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Part 3-1 Introduction

Part 3-1 Introduction

3-1.01 Purpose of Fiscal Policies and Procedures Manual

- A. The Manual of Fiscal Policies and Procedures of the Catskill Watershed Corporation (“CWC”) is the official document of the Corporation for the conduct of business and the accounting and administration for grants and sub-grants with the Federal, State, City or local governments and other funding sources.
- B. The purpose of the Manual of Fiscal Policies and Procedures is to provide detailed information on the accounting and administration of grants. This Manual should guide employees of the CWC in the application of various Federal, State, City and local laws and regulations to grants awarded by the Federal, State, City and local governments and other funding sources.
- C. This Manual constitutes all current fiscal policies and standards that have been developed by the CWC, unless otherwise noted, through the time of issuance.

3-1.02 Scope and Organization

The general organization of the Manual of Accounting Policies is as follows:

Section 3-1 Introduction	Provides a description of the purpose of the Manual and its organization.
Section 3-2 Internal Control Policies	Describes the system of corporation, system and human controls in place to safeguard the assets of the CWC and to ensure business is conducted in an ethical manner.
Section 3-3 Financial Management Policies	Sets forth policies for the operation of the financial management structure of the CWC.
Section 3-4 Accounting for Assets	Establishes policies for accounting for the Corporation's assets.
Section 3-5 Accounting for Liabilities	Establishes policies for accounting for the Corporation's liabilities.
Section 3-6 Revenue Policies	Reflects when and how to recognize income on sales of goods and services of the CWC to its funding sources.
Section 3-7 Cost Accounting Policies	Deals with the measurement, assignment and allocation of costs of the CWC to its various cost objectives.
Section 3-8 Cost Estimating Policies	Describes those policies to be used in applying for grants with the Federal State, City and local governments and the Corporation's other funding sources.
Section 3-9 Property Management Policies	Presents policies and practices over the identification, control and disposition of government property and CWC owned property, equipment and materials.
Section 3-10 Procurement Policies	Presents policies and procedures used for procuring goods and services for the CWC.

Part 3-1 Introduction

3-1.03 Definition of Terms

Terms referenced are as defined in OMB Circulars A-110 and A-122.

Part 3-2 Internal Controls**Part 3-2 Internal Controls*****3-2.01 General Business Conduct and Disclosure***

- A. Unethical actions, or the appearance of unethical actions, are unacceptable under any conditions. The policies and reputation of the CWC depend to a very large extent on the following considerations.

Each employee must apply his/her own sense of personal ethics, which should extend beyond compliance with applicable laws in business situations, to govern behavior where no existing regulation provides a guideline. It is your responsibility to apply common sense in business decisions where specific rules do not provide all the answers.

In determining compliance with this code in specific situations, ask yourself the following questions:

1. Is my action legal?
2. Is my action ethical?
3. Does my action comply with corporate policy?
4. Am I sure that my action doesn't appear inappropriate?
5. Am I sure that I would not be embarrassed or compromised if my action became known within the Corporation or publicly?
6. Am I sure that my action meets my personal code of ethics and behavior?

You should be able to answer "yes" to all these questions before taking action.

Each supervisor is responsible for the ethical business behavior of his/her subordinates. Supervisors must weigh carefully all courses of action suggested in ethical as well as economic terms and base their decisions on the guidelines provided by this code as well as their personal sense of right and wrong.

Implementation of the provisions of this code is one of the standards by which the performance of all levels of employees will be measured.

- B. In recommending or proposing a particular business transaction or course of action for approval, those involved must disclose to their superiors or to the Board of Directors of the Corporation, if the recommendation is to the Board, all the pertinent information they know about such transactions and the persons involved. The disclosure should include significant information that they may have reason to believe has been omitted by others.
- C. Specifically, the Corporation does not tolerate the willful violation or circumvention of any laws of the United States, its States, Counties, Cities, or a foreign country by an employee during the course of that person's employment; nor does the Corporation tolerate the disregard or circumvention of corporate policy or engagement in unscrupulous dealings. Employees should not attempt to accomplish by indirect means, through agents and intermediaries, what is directly forbidden.

Failure to comply with the standards contained in this code will result in disciplinary action that may include termination, referral for criminal prosecution, and reimbursement to the Corporation or the government for any losses or damage resulting from the violation. As with all matters involving disciplinary action, principles of fairness will apply. Any employee charged with a violation of this code will be afforded an opportunity to explain his or her actions before disciplinary action is taken.

Part 3-2 Internal Controls

Disciplinary action will be taken:

1. Against employees who authorize or participate directly in actions that are a violation of this code;
2. Against any employee who has deliberately failed to report a violation or deliberately withheld relevant and material information concerning a violation of this code; or
3. Against any supervisor who attempts to retaliate, directly or indirectly, or encourages others to do so, against any employee who reports a violation of this code.

3-2.02 Compliance with Laws**A. General**

In complying with the laws and regulations that apply to business we believe you will find the following information useful. You should always seek to evaluate all situations to eliminate all appearances or actual non-compliance issues with your supervisor, who may in turn refer the matter to the Corporate Counsel.

B. Political Contributions

No funds or assets of the Corporation may be contributed to any political party or organization or to any individual who either holds public office or is a candidate for public office. The direct or indirect use of any funds or other assets of the Corporation for political contributions in any form, whether in cash or other property, services, or the use of facilities, is strictly prohibited. The Corporation also cannot be involved with any committee or other organization that raises funds for political purposes. This rule applies both inside and outside the United States, except in those cases permitted by law and expressly authorized by the Board of Directors of the CWC.

Following are examples of prohibited activities:

1. Contributions by an employee that are reimbursed through expense accounts or in other ways;
2. Purchase by the Corporation of tickets for political fundraising events;
3. Contributions in kind, such as lending employees to political parties or using Corporation assets in political campaigns; and
4. Indirect contributions by the Corporation through suppliers, funding sources or agents.

C. Government Officials

The CWC is legally prohibited from offering, promising or bestowing money, gifts, loans, rewards, services, use of facilities, lavish or extensive entertainment or other favors to an employee with a view toward influencing or inducing such official or employee to use his/her influence to effect an action or decision. You must refrain from such acts.

This includes any employee of a Federal, State, City or local government agency.

D. Commercial Bribery

You are not allowed to make a payment either directly or indirectly or as a kickback to influence someone else, nor are you allowed to accept anything of value from someone who wants to do business with the Corporation. Inexpensive advertising and promotional items are not considered to have "value," and an occasional business meal may be accepted or given if it has a value of under \$25.

Gifts that do not fit this category must be returned. If the return of a gift is not practicable because of its nature, it may be given to a charitable institution and the giver informed of its disposition.

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You may neither give nor receive any lavish or expensive entertainment, but occasional normal and customary social business amenities are permitted.

If you are asked to make or accept a payment or gift in any form prohibited by this code, report the matter to the Executive Director.

E. Record Keeping

To provide an accurate and auditable record of all financial transactions, Corporation books, records and accounts must be maintained in conformity with generally accepted accounting principles. You are responsible for safeguarding Corporation assets under your control and for maintaining an auditable record of financial transactions.

Further, the Corporation specifically requires that:

1. No funds or accounts may be established or maintained for purposes that are not fully and accurately described on the books and records of the Corporation;
2. Receipts and disbursements must be fully and accurately described on the books and records of the Corporation;
3. No false entries may be made on the books or neither records nor any false or misleading reports issued; and
4. Payments may be made only to the granting party or a valid assigned and only for the actual services rendered or products delivered. No false or fictitious invoices may be paid.

If you have reason to believe that the Corporation's books and records are not in accord with the foregoing requirements, report the matter to the Corporate Counsel.

3-2.03 Employee Conflict of Interest**A. General**

You have a primary responsibility to the Corporation and are expected to avoid any activity that may interfere, or have the appearance of interfering, with the performance of this responsibility. Similarly, you may not use nor disclose confidential or proprietary information in any outside activity.

A conflict of interest exists if certain of your outside business or other interests may adversely affect your motivation or performance.

How can you tell if you have a conflict of interest? The test criteria include not only whether you actually are improperly influenced but also whether the situation lends itself to improperly influencing you. Even if you are the most conscientious person, a conflicting interest may unconsciously influence you, and the mere existence of that interest may cause the propriety of your acts to be questioned.

If you take inventory of your outside interests, it should be possible to determine whether you actually are improperly influenced, but also whether the situation lends itself to improperly influencing you.

B. Outside Activities

You may not serve as a consultant to, or as a Director, Officer or part-time employee of a company that competes or deals with the Corporation or that seeks to do so, unless you have obtained the prior express consent of the Executive Director. Refusal from participation in all matters involving the outside entity should be a stated condition for granting such permission. Even if you receive no pay from the other company and have no direct or indirect contact with it in your job, this conflict of interest exists because you may inadvertently disclose proprietary

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information to the other company or benefit it through your Corporation contacts and general knowledge of how the Corporation operates.

You may not serve as a publicly elected official. The foregoing prohibition does not apply if you serve as an elected school board member, town justice or village justice, town assessor, town tax collector or town or village clerk. You also may not serve as an officer in a Chamber of Commerce or town, county or state political party. An appearance of conflict exists if you hold one of the prohibited positions while employed at CWC.

You may also have a conflict of interest if your outside activities, which in and of themselves may not be conflicts of interest, are so demanding on your time that they interfere with your job performance.

C. Responsibility of Employees' Relatives

Since everyone tends to identify his or her interests with those of members of his immediate family, you should keep such family members from doing anything that would be improper for you as an employee to do. In addition, it is a good general rule not to discuss the Corporation's business with anyone, including relatives, who are not the Corporation's employees. Members of your immediate family should be asked not to discuss Corporation business in the presence of others.

D. Agency Assistance

You should review your personal and job situations and eliminate any possible conflicts of interest that exist. Discuss possible conflicts of interest with your supervisor, who may in turn refer the matter to the Corporate Counsel. If you wish, you may consult the Corporate Counsel directly, with the understanding that the Corporate Counsel will hold disclosures in confidence unless they involve violations of law or failure to eliminate conflicts within a reasonable time. If necessary, the Corporate Counsel will report the disclosure to Senior Management or the proper authorities.

3-2.04 Ethical Standards in Bidding, Negotiation and Performance of Government Awards

- A. The Corporation will strictly observe the laws, rules and regulations that govern acquisition of goods and services by the Federal, State, City and local governments and other funding sources. We will compete fairly and ethically for such business opportunities.
- B. Employees involved in the negotiation of grants will make all reasonable efforts to assure that all statements, communications and representations to funding source representatives are accurate and current. Care should be taken by personnel in a position to know that there are no material substitutions from specifications and the products meet or exceed contractual specifications.

3-2.05 Organizational Conflict of Interest or Self-Dealing

The Corporation may not be organized and operated for the benefit of an affiliated or unaffiliated agency or an individual in his or her own private capacity, unless the private benefit is considered merely incidental. This private benefit preclusion will extend to:

- A. Sale or exchange or leasing of property between the Corporation and an affiliated or unaffiliated agency or a private individual;
- B. Lending of money or other extension of credit between the Corporation and an affiliated or unaffiliated agency or a private individual;

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- C. Furnishing of goods, services or facilities between the Corporation and an affiliated or unaffiliated agency or a private individual;
- D. Payment of compensation, unless authorized by the Board of Directors or its governing body, by a Corporation to an affiliated or unaffiliated agency or a private individual; and
- E. Transfer to, or use by or for the benefit of a private individual of the income or assets of an organization.

Thus, the Corporation will be guided by the principle of arms-length standards with all affiliated or unaffiliated organizations or with a private individual(s).

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3-2.06 Signature Authorities

Type of Expenditure or Transaction	Amount	Authority by Position
I. Expenditure for:		
A. Major investments (capital and construction in progress; sale/leaseback arrangements; major modifications or betterment; intangible assets)	\$0 to \$2,500	Executive Director
B. Leases and rental transactions	\$2,500 -\$10,000*	Exec. Dir. and One Officer
C. Consultants and representatives and executive search agreements	\$10,000 and above*	By Resolution of the Board
D. Legal fees and retainers		
II. Business Commitments and Authorizations		
A. Proposals/grant applications	All	Executive Director
B. Contracts/grants		
C. Authorization to incur costs, unfunded expenditure request		
D. Procurements (including sub-grants)		
III. Personnel Matters		
A. New hires	All	Executive Director
B. Temporary employees or contract labor personnel	All	Executive Director
C. Transfers or changes in labor classification (direct to indirect & vice versa)	All	Resolution of the Board
D. Employment agency fees and/or employment advertising	All	Executive Director
E. Salary action, transfer, promotion and termination	All	Executive Director
F. Job descriptions	All	Resolution of the Board
G. Leave of absence	All	Executive Director
IV. Other Costs		
A. Timesheet approvals	All	Executive Director or Supervisor
B. Exempt overtime authorization	All	Executive Director
C. Association dues		
D. Travel authorization		
E. Expense reports		
F. Employee outside employment activities		
G. Severance pay		

*or at higher amount provided for in CWC Septic Rehabilitation and Replacement Program Rules, Article 2-A, section 2:01:09 or CWC Small Business Septic Program Rules, Article 13, section 13:01:09.

Part 3-2 Internal Controls

3-2.07 Endorsement Requirements for Corporation Checks

- A. Two authorized officials, each of whom is independent of the control of the other person, will sign all checks by the Corporation.

<u>Official Title</u>	<u>Maximum Check-Signing Threshold</u>
Executive Director	All
President	All
Treasurer	All
1 st Vice President	All
2 nd Vice President	All

- B. The practice of pre-signing blank checks is a specific violation of the Corporation's internal control structure and is prohibited.

3-2.08 Separation of Duties

The following duties have been assigned to various staff to foster the development of a healthy and strong internal control structure. The cash receipts, cash disbursements and payroll operations have been identified as components that require the largest degree of separation of duties.

3-2.08-1 Cash Receipts

Since cash is most susceptible to misappropriation, the Catskill Watershed Corporation must exercise the utmost care when handling cash and accounting for transactions involving cash.

A. Definition

"Cash" as referred to in this section includes currency, coin, checks, money orders and electronic fund transfers.

B. Form of Payment

1. When practical, cash in the form of currency should be avoided. The Corporation should specify that remittances be made by check or money order and made payable to Catskill Watershed Corporation. Remitters should be cautioned against sending currency by mail, or making checks payable to an individual's name.
2. To the extent practicable, receipts shall be rendered for currency payments received and copies of all receipts shall be retained for Corporation use.

C. Bank Deposits

1. The Secretary/Receptionist is responsible for opening all checks and payment envelopes. All mail is to be stamped "received" with a date stamp. This includes all checks and the remittance portion of a check. In the absence of a remittance advise, a post-it stamp should be stapled to the check with the received and date stamp. All checks are to be endorsed with the CWC endorsement stamp immediately by the Secretary/Receptionist. Currency is to be receipted by the Secretary/Receptionist. All cash is to be logged by the Secretary/Receptionist into the "cash receipt logbook", by check payer and dollar amount, and forwarded to the Bookkeeper for the preparation of the daily deposit.
2. The Bookkeeper will prepare the bank deposit by noon on a daily basis and the bank deposit shall be deposited by the close of business daily. A copy of all checks and the deposit slip

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shall be made prior to deposit. The bank-ready deposit shall be forwarded to the Secretary/Receptionist to physically take to the bank. The Secretary/Receptionist shall total all daily receipts and checks to make sure the bank deposit and log book are in agreement.

3. The bank deposit confirmation form shall be delivered to the Bookkeeper immediately, and the Bookkeeper will attach it to the check copies and forward it to the Finance Director for input into the computerized accounting system. After entering and posting the deposit to the system, the Finance Director or the Bookkeeper will file it in the appropriate place. The transaction edit report and posting report will also be filed into the appropriate binder.

D. Use of safes

1. All negotiable instruments should be secured as instructed by the Executive Director. Safes shall also be used for temporary safekeeping, during the day, for cash received prior to deposit. The accumulation of cash is not permitted.

E. Cash receipts journal

1. The Finance Director of the Corporation shall maintain a cash receipts journal for each separate bank account. All cash receipts shall be entered and posted on a daily basis.

F. Processing returned checks

1. All returned checks for insufficient funds are to be re-deposited once, and the cash receipts policy should be ignored in connection to the redeposit. In these situations, the receipt policy is ignored because the receipt has already been posted to the General Ledger and following the policy would double post an entry.
2. Upon receipt of a returned check the Finance Director shall be notified of the issuer and dollar amount.
3. All checks returned after the re-deposit shall be held and the issuer contacted. A money order or certified check will be the only acceptable means of payment at this time. Additionally, the issuer will be charged a fee of \$25 for all returned checks.
4. If collection is unsuccessful, the Finance Director shall be informed and shall instruct on write off procedure.

