



# CITY & COUNTY OF SAN FRANCISCO – OFFICE OF THE CONTROLLER

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Accounting Policies & Procedures

A handwritten signature in black ink, appearing to read "Ben Rosenfield".

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# City & County of San Francisco – Office of the Controller

## ACCOUNTING POLICIES & PROCEDURES

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# 1 | OVERVIEW

## 1.1 | Purpose of this Document

This *Controller's Office Accounting Policies & Procedures* is established by the Office of the Controller, Accounting Operations and Supplier Management Division (AOSD) to provide general guidelines to City departments on how to properly process accounting transactions. Departments can use this document when creating the more specific and detailed policies and procedures required for their operations. All department accounting guidelines must be submitted to AOSD for review through the annual internal control questionnaire (ICQ) process. All policy exception requests must be approved by the Director of AOSD or designee.

## 1.2 | Roles and Responsibilities

This policy and procedure manual is an important reference for department administrators, and it is intended to be supplemented by documents issued by other City control entities, including but not limited to the following:

- **AOSD** (<http://www.sfcontroller.org>)  
AOSD is responsible for ensuring that the City is in compliance with generally accepted accounting principles (GAAP) and standards (GAAS), applicable pronouncements established by Governmental Accounting Standards Board (GASB) and by Financial Accounting Standards Board (FASB), and internal control policies. The AOSD acts as the City's main coordinator and liaison with auditors and the City's contracted independent Certified Public Accountant (CPA).  
  
AOSD's primary mission is to oversee the financial activities of the City. The division certifies contracts, pays vendors, approves personnel requisitions and reviews, monitors, controls, and projects department expenditures on a continuous basis to assess overall fiscal condition. The division assists departments to achieve fiscal compliance, accuracy, timeliness and meaningfulness for the resulting financial information. The division is also responsible for producing the City's annual audited financial statements, including the *Comprehensive Annual Financial Report* (CAFR), the *Single Audit Report*, and other reports required by federal, state, and local regulations. Other functions include developing and maintaining City-wide financial systems, system policies, procedures, training, security, and documentation.
- **GSA: Office of Contract Administration** (<http://sfgsa.org/index.aspx?page=359>)  
The General Services Agency (GSA) maintains the Office of Contract Administration (OCA). Guidelines issued by the OCA specify the rules to follow when City departments are ordering, contracting, purchasing, or bidding goods and services; see the OCA website for more information: <http://sfgsa.org>. The OCA supports City departments with the contracting and

procurement of material, equipment, and services that are essential to providing government services. The OCA works with departments to ensure compliance with the City's legal requirements, while upholding the highest ethical and professional standards.

- GSA: Contract Monitoring Division (<http://sfgsa.org/index.aspx?page=6058>)  
GSA's Contract Monitoring Division (CMD) implements and enforces the *Chapter 12B Equal Benefits Ordinance*, the *Chapter 14B Local Business Enterprise Ordinance*, and the *Chapter 14C Benefit Corporation Discounts Ordinance* adopted by the Mayor and the Board of Supervisors to protect the public interest in equality throughout the City & County of San Francisco's government contracting process.
- GSA: Office of Risk Management (<http://sfgsa.org/index.aspx?page=825>)  
The Office of Risk Management provides services to City departments by assisting them in managing their risks of injury to people (including employees and the public at large) and City property. This program purchases insurance on behalf of, and acts in an advisory capacity to, City departments with respect to workers' compensation, public liability, City property, and City contracts. Risk Management is also active in bond and insurance matters to facilitate small-business contracting with the City.
- GSA: Office of Labor Standards Enforcement (<http://sfgsa.org/index.aspx?page=391>)  
The Office of Labor Standards Enforcement (OLSE) enforces labor laws adopted by San Francisco voters and the San Francisco Board of Supervisors. OLSE ensures that public works contractors comply with prevailing wage regulations, enforces the *Minimum Compensation Ordinance* and *Health Care Accountability Ordinance*, and administers the City's *Sweatfree Contracting Ordinance*. OLSE also enforces labor laws of general application, including the San Francisco *Minimum Wage Ordinance*, *Paid Sick Leave Ordinance*, the *Health Care Security Ordinance*, the *Family Friendly Flexible Workplace Ordinance*, and the *Fair Chance Ordinance*.
- OEWD (<http://oewd.org>)  
The Office of Economic Workforce Development (OEWD) oversees activities and programs related to business attraction and retention, workforce development, international business, development planning, and neighborhood commercial revitalization.
- Treasurer-Tax Collector's Office (<http://sftreasurer.org>)  
The Treasurer manages all City funds in order to gain the maximum return with low risk and high liquidity, including investing the City's portfolio of pooled funds. The Treasurer works with all City departments to ensure that funds are received, deposited, and reconciled as quickly and accurately as possible, so as to provide maximum interest and investment returns for the people of San Francisco. The Treasurer administers and monitors the deposit accounts and wire transactions of all City agencies and contracts with banks for financial services. The Treasurer also disburses payments on the City's General Obligation municipal bonds.
- City Departments  
City departments are responsible for providing efficient and effective services to the public. To do so, they are responsible for adhering to all City rules and regulations, and for documenting

their department-level policies and procedures. Department procedures must follow City policies and incorporate internal controls that are appropriate to the department's operations, organizational structure, and risks. Departments must regularly communicate these policies and procedures to all staff who have a role, responsibility, or authority in the process.

***Department internal policies and procedures that represent exceptions to City policies and procedures must be documented and then reviewed and approved by the Department Head and Office of the Controller.***

Refer to [Section 1.6 | Exceptions to this Policy](#) for information regarding how a City department can request an exception to these policies and procedures.

## **1.3 | General Principles**

The City & County of San Francisco is responsible for safeguarding taxpayers' money and making the best use of its financial resources. It must comply with significant legal restrictions on its use of public funds specified by external resource providers—such as federal and state grantors—and embody the restrictions in the appropriated budget. It is important that City departments ensure and demonstrate compliance with all legal restrictions in using taxpayers' money and financial resources. City departments have a special responsibility to demonstrate:

- ***Fiscal accountability***—we can justify that our actions in the current period have complied with public decisions concerning the raising and spending of public money
- ***Operational accountability***—we can report on the efficiency and effectiveness of public programs.

These Controller's Office *Accounting Policies & Procedures* have been developed to provide City departments with guidelines on how to conduct their accounting operations in a manner that will achieve fiscal and operational accountability. In addition to the specific guidance contained in this document, City department personnel should exercise common sense and good judgment when conducting their accounting-related activities. Common sense considerations include:

- Is this activity reasonable and necessary?
- Is there an appropriate audit trail?
- Will this activity pass audit review, or public scrutiny?
- Has this accounting transaction complied with basic principles of separation of duties and internal controls?

Any doubt to these, or other, considerations should lead to further discussion or questions with management for clarity. City departments should understand that it is important that they comply with both the letter and the spirit of this document.

## 1.4 | Governing Laws, Rules & Regulations

These accounting policies and procedures have been issued under the Controller's authority under the following:

- San Francisco *City Charter*
- San Francisco *Administrative Code*
- San Francisco *Ordinances*
- US Internal Revenue Services (IRS) *Regulations*
- California State Franchise Tax Board *Regulations*
- *California Civil Code*
- Governmental Accounting Standards Board (GASB) "Blue Book" of *Generally Accepted Accounting Principles*
- American Institute of Certified Public Accountants (AICPA) *Audit Guide of State and Local Government Units*.

Refer to each section of these Controller's Office *Accounting Policies & Procedures* for citations of the specific governing laws, rules, and regulations that affect a particular functional area.

## 1.5 | Revisions & Updates

The Controller's AOSD will be conducting annual updates to these *Policies & Procedures*. Interim notifications to City departments will be issued electronically and posted on the Controller's Office website.

## 1.6 | Exceptions to this Policy

Department requests for exceptions or addendums to this policy as they relate to a specific department's needs and Charter requirements can be made by contacting the Controller's Office and submitting the following in writing:

- An explanation of the business need or other circumstance(s) necessitating an exception to these Controller's Office *Accounting Policies & Procedures*



- A description of how the department policy and procedure is more restrictive and places greater control on department operations than what is specified in these Controller's Office *Accounting Policies & Procedures*
- An explanation of how the department policy and procedure satisfactorily meets all control objectives specified in these Controller's Office *Accounting Policies & Procedures*.
- The full language of the department policy and procedure that differs from these Controller's Office *Accounting Policies & Procedures*
- The Department Head's signature on the exception request.

The Controller's Office will review and respond to requests for exceptions on a case-by-case basis.

## 1.7 | Internal Controls

City Department Heads are accountable for the funds and assets entrusted to them. They must ensure that assets and funds are used effectively and efficiently for stated purposes. To discharge this responsibility, they must establish and maintain an adequate internal control structure and documentation that provides reasonable assurance of fiscal and budgetary accountability.

The City uses the "COSO Internal Control Integrated Framework" as its internal control framework. All departments shall maintain effective internal control systems as an integral part of their management practices. City departments must establish and maintain policies and procedures with department-specific details supplementing the framework described here. All such policies and procedures are subject to Controller's Office review.

