



Multnomah County Oregon

PROVIDER'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 of our providers. We strive for a relationship with our providers that will result in strong financial management to support high quality client services.

This manual was written for two main purposes:

- To inform providers 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 providers 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 30.

Contract provisions relate to County, State and Federal regulations, since contract funds are derived from County, State and Federal sources. These funders may conduct periodic audits and reviews to monitor a provider's administrative, programmatic, and fiscal status. Providers contracting with Multnomah County must agree to make relevant files available to state and federal auditors in compliance with applicable regulations.

ADMINISTRATIVE QUALIFICATIONS AND RFP'S

REQUESTS FOR PROPOSALS/REQUESTS FOR PROGRAMMATIC QUALIFICATIONS

Multnomah County selects providers 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 resulting contract 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.

ADMINISTRATIVE CAPACITY

For solicitations involving human services, the Request for Proposal/Request for Programmatic Qualifications process includes an assessment of the organization's administrative capacity.

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

Exceptions to the provision of administrative qualifications may be made for specific RFPs/RFPQs, on a case-by-case basis.

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

FINANCIAL QUALIFICATIONS

Providers 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 provider's financial statements must conform to Generally Accepted Accounting Principles (United States GAAP).
- 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.
- The provider must maintain and routinely review an organizational budget that is clear and arithmetically accurate. The budget should separate revenue and expense line items by program at a level of detail appropriate for the size and nature of the organization.
- The provider 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 Federal, State 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.

REPORTING REQUIREMENTS

Providers are 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. New contracts and amendments to existing contracts should be reviewed for changes related to general and special conditions.

ANNUAL BUDGETS

Initial annual budgets

Contracts paid on a cost reimbursement basis require providers to submit an annual contract/program budget. Annual budgets must be submitted to Multnomah County within thirty (30) calendar days of contract effective date.

Revised annual budgets

Providers must submit a revised annual budget if they wish to spend County funds in a manner not originally included in the budget, or if annual spending on an existing budget line item will exceed the budget by more than 10%.

MONTHLY EXPENDITURE REPORTS

Monthly Expenditure Reports (invoices) are due the 20th day of the month after the end of the reporting period. When a report due date falls on a weekend or a holiday, the actual due date is the next business day. Contract payments greatly depend on timely submission of required reports. 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 provider.

Invoices must be billed to Multnomah County and contain the following information:

- Invoice number and invoice date
- Provider name and address
- Multnomah County contract number
- Description of goods and/or services delivered
- Date or dates of service
- Detail unit of measure, price per unit, extended amount for each line item
- Total invoice amount

Providers are required by contract to segregate expenses by service type within the accounting system of the organization. At any time the County may require the provider to demonstrate that reported amounts reflect actual expenses as indicated by the provider's general ledger, cost allocation plan, and supporting documents.

Annual reports should reflect totaled monthly reported expenses, including any necessary year-end adjustments. Multnomah County may require reconciliation of material variances between the annual reports and total monthly reported expenses.

The report forms must have an **original** signature of a senior official 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.

PAYMENT PROCESSING

Payment terms are specified in each contract and are dependent upon timely submission of required reports, however County policy states accounts payable be processed at net 30. Requests for special processing must be substantiated by an emergency due to circumstances beyond the provider's control. Repeated requests for special processing in two or more consecutive months cannot be met.

Requests for special processing must be submitted in writing to the specific County Department Contract Liaison, CFO and Fiscal Compliance Unit explaining the nature and circumstance of the request. The County will review the request and coordinate a meeting with the provider to discuss the circumstances. The decision to approve special payment processing includes, but not limited to, a review of the providers most recent financials. When requests are approved, additional conditions of the arrangement will be formalized in a letter.

County program staff may submit the request on behalf of the provider if the need for special processing is due to circumstances within the program (e.g., delay of contract amendments).

DETERMINATION OF FEDERAL FUNDS AWARDED

For contracts containing Federal funds, the County contract will include Attachment F, which provides information concerning the amount of Federal funds, CFDA numbers, FAIN, Pass-through Entity and indirect cost rate for each contract based on the best information available. It is the provider's responsibility to forward this information to their auditors for determination of Federal audit requirements.

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 insure that both the County and its providers are in compliance with State and Federal rules and regulations.

