reconciliation’s and/or cost allocation justifications.

It is also expected that annual reports as required (audits, carryover reports, etc.) will closely reflect total monthly reported expenses, reconciled by year-end adjustments. Multnomah County may require reconciliation of material variances between the annual reports and total monthly reported expenses.

### ***CUMULATIVE CURRENT MONTH AMOUNTS MUST MATCH YEAR TO DATE AMOUNTS***

When the monthly expense reports arrive at each contracting Department the Contract Liaison will compare and see if the prior month’s year-to-date total expenses added to the current month’s total expenses match the contractor’s reported year-to-date total expenses for the current month. If amounts do not match the contractor’s amounts, we will return a copy of the report to the contractor requesting that the error be found and a corrected report be submitted, along with an explanation as to how the error occurred. (Monthly payment will not be held under these circumstances unless several months have passed without response from the contractor.)



**OVERHEAD/INDIRECT ALLOCATIONS**

Unless the contractor uses a single Federal approved indirect cost rate, administrative overhead costs for personnel must be allocated to Salaries and Payroll Taxes/Fringe Benefits. Administrative Services and Supplies costs may be combined in a single additional line item in the Services and Supplies section of the monthly expense report. Compliant Cost Allocations may be based on a variety of methods, and are explained in the Accounting and Business Practices section.

**AUDIT REQUIREMENTS**

Depending on total organization budget and amount of Multnomah County contract funds, contractors may be required to have an external CPA perform a full-scale, organization-wide financial audit.

All contractors receiving Federal funds must comply with OMB Circular A-133 and other Circulars as applicable. A contractor may be required to have a full financial audit even if the organization falls below Multnomah County’s full scope audit requirements.

**DETERMINATION OF AUDIT/REVIEW REQUIREMENTS**

The following matrix will determine the level of annual review/audit required of contractors:

Multnomah County Contract Funds	Subcontract Organization’s Budget		
	\$0-\$150,000	\$150,001-\$500,000	\$500,001+
\$0-\$75,000 (or Class I contract)	Annual Audit if performed, otherwise annual financial Statements & County Review	Annual Audit if performed, otherwise annual financial Statements & County Review	Annual Audit & County Review
\$75,001-\$100,000 (or Class II contract)	Annual Audit if performed, otherwise annual financial Statements & County Review	Annual Audit & County Review	Annual Audit & County Review
\$100,001+	Annual Audit if performed, otherwise annual financial Statements & County Review	Annual Audit & County Review	Annual Audit & County Review

**Federal and/or State requirements do not relieve contractors of specific County Department contract requirements.**

**NON-CONFORMING OR SUB-STANDARD AUDITS OR REVIEWS**

Notice of non-conforming audits will be provided in writing to the Executive Director of the contracting organization. Corrections must be made and submitted within six months of the date of notification. Failure to comply may result in contract termination.

Contractors may appeal the determination of non-conformity by written request to the Multnomah County Fiscal Compliance Unit but if the appeal is not upheld, corrections must still be made within six months of the date of original notification.

**CONTRACTOR FISCAL YEAR END DIFFERING FROM CONTRACT FISCAL YEAR**

Multnomah County’s contract fiscal year runs from July 1 through June 30. For reporting purposes, any fiscal year other than a June 30 fiscal year end will relate back to the previous June 30. In other words, a September

30, 2008 fiscal year end will fulfill requirements in relation to Multnomah County's June 30, 2008 fiscal year. A May 31, 2009 fiscal year end will relate back to Multnomah County's June 30, 2008 fiscal year end, etc.

## COUNTY FISCAL COMPLIANCE REVIEWS

All contractors will be subject to County review, even if they are also required to submit Annual and/or Federal A-133 audits. This review is not intended to replace or duplicate an audit by a qualified external auditor. It is a systems review of current business and accounting practices only, targeted toward specific compliance requirements contained in the County's Contract General Conditions.