Effective internal control should provide management with reasonable, but not absolute, assurance that assets are safeguarded from unauthorized access, use or disposition; transactions are executed in accordance with management's authorizations; financial and statistical records and reports are reliable; applicable laws, regulations and policies are adhered to; and resources are efficiently and effectively managed. Controls help us run our operations efficiently, report information and comply with laws and regulations. Control systems shall be continuously evaluated and weaknesses, when detected, must be promptly corrected. A satisfactory system of internal control shall be built to achieve, but not be limited to, the following:

- Control Objectives
  - Operational Objectives
  - Safeguarding of Assets
  - Reporting Objectives
  - Compliance Objectives
- Control Environment



- Supportive Attitude
  - Integrity of Competent Personnel
  - Supervision and Accountability
  - Providing discipline and structure
- Risk Assessment
  - Specifying objectives with clarity
  - Identifying risks to achievement of objectives
  - Fraud awareness and prevention
- Control Activities
  - Authorization, execution, and recording of transactions
  - Segregation of duties
- Information and Communication
  - Documentation of system
- Monitoring Activities
  - Performing ongoing evaluations/monitoring
  - Communicating deficiencies in a timely manner for corrective action

### **Control Objectives**

Control objectives in the areas of operations, reporting, and compliance are to be identified or developed for each organizational activity. Objectives are connected to goals and should be measurable.

### **Safeguarding of Assets**

Access to City assets should be limited to authorized personnel who require these assets in the performance of their assigned duties. Access can be defined as both direct physical access and indirect access through the preparation or processing of documents that authorize the use or disposition of resources.

### **Supportive Attitude**

Executives, managers, and employees should maintain a supportive attitude towards internal controls. They should establish standards of conduct and address deviations in a timely manner.

### **Integrity and Competent Personnel**

Key personnel should have high standards of integrity, and be competent through education, training, or experience to accomplish their assigned duties.

### **Supervision and Accountability**

Qualified and continuous supervision shall be provided to assure that approved procedures are followed and are operating as intended. Lines of personal responsibility and accountability should be clear. Supervision should be competent and continuing to ensure the achievement of internal control objectives.

### **Risk Assessment**

Risk assessment involves a dynamic and iterative process for identifying and analyzing risks to achieving the entity's objectives, forming a basis for determining how risks should be managed. Management must consider possible changes in the external environment and within its own business environment that may impede its ability to achieve its objectives.

### **Segregation of Duties**

**Key duties and responsibilities need to be divided or segregated among different people to reduce the risk of error or fraud. For example, ordering, receiving, approving invoices, and processing payment should not be done by the same staff person. The extent of controls put into any payment process should be designed to mitigate risks such as misappropriation.**

Assuming that the department has complied with the City's rules and regulations for ordering of goods and services, the process for receiving, reviewing, and approving payments must follow good internal controls. This involves certifying that all transactions are valid, legal, and properly authorized. Also required is a segregation of duties for each part of the payment process and that all transactions and supporting documents are accurately and properly recorded on the documents and records.

Departments shall develop a plan of organization that provides segregation of duties appropriate for proper safeguarding of the City's assets. Key duties such as authorizing, approving or recording transactions, issuing or receiving assets, making payments, and reviewing or auditing shall be assigned to separate individuals to minimize the risk or loss. A satisfactory internal control system depends largely on the elimination of opportunities to perpetrate and then conceal errors or irregularities. This, in turn, depends on the assignment of work in such a fashion that no one individual controls all phases of an activity or transaction.

### **Authorization, Execution, and Recording of Transactions**

A system of authorization and record-keeping procedures is needed to provide effective accounting control over assets, liabilities, revenues, and expenditures. Independent evidence shall be maintained to document that authorizations are issued by persons acting within the scope of their authority and that transactions conform to the terms of the authorizations. Documentation shall provide an adequate audit

trail. Transactions shall be accurate, timely, properly recorded, and properly classified. Computer system controls should be utilized to safeguard records and preserve data integrity.

A department may have many levels of approval for internal control purposes. It is important to have the signatures documented and a copy submitted to the Controller's Office any time there are changes in approvers.

**Signature cards for employees authorized by their department to approve financial documents, either hard copy or in FAMIS must be submitted to the Controller's Office. These will be checked in post-audits conducted by the Controller's Office. Contact your department's designated Controller's Fund Accountant for the Signature Authorization Form.**

Because only the Department Head has authority and responsibility to approve transactions, the Department Head must sign each signature card delegating approval authority to others. For FAMIS approvers, this is done separately from the FAMIS profile setup. Ensure your department's Signature Authorization Form ([Figure 1-1](#)) are on file with the Controller's Office by contacting your designated Fund Accountant. To find your designated Controller's Fund Accountant, go to the Accounting Operations and Grants Contacts matrix found at [www.sfcontroller.org/aosd](http://www.sfcontroller.org/aosd).

**FIGURE 1-1. SIGNATURE AUTHORIZATION FORM**

<b>Office of the Controller</b>		<b>Signature Authorization Card</b>	
Department Name <span style="border: 1px solid black; display: inline-block; width: 250px; height: 1.2em; vertical-align: middle;"></span>			
<b>Section I. Declaration of Department Head</b>			
I, <span style="border: 1px solid black; display: inline-block; width: 150px; height: 1.2em; vertical-align: middle;"></span> , am the department head for the above named city department. As such, I am authorized to sign all documents used to conduct city business.			
<span style="border: 1px solid black; display: inline-block; width: 400px; height: 1.2em; vertical-align: middle;"></span>		<span style="border: 1px solid black; display: inline-block; width: 80px; height: 1.2em; vertical-align: middle;"></span>	
<i>Department Head Signature</i>		<i>Date</i>	
<b>Section II. Authorize a Designee</b>			
I hereby authorize <span style="border: 1px solid black; display: inline-block; width: 150px; height: 1.2em; vertical-align: middle;"></span> , <span style="border: 1px solid black; display: inline-block; width: 150px; height: 1.2em; vertical-align: middle;"></span> , <span style="border: 1px solid black; display: inline-block; width: 150px; height: 1.2em; vertical-align: middle;"></span>			
<small>(Print or Type Name) (Title) (Job Class)</small>			
Whose signature appears below, to sign and/or approve for my department/division: <span style="border: 1px solid black; display: inline-block; width: 150px; height: 1.2em; vertical-align: middle;"></span>			
<input type="checkbox"/> Employees Travel & Training Reimbursement Requests		<input type="checkbox"/> Invoices	
<input type="checkbox"/> Purchase Orders		<input type="checkbox"/> Certify Copy Invoices As Originals	
<input type="checkbox"/> Journal Entries		<input type="checkbox"/> Retrieve Checks	
<input type="checkbox"/> Revolving Fund Reimbursements		<input type="checkbox"/> Other Documents: (please explain in the space below)	
<span style="border: 1px solid black; display: inline-block; width: 400px; height: 1.2em; vertical-align: middle;"></span>		<span style="border: 1px solid black; display: inline-block; width: 80px; height: 1.2em; vertical-align: middle;"></span>	
<i>Signature Of Designee</i>		<i>Date</i>	
<b>Section III. Cancel a Signature Authority</b>			
<span style="border: 1px solid black; display: inline-block; width: 550px; height: 1.2em; vertical-align: middle;"></span>		<span style="border: 1px solid black; display: inline-block; width: 80px; height: 1.2em; vertical-align: middle;"></span>	
<i>Effective Date of Cancellation</i>		<i>Department Head Signature</i>	
<span style="border: 1px solid black; display: inline-block; width: 550px; height: 1.2em; vertical-align: middle;"></span>		<span style="border: 1px solid black; display: inline-block; width: 80px; height: 1.2em; vertical-align: middle;"></span>	
<i>Controller Use Only:</i>		<i>Date</i>	
<span style="border: 1px solid black; display: inline-block; width: 350px; height: 1.2em; vertical-align: middle;"></span>		<span style="border: 1px solid black; display: inline-block; width: 150px; height: 1.2em; vertical-align: middle;"></span>	
<i>Approved By</i>		<i>Date</i>	

Please use this form for authorizing a designee to sign documents or retrieve checks from the Controller's Office on their behalf. This signature authority will be used to verify proper authorization during our Post Audit process.

**Section I – Declaration of Department Head**

- This section is to be signed by the department head. Only the department head has the authority to delegate signature authority for departmental activities.
- This section is also used by the Controller to have the department head's signature on file.

**Section II – Authorize a Designee**

- The name, title, and job code of the person authorized to sign documents on behalf of the department head.
- Leaving the department/division field blank will authorize for all department's documents. Only complete the department/division if you wish to limit the authority for the person.
- Checking the box in each category gives the designee the authorization to sign those particular documents or to retrieve checks from the Controller's Disbursement Unit.
- Only check which categories of documents the person is authorized to sign.
- Please include initials if the authorized designee uses their initials to sign documents.

