Delegated Approvals
&
Review of Encumbrances, Work Orders & Expense Reimbursements

January 14, 2009

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Delegated Approvals

- **Z-symbol and Acting Assignment Pay**

- **TE/TT – Employee Travel & Training Reimbursements***

- Financial transactions related to encumbering, paying, and establishing work orders between departments

*reimbursements to be signed off by Department Head or CFO

Agenda

Introduction	Ben Rosenfield
Highlight of Changes	Frances Lee
•Review Guidelines	
TE/TT – Employee Reimbursements OA – Outreach Advertising	Alan Pavkovic
BW/IS – Work Order Budgets & Encumbrances	Kammy Vong
WS/WE – Work Order Billings	Brandon Shou
PO/DP/CO – Purchase Orders & Change Orders	Hazelle Fernandez, Myrna Boongaling, & Brendan Conran
EN/EJ/EP/ER – Encumbrances, Modifications & Payments	Wynnie Ruan & Sanda Thaik

Risk-based Streamlined Approval Paths

Financial Transactions	Purpose	As Is	Low Risk Will Be	Standard Risk Will Be
BW : WORKORDER BUDGET and IS : INTERDEPARTMENTAL ENCUMBRANCE (WC, WN, WP)	Record new work order budgets. Record set up of work orders and modifications to existing work orders.	✅	❌	❌
CO : ADPICS - CHANGE ORDERS	Cancel pre-encumbrances and encumbrances; change funding, order quantity and amount.	✅	❌	❌
DP : ADPICS - DEPARTMENTAL PURCHASE ORDERS	Releases against BPO (CT), non-release type encumbering total funds (CS), non-purchasing, non-release (NP).	✅	❌	❌ Except some departments
EJ : NON-ADPICS - ENCUMBRANCE ADJUSTMENT	Record modifications to EN encumbrances.	✅	❌	❌ Except May-Sep

Legend:

✅ ✅ Controller's Office Accounting as the final approver

❌ Department as the final approver

Risk-based Streamlined Approval Paths (with or without Controller's Office as the final approver)

Financial Transactions	Purpose	As Is	Low Risk Will Be	Standard Risk Will Be
EN : FAMIS ENCUMBRANCE DOCUMENT	Record encumbrances with special requirements or conditions such as retention or payment by wire transfer, or complex account distribution.	✔	✖	✔
EP/ER : ENCUMBRANCE PAYMENT REQUESTS	Record payments against FAMIS encumbrances.	Select departments' transactions reviewed	✖	✖
OA : ADVERTISING PAYMENTS	Pay legal advertising under Prop J, where 10% of official advertisement invoice amounts is set aside for advertisements in outreach periodicals.	✔	✖	✔
PO : ADPICS - PURCHASE ORDERS	Order commodities, general services, and professional services governed by Purchaser's regulations pursuant to Admin. Code Chapter 21.	✖	✖	✖
TE/TT : EMPLOYEE TRAVEL AND TRAINING REIMBURSEMENTS	Request employees' reimbursements for authorized expenditures related to training and/or travel.	✔ pre-audit	✖ Department Head or designated personnel's authorization	✔ Mini pre-audit + Department Head or designated personnel with signature authority

Approval Path Changes: Low Risk Departments

Documents No Longer on the Controller's Office Approval Path

- BW/IS/WE/WS – Work Order Budgets, Encumbrances & Billings
- DP/PO/CO – Purchase Orders & Change Orders
- EN/EJ/EP/ER – Encumbrances & Change Orders & Payments
- OA – Outreach Advertising
- **TE/TT – Employee Travel & Training Reimbursements***
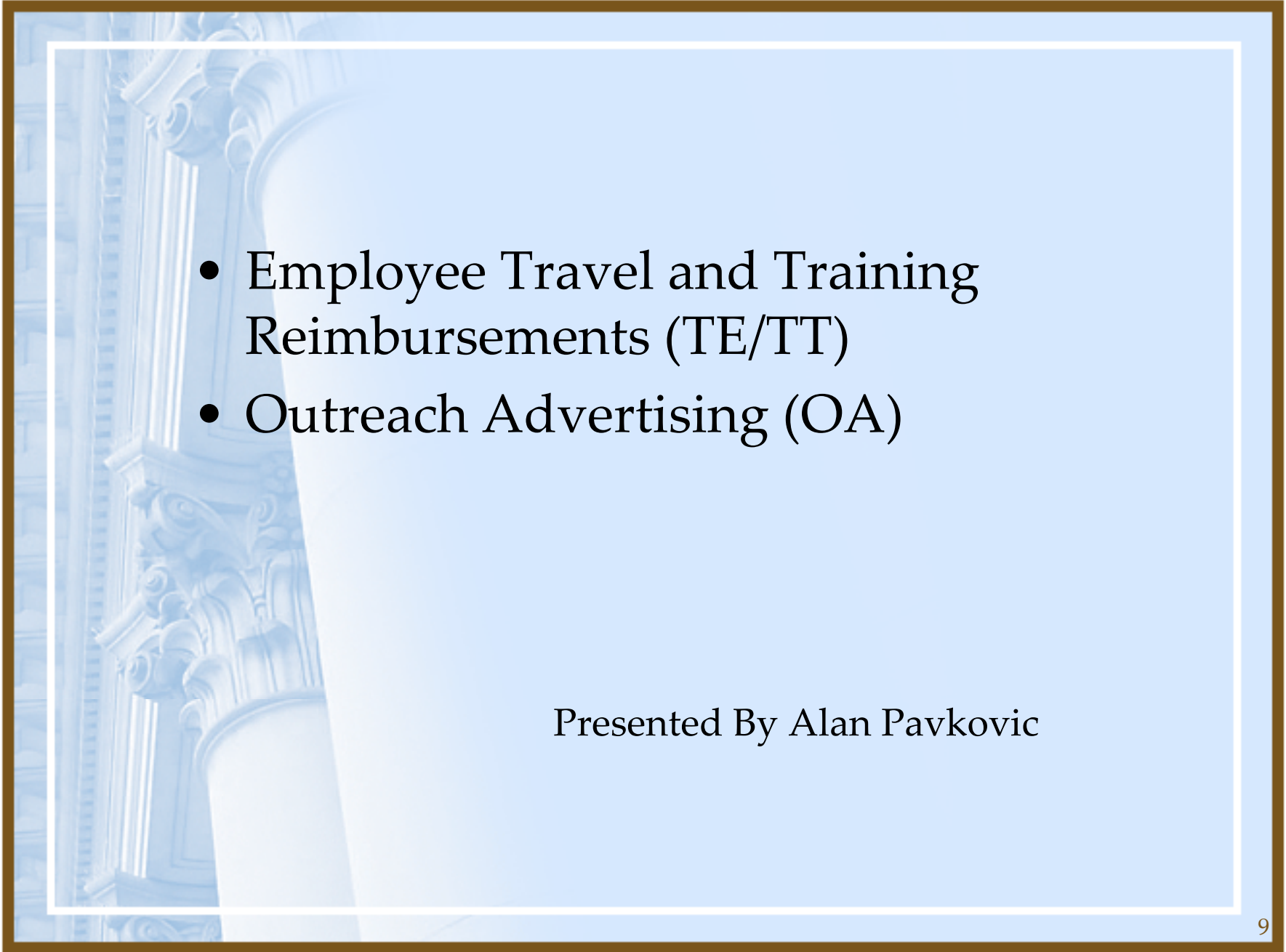
*reimbursements to be signed off by Department Head or CFO

Approval Path Changes: Low Risk Departments

- Documents Still Remain on the Controller's Office Approval Path
  - BA – Budget Allocations
  - DV/PR/RM – Direct Payments w/out Encumbrances
  - GB/GM/GE/GR – Grant Budget & Entries
  - JE/RE/YA/YR – Journal Entries
  - OT – One-Time Payments >$200
  - RA/RT – Revenue Transfers
  - RD/RR - Revenue Refunds
  - RF – Revolving Funds
  - SU – Surplus Expenditure Budget Transfers
  - TA – Travel Advances

Approval Path Changes: Standard Risk Departments

- Documents Still on the Controller's Office Approval Path
  - BA – Budget Allocations
  - *DP – Departmental Purchase Orders (certain departments)*
  - DV/PR/RM – Direct Payments w/out Encumbrances
  - *EJ – Encumbrance Modifications (certain fiscal months)*
  - *EN - Encumbrances*
  - GB/GM/GE/GR – Grant Budget & Entries
  - JE/RE/YA/YR – Journal Entries
  - *OA –Advertising Payments*
  - OT – One-Time Payments >$200
  - RA/RT – Revenue Transfers
  - RD/RR - Revenue Refunds
  - RF – Revolving Fund Replenishments
  - SU – Surplus Transfers
  - TA – Travel Advances
  - *TE/TT – Employee Reimbursements (Pre-approval with CFO)*

- Employee Travel and Training Reimbursements (TE/TT)
- Outreach Advertising (OA)