Contractors are responsible for ensuring that all records specified or referenced in the review confirmation letter ( provided in advance of the review) are available for examination by Multnomah County staff on the date of the review. Contractors will be contacted to schedule reviews at least two weeks in advance.

The contractor must also establish and maintain systematic methods (written) to assure timely and appropriate resolution of audit/review findings and recommendations within six months of discovery, or sooner if required by Multnomah County.

### *NOTIFICATION OF FISCAL COMPLIANCE REVIEW FINDINGS*

Preliminary Fiscal Compliance Review Reports will be sent to the contractor for response, generally within 30 days of the review. Letters will cite findings and recommendations resulting from the on-site review, and may also cite findings from the most recent external financial or Federal audit. Contractors may submit additional documentation or dispute findings in their response within 30 days of receipt of the preliminary report. If a finding is deleted or the review rating is upgraded as a result of the contractor's response, changes will be made in the final score and report to reflect the contractor's response. Final Compliance Review Reports will be sent generally within thirty days of contractor response.

**Findings** address specific contract compliance issues and require corrective action, which will be delineated in the letter.

**Recommendations** address issues which are not specifically covered by the contract and do not require corrective action. However, the contractor must address both findings and recommendations in their response.

The result of the fiscal contract compliance review, in addition to the letter of findings and recommendations, is a rating based on those findings and recommendations. A numeric scale based on the importance of the findings determines which rating the organization receives. The following is an explanation of those ratings:

### *FISCAL COMPLIANCE REVIEW RATING SCALE*

1. **FULLY COMPLIANT: Organization appears to be fully compliant with the terms of its contract with the County.** Financial systems and internal controls are functioning fully and smoothly. If findings and/or recommendations are noted they do not appear to place public funds at risk.
2. **SUBSTANTIALLY COMPLIANT: Organization appears to be substantially compliant with the terms of its contract with the County.** Certain financial systems and/or internal controls are functioning inconsistently. Public funds are not considered to be at risk.
3. **MINIMALLY COMPLIANT: Organization appears to be minimally compliant with the terms of its contract with the County.** Certain financial systems and/or internal controls are functioning inadequately, or are improperly documented or implemented.
4. **NONCOMPLIANT: Organization appears to not be compliant with the terms of its contract with the County.** Financial systems and/or internal controls are functioning minimally. Public funds may be at risk of loss or theft.

5. **NOT RATED:** Organization is not rated because available financial and/or administrative information is insufficient.

#### ***FREQUENCY OF FISCAL CONTRACT COMPLIANCE REVIEWS***

It is the County's intention for Contractors to be reviewed as frequently as deemed necessary by reviewing the following conditions:

- the annual audit is in conformity with applicable standards of Multnomah County and OMB Circular A-133;
- the audited financial statements, management letter and their accompanying notes, letters, reports and schedules provide the following necessary assurances:
  - no ongoing concerns;
  - negative assurances concerning contractor internal controls;
  - no other items in the notes to the financial Statements or the management letter that may be cause for concern
- no changes have occurred in organization management which, in the opinion of Multnomah County, might affect significant changes in the organization's accounting system;
- all fiscal contract compliance reviews conducted during the preceding review period scored a rating of 2-Substantially Compliant or higher; and
- in the most recent overall risk assessment the rating was no higher than Medium.

It is the County's intention for Contractors to be considered for review annually if any of the preceding conditions are not met. Contractors new to the system may be reviewed annually for the first two years, to insure adequate compliance, even if they meet the above conditions. Reports of unusual situations such as possible fraud or embezzlement may trigger a Fiscal Compliance Review at any time. Review your County contract(s) for specific Contractor requirements related to reporting suspected or actual fraud or embezzlement by Contractor's employees, vendors, or subcontractors. Please assure that your organization's Fiscal Policies and Procedures manual includes a policy on Fraud and Embezzlement and that the language complies with your County contract's reporting language.