**Section III – Cancel a Signature Authority**

- Date of the cancellation or revocation of signature authority. This must be signed by the department head and cannot be delegated.

**Documentation of System**

All departments should have an established system of policies and procedures to be followed in the performance of duties and functions. Such a system shall include, but not be limited to, documentation of internal controls, accountability for resources and recording of financial transactions, and such documentation shall be communicated and made available to all employees and auditors.

**Departments must have a documented system of internal controls to meet the guidelines identified in this section.**

**Monitoring Controls**

An effective system of internal review by both the department and the Controller's Office should be established and documented. Managers should periodically monitor that internal control procedures are complied with and documented. The results of the periodic monitoring findings should be communicated to staff so that any deviations from policy may be corrected. Communication of results of periodic monitoring should be documented.

**Reasonable Assurance**

Internal control systems shall provide reasonable, but not absolute, assurance that the internal control objectives will be achieved. This standard recognizes that the cost of internal controls should not exceed the benefits derived therefrom, and that the benefits consist of reductions in the risks of failing to achieve the stated objectives.

**1.7.1 | Internal Control Questionnaire**

Each year, departments are asked to complete an internal control questionnaire (ICQ). The ICQ must be signed by the department Chief Fiscal Officer (CFO). The ICQ is part of the Controller's internal control monitoring activities, and is used to design the post-audit procedures for each year.

**TABLE 1-1. INTERNAL CONTROL QUESTIONNAIRE TEMPLATE**

Department/Division:			Date:	
Prepared by:	Title:			Phone No.:
Reviewed and confirmed by:	Title:			Phone No.:
Controller's review by:	Title:			Phone No.:

Please provide detailed responses to the following internal control questions. If the relevant specific controls are described in your department's policies & procedures, please cite the section and page number. Cells that are greyed out are not "yes or no" questions, please include your answer in the "Explanation" column. Please note that department review and confirmation by the CFO are required above.

			Yes	No	Explanation
	<b>ADMINISTRATION AND GENERAL</b>				
1	Department accounting procedures:				
	a. How are they communicated to employees, and how often?				
	b. How are they periodically compared to actual practices in the department?				
	c. The procedure categories marked with "Yes" are on file with the Controller's Office. If you have procedures for the categories that are marked "No" please forward them to us, otherwise please provide an estimated date of completion in the "Explanation" column. (Some categories may be N/A)				
	1. Cash Handling				
	2. Revenue				
	3. Purchasing & Payables				
	4. Payroll				
	5. Grants				
	6. Journal Entries				
	7. Budget Entries				
	8. Debt				
	9. Fixed Assets				
	10. Inventory				
	11. Trustee accounts				
12. Claims					
2	Are valuable and sensitive documents and accounting records physically safeguarded in areas with limited access?				
	a. Who has access? Is backup considered? Please provide names and titles.				
	b. How often are the combination/keys changed?				
	c. Where in the department's procedures is this documented?				
3	Has the fiscal leadership or key fiscal personnel in your department changed in the past 12 months? If so, please describe. <b>Please provide your most updated fiscal organizational chart.</b>				
4	Do you have a record retention policy in place that satisfies legal and program requirements? If yes, please provide the latest copy.				
5	How does the department ensure that only appropriate staff have access to electronic information and software/systems?				
6	How does your department track changes in relevant legal and program requirements? Do managers periodically monitor compliance with requirements?				
7	How does the department ensure that only appropriate staff are permitted to authorize all types of transactions: payroll, cash receipts, accounts payable, etc.?				
8	Have you received any audit findings from any auditor or government agency in the past 12 months? If so, describe.				

**ACCOUNTING POLICIES & PROCEDURES**

<b>9</b>	Is your department responsible for a source of funds not part of the City budget or financial statements (such as a facilities district or financing district)? If so, explain.				
			<b>Yes</b>	<b>No</b>	<b>Explanation</b>
<b>I</b>	<b>CASH HANDLING</b>				
<b>10</b>	Does the department collect any cash? Cash includes coins, currency, checks and money orders.				
<b>11</b>	Provide names and titles of ALL persons performing the following duties:				
	- Collecting cash				
	- Recording cash receipts				
	- Revolving fund custodian(s)				
	- Revolving fund reconciliation(s)				
	- Banking and account maintenance				
	- Transmitting collections from satellite offices to the department's main accounting office? Please note the frequency of such transactions or N/A.				
<b>12</b>	a. List all City Treasury or other bank accounts that the department deposits to and their frequency (daily, weekly, monthly)?				
	b. Are cash collections verified daily by someone other than the cashiers? Please provide the names and titles.				
	c. Give names and titles of those who account for cash overages and shortages.				
	d. How are cash collections documented (cash register tapes, pre-numbered receipt forms)? Are pertinent information (date, payer, means of payments, teller's ID, account distribution, etc.) recorded?				
<b>13</b>	Controller's Office guidelines require that checks are endorsed immediately upon receipt and are deposited by the next business day. Do you have any cash collection points where deposits are not made daily? If so, please provide reason in the Explanation section or provide the pertinent procedures.				
<b>14</b>	Are unidentified receipts regularly monitored to ensure that they are reclassified into the proper revenue or General Ledger accounts within 15 business days?				
<b>15</b>	Does your department deposit any cash collections as an abatement of expenditures instead of revenue? If so, please provide explanation and examples.				
<b>16</b>	Does your department prohibit cashing of checks against cash collections? If not, please explain.				
<b>17</b>	Where and how are undeposited collections physically safeguarded? Provide names and titles of persons responsible.				
<b>18</b>	Provide list of all revolving fund / imprest cash / change fund accounts, along with last reconciliation as of 12/31/2014 for all accounts. Please include the location of the revolving fund, amount, and custodian of the fund.				
<b>II</b>	<b>REVENUE</b>		<b>Yes</b>	<b>No</b>	<b>Explanation</b>
<b>19</b>	Who in your department is responsible for monitoring revenue?				
<b>20</b>	Do you have any new funding sources or sources of revenue this year?				
<b>III</b>	<b>PURCHASING AND PAYABLES</b>		<b>Yes</b>	<b>No</b>	<b>Explanation</b>
<b>21</b>	In the procedures provided to the Controller's Office please provide the page numbers where the following explanations for non-professional services procurement can be found:				
	a. Bid procedures and the thresholds your department follows for procurement of commodities, general services, and professional services.				
	b. Receipt of goods or services (e.g. how packing slip, delivery receipt are verified)?				
	c. Processing vendor invoices including ensuring only original invoices are submitted for payment.				

<b>22</b>	In the procedures provided to the Controller's Office please provide the page numbers where the following explanations for professional services procurement can be found:			
	a. Civil Service Commission approval			
	b. Request for Proposal process to select the vendor			
	c. Determining if contractor meet the IRS definition of a non-employee			
	d. Ensuring the department does not buy equipment or supplies under professional service contracts.			
<b>23</b>	Provide names and titles of people who perform the following duties:			
	a. Approving goods or services for order, and their approval limits if applicable.			
	b. Approving purchases and invoices for payment (should have signature card on file with Controller).			
	c. Signing for goods received.			
<b>24</b>	Provide names and title of people authorized to do Prop Q purchases, and dates they last attended Prop Q classes.			
<b>25</b>	Before committing unencumbered funds, how does staff verify that they are sufficient to meet the proposed expenditures?			
<b>26</b>	Does your department purchase from out of state vendors? If so, please provide procedures for accruing sales tax.			
<b>27</b>	a. Who is the department's equal benefits liaison with the Contracts Management Division (12B Compliance)?			
	b. Does this liaison have written procedures to follow?			
<b>28</b>	a. Does your department have a policy or program on the use of DBE vendors?			
	b. If yes, is there any documentation of this policy or program?			
<b>29</b>	Has your department had an emergency that necessitated the purchase of a commodity or service in the last year? If yes, describe the procedure used to make the emergency purchase and please provide any declarations.			
<b>30</b>	For all professional services:			
	a. Does your department get Civil Service Commission approval?			
	b. Does your department conduct a Request for Proposal process to select the vendor?			
	c. Does the department use a contract purchase order?			
	d. Does the contractor meet the IRS definition of a non-employee?			
	e. Does your department follow the checklist provided by OCA – Purchasing?			
<b>31</b>	Does the department have approval from the Controller's Office on procedures for accepting electronic invoices (fax, e-mail) from vendors? If so, please provide a list of vendors and personnel authorized to accept them for processing.			

IV	PAYROLL	Yes	No	Explanation
<b>32</b>	Please attach any updated electronic version of the department's payroll processing policies/procedures since the last audit. If a control procedure already for exists in these policies, please reference it by giving section and page number. If no written policy exists, please attach a written description of how the department accomplishes the control objective asked about.			
<b>33</b>	Does the department ensure that field employees, whose time is not closely supervised, are actively engaged in assigned duties? If so, how is this accomplished?			
<b>34</b>	Are salary and benefits costs by appropriate funding source and Account for each pay period reconciled between the department's systems that record actual hours by pay period, and total expenditures by funding source and <b>Account in</b> PeopleSoft?			
<b>35</b>	For terminating employees, are final payment calculations reviewed and approved by the CFO or his/her designee?			
<b>36</b>	If employees are not directly supervised by the person who authorizes timesheets, are there procedures in place for verifying time worked and leave taken during each pay period?			
<b>37</b>	If employee pay is charged to more than one funding source, how does the department ensure that actual wages and benefits are charged to funding agencies based on actual time spent on the funding objective?			