Presented By Alan Pavkovic

TE/TT – Employee Travel and Training Reimbursements

- Reimbursement forms - signed by department head or authorized designee
- Expenses - a reasonable and prudent person would incur on official business
- Requests - on a timely basis, within 10 days after returning to work
- Original receipts are required
- Expenses incompatible with City's rules – not reimbursable

TE/TT - Travel and Training – cont'd

- Airline
  - Use City travel agencies for reservations more than 2 weeks in advance if possible
  - Coach fare only
  - Luggage fees – limited to 1 bag per person

- Hotel
  - Federal per-diem rate, rate higher than Federal rate allowed only if staying at conference hotel
  - Original detailed receipt required
  - Overnight stay within 9 Bay Area Counties not reimbursable

- Car Rental
  - Allowed only when absolutely necessary (use airport shuttle)
  - Rental insurance not needed nor reimbursed as City is self-insured

TE/TT Travel and Training – cont'd

- Mileage
  - Deduct mileage for commute to work (cannot claim mileage if commute via bus, BART, or bicycle)
  - Cannot claim mileage when using city car

- Per-Diem
  - Follow appropriate GSA rates for per-diem
  - Not allowed if traveling within 9 Bay Area Counties
    - *Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma*
  - Not allowed for day trips (no overnight stay)

TE/TT Travel and Training – cont'd

- Non-Allowable or Non-Reimbursable Items
  - Upgrades (Airline or Car)
  - Parking Tickets
  - Towing Charges
  - Hotel Movies
  - Unjustified Internet Access
  - Alcoholic beverages
  - Unjustified per-diem instead of conference provided meals
  - Flowers, Greeting Cards, Gifts, Post Cards
  - No Original Receipt

OA – Outreach Advertising

- Official advertising which is required by law to be published two or more consecutive days, and advertising required by Section 2.103 of the Charter for special meetings of the Board of Supervisors and its special or standing committees.

Outreach Advertising

- Outreach fund is established by withholding 10% of all revenue paid to each official newspaper
- The Examiner and Chronicle are Official Newspapers for Fiscal Year 2008-2009
- Outreach Periodicals:
  - San Francisco Bay View
  - Asian Week
  - Sing Tao Daily
  - China Press
  - Bay Area Reporter
  - Bay Times
  - El Reportero

Outreach Advertising

- Payment uses document type "OA"
  - Line 1 – Direct Expenditure to Vendor 90% of amount
  - Line 2 – Increase Expenditure as advertising expense in department 10% of invoice amount
  - Line 3 – Record 10% of invoice amount as revenue in the department's outreach fund
  - Line 4 – Reduce 10% of encumbrance for the outreach fund
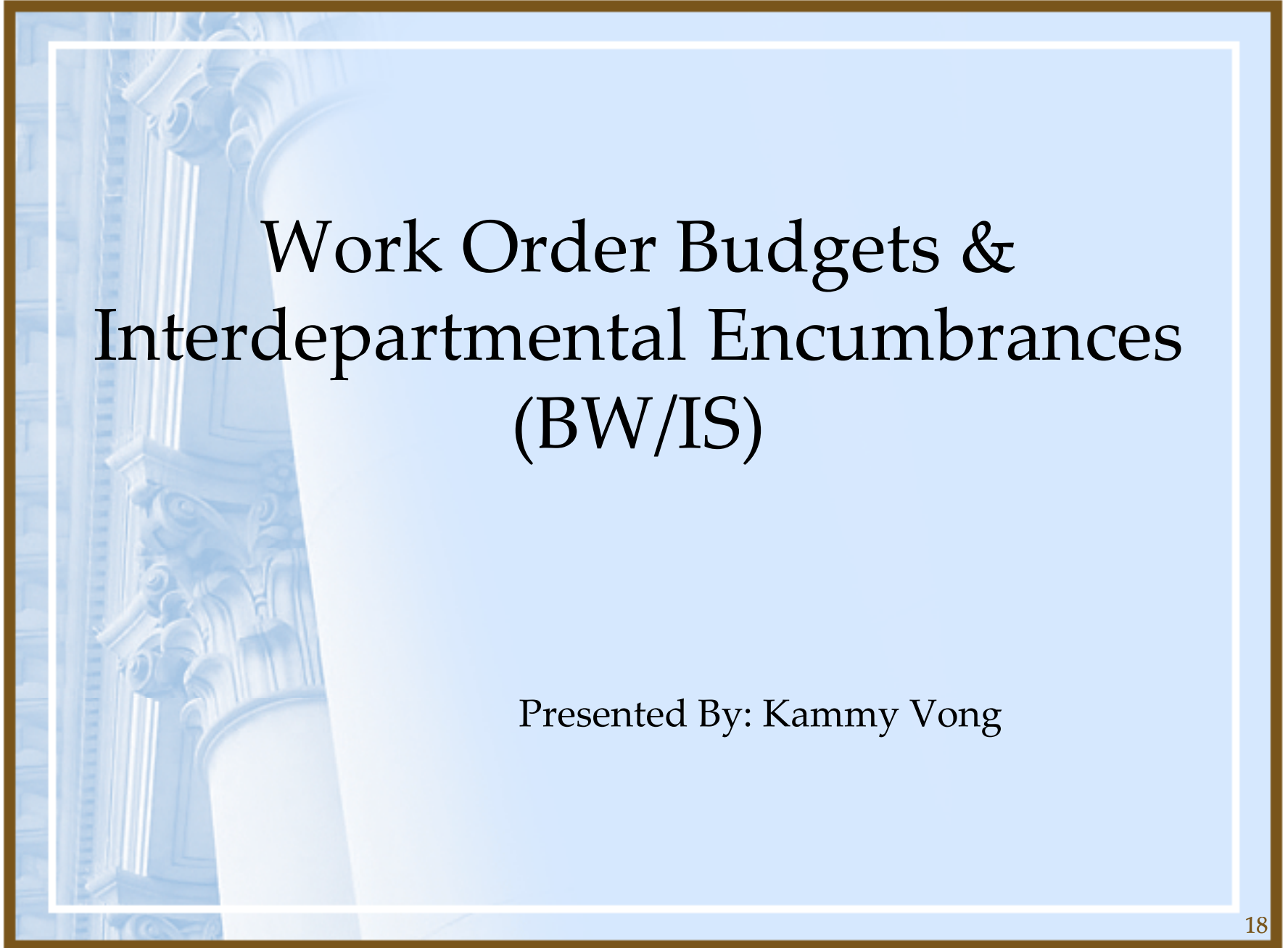
Additional Information:

- Controller's Policies Travel & Training:

http://famis.sfgov.org/ControllersPolicies/AOSD_PP_Directives_index.html#Travel

- Federal Rates:

  www.gsa.gov/perdiem

Work Order Budgets & Interdepartmental Encumbrances (BW/IS)

Presented By: Kammy Vong

Interdepartmental Work Order Overview

- A department requests for interdepartmental services from another department (performing) through a work order.

- Performing department sets up a work order budget (BW) based on MOU with the requesting department, and encumbers the fund (IS or WK).

- Interdepartmental work order is cost recovery based. The performing department first performs the service (incurs the costs), then recovers costs from the requesting department.

Interdepartmental Work Order Budget

1) Annual Budget Process (AAO - Annual Appropriation Ordinance), or

2) Manual and Subsequent to the Budget Process.

➢ With "Interdepartmental Work Order Form" and manual entries in FAMIS.

Work Order Encumbrance

- When the interdepartmental work order is included in the budget process, the budget interface will generate a "WK" document prefix to encumber the fund. The corresponding performing department's budget is also set up in the budget process.

- When the interdepartmental work order is set up manually, the performing department will receive an authorization form "Interdepartmental Work Order" from the requesting department for new or additional interdepartmental services.

- The performing department will initiate the entry to set up both the budget (BW) and the encumbrance (IS) in FAMIS.