#### **INDEPENDENT EXTERNAL AUDITS**

#### ***Due Dates: Thirty days after completion of the audit, but no later than nine months after contractor's fiscal year end***

Audits must be conducted by Certified Public Accountants who satisfy the independence requirements outlined in the rules of the American Institute of Certified public Accountants (Rule 101 of the AICPA Code of Professional conduct, and related interpretation and rulings), the Oregon State Board of Accountancy, the independence rules contained within Government Auditing Standards (1994 Revision), and rules promulgated by other Federal, State and local government agencies with jurisdiction over the organization. Those rules require that the Certified Public Accountant be independent in thought and action with respect to organizations that engage them to express an opinion on Financial Statements or to perform other services that require independence.

Contractors must submit audits and any related management letters to the Multnomah County Department of County Management – Fiscal Compliance Unit within thirty days from the date of the report, but in any event no later than nine months after the end of the contractor's fiscal year. Requests for an extension and/or waiver must be submitted by the organization in writing to the Fiscal Compliance Unit prior to the nine month deadline.

Exceptions and/or waivers will be considered on a case-by-case basis and will be authorized in writing by the Fiscal Compliance Unit. In the case of State agencies, the Secretary of State will fulfill the functions of the external auditor.

The contractor must establish and maintain systematic written methods to assure timely and appropriate resolution of audit/review findings and recommendations.

### ***FULL SCOPE AUDIT***

The Full Scope Audit will address all functions and activities of the contractor as a whole. Requirements for Full Scope Audits are:

- Audited financial Statements as of the contractor's fiscal year-end and for the year then ended, in accordance with generally accepted auditing standards and other authoritative industry pronouncements or State requirements set forth in that section. Depending on the results of the audit, other types of opinions may be warranted. For State and local government and not-for-profit contractors, further audit requirements may exist under the Single Audit Act.
- The written cost allocation plan for administrative and indirect costs.
- Contractors must also submit a copy of the management letter provided to the organization, if one exists, or a letter from the audit firm stating no management letter was issued.

## **FEDERAL SINGLE AUDIT REQUIREMENTS**

On March 16, 1990, the Federal Office of Management and Budget (OMB) issued Circular A-133, which applied the requirements of the Single Audit Act to non-profit recipients of Federal awards. Under this circular, any non-profit organization receiving Federal funds must determine if it is a recipient, sub-recipient or vendor of such funds, and if so, what level, if any, of Federal compliance audit to perform.

### ***DETERMINING FEDERAL SUB-RECIPIENT VS. VENDOR STATUS***

A sub-recipient is subject to the requirements of A-133; a vendor is not. The definitions are summarized as follow:

An organization is a **sub-recipient** if it meets any of the following criteria:

- plans or recommends the configuration of service delivery in a region, County or area AND/OR
- has authority and responsibility to monitor against Federal or State laws and rules and/or location of service-delivery sites AND/OR
- determines which services a client is to receive or what treatment is not suitable to the client

An organization is a **vendor** if it meets **all** of the following criteria:

- provides the goods and services within normal business operations
- provides similar goods or services to many different purchasers
- operates in a competitive environment
- is not subject to compliance requirements of the Federal program

Contractors who are sub-recipients of Federal funds are also subject to all Federal general administrative requirements, including:

- Political activity
- Construction contracts

- Civil rights
- Cash management
- Drug-free work place
- Cash depositories
- Bonding and insurance
- Program income
- Cost sharing
- Procurement standards

#### ***DETERMINING REQUIRED LEVEL OF FEDERAL COMPLIANCE AUDIT FOR SUB-RECIPIENTS***

Once an organization has determined it is a sub-recipient, it must determine what level, if any, of Federal compliance audit it must perform. This is based on the dollar value of total Federal awards expended during the fiscal year under audit.

Depending on the amount of the award, no Federal compliance audit may be required; a program audit may be elected, or an agency-wide single audit may be required. Generally, program audits must conform to the reporting required by Government Auditing Standards. The independent auditors' reports will normally include an opinion on the financial statements of the program, a report on the program's internal controls, and a report on program compliance with laws and regulations. In some cases a schedule of findings and questioned costs, management letter, or report on illegal acts may also be required.