## ACCOUNTING POLICIES &amp; PROCEDURES

38	Are Acting Assignments, Suspension of Z, Exemplary Pay, and Extended Range reviewed and approved by finance before approval by HR? Are the spending impacts of these approvals included in the department's spending projection?			
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V	GRANTS	Yes	No	Explanation
39	Does your department receive government or private grant funds?			
40	a. Does the department follow grants-related guidance issued by one or more funding agencies?			
	b. Please provide list of these funding agencies and internet links to any such guidance.			
41	a. Does the department have written instructions for how to set up grants in FAMIS?			
	b. Please provide documentation for any rules governing the pattern of grant details, including required relationships to projects or other codes. If in accounting procedures, please indicate where.			
42	a. Is authorization to perform grant accounting in FAMIS restricted to designated staff?			
	b. Please provide names and job class for authorized staff.			
	c. Do grants accounting staff receive specialized training?			
	d. Please provide documentation of any grants training.			
43	a. Are all grant funded positions included in the ASO or supported by accept and expend authority?			
	b. If so, please provide a list of grant funded positions for the post audit period.			
44	Are all grants received set up as grants in FAMIS? If not, please provide the grant information.			
45	a. Do any of the department's grants require funding agency approval for budget modifications? If so, which ones?			
	b. Please provide copies of Board notifications for any grant budgets that had line item increases over 15% during 2014.			
46	Do you include indirect costs in all of your grant budgets? If not, please explain why, and indicate whether an appropriate waiver was included in the Accept and Expend resolution/ordinances, if used.			
47	a. What is the departments' indirect cost rate for grants?			
	b. How is the indirect cost rate determined? Please provide supporting documentation.			
	c. Are indirect costs recovered from grants on a timely basis?			
48	Do any of your grants require matching funds? If so, how do you reflect them in FAMIS?			
49	For recovering grant funds expended:			
	a. Are reimbursement requests submitted according to a schedule?			
	b. Does the department ensure they receive the funds requested?			
	c. Does the billing cycle match the grantor's requirements?			
50	a. Are grantor's budgetary spending controls reflected in FAMIS?			
	b. What controls are in place to ensure expenditures are in compliance with grantor's provisions?			
51	Does the department retain documentation of all staff time worked on grants?			
	If time not recorded on functional time sheets, how are allocated hours and benefits documented?			
52	Have you received any communication from a funding agency that reports the results of a desk audit, site visit, fiscal or program monitoring, or grant/program audit? If so, please provide copies.			
53	Has the department taken all corrective actions agreed to for any and all audits by funders, external auditors, and the Controller's post audit from the past two years? Please document.			
54	Has the department refunded any revenue to grantors? If so, why?			
55	a. Does the department pay grant funds to sub-recipients?			
	b. If so, are sub-recipients monitored? Please provide documentation of monitoring activities.			

56	a. Are periodic and final grant reports reviewed by a supervisor prior to submission?			
	b. If so, how is review documented?			
57	a. Are grants reconciled by the department at least quarterly?			
	b. Was the most recent quarter's grant reconciliation sent to the Controller's Office?			
58	Does the department ensure that grant funded purchases are made in compliance with grantors' requirements? Please describe how.			
59	Has the dept. received any gifts or bequests in the calendar year? If so, were they reported to the Board of Supervisors? If so, please provide a copy of the letter to the Board.			

VI	JOURNAL ENTRIES (including all adjusting doc types BA, JE, PJ, RE, RA, RT).	Yes	No	Explanation
60	List the employees who initiate, review, and approve Journal Entries?			
61	What are the usual reasons Journal Entries are initiated? Correction of errors, routine transactions that require journal entries, or closing?			
62	What are the key transaction cycles or reconciliations used to initiate or generate journal entries?			

VII	BUDGET	Yes	No	Explanation
63	Who are the employees responsible for:			
	Developing your AAO budget?			
	Obtaining supplemental appropriations?			
	Initiating and reviewing Budget changes or reallocations?			
	Determining what budget authority will be used in requesting a change, and that the proposed change is within the scope of that authority?			
64	How do you determine a budget entry is needed? (example: quarterly projections, unable to process a transaction)			
65	Does your department internally monitor budget-to-actual performance in any way? Please explain.			
66	What are the key transaction cycles or reconciliations used to initiate or generate journal entries?			
67	Are there budget authorities that you cite specific to your department? Please cite AAO, Code, or Charter section.			

VIII	DEBT	Yes	No	Explanation
68	Is your department directly responsible for paying debt or bondholders? (most likely through a trustee or financial institution)			
69	If yes, who are the key employees responsible for debt accounting?			
70	Are there any other significant debt-like or debt-related transactions in your department (e.g. capital leases or indirect payments of debt through another department)?			

IX	FIXED ASSETS	Yes	No	Explanation
71	Who are the key employees responsible for fixed asset accounting and/or capitalization of assets?			
72	Is your department a FAACS department? Online or offline?			

X	INVENTORY	Yes	No	Explanation
73	Who are the key employees responsible for inventory accounting?			
74	Do you perform regular physical inventory counts?			

**ACCOUNTING POLICIES & PROCEDURES**

<b>XI</b>	<b>TRUSTEE ACCOUNTS</b>	<b>Yes</b>	<b>No</b>	<b>Explanation</b>
<b>75</b>	Does your department have custody over or expend funds which are not on deposit with the Treasury (other than petty cash or revolving funds)?			
<b>76</b>	If you have trustee accounts, do you have trustee accounts for the repayment of debt and required by bond agreements?			
<b>77</b>	If you have trustee accounts, do you have accounts to be used for expenditures other than debt payment (e.g., project expenditures)?			
<b>78</b>	If yes, what are the funding sources for these accounts? What agreements require the funds to be held outside the treasury?			

<b>XII</b>	<b>CLAIMS</b>	<b>Yes</b>	<b>No</b>	<b>Explanation</b>
<b>79</b>	Does your department make claims?			
<b>80</b>	Who are the key employees responsible for initiating and approving claims?			

## 2 | BUDGETING & APPROPRIATIONS

### 2.1 | Overview

This section provides an overview of the City’s budgeting and appropriations process, and its practical implications for accounting and financial reporting.

### 2.2 | Budgeting\*

In the City & County of San Francisco, the Board of Supervisors and then the Mayor are responsible for approving the budget, which dictates spending by City government. Through the budget, the Board of Supervisors decides the City’s spending priorities for the next fiscal year by setting aside money for programs, projects, or services. The Mayor’s Office and City departments are then responsible for administering programs within the specific funding decisions contained in the budget. San Francisco *Administrative Code, Chapter 3: Budget Procedures* sets forth the parameters for the budgeting process.

Two components to the City & County’s budget are controlled differently:

- **Operating budget**—adopted annually, the operating budget is a detailed estimate of how much the City needs to spend in its fiscal year to meet its ongoing financial obligations and provide programs and services. It establishes a spending cap that management may not exceed without special authorization.
- **Capital budget**—because capital construction normally takes place over more than one fiscal period, capital budgets are generally adopted on a project-length basis. The capital budget is money set aside for buying or building fixed assets such as buildings, equipment, vehicles, water and sewer facilities, and land. Refer to *San Francisco Administrative Code, Chapter 3, Section 3.20—Capital Expenditure Plan* for more information.

### 2.3 | Appropriations\*

The *Budget and Appropriation Ordinance* (Budget Ordinance) document is the final City & County budget as approved by the Board of Supervisors. It reflects the City’s budget at the beginning of the fiscal year on July 1. The Budget Ordinance is recorded in the General Ledger using budgetary accounts to facilitate control over revenues and expenditures during the year.

### **2.3.1 | Automatic Appropriations**

### **2.3.2 | Supplemental Appropriations**

### **2.3.3 | “De-Appropriation” of Capital Projects**

## **2.4 | Cost Allocation\***

## **2.5 | Surplus Transfers**

This section addresses the policy and procedures of allowable expenditure budget transfers as established and approved by the voters and/or the legislative body of the City & County of San Francisco. These guidelines are issued according to the applicable provisions of the San Francisco *Administrative Code* and *Budget and Appropriation Ordinance* (Budget Ordinance).

The governing provision for surplus transfer is *Administrative Code*, Section 3.18 which states:

The Controller, upon request of the Mayor, other officials, boards, or commissions of the City & County, may transfer any unused balance or portion thereof from previously appropriated funds to augment existing appropriations if the transfer is within the same fund and governmental unit. The Controller shall notify the Mayor and the Board of Supervisors of any transfer of funds made pursuant to this section which exceeds ten percent (10%) of the original appropriation to which the transfer is made. No such transfer of funds shall be made to an appropriation which was previously reduced by action of either the Mayor or Board of supervisors in their review of the budget for the current or prior fiscal year.