3-2.08-2 Bank Reconciliation**A. Control**

1. The Secretary/Receptionist is responsible for opening all bank statements. All bank statements are to be stamped "received" with a date stamp, and forwarded directly to the Finance Director, who reviews the statements for questionable items before forwarding to the Bookkeeper for the preparation of the bank reconciliation.
2. The Bookkeeper shall reconcile the bank statement balance to the book balance within five (5) business days from the receipt of the bank statement, via the cash reconciliation module of the accounting system. After the bank statement has been reconciled, the Bookkeeper shall initial and date the reconciliation.
3. At no time will the Bookkeeper have the authority to authorize disbursements, sign checks, or process cash receipts.
4. Bank reconciliations shall be prepared on a monthly basis for all accounts.

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5. The bank statement balance shall be compared to the General Ledger balance and reconciled when necessary. The Bookkeeper will note "ok to G/L" on the bank reconciliation when reconciled. Any journal entries required for reconciliation to the General Ledger and bank statement book balance shall be prepared by the Bookkeeper.
6. All bank statements and journal entries shall be forwarded to the Finance Director for review and to verify that the reconciliations are done. The Finance Director shall initial and date the reconciliation and file in the bank reconciliation binder. The Finance Director shall also approve, via signature and date, the necessary journal entries.
7. Periodically, the Finance Director shall review the cash receipt logbook and reconcile the logbook to the bank reconciliation. This will be done no less than monthly for a minimum of two randomly selected bank accounts.
8. All banks shall be instructed to generate the CWC statements on a monthly basis ending on the last day of the month.
9. Unreconciled differences between the bank balance and the book balance must be resolved within three months after receipt of the bank statement. The Finance Director must approve differences in excess of \$100 before writing them off to an expense account via journal entry. All Journal Entries require the Finance Director's approval prior to entry.

B. Outstanding checks

1. Checks outstanding more than six (6) months shall be cancelled and a stop payment order shall be issued to the banking institution. These checks shall be reissued as required.
2. Before issuing a stop payment, the Corporation should consider the cost of bank charges and administrative time on stop payment orders on checks of small amounts. Stops should be placed on checks over six (6) months only when the value of the check exceeds \$25.00.

3-2.08-3 Cash Disbursements

Except for small petty cash payments, made in accordance with the petty cash policy, disbursements shall be made by check and recorded in the cash disbursement journal. Employees who are responsible for drafting checks shall not have authority to approve invoices for payment, via voucher or purchase order, nor be authorized by the Board of Directors as an authorized signer on the accounts.

A. Void check policy

1. All checks that are deemed to be void shall have the signature portion of the check torn from the check and the word "void" written in ink across the face of the check.
2. All void checks shall be maintained in sequential order and filed. All void checks shall be maintained in a separate file and filed as voided and posted to the accounting system. At the end of the year, void checks shall be filed in the same storage box with the cancelled checks returned from the bank.

B. Signatory Procedures

1. The Board of Directors of the Catskill Watershed Corporation has authorized, via resolution, the following individuals as signers for all CWC bank accounts:

The Executive Director

The President

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The Treasurer

The 1st Vice President

The 2nd Vice President

2. Two signatures are required for all checks, regardless of dollar amount. One signature shall be the Executive Director and the second shall be one of the Officers of the Board of Directors listed above. In the absence of the Executive Director, two Officers shall be permitted to sign checks. This list shall be updated with the banking institutions and in this manual whenever the signatory authorization of Officers changes.

C. Blank check policy

1. Blank checks shall not be issued to employees, Directors or outside vendors.
2. Blank checks shall not be signed by an authorized signatory.

D. Check writing procedure

1. The Bookkeeper shall generate a cash requirement report from the computerized system and forward to the Finance Director for selection of items to be paid.
2. The Finance Director shall select items to be paid using the priority schedule below
 - a. Fund availability;
 - b. Age of invoice, first in, first out method (i.e. 120 days first, 30 days last);
 - c. Employee reimbursements (i.e. travel and miscellaneous expenses);
 - d. Advance payment requests for purchases; and then
 - e. Special vendor situations (i.e. new accounts)
3. After selection, via a check mark next to each item, the Finance Director initials and dates the cash requirement report and returns the report to the Bookkeeper for processing checks.
4. The Bookkeeper shall delete any items not to be paid from the transaction maintenance that have not been authorized for payment, and runs the checks via the accounts payable module. He/she shall, to ensure accuracy, run a calculator tape on all checks that are paying multiple invoices and attach and initial the calculator tape.
5. All documents shall be stamped "paid" including the date of payment (date on check), and the checks attached, via paperclip, to the corresponding back up documentation.
6. The cash requirement report and checks including appropriate back-up documents shall be forwarded to the Finance Director for review of proper procedures and instructions.
7. All checks and supporting documentation shall be forwarded to the proper individuals for signature.
8. The Finance Director shall verify that all of the checks were signed by the Executive Director and one (1) Board member.
9. The checks shall be mailed to the vendor's address listed on the face of the check.
10. Prior to signing checks, the signatory shall review all supporting documentation.
11. The Bookkeeper shall separate the duplicate portion of the check from the actual check and attach it to the supporting documentation prior to filing.

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E. Miscellaneous

1. The CWC shall maintain an inventory of pre-numbered checks that are to be used in sequential order. Usage shall be recorded daily and maintained as the cash disbursement journal.
2. Checks shall state on their face that they are void if not cashed within a specified time period (preferably within six months of issue date, unless the banking institution has an alternate policy).

3-2.08-4 Petty Cash Fund and Disbursements

A petty cash fund is established to pay small and incidental purchases that are necessary to enable the day to day flow of operations and to reduce the number of small incidental check writing and processing.

A. Control

1. The petty cash fund is established by determining a custodian, as appointed by the Executive Director, and by issuing a check made payable to "custodian's name – petty cash". The existence of a petty cash fund shall be recorded as an asset on the General Ledger.
2. The CWC petty cash fund shall not exceed five hundred dollars (\$500), and is designated for all reimbursements and expenditures less than \$100.00.
3. The cash is maintained in a locked box with the key/combination in the possession of the custodian.
4. Cash advances: If a commodity is required and the employee is not certain of the cost of the item, he/she may request an advance by signing a petty cash slip for the amount requested. The custodian shall also have the Finance Director countersign the petty cash slip. Upon making the purchase, he/she shall submit a receipt to the petty cash custodian and either return the unused portion of cash or receive the balance due between the purchase price and the advance received per the receipt.
5. Cash reimbursement: After purchasing the necessary commodity, the employee may request reimbursement via the petty cash fund by submitting a paid receipt to the petty cash custodian and signing the petty cash slip to denote payment has been received. The custodian shall also have the Finance Director countersign all Petty Cash slips.
6. Reimbursing the fund: When the petty cash fund is approximately seventy-five percent (75%) depleted, the custodian shall initiate replenishing of the fund by completing the petty cash reimbursement form. The custodian shall verify the cash balance on hand and the amount of receipts submitted for reimbursement equals the total petty cash fund. The custodian shall submit the form, receipts and the signed petty cash slips and a voucher to the Bookkeeping unit for reimbursement of the fund. The Bookkeeper shall code the petty cash reimbursement request on Accounts Payable input.
7. Upon receipt of the petty cash reimbursement check made payable to the "custodian's name–petty cash", the custodian shall cash the check within one (1) business day and replenish the fund.
8. Periodically, the Finance Director shall verify that cash-on-hand and receipts equal the petty cash fund total.

Part 3-2 Internal Controls**3-2.08-5 Electronic Funds Transfer**

Generally, electronic funds transfer payments are subject to the same controls as conventional cash transactions. However, the rapidity with which fund transfer payments are made, the “paperless” nature of these transactions, and the rapidly changing technology in this area, compound the usual problems of control. Control and planning difficulties are further magnified because fund transfer payments frequently involve voluminous transactions and large dollar amounts.

A. General

1. It is essential that control procedures be followed promptly. Failure to do so can facilitate theft or misappropriation and frustrate recoupment efforts.
2. The impact on cash flow planning and the income generated on the float is more critical.

B. Control Procedures

1. Acknowledgement of fund transfers shall be promptly obtained from the banking institution and/or the vendor.
2. A “Fed” Reference Number ("Number") shall be obtained from the banking institution and/or vendor for all external banking transactions.
3. The Number shall be used to reference all transactions.
4. Only the Finance Director will provide the external wire instructions to the vendor.
5. Reconciliation of both the number of transactions and the dollar amounts must be made promptly, daily if necessary, upon disbursement or receipt of funds.
6. The same signatory authority is required on wire transfers as if the transaction were being processed via check.

C. Miscellaneous

1. The Corporation shall have a clear understanding of their banking institution terms, guidelines and requirements prior to utilizing these types of services.
2. The Corporation shall pay special attention to the banking institutions liability for unprocessed, improperly processed and unauthorized fund transfers.
3. Costs of services versus the standard manual check procedures.
4. The Corporation must receive and provide a written statement authorizing fund transfers into accounts.

3-2.08-6 Purchase Order Processing**A. General**

The purchase order process is established to assist in implementing the Procurement Policies and Procedures. If there is any doubt or confusion regarding CWC policy or procedure the Procurement section of this manual should be referenced. Additionally, this section is established to assist employees in further delineating functions and responsibilities and shall not be interpreted as superseding the established and approved Procurement Policies and Procedure Manual.

1. Control

Part 3-2 Internal Controls

- a. When a commodity is reasonable and necessary to the operation of the CWC, a purchase order form shall be prepared by the employee/Board member (herein referred to as the Originator) requiring the commodity.
 - b. The Originator shall follow the Procurement Policy and Procedure Manual in regards to the necessary procurement method required for the commodity (i.e. quotes, RFP, number of responses required, etc.).
 - c. If there is any question, or the Originator requires assistance, the Originator shall contact the Finance Director for guidance, preprinted forms and format.
 - d. When the appropriate method of procurement has been determined and prepared, the Originator shall complete the purchase order form and adhere to the following guidelines regarding approval:
 - i. \$100 or less – no prior approval required
 - ii. \$1000 or less – prior written approval of the Finance Director required
 - iii. Over \$1000 – prior written approval of the Finance Director and the Executive Director required. In instances when dual approval is required the Finance Director will be responsible for forwarding the purchase order to the Executive Director.
 - e. After the appropriate approval has been received for the purchase of the commodity, the Originator shall commence with the procurement method. The Originator shall insure that all correspondence references the official purchase order number.
- B. Distribution**
1. The Originator shall distribute a photocopy of the purchase order to the Finance Department and to the vendor.
 2. The original form and supporting documents shall be retained by the originator until receipt of merchandise and invoice from the vendor.
 3. Any change to the original approved purchase order in excess of fifteen percent (15%) shall be reissued to the appropriate signature authority for approval.
- C. Receipt of Merchandise**
1. A receiving slip or ticket that itemizes the merchandise contained in the shipment shall accompany all merchandise received.
 2. Merchandise contained in the shipment is to be checked against the receiving slip or ticket, preferably immediately, although the CWC recognizes that time constraints exist with large quantities ordered and will deem within one (1) business day of receipt an acceptable method.
 3. After the Originator/Receiver has verified that all ordered items, and only ordered items, and quantities of such items have been received in good condition, the Originator/Receiver shall initial and date the receiving slip or ticket to denote that the merchandise was received as ordered.
- D. Receipt of invoice**
1. All invoices received by the Bookkeeping unit shall be distributed to the appropriate Originator.

Part 3-2 Internal Controls

2. Upon receipt of the invoice (vendor bill), the Originator shall cross check that:
 - a. The invoice matches the receiving slip or ticket to verify that only the items received are billed to the CWC; and
 - b. The items billed have all been billed at the agreed upon price. When there is a discrepancy, the Originator shall notify the vendor immediately and resolve the discrepancy. If the issue cannot be resolved, the Originator shall contact the Finance Director immediately regarding the discrepancy.

E. Payment processing

1. Prior to processing the payment for the purchase order, the Bookkeeper shall review the purchase order copy on file in the Finance Department with the purchase order submitted for payment, to review any discrepancies that may exist. If discrepancies exist in excess of fifteen percent (15%) of the original approved expenditure, the purchase order will be returned to the Originator for a full description of the variance.
2. Upon receipt of all merchandise listed on the purchase order, the Originator shall submit the purchase order, receiving slip or ticket and all supporting documents (i.e. written quotes, RFPs, etc.) to the Bookkeeping unit for payment processing in accordance with Section 3.3-Check Writing Procedures.

3-2.08-7 Voucher Processing

A voucher is a form established by the CWC to act as either 1.) A transmittal or check request form for expenditures that are commodities that because of their nature cannot be pre-authorized (i.e. utilities, telephone, etc.), 2.) Expenditures that are contractual in nature (i.e. office rent, insurance, etc.), 3.) Expenditures that are reimbursements (i.e. travel reimbursements) and 4.) to facilitate external submission of program expenditure reimbursements that require the originator to certify the charges are correct.

In all cases, a voucher must accompany all payment requests and shall be filled out by the Originator in full and submitted to the Bookkeeper for review.

The Bookkeeper shall review the checklist (when applicable) for proper signatures and run a calculator tape (when necessary) for multiple invoices. The Bookkeeper shall return any incomplete forms to the appropriate individuals. For complete vouchers and purchase orders, the Bookkeeper shall compare the calculator tape to the request amount and initial and date the calculator tape and attach it to the payment request before forwarding to the Finance Director.

The Finance Director reviews all vouchers and returns the incomplete forms to the appropriate staff person for an explanation of open items. The Finance Director signs and dates all approved vouchers for input and returns to the Bookkeeper

When the Finance Director is the originator, the Executive Director shall sign the voucher for approval.

The Bookkeeper enters all invoices into the computerized accounting system and prepares an accounts payable edit and posting report. The Bookkeeper forwards the report to the Finance Director for review. The Finance Director initials and dates the receipt in the lower left hand corner. The Finance Director returns the report to the Bookkeeper for filing.

Part 3-2 Internal Controls**3-2.08-8 Payments on Contracts, Loans, and Grants**

- A. The Originator shall complete the payment request checklist for contracts (including professional services) grants and loan agreements, and professional services contracts, and complete a payment voucher for processing.
- B. It is the responsibility of the Originator to ensure the request for payment is in compliance with the negotiated agreement.
- C. In the case where expenses are reimbursed separately, it shall be the responsibility of the Originator to ensure all expenses are itemized.
- D. The Originator shall approve all payment requests for contracts, grants, and loans and forward to the Bookkeeper for review of availability of funds and fiscal accuracy. The Bookkeeper shall run a calculator tape when necessary for multiple invoices that have been submitted. The bookkeeper shall initial and date the calculator tape and forward to the Finance Director for signature.

3-2.09 Contract Review

- A. All contracts (which includes contract amendments), whether expenditure or revenue, must be routed through the contract review process.
- B. Originator shall complete the "Contract Review Sheet" and attach the original copy of the contract.
- C. The Originator shall sign and date the review sheet and forward to the Corporate Counsel.
- D. The Corporate Counsel shall review the contract for legality, sign and date the review sheet before forwarding the contract to the Finance Director.
- E. The Finance Director shall review the contract for the availability of funds, sign and date the review sheet before forwarding the contract to the Executive Director.
- F. The Executive Director shall review the contract, sign and date the review sheet before returning the contract to the Originator.
- G. When all review signatures are secured, the Originator sends two (2) original copies of the contract, along with Federal, State, City and local regulations governing the contract, to the contractor for signature, and return.
- H. Upon return, the Originator forwards the two (2) signed copies of the contract, along with the Contract Review Sheet, to the Executive Director's office for signature.
- I. The Originator forwards a signed original contract and the completed Contract review sheet to the Finance Director.
- J. The remaining original contract is mailed to the contractor.
- K. The Executive Director may waive prior review of contracts under this policy, however, the review process must be completed within two weeks.

3-2.10 Political Activity

- A. The Hatch Act and the Intergovernmental Personnel Act of 1970 preclude federal funds from being used for partisan political purposes of any kind by any person involved in the administration of Federally assisted programs.