#### ***DETERMINATION OF FEDERAL FUNDS AWARDED***

For Federal funds contained in contracted dollars, the County will provide each contractor with information concerning the amount of Federal funds and related CFDA number for each contract as soon as this information is available. It is the contractor's responsibility to forward this information to their auditors for determination of Federal audit requirements.

#### ***FEDERAL FUNDS PASSED THROUGH STATE DIVISIONS***

Notification of Federal funding, including CFDA numbers, will be made as soon as the information is available from funding sources, usually two to three months after the end of the fiscal year.

#### **Responsibility for Determining Federal Audit Requirements**

It is the contractor's ultimate responsibility for determining Federal audit requirements. The County can only provide information about Federal dollars contained in its subcontracts. However, because organizations may receive Federal dollars from sources other than the County, they should not depend solely on County notification in determining Federal compliance audit requirements.

### **AUTHORITATIVE ACCOUNTING AND AUDITING PRONOUNCEMENTS**

The following is a list of major accounting announcements applicable to most organizations, but there may be specialized pronouncements specific to some organizations. Organizations are responsible for having the most current version. Most of the following documents can be viewed and/or downloaded from the Internet.

#### ***NOT-FOR-PROFIT***

If the contractor is a **not-for-profit** organization, **all** audits and accounting practices must be in conformity with:

- **Generally Accepted Accounting Principles**, which the independent auditor must test during audits;
- **Generally Accepted Auditing Standards**, used by the independent auditor;
- **AICPA Industry Audit and Accounting Guides for:** "Health Care Organizations", "Colleges and Universities" and "Not-For-Profit Organizations".

- **OMB Circular A-133 and Compliance Supplement**, “Audits of Institutions of Higher Education and Non-profit Organizations”
- **OMB Circular A-122**, “Cost Principles for Non-Profit Organizations”;
- **OMB Circular A-110**, “Uniform Administrative Requirements for Grants and Agreements of ...Non-Profit Organizations”;
- **Government Auditing Standards** (Most recent Revision)

#### ***FOR-PROFIT***

If the contractor is a **for-profit** organization, all accounting practices and audits must be in conformity with:

- **Generally Accepted Accounting Principles**, which the independent auditor must test for during audits;
- **Generally Accepted Auditing Standards**, used by the independent auditor;
- **AICPA Industry Audit and Accounting Guides, for: “Health Care Organizations”**,
- **45CFR** (Code of Federal Regulations) or **OMB circular A-110 applicable to for-profit entities** if indicated in the Federal funding sources Grant Agreement
- **FAR31.2** (Federal Acquisition Regulation Subpart 31.2-Contracts with Commercial Organizations- Cost Principles, codified at 48CFR 31.2 Appendix 4) also applicable if OMB A-110 is indicated in the Federal funding sources Grant Agreement

#### ***GOVERNMENT AGENCIES***

If the contractor is a State or local **government**, all accounting practices and audits must be in conformity with:

- **Generally Accepted Accounting Principles**, which the independent auditor must test for during audits;
- **Generally Accepted Government Auditing Standards**, used by the independent auditor;
- **Government Accounting Standards Board** pronouncements;
- **AICPA Industry Audit Guide**, “Audits of State and Local Governmental Units”;
- **Federal Single Audit Act of 1984** and **OMB Circular A-133** and compliance supplement;
- **OMB Circular A-102**, “Grants and Cooperative Agreements with State and Local Governments”, all attachments and the text of the **Common Rule**;
- **OMB Circular A-87**, “Cost Principles for State Local and Tribal Governments”;
- **Standards for Audits of Governmental Organizations, Programs, Activities and Functions**;
- **OMB Compliance Supplement for Single Audits of State and Local Governments**.

### **ACCOUNTING AND BUSINESS PRACTICES**

#### ***AUTHORITY***

All contractors are subject to relevant accounting industry standards and pronouncements, as well as Federal standards cited in this document. Contractors are responsible for determining and adhering to the appropriate accounting industry guidelines for their organization, both for maintenance and audit of accounting records.