Providers 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: Oregon Revised Statutes, Public Contracting – Public Procurements (ORS 279B) and the federal requirements outlined below.

FEDERAL REQUIREMENTS

Specific statutes and authoritative guidelines include the Single Audit Act and 2 CFR 200 et al. – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (UAR) with appendices and FAR 31. All previous Circulars have been codified with the same representative guidance found in both the Circular and the Federal Rule (FR) within the Code of Federal Regulations (CFR).

Responsibility for Determining Federal Audit Requirements

It is the provider's ultimate responsibility to determine 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.

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

COUNTY FEDERAL GRANT COMPLIANCE

PRE-AWARD PROVIDER RISK ASSESSMENTS

Beginning December 26, 2014, Providers selected for contracts that include Federal grant funding (as identified by a Catalog of Federal Domestic Assistance number) must undergo a Pre-award Provider Risk Assessment (if one has not been conducted within the last 12 months) prior to the issuance of the contract. County Fiscal Compliance Unit staff will contact providers as soon as practical via telephone or e-mail to begin risk assessment. In addition to the Administrative Capacity standards noted on Page 4, Risk Assessment categories include:

- Financial statement analysis
- Results of external audits and site reviews
- Financial reliance on County contract funding

- Completeness of internal policies and procedures
- Experience with governmental funding
- Internal factors affecting providers, ex. changes in management, types of programs, number of locations
- External factors affecting providers, ex. media exposure, political pressure, safety concerns
- Involvement of Board of Directors

The results of a Pre-award Provider Risk Assessment will not exclude otherwise successful contract proposers from being awarded a contract. Rather, the results will be one of many elements the County considers when incorporating fiscal and administrative contract terms and conditions. If a Provider is considered to be fiscally high risk, additional fiscal monitoring could be required as part of the contract terms.

SUBRECIPIENT MONITORING

2 CFR 200 Subpart D, Post Federal Award Requirements, Subrecipient Monitoring and Management of the Uniform Administrative Guidance 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, but is not limited to:

- Determining that providers have met the audit requirements for Federal awards,
- Determining that providers have met the audit requirements under the Single Audit Act,
- Determining that providers have spent Federal funds in accordance with applicable laws and regulations,
- Verifying that appropriate corrective action of noncompliance is completed in a timely manner,
- Considering whether disallowed costs in provider audits necessitate repayment and/or adjustment of the County’s own records, and
- Requiring that providers permit auditors access to records as necessary to comply with applicable authoritative guidance.

The County performs both fiscal and programmatic monitoring activities. County subrecipients that subcontract Federal funds to other providers are required by UAR §200.331 to perform and document their monitoring activities as they relate to their subproviders. Monitoring activities may include annual financial statement analysis, review of invoice documentation, site reviews, inquiries with management, etc. Documentation of monitoring activities must be made available to the County and its funders upon request.

For additional information on specific Multnomah County Subrecipient Monitoring see section COUNTY FISCAL COMPLIANCE

AUDIT REQUIREMENTS

Depending on total organization budget and amount of Multnomah County contract funds, providers may be required to have an independent CPA perform an organization-wide financial audit or review.

All providers receiving Federal funds must comply with 2 CFR 200 (previously OMB Circular A-133). Other regulations may require an organization to undergo a full financial audit even if the organization falls below Multnomah County’s audit requirements.

DETERMINATION OF AUDIT/REVIEW REQUIREMENTS

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

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

Multnomah County Contract Funds	Organization’s Budget		
	\$0-\$249,999	\$250,000-\$749,999	\$750,000+
\$0-\$99,999	County Review	Annual Review & County Review	Annual Audit & County Review
\$100,000-\$249,999	Annual Review & County Review	Annual Audit & County Review	Annual Audit & County Review
\$250,000+	n/a	Annual Audit & County Review	Annual Audit & County Review

If the organization does not meet the minimum requirements noted above, written notification will be provided to the Executive Director of the contracting organization. Failure to comply within six months may result in contract termination.

Providers may appeal the non-compliance by written request submitted to the Multnomah County Fiscal Compliance Unit. If the appeal is not upheld, requirements must still be met within six months of the date of original notification.

INDEPENDENT EXTERNAL AUDIT/REVIEW

Due Date: Thirty days after completion of the audit, but no later than nine months after provider's fiscal year end.