Sample of an "Interdepartmental Work Order"

IS Document Type

- To set up a new Interdepartmental Encumbrance (IS), use document type IS with document prefix WP or WN.
- To modify or change an existing IS, use WC as document prefix

  Example : WPRDYYAPDXXX

  - WP (use this for Project),
  - WN (use this for Non-Project) ,
  - or WC (use this for Modification)

  - RD (Requesting department identifier)

  - YY (Fiscal Year)

  - A (for Recurring Services use "I", for One Time Services use "J", and for Acquisition of Fixed Assets use "K"

  - PD (Performing department identifier)

  - XXX (Control number assigned by department)

Things to Consider When Approving BW & IS

	BW	IS
➢ If there is a proper authorization	✓	✓
➢ If the documents are appropriately set up	✓	✓
➢ If it is in compliance with the City policies & procedures	✓	✓
➢ If the modifications and transfers are valid	✓	✓
➢ When it is grants related – what to look for	✓	✓
➢ To close out work order – what steps to consider	✓	✓
➢ To carryforward – what steps to take	✓	✓
➢ If entries are accurately prepared with proper index code, sub-object and transaction code	✓	✓

Authorization

	BW	IS
1. An agreement between the requesting and performing departments exist. a. Description and amount of services provided. b. Signed by both performing and requesting departments.	✓	✓
2. Budget amounts are <u>authorized</u> by the requesting department. ➢Any <u>increase or decrease</u> to the budget must be <u>mutually agreed</u> upon and documented by <u>both parties</u> through modifications to the work order.	✓	✓

Appropriate Set Up

	BW	IS
1. Service amounts are charged to the <u>appropriate accounts</u>, such as grant or project codes, or revenue recovery accounts.	✓	✓
2. Funds for interdepartmental services must be budgeted and available.	✓	✓

Compliance

	BW	IS
1. In compliance with the City Policies and Guidelines under Section 10 – Interdepartmental Services of the Annual Appropriation Ordinance (AAO) "All expenditures for personnel services, rent, equipment or capital outlay purposes need to be appropriated (authorized) by the Board of Supervisors". "The amount detailed in departmental budgets for services of other City departments cannot be transferred to other spending categories without prior agreement from both the requesting and performing departments".	✓	✓

Modifications/Transfers

	BW	IS
1. Any modification <u>must be agreed by both</u> the requesting and performing departments.	✓	✓
2. Any modification must also meet the criteria of the City's policies and guidelines.	✓	✓

Funded by Grant

	BW	IS
If a work order is grant funded, the requesting department must inform the performing department the grant requirements. ➤ Performing department should only accept the work order if it can comply with the grant requirements.	√	√

Close-Out Process

	BW	IS
1. Close-out of work orders requires mutual agreement between the requesting and performing departments. If there is a conflict, <u>requesting department's</u> decision <u>takes precedence</u>. However, all billings against the work order must be settled before the close-out.	✓	✓

Carry Forward

	BW	IS
• Any encumbrance not used can be requested for carryforward to the next fiscal year if mutually agreed upon by both departments.	✓	✓
• Prior year carryforward budgets under sub-object "06A00" (Interdepartmental service expenditures) must be reallocated to the same expenditure accounts budgeted in the prior year.	✓	✓

Accurate Input

	BW	IS
BW & IS documents detail must be carefully reviewed for accuracy, esp. the following input codes.	✓	✓
➢Index Code, ➢Sub-object, and ➢Transaction Code		

Important Review Data

	BW	IS
A. Index Code	Performing Department's Index Code	Requesting Department's Index Code
B. Sub-Object	086DD (for New Work Order Recovery)	081DD(for Encumbrance of New Work Order)
	087 (for Revision)	------------------------
	880DD (for Revenue Recovery from Outside Agencies)	083 (for Encumbrance from Outside Agencies) -San Francisco Unified School District -Community College District -Housing Authority Services -Redevelopment Agency Services

Summary of Transaction Codes for Budget Work Order (BW)

	Use	Pair With
C. Transaction Code	072 – To Establish (Increase) Allotted Expenditure	074 – To Set Up (Increase) the Recovery Account
	073 – To Decrease Allotted Expenditure	075 – To Decrease the Recovery Account

Sample of BW Appropriation Journal Entry

- FAML6300 V5.1   CITY AND COUNTY OF SAN FRANCISCO--NFAMIS   12/16/2008
- LINK TO: TRANSACTION DETAIL INQUIRY
-
- DOCUMENT   -- POST PERIOD -- POST DATE --------- POSTED BY --------- UNIT
- BWUH08000019   02   09 2008   MAR 2008   03/26/2008
- ---
- **TRANS CODE   :** 072 OTHER INCREASE TO ALLOTTED EXPENDITURE APPN.
- DOCUMENT REF   :   WNAC08IUH014   01
- NOTEPAD :   Y
- **TRANS DESC.   : TO SET UP WORK ORDER APPRN. RE:ENERGY EFFICIENCY**
- AMOUNT   :   107,411.00   DUE DATE :
- SINGLE CHECK :
- VENDOR NUMBER :
- **INDEX CODE   :** 510041 **AIRPORT BOILER PLANT EVALUATION & DESIGN**
- **SUB-OBJECT   :**   02999   OTHER EQUIP MAINT
- USER CD   .
- GRANT   /   GR DTL   :
- PROJ   / PJDTL   : IUH014   AIRPORT BOILER PLANT EVALUATION & DESIGN

Performing Department's
Index Code

35

Sample of a Work Order Budget (BW) Recovery Journal Entry

```
FAML5999 V5.1        CITY/COUNTY OF SAN FRANCISCO PRODUCTION: FAMIS      03/20/2003
                              TABLE LOOKUP                                 11:20 AM
```

FAML6300 V5.1   CITY AND COUNTY OF SAN FRANCISCO--NFAMIS 12/16/2008

- LINK TO: TRANSACTION DETAIL INQUIRY
-
- DOCUMENT   -- POST PERIOD -- POST DATE --------- POSTED BY --------- UNIT
- BWUH08000019 01   09 2008   MAR 2008   03/26/2008
- --
- **TRANS CODE** : 074 **OTHER INCREASE TO PERFORMING DEPT INTERDEPT'L RECOVERY**
- DOCUMENT REF : WNAC08IUH014   01
- NOTEPAD :   Y
- **TRANS DESC. : TO SET UP WORK ORDER RECOVERY RE:ENERGY EFFICIENCY**
- AMOUNT   :   107,411.00   DUE DATE :
- SINGLE CHECK :
- VENDOR NUMBER   :
- **INDEX CODE** : 510041 AIRPORT BOILER PLANT EVALUATION & DESIGN
- **SUB-OBJECT**   : 086AC   EXP REC FR AIRPORT (AAO)
- USER CD   :
- GRANT   /   GR DTL   :
- PROJ   / PJDTL   : IUH014   AIRPORT BOILER PLANT EVALUATION & DESIGN

Performing Department's
Index Code

36

Sample of a Work Order Budget (BW) Summary

- FAML6450 V5.1   CITY AND COUNTY OF SAN FRANCISCO--NFAMIS   12/18/2008
- LINK TO: ORGANIZATION SUMMARY INQUIRY   2:36 PM
-
- BALANCE (Y,M,Q,A) : Y   CURR/PRIOR PRD   :   CURRENCY CODE :
-
- FISCAL MO/YEAR : 09 2008   MAR 2008   FUNDING PERIOD:
- **INDEX CODE   : 510041   AIRPORT BOILER PLANT EVALUATION & DESIGN**
- ORGANIZATION   :
- CHAR / OBJECT   :
- FDTP FUND SFND :
- PROJECT   PROJ DTL :
- GRANT   GRANT DTL :
- USER CD   :
- --
- S   SUBOBJ   DESCRIPTION   **BUDGET**   ACTUAL   PREENC/ENC   BALANCE
- **02999   OTHER EQUIP MAINT   107,411**   107,411
- **086AC   EXP REC FR AIRPORT   -107,411**   -107,411
-                 REVENUE LESS EXPE

Summary of Transaction Codes for Work Order Encumbrance (IS)

C. Transaction Code	USE
	145 – To Establish Encumbrance
	147 – To Increase Encumbrance
	148 – To Decrease or Cancel Encumbrance
	149 – To Reclassify Encumbrance
	155 – To Add a Suffix to an Encumbrance
	158 – To Generated Liquidation of an Encumbrance

Sample of an Work Order Encumbrance (IS) Entry

- FAML6300 V5.1   CITY AND COUNTY OF SAN FRANCISCO--NFAMIS
        12/22/2008
- LINK TO: TRANSACTION DETAIL INQUIRY
-
- DOCUMENT   -- POST PERIOD -- POST DATE --------- POSTED BY --------- UNIT
- WPFC08IUW081 01   03 2008   SEPT 2007 09/28/2007
- --
- **TRANS CODE   :   (145)   ESTABLISH AN INTERDEPT'L TYPE OF ENCUMBRANCE**
- DOCUMENT REF   :   NOTEPAD :   Y
- **TRANS DESC.   :   SERV OF PUC CDD WORK ORDER SERV**
- **AMOUNT   :   100,000.00   DUE DATE   :   SINGLE CHECK :**
- VENDOR NUMBER   :
- **INDEX CODE   : (315035)   WATER MAINTENANCE**
- **SUB-OBJECT   : (081UW)   EF-PUC-WATER**
- USER CD   :
- GRANT / GR DTL   :
- PROJ   / PJDTL   :   CFC902   WATER - CRAFTS - MAINTENANCE

Requesting Department's
Index Code

Sample of an Interdepartmental Encumbrance (IS)

- FAML6450 V5.1   CITY AND COUNTY OF SAN FRANCISCO--NFAMIS   12/22/2008
- LINK TO: ORGANIZATION SUMMARY INQUIRY   9:47 AM
-
- BALANCE (Y,M,Q,A) : Y   CURR/PRIOR PRD :   CURRENCY CODE :
-
- FISCAL MO/YEAR   : 03 2008   SEPT 2007   FUNDING PERIOD:
- **INDEX CODE   : 315035**   **WATER MAINTENANCE**
- ORGANIZATION   :
- **CHAR / OBJECT   : 081**   **SERVICES OF OTHER DEPTS**
- FDTP   FUND   SFND   :
-
- PROJECT   PROJ DTL   :
- GRANT   GRANT DTL   :
-
- USER CD   :
- --
- S   SUBOBJ   DESCRIPTION   BUDGET   ACTUAL   PREENC/ENC   BALANCE
-     081C5   IS-TIS-ISD SERVICE   43,546   43,546
- **081UW   EF-PUC-WATER   100,000   100,000**

Work Order Billings (WS/WE)

Presented By: Brandon Shou

Purpose of Work Order Billings (WS/WE)

WS – RIMS (Recurring)

WE – Non-RIMS (Non-Recurring)

- Used by performing departments to process billings against work order encumbrances for interdepartmental services within the fiscal year.