Additionally, Multnomah County has elected to use Federal OMB circulars (as codified in the Code of Federal Regulations) as the standard for its contractors' accounting and business practices.

### ***ACCOUNTING METHODS***

The AICPA Audit and Accounting Guide for Not-for-Profit Organizations requires the following, in terms of the adoption of a particular accounting method:

**“The accrual basis of accounting is required by GAAP for a fair presentation of financial position, changes in net assets, and cash flows. Financial Statements presented on the cash receipts and disbursements basis of accounting or using modifications of the cash basis having substantial support may be considered to present financial position, changes in net assets, and cash flows in conformity with GAAP only if they do not differ materially from financial Statements prepared on an accrual basis.” (AAG-NPO14.12, Footnote.)**

The following is a summary of requirements (OAR and other) relating to accounting for revenues and expenses.

### ***REVENUES***

Separate revenue accounts must be maintained for each type of revenue listed in the contractor's approved budget. Examples: State payments, Federal payments, interest income and rental income. Contract funds must be maintained in FDIC insured banking institutions.

### ***EXPENSES***

- According to OAR Expense Guidelines, accounting records must be retained for at least 3 years following the completion of the fiscal year, or the finalization of an audit, whichever is later. If more restrictive retention periods are noted in specific County contracts the greater restriction will prevail.
- Any person responsible for collection and payment of contractors' funds must be bonded for at least \$10,000. Written procedures should be established to safeguard documents and equipment used for handling cash (blank checks, signature stamps, etc.).
- Allowed expenditures include only those expenses that clearly support the delivery of services and show a clear and direct benefit to the County's contracted program. Disallowed expenditures include: staff food/beverages (unless specifically allowed by Program Liaison in writing), staff incentives/appreciation gifts, and gift cards for any purpose beyond program participant incentives/assistance.
- Gift cards for program participants must be based on a well-documented methodology as to need and be reasonable in amount and frequency. Issuance of gift cards must be documented as to amount, purpose, and recipient name or identification. Original detail receipt(s) supporting purchases made with the gift card must be submitted by the participant and retained by the organization. Participant must sign for receipt of assistance/gift card when received.
- Cash for program participants is disallowed.
- Charges to a contractor by a related organization must be justified as to method and reason for relevant cost allocation.
- Charges for items in excess of \$1,000 must specify the location where services or supplies were delivered.
- Capital items purchased directly or indirectly with County funding must undergo a physical inventory at least biennially. The inventory must be updated, verified and signed by those performing the function. Equipment purchased outright with County contract dollars (as opposed to expended through depreciation) must have prior written approval and be used in an approved program. This applies to prior year carryover funds as well as current year funds.

- Unless otherwise specified by contract, all contractors are subject to the following Multnomah County definitions of capital purchases:
  - Expected useful life of more than one year and original purchase price of over \$5,000, except where defined differently by another funding source (referenced in subcontract special conditions).
  - The organization may adopt a dollar threshold of capital purchases that is lower than \$5,000.
  - Although contractors must obtain prior approval to use operational contract funds for capital outlay (assets fully expended in one accounting cycle), depreciation is an allowable expense not requiring prior approval. This means that a contractor may acquire fixed assets without prior approval if the cost is recovered through depreciation expense charged to contract funds over the useful life of the asset. Cost recovery may not include mortgage principle or interest, or a portion of either, charged to any County contract without specific written approval from your County Program Liaison. Recovery can only be made through direct and indirect methods allowed in accordance with OMB Circular A-122.
  - Please note that OMB Circular A-133 includes several requirements related to property management, including biennial fixed asset physical inventories, screening requirements, and minimum fixed asset system requirements. It is the responsibility of the organization falling under A-133 requirements to ensure compliance.
  - No contract restrictions of any kind exist if funding other than contract funding is used for capital outlay.
  - Employees whose time is coded directly or indirectly to any Federally funded County contract must track their actual time and effort in accordance with the requirements of OMB A-122, Attachment B, “Compensation for Personal Services, Support of salaries and wages”. Below is an overview of the requirements and does not take the place of an organization’s responsibility to read and apply the requirements in their entirety.