Part 3-2 Internal Controls***3-2.11 Labor Distribution Reporting***

- A. The hours of work are eight (8) hours, from 8:00 A.M. to 4:30 P.M., with a one-half hour lunch break, each workday.
- B. Charges for salaries and wages, whether treated as direct costs or indirect costs, will be based on documented payrolls approved by a responsible supervisory official. The distribution of time worked must be supported by labor distribution reports.
- C. Labor distribution reports will be prepared and controlled according to the following minimum standards:
 - 1. Employees, including subcontracted employees performing in-house work, are responsible for preparing their own timesheets.
 - a. Employees should be provided clear instructions of the work to be performed and the activity to be charged.
 - b. Timesheets shall be prepared in ink.
 - c. Timesheets should be filled out as work is performed, but no less often than daily.
 - d. All supervised hours worked should be recorded on timesheets.
 - 2. Employees and the supervisor will sign Timesheets only after they are filled out.
 - 3. Corrections are to be made by cross-out and new entry, with no erasures or whiteouts.
 - a. Corrections are to be initialed by the employee and supervisor.
 - b. An explanation verbally to the employee's direct supervisor must be provided for corrections.
 - 4. Distribution and collection of timesheets will be controlled by the Bookkeeper.
 - a. Only one card is to be furnished to the Bookkeeper per pay period.
 - b. Corrections are to be initialed by the employee and supervisor.
 - c. Signed timesheets must be turned in to a designated Bookkeeper one day prior to the pay date.
 - 5. Responsibility for distribution and collection of timesheets should be segregated from that for:
 - a. Preparation and approval of time and attendance records;
 - b. Preparation and distribution of the payroll; and
 - c. Monitoring performance to budgets.
 - 6. New employees are to be fully indoctrinated on proper timesheet procedures. Employees must be made aware of their individual responsibility for accurate timesheet preparation.
 - 7. Periodic internal reviews are to be performed by the internal finance staff and external auditors of the timekeeping system to assure compliance with system controls.
 - 8. Overtime hours are to be approved prior to work being performed.
 - 9. Supervisors who are authorized to approve timesheets are listed below:

Part 3-2 Internal Controls

<u>Area</u>	<u>Name of Approving Supervisor</u>
1. Administration	Executive Director
2. Finance	Finance Director
3. Economic Development	Economic Development Director
4. Water Quality Programs	Water Quality Program Director

3-2.12 Use of Informal Records

Executives are authorized to keep track of their time charges using informal records (i.e., a "Daytimer" or desk calendar) of the summarized weekly versus maintaining a daily timesheet.

3-2.13 Control of Non-Contemporaneous Cost Transfers

For all transfers of costs from one grant to another and from a direct cost to an indirect cost or vice versa, made on other than a contemporaneous basis, the CWC will:

- A. Have available in its accounting records an appropriate written justification statement for any cost transfers;
- B. Obtain the written approval of the Finance Director; and
- C. Reflect the adjustment in its General Journal.

Employees, volunteers and agents will be precluded from and be periodically instructed from taking security deposits or from making payments on behalf of program participants. In situations where such programs are provided for and explicitly covered under the Corporation's fidelity bond coverage, adequate safeguards will be set in place and periodically assessed.

3-2.14 Suspense Account

Any cost the treatment of which as a direct cost or an indirect cost is unknown at the time of original occurrence will be recorded to the suspense account (A/C No. XX-2301-XXX) until its disposition has been resolved.

3-2.15 Government Access to Records

The Finance Director will provide access to the Corporation's records to the CWC Treasurer, the Board of Directors, the State and City Controllers or his/her designee and provide supporting records as requested by government auditors to facilitate the completion of such audits or reviews in accordance with the CWC's contractual obligations.

3-2.16 Security of Financial Data

- A. The Corporation's automated accounting system will have sufficient built-in general controls and application controls to preclude unauthorized access to data.
- B. Access to any computer-based financial data will be granted on a need-to-know basis and will be restricted by a series of passwords to be revised periodically.
- C. The system's accounting data will be backed up daily by the Finance Director and stored in a safe location.
- D. The Finance Director and Bookkeeper(s) are the only personnel authorized to access the accounting system. The authorization is protected by issuance of user identification and password access.

Part 3-2 Internal Controls***3-2.17 Use of Corporation Assets***

- A. No employee of the CWC may use any Corporation property, equipment, material or supplies for personal use without the prior approval of the Executive Director.
- B. Any such uses of Corporation assets for personal purposes may be reportable to the Internal Revenue Service for tax purposes.

3-2.18 Use of Telephone Credit Cards

- A. Telephone credit cards assigned to staff and Board members are only to be used for company-related expenditures. Individual staff and Board members shall maintain a log of calls placed on the credit card. Telephone log sheets shall be turn in to the accounting department monthly.
- B. Monthly credit card statements will be received by the accounting department and forwarded to the Executive Director for his review.

3-2.19 Fraud Policy

It is the mission of the Catskill Watershed Corporation (the “Corporation”) to implement the Watershed Protection and Partnership Programs in the West of the Hudson Watershed under the New York City Watershed Agreement. As a non-profit local development corporation established for a public purpose, the Corporation is committed to doing business in an environment of honesty and integrity. Therefore, the Corporation will not tolerate any fraudulent or dishonest activities by any of the Corporation’s employees, consultants, agents, vendors, contractors, and any other third parties. For the purposes of this policy, “fraud” is defined as the deliberate practice of deception in order to receive unfair or unlawful gain.

Examples of fraudulent or dishonest activities include, but are not limited to:

- Forgery, falsification or alteration of documents (for example: receipts submitted for expense account reimbursement, cash receipts, checks, vendor agreements, purchase orders, other financial documents, electronic files);
- Misapplication of the Corporation’s funds, supplies, property or other assets;
- Impropriety in the handling or reporting of the money or financial transactions relating to the Corporation;
- Profiteering as result of the insider knowledge of the Corporation’s plans and activities;
- Unauthorized disclosure of the Corporation’s confidential and proprietary information to outside parties;
- Employees or members of their immediate family receiving any gratuities, gifts of money, property or service, discounts or other like favors which exceed courtesies customarily accepted as business practices, which might place, or be construed as placing, an employee under any obligation to act on behalf of the Corporation in a manner that conflicts with the Corporation’s Conflict of Interest policy;
- Destruction, removal, or inappropriate use of the Corporation’s records, furniture, fixtures and equipment;
- Actions related to concealing or perpetrating the above mentioned activities.

It is the policy of the Corporation to establish and maintain controls and procedures intended to provide reasonable assurance that fraudulent or dishonest acts, by employees or outside third parties, are prevented or promptly detected. To that end, employees have an obligation to promptly report any

Part 3-2 Internal Controls

and all suspected acts of fraud and/or dishonesty to the employee's Supervisor/Manager or directly to the Executive Director. There will be no retaliation against any employee who, in good faith, raises concerns regarding alleged violations of this policy.

The Executive Director (or his/her designee) shall have primary responsibility for investigating any allegations involving possible fraudulent or dishonest activities in matters relating to the Corporation. To the extent possible, all investigation of alleged fraud will be conducted in a confidential manner; provided, however, that limited disclosure may be necessary in order to thoroughly investigate the matter.

If required by law or where deemed appropriate by the Corporation, the Corporation shall report cases of alleged fraud to the appropriate law enforcement authorities, including New York City enforcement authorities. The Corporation will fully cooperate with law enforcement authorities in any investigation and/or prosecution of such cases.

Violation of this policy may subject employees to disciplinary action, up to and including termination. Violations of this policy by outside third parties may result in termination of such parties' business or other relationship with the Corporation. As appropriate, the Corporation may report such violations to the Board and/or law enforcement authorities.

Part 3-3 Accounting Procedures**Part 3-3 Accounting Procedures*****3-3.01 Basis of Accounting***

The CWC will report program outlays and program income on the accrual basis. Accordingly, expenditures are recorded when a liability is incurred (i.e., when an invoice has been received or the amount can be readily estimated), but revenue is not recorded until actually earned by or is available to the grantee or subgrantee. "Available" means that the revenue is both recognizable and collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

3-3.02 Incurred Costs

Outlays or expenditures represent charges made to the project or program. They must be reported on an accrual basis. For reports prepared on a cash basis, outlays are the sum of actual cash disbursements for direct charges for goods and services, the amount of indirect expense charged, the value of in-kind contributions applied, and the amount of cash advances and payments made to subgrantees. For reports prepared on an accrual basis, outlays are the sum of actual cash disbursements for direct charges for goods and services, the amount of indirect expenses incurred, the value of in-kind contribution applied, and the net increase (or decrease) in the amounts owed by the grantee for goods and other property received, for services performed by employees, grantees, sub-grantees and other payees and other amounts becoming owed under programs for which no current services or performance are required such as annuities, insurance claims and other benefit payments.

3-3.03 Elements of an Acceptable Financial Management System

- A. The CWC will maintain records and make reports in such form and containing such information as may be required by its funding sources. The CWC will maintain such accounts and documents as will serve to permit expeditious determination of the status of funds and the levels of services, including the disposition of all monies received from its funding sources and the nature and amount of all charges claimed against such funds.
- B. Title 45 Code of Federal Regulations Subpart 74.61(b) and the administrative rules of other Federal agencies require that grantees or sub-grantees have records that identify adequately the source and application of funds for grant or sub-grant-supported activities. At a minimum, these records will contain information pertaining to grant or sub-grant awards, authorizations, obligations, unobligated balances, assets, outlays, income, if the recipient is a governmental entity and liabilities.
- C. For the purpose of determining the adequacy of the financial management system, the CWC will maintain on a current basis as a minimum:
 1. General Journal;
 2. General Ledger;
 3. Separate Cash Receipts and Disbursements Journal or Voucher Register;
 4. Payroll Register;
 5. Fixed Assets Register for all owned and leased property and equipment;
 6. In-Kind Journal/Worksheets (if applicable);
 7. Fund/Program Cost Control Subsidiary Ledger/Worksheets, and

Part 3-3 Accounting Procedures

8. Bank statements reconciled.

3-3.04 Cash Management

- A. The CWC will maintain a financial forecasting system to adequately forecast its fund flows -- intake and outgo - and needs.
- B. If required by the funding agency, the CWC will, insofar as is feasible, limit cash advances to their subgrantees or grantees, if the subgrantee or grantee have greater than three day's needs.
- C. Fiscal personnel of the CWC will ascertain through telephone contact and other means the actual cash balances held by its subgrantees and grantees.

3-3.05 Budgets

- A. The Executive Director will have a budget prepared for review by the CWC Treasurer and the Finance Committee. The budget shall be approved by the Board of Directors. The Executive Director shall keep up to date an annual budget of revenues and expenses.
- B. The Corporation will maintain a budget of its indirect costs and its bases of allocation for the periods covering the longest grant that it bids.

3-3.06 Insurance and Bonding

- A. The Corporation will maintain the following minimum levels of coverage:

Comprehensive / General Liability	\$2,000,000
Automobile Insurance for employees and consultants	\$2,000,000
Personal Property	Aggregate of Fixed Asset Value
Fire and Water Damage	Full Replacement Value for the Aggregate of fixed Asset Value.
Directors and Officers	\$3,000,000 (Deductible - \$300 per Director per Occurrence, \$10,000 CWC per Occurrence.)
Theft Coverage	Full Replacement Value for the Aggregate of fixed Asset Value.
Workers' Compensation	To the Extend Required by Law
Employee Dishonesty	\$10,000
Business Interruption	\$2,000,000

- B. These insurance coverages will be increased where contractual provisions require an increased level of coverage.
- C. The Corporation will require proof of adequate insurance coverage from all prospective subgrantees.

Part 3-3 Accounting Procedures***3-3.07 Record Retention and Disposal***

- A. All financial and programmatic records, supporting documents, statistical records and other required or pertinent records of the CWC will be retained for the longer of five (5) years after termination of the agreement to which they pertain or seven (7) years after generation of the record.
- B. If any litigation, claim, negotiation, audit or other action involving the records has been stated before the expiration of the five (5) year period, the records must be retained until completion of the action and resolution of all issues which arise from it, or until the end of the regular five (5) year period, whichever is later.
- C. In accordance with the "Guide to Record Retention Requirements," National Archives and Records Administration, U.S. Department of Commerce, for the Internal Revenue Service, the following records will be retained for the indicated minimum periods:
 - 1. For six years after the close of the year or until the tax audit of the return for the year is completed, whichever is longer: accounts payable and accounts receivable ledger, payroll register, inventory ledger, bad debt write-off supporting details, cash book, petty cash book, check register and checks, invoices (funding sources and vendors), and insurance safety reports.
 - 2. Permanently: Audit reports, chart of accounts, financial statements, General Ledger, fixed asset records, journal vouchers, profit and loss statements, tax returns, annual corporate reports, charters and By-laws and minutes, grants and agreements, tax and legal correspondence, incorporation records, labor grants, insurance claims and policies, accident reports and retirement and pension records.
- D. The disposal date determined under this policy will be the end of the fiscal year in which occurs the anniversary date of the required number of years from the act specified or, where not specified, from completion of a grant, date of final payment of a grant or year in which an entry is made charging or allocating a cost to a government grant, as the case may be.
- E. All records not supporting government grants or otherwise covered by rules of the Internal Revenue Service will be retained for three years from the end of the fiscal year in which the records were originally prepared.
- F. All financial records will be maintained in chronological order, organized by fiscal year, starting with the fiscal year commencing January 1, 1997. No separate files or accounting records will be maintained by individual grants.
- G. In connection with the disposal of any records, the designated Records Disposal Officer listing the record or the class of records disposed of will prepare a memorandum of record disposal. The Records Disposal Officer will certify this memorandum of records disposal.

3-3.08 Monitoring Sub-recipients and Grantees

The CWC program and fiscal personnel will develop criteria to categorize subrecipients and grantees for monitoring as follows:

Category 1- Experience has shown that subrecipients and grantees may be relied upon to submit well-prepared and documented grant applications, have highly qualified program and fiscal personnel and systems and can be relied upon to comply with the principal requirements. For organizations in this category, the CWC will arrange an annual fiscal

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assessment, rely upon the subrecipient's annual audit and respond to reports for technical and other assistance.

Category 2 -- Experience indicates that subrecipients and grantees in this category have fairly reliable procedures and controls. The CWC will rely upon a quarterly visit/contact and the annual audit.

Category 3 - Other sub-recipients who are known to be careless or less proficient in grant application preparation, grant cost accounting, reporting and grant/contract compliance. These subrecipients or grantees will be intensively and regularly visited and follow-up actions taken.

3-3.09 Financial Reporting

The Finance Director will maintain supporting records in sufficient detail to prepare the Corporation's financial reports, including:

- A. Annually:
 - 1. Financial statements for audit; and
 - 2. Annual budget(s).
- B. Monthly:
 - 1. Trial balance;
 - 2. Detail General Ledger;
 - 3. Statement of Financial Position, prepared in accordance with Statement of Financial Accounting Standards ("SFAS") No. 117;
 - 4. Statement of Activities, prepared in accordance with SFAS No. 117;
 - 5. Investment Status report; and
 - 6. Cash and cash equivalent balances.
- C. Quarterly:
 - 1. Statement of Cash Flows, prepared in accordance with SFAS No. 117.
- D. Periodically:
 - 1. Annual Federal and state corporate tax return;
 - 2. IRS Forms 941 and payroll tax returns and comparable State taxing authority returns; and
 - 3. Other reports upon request.

3-3.10 Audit

- A. The Corporation will have conducted annually a full-scope audit by a qualified independent certified public accountant.
- B. If the Corporation receives funding from federal assistance awards, CWC will comply with any applicable federal auditing requirements.

3-3.11 Scope of Audit Report

The Single Audit provides that:

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- A. The audit will be made by an independent auditor in accordance with generally accepted government auditing standards covering financial and compliance audits.
- B. The audit will cover the entire operations of an corporation or, at the option of that corporation, it may cover departments, agencies or establishments that received, expended or otherwise administered Federal financial assistance during the year. a series of audits of individual departments for the same fiscal year may be considered a single audit. The auditor will determine whether:
 - 1. The financial statements and the accompanying schedules of the Corporation, program (s) present fairly its financial position and the results of its financial operations in accordance with generally accepted accounting principles;
 - 2. The Corporation has internal accounting and other control systems to provide reasonable assurance that it is managing Federal, State, City and local financial assistance programs in compliance with applicable laws and regulations; or
 - 3. The Corporation has complied with laws and regulations that may have a material effect on its financial statements and on each major Federal, State, City and local assistance program.

3-3.12 Procuring Audit Services

- A. In arranging for audit services, the Corporation will follow the procurement standards for retaining professional services. Small audit firms, audit firms located in the Watershed region, as defined in the New York City Memorandum of Agreement and audit firms owned and controlled by socially and economically disadvantaged individuals will have the maximum practical opportunity to participate in audit contracts awarded under this section.
- B. In soliciting and retaining auditors to conduct the annual audit, the Corporation must make specific reference in its request for proposal and any resulting contract that the auditor would be required to conform its audit to the contract requirements in the Single Audit Act of 1984, PL 98-502, and OMB Circular A-133 or successor(s) then in effect. This would relate to the scope of the audit, standardized audit report, reportable events, monitoring by the granting Corporation and quality assurance review, access to audit work papers, plan for corrective action and resolution of audit findings.
- C. The audit solicitation and any resulting contract for audit services will make specific reference that "if it is determined that the contractor's audit work was unacceptable as determined by the granting agency or a Federal, State, City or local supervisory agency, either before or after a reasonable time after a draft or final report was issued because it did not meet the granting agency's standards, the AICPA Standards or those promulgated by the Comptroller General of the United States, the contractor may, at the written request of the CWC, be required to re-audit at its own expense and resubmit a revised audit report which is acceptable."
- D. The CWC will award multi-year audit contracts of not longer than a five-year duration. At the end of such a multi-year period, the CWC will observe competitive procedures in procuring audit services.