Review and Approval Criteria:

- Before approving work order billings in FAMIS, take the following steps to ensure adequate financial controls:
  - Review the accuracy of input codes
  - Scrutinize the supporting documents
  - Verify the billings
  - Ensure compliance with City policies and guidelines

Accuracy of Input Codes

- Is the document reference pointing to the correct work order encumbrance number and suffix?

- System retrieves the funding information (index code, sub-object, grant, project, etc.) from the document reference.

Accuracy of Input Codes (cont'd)

```
FAML4250  V5.1       CITY AND COUNTY OF SAN FRANCISCO--NFAMIS         03/18/2008
                                    OTHER DOCUMENTS                    12:38 PM

DOCUMENT : WSRD08000096 - 01   INPUT PER : 03  2008   AMT :          31,179.00
--------------------------------------------------------------------------------
TRANS CODE          : 450P  INCREASE ENCUMBERED INTERDEPT'L SVCS EXPENDITURES
DOCUMENT REF        : WKCH08000014    01
TRANS DESC.         : CLIENT SERVICES CHARGES - 3RD QUARTER
TRANS AMOUNT        :              15,589.50        TRANS NET AMT :
INDEX CODE          :
SUB-OBJECT          :
USER CD             :
GRANT               :
GRANT DETAIL        :
PROJECT             :
PROJECT DETAIL      :
GL ACCOUNT          :
SUBSIDIARY          :
VENDOR              :
BANK NUMBER         :          TREAS NO:           START/END:
FINANCIAL ERRORS :
```

Accuracy of Input Codes (cont'd)

- Check FAMIS screen 6051 to ensure that the billing will be charged to the proper funding source and there is enough encumbrance balance to cover the billing.

- Drill down to the payment history to avoid the duplicated payments.

Accuracy of Input Codes (cont'd)

FAML6051 V5.1   CITY AND COUNTY OF SAN FRANCISCO--NFAMIS   03/18/2008

LINK TO: **DOCUMENT INQUIRY**   12:39 PM

FISCAL MO/YEAR : 09   2008   CREATE/UPDTE DT: 08/27/2007   01/23/2008

DOCUMENT   : **WKCH08000014   01**   DUE DATE   : 08/21/2007

INDX **235002**   CHILDREN'S FD-NON-PRO   SINGLE CHK IND   :   NOTEPAD IND:

VEND   TREAS NO   :

G/L   470   ENCUMBRANCES   UC

SOBJ **081H4**   GF-HR-CLIENT SRVS/REC   SBSD

PROJ   GRNT

PRDT   GRDT

S		MAR 2008	APR 2008	PRIOR YEAR
	ORIGINAL AMOUNT	62,358.00	62,358.00	.00
	ADJUSTMENTS	.00	.00	.00
	LIQUIDATIONS	-31,179.00	-31,179.00	.00
	REMAINING BALAN	31,179.00	31,179.00	.00
S	**PAYMENT/RECEIPT**	31,179.00	31,179.00	.00
	RETAINAGE/LIENS	.00	.00	.00
	DELINQUENCY CHA	.00	.00	.00

F2 to drill down to payment history

Accuracy of Input Codes (cont'd)

FAML6052 V5.1   CITY AND COUNTY OF SAN FRANCISCO--NFAMIS   03/18/2008
LINK TO: **DOCUMENT DETAIL INQUIRY**   12:39 PM

PERIOD 09 2008 MAR   2008 POST DOC : **WKCH08000014 01** BAL TYPE : 31   PAY/RCPT

S POST DATE   PERIOD   T/C   DOCUMENT NO   TREAS NO BANK NO DUE DATE
 -------------- D E S C R I P T I O N ----------------------------   CURR   AMOUNT
 01/23/2008   07 2008   450P   WSRD08000040 01
 CLIENT SERVICES CHARGES - 1ST & 2ND QUARTERS   31,179.00

PAYMENT HISTORY

Supporting Documentation

- Whenever applicable, ask the performing department to provide the supporting documents to justify the billings.

  Examples:

  - Copies of vendor's invoices

  - FAMIS document numbers

    (Purchase Orders, Vouchers, Direct Vouchers, Direct Payments, etc.)

  - Payroll reports and timesheets if the work order is funding positions

Verification of the billings

- Are the billed services completed in a satisfactory manner?

- Are they in accordance with the terms and conditions prescribed in the signed work order agreement?

- Ask the appropriate staff (such as program manager, administrative assistant, or budget analyst) to verify the billings whenever applicable.

Compliance with City Policies and Guidelines

- Funds for interdepartmental services must be budgeted and available.

- If funded by grants, the services being billed must comply with the granting agency's requirements.

Compliance with City Policies and Guidelines (cont'd)

- Performing department may only bill to the extent of the work order authorized by the requesting department.

- In case the anticipated expenditures are more than the authorized work order, the performing department needs to inform the requesting department to request increase of funding.

- If services cannot be completed within the current fiscal year due to justifiable circumstances, the performing department must obtain agreement from the requesting department to carryforward the work order to the next fiscal year.

Compliance with City Policies and Guidelines (cont'd)

- The services being rendered are subject to requesting department's review and acceptance of the completed work.

- The performing department must endeavor to settle in a satisfactory and timely basis any issues that the requesting department has with the condition, quality or the cost of the services.

- Requesting department needs to authorize payment in a timely manner of work order billings for services completed to their satisfaction.

Purchase Orders and Requisitions (PO/RQ)

Presented by: Hazelle Fernandez

What is a Requisition (RQ)?

- Initiates action by Purchasing to procure goods or services from a vendor who can fill the order at the best price in a timely manner

- Not an actual contract but a request to Purchasing to enter into a contract

- A pre-encumbrance rather than an encumbrance

Requisition Types

1. RQ → BID → PO

2. RQ → BID → Blanket → PO

3. RQ → PO

   a) Term contract

   b) Proprietary articles

   c) Sole source items

   d) Items less than $10,000

   e) Certain perishable foods

   f) Contract awarded by the
     State of California

What is a Purchase Order (PO)?

- Transforms approved departmental RQ into PO

- Approval of PO is limited to authorized Purchasing staff only

- Actual contract between vendor and City

- Funds are certified and encumbered

- Used to order equipment or supplies, as opposed to personal services and leasing or renting equipment

- Used for one-time or ongoing services

Review and Approval Criteria

- ## Valid Match Types

Match Type	Description	RQ	PO
AA	Progress match type; document level matching, 10% or $1,000 tolerance, whichever is less	N/A	Y
AB	Progress match type; document level matching, no tolerance	N/A	Y
2A	2-way match type; document level matching, 10% or $1,000 tolerance, whichever is less	N/A	Y
2B	2-way match type; no tolerance	N/A	Y

Review and Approval Criteria

- Valid Purchasing Authority

PCHL5750	PURCHASING AUTHORITY
BID	BID
OMP	OPEN MARKET PURCHASES
NOS	NO OTHER SOURCE
PROP2	BOOKS, MAGAZINES, PAMPHLETS AND PERIODICALS
PROP5	MEDICINES & DRUGS
TC 81916	TERM CONTRACT NO. 81916, SAFETY EQUIPMENT AND SUPPLIES
TC95218	TERM CONTRACT NO. 95211, COMPUTER HARDWARE, SOFTWARE, PERIPHERALS,MAINT.

Review and Approval Criteria

- ## Commodity Code

PCHL1100	COMMODITY TABLE
7250-15	SVC,CONSULTING;COMPUTER SYSTEM
9425-06-40	TABLES & CREDENZAS; OFFICE FURNITURE
9205-99-30	NETWORKING HARDWARE, PERSONAL COMPUTER BASED
9205-77-20	MAINT AGREEMENT;PERSONAL COMPUTER,HARDWARE

- ## Vendor

  - Complies with City procurement requirements i.e. current business tax and Chapter 12B nondiscrimination in contract

Review and Approval Criteria

- <u>Effective Date</u>
  - Corresponds to the open fiscal period and points to the appropriate fiscal year
- <u>Delivery Terms</u>
  - Realistic delivery date
  - Complete delivery instructions
  - Free on Board destination is a preferable freight term
  - Ensure correct billing and shipping address

Review and Approval Criteria

- Payment Terms
  - Avail of prompt payment discount
  - Net 30 days

- Description of Items
  - Complete and specific description of items to be ordered
  - Specify quantity, unit, and price of each item
  - Appropriate sales tax, shipping charge, and other appropriate charges, such as tire tax, recycling fee etc.