In summary, the distribution of salaries and wages must be supported by an after-the-fact determination, completed contemporaneously, and tracked in quarter-hour increments. The tracking document (e.g. timesheet) must account for the total hours compensated, must be signed by the employee or a direct supervisor, and be prepared at least monthly - coinciding with the organization’s regular pay period. The County recommends that each organization work with their independent auditor in determining the best methods needed to meet these time-keeping requirements.

### ***FINANCIAL POLICIES AND PROCEDURES***

Multnomah County requires written policies and procedures, in accordance with generally accepted accounting principles (GAAP), OMB A-110, and OARs.

Following is a list of topics that should be addressed in an organization’s Financial Policies and Procedures manual:

- Audit findings and timely resolution
- Budgeting
- Cash Disbursements
- Cash Flow Management
- Cash Receipts
- Fraud and Embezzlement
- Petty Cash
- Control system to safeguard cash and negotiable instruments
- System for tracking small “attractive” items (cameras, VCRs, etc.) and equipment
- Client Billings



- Client Funds
- Contractual Agreements
- Employee Reimbursements
- Property Management System for Capital Assets, including depreciation, property maintenance procedures, and control systems to safeguard property purchased with contract funds
- Payroll
- Procurement Standards
- Purchase Authorizations
- Reporting
- Records Retention
- Updating Policies and Procedures
- Travel authorizations and employee reimbursements
- Administrative and/or Indirect Cost allocations
- Security and back-ups for computerized accounting systems
- Start-up funds

Not all of the above policies and procedures may be applicable to all contractors.

In an agency's policies and procedures, it is expected that sound accounting methods, including separation of duties, will be found.

### ***ACCOUNTING RECORDS***

Fiscal records should be maintained in a local facility for review. Records maintained outside of Oregon are subject to review with the provider bearing the expense of the County reviewer's travel costs. This includes but is not limited to airfare, ground transportation, lodging and meals. The following minimal required accounting records must be retained for at least three years following the completion of the applicable fiscal year:

- Chart of Accounts: an index of account names and numbers as shown in the general ledger. Must include revenue, expense and related asset, liability and equity or fund balance accounts.
- A narrative of the chart of accounts that defines all line items.
- Canceled checks, warrants or vouchers accounting for expenses. Original, detailed receipts and invoices are required as supporting documentation.
- Check, warrant or voucher register for each bank account in sequential, numerical, chronological order.
- Documentation and approval for travel expenses.
- Payroll register showing amounts for gross wages and salaries, payroll deductions, allocations to cost centers, and records of fringe benefits.
- Detailed timesheets or other tracking mechanisms documenting an after-the-fact record of actual time and effort expended on behalf of any Federally-funded programs. If an employee is coded directly or indirectly to a Federal award, no matter how small the increment of time, a consistent tracking mechanism must be retained.
- Certification of payroll: an accurate method to verify employees' rate of pay and time periods employed with the signature of an authorized manager.
- Signed employment application, with dishonesty clause, for each person employed by the service provider.
- Subsidiary ledgers as needed for detail that is too cumbersome to post to the general ledger.

- Quarterly comparison of expenses and revenue versus approved budget for current period and year-to-date.
- Copies of bank deposit slips with adequate back up documentation/paper trail.
- Receipts book listing fees in cash and checks from clients, donations and other sources of revenue.
- Monthly expense reports and work sheets supporting any monthly expense report or invoices submitted to the County.
- Accounts payable; e.g. a list of all unpaid bills
- Accounts Receivable:
  - Documentation of revenues expected and received.
  - Documentation of client revenue billed; a record for every client served, even if no payment is expected. The staff person making each fee determination must be identified.
- Accounts Payable and Accounts Receivable aging reports.
 

