

ATTACHMENT E

PART III TERMS AND CONDITIONS

ACCOUNTING AND FINANCIAL MANAGEMENT PROCEDURES

SECTION 1 - SYSTEM EVALUATION

It is agreed and understood between the parties that prior to the disbursement of funds, the City will determine that the Contractor's fidelity bonding coverage, accounting, reporting and internal control systems meet the minimum Department of HUD and City requirements. It is further agreed and understood that the City shall monitor the operations and accounting of the Contractor to assure that it is maintaining adequate systems and that the funds furnished are being used effectively and efficiently to accomplish the purposes for which the funds were made available.

SECTION 2 - CASH ADVANCE

Any advance made to the Contractor shall be amortized as the City shall order. Payments to the City from the Contractor shall be made as scheduled by the City. In any event, the balance of advance payments shall become due and payable to the City of New Orleans upon termination of this agreement.

SECTION 3 - RECEIPTS AND DISBURSEMENTS

- A. **Receipts** - Prior to any funding the Contractor shall designate a commercial bank as the depository and establish a separate checking account for the receipt of funds under this contract and give the City the Official Title and Number of the account. Furthermore, Title of the account is to be consistent with the name of the project. It is also agreed that should the Contractor decide to change the depository to another commercial bank after funds are received, the Contractor shall provide the City the name of the new depository at least five (5) days before such change occurs. The Contractor is encouraged, but not required, to use a minority owned and/or operated depository.
- B. **Disbursements** - Disbursements for goods and services of persons and/or firms not payrolled by the Contractor shall be supported by executed purchase orders or contracts. Purchase and contract procedures shall follow the City of New Orleans practices and policies, and shall be approved by the City of New Orleans prior to implementation. Disbursements must be supported by invoices or requisitions, and made by pre-numbered checks countersigned by two authorized officials other than the accountant or bookkeeper.

SECTION 4 - BOOKS OF ACCOUNTS

The Contractor shall establish and maintain on a current basis an adequate accounting system on an accrual basis, in accordance with generally accepted accounting principles and practices. This system must be adequate to enable the monthly preparation of a Cost Control Statement of the sources and applications of funds prepared in accordance with the provisions set forth in the HUD guidelines, and any other guidelines provided by the City, to be submitted to the City by the tenth (10th) working day of each calendar month.

SECTION 5 - DESCRIPTION OF ACCOUNTS

- A. **Accounts** - The accounting system shall follow the suggested general ledger account title consistent with the name of the project, or the City may provide titles at its discretion. The Contractor shall also maintain an "Ineligible Costs" ledger to record any cost incurred which is not eligible for reimbursement for program funds.
- B. **Special Account** - Contractor agrees to establish, within its present accounting system, a special numbered cost account for identification of all funds received and disbursed under this contract. This special numbered account shall be used solely for the purpose of making payments for items of allowable cost pursuant to this agreement.

SECTION 6 - RECORDS

Records shall identify adequately the source, program year, and application of funds received under this agreement. Said records shall contain information pertaining to the funding award, authorizations, obligations, unobligated balances, assets, liabilities, outlays, and income. Records shall include the minutes of meetings of all Contractor (corporation) board meetings, pertaining to the funding received and its application.

SECTION 7 - REPORTS

One (1) monthly financial report: (1) Cost Control Statement shall be prepared by the Contractor and submitted to the City in duplicate by the tenth (10th) working day of each calendar month. These reports shall be in accordance with the provisions set forth in the Agreement for which this document is attached.

SECTION 8 - ELIGIBLE AND INELIGIBLE COSTS

Contractor agrees that all costs incurred by it will be reasonable and of a nature which clearly relates to the specific purposes and end products of the contract. Contractor further agrees that it will exercise due care in incurring costs and will assure that expenditures conform to the general standards and criteria for cost eligibility as set forth in the Office of Management and Budget 2 CFR part 200 and HUD regulations and guidelines and others as may be imposed by the City. Contractor agrees to refund to the City any payments or portions of payments which the City and/or Department of HUD determine are not properly due to the Contractor under the terms of this agreement.

SECTION 9 - FIDELITY BONDING

Prior to initial disbursement of funds to the Contractor, the Contractor shall obtain fidelity/surety bonds on all persons handling funds received or disbursed under the contract in an amount and manner consistent with the coverage deemed necessary and reasonable, or as the City may require.

If the bond is canceled or reduced, the Contractor shall immediately notify the City. In that event, the City shall not make any further disbursements to the Contractor until it is assured that bonding coverage has been obtained.