Review and Approval Criteria

- Index Code
  - Points to the proper cost center that has the budget for the goods or services being procured
  - Funds must be budgeted and available
  - Provide equipment budget number for equipment requisitions assigned in the budget process

- Sub-object
  - Points to the proper expenditure account relating to the commodity code entered on the purchase order

Review and Approval Criteria

- Project/Project Detail
  - Points to the proper project account and budget
- Grant/Grant Detail
  - Points to the proper grant account and budget
  - Coordinate with Office of Contract Administration (OCA)/ Purchasing if procurement is funded by federal, state or local grant
  - Grant sub-recipients must be in full compliance of the grant's procurement requirements

Review and Approval Criteria

Examples of Purchases not handled via RQ

– Construction services

– Employee expenses, e.g. travel and training expense reimbursements

– Conference and registration fees

– Subscriptions

– Postage

– Dues & Memberships

General Rules to Consider

- Do not split a single order into two or more requisitions

- Do not combine items on a Term contract with items that are not on a Term contract

- Term contract items must be ordered from term contract vendors only

- Do not combine unlike commodities on the same requisition

- Complete and accurate description of items, accounting information, and delivery instructions

General Rules to Consider

- Consult with respective health and safety officers before ordering any chemical products

- Submit requisition in a timely manner especially during fiscal year end

Purchasing Guidelines website

http://mission.sfgov.org/DocCenter/DispDetail.aspx?DocNo=219&S=0&P=ByDept.aspx&T=Office%20of%20Contract%20Administration%20(OCA)%20|%20Guide%20to%20ordering%20goods%20and%20services&K=70130

REMINDER

PO approval is a certification that it is proper, valid, & legal.

The City has entered into a legally binding contract.

Any officer who authorizes illegal contracts are liable to the City and subject to penalty.

```
PCHL2100 V5.1         CITY AND COUNTY OF SAN FRANCISCO--NFAMIS      10/29/2008
 LINK TO:                     REQUISITION HEADER ENTRY                 11:36 AM

 REQ ID    : RQAC08000328   DOC TYPE: RQ  DUE DATE: 06/17/2008  INTF TYPE: RQ
 ACTION IND: P                 REQ/JT  : R  EFF DTE : 06/03/2008  WHSE    :
 DEPARTMENT: AIR    AIRPORT COMMISSION                        CHANGE NO:
 CONTACT   : MICHELLE TRAINER/ITT                             STATUS: POST
 TELEPHONE : 650-821-3317                 NOTE PAD: Y (Y/N)    CREATE: 06/03/08
 REQUISITION TOTAL  :       26,447.19                         UPDATE: 06/16/08
 REQ NET TOTAL      :       26,447.19                         POST  : 06/16/08
 PURCH AUTHRTY      : TC95218         **              :       SPND  : N
 CONTRACT ID        :                              *          :
 REQ TITLE          : CISCO CAT4500 SERIES
 RECOMMENDED VENDOR : 64607      01       XTECH J/V
 BLANKET PO ID/SCHED:                /        TERMS ATTACHED  : N (Y/N)
 BUYER ID           : PJR             SPLIT CAPABILITY        : Y (Y/N)
 DISTRIBUTION METHOD: S (S,M,P)       CREDIT IND : N   QUOTES : N (Y/N)
 SFX INDEX          SUBOBJ   USERCODE PROJCT  PRJDTL GRANT  GRNTDTL  PERCENT
 01  AIRITT         06061



 F1-HELP        F2-SELECT    F3-DELETE     F4-PRIOR     F5-NEXT      F6-VIEW DOC
 F7-ADDRESS     F8-OTHER KEY F9-LINK       F10-SAVE     F11-VW ACCT  F12-QUOTE
```

CITY AND COUNTY OF SAN FRANCISCO--NFAMIS   11/19/2008

LINK TO: REQUISITION COMMODITY SUMMARY   6:38 PM

PAGE   01   OF   01

REQUISITION ID :   RQAC08000328   REQUISITION TOTAL: 26,447.19

S   LINE   QUANTITY   UNIT COST   TAXES   LINE TOTAL
          COMMODITY ID   COMMODITY NAME
          001   1.00   6,109.0000   EB   6,612.99
          9205-99-30   NETWORKING HARDWARE, PERSONAL COMPUTER B
          002   1.00   13,401.0000   EB   14,506.58
          9205-99-30   NETWORKING HARDWARE, PERSONAL COMPUTER B
          003   2.00   1,331.0000   EB   2,881.62
          9205-99-30   NETWORKING HARDWARE, PERSONAL COMPUTER B
          004   1.00   2,446.0000   N   2,446.00
          9205-77-20   MAINT AGREEMENT; PERSONAL COMPUTER, HARDWA

F1-HELP   F2-SELECT   F4-PRIOR   F5-NEXT
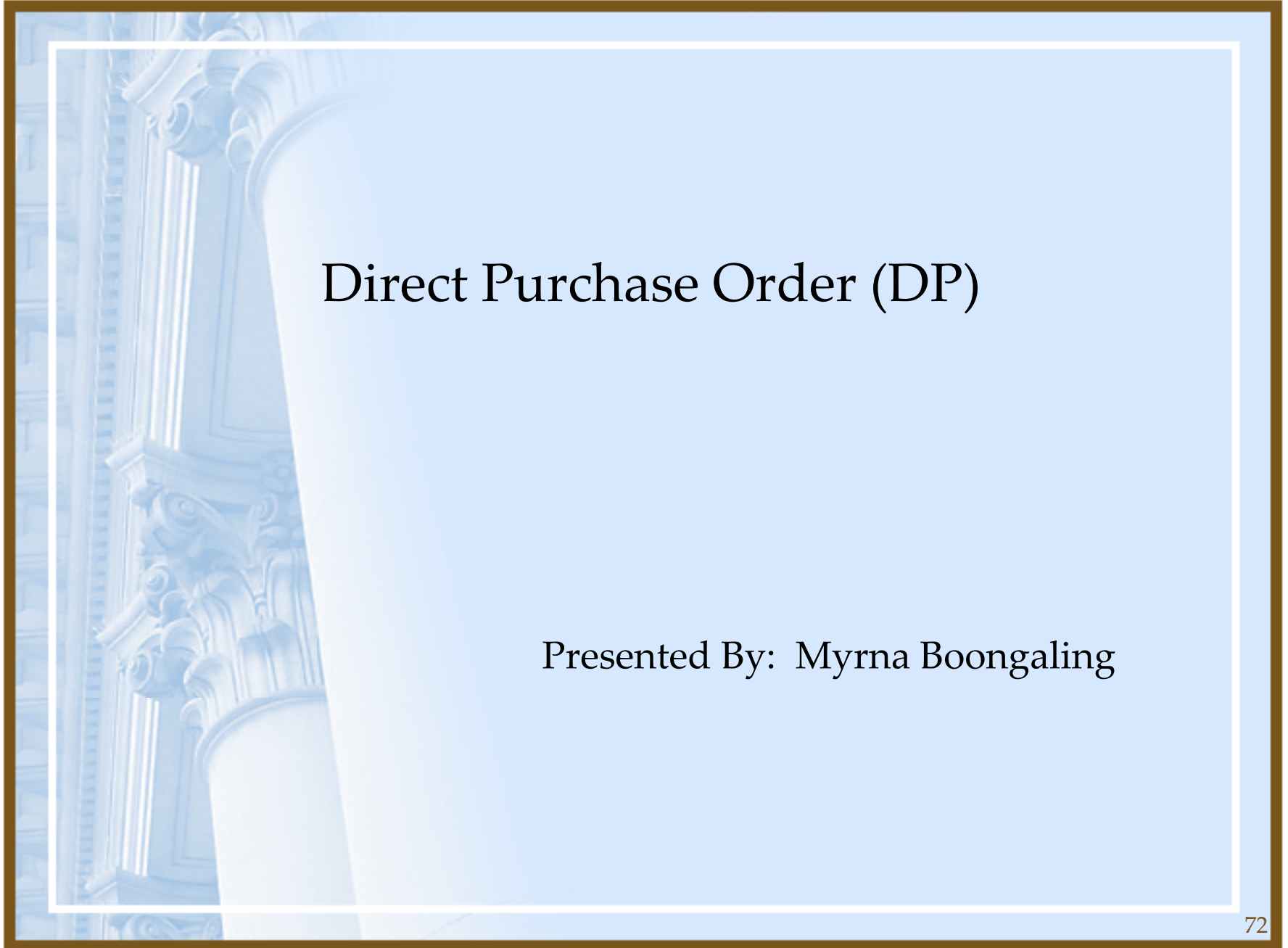F7-PRIOR PG F8-NEXT PG F9-LINK   F11-ADD LINE

```
PCHL2340 V5.1        CITY AND COUNTY OF SAN FRANCISCO--NFAMIS        10/29/2008
 LINK TO:                  PURCHASE ORDER/CONTRACT WRITING               11:44 AM
 PO/CONTRACT ID  : POAC08000289    CHANGE:
 PURCHASING TYPE : PO          EFF DATE: 06/16/2008  ITB/REQ:
 ACTION INDICATOR: P        INTERFACE TYPE: PO        REQ/LINE: RQAC08000328 000
 ENCUMBRANCE AMT :       26,447.19  MATCH: 2A            BPO ID:
 PO NET AMOUNT   :       26,447.19  NOTE: Y        SCHED/CALL:     /
 REMAINING VALUE :               WHSE:                      STATUS: CLOS
 VENDOR/SUFFIX   : 64607      / 01 CREDT: N               CREATE: 06/16/2008
 VENDOR NAME     : XTECH J/V                              UPDATE: 09/22/2008
 ADDRESS         : 1275 FAIRFAX AVE #201                  POST  : 06/16/2008
            CITY: SAN FRANCISCO          ST: CA ZIP: 94124-1720 CTRY: USA
 P/O TITLE       : CISCO CAT4500 SERIES
 PURCH AUTHRTY   : TC95218          CONTRACT ID    :
 *               :              CONTRACT AMOUNT:          PRINT OPTION: Y
 FREIGHT CARRIER :                                            COPIES: 01
 BUYER           : PJR                               VEND CHANGE: Y
 INSURANCE CERT  : N                                     TERM IND: N
 DELIVERY DATE   : 06/27/2008 F.O.B. POINT   : DEST        *           :
 EXPIRATION DATE :            DISCOUNT TERMS : N30      SUBCONTRACTOR: N
 TRACK DATE      :            EXPEDITOR      :          TRACK CODE   :
 F1-HELP     F2-SELECT                  F4-PRIOR    F5-NEXT     F6-VIEW DOC
 F7-ADDRESS  F8-OTHER KEYS F9-LINK               F11-VW ACCT  F12-PRINT
```