An inventory system for capital equipment showing location of item, item number (or serial number), description of property, acquisition date, cost, source of acquisition, percentage of contract funds used in purchase, whether the item was new or used at purchase, and purchase invoice and payment receipt. For donated items, the Fair Market Value at time of the donation should be included instead of the cost. An inventory listing must be maintained for all small “attractive” items (computers, VCRs, cameras, etc.) and equipment purchased with County funds. Items must be adequately safeguarded from pilferage, damages, and loss. Unless otherwise specified by contract, Contractors must perform an annual physical inventory of such items. A signed physical inventory, by location, must be retained with Contractor’s fiscal records.
- Depreciation schedules, updated at least annually. For contract reporting purposes, depreciation should not be shown for capital purchases made with start-up or one-time-only contract funds, as these are effectively fully depreciated in the year of purchase.
- An inventory listing showing location, description, acquisition date, and cost for small “attractive” items and equipment that have been purchased with County funds (directly or by allocation). Items include cameras, DVD players, VCRs, printers, Palm Pilots, etc.
- Written, fully executed contracts for all personal services provided by non-employees, and other types of contractual agreements, specifying services, duration and rate of compensation.
- Contracts related to client assistance must meet the same standards as those specific to the contracting organization. For example, rent assistance must be supported by a fully executed rental or lease agreement. The agreement must be between the organization’s client and the legal owner or owner’s representative of the rental property. Subleases between the organization’s client any other party must be supported by a signed letter from the legal property owner or their representative authorizing such subletting activity. Rental and lease agreements must meet at a minimum; landlord’s name(s), renter’s name(s), rental property address, term of rental/lease period, payment amounts and terms, signatures and dates for all parties.
- When Client Assistance is included within a County contract, payment for services rendered to benefit clients are deemed to meet the “...payment for services in the course of your trade or business...” condition as defined by the IRS for Nonemployee

Compensation. When applicable, IRS Form W-9 must be completed by vendors and the organization must issue and maintain records relating to the issuance of IRS 1099-Misc to vendors if the IRS annual dollar threshold is met. This includes, but is not limited to landlords, tutors, and daycare providers.

- Monthly cash reconciliations for each bank account from the bank statement to the general ledger.
- Separate documentation file of start-up expenses for each project funded by Multnomah County, if applicable.
- If petty cash funds are maintained: for each replenishment check written to petty cash, a reconciliation summary sheet itemizing each expenditure and summarizing expenses by general ledger account number, with attached original receipts totaling to the amount of the replenishment check.
- Current organization chart including name and title.

Basis information for depreciated items must be kept for as long as the item is being depreciated, followed by the three-year clause.

IRS or other regulations may specify a longer retention period for specific records (e.g. 4 years for Personnel/employment taxes).

***COST ALLOCATIONS***

Contractors are required by contract to segregate revenues for funded service types within the accounting system of the organization. Documentation of direct expenses assigned to each service type must be substantiated by invoices, purchase orders, time records, etc.

Contractors may apply their Federally- approved indirect cost rate. Organizations with a Federally- negotiated and approved indirect cost rate would apply the percentage rate to actual expenses unless capped or defined otherwise in the contract.

In the absence of a Federally-approved indirect cost rate, contractors must prepare an accounting worksheet demonstrating the particular method(s) of allocation of administrative and overhead costs being used, along with calculations showing the method used and development of formula (e) for the allocations.

Examples of allocation methods for administrative and overhead costs are:

<b>Type of Cost</b>	<b>Allocation Method</b>
Salaries/Purchased Services	Actual Time Records
Supplies/Equipment	FTE or Total Salaries
Occupancy and Utilities	Square Footage or FTE

In addition, cost allocations must be consistent with the following:

- Generally accepted accounting principles as defined by the American Institute of Certified Public Accountants, Inc., as such may change from time to time;
- Office of Management and Budget (OMB):
  - ❖ Circular A-122 and A-133 or FAR 31.2, if the contractor is a non-governmental entity;
  - ❖ Circular A-87 if the contractor is a governmental entity.