SECTION 10 - AUDITS AND INTERNAL CONTROL SYSTEMS

At any time during normal business hours and as often as the City may deem necessary, the Contractor shall make available to the City or its agent all records for examination and will permit the City or its agent to audit, examine and make excerpts or transcripts from such records and to make audits of all contracts, invoices, materials, payrolls, records of personnel, conditions of improvements and other data relating to all matters covered by the contract. The Contractor shall maintain a written description of its systematic method to assure timely and appropriate resolution of audit findings and recommendations which shall include review of all audit findings by the Board of Directors of the Contractor's corporation.

The Contractor shall perform an audit of all Community Development Block Grant (CDBG) Program Income (if applicable) and all CDBG funds received under this agreement in accordance with the requirements of the 2 CFR part 200. The Contractor shall upon execution of this agreement provide the City with one (1) copy of all organizational audit reports inclusive of the period of time twenty-four months prior to the date of this agreement. In the event that no organizational audit meeting the minimum requirements of 2 CFR part 200 has been conducted within the last twenty-four months preceding the execution of this contract, the agency shall take the necessary steps to direct an organizational audit to be implemented within 120 days of the execution date of this agreement, and upon completion shall provide one (1) copies of said audit to the City. Failure to implement said audit shall constitute cause for the City to withhold any and all compensation due under this agreement.

Any agency expending \$750,000 or more in total federal dollars is required to have an audit performed on the funds that are allocated for the services of its specific agreement. The City shall, at the request of the Contractor, reimburse the Contractor for the City's eligible portion of the audit cost, provided the contractor satisfies the audit requirements of the City.

Any agency that expends less than \$750,000 of total federal dollars may be required by the City, at its option, to have an audit performed on funds allocated for the services conducted under this agreement. This determination will be based on "high risk" and "low risk" classification.

The Contractor further understands and agrees to maintain an internal control system in accordance with 2 CFR part 200.

SECTION 11 - TECHNICAL ASSISTANCE

The City agrees to make guidance and assistance available to the Contractor on request in establishing a suitable accounting system. The provision of such assistance shall not relieve the Contractor of his responsibility to provide an adequate accounting system as required by this agreement and as required by federal rules and regulations.

SECTION 12 - PROPERTY RECORDS

The Contractor shall maintain, and provide the City a copy of a record card of each item of non-expendable property acquired for the project. Non-expendable property which will not be consumed or lose its identification by being incorporated into another item of property, which cost \$100.00 or more per unit and is expected to have a useful life of one (1) year or more. Grouping of like items, such as chairs with an aggregate cost in excess of \$100.00 shall also be controlled and accounted for as non-expendable property even though the cost of a single item is less than \$100.00. The record shall include (a) description of the item of property, including model and serial number, if applicable, (b) date of acquisition, and (c) the acquisition cost of assigned value to the property.

Said record shall also include information as to whether the item of 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 semi-annually or more frequently if necessary, by the Contractor. The reconciliations are to be submitted to the City within ten (10) days after completion. Any and all non-expendable property purchased shall immediately upon delivery be tagged with City of New Orleans I.D. tags, "Property of the City of New Orleans".

The title to all non-expendable property acquired under the terms of this contract, or any amendments thereto, including acquisition through lease-purchase agreement, shall immediately vest in the City upon delivery of such property by the vendor. At the conclusion of a project or activity, all non-expendable property acquired for the project shall be returned to the City of New Orleans.

SECTION 13 - SUSPENSION OF FUNDS

If at any time the Contractor is found to be in violation of any parts or sub-parts of this contract, or should the City find that the Contractor is negligent in the administration or recording of funds made available through this contract, the City shall have the authority to suspend any further funding and the ability to seize such Credit Balance in any depository which consists of these funds.

SECTION 14 - INSURANCE ON DEPOSITS

The Contractor understands that all program funds shall be placed only in institutions covered by the Federal Deposit Insurance Corporation (FDIC) organization or other appropriately Federal insured institution or depository.

The Contractor also understands that any portion of program funds, in excess of \$250,000, in any one institution, must be fully (100%) and continuously collateralized with specific and identifiable U. S. Government or Agency securities. The securities used as collateral must be owned by the Depository and the manner of collateralization must provide the Contractor with a continuing perfected security interest in the collateral in accordance with applicable law and Federal regulations.

The Contractor shall have the option of placing program funds in excess of \$250,000 in another properly insured institution instead of providing collateral for any additional funds in excess of \$250,000.