71

Direct Purchase Order (DP)

Presented By: Myrna Boongaling

What is a Direct Purchase Order?

- Document type DP - used by authorized departments to process departmental purchase orders in FAMIS Purchasing to procure goods or services.

Comparison between DP and PO

- DP – Direct Purchase Order
  - Used by departmental staff
  - Establishes an encumbrance

- PO – Purchase Order
  - Used by City Purchasing staff
  - Liquidates pre-encumbrance of approved departmental requisition and transforms into purchase order

Authority

- SF Admin Code, Chapter 21.04
  - Department heads shall be authorized to purchase Commodities or Services directly and without the approval of purchasing, as provided in the Charter or Municipal Code of San Francisco, or…
    - http://www.municode.com/Resources/gateway.asp?pid=14131&sid=5

Purchasing Types

- Single order
- Progress payment
- Release against City Blanket Authorization
- Release against Departmental Blanket Authorization
- Non-release (total funds encumbered at once)
- Multiple year releases
- Restricted use with special agreement from Purchaser and/or Controller

Purchasing Type	Description
PC	Purchase Order Release – Progress Payment (Lump sum encumbrance) against City Blanket authorization
RC	Purchase Order Release – Single Order against City Blanket authorization
PD	Purchase Order Release – Progress Payment against Departmental Blanket authorization
RD	Purchase Order Release – Single Order against Departmental Blanket Authorization

Purchasing Type	Description
CT	Contract Purchase Order – Release against Contract Blanket Authorization for Professional Services Order Multiple years
CS	Contract Purchase Order – non-release type (to be used when total funds are encumbered at once) Fiscal Year
NR	Purchase Order release against Non-Purchasing Departmental Blanket authorization Construction. For use with construction contracts, special grant projects, etc. Restricted use requires special agreement from Purchaser

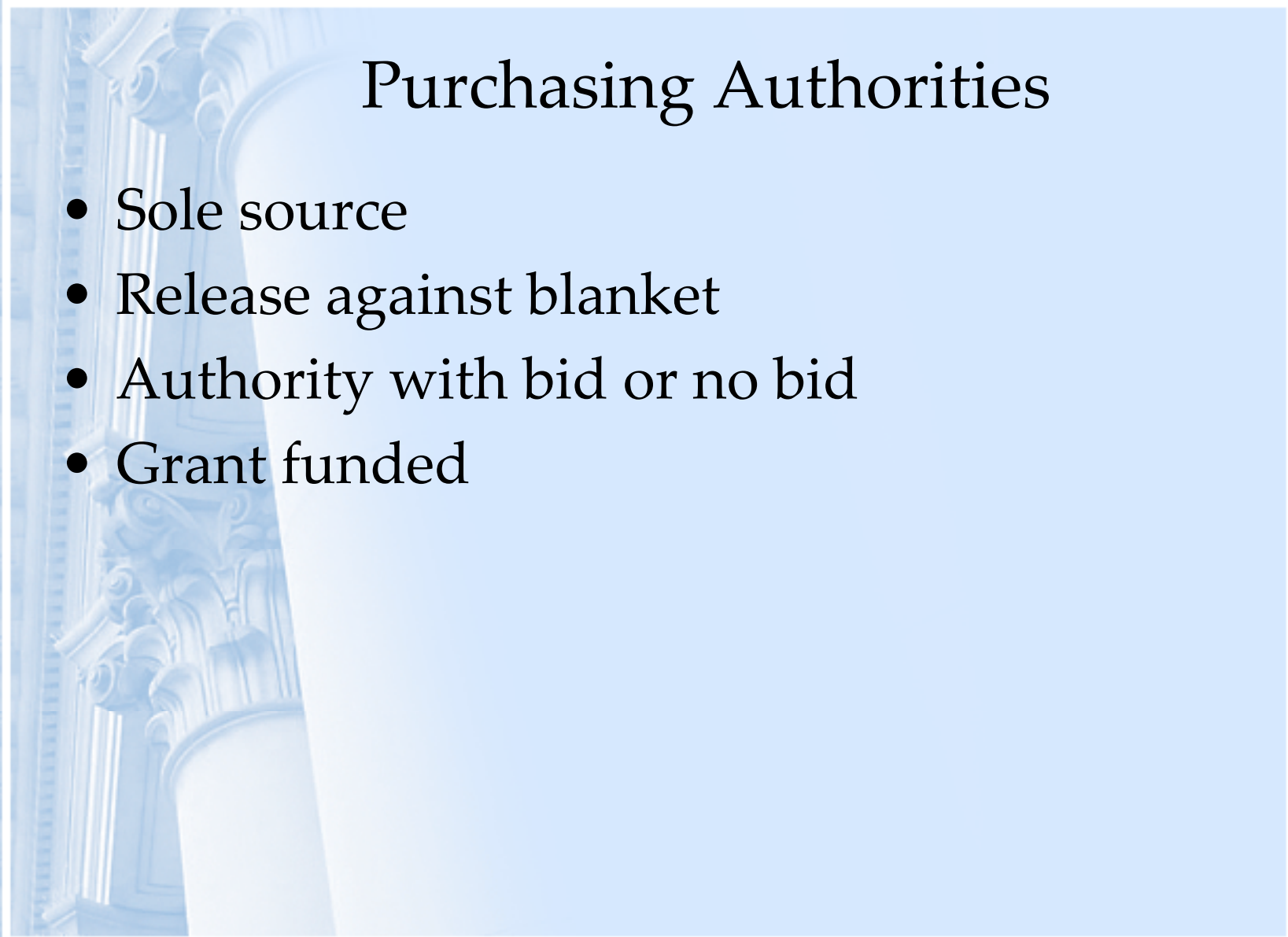| Purchasing Type	Description
NP	Purchase Order – Non-Purchasing; non-release. For use with construction contracts, special grant projects, etc. Restricted use requires special agreement from Purchaser
XR	Release against Professional Services Delegation Authority Blanket. Restricted use requires special agreement from Purchaser
XP	Non-release Professional Services Delegation Authority Purchase Order. Restricted use requires special agreement from Purchaser

Purchasing Type	Description
YR	Release against Code Delegation Authority Blanket. Restricted use requires special agreement with Purchaser and Controller
YP	Non-release Code Delegation Authority Purchase Order. Restricted use requires special agreement with Purchaser and Controller
PQ	Departmental Purchase Order – Prop Q; limit = $10,000
PR	Purchaser Use Only (Replace 2340 Bid PO)

Match Types

- Appropriate with purchasing type used
- In compliance with purchasing guidelines
- Progress match type vs. 2-way match type
- No tolerance vs. 10% or $1,000 tolerance, whichever is less

Match Type	Description	Purchasing Type
AA	Progress match type; document level matching, 10% or $1,000 tolerance, whichever is less	PC, PD, CT, CS, NR, NP, XR, XP, YR, YP, PR, PQ
AB	Progress match type; document level matching, no tolerance	PC, PD, CT, CS, NR, NP, XR, XP, YR, YP, PR
2A	2-way match type; document level matching, 10% or $1,000 tolerance, whichever is less	RC, RD
2B	2-way match type; no tolerance	RC, RD
2L	2-way match type; document level matching, 10% or %1,000 tolerance, whichever is less	PQ