3-3.13 Frequency of Audits and Due Date for Audit Report Submissions

- A. An audit of agencies and their grantees and cost-reimbursement contractors will be conducted no less frequently than annually.

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- B. The audit report will be submitted to the granting agency by February 15th. If for reasons within the control of the Corporation, this report cannot be submitted by this time, funding of the corporation may be suspended by the granting agency. An corporation will make a written request for an extension of time for justifiable reasons to the granting agency before February 15th. Such request will be submitted with sufficient time for granting agency review and approval.

3-3.14 Definition of Major Program Under the Single Audit Act/OMB Circular A-133

- A. Under the Single Audit Act, the independent public accountant will determine and report on whether the recipient has complied with laws and regulations that may have a material effect on each major financial assistance program. A program may include several grants and grants and other forms of financial assistance. The granting agency has interpreted Services funding and General Fund monies combined for the purpose of determining whether a program exceeds the dollar threshold for a major program that should be separately reported.
- B. Even for those programs identified as non-major financial assistance programs, government-sponsored agencies may still require their independent public accountants to determine that such programs have complied with the laws and regulations having a material effect on each such program. Even in circumstances where government-sponsored agencies provide audited consolidated financial results covering non-major programs, such agencies will provide unaudited reconciliations with the independent public accountant's audit report.

3-3.15 Oversight of Subrecipient Audits

- A. If the Corporation's independent certified public accountant retained to conduct an audit of the Corporation should include in its audit report an opinion on the costs incurred by the corporation's subrecipients. This is normally accomplished by the corporation's auditor reviewing the subgrantees' unqualified audit report for the same period and otherwise satisfying himself or herself of the extent to which such audit report may be relied upon. Section 543.03 of the Generally Accepted Auditing Standards provides guidance to independent auditors when they either assume or not assume responsibility for another auditor's work.
- B. The corporation shall provide to its independent public accountant copies of all subgrantees' audits for an expression of an opinion on the Corporation's overall financial operations, including funding made available to its service providers.
- C. The corporation or its auditor shall review all subgrantee audits using the following guidance:
1. In general, a determination should be made during the desk review of audited financial statements as to whether:
 - a. The audit reports include financial statements and a schedule of Federal assistance, including footnotes of the recipient organization.
 - b. The financial statements cover the entire operations of the corporation, including all Federal, State, City and local funds known to have been received by the auditee.
 - c. The audit report:
 - i. Identifies the statements examined and the period covered.
 - ii. Identifies the various programs under which the Corporation received federal, State, City or local funds, and the total amount of the expenditures for each federal, State, City and local program.

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- iii. States that the examination was made in accordance with the Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, and Guidelines for Financial and Compliance Audits of Federally Assisted Programs, issued by the Comptroller.
 - iv. Expresses an opinion as to whether the financial statements are fairly presented in accordance with generally accepted accounting principles and state the nature of any qualifications, if an unqualified opinion cannot be expressed.
2. Report on Compliance

The auditor's report on compliance should contain a statement of positive assurance with respect to those items rested for compliance, including compliance with laws and regulations pertaining to financial reports and claims for advances and reimbursements:

 - a. Negative assurance on those items not tested.
 - b. A summary of all instances of noncompliance.
3. c. An identification of total amounts questioned, if any, for each federal assistance award, as a result of noncompliance. Report on Internal Control

The desk review should determine that the auditor's report on the study and evaluation of internal control systems identifies (1) the Corporation's significant internal accounting controls, and those controls designed to provide reasonable assurance that Federal, State, City and local programs are being managed in compliance with laws and regulations, and (2) the controls that were evaluated, the controls that were not evaluated, and any material weaknesses identified as a result of the auditor's evaluation.
3. Comments on Other Matters

The desk review should determine whether the recipient has provided comments on the independent auditor's findings and recommendations and its corrective action plan to address the recommendations.
 4. Adequacy of Information Provided

The review should also determine whether the information provided by the auditor on findings identified in the report is sufficient to facilitate resolution by program officials. If the findings contain insufficient information to enable resolution by program officials, the granting agency or the corporation should contact the recipient or subrecipient and arrange for corrective action.

3-3.16 Audit Quality Assurance Reviews

Qualified corporate personnel should:

- A. Review the complete audit report and note any deviations in the report format from that prescribed in the audit grant scope of work;
- B. Prove the clerical accuracy of all footings, extensions, etc., of all statistical data in the report;
- C. Verify that all exhibits, schedules and supporting statements in the report are in agreement and reconcilable, where appropriate; and

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- D. Review and evaluate the propriety of all questioned costs presented in the report and/or other management and internal control weaknesses.

3-3.17 Audit Resolution

- A. The CWC will systematically assure the timely and appropriate resolution of audit findings and recommendations.
- B. The CWC will ensure that appropriate corrective action, including settlement and payment of any unacceptable costs, is taken within six months after receipt of an acceptable audit report for a subgrantee in instances of noncompliance with federal, State, City or local laws and regulations.

3-3.18 Final Audit Adjustments

- A. Subgrantees will submit their unaudited adjusted year-end report 30 days after the end of the grant period.
- B. Because the exact accruals and adjustments the auditor may make will not be known until after the auditor submits its audit report, the final financial report frequently differs from the audited financial figures. The carry-over balance estimated by the subgrantee will frequently be different from that available after the auditor reports the costs incurred.

3-3.19 Chart of Accounts

The principal account groupings in the chart of accounts of the CWC are as follows:

1100-1499 Current Assets

Cash and other assets which will be realized in cash, sold or consumed during the normal operating year of business.

1001-1099 Cash

Cash on deposit with banks and on hand at offices exclusive of time deposits shown below.

Does not include funds that are in blocked accounts or bank overdrafts.

Credit balances relating to overdrafts should be recorded in Bank Overdrafts.

1400-1450 Marketable Securities

Securities held on a non-permanent basis and readily marketable.

At year-end, indicate market values of each issue. If stated on a basis other than cost, note and give reasons.

Note: Do not include securities held on a permanent basis, which should be shown under Miscellaneous Investments.

1005-1050 Time Deposits

At year-end, indicate custodian, interest rate and maturity date of each time deposit.

2000-2499 Current Liabilities

Debits or obligations which are payable out of Current Assets within the current operating year.

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2110-2199 Bank Short-Term Fixed Rate Loans, Secured

Bank loans and notes payable for periods up to one year at a set rate, secured by assets pledged, e.g., inventories, accounts receivable, land, buildings or equipment, etc. unsecured

3000-3999 Fund balance

4000-4999 Revenue

5000-9999 Expenses

Part 3-4 Assets**Part 3-4 Assets****3-4.01 Assets****3-4.01-1 Bank Accounts**

- A. Bank accounts of the CWC are at Federal Deposit Insurance Corporation (FDIC)-insured banks with a customer service branch located in the Watershed Towns.
- B. To the maximum extent practical, corporate funds will be maintained in interest bearing accounts.
- C. In addition to maintaining its accounts in FSLIC or FDIC-insured banks, CWC has taken the following additional precautions to ensure the security of its funds by negotiating with the bank or obtaining separate coverage for additional insurance on its overall deposits beyond \$100,000.
- D. Consistent with the corporation's goal of expanding opportunities for minority business enterprises, banks which are minority- or women-owned, to the extent they are available locally, will be given preference in the selection of the corporation's banking establishment(s).

3-4.01-2 Petty Cash Payments

Petty cash payments will be made in an amount not to exceed \$100.00 for cash advances, local expense reimbursement and small-dollar vendor purchases, provided proper documentation is furnished with each request.

3-4.01-3 Accounts Receivable

As the terms and conditions of grants and contracts with all funding sources permit, CWC will progress and provisionally invoice for costs incurred/milestones met.

3-4.01-4 Contributions and Pledges

- A. Contributions received, including unconditional pledges, are to be recognized as revenues in the period received. Contributions in a form other than cash are to be measured at the fair value of the items received.
- B. All contributions received should be distinguished between contributions that increase permanently restricted net assets, temporarily restricted net assets and unrestricted net assets.

3-4.01-5 Unbilled Receivables

Unbilled amounts represent sales for which billings have not been presented to funding sources, including differences between actual and estimated overhead and margin rates. These amounts are usually billed and collected within one year.

3-4.01-6 Excess Costs

Provided they are estimable and realizable, costs in excess of billings and estimated earnings will be treated as current assets if collection is expected within one year. Otherwise, such excess costs will be treated as a non-current asset.

3-4.01-7 Leases

Leases which meet the accounting criteria for capital leases in accordance with Statement of Financial Accounting Standard No. 13 are recorded as property, plant and equipment, and the related capital

Part 3-4 Assets

lease obligations (the aggregate present value of minimum future lease payments, excluding executory costs such as taxes, maintenance and insurance) are included in long-term debt for financial reporting purposes. Depreciation and interest are charged to expense, and rent payments are treated as payments of long-term debt, accrued interest and executory costs. All other leases are accounted for as operating leases, and rent payments are charged to expense as incurred.

3-4.01-8 Separate Fixed Asset Subsidiary Ledger

- A. Fixed assets will be recorded in a self-balancing group of accounts separate and distinct from the regular General Ledger accounts.
- B. To be classified as a fixed asset, a specific piece of property must possess three attributes: (1) tangible nature, (2) a useful life of one year or more, and (3) a value of \$500 for non-profit corporations or more.
- C. All fixed assets acquired either by purchase from federal, state city or local funding or donated to the Corporation, will be immediately recorded in the Fixed Assets Account Group. Purchased fixed assets are valued at cost. Donated fixed assets are recorded at their estimated fair value at the time received by the Corporation. All fixed assets owned by the Corporation should be substantiated with adequate records.
- D. Balance in the separate Fixed Assets Account Group is provided by the various asset accounts with their debit balances, offset by equity accounts with credit balances that show by their respective titles the sources from which the assets were acquired.
- E. The Fixed Assets Account Group will be organized as follows:
 - 1. Land
 - 2. Buildings
 - 3. Computer and software Equipment
 - 4. Telephone equipment, and
 - 5. Office equipment.

3-4.01-9 Capitalization of Equipment

- A. All tangible personal property with a useful life of more than one year and a unit acquisition cost of \$500 or more will be capitalized and depreciated over its useful life using the straight-line method of depreciation. CWC will expense the full acquisition cost of tangible personal property below these thresholds in the year of purchase.
- B. The basis of accounting for depreciable fixed assets is acquisition cost, and all normal expenditures, including installation costs, architect-engineer fees, etc., of readying an asset for use will be capitalized. However, unnecessary expenditures that do not add to the utility of the asset will be charged to the period incurred.

3-4.01-10 Equipment, Original Complement of

- A. In the case of original complement of low-cost equipment (e.g., chairs, tables, etc.), CWC will capitalize its investment of \$25,000 or more in such equipment.

Part 3-4 Assets**3-4.01-11 Donated Property or Equipment**

Donated assets that, at the time of receipt, meet the corporation's criteria for capitalization will be capitalized at their fair or appraised value.

3-4.01-12 Betterments / Leasehold Improvements

Expenditures for significant betterment of existing properties are capitalized at cost. The Corporation has engineering and construction staffs responsible for the majority of plant expansion projects and installation of machinery and equipment. Capitalized costs of projects undertaken internally consist of direct materials, labor and allocated overhead and general and administrative expenses. Maintenance and repairs are expensed as incurred.

3-4.01-13 Investments Policy**3-4.01-13.1 Scope**

This investment policy applies to all moneys and other financial resources available for investment by Catskill Watershed Corporation (the "Corporation") on its own behalf or on behalf of any other entity or individual.

3-4.01-13.2 Objectives

- A. The primary objectives of the Corporation's investment activities are, in priority order,
1. To conform with all applicable Federal, State, City, local contractual and other legal requirements (legal);
 2. To adequately safeguard principal (safety);
 3. To provide sufficient liquidity to meet all operating requirements (liquidity); and
 4. To obtain a reasonable rate of return (yield).
 5. To provide rate of return to offset the erosive effects of inflation on principal (growth).

3-4.01-13.3 Delegation of Authority

The Board of Directors' responsibility for administration of the investment program is delegated to the Executive Director.

3-4.01-13.4 Prudence

All participants in the investment process shall seek to act responsibly as custodians of the public trust and shall avoid any transaction that might impair public confidence in the Corporation.

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the safety of the principal as well as the probable income to be derived.

All participants involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or that could impair their ability to make impartial investment decisions.

3-4.01-13.5 Diversification

Part 3-4 Assets

It is the policy of the Corporation to diversity its deposits and investments by financial institution, by investment instrument, and by maturity scheduling.

3-4.01-13.6 Collateralizing Of Deposits

All deposits of the Corporation, including certificates of deposit and special time deposits, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act, shall be secured:

1. By a pledge of “eligible securities” with an aggregate “market value,” as provided by New York General Municipal law (“GML”) 10, equal to the aggregate amount of deposits, from the following categories: (I) Obligations issued, or fully insured or guaranteed as to the payment of principal and interest, by the United States of America, an agency thereof, or a United States government-sponsored corporation; Obligations issued or fully guaranteed by the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, and the African Development Bank; Obligations partially insured or guaranteed by an agency of the United States of America, at a proportion of the market value of the obligation that represents the amount of insurance or guaranty; and Obligations issued or fully insured or guaranteed by the State of New York, obligations issued by a municipal corporation, school district or district corporation of New York State or obligations of any public benefit corporation, which under a specific State statute, may be accepted as security for deposit of public moneys.
2. By an eligible “irrevocable letter of credit” issued by a qualified bank other than the bank with the deposits, in favor of the Corporation, for a term not to exceed 90 days with an aggregate value equal to 140% of the aggregate amount of deposits and the agreed upon interest, if any. A qualified bank is one whose commercial paper and other unsecured short-term debt obligations are rated in one of the three highest rating categories by at least one (1) nationally recognized statistical rating organization or by a bank that is in compliance with applicable Federal minimum risk-based capital requirements; or
3. By an eligible surety bond payable to the Corporation for an amount at least equal to 105% of the aggregate amount of deposits and the agreed upon interest, if any, executed by an insurance company authorized to do business in New York State, whose claims – paying ability is rated in the highest rating category by at least two nationally recognized statistical rating organizations.
4. By an “irrevocable letter of credit” issued in favor of the corporation by a federal home loan bank whose commercial paper and other unsecured short-term debt obligations are rated in the highest rating category by at least one nationally recognized statistical rating organization, as security for the payment of 100 percent of the aggregate amount of deposits and the agreed-upon interest, if any.

3-4.01-13.7 Safekeeping and Collateralization

Eligible securities used for collateralizing deposits shall be held by the depository and/or a third party bank or trust company subject to security and custodial agreements.

The security agreement shall provide that eligible securities are being pledged to secure the Corporation’s deposits together with agreed upon interest, if any, and any costs or expenses arising out of the collection of such deposits upon default. It shall also provide the conditions under which the securities may be sold, presented for payment, substituted or released and the events that will enable the Corporation to exercise its rights against the pledged securities. In the event that the securities are not registered or inscribed in the name of the Corporation, such securities shall be delivered in a form suitable for transfer or with an assignment in blank to the Corporation or its custodial bank.

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The custodial agreement shall provide that securities held by the bank or trust company, or agent of and custodian for, the Corporation, will be kept separate and apart from the general assets of the custodial bank or trust company and will not, in any circumstances, be commingled with or become part of the backing for any other deposit or other liabilities. The agreement should also describe that the custodian shall confirm the receipt, substitution or release of the securities. The agreement shall provide for the frequency of revaluation of eligible securities and for the substitution of securities when a change in the rating of a security may cause ineligibility. Such agreement shall include all provisions necessary to provide the Corporation a perfected interest in the securities.