### **2.5.1 | Controller’s Office Surplus Transfer Guidelines**

City departments may need to request expenditure budget transfers under certain circumstances. It may be necessary to transfer funds from one activity or project to another to reflect realignment of priorities, duties, or reorganization. Transfers among major categories of expenditure within a department also may be needed to adjust budget estimates to meet actual operating realities. The guidelines on surplus transfer include:

- ☐ Cumulative transfer requests to the Controller’s Office should not exceed ten percent (10%) of the Board-approved appropriation. Requests exceeding the threshold must be properly justified and approved by the Controller.

The 10% threshold applies to the sub-fund level funds (formerly known as Sub-fund in FAMIS), projects funded by non-operating sources and character level accounts (formerly known as Character in FAMIS), depending on the Budget Ordinance appropriation control level, to which that appropriation is being transferred. For annual funds, the 10% calculation is based on the current fiscal year original appropriation and any Board-approved supplemental appropriation within budgetary control level. For continuing funds such as capital projects, the 10% calculation is based on the total multi-year original appropriation and any Board-approved supplemental appropriation amounts (i.e., the total of original and supplemental appropriation for each fiscal year from year 1 through the current fiscal year). For projects funded by multiple funding sources, the 10% threshold is based on the total Board-approved appropriation of all funding sources. If multiple transfers were made during the year, the individual transfer as well as the cumulative transfers must not exceed 10% of the total Board-approved appropriation.

- ☐ Transfers must not be made to an appropriation reduced by action of either the Mayor or Board of Supervisors. If the Mayor or Board reduction was made to a specific sub-object level account, appropriations cannot be transferred to other accounts within the character level account. This, however, does not apply to reductions to work order accounts (581XXX). Refer to [Section 2.5.6 - | Surplus Transfers Frequently Asked Questions \(FAQs\)](#).

Exceptions to this guideline must be approved by the authority that reduced the appropriation, i.e., Mayor's Budget Office or Board of Supervisors.

- ☐ During the period of the interim appropriation ordinance and interim salary ordinance, no transfers shall be permitted without approval of the Controller, the Mayor's Office, and the Board of Supervisors.
- ☐ Appropriations carried forward from prior year(s) cannot be used for surplus transfer. Carryforward appropriations are not surplus and must be used for the purpose originally budgeted and approved for carryforward.
- ☐ The following types of surplus transfer require additional approval from the Mayor's Office:
  - Transfers involving salaries and fringe
  - Transfers involving new equipment budget. Upon approval of the surplus transfer request, departments may obtain equipment number(s) from the Controller's Office Budget & Analysis Division (BAD)
- ☐ Equipment can only be purchased using appropriations specifically for equipment. Transfers of non-equipment budget for equipment purchases must be approved by the Mayor's Office and the Controller. Note that such transfers can only be from non-salary appropriations.

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- ☐ As dictated by *Administrative Code*, Section 3.18, transfers should be within the same fund and governmental unit. Transfers such as between annual and continuing funds are not allowed and exception requests must be approved by the Mayor's Office.
- ☐ Transfers from professional services contract to salaries require additional approval from the Human Resources Director, the Mayor's Office, and the Controller's Office Budget and Analysis Division.
- ☐ Transferring department budgets for services of other City departments to other spending categories requires approval from both the Requesting and Performing Departments.

**2.5.2 | How Departments Request Surplus Transfer**

The City department that is seeking to complete a surplus transfer will complete the following steps:

- ☐ Analyze unanticipated needs, plan funding, and consolidate requests whenever possible.
- ☐ Verify that the adjustment is a surplus transfer and not a reclassification/realignment. Transfers of expenditure appropriation among items specified in the appropriation ordinance are considered surplus transfers. For example, movement of funds between character level accounts in operating funds is a surplus transfer; movement of funds between projects funded by non-operating sources is a surplus transfer. Transfers between sub-object level accounts within the same object level account and/or character level account of an operating fund are reclassifications or realignments. For example, expenditure overruns in data processing supplies offset by a surplus balance in other office supplies is not a surplus transfer, as the two sub-object level accounts fall under the same character level account. Refer to [Table 2-1](#) for more information.

**TABLE 2-1. WHEN TO SUBMIT SURPLUS TRANSFER REQUEST FOR TRANSFERS/REALLOCATION OF FUNDS**

<b>SURPLUS BUDGET TRANSFERS</b>	<b>RECLASSIFICATION / REALIGNMENT</b>
Transfers <u>between</u> <b>Budget and Appropriation Ordinance</b> level (e.g., character level accounts, capital projects, grant projects, etc.) within the same fund and governmental unit	Transfers between cost centers in operating funds <u>within</u> the same Budget and Appropriation Ordinance level; transfers between character level accounts within a project funded by non-operating sources
Budget allocations between projects funded by non-operating sources within same sub-fund level fund	Work order budget set-up

SURPLUS BUDGET TRASFERS	RECLASSIFICATION / REALIGNMENT
<p>Transfer of appropriated professional service contracts to salaries per Section 10.2 Administrative Provisions of the Budget Ordinance</p>	<p>Contingency set-up</p> <p>Grant project budget reallocations</p> <p>Release of reserves</p> <p>Direct charge between departments within the same sub-fund level fund and project</p> <p>Budget realignment of technical changes between character level accounts</p> <p>System appropriation carry-forward reallocations or reallocations from unallocated master projects to sub-projects</p> <p>Reallocations from UNA or General City departments [DETAILS ON UNA STILL BEING REVIEWED]</p> <p>Transfers between different fiscal entities (CAFR reporting levels) are done through transfer in and out process</p> <p>Transfers from non-equipment to equipment budget within the same budget ordinance control level.</p> <p>Note:</p> <ol style="list-style-type: none"> <li>1. The transfer must be from non-salary appropriations</li> <li>2. The transfer must be approved by the Mayor's Office</li> </ol> <p>Upon approval of the budget adjustment entry, departments may obtain equipment number from BAD</p>



- ☐ Complete the *Surplus Expenditure Budget Transfer Request* online at <https://conforms.sfgov.org/>.


A screenshot of the online form is shown below in [Figure 2-1](#). Follow the guidelines in [Table 2-2](#) closely when completing the request. State the reason it was not in the original budget and verify that the funds are truly a surplus. Attach supporting documents and/or provide additional explanation as needed.

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**FIGURE 2-1. SURPLUS EXPENDITURE BUDGET TRANSFER REQUEST**

## New Transfer Request

General Information:

Requested Date:  

Department Code:

Fiscal Year:

Journal ID:

Transfer From:














Dept Code	Fund	Account	Project	Activity	Authority	Amount	
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<a href="#">Add Line</a> <a href="#">Remove</a>

Transfer To:

Dept Code	Fund	Account	Project	Activity	Authority	Amount	
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<a href="#">Add Line</a> <a href="#">Remove</a>














Reason Transfer Needed:

Format ▼














Reason Surplus Funds Available:

Format ▼

Certification:

Format ▼

Insert Certification

**ACCOUNTING POLICIES & PROCEDURES****TABLE 2-2. GUIDELINES TO COMPLETE THE SURPLUS TRANSFER REQUEST FORM**

DATA	INPUT REQUIREMENT
Date	Date of Request
Department	Initiating Department; select from the dropdown list
Transfer From Fund	Enter fund code, e.g., 10000 GF Annual Account Ctrl (formerly known as 1GAGFAAA), from which funds are being transferred.
Transfer From Project	Enter project code from which funds are being transferred.
Transfer From Account	Enter the sub-object level account code from which funds are being transferred out.
Transfer From Amount	Enter amount being transferred from the source account.
Transfer To Fund	Enter fund code to which funds are being transferred.
Transfer To Project	Enter project code to which funds are being transferred.
Transfer To Account	Enter the sub-object level account code to which funds are being transferred in.
Transfer To Amount	Enter amount being transferred to the receiving account.
Reason Transfer Needed	Detailed and specific justification of need is required to support the transfer request. Description such as “transfer from non-personal services to materials and supplies” is neither detailed nor descriptive. Justification should also address the reason why it is not included in the budget submission, or why it cannot wait until the next budget year.
Reason Surplus Funds Available	For example, “funds initially budgeted in XXX for the purpose of xxx, due to xxx, as a result, xxx.” Demonstrate how the “surplus” is achieved or that the “unused balance” is truly a surplus that will last until fiscal year-end. Identify the original need and its funding amount and explain why the need no longer exists.
Certification	<ol style="list-style-type: none"> <li>(1) Certify that the transfer is in accordance with the provisions of Section 3.18 of the <i>Administrative Code</i>.</li> <li>(2) Give details to show that the transfer amount is within the 10% threshold of the original appropriation to which the transfer is made.</li> </ol>