In addition, providers must be able to produce cost allocation work sheets documenting the allocations of particular administrative and overhead costs. Budget estimates do not qualify as an allocation base.

## **CONTRACT PAYMENT PROCESSING**

### ***START-UP EXPENSE REPORTING***

Unless otherwise specified by contract, start-up expense documentation must consist of an itemized schedule in the format of the contractor's approved start-up budget, plus certification and organization signature as on the monthly operating expense report.

The due date and instructions for the start-up expenditure report are specified in the special conditions of the contract.

Copies of payment records must be maintained by the contractor to support this expenditure report (invoices, payroll records, etc.) in a separate start-up file. Failure of contractor to maintain supporting documentation may result in disallowance of start-up.

Variations of start-up expenses from approved budget must have prior written approval from the appropriate County Department Contract Liaison in order to be allowable.

Certain purchases or improvements may also be subject to security interests or subordinate trust deeds, per contract special agreements.

### ***MONTHLY PAYMENT PROCESSING***

#### ***TIME LINES FOR CHECK PROCESSING***

Payment terms are specified in each contract. Generally, payments are as follows.

- Fee for Service contracts are paid within ten working days of receipt of a correct and timely invoice.
- Cost reimbursement contracts are also paid within ten working days of receipt of a correct and timely invoice.
- Start-up or one-time-only payments will be issued within 10 working days after written request is received and approved by the specific contracting Multnomah County Department.

#### ***EXCEPTIONS TO TIME LINES***

Contractor may not receive checks by 10 working days after written request is received each month under the following conditions:

- Required reports are late.
- Payments require supporting data from other sources (e.g. ServicePoint). These will be held until data are available, and then processed within 10 working days.

#### ***SPECIAL PROCESSING***

Special processing must be substantiated by an emergency due to circumstances beyond the contractor's control. Submission of expense reports must be timely. Repeated requests for special processing in two or more consecutive months cannot be met.

##### ***Procedure***

Requests for special processing must be submitted in writing to the specific contracting County Department Contract Liaison explaining the nature and circumstance of the request. County program staff may submit the request on behalf of the contractor if the need for special processing is due to circumstances within the program (e.g., delay of contract amendments).

If possible, the contractor should make the special processing request for the next month's check. If the requested issue date cannot be met, Multnomah County will notify the contractor of the earliest possible payment date.

Multnomah County will notify the contractor by phone when the check is ready (generally not until after noon of scheduled day). Identification is required for contractor staff picking up checks.

Since the County Finance Section will not process, hold or release a check without prior authorization from the contracting Multnomah County Department, all inquiries regarding special processing should be directed to the Department Contract Liaison.

***CONTRACT TERMINATION***

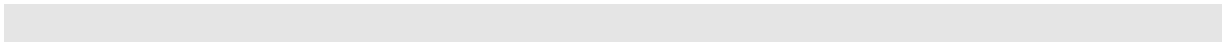
An amount equal to 10% of all outstanding payments may be held upon notification of contract termination, to be released upon receipt of all required reports. Annual external audit submissions will be handled on a case-by-case basis.

***EXTENSIONS AND WAIVERS***

A contractor may request an extension or waiver to any of the preceding policies and procedures by submitting a written request, stating the reason for the request. Submit the request to the Multnomah County, Department of County Management - Fiscal Compliance Unit at the address below.

The Multnomah County Chief Financial Officer grants or denies one-time-only extensions and waivers.

Waivers and ongoing extensions will be attached to the annual contract and must be renewed annually. If the waiver is not included with the annual contract renewal, it is the contractor's responsibility to request renewal of the waiver.



**Multnomah County**  
**Department of County Management, Fiscal Compliance Unit**  
**501 SE Hawthorne Blvd., Suite 531**  
**Portland, OR 97214**  
**(503) 988-7965 or (503) 988-7966 Phone**  
**(503) 988-3292 Fax**