3-4.01-13.8 Permitted Investments

The Corporation authorizes the Executive Director to invest moneys not required for immediate expenditure for terms not to exceed its projected cash flow needs in the following types of investments:

- ◆ Special time deposit accounts;
- ◆ Certificates of deposit;
- ◆ Obligations of the United States of America;
- ◆ Obligations guaranteed by agencies of the United States of America;
- ◆ Investment rated (Baa – AAA) City, State or State authority [Municipal] bonds purchased from a Board approved New York State broker
- ◆ Corporate obligations rated “A” or higher by at least two nationally recognized rating agencies;
- ◆ Government insured money market funds that invest in U.S. government securities;
- ◆ Repurchase agreements for U.S. government and U.S. government guaranteed securities;
- ◆ Commercial paper and banker acceptance notes rated “A” or higher by at least two nationally recognized rating agencies;
- ◆ Government issued bond funds;
- ◆ Convertible bond funds
- ◆ Corporate bonds and corporate bond funds of investment grade; and/or
- ◆ All mutual funds consisting of investment grade bonds – both open and closed

All investment obligations shall be payable or redeemable at the option of the Corporation within such times as the proceeds will be needed to meet expenditures for purposes for which the moneys were provided and, in the case of obligations purchased with the proceeds of bonds or notes, shall be payable or redeemable at the option of the Corporation within two years of the date of purchase.

3-4.01-13.9 Authorized Financial Institutions And Dealers

The Corporation shall maintain a list of financial institutions and dealers approved for investment purposes and establish appropriate limits to the amount of investments that can be made with each financial institution or dealer. All financial institutions with which the Corporation conducts business must be credit worthy. Banks shall provide their most recent Consolidated Report of Condition (Call Report) at the request of the Corporation. Securities dealers not affiliated with a bank shall be required to be a member of the National Association Securities Dealers (NASD) and the Securities Investors Protection Corporation (SIPC). The Executive Director is responsible for evaluating the

Part 3-4 Assets

financial position and maintaining a listing of proposed depositories, trading partners and custodians. Such listing shall be evaluated at least annually.

3-4.01-13.10 Purchase of Investments

The Executive Director is authorized to contract for the purchase of investments:

1. Cash flow statements shall be prepared by the Finance Director and updated monthly to enable the Executive Director to make appropriate decisions as to types and maturities of investments.
2. The Finance Director shall develop a database or record incorporating descriptions and amounts of investments, transactions dates, interest rates, maturities, bond ratings, market prices and related information necessary to assist the Executive Director in his management of the investment portfolio.
3. The investment selection process shall utilize competitive quotations or negotiated prices, except in the purchase of government securities at their initial auction.
4. Each disbursement of funds (and corresponding receipt of securities) or delivery of securities (and corresponding receipt of funds) should be based upon proper written authorization. If the authorization is initially given verbally, there should be written or telegraphic confirmation from the Executive Director to the custodial bank.
5. For bank deposits, payment of funds shall only be made upon receipt of collateral or other acceptable form of security. For investments, payments of funds shall only be made upon the delivery of authorized government securities, whether such securities are purchased outright, or pursuant to a repurchase agreement.
6. The process of initiating, reviewing and approving requests to buy and sell investments should be documented.
7. Custodial banks shall be required to report whenever activity has occurred in the Corporation's custodial account.
8. Custodial banks must have prior written authorization from the Corporation to transfer obligations and collateral. Inclusion of a provision in the custodial agreement permitting substitution upon verification as to value and eligibility by the custodian will be considered to be prior authorization. All individual transactions must be confirmed in writing.
9. There shall be at least monthly verifications of both the principal amount and the market values of all investments and collateral. Appropriate listings shall be obtained from the custodian or trustee and compared against the Corporation's records.
10. The Executive Director shall maintain a record of investments. The record shall identify the security, the fund for which held, the place where kept, date of disposition and amount realized and the market value and custodian.
11. All cash management, collateral, investment and custodian documentation shall be retained for audit purposes.

3-4.01-14 Endowment Funds

- A. Initial receipts for gifts, grants or bequests under an endowment agreement will be recorded as a capital addition based on the fair market value of the property received.

Part 3-4 Assets

- B. Unrestricted investment income from endowment funds and term endowment funds will be recorded as investment income in the unrestricted operating fund. Restricted expendable investment income will be accounted for as deferred revenue. Investment income that must be added to the principal balance as required by a donor or grantor agreement will be recorded as a capital addition. Also, gains or losses from investments will be recorded as capital additions or deductions.
- C. When a term endowment fund expires, surplus resources will be transferred to the unrestricted operating fund or to a fund specifically designated in the donor or grantor agreement.

Part 3-5 Liabilities**Part 3-5 Liabilities****3-5.01 Liabilities****3-5.01-1 Encumbrances**

In order to control the level of expenses, CWC has chosen to use the encumbrance system. The resources of the corporation are committed for future payment when executory contracts are signed. An actual expense is not recorded until the goods are received or the service is rendered. Encumbrances outstanding at the end of an accounting period will be reversed in the following accounting period.

3-5.01-2 Advance Payments

The Corporation receives payment on some grants in advance. These revenues are deferred and recognized as income in the period in which the related products or services are delivered.

3-5.01-3 Accrual of Unpaid Salaries and Wages

Salaries and wages earned, but unpaid will be reflected as a liability when entitlement to payment occurs. Liquidation, in whole or part, will be made on a lump sum or periodic basis provided repayment is made within one year of occurrence of the liability.

3-5.01-4 Liability for Compensated Absences

- A. Compensated absences arise from employees' absences from employment due to vacation, sick leave, etc. When CWC expects to pay an employee for such compensated absences, a liability for the estimated probable future payments must be accrued if all of the following conditions are met:
1. The employee's right to receive compensation for the future absences is attributable to services already performed by the employee;
 2. The employee's right to receive the compensation for the future absences is vested or accumulates;
 3. It is probable that the compensation will be paid; and
 4. The amount of compensation is reasonably estimable.
- B. Compensated absences not to be paid upon employee termination will be reflected when paid.

3-5.01-5 Provision for Anticipated Losses on Grants

- A. Losses on grants are to be accrued when the losses become evident, regardless of the method of accounting for the grant. Such losses will be deducted first from any related accumulated costs included in the balance sheet and the balance, if any, separately shown as a liability.
- B. Losses will be included in the income statement as an element of grant cost rather than as a reduction of grant revenue.

3-5.01-6 Deferred Revenue

Many governmental entities and non-profit corporations recognize revenue upon receipt of an award of a grant or contract. However, for services against such awards to be rendered in subsequent fiscal years, the corporation treats such revenues as deferred.

Part 3-6 Revenues**Part 3-6 Revenues*****3-6.01 Revenue Recognition***

Revenue under cost reimbursement-type grants is recorded as costs are incurred. Applicable estimated fees are included in revenue in the proportion that incurred costs bear to total estimated costs. Revenue and anticipated profits under certain performance-based and unit rate contracts that require substantial performance over a long period of time before deliveries begin are accounted for under the percentage-of-completion method.

3-6.02 Program Income

- A. Program income is gross income generated directly by a grant-supported activity or earned only as a result of the grant agreement during the grant period.
- B. If authorized by Federal, State, City or local regulations or the grant agreement, costs incident to the generation of program income may be deducted from gross income to determine program income.
- C. Depending on the method provided for in the grant agreement, program income will be deducted from outlays, added to the funds committed to the grant agreement, or used to meet the cost sharing or matching requirements of the grant agreement.

3-6.03 Interest Earned on Advances

Except for interest earned on advances of funds exempt under the Intergovernmental Cooperation Act and the Indian Self-Determination Act, CWC will, at least quarterly, remit interest earned on advances to the applicable Federal agency. CWC may retain interest amounts up to 250 per year for administrative expenses. All other earned interest on advances will be utilized according to the contractual guidelines.

3-6.04 Barter Transactions

The Corporation records all barter (non-monetary) transactions at the time such agreements are consummated. The estimated fair value of goods or services received is recognized as revenue when the source is used.

3-6.05 Segregation of Revenues

CWC will separately identify the source and application of funds provided for Federal, State, City or local funded activities.

Part 3-7 Cost Accounting Policies**Part 3-7 Cost Accounting Policies*****3-7.01 Consistency in Cost Accounting***

Practices used by CWC in estimating costs in preparing its grant proposals will be consistent with its accounting practices used in accumulating and reporting costs. Accounting practices used by CWC in accumulating and reporting actual costs for a grant with the funding source will be consistent with its practices used in estimating costs in its grant proposals. Moreover, all costs incurred for the same purpose, in like circumstances, are either direct costs only or indirect costs only with respect to grants. No final cost objective will have allocated to it as an indirect cost any cost, if other costs incurred for the same purpose, in like circumstances, have been included as a direct cost of that or any other final cost objective.

3-7.02 Unallowable Costs

Costs expressly unallowable or mutually agreed to be unallowable, including costs mutually agreed to be unallowable directly associated costs, will be identified in separate accounts and excluded from a billing, claim or grant applicable to a grant with the funding source.

3-7.03 Cost Accounting Period

The fiscal year of CWC will be January 1st to December 31st. The same accounting period will be used for all adjusting entries, accruals and deferrals as well as accumulating costs in an indirect cost pool and establishing its base.

3-7.04 Program Service Costs

- A. Expenses will be classified in a manner that describes the corporation's service activities. Each program service will be adequately described and will include all related service.
- B. Costs related to the supervision of program services and supporting services should be prorated among those services.

3-7.05 Administrative Costs

All costs for the overall operation of CWC will be considered administrative. In general, the following list of costs that are considered necessary for the overall administration of the Corporation will be included in this category:

- A. The personnel expenses of the Executive Director and administrative secretarial staff, and fiscal and planning staff to the extent they are involved in activities of a general nature related to the overall operation of the Corporation. Such activities include personnel management or supervision by administrative staff that is not traceable to any specific service.
- B. Staff time devoted to planning activities, which are of a general nature and not assignable or allocable to a service such as: preparing testimony, addressing public hearings, conducting public hearings, overall Corporation program performance reviews and analysis of program effectiveness, and revision of Corporation objectives and plans as necessary.
- C. Staff time assigned to coordination activities (which may include joint planning with other agencies), assisting in the development of other Corporation programs to better serve the clientele; involvement in jointly funded activities and information sharing.

Part 3-7 Cost Accounting Policies

- D. Staff time spent in researching and acquiring other resources to be used for the development and expansion of services.
- E. Providing travel expenses, etc.
- F. Staff travel expenses for personnel activities charged to the Corporation administration cost center.
- G. General corporate personnel management and record keeping related to employee benefits, as well as developing and implementing corporate personnel policies and such activities as staff orientation and training of a general nature.
- H. Financial management of the entire corporate operation such as maintaining necessary journals, ledgers and accounts, making requisite bank deposits and withdrawals, invoicing and payment processing, payroll administration and preparing periodic financial reports that encompass the overall Corporation financial status. The cost of project accounting for grant/contract activities may be treated as an allocable cost.
- I. Costs of office furniture, supplies and equipment designated specifically for the administrative staff.
- J. The portion of the Corporation's annual audit relating solely to the audit of its administrative functions. The portion of the Corporation's annual audit cost allocable to its program activities may be allocated on a rational basis.
- K. The costs of general liability insurance, fidelity bonds, etc.

3-7.06 Management and General Expenses

Costs that cannot be related to a specific program or fund-raising activity will be classified as management and general costs. These costs generally include executive direction, legal, budgeting and accounting, preparation of the corporation's grant application and grant proposals, and like kind of management and general activities.

3-7.07 Direct and Indirect Costs

- A. Costs incurred specifically for a final cost objective (e.g., a grant) will be treated as direct cost. Costs benefiting more than one cost objective will be consistently treated as indirect costs. Costs necessary for the overall operation of the corporation will be treatment as management and general costs.
- B. CWC maintains four (4) indirect cost methods - a separate fringe benefits method, an overhead method, a capital expenditure method, and a management and general method. The base of allocation for each is as follows:
 - 1. Fringe Benefit based on salary distribution.
 - 2. Overhead based on square footage of occupied space.
 - 3. Capital Expenditure Method based on total contractual revenue.
 - 4. Management and general based on total program expenditures.
- C. CWC will treat all fringe benefits including compensated personal absences as allocated among direct labor.
- D. Each of the individual cost elements will be treated consistently as shown in the "Treatment of Elements of Cost."

Part 3-7 Cost Accounting Policies***3-7.08 Allocation of Legal Fees***

Legal fees incurred specifically in connection with a final cost objective will be allocated as a direct cost. Minor amounts of direct legal fees and all legal fees benefiting more than one cost objective will be treated as an indirect cost.

3-7.09 Acquisition Cost of Material

- A. When the cost objective was specifically identified at the time of purchase or production, the cost of material acquired for a final cost objective will be treated as a direct cost of that cost objective.
- B. The cost of material that is used solely in performing indirect functions or that is not a significant element of production cost will be allocated to an indirect cost pool.
- C. The first-in, first-out (FIFO) method will be used when issuing material from corporate-owned inventory.

3-7.10 Depreciation Method

The cost of buildings,(with no salvage value), is depreciated on the straight-line method over a period of 39.5 years, based on the Internal Revenue Service code. The cost of equipment (with no salvage value) is depreciated on the straight-line method over periods from 5 to 10 years.

3-7.11 Segregation of Idle Depreciable Assets

The costs of depreciable assets idle for more than one year will be segregated from other depreciable assets. Depreciation for such assets will not be treated as a period cost.

3-7.12 Disposition of Assets, Gain or Loss on

Gains and losses from the sale, retirement or other disposition of depreciable property are to be included in the year in which they occur as credits or charges to the cost grouping(s) in which the depreciation or amortization applicable to those assets was included. The gain or loss for each asset disposed of is the difference between the net amount realized, including insurance proceeds from involuntary conversions, and its undepreciated balance. The gain recognized for grant costing purposes will be limited to the difference between the acquisition cost (or for assets acquired under a capital lease, the value at which the leased asset is capitalized) of the asset and its undepreciated balance.

3-7.13 Estimated Salvage Value of Tangible Capital Assets

Salvage or residual value is an estimate of the amount that will be realized at the end of the useful life of a depreciable asset. In lieu of obtaining estimates of residual values of each of its assets or group of assets, CWC will observe a standard zero (0) percent for estimated salvage value.

3-7.14 Leases, Accounting for

- A. The CWC will observe rules regarding an operating lease vs. a capital lease, contained in Statement on Financial Accounting Standard (SFAS) No. 13. If, according to SFAS 13, it is determined that a capital lease exists, a share of such lease payment will be capitalized and amortized over the life of the lease or the useful life of the asset, whichever is longer.

Part 3-7 Cost Accounting Policies***3-7.15 Lease Abatements***

Lease payments will be reflected at the actual rate of cash payment.

3-7.16 Compensated Personal Absences, Accounting for

- A. In conformance with SFAS No. 43, the cost of earned, but unused vacation and sick leave will be accrued when earned, not when taken. The cost of all other compensated absences will be reflected when taken.

3-7.17 Deferred Compensation

The cost of deferred compensation will be assigned to the cost accounting period in which CWC incurs an obligation to compensate the employee. In the event no obligation is incurred prior to payment, the cost of deferred compensation will be the amount actually paid and will be assigned to the cost accounting period in which the payment is paid. The measurement of the amount of the cost of deferred compensation should be the present value of the future benefits to be paid by CWC.

3-7.18 Purchased Labor

- A. The cost of all purchased or temporary labor incurred specifically for a grant, bid and proposal, independent research and development, or other final cost objective will be treated as direct labor.
- B. All purchased or temporary labor benefiting more than one grant will be treated as an indirect cost.

3-7.19 Insurance

- A. CWC will obtain adequate insurance coverage from purchased insurance.
- B. In circumstances where CWC's management considers prudent, CWC will assume the risk of loss. The cost of such self-insurance will be the projected average loss for that period plus insurance administration expenses in that period.
- C. Project average loss will be computed annually for all classes of risk or for each type of self-insured risk based upon the cost or comparable cost of purchased insurance; data reflecting the grantee's experience, industry experience and anticipated conditions; or as a last resort, based on the actual amount of losses incurred.
- D. To determine the cost of purchased insurance, CWC will obtain competitive quotes from insurance brokers/carriers every three years.
- E. CWC will maintain records to substantiate the amounts of premiums, refunds, dividends, losses and self-insurance charges, paid or accrued.

3-7.20 Interest Capitalized

CWC charges to the cost of construction projects the cost of related interest incurred during the period of construction. These costs are amortized over the useful lives of the projects.

3-7.21 Bid and Proposal Costs

The costs of the technical effort in preparing grant applications and cost proposals to the funding sources of CWC will be treated as an management and general labor cost. The cost of word processing, printing, packaging and delivering grant applications/contract proposals will be charged as a direct expense.

Part 3-7 Cost Accounting Policies**3-7.22 Credits**

- A. The applicable portion of any volume in cash discounts, refunds, rental income, trade-ins, scrap sales, direct billings, etc., relating to any allowable cost incurred on a cost reimbursement grant and received by or accruing to the grantee will be credited to the government either as a cost reduction or by cash refund.
- B. Material amounts of credits will be applied to the year in which the underlying cost was incurred rather than the year of receipt or accrual of the credit. In the case of credits of an immaterial amount, such credits may be offset against the current year's related indirect cost.