DATA	INPUT REQUIREMENT
	<p>(3) If multiple transfers were made at different times of the year, make an additional certification that the cumulative transfers do not exceed the 10% threshold of the original appropriation.</p> <p>(4) Certify that presently no supplemental appropriation is anticipated in these accounts.</p> <p>(5) Demonstrate or certify that the “new” need is not for an appropriation reduced by action of either the Mayor or Board of Supervisors in the current or prior fiscal year.</p> <p>If the department is inaccurate in any of the above certifications, the surplus transfer request will be rejected. Using the online form, departments can choose to insert the Certification Template.</p>

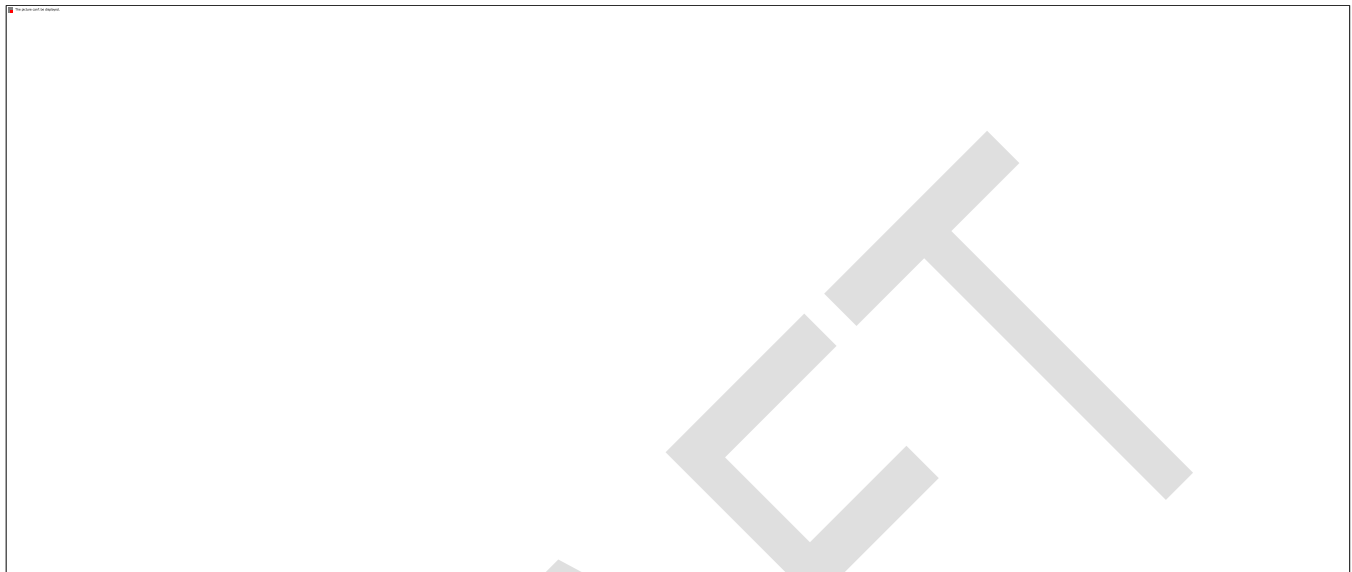
- ☐ Submit the completed online request for approvals.

The required authorization includes approvals from the Department Head/CFO or designee, Controller’s Office AOSD Fund Accountants, and AOSD Director. Controller, Mayor’s Budget Office and Board of Supervisor approval may also be required if the transfer involves the situations and/or exceptions described in [Section 2.5.1 | Controller’s Office Surplus Transfer Guidelines](#).

Approvers can approve, reject, or disapprove the online request. If rejected, the request will be sent back to the initiator for revision and/or additional information required by the approvers. If disapproved, the request is denied. The online request portal will notify the initiator through an e-mail whether the request has been approved, rejected or disapproved.

- ☐ If and when the surplus transfer request is completely approved, the department submits a surplus transfer journal entry in the PeopleSoft Commitment Control Module. To ensure accurate tracking and reporting, departments must:
1. Go to the Enter Budget Transfer page
  2. Select “Surplus Transfers” as the Budget Entry Type for accurate tracking and reporting (refer to the Figure below for illustration)

FIGURE 2-2. PEOPLESOFT PAGE & BUDGET ENTRY TYPE FOR SU JOURNAL ENTRY



### 2.5.3 | Controller's Office Review of Surplus Transfers

Upon receipt of Surplus Expenditure Budget Transfer Request ([Figure 2-1](#)), the Controller will complete the following review steps.

- ☐ Verify Mayor's approval for requests related to:
  - 1) labor
  - 2) new equipment budget
  - 3) exceptions such as transfer between annual and continuing funding sources
- ☐ Verify completeness of information and reasonableness of justification
- ☐ Verify funding availability and appropriateness (e.g., budget carried forward from the previous fiscal year cannot be the funding source of a surplus transfer)
- ☐ Verify department certification on transfer is within the 10% threshold
- ☐ Verify department certifications on transfer is not adding back to appropriation previously reduced by Board or Mayor
- ☐ Verify the accurate use of the accounting codes (e.g., project codes, account codes)
- ☐ Return to department if request is being rejected or requires substantial changes
- ☐ If approved, notify the department to submit the entry in the PeopleSoft Commitment Control Module

- ☐ Review the entry for accuracy of data based on approved surplus transfer request. The accounting codes must match the data on the surplus transfer request in both transfer to and transfer from lines. Approve or reject based on review

## **2.5.4 | Reporting of Surplus Transfers**

At fiscal year-end, the Controller shall notify the Mayor and the Board of Supervisors of any transfer of funds made pursuant to Section 3.18 of the San Francisco *Administrative Code* which exceeds 10% of the original appropriation to which the transfer is made. If multiple transfers were made at different times of the year, the individual transfer as well as the cumulative transfers exceeding the 10% threshold will be reported.

## **2.5.5 | Related Administrative Provisions of the Budget Ordinance**

The following are important considerations specified in the Budget Ordinance.

### **Section 4 – Administrative Provisions of the Budget Ordinance (Interim Budget Provisions)**

No new position may be filled in the interim period with the exception of those positions which in the discretion of the Controller are critical for the operation of existing programs or for projects previously approved by the Board of Supervisors or are required for emergency operations or where such positions would result in a net increase in revenues or where such positions are required to comply with law. New positions shall be defined as those positions that are enumerated in the Mayor's budget for the current fiscal year but were not enumerated in the appropriation and salary ordinances for the prior fiscal year, as amended, through June 30 of the prior fiscal year. In the event the Mayor has approved the reclassification of a position in the department's budget for the current fiscal year, the Controller shall process a temporary or "TX" requisition at the request of the department and subject to approval of the Human Resources Director. Such action will allow for the continued employment of the incumbent in his or her former position pending action by the Board of Supervisors on the proposed reclassifications. If the Budget Committee of the Board of Supervisors recommends a budget that reinstates positions that were deleted in the Mayor's Budget, the Controller and the Director of Human Resources shall have the authority to continue to employ and pay the salaries of the reinstated positions until final passage of the budget by the Board of Supervisors, and approval of the budget by the Mayor.

### **Section 7.2 – Administrative Provisions of the Budget Ordinance (Equipment Defined)**

Funds for the purchase of items of equipment having a significant value of over \$5,000 and a useful life of three years and over shall only be purchased from appropriations specifically provided for equipment or lease-purchased equipment, including equipment from capital projects. Departments may purchase additional or replacement equipment from previous equipment or lease-purchase appropriations, or from

citywide equipment and other non-salary appropriations, with approval of the Mayor's Office and the Controller.

**Section 9 – Administrative Provisions of the Budget Ordinance (Interdepartmental Services)**

The Controller is hereby authorized and directed to prescribe the method to be used in making payments for interdepartmental services in accordance with the provisions of Section 3.105 of the Charter, and to provide for the establishment of interdepartmental reserves which may be required to pay for future obligations which result from current performances. Whenever in the judgment of the Controller, the amounts which have been set aside for such purposes are no longer required or are in excess of the amount which is then currently estimated to be required, the Controller shall transfer the amount no longer required to the fund balance of the particular fund of which the reserve is a part. Provided further that no expenditure shall be made for personnel services, rent, equipment and capital outlay purposes from any interdepartmental reserve or work order fund without specific appropriation 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. The Controller, pursuant to the provisions of Charter Section 3.105, shall review and may adjust charges or fees for services that may be authorized by the Board of Supervisors for the administration of the Computer Store. Such fees are hereby appropriated for that purpose.

**Section 10.1 – Administrative Provisions of the Budget Ordinance (Position, Funds, and Transfers for Specific Purposes)**

(j) For purposes of defining terms in Administrative Code, Section 3.18, the Controller is authorized to process transfers where such transfers are required to administer the budget through the following certification process: In cases where a character of expenditure or project expenditure is reduced during the Board of Supervisors phase of the budget process, the Chair of the Budget Committee may certify that such a reduction does not reflect a deliberate policy reduction adopted by the Board. The Mayor's Budget Director may similarly provide such a certification regarding reductions during the Mayor's phase of the budget process.