Audits/reviews 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.

Providers must submit audits and any related management letters from the auditor to the Fiscal Compliance Unit within 30 days from the date of the report, but in any event no later than nine months after the end of the provider'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 provider must establish and maintain systematic written methods to assure timely and appropriate resolution of audit/review findings and recommendations.

If the Provider is required to have an annual audit, based on the table above, the following documents are to be submitted:

- Audited Financial Statements as of the provider's fiscal year-end, in accordance with generally accepted auditing standards. Depending on the results of the audit, other types of opinions may be warranted. For State and local government and not-for-profit providers, further audit requirements may exist under the Single Audit Act.
- The written cost allocation plan for administrative and indirect costs.
- Providers must also submit a copy of the management letter provided by the audit firm, or a letter stating no management letter was issued. This is not the Management Representation Letter that providers are required to submit to their auditors.

During an audit, the audit firm may request that providers obtain revenue confirmation letters from each of their grantors. Confirmations should be sent by the audit firm directly to the Fiscal Compliance Unit, and include return postage. Confirmations must include contract number in order for us to accurately provide information.

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**

COUNTY FISCAL COMPLIANCE

Multnomah County has developed the following provider monitoring system and financial procedures to comply with the Federal Uniform Administrative Requirements, Oregon Administrative Rules and accounting industry standards and practices.

FINANCIAL ANALYSIS

All providers are required to submit annual audited financial statements to Fiscal Compliance. Financial analysis will be performed to evaluate provider's specific ratios to current industry standards. If provider does not meet the minimum requirements for audited financial statements, internally prepared financial statements are considered acceptable. See "Audit Requirements" Section for specific requirements.

FISCAL COMPLIANCE REVIEWS

All providers will be subject to County review. 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.

Providers 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. Providers will be contacted to schedule reviews at least two weeks in advance.

NOTIFICATION OF REVIEW RESULTS

Preliminary Fiscal Compliance Review Reports will be sent to the provider for response, generally within 30 days of when the review completed. 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. Providers must submit a written response addressing findings cited within 30 days of receipt of preliminary report. Response may include additional documentation or dispute findings. If a finding is resolved or the review rating is upgraded as a result of the provider's response, changes will be made in the final score and report to reflect the provider's response. Final Compliance Review Reports will be sent generally within thirty days of provider 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.

The result of the fiscal contract compliance review is a numeric rating based on findings and recommendations. 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. No findings are noted and if 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. Public funds could be at risk.

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 are likely at risk of loss or theft.

5-Not Ratable: Organization is not rated because available financial and/or administrative information is insufficient.

FREQUENCY OF FISCAL COMPLIANCE REVIEWS

It is the County's intention for providers to be reviewed as frequently as deemed necessary. The frequency of reviews may decrease if the audited financial statements and management letter, along with their accompanying notes, letters, reports and schedules, provide the following necessary assurances:

- No ongoing concerns,
- No concerns around provider internal controls,
- No other items in the notes to the financial statements or the management letter that may be cause for concern,
- Financial ratios within industry standards,
- No changes have occurred in organization management which, in the opinion of Multnomah County, might affect significant changes in the organization's accounting system; and
- All fiscal compliance reviews conducted during the preceding review period scored a rating of 2-Substantially Compliant or higher.

It is the County's authority to perform a Fiscal Compliance Review at any time if any of the following conditions apply:

- Providers 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,
- Adverse media reports, such as possible misuse of funds; or
- Unfavorable financial analysis ratios.

MULTNOMAH COUNTY SUBRECIPIENT LETTERS

After Multnomah County's June 30 fiscal year end, the Fiscal Compliance Unit will send a letter to each provider detailing its Federal funding for the fiscal year. This letter is generally sent no later than October 1; however, our ability to prepare these letters depends upon our receipt of specific federal information from the State of Oregon. Any delays in our receipt of this information may affect County timelines.

PROVIDER FISCAL COMPLIANCE

All providers are subject to relevant accounting industry standards and pronouncements, as well as Federal standards cited in this document. Providers 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 the OMB Uniform Guidance as the standard for its providers accounting and business practices.

ACCOUNTING METHODS

The accrual basis of accounting is required by GAAP for a fair presentation of financial statements. Financial statements presented on the cash basis of accounting or using modifications of the cash basis having substantial support may be considered to present financial statements in conformity with GAAP only if they do not differ materially from financial statements prepared on an accrual basis.