3-7.23 Subletting, Proceeds from

To the extent the application is equitable and consistent, the proceeds of all subletting or short-term rental of the corporation's space, equipment or facilities will be credited to the cost center to which the underlying costs were originally charged.

Part 3-8 Cost Estimating Policies**Part 3-8 Cost Estimating Policies*****3-8.01 Responsibility for Cost Estimating***

The Finance Director will prepare cost estimates for CWC's proposals to funding sources.

3-8.02 Authorized Cost Estimating Techniques

- A. As circumstances warrant, the corporation's cost proposals will be prepared using one or more of the following cost estimating techniques:
1. Costs are based upon an estimate of the funding source's budget and prices of the corporation's competitors (commonly called the "top-down" method)
 2. The detailed, empirical or step-by-step method (commonly known as the "bottom-up" approach)
 3. The comparative method using conversion factors to relate similar grant work and cost experience with the proposed product or service
 4. Round-table method combining the experience of diverse functional specialties in the corporation for pricing products or services with which the grantee has had little or no prior experience.
- B. Each cost estimating method will be periodically reviewed for its accuracy and reliability, and appropriate adjustments made as warranted.

3-8.03 Cost Accounting System Support for Estimating

- A. The accounting system of CWC will contain sufficient refinements to provide data for cost estimating purposes.
- B. Cost breakdowns are to be available for:
1. Labor rate by labor category
 2. Experience factors for inflation escalators
 3. Separate costing for each other direct cost: travel, insurance, reproduction, etc.
 4. Overhead rate forecasts with updated baseloads for anticipated work.

3-8.04 Estimating Labor Utilization

- A. CWC will use one of the following four techniques, as circumstances dictate, in estimating labor utilization:
1. Methods time and motion (MTM) methods
 2. Person-loading or staffing techniques
 3. Direct judgment of person-hours required
- B. The CWC will use each of these labor utilization methods as appropriate and will use or adjust labor utilization rates obtained on prior grant activity.

Part 3-8 Cost Estimating Policies***3-8.05 Estimating Labor Rates***

- A. CWC will bid actual labor rates if specific employees are bid or otherwise bid standard labor rates, if labor categories are proposed.
- B. As a baseline, all labor rates will be based upon rates paid to employees for the most recent month.
- C. Labor rates will be estimated to the weighted chronological midpoint by grant year or for the overall grant period.
- D. The Finance Director will maintain and publish standard composite data on merit increase, changes in labor rates due to new hires/separations, and any anticipated changes resulting from across-the-board salary changes.

3-8.06 Purchased Material Cost

- A. For anticipated purchase of materials or parts, CWC will obtain at least two vendor quotes or use catalog prices.
- B. CWC will update subgrantee pricing, vendor quotes and catalog prices, if applicable, before entering into negotiations on any grant requiring certified cost or price data.

3-8.07 Direct Material Cost

- A. CWC may use one of the following three accepted estimating techniques for the cost of material:
 - 1. Drawing "take-offs" and handbooks
 - 2. Dollar-per-pound relationships
 - 3. Direct quotations or bids.
- B. The corporation will establish procedures when one of the three accepted cost estimating methods for material costs is observed.
- C. To the extent that factors are developed for scrap, spoilage, defective items or obsolescence, these will be periodically reviewed for reliability.

3-8.08 Subcontractor Costing

- A. All subcontracts will be procured to the maximum extent feasible, using competitive procedures with awards to qualified firms whose price and technical factors are most advantageous to the CWC.
- B. For those acquisitions to be awarded on a noncompetitive basis, CWC will obtain and furnish a copy of the proposed subcontractor's cost or price proposal with its price proposal.
- C. For all subcontracts over \$50,000, CWC will either perform an audit of the proposed sub-grantee's price proposal or request field pricing support from its audit agency.

3-8.09 Costing "Other Direct Costs"

- A. For each "other direct cost" (ODC) proposed, the CWC's cost analysts will compile historical data from similar grants or obtain technical input on the anticipated costs for such items on the anticipated grant.
- B. For all ODCs involving sub-grant activity, CWC will obtain a sufficient number of quotes to establish a fair and reasonable price for the material or service.

Part 3-8 Cost Estimating Policies

- C. The corporation will not bid certain costs as direct if, in like circumstances, such costs are also being bid on other grants as indirect costs.

3-8.10 Estimating Per Diem Rates

- A. CWC will use currently applicable Internal Revenue Service published Travel Rates for bidding, costing and billing subsistence costs for employee travel.
- B. CWC will periodically inflation-adjust its quoted per diem rate on multi-year grants according to the Data Resources Inc. forecasted escalation rates.

3-8.11 Reviews of Subcontractor Costing

- A. CWC personnel will conduct an audit or will request field-pricing support of each proposed subcontractor's price proposal in excess of \$50,000.
- B. For subcontract price proposals between \$25,000 and \$49,999, CWC will rely on a desk review unless circumstances warrant a more thorough on-site price proposal audit.

3-8.12 Rebates and Credits

- A. Experience factors will be accumulated for all rebates and credits for the purpose of preparing fixed price grant bids or proposals.
- B. Returns, rebates or credits will be allocated and credited, if applicable, to cost-type awards.

3-8.13 Estimating Indirect Costs

- A. Indirect cost projections will be prepared annually using budgeting and forecasting techniques. Official estimates of indirect costs will be adopted for use in the corporation's bids/proposals.
- B. Using actual cost and base of allocation data, CWC financial personnel will model its indirect cost rate(s), update the forecasted rate(s) based on actual experience and, when applicable, adjust indirect cost rates for all large-dollar size bids.

3-8.14 Forecasting Inflation

CWC will use the Consumer Price Index for its estimates of costs over a multi-period basis.

3-8.15 Legal Support for Proposal Certifications

All representations and certifications for which the signer is not absolutely certain of the grantee's status should have a prior written legal opinion before executing.

3-8.16 Comparison of Estimates to Actual Costs

CWC will make a periodic comparison of grant cost estimates on all grants of over \$50,000 with subsequent actual costs.

Part 3-9 Property Management Policies**Part 3-9 Property Management Policies*****3-9.01 General***

- A. Title to property and equipment acquired will reside in the CWC and will be recognized as an asset of the CWC.
- B. CWC will maintain detailed records of all property and equipment, ensure its maintenance and disposal.

3-9.02 Property, Receipts for

- A. CWC will maintain proof of receipt for grantee-acquired property before submitting its request for payment for the property.
- B. CWC will take all actions necessary in adjusting overages, shortages or damage in shipment of government-furnished and grantee-acquired property.

3-9.03 Identification of Property

- A. CWC will tag all property upon receipt and will record assigned numbers on all applicable documents pertaining to the property control system.
- B. Markings will be removed or obliterated when property is sold, scrapped or donated.

3-9.04 Property, Record and Report of

Property records will be maintained that include:

- A. A description of the property
- B. A serial number or other identification number
- C. The acquisition date
- D. The cost of the property
- E. The location
- F. Use and Condition of the property, and
- G. Any ultimate disposition date, including the date of disposal and sale price of the property.

3-9.05 Plant Equipment, Record of

- A. CWC will maintain individual item records for each item of plant equipment having a unit cost of \$500 for nonprofit corporations or more. Summary stock records may be maintained for plant equipment costing less than \$500 per unit.

3-9.06 Real Property, Record of

- A. CWC will maintain an itemized record of the description, location, acquisition cost, and disposition of all real property, alterations, construction work and sites connected with such alteration and construction.
- B. CWC will also maintain information on costs incurred for:
 - 1. New construction of real property in its possession

Part 3-9 Property Management Policies

2. Additions, expansions, extensions, conversions, alterations and improvements that increase the value, life, utility, capability or serviceability of real property
3. Portable buildings or facilities specifically constructed for tests
4. Maintenance, repair or rearrangements to maintain the real property in good physical condition
5. Real property sold, transferred, donated, destroyed by fire or other cause, abandoned-in-place or condemned.

3-9.07 Scrap or Salvage, Record of

- A. CWC will maintain records of all scrap or salvage generated.
- B. The property control system will provide information on:
 1. Nomenclature or description of salvageable items or classification of scrap
 2. Quantity on hand
 3. Posting reference and date of transaction
 4. Disposition.

3-9.08 Owned and Leased Property and Equipment

- A. All leased and low cost property, equipment and materials will be controlled as described above.
- B. The use of licensed computer software will be closely monitored and practices involving unauthorized copying restricted.

3-9.09 Physical Inventories

- A. CWC will once every two (2) years physically inventory all property in its possession or control.
- B. Personnel performing the physical inventory will not be the same individuals who maintain the property records or have custody of the property unless the CWC's other staff is unavailable to perform the inventory count.

3-9.10 Disposable Items

All small-dollar items direct-costed to be used and disposed within two years of purchase will not be tagged, inventoried and tracked.

3-9.11 Disposition of Real Property and Equipment

- A. When original or replacement real property or equipment acquired is no longer needed for the original project or program or for other activities currently or previously supported, disposition of the real property or equipment will be made as follows:
 1. CWC will sell the property or transfer title in a manner that conforms to the By-laws and policies set by the Board of Directors.
 2. Equipment
 3. Disposition of the equipment will be made as follows:
 - a. Items of equipment may be retained, sold or otherwise disposed of with no obligation.

Part 3-10 Procurement**Part 3-10 Procurement****3-10.01 *General***

This policy is intended to govern the President and Executive Director of the Corporation in making decisions for the purchase of goods and services necessary to fulfill the Corporation's purposes.

The Corporation shall solicit, review and evaluate bids, and award contracts in accordance with the provisions of Section 103 of the General Municipal Law that would apply if the Corporation were a municipal corporation. Such provisions shall control over any provision contained in these policies and procedures that directly conflicts with any such provisions.

Every prospective purchase of goods or services shall be evaluated to determine the applicability of the provisions of General Municipal Law § 103 that would apply if the Corporation were a municipal corporation. The President or Executive Director of the Corporation shall estimate the cumulative amount of items of supply or equipment needed in a given fiscal year. The estimates of the annual need for goods and services shall be used in determining the applicability of the following procedures for procurement practices.

3-10.02 *Competitive and Non-Competitive Bid Purchasing Regulations***3-10.02-1 *Definitions***

- A. Purchase Contract: A contract that involves the acquisition of commodities, materials, supplies or equipment.
- B. Public Work Contract: A contract that involves the construction, installation, repair or replacement of facilities or equipment which would constitute "public works" within the meaning of Section 103 of the General Municipal Law, if the Corporation were a municipal Corporation.
- C. Personal Services Contract: A contract that involves the acquisition of personal services. As used herein, the term "personal services" shall mean any services performed for a fee, commission or other compensation by persons or organizations that are not providing such services as Officers or employees of the Corporation or any governmental agency or public corporation, but excluding any construction, installation, repair or replacement services that would constitute a public works contract as defined above. Personal services include, but are not limited to, legal, accounting, management consulting, construction management, program management, planning, training, statistical research, public relations, architectural, engineering, surveying or any other services of a consulting, technical or professional nature.

3-10.02-2 *Corporation*

- A. Purchasing Agent:
 - 1. The Executive Director and/or such other Officer or employee of the Corporation as the Board of Directors may by resolution appoint shall be the "Purchasing Agent" of the Corporation. The Purchasing Agent is the only person designated to commit the Corporation to a purchase of goods or services.
 - 2. The Purchasing Agent is responsible for the design, implementation, and effectiveness of the procurement of goods and services.

Part 3-10 Procurement

3. Whenever a disagreement arises about a purchase, the President of the Corporation shall hear the views of the Purchasing Agent and the requisitioner and render a decision and provide direction.
4. Subject to the requirements of these policies and procedures, the Purchasing Agent shall have authority to determine, in any given situation, whether to competitively bid (through public advertisement) or to solicit quotations, bids on proposals for goods and services utilizing other procurement methods. Other staff is directed to cooperate with the Purchasing Agent to achieve cost containment, efficiency and economy.

C. Financial Control:

1. The Executive Director shall confirm that the City of New York has committed sufficient funds or that other funding sources have committed sufficient funds to cover each purchase before a contract therefore is executed.

3-10.02-3 General Municipal Law/Statement of General Conditions

The General Municipal Law of the State of New York provides that purchase contracts for materials, equipment and supplies involving an expenditure exceeding \$10,000 and public work contracts involving an expenditure exceeding \$20,000 shall be awarded to the lowest responsible Bidder furnishing the required security after advertisement for sealed bids in the manner provided in that section.

3-10.02-4 Competitive Bidding Required**A. Method of Determining Whether Procurement is Subject to Competitive Bidding:**

The Purchasing Agent shall first determine if the proposed procurement is a purchase contract, ~~or~~ a contract for public work or a personal service contract.

If the procurement is either a purchase contract or a contract for public work, then the Purchasing Agent shall determine whether the amount of the procurement is above the applicable monetary threshold as set forth above or if competitive bidding is otherwise required by the terms of the relevant program contract between the Corporation and The City of New York.

The Purchasing Agent shall also determine whether any exceptions to the competitive bidding requirements (as set forth below) are applicable and warranted.

Subject to the exceptions set out in Section V below, with respect to any purchase contract or a contract for public work, competitive bidding shall be required if (x) the amount of the proposed contract exceeds the applicable monetary threshold set out above, or (y) competitive bidding is required under the terms of the applicable program contract between the Corporation and The City of New York. All procurements of purchase contracts and contracts for public work where competitive bidding is required shall be conducted in accordance with the Corporation's Policies and Procedures for Solicitation and Award of Bids (Ref. 33-10.04) when Competitive Bidding is Required, as adopted by the Corporation.

- a. With respect to any personal services contract, competitive procurement shall be required in accordance with, and subject to the exceptions set out in the Corporation's Policies and Procedures for Personal Services Contracts (Awarding, Monitoring and Reporting, Ref 3010.05), as adopted by the Corporation.

Part 3-10 Procurement**B. Contract Combining Purchase and Public Works:**

In the event that a contract combines elements of both a purchaser contract and a public work contract, the Purchasing Agent, in determining the appropriate monetary threshold criteria to apply to the contract, shall determine whether the purchase or the public work is the predominant part of the transaction. The contract should be viewed as a purchase for purposes determining the competitive bidding requirement or monetary threshold if the public work elements are minor, incidental or customarily provided by the vendor as a component of the purchase. Conversely, if the public work elements are extensive, substantial or involve specialized skills so that the acquisition of the commodity is incidental to the work, the contract should be treated as a contract for public work for purposes of the monetary threshold.

3-10.02-5 Exceptions to Competitive Bidding Requirements

Subject to any express provision to the contrary contained in any contract to which the Corporation is a party, and except when the Board of Directors expressly determines otherwise, the Corporation will not be subject to competitive bidding requirements under the following circumstances:

A. Emergency situations, as determined by the Board of Directors, in its discretion, where:

1. The situation arises out of an accident or unforeseen occurrence or condition;
2. A public building, public property, or the life, health, safety or property of an inhabitant of a town that has signed the Watershed Memorandum of Agreement is affected; and
3. The situation requires immediate action that cannot await competitive bidding.
4. Nevertheless, when the Board passes a resolution that an emergency situation exists, the Corporation shall make purchases at the lowest possible costs, seeking competition by informal solicitation of bids or otherwise, to the extent practicable under the circumstances.

Documentation: The requisitioner shall prepare a memorandum describing the emergency situation and justifying the need for relief from competitive bidding requirements, which shall be submitted to and approved by the Purchasing Agent, prior to seeking a Board resolution. Such memorandum, together with the resolution of the Board determining that an emergency exists, and a written record of any verbal or written bids obtained, shall be maintained in the contract file for the procurement.

B. When the Corporation purchases surplus or second-hand supplies, materials, or equipment from the Federal, State, City or local governments or from any other political subdivision or public benefit corporation within the State, from agencies for the blind or severely handicapped, and from correctional facilities;

Documentation: The requisitioner shall make a good faith effort (through verbal or written bids) to ascertain the reasonableness of the price being quoted versus market price. The requisitioner shall prepare a memorandum describing the benefit to the Corporation of acquiring such supplies, materials or equipment from the source in question, and any market price comparison made, which shall be submitted to and approved by the Purchasing Agent. Such memorandum shall be maintained in the contract file for the procurement.

C. When there is only one possible source ("sole source") from which to procure goods or services required in the public interest.