**Section 10.2 – Administrative Provisions of the Budget Ordinance (Professional Services Contracts)**

Funds appropriated for professional service contracts may be transferred to the account for salaries on the recommendation of the Department Head for the specific purpose of using City personnel in lieu of private contractors with the approval of the Human Resources Director and the Mayor and the certification by the Controller that such transfer of funds would not increase the cost of government.

### 2.5.6 | Surplus Transfers Frequently Asked Questions (FAQs)

**Q:** What is it meant by “for an appropriation reduced by action of either the Mayor or Board of Supervisors in the current or prior fiscal year”?

**A:** The term “reduced” refers to reduction of submitted budget amount from the department by:

- 1) reduction during the Mayor’s phase review
- 2) reduction in the Finance Committee review
- 3) reduction during the Board of Supervisors phase review.

This does not apply to changes made only during the “technical phase” of the budget process.

**Q:** If the Mayor’s or Board of Supervisor’s reduction was made to a specific work order account 581XXX, can transfers be made to other accounts in Account 5810 Services of Other Depts. (i.e., work order budget for other performing departments)?

**A:** Yes. The budget control for work orders is at sub-object level account both in the Budget Ordinance and in PeopleSoft.

**Q:** Can a department transfer funds between Special Revenue Fund and General Fund?

**A:** No. Justified surplus transfers are only allowed at Budget Ordinance level (i.e., character level account/project) within the same fund and governmental unit, e.g., within the General Fund or within a Special Revenue Fund.

**Q:** How is the 10% threshold calculated?

**A:** The 10% threshold is based on the total cumulative budget enacted by the Board and the Mayor through the Budget Ordinance and supplemental appropriations. It is calculated on the amount in the funding source that is being transferred to. Refer to [Section 2.5.1 – | Controller’s Office Surplus Transfer Guidelines](#) for more details.

**Q:** Can transfers exceeding the 10% threshold be submitted for approval?

**A:** Yes, although such requests need stronger justification and will be reviewed and approved directly by the Controller.



**Q:** Can I use appropriations carried forward from prior year(s) for surplus transfer requests?

**A:** No. Appropriations carried forward from prior year(s) are not surplus and need to be used for the purpose originally budgeted and approved for carryforward.

**Q:** We have a fixed two-year budget. Do transfers within the budget process count towards the 10% threshold?

**A:** Yes, these are surplus transfers that are counted toward the threshold for each fiscal year.

**Q:** What specific documents can be used to support the transfer amount needed?

**A:** Some examples of detailed justification would include quotes, estimates on planned procurement, or draft MOU.

**Q:** Can add-backs and district allocations by the Board of Supervisors be transferred to other funding sources?

**A:** Add-backs and district allocations must be used for the purposes that the Board specified and, therefore, should stay in the funding source originally approved by the Board. Budget can only be transferred when the scope is the same (e.g., a transfer from Account 5380 City Grant Programs to Account 5810 Services of Other Depts. is allowed if the work order Performing Department is using the budget for the same purposes).

**Q:** What are the common reasons for surplus transfer requests being declined?

**A:** Reasons include:

- Partial or inaccurate certification on the transfer request form
- Insufficient or lack of details on the reason for the transfer
- Insufficient justification that surplus funds are available for the transfer
- Transfers of carried-forward funds
- Funds requested to be transferred not sufficient or on reserve
- Transfers may cause inaccurate accounting

## **2.6 | Reserves\***

### **2.6.1 | Release of Reserves**

## **2.7 | Budget Corrections\***

### **2.7.1 | Budget Correction vs. Surplus Transfer**

## **2.8 | Midyear Actions\***

### **2.8.1 | Budget Cuts**

## **2.9 | Reporting\***

### **2.9.1 | Calculation of Fund Balance**

### **2.9.2 | Negative Fund Balance**

## 3 | CONTRACTS & ENCUMBRANCES

### 3.1 | Overview

This section provides the Office of Contract Administration's contracting guidelines pursuant to San Francisco *Administrative Code*, Chapter 6 and Chapter 21, and sets out guidelines for the encumbrance process. Contracting rules and regulations are an important part of having an accountable, transparent, and ethical government procurement process.

Section 3.2 provides guidelines for contracting in compliance with *Administrative Code*, Chapter 6; Section 3.3 provides guidelines for *Administrative Code*, Chapter 21.

The encumbrance of funds is an important and usually last step in any ordering or contracting process. Encumbrance is a formal commitment of funds, recorded against a department's budget in the financial system. An encumbrance is required before an order or contract is issued, and there are very, very few exceptions. Refer to *City Charter*, Section 3.105 and *Administrative Code*, Section 10.06 for encumbrance requirements.

### 3.2 | Contracting Rules & Regulations, Admin. Code Chapter 6\*

This section provides guidelines that departments must follow in order to comply with San Francisco *Administrative Code*, Chapter 6.

#### 3.2.1 | General Contracting Procedures

San Francisco *Administrative Code*, Chapter 6 governs outside temporary professional design, consultant or construction management services and construction services. Refer to Section [19.3 Admin. Code Chapter 6](#) for full text of Chapter 6. All other contracts are subject to the requirements of *Administrative Code*, Chapter 21.

Departments may contract for construction and consulting services under the following circumstances:

- The services to be provided include special qualifications that are not available from Civil Service classifications
- The work to be performed would temporarily increase the department's workload beyond available resources and would substantially interfere with routine or ongoing projects. The Civil Service Commission has rules that identify when a professional service may be contracted while classifications exist to perform the work

- The services can be practically performed by private contractor(s) for a lower cost than similar work performed by City employees (*Charter Section 10.104(5)*). This type of contract was formerly known as a Prop J contract and is subject to the approval of the Board of Supervisors
- Professional Services contracts in accordance with the requirements cited in *Administrative Code, Section 6.40*
- Construction services in accordance with the requirements cited in *Administrative Code, Section 6.20(A) above and Administrative Code, Section 6.20(B); Administrative Code, Section 6.60; Administrative Code, Section 6.61; Administrative Code, Section 6.62; Administrative Code, Section 6.63; Administrative Code, Section 6.64; and Administrative Code, Section 6.65*

Below is a list of the Chapter 6 contract types with their corresponding *Administrative Codes*.

**TABLE 3-1. CONTRACT TYPES WITH CORRESPONDING ADMIN. CODE**

#	CONTRACT TYPE	SF ADMIN. CODE SECTION(S)
1	Design-Bid-Build (Construction Service Formal)	6.20(a)
2	Design-Bid-Build (Construction Service Informal)	6.20(b)
3	Competitive Procurement of Professional Services for Public Work Projects	6.40
4	Professional Services (Inspection & Testing)	6.42
5	Professional Services (Architecture or Engineering)	6.42 & 14B.7(K) & 14B.7(L)
6	As-Needed Professional Services	6.43
7	Emergency Repairs, Work and Contracts	6.60
8	Design-Build	6.61
9	Job Order Contract	6.62
10	Hazardous Materials Abatement	6.63
11	As-Needed Construction Contracts (General)	6.64(a)
12	As-Needed Construction Contracts (Master)	6.64(b)
13	Elevator, Escalator, Security, Fire Maintenance and Repair	6.65
14	Convention Facility Public Works	6.66

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#	CONTRACT TYPE	SF ADMIN. CODE SECTION(S)
15	Construction Management/General Contractor ("CMGC")	6.68
16	Department of Public Health Public Works	6.69
17	Real Estate Division Public Works	6.70
18	Pier Repair Work	6.71
19	Rail Grinding	6.72
20	Sole Source	6.73
21	Best Value	6.74

**3.2.2 | Consultant Contract Requirements Guide**

The following table lists criteria with which consultants must comply and the portion of the *Administrative Code* (or other ordinance) that specifies relevant requirements.

**TABLE 3-2. CONSULTANT CONTRACT REQUIREMENTS**

ITEM	ADMIN. CODE SECTION(S)	OTHER ORDINANCE
Authorized City Contracting Departments	<u>6.2</u> & <u>21.05</u>	
Minimum Competitive Amount- RFP/RFQ	<u>6.40</u>	
CMD Compliance	<u>6.5(A) &amp; (B)</u> & <u>14B</u>	
Legal Advertisement	<u>14B.7(A)(3)</u> & <u>14B.13(A)(3)</u> & <u>21.2</u>	
Distribution & review of proposals (CMD review)	6.5(B)	
Rejection or Cancellation of RFPs	<u>6.41(B)</u>	
Award of Contract	<u>6.41(C)</u>	
Contract Processing		

ITEM	ADMIN. CODE SECTION(S)	OTHER ORDINANCE
Number of Agreements Executed	<u>6.3(D)</u> & <u>21.18</u>	
Certification of Contract (Encumbrances)	<u>6.3(C)</u> & <u>6.41(C)</u>	Charter <u>3.105</u>
Notice To Proceed		
Modifications	<u>6.42(E)</u> & <u>14B.13(A)(11) &amp; (12)</u>	Charter <u>9.118</u>

### 3.2.3 | Formal Construction Contract Requirements Guide

The following table lists criteria with which construction contracts must comply and the portion of the *Administrative Code* (or other ordinance) that specifies relevant requirements.