Purchasing Authorities

- Sole source
- Release against blanket
- Authority with bid or no bid
- Grant funded

Purchasing Authority	Description
OMP	Open Market Purchases
NOS	No Other Source
GRANT	Authorized by Grant-Not Purchasing Authority
PROPQ-BID	PROP Q Authority with Bid
PROPQ-NO BID	PROP Q Authority not Bid
PROFSERV-BID	Term Contract Profserv-Bid, environmental consulting
PROFSERV-NOS	For Professional Services contracts that have not been competitively bid and where a sole source waiver has been approved
RENT	Authority to be used in NP BPO/PO for Rent

Other Criteria for Review

- Effective date

- Favorable discount terms to the City

- Free on Board (FOB) destination

- Correct sales tax rate for products & certain services, and point of delivery

- Proper commodity code

- Vendor compliance

Proper Accounting Codes

- Index code points to the proper cost center budgeted

- Sub-object relates to the commodity code used and budgeted accordingly

- Project and project detail point to the proper account

- Grant and grant detail point to the proper account

```
PCHL2360 V5.1    CITY AND COUNTY OF SAN FRANCISCO--NFAMIS              10/27/2008

LINK TO:                    DIRECT PURCHASE ORDER WRITING               10:49 AM

PURCHASE ORDER : DPMO09000024  ACTION IND: P    STATUS: PVCH      NOTE  : Y

PURCHASING TYPE: CT             INTF TYPE : DP   EFF DT: 07/01/2008 TERM  : N

DEPARTMENT     : MYRMO          BUYER     : JNW  CREATE: 08/13/2008 QUOTE : N

PO AMOUNT      :       7,500.00 MATCH TYPE: AA   UPDATE: 09/19/2008 INS CRT: N

PO NET AMOUNT  :       7,500.00 CHANGE    :      POST  : 08/14/2008 SUB CTR: N

REMAINING AMT  :       5,880.00 CREDIT IND: N    WHSE  :            VEN CHG: Y

VENDOR/SUFFIX  : 73674     / 01 CHRISTOPHER A JOSEPH & ASSOCIATES  PRINT  : N

ADDRESS          11849 W OLYMPIC BLVD #101                         COPIES: 01

        CITY : LOS ANGELES                 ST: CA ZIP: 90064     CTRY: USA

P/O TITLE    : ENVIRONMENTAL SERVICES FOR MOCI         *                 :

BPO/SCHED/CALL : BPMO09000005 / BASE / 0002          EXPEDITOR:

DELIVERY DATE : 08/14/2008     FOB       : DEST       TRACK CODE:

EXPIRE DATE   :                FREIGHT   :            TRACK DATE:

DISCOUNT TERMS : N30     PURCH AUTHRTY: PROFSERV-BID

DIST METHOD: S  (S,M,P)  CONTRACT ID  :

SFX INDEX         SUBOBJ    USERCODE PROJCT  PRJDTL  GRANT  GRNTDTL  PERCENT

01  MYRCDBG09     02799                               MOCD09 21A09C
```

PCHL2365 V5.1   CITY AND COUNTY OF SAN FRANCISCO--NFAMIS   10/27/2008

LINK TO: **DIRECT PURCHASE ORDER DETAIL ENTRY**   10:50 AM

PURCHASE ORDER: DPMO09000024   LINE NO : 001   BPO LINE NO: 001

COMMODITY   : 7480-20   SVC,CONSULTING;ENVIRONMENTAL IMPACT

REPORT

QUANTITY   :   1.00   STATE TAX : N   LOCAL TAX :

PURCHASE U/M : EA   UNIT COST   :   7,500.0000

                           EST TOTAL COST: 7,500.00

BLOCK FUNCTION: (SPEC ID TO COPY, ISRT, DLET, DUP)

SPECIFICATION INFO   BLOCK 001 OF   002

PURCHASE ORDER FOR ENVIRONMENTAL SERVICES FOR MOCI, FOR THE PERIOD

JULY 1, 2008 TO JUNE 30, 2009.

Compliance

- Grant guidelines
- SF Administrative Code
- Annual Appropriation Ordinance
- Year-end instructions
- Special directives and bulletins

Change Orders (CO)

Presented by: Brendan Conran

Purpose of Change Orders

- Used to record changes or to cancel requisitions, purchase orders (POs), blanket purchase orders and vouchers in the FAMIS Purchasing

- Posted change orders are subsequently interfaced into FAMIS Accounting

Situations where change orders are needed

Examples include:

- Corrections in data items such as index code, sub-object, project or grant

- Problems in receiving goods/services

- Increase/decrease in amount due to funding changes

- Duplicate PO or voucher

- Changes in vendor information

- Original document posted to wrong fiscal period
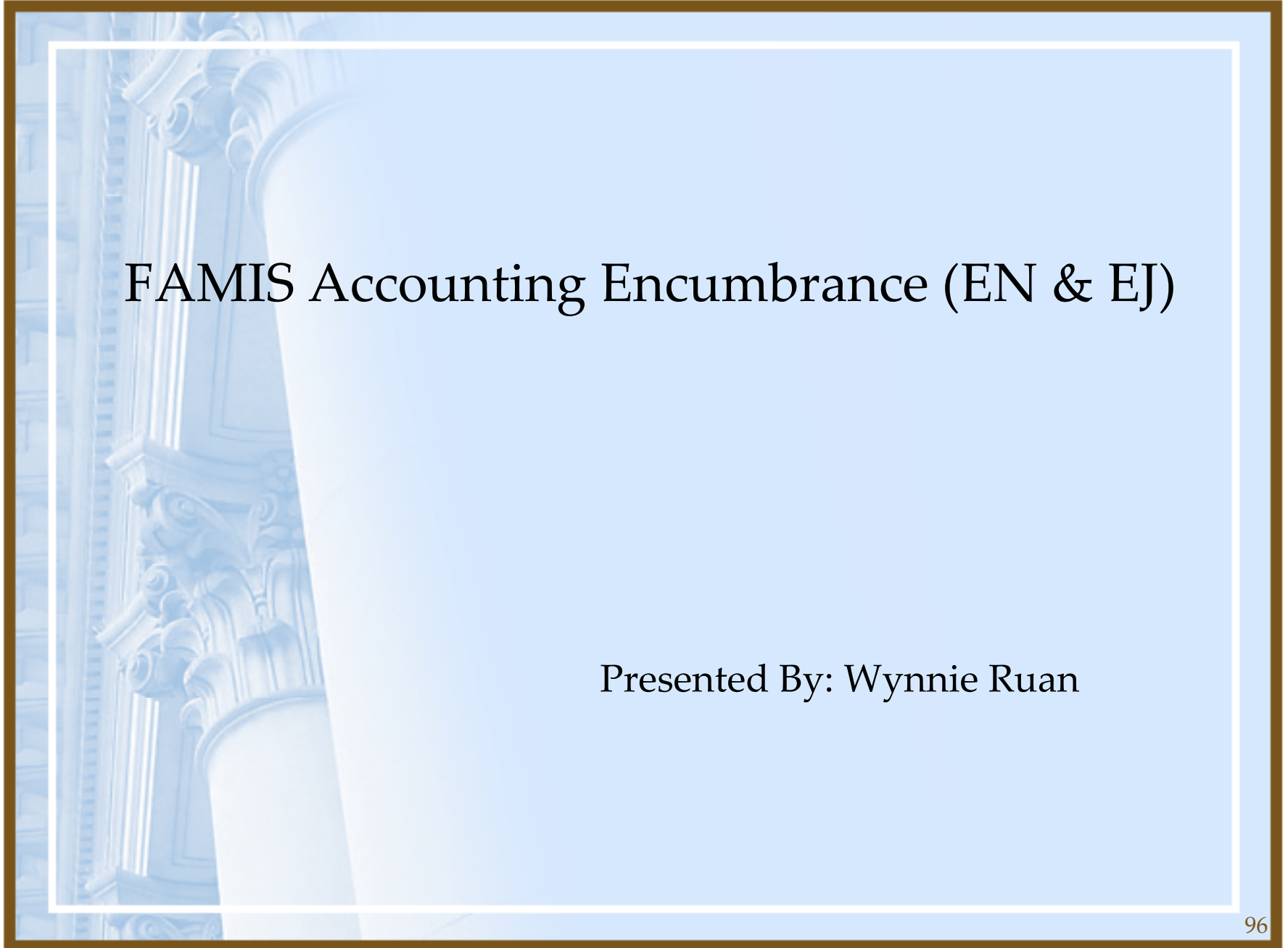
What to look for when reviewing Change Orders

- **Amount change**: ensure that changes in amount has proper authorization, within budget, and has appropriate funding.
- **Project or grant change:** Ensure that change is within budget and that goods/services are for the purpose of grant/project. For significant grant change, grantor's pre-approval is required.
- **Index code :** Ensure that entity and cost center have appropriate funding and budget, and that goods/services are for the purpose of that cost center.
- **Sub-object change:** Sub-object change should be appropriate for commodity codes used.
- **Cancellations:** For POs, ensure there are no un-posted vouchers or invoices. For vouchers, ensure that it is not paid. If a cancellation of an invoice, there should be no related vouchers.