Documentation: For such sole source expenditures anticipated to exceed the applicable monetary threshold set forth above, the Corporation shall cause an advertisement stating the Corporation's intent to procure goods or services from the sole source, the nature of such goods or services, the desired

Part 3-10 Procurement

acquisition date of such goods or services, and the time by, and place to, which prospective alternative suppliers must send their proposals to be published once -in the Corporation's official newspapers at least fifteen (15) days before the proposed acquisition date. If no alternative source for such goods or services or an acceptable substitute therefore is brought to the Purchasing Agent's attention within ten (10) days prior to the proposed acquisition date, the Corporation may enter into a contract to purchase such goods or services from the identified sole source, subject to the following: the Corporation will maintain written documentation of the unique benefits of the item or service purchased as compared to other items or services available in the marketplace; no other item or service provides substantially equivalent or similar benefits; and considering the benefits received, the cost of the item or service is reasonable, when compared to any alternative methods. In addition, the documentation shall provide that there is no possibility of competition in the procurement of the goods.

- D. When two or more competitive bids are solicited and only one responsive bid is received;

Documentation: The Corporation shall maintain copies of all requests for proposals, invitations for bids or advertisements for bids with the names and addresses of the firms to which such were sent and/or the place(s) and date(s) of advertisement, if applicable, with copies of all responses received. Such documentation shall be maintained in the contract file for the procurement.

- E. For goods purchased at auctions;

Documentation: The Corporation shall maintain market price comparisons, and where possible, the price bid and identity of the second and third lowest bidders at auction. Such documentation shall be maintained in the contract file for the procurement.

3-10.02-6 Purchase/Public Work: Methods of Competition to be Used for Non-Bid Procurement; Documentation to be Maintained

This section describes the procedures to be used and documentation to be maintained when a proposed purchase contract or contract for public work is for an amount which is less than the threshold required for the competitive bidding.

- A. Purchase Contracts up to \$10,000:

1. Contracts from \$0 to \$999; no bids are required. Exception: when a specific commodity may cost \$500 or more, verbal bid proposals (or comparisons to catalogs) are required. Documentation shall include notations as to verbal bid proposals or a page reference to a catalog. Competitive quotations are encouraged (verbal or written) and when obtained, the Corporation shall maintain records of such quotations in the contract file for the procurement.
2. Contracts from \$1,000 to \$2,999; the Corporation must receive written bid proposals from at least one (1) vendor. Documentation must show that competitive prices have been obtained and that more than three vendors were contacted.
3. Contracts from \$3,000 up to \$9,999; the Corporation must issue a written request for proposal ("RFP") or invitation to bid ("IFB") and receive written quotes from at least one (1) vendor. Documentation must show that competitive prices have been obtained and that more than six vendors were contacted.
4. All bids must include the vendors' complete names and addresses.

- B. Public Works Contracts up to \$20,000:

Part 3-10 Procurement

1. Contracts from \$0 to \$2,999; no bids required. Competitive quotations are encouraged (verbal or written) and when obtained, the Corporation shall maintain records of such quotations in the contract file for the procurement.
2. Contracts from \$3,000 to \$9,999; the Corporation must issue a written RFP or IFB and receive written quotes from at least one (1) vendor. Documentation must show that competitive prices have been obtained and that more than three vendors were contacted.
3. Contracts from \$10,000 to \$19,999; the Corporation must issue a RFP or IFB and receive written bid proposals from at least three vendors.
4. All bid proposals must include the vendors' complete names and addresses. The written RFP or IFB shall describe the desired goods, quantity, description of public work and/or the particulars of delivery or provision of the service. The President or Executive Director shall compile a list of all vendors from whom written or verbal bids or proposals have been requested and the written or verbal bids or proposals offered.

All information gathered in complying with the procedures of this procurement policy shall be preserved and filed with the documentation supporting the subsequent purchase or public works contract. All written bids may, but need not be, received by the Corporation by facsimile. If facsimile bids are to be received, written or advertised notice thereof shall be given to each prospective bidder.

- C. PROPOSED PROCUREMENTS SHALL NOT BE SPLIT INTO SMALLER SEGMENTS TO AVOID COMPETITIVE BIDDING UNDER SECTION IV ABOVE, OR TO REDUCE OR ELIMINATE REQUIREMENTS THAT WOULD OTHERWISE APPLY PURSUANT TO THIS SECTION VI.
- D. Insurance: Written bids - Documentation shall include bid advertisements, specifications, and the awarding resolution. Alternatively, written or verbal bid forms will serve as documentation if formal bidding is not required. RFPs documented in the same manner as described herein, may also be used.
- E. Lease of Personal Property: Written Bids - Documentation will include written bids, cost-benefit analysis of leasing versus purchasing, etc. The Corporation shall determine and note that the contract is a true lease and not an installment purchase contract.

3-10.02-7 Consequences of Unintentional Error

The unintentional failure to comply fully with the provisions of Section 104-b of the General Municipal Law or the Corporation's procedures regarding procurement shall not be grounds to void action taken or give rise to a cause of action against the Corporation or any Director, Officer or employee of the Corporation.

3-10.03 Qualification and Evaluation of Contractors, Consultants and Suppliers for Contracts**3-10.03-1 Procedure**

- A. All contractors, architects/engineering firms, construction management firms, professional consultants, suppliers and vendors (for contracts of \$10,000 or more in the aggregate in any one (1) year period) are required to supply information to the Corporation prior to the award of a contract to such bidders/proposers, which information may be provided on a form prescribed by the Corporation, sufficient to enable the Corporation to evaluate such bidder's qualifications, in accordance with the standards established herein.

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- B. In evaluating the bidder's/proposers' qualifications, the Corporation will consider the following factors:
1. Experience;
 2. Quality and timeliness of past performance;
 3. Financial capacity;
 4. Reliability and responsibility;
 5. Integrity of the firm, its affiliates and current and past owners and principals; and
 6. Compliance with other requirements set forth herein.
- C. The Corporation shall maintain lists of disqualified firms, as well as those firms previously qualified. The Corporation will update these lists at least once a year.

3-10.03-2 Minimum Standards

To be a qualified bidder or proposer, applicants must meet at least the following minimum standards:

- A. Experience. The applicant must have sufficient experience in the relevant trade or field in which it seeks to do work.
- B. History of Performance. The applicant must have a demonstrated record of timely completion of quality work. The Corporation may disqualify applicants for up to [3] years for failing to meet this standard. A contractor shall be deemed to have failed to meet this performance standard in the event of debarment, default, and disqualification, a finding of "poor performer" or "not responsible" of the applicant or its affiliates by any government entity. If the applicant's failure to perform quality work in a timely manner is based on findings other than the factors enumerated above, the Corporation will evaluate the facts and circumstances on a case-by-case basis.
- C. Financial Capacity. The applicant must have sufficient financial ability to undertake the work required of the contract for which the applicant submits or intends to submit a bid or proposal.
- D. Integrity and Ethics. Firms seeking to do business with the Corporation must have a reputation for, and a record of, law-abiding conduct and ethical business practices. Contractors must comply with the Business Integrity Section of the program contracts with NYCDEP, where applicable.

In addition, all vendors for purchase contracts over \$10,000 and public works contracts over \$20,000 and all providers of personal service contracts over \$25,000 shall certify that none of the applicant, its owners or its principals:

1. Has been convicted within the past five years of a crime involving unfair or unethical business practices or acts of moral turpitude;
2. Has been held not responsible, denied a contract or denied approval as a subcontractor, vendor or supplier by any governmental entity for reasons of integrity, or for failure to cooperate with any such governmental procedures for determining business integrity; or
3. Has made material false statements or answers in response to questions arising out of the bidder/proposer qualification process.
4. Is the subject of a pending criminal investigation or indictment; or
5. Is the subject of a pending civil action brought by a governmental entity alleging illegal business practices.

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The Corporation may disqualify any bidder/proposer that knowingly and willfully submits false information for the purpose of becoming a qualified bidder/proposer and, to the extent permitted by applicable law, may terminate any outstanding contract with such bidder/proposer on account of the submission of such false information.

The Corporation may also consider and evaluate any other facts and circumstances on a case-by-case basis, in addition to those factors enumerated in this procedure, in determining whether a firm or person possesses the integrity and ethics required for doing business with the Corporation.

E. Miscellaneous Policies Influencing Contract Awards.

Local Businesses - The Corporation shall use its best efforts to maximize contracting opportunities for firms that: (a) have their principal place of business located in a county in which a town that is party to the Watershed Memorandum of Agreement is located; or (b) do a substantial amount of their business in such a county using workers, the majority of whom performing such work reside in any such county. In furtherance of this policy, the Purchasing Agent shall make efforts to identify firms meeting the foregoing criteria, shall establish a list of such firms, and shall ensure that such firms are included in all appropriate solicitations, invitations to bid, and requests for proposals.

It is the policy of the Corporation not to discriminate in the award of contracts against any qualified bidder on the grounds of race, creed, color, national origin, age, disability, religion, marital status, sex or sexual orientation. All contracts with the Corporation shall include provisions requiring contractors to comply with such policy in their hiring of employees and selection of subcontractors, vendors and suppliers.

3-10.03-3 Revocation of Qualification Status

- A. The Corporation may revoke the qualified bidder/proposer status of a firm on the basis of either changed circumstances or the discovery of new evidence that indicates that the firm does not meet the Corporation's standards.

If the Corporation concludes that there may be sufficient evidence to warrant denial or a revocation of a firm's status as a qualified bidder/proposer, the Corporation shall notify the firm of its proposed denial or revocation, the reasons therefore, and the period of disqualification.

Within fourteen (14) days after the date of any such notice of denial or revocation, a firm so notified may request a meeting to occur within fourteen (14) days of such request or any extension of such time to which the Corporation may agree in writing, at its sole discretion, at which such firm shall have the opportunity to present evidence that might result in reconsideration of the Corporation's preliminary conclusion to deny or revoke such firm's qualification.

The Corporation shall give such firm final written notification of its determination following such meeting. If no such meeting is requested or if the firm fails to appear at any such meeting, the Corporation's preliminary notification of denial or revocation shall be deemed final.

- B. The Corporation may revoke or deny a firm's qualified bidder/proposer status permanently if the Corporation determines that the firm knowingly and willfully submitted a false instrument for the purpose of defrauding the Corporation or of obstructing any inquiry or investigation by the Corporation into the firm's qualifications, responsibility or performance.

3-10.03-4 Contractor Performance Evaluation

- A. The Corporation will evaluate a firm's performance for compliance with contract requirements at any time during performance of the contract ("interim evaluation"). Notwithstanding whether an

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interim evaluation is performed, a firm will receive an evaluation following final completion of the contract ("final evaluation"). Final evaluations will be rated by the Corporation as either outstanding, satisfactory or unsatisfactory. Interim evaluations will be rated as either satisfactory, marginal or unsatisfactory. A contractor whose interim evaluation is either marginal or unsatisfactory will be given an opportunity to cure any deficiencies or irregularities in its performance, but may not bid or subcontract on future Corporation projects for at least 60 days.

- B. If the Corporation determines that a contractor has failed to cure deficiencies or irregularities that resulted in a marginal or unsatisfactory interim evaluation, the contractor will be barred from bidding or subcontracting for the remaining term of the contract.
- C. A contractor that receives an unsatisfactory rating on the final evaluation may be precluded from bidding, contracting or subcontracting on Corporation projects for a period of up to five years.
- D. A contractor's performance will be evaluated by the Corporation pursuant to the following criteria:
 - Management of project;
 - Quality of work;
 - Record keeping;
 - Subcontracting;
 - Contract changes;
 - Compliance with contractual requirements;
 - Adherence to good safety, industrial and hygiene practices;
 - Fulfillment of workforce requirements;
 - Scheduling;
 - Timely payment of subcontractors, suppliers and employees; and
 - Compliance with the Corporation's non-discrimination policy.
- E. A marginal or unsatisfactory evaluation in any of the elements of the criteria set forth above may serve as the basis for a contractor to receive an overall rating of marginal or unsatisfactory.

3-10.04 *Solicitation and Award of Bids When Competitive Bidding Required***3-10.04-1 *General***

- A. Once the Purchasing Agent has determined that competitive bidding for a public work or purchase contract is required, the Purchasing Agent shall prepare, or cause to be prepared, an IFB or RFP in accordance with these policies and procedures.
- B. Subject to the Policies and Procedures for Personal Service Contracts and any other applicable procedures adopted by the Corporation, the Purchasing Agent may retain such professional consultant(s) as he deems reasonably necessary for preparation of detailed bid specifications, including without limitation, a licensed engineer if the procurement is for a public work, or by any other reasonably necessary means, which may include the assistance of one or more vendors in the case of the procurement of goods. The Purchasing Agent shall exercise diligence, care and sound judgment to ensure that specifications prepared with the assistance of a vendor do not unnecessarily limit bidders to the purchase or sale of goods or services to those provided solely by such vendor or by any other specific manufacturer, supplier or contractor.

Part 3-10 Procurement**3-10.04-2 Minimum Contents of IFB**

All IFB's shall contain at least the following information or provisions, unless otherwise provided herein:

- A. Detailed specifications describing the goods to be acquired or the work or service to be performed, general conditions and if desirable, special conditions, prepared by the Corporation, with such assistance of legal counsel or other professional consultant(s) as the Purchasing Agent deems reasonably necessary or desirable.
- B. The Corporation's Policies and Procedures for Qualification and Evaluation of Contractors, Consultants and Suppliers for Contracts.
- C. A Non-Collusion Statement, which must be subscribed by the bidder, affirmed by the bidder as true under the penalties of perjury, and submitted with such bidder's bid. The Non-Collusion Statement shall state the following:

"Non-Collusive Bidding Certification

By submission of this bid, each bidder and each person signing on behalf of any bidder certifies, and in the case of a joint bid each party thereto certifies as to its own organization, under penalty of perjury, that to the best of knowledge and belief:

- a. The prices in this bid have been arrived at independently without collusion, consultation, communication, or agreement, for the of restricting competition, as to any matter relating to such prices with any other bidder or with any competitor;
- b. Unless otherwise required by law, the prices which have been quoted in this bid have not been knowingly disclosed by the bidder and will not knowingly be disclosed by the bidder prior to opening, directly or indirectly, to any other bidder or to any competitor; and
- c. No attempt has been made or will be made by the bidder to induce any other bidder, partnership or corporation to submit or not to submit a bid for the purpose of restricting competition."

A bid may not be considered for award nor may any award be made if the non-collusion certification executed in accordance with these procedures is not furnished to the Purchasing Agent prior to the bid opening.

- F. A description of the method of contract award.
- G. Any other terms, conditions or administrative considerations that the Purchasing Agent deems necessary or desirable. Such administrative considerations may include, without limitation, bid acceptance, conditions under which bids may be modified or withdrawn, and a policy on submission of facsimile bids.
- H. The Corporation may require bidders to submit a bid deposit or other security with their bids in such amount as the Corporation deems advisable. This type of security protects the Corporation from the time the bid is received until the award of the Contract, and serves as a guarantee that a bidder will keep the bid open and enter into a contract with the Corporation in accordance with the specifications. Bidders shall be permitted to withdraw their bids if no award is made within forty-five (45) days after the bid opening and, upon such withdrawal, any bid deposits or other bid security received by the Corporation shall be returned to the bidder forthwith. Upon the reasonable exercise of the discretion of the Purchasing Agent, an IFB may provide that bidders are permitted to withdraw their bids after a specified time that is less than forty-five (45) days.

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- I. A bid form, to ensure uniformity of bids. This form should reflect the method of award and give bidders the ability to record all relevant costs in an organized manner. For commodities and services, the bid form may also include a section where the bidder is asked to fill in the name and address of the manufacturer of the item or items being bid, the guaranteed delivery, the manufacturer's warranty, and whether pricing offered is the lowest offered to commercial, government or education customers for similar quantities under similar conditions. The bid form must also include a section that requires bidders to acknowledge whether any documentation required to be submitted with the bid has indeed been included, and such other information as the Purchasing Agent deems desirable.
- J. The method of payment, which may include, without limitation, periodic variable payments (monthly, quarterly, etc.) based on the level of services rendered (units, hours, visits); periodic lump sum payments (monthly, etc.) at the completion of a specified service (predetermined amounts); or one lump sum at the completion of services rendered.
- K. Specify that bids must be sealed, or when submission by facsimile or electronic technology is expressly permitted, conveyed in a manner that guarantees the security of the bid.

3-10.04-3 Advertisement for Bids

An advertisement soliciting bids must be published in the Corporation's official newspaper(s) at least one time no less than five calendar days prior to the dates specified for the opening and reading of bids.

- A. Such advertisements must state:
 - 1. The time and place of the public opening and reading of bids;
 - 2. The method(s) by which a prospective bidder may obtain the bid documents;
 - 3. The time and place for submission of bids; and
 - 4. The amount and conditions of any bid deposit or other security required to be submitted by bidders with their bids.