Separate revenue accounts must be maintained for each type of revenue listed in the provider's approved budget. Examples: State revenue, Federal revenue, interest income and rental income.

Functional/Program Specific income statements must be separated by revenue and expense at a level of detail appropriate for the size and nature of the organization.

FISCAL REQUIREMENTS

FISCAL

- Contract funds must be maintained in FDIC insured banking institutions.
- 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 in advance), staff incentives/appreciation gifts, and gift cards for any purpose beyond program participant incentives/assistance.
- If gift cards for program participants must be purchased (and are approved by Program Liaison in advance), they 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. Participant must sign for receipt of assistance/gift card when received. Original detail receipt(s) supporting purchases made with the gift card must be submitted by the participant and retained by the organization.
- Cash for program participants is never allowed.
- Employees whose time is charged directly or indirectly to any federally funded County contract must track their actual time and effort in accordance with the requirements of OMB 2 CFR 200.430 "Compensation - Personal Services." In summary, the distribution of salaries and wages must be supported by proper documentation of actual on the project, and not merely based on budgeted amounts.

CAPITAL ASSETS

- Multnomah County defines capital assets as equipment with an 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 provider may adopt a dollar threshold for capital purchases that is lower than \$5,000.
- Capital equipment purchased directly or indirectly with County funding 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. These items must undergo a physical inventory at least biennially. The inventory must be updated, verified, and signed by those performing the function.
- Please note that 2 CFR 200 of the Uniform Administrative Guidance includes several requirements related to property management, including screening requirements and minimum fixed asset system requirements. It is the responsibility of the organization falling under 2 CFR 200 requirements to ensure compliance.

RECORD RETENTION

- In accordance with County Contract provisions, accounting records must be retained for at least 6 years following the completion of the fiscal year, or the finalization of an audit or investigation, whichever is later. If longer retention periods are noted in specific County contracts the longer period will prevail.

FINANCIAL POLICIES AND PROCEDURES

Multnomah County requires written policies and procedures, in accordance with generally accepted accounting principles (GAAP), Code of Federal Regulations (2 CFR 200), and Oregon Administrative Rules (OAR's).

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

- Audit Findings and Timely Resolution
- Administrative and/or Indirect Cost Allocations
- Control System to Safeguard Cash
- Client Billings and/or Funds (if applicable)
- Employee Reimbursements
- Fraud and Embezzlement
- Property Records for Capital Assets
- Procurement Methods
- Purchase Authorizations
- Records Retention
- Travel Authorizations and Reimbursements

Internal Controls documented in Policies and Procedures manual:

- Payroll Process
- Cash Disbursements
- Cash Receipts
- Petty Cash

COST ALLOCATIONS

Providers must maintain and follow a Cost Allocation Plan which documents the methods used to allocate shared costs between various programs, grants, and contracts. The Cost Allocation Plan should address both direct and indirect costs, and the chosen methodology should result in an equitable distribution of costs among programs.

Examples of allocation methods for direct administrative and overhead costs are:

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

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

- Generally accepted accounting principles as defined by the American Institute of Certified Public Accountants, as such may change from time to time;
- Office of Management and Budget (OMB) 2 CFR 200

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.

INDIRECT COSTS

Indirect costs are incurred for a common or joint purpose benefiting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. To facilitate equitable distribution of indirect expenses to the cost objectives served, it may be necessary to establish a number of pools of indirect (also called Facilities and Administrative—F&A) costs. Indirect (F&A) cost pools must be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived.

Organizations with a Federally Negotiated Indirect Rate will be allowed to apply that rate to Federal funding, unless capped by Federal Agency or defined otherwise in the contract.

In the absence of a Federally Negotiated Indirect Rate, providers will be given the De Minimus 10% rate on Federal funding. Multnomah County can increase the De Minimus rate if the provider prepares an accounting worksheet demonstrating actual rate is higher. In addition the particular method(s) of allocation of administrative and overhead costs will be reviewed for allowability, and should include calculations showing the method used and development of formula for the allocations.

EXTENSIONS AND WAIVERS

A provider 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 provider'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) 988-7966 Phone
(503) 988-3292 Fax