What to look for when reviewing Change Orders

- **Document no:** Change orders should start with CO, followed by two characters of the department identifier and two digits to identify fiscal year. Remaining digits are generated by the system.
- **Document reference no:** Need to point to original document that change order relates to.
- **Effective date:** Point to open fiscal period in FAMIS.
- **Documentation:** Ensure appropriate documentation is attached to change order. For example, if change in amount, include quotation from vendor showing price change.
- **Authorization:** Needs signed approval from appropriate managers.
- **Description:** Describe in detail why the change order is created and its purpose on description field or notepad.
- **Non-financial Data**: Ensure accuracy of changes in non financial data such as quantity, unit costs, units of measure and specifications when reviewing change orders for requisitions and purchase orders.

Restrictions on Approving Change Orders and Cancellations

- No voucher change or cancellation if voucher already paid.
- BPO changes are OK, but no cancellations if any un-posted releases.
- No invoice cancellation or change if voucher exists for invoice and payment already set up.
- No change order or cancellation to a purchase order if un-posted invoices or vouchers. Goods/services already received so cannot change.
- Other restrictions on POs:

    - No change to vendor ID or suffix

    - Details on PO that have been invoiced cannot be changed

FAMIS Accounting Encumbrance (EN & EJ)

Presented By: Wynnie Ruan

Purpose: FAMIS Accounting Encumbrance Document Type EN

To record encumbrances or to modify an existing encumbrance with special requirements or conditions (that cannot be established in the FAMIS Purchasing System), such as retention, liens, or complex account distribution.

Review & Approval Criteria

1. Document Header Screen

- Document type is EN

- Document prefix: EN or EJ

  -- Prefix EN - to record new encumbrance

  – Prefix EJ - to modify an existing encumbrance, such as increasing or decreasing encumbrance amount, reclassifying, or adding new suffix to the encumbrance

- Input period – "open" fiscal month and fiscal year

- Vendor - a compliant vendor

- Notepad field - "Y" to describe the transaction and justify the use of FAMIS EN documents instead of using PO or DP

Review & Approval Criteria (Cont'd)

2. Document Detail Screen

Transaction Description	Doc Type	Doc Prefix	TC	Debit GL	Credit GL
To record new encumbrance	EN	EN	140	470 - Encumbrances	349 - Reserved for Encumbrance
To increase encumbrance amount	EN	EJ	141	470 - Encumbrances	349 - Reserved for Encumbrance
To decrease encumbrance amount	EN	EJ	142	349 - Reserved for Encumbrance	470 - Encumbrances
To reclassify encumbrance	EN	EJ	143	470 - Encumbrances	349 – Reserved for Encumbrance
To add suffix to encumbrance	EN	EJ	151	470 -Encumbrances	349 Reserved for Encumbrance

Review & Approval Criteria (Cont'd)

- Document Reference field - include the original encumbrance number when modifying an existing encumbrance

- Transaction Description field - use correct transaction code to match purpose

- Amount - not to exceed the contract amount

- Index code and sub-object code – match with appropriation authority

- Grant code – input if funded by grant

- Project code - input if project related

Compliance with City Policies, Guidelines, and Requirements

- Comply with contract terms & requirements
- Services being contracted are appropriate
- Funds are budgeted and available
- Vendor is compliant with City's purchasing & contracting procedures
- If funding source is federal, state, or local grant, the department needs to coordinate with Office of Contract Administration/Purchasing to ensure compliance with grant requirements

Compliance with City Policies, Guidelines, and Requirements (Cont'd)

- If the contract has grant sub-recipients, they are required to be in full compliance with grantors' requirements

- For public works related encumbrances, contracts must be in full compliance of the City's public works contracting policies and procedures

- Encumbrance should be recorded in FAMIS before issuing contract or other commitment to vendor

- Modification to the encumbrance must comply with the same City policies, guidelines, and requirements governing the original encumbrances

FAMIS Encumbrance Payment Requests

EP – Recurring Payment Requests
ER – Non-Recurring Payment Requests

Presented By: Sanda Thaik

FAMIS Encumbrance Payment - EP & ER

When to use EP and ER?

To record payments against FAMIS encumbrances (EN) for the payments with special requirements and conditions, or complex account distributions.

For Example:

Used for construction contract progress payments because of multiple funding sources and requirements of retentions, liens, or liquidated damages.

Review and Approval Criteria

- Ensure Accuracy and Completeness of system input

- Ensure Completeness of the payment request package with required documentation and authorizations

- Ensure Compliance with
  - City's policies, guidelines, and requirements
  - Contracting policies such as contract retentions & liens
  - City's prompt payment guidelines

Accuracy & Completeness of System Input

- Review document header and detail lines to ensure that the transactions are processed appropriately.

  For example:

  - Is the document reference proper and does it point to the encumbrance document being paid?

  - Are proper transaction codes used?

  - Do the transaction descriptions and notes convey the purpose and justification of the transactions?

Completeness of Payment Request Package

- Original and supporting documentation

  - Original invoice or certified copy

  - Proof of insurance certificate
    - Insurance coverage must be in effect through the service period

  - Required contract documentation
    - HRC forms, Certified payroll reports, etc.

Completeness of Payment Request Package
(cont'd)

- Required Authorized Approvals
  - Responsible parties must authorize the payment request after reviewing and accepting the completeness and condition of the services or work being performed.
  - For some departments, Commission authorization is required to make a final payment and to close out the contract.

- Required Justification for Exceptions
  - Late payment request, especially when crossing over fiscal years, must be justified and authorized.
  - If the payee is someone other than the contract vendor, the payment must be justified and covered by the provisions of the contract or special agreements.

Compliance with City's Policies & Procedures

- Payment requests for goods and services provided must be within the contracted period.

- Payment requests must be within the contract amount.
  - If the final payment request exceeds the contracted amount, a contract modification is required to increase the contract amount before final payment can be made.
  - When making final payments, verify that there are no missing invoices.

- Payment requests must be properly adjusted according to the provisions in the contract such as retentions, liens, or liquidated damages.

Compliance with Contracting Policies

Stop Notice/Liens Policies

- Stop notice allows a sub-contractor to make a claim against the prime contractor for non-payment. The stop notice establishes a lien on the unpaid construction funds against the prime contractor.

  - Require coordination with the Controller's Claims and Disbursement Unit.
  - Contracting department must record the stop notice in FAMIS to withhold payment to the prime contractor.
  - Amount to be withheld = 125% of the stop notice claim amount, per California Civil Code 3186-3187.

Compliance with Contracting Policies (cont'd)

Contract Retention Policies

Admin Code Section 6.22 (J) - Retention of Progress Payments

- Progress payment amount = Material plus labor cost for a specified period – Amounts withheld as a result of dispute or required by law.

- City shall withhold 10% in retention from every progress payment.

  - Required retention is either retained by the City or paid out to an escrow agent.

Contract Retention Policies & Procedures
(Cont'd)

- Two options to follow for withholding retentions after the contract is 50% or more complete.

Option 1

- ▪ City shall release part of the withheld retention to the contractor so that the withheld retention is reduced to an amount not less than 5% of the total value of the labor and materials furnished.

- ▪ City shall retain 5% of any subsequent progress payments.

For Example – Contract Amount is $1M

Withheld Retention Amount $50K = 10% of total value of the labor and materials furnished at 50% completion ($500K)

Reduced Retention Amount $25K = 5% of total value of the labor and materials furnished at 50% completion ($500K)

Released Retention Amount $25K = Withheld Amount – Reduced Amount

Contract Retention Policies & Procedures
(Cont'd)

- *Option 2*
  - City shall continue to withhold the already withheld retention amount, up to 5% of the total contract amount, and shall not deduct any retention from subsequent progress payments.

For Example:

Total Contract Amount $1M = Original Amount + Modifications

Withheld Retention Amount $50K = 10% of total value of the labor and materials furnished at 50% completion ($500K)

Required Retention Amount $50K = 5% of Total Contract Amount ($1M)

No further retentions are to be retained from any subsequent payments.

Contract Retention Policies & Procedures
(Cont'd)

- After the contract is 98% or more complete

  - May reduce retention funds to an amount equal to 200% of the estimated value of the work yet to be completed.

- City shall release all retentions to the contractor upon the following conditions:

  - Reach final completion under the contract terms and conditions

  - Free of offsets by the City for liquidated damages, defective work, stop notices, etc.

Contract Retention/Liens References

- Refer to the website -

  famis.sfgov.org/controllerspolicies for Contract Retention and Lien Directives Memo

Compliance with City's Prompt Payment Guidelines

- Pay vendors within 15 business days after receipt of an undisputed invoice.

- Notify the contractors within 7 calendar days after receipt of the invoice if there are any concerns about the invoice.

- Liable for interest at the legal rate on any improper withheld amounts commencing 90 days after the date the City should have made the progress payment or released all or part of the retention.

Make contract payments on time!

- Additional Information:

http://famis.sfgov.org/controllerspolicies/