3-10.04-4 Bid Opening

- A. At the announced bid opening time, the Purchasing Agent or his or her designee, shall open all timely bids in the presence of at least one other witness, who shall be another Corporation employee or Officer. The person opening bids shall sign a bid affidavit certifying that such person opened the bids for the specific IFB at the appointed time.
- B. No alteration or correction of bids may be allowed at or after the time of bid opening.
- C. The bids shall be recorded by the Purchasing Agent or his or her designee at the bid opening as such bids are opened, concurrently noting any readily apparent irregularities in such bid.
- D. After the bid opening, the Purchasing Agent shall cause a tabulation of all timely bids to be created. The bids shall be ranked from the lowest to the highest based on the stated method of award. The contract shall be awarded to the lowest responsive and responsible bidder, as determined by the Purchasing Agent in accordance with these Policies and Procedures. The Purchasing Agent may reject all bids if he/she determines that such action is in the best interests of the Corporation. In the event of tie bids, the Purchasing Agent shall make the final determination, as provided in Section 9.03-7 below.

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- E. The contents of all bids, including the name, address and the amount bid, shall be publicly announced at the bid opening. The Purchasing Agent may announce the apparent low bidder, but in such case, must admonish the public that award of the contract will not be made until the Corporation makes final determinations regarding compliance with all terms and conditions of the IFB and bidder responsibility and qualifications. If technical specifications for the IFB were prepared by a consultant or licensed engineer, then no contract may be awarded until such consultant or engineer certifies to the Corporation that the bid submitted complies with such specifications and any relevant bid terms and conditions. In all other cases, the Purchasing Agent may make such determination of compliance.
- F. The Purchasing Agent or his or her designee may conduct such investigation as may be required to determine whether the prospective contractor is qualified, in accordance with the Policies and Procedures for Qualification and Evaluation of Contractors, Consultants and Suppliers for Contracts adopted by the Corporation.
- G. The Corporation shall announce the proposed award of the contract by mail to the successful bidder within the time specified in the IFB, with a corresponding notice by mail to all bidders that responded to the IFB. The Corporation may respond to inquiries with respect to the status of the bid evaluation process, but may not announce a proposed award by any method prior to the mailing of the formal award announcements referred to above.

3-10.04-5 Bidders List

The Corporation may prepare and maintain a list of qualified bidders, containing the names, addresses, phone numbers and a description of the commodities or services provided by such bidders, to whom the Corporation may send bid notices containing such information as shall be contained in bid advertisements. The Corporation shall take care to assure that all known prospective bidders, with reasonable limitations, are included on the list and bidders are not arbitrarily removed from the list.

3-10.04-6 Tie Bids

- A. Where two or more responsive and responsible bidders submit identical bids as to price, the Corporation may award the contract to any one of such bidders, or the Corporation may reject all bids and re-advertise for new bids. In selecting among tie bidders, the Corporation may to the extent permitted by applicable law give preference to local businesses, as described at Section II (E)(1) of the Corporation's Policies and Procedures for Qualification and Evaluation of Contractors, Consultants and Suppliers for Contracts.
- B. When the tie is among "local businesses" (as defined in the aforementioned Procurement Policies and Procedures), or among bidders where none is a local business, the Purchasing Agent is encouraged to draw lots so as to eliminate the charge of favoritism. Under no circumstances may the contract be divided among the tie bidders.

3-10.04-7 Trade-Ins

If the Corporation contemplates trading-in equipment it is presently using, the IFB must indicate that a trade-in is involved and request that bids contain a trade-in allowance. In determining whether a purchase contract is above the \$10,000 monetary minimum for competitive bidding, a trade-in allowance shall be treated as an expenditure, so that even if the cash expenditure is below \$10,000, competitive bidding would be required if the total value (i.e., cash plus trade-in allowance) is over \$10,000. In determining the low bidder, the net price (i.e., gross price less trade-in) shall be considered.

Part 3-10 Procurement**3-10.04-8 Bid Mistake; Withdrawal of Bids**

- A. Where a unilateral error or mistake is discovered in a bid, such bid may be withdrawn by the bidder after a showing of the following:
1. The mistake is known or made known to the Purchasing Agent prior to the awarding of the contract or within three (3) days after the opening of the bid, whichever period is shorter;
 2. The price bid was based on an error of such magnitude that enforcement would be unconscionable;
 3. The bid was submitted in good faith and the bidder submits credible evidence to the Purchasing Agent that the mistake was a clerical error as opposed to a judgment error;
 4. The error in the bid is actually due to an unintentional and substantial arithmetic error or an unintentional omission of a substantial quantity of work, labor, material, goods or services made directly in the compilation of the bid, which unintentional arithmetic error or unintentional omission can be clearly shown by objective evidence drawn from inspection of the original workpaper, documents or materials used in the preparation of the bid sought to be withdrawn; and
 5. It is possible to place the Corporation in status quo ante.
- B. Unless otherwise required by law, the sole remedy for a bid mistake in accordance with this Section shall be withdrawal of that bid and the return of the bid deposit or other security, if any, to the bidder. Thereafter, the Purchasing Agent may, in its discretion, award the contract to the next lowest responsible and responsive bidder or re-bid the contracts. Any amendment to, or reformation of, a bid or a contract to rectify such an error or mistake therein is strictly prohibited.

3-10.05 Payment on "Public Works" Projects

All contracts made and awarded by the Corporation (other than contracts between the Corporation and a municipality) for construction, reconstruction or alteration of any public work project, or any project that would be a public work project under the General Municipal Law if the Corporation were a municipal corporation, shall provide for payment by the Corporation to the contractor and payment by the contractor to the subcontractor in accordance with the following:

3-10.05-1 Payment by the Corporation to Contractors

- A. The contractor shall periodically, in accordance with the terms of the contract, submit to the Corporation and/or its agent, a requisition for a progress payment for the work performed and/or materials furnished to the date of the requisition less any amount previously paid to the contractor. The Corporation shall, in accordance with the terms of the contract, approve and "promptly pay" (as defined in Subsection E below) the requisition for the progress payment, less an amount necessary to satisfy any "claims, liens or judgments" (as those terms are defined in Subsection E below) against the contractor which have not been suitably discharged, and less any retained amount as hereafter described.
- B. The Corporation shall retain not more than five percent (5%) of each progress payment to the contractor, except that the Corporation may retain in excess of five percent (5%) but not more than ten percent (10%) of each progress payment to the contractor, provided that there are no requirements by the Corporation for the contractor to provide a performance bond and a labor and material bond both in the full amount of the contract.

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- C. The Corporation shall pay, upon requisition from the contractor, for materials pertinent to the project that have been delivered to the site or off-site by the contractor and/or subcontractor and suitably stored and secured as required by the Corporation and the contractor, provided, the Corporation may limit such payment to materials in short and/or critical supply and materials specially fabricated for the project, each as defined in the contract.
- D. When the work, or major portions thereof, as contemplated by the terms of the contract are substantially completed, the contractor shall submit to the Corporation and/or its agent a requisition for payment of the remaining amount of the contract balance. Upon receipt of such requisition, the Corporation shall approve and promptly pay the remaining amount of the contract balance less two (2) times the value of any remaining items to be completed and an amount necessary to satisfy any claims, liens or judgments against the contractor which have not been suitably discharged. As the remaining items of work are satisfactorily completed or corrected, the Corporation shall promptly pay, upon receipt of a requisition, for these items less an amount necessary to satisfy any claims, liens or judgments against the contractor that have not been suitably discharged.
- E. Any "claims, liens and judgments" referred to in this provision shall pertain to the project and shall be filed in accordance with the terms of the applicable contract and/or applicable laws. As used in these provisions, the term "promptly pay" shall mean payment within thirty (30) days, excluding legal holidays, of receipt of the requisition, unless such requisition is not approval in accordance with the terms of the contract.

3-10.05-2 Payment by Contractors to Subcontractors

- A. Within fifteen (15) calendar days of the receipt of any payment from the Corporation, the contractor shall pay each of its subcontractors and materialmen the proceeds from the payment representing the value of the work performed and/or materials furnished by the subcontractor and/or materialman, and reflecting the percentage of the subcontractor's work completed or the materialman's materials supplied in the requisition approved by the Corporation, and based upon the actual value of the subcontract or purchase order, less an amount necessary to satisfy any claims, liens or judgments against the subcontractor or materialman that have not been suitably discharged, and less any retained amount as hereafter described.
- B. The failure by the contractor to make any payment, including any remaining amounts of the contract balance as hereinafter described, to any subcontractor or materialman within fifteen (15) calendar days of the receipt of any payment from the Corporation shall result in the commencement and accrual of interest on amounts due to such subcontractor or materialman for the period beginning on the day immediately following the expiration of such fifteen (15) calendar day period and ending on the date on which payment is made by the contractor to such subcontractor or materialman. Such interest shall be the sole responsibility of the contractor, and shall be paid at the rate of interest in effect on the date payment is made by the contractor. Notwithstanding any other provision to the contrary, interest shall be computed at the rate equal to the overpayment rate set by the commissioner of Taxation and Finance, pursuant to subsection (e) of section one thousand ninety-six of the tax law.
- C. The contractor shall retain not more than five percent (5%) of each payment to the subcontractor and/or materialman, except that the contractor may retain in excess of five percent (5%) but not more than ten percent (10%) of each payment to the subcontractor, provided that prior to entering into a subcontract with the contractor, the subcontractor is unable or unwilling to provide a performance bond and a labor and material bond, both in the full amount of the subcontract, at the request of the contractor. However, the contractor shall retain nothing from those payments

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representing proceeds owed the subcontractor and/or materialman from the Corporation's payments to the contractor for the remaining amounts of the contract balance.

- D. If the contractor has failed to submit a requisition for payment of the remaining amounts of the contract balance within ninety (90) days of substantial completion as provided in Section I, then any clause in the subcontract between the contractor and the subcontractor or materialman which states that payment by the contractor to such subcontractor or materialman is contingent upon payment by the Corporation to the contractor shall be deemed invalid.
- E. Within fifteen (15) calendar days of the receipt of payment from the contractor, the subcontractor and/or materialman shall pay each of its subcontractors and materialmen in the same manner as the contractor has paid the subcontractor, including interest as herein provided above.
- F. Nothing in these provisions shall create any obligation on the part of the Corporation to pay or to see to the payment of any monies to any subcontractor or materialman from any contractor nor shall anything provided herein serve to create any relationship in contract or otherwise, implied or expressed, between the subcontractor or materialman, and the Corporation.

3-10.06 *Personal Services Contracts (Awarding, Monitoring and Reporting)***3-10.06-1 Procurement of Personal Services**

Subject to the exceptions set out below, all personal services contracts (as hereinafter defined) shall be procured through competitive bidding. These policies and procedures shall govern how such procurements are conducted by the Corporation.

3-10.06-2 Definitions

- A. As used in these policies and procedures, "personal services contract" shall mean any contract that involves the acquisition of personal services. The term "personal services" shall mean any services performed for fee, commission or other compensation by persons or organizations that are not providing such service as Officers or employees of the Corporation or any governmental agency or public corporation. Personal services include, but are not limited to, legal, accounting, management consulting, construction management, program management, planning, training, statistical research, public relations, architectural, engineering, surveying or any other services of a consulting, technical or professional nature.
- B. As used in these policies and procedures, the term "Purchasing Agent" shall refer to the Executive Director of the Corporation and/or such other Officer or employee of the Corporation as the Board of Directors may be resolution appoint as Purchasing Agent.

3-10.06-3 Use of Personal Service Contractors

The Corporation will use personal service contractors only after the President or Purchasing Agent after discussion with the President shall have determined that it is appropriate to do so. In making such determination, the following factors shall be considered:

- A. The amount of time likely to be required in performing the services;
- B. The degree of special skill likely to be required in performing the services;
- C. The availability of employees of the Corporation possessing the skills needed to perform the services;

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- D. The likely expense of training employees of the Corporation to perform the services, and the likely future benefits to the Corporation of such training;
- E. The availability of personal service contractors and the likely expense of using personal service contractors;
- F. The requirement that the services be rendered by an independent professional, as in the case of auditors' opinions or legal opinions;
- G. The effect of use of personal service contractors on other agreements and operations of the Corporation;
- H. The extent to which the Corporation has successfully used personal service contractors in the past for the services to be performed; and
- I. The need to assure that the Corporation conducts its operations in the most effective and efficient manner.

3-10.06-4 Selection of Personal Service Contractors

- A. Selection of all personal service contractors shall be made on a competitive basis, except in the following circumstances:
 - 1. The total amount of the contract is not likely to exceed \$25,000;
 - 2. The President or the Purchasing Agent (after consultation with the President) shall have determined that:
 - a. The need to obtain high quality services or services having unique or extraordinary features or time requirements substantially outweighs possible cost savings from selection on a competitive basis; or
 - b. The Corporation has other cost control procedures to protect the Corporation from paying more for services than necessary; or
 - 3. The Board of Directors otherwise determines that competition would be inappropriate.
- B. The foregoing shall not be construed to affect any requirement for competitive bidding binding on the Corporation under any contract to which it is a party or applicable law.
- C. Where selection is made on a competitive basis, the Purchasing Agent shall request detailed proposals from at least three (3) personal service contractors known to have experience in the type of service to be performed. Where the total value of the contract is likely to exceed \$25,000, the proposals shall be in writing. Proposals shall be evaluated on the basis of all relevant factors, such as the personal service contractor's experience, reputation, technical qualifications, financial condition, past performance, size, quality and availability of staff, identity of supervisory personnel, possible conflicts of interest, proposed scope of work and proposed fee or commission. No single factor shall necessarily be controlling and the personal service contractor submitting the proposal that is most favorable on an overall basis shall be selected, except that the President or the Purchasing Agent after consultation with the President, may reject any or all proposals if he or she considers such action to be in the best interest of the Corporation.
- D. The qualifications of all proposers shall be evaluated in accordance with the Corporation's Policies and Procedures for Qualification and Evaluation of Contractors, Consultants and Suppliers for Contracts.

Part 3-10 Procurement**3-10.06-5 Notification**

All personal service contracts shall be presented to the Board of Directors in regular monthly reports. Personal service contracts for more than \$100,000 or contract modifications that will increase the contract to a value in excess of fifteen percent (15%) of the original contract amount shall be presented to the Board of Directors in specially identified sections of regular monthly reports or by special advisory memorandum.

3-10.06-6 Contractor's Responsibilities

The Corporation shall monitor the performance of personal service contractors to assure that all personal service contractors perform all required services to the satisfaction of the Corporation in accordance with the terms and conditions of their contracts. Such contractors shall be required to meet with appropriate representatives of the Corporation upon request at reasonable times, present upon request written reports satisfactory to the Corporation of the progress of the services they are providing and provide invoices for all services rendered in sufficient detail to enable the Corporation to identify the services.

3-10.06-7 Provision of Personal Service Contracts

In addition to any provisions required by any contract to which the Corporation is a party, by law, by these guidelines and procedures, or by the Purchasing Agent, all personal service contracts shall contain the following provisions:

- A. A description of the services to be performed, the standard for performance, if practical, and any relevant time requirements or deadlines;
- B. A statement of the cost to the Corporation of the services to be performed, including the method and time of payment, and if the cost cannot readily be determined or estimated with a reasonable degree of accuracy at the time of contracting, a statement of the manner in which such cost to the Corporation shall be determined;
- C. A requirement, where appropriate, that there be periodic progress reports in sufficient detail to permit monitoring of the services to be performed;
- D. Provisions relating to conditions and circumstances, if any, under which supplies, facilities and personnel of the Corporation may be used by the personal service contractors in performing services; and
- E. Provisions under which the Corporation may terminate the contract.

3-10.06-8 Reporting

The Executive Director, or his or her designee, shall submit to the Board of Directors annually a report reflecting the status of all existing personal service contracts, and identifying any new personal service contracts entered into during the preceding year and the manner in which contractors for those new contracts were selected. In addition, the Board of Directors shall annually review and approve a report on personal service contracts, which shall include a copy of these guidelines and procedures and of any amendments thereto since the last annual report, a list of personal service contractors performing services since the last annual report, and a list of fees, commissions or other charges paid to such contractors during the year.

Part 3-10 Procurement**3-10.06-9 Miscellaneous**

- A. The provisions of these policies and procedures are for the sole use and guidance of the directors, Officers and employees of the Corporation. No provision of these policies or procedures shall be the basis for any claim based on any such policies or procedures against the Corporation or any of its directors, Officers or employees.
- B. These policies and procedures shall not alter the rights and obligations of any contract of the Corporation with a third party, nor shall they be deemed to alter the terms of any contract or affect the validity of any contract made in violation of, or without compliance with, these policies or procedures.