**TABLE 3-3. FORMAL CONSTRUCTION CONTRACT REQUIREMENTS**

ITEM	ADMIN. CODE SECTION(S)	OTHER ORDINANCE
Authorized City Public Works Contracting Departments	<u>6.2</u>	
Threshold Amount—Requires Formal Bid	<u>6.1(M)</u>	
Preparing Bid Documents & Review by Contract Prep		
Cost Estimates	<u>6.20(C)</u>	
CMD Compliance	<u>6.5(A) &amp; (B) &amp; 14B</u>	
Legal Advertisement	<u>6.21(A)(1) &amp; 14.13(A)(3)</u>	
Addendum issued 72 hrs. prior to bid opening		PCC <u>4104.5</u>
Fees for Plans & Specifications	<u>6.21(A)(5)</u>	

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ITEM	ADMIN. CODE SECTION(S)	OTHER ORDINANCE
Public Bid Opening		
Bid Securities	<u>6.21(A)(4)</u>	
Distribution & review of bids (CMD review)	<u>6.5(B)</u>	
Bid Protest	<u>6.21(D)</u>	
Rejection of Bids	<u>6.21(C)</u>	
Negotiation of Bid if only one or none received	<u>6.23(C)(1) &amp; (2) &amp; (3) &amp; (4)</u>	
Time for Award	<u>6.6(A) &amp; 6.20(E)</u>	
Award of Contract	<u>6.1(B)(1) &amp; (2)</u>	
Contract Processing & Execution of Contracts	<u>6.3(D)</u>	
Certification of Contract (Encumbrances)	<u>6.3(C)</u>	Charter 3.105
Notice To Proceed		
Change Orders	<u>6.3(D) &amp; 6.22(H) &amp; 14B.13(A)(11) &amp; (12)</u>	Charter 9.118
Exemptions From and Alternatives to Competitive Bidding - Design/Build	<u>6.61 &amp; 14B.19</u>	
Exemptions From and Alternatives to Competitive Bidding - Job Order Contracts	<u>6.62</u>	
Exemptions From and Alternatives to Competitive Bidding -Integrated Project Delivery	<u>6.68 &amp; 14B.19</u>	

### 3.2.4 | Formal Construction Contract Processing Timeline

The following table lists actions with which formal construction contracts must comply.

**TABLE 3-4. FORMAL CONSTRUCTION CONTRACTING TIMELINES**

<b>ACTION</b>	<b>REQUIREMENTS</b>	<b>MINIMUM DAYS</b>	<b>MAXIMUM DAYS</b>
<b>Advertising For Bids</b>	Publication in newspaper of general circulation	1	1
<b>Addendum</b>	Issued 72 hours before Bid Opening or delayed by at least 72 hours	3	
<b>Bid Opening</b>	Calendar days advertised before Bid Opening	10	
<b>CMD 14B</b>	Recommended for Good Faith Efforts (GFE) requirements	10	15
<b>CMD 12B Compliance</b>	After bid opening, must file with CMD if not compliant		14
<b>Debarment Affidavit</b>	After opening, must submit for all subs & suppliers bidding >\$25,000		14
<b>Bid Withdrawal</b>	Written notice demonstrating clerical error (working days)		5
<b>Contracting Department Review</b>	Review claim of error & issue written findings		
<b>Bid Protest</b>	Timely receipt (working days)		5
<b>Response to Protest</b>	Reply from protested bidder after receiving protest		5
<b>Review &amp; Findings</b>	CMD, City Attorney & contracting department review & issues findings		
<b>CMD Review</b>	Complete review of bids for discounts & goals, issue written findings		60



**ACCOUNTING POLICIES & PROCEDURES**

<b>ACTION</b>	<b>REQUIREMENTS</b>	<b>MINIMUM DAYS</b>	<b>MAXIMUM DAYS</b>
<b>Award Notice</b>	Contracting department issues award notice	6	90
<b>Contracting Department Review</b>	Verifies funding		
	Check Contractor's License for current & active status or Joint Venture license per Business & Professions Code Section 7029.1		
	Check for CMD recommendation of award		
	Check 12B Compliance in the financial system or contact CMD		
	Check for 1st Source Hiring Submittal with bid & send to 1st Source Hiring Administrator		
	Prepare Award of Formal Construction Contract		
	Prepare contract agreement, bonds, & insurance documents		
<b>Contractor Response to Award</b>	Return executed agreements, bonds insurance & sub-contractors' licenses, business tax & worker's comp insurance information		10
<b>Contracting Department Review</b>	Review executed agreement, bonds, for notarized signatures		
	Review bonds & insurance for correct amounts & coverage & verifies Bond & Insurance Companies admitted to do business in California & company financial rating		

ACTION	REQUIREMENTS	MINIMUM DAYS	MAXIMUM DAYS
	Check all sub-contractors' licenses, business taxes & worker's comp insurance		
	Check 1 <sup>st</sup> Source Hiring submittals after award & forward to 1st Source Hiring Administrator		
<b>Routing for City Execution</b>	Contracting Department Head		
	City Attorney as to form		
	City Administrator		
<b>Posting Contract</b>	Enter contract into contract management system for electronic approval (posting/certification) if applicable		
<b>Notice to Proceed (NTP)</b>	Sends contractor NTP & executed Contract Documents		

### 3.2.5 | Informal Construction Contract Requirements Guide

The following table lists criteria with which informal construction contracts must comply and the portion of the *Administrative Code* (or other ordinance) that specifies relevant requirements.

**TABLE 3-5. INFORMAL CONSTRUCTION CONTRACT REQUIREMENTS**

ITEM	ADMIN. CODE SECTION(S)	OTHER ORDINANCE
Authorized City Public Works Contracting Departments	<u>6.2</u>	
Threshold Amount- Informal Bid	<u>6.1(M)</u>	
Micro-LBE Set-Aside Program	<u>14B.7(K)</u>	

**ACCOUNTING POLICIES & PROCEDURES**

ITEM	ADMIN. CODE SECTION(S)	OTHER ORDINANCE
Preparing Bid Documents & Review by Contract Prep		
Cost Estimates	<u>6.20(C)</u>	
CMD Compliance	<u>6.5(A) &amp; (B) &amp; 14B</u>	
Legal Advertisement	<u>6.21(B)</u>	
Addendum issued 72 hrs. prior to bid opening		PCC <u>4104.5</u>
Informal Construction Bidders	<u>6.20(B)</u>	
Public Bid Opening		
Bid Securities	<u>6.21(A)(4)</u>	
Distribution & review of bids (CMD review)	<u>6.5(B)</u>	
Bid Protest		
Rejection of Bids	<u>6.21(C)</u>	
Negotiation of Bid if only one or none received	<u>6.23(C)(1) &amp; (2) &amp; (3) &amp; (4)</u>	
Time for Award	<u>6.6(A) &amp; 6.20(E)</u>	
Award of Contract	<u>6.3(A)</u>	
Contract Processing & Execution of Contracts	<u>6.3(D)</u>	
Certification of Contract (Encumbrances)	<u>6.3(C)</u>	Charter <u>3.105</u>
Notice To Proceed		
Change Orders	<u>6.3(D) &amp; 6.22(H) &amp; 14B.13(A)( 11) &amp; (12)</u>	Charter <u>9.118</u>

### 3.2.6 | Informal Construction Contract Processing Timeline

The following table lists actions with which informal construction contracts must comply.

**TABLE 3-6. INFORMAL CONSTRUCTION CONTRACTING TIMELINES**

<b>ACTION</b>	<b>REQUIREMENTS</b>	<b>MINIMUM DAYS</b>	<b>MAXIMUM DAYS</b>
<b>Advertising For Bids</b>	3-Day Notice Publication on Purchaser's website	3	3
<b>Addendum</b>	Issued 72 hours before Bid Opening or delayed by at least 72 hours	3	
<b>Bid Opening</b>	Informal quotes may be publicly opened	3	
<b>CMD 14B</b>	Recommended for Good Faith Efforts (GFE) requirements		
<b>CMD 12B Compliance</b>	After bid opening, must file with CMD if not compliant		14
<b>Debarment Affidavit</b>	After opening, must submit for all subs & suppliers bidding >\$25,000		14
<b>Bid Withdrawal</b>	Written claim of clerical error		
<b>Contracting Department Review</b>	Review claim of error & issue written findings		
<b>Bid Protest</b>	Timely receipt		
<b>Response to Protest</b>	Reply from protested bidder after receiving protest		
<b>Review &amp; Findings</b>	CMD, City Attorney & contracting department review & issues findings		
<b>CMD Review</b>	Complete review of bids for discounts & goals, issue written findings		60
<b>Award Notice</b>	Contracting department issues award notice		90

**ACCOUNTING POLICIES & PROCEDURES**

ACTION	REQUIREMENTS	MINIMUM DAYS	MAXIMUM DAYS
<b>Contracting Department Review</b>	Verifies funding		
	Check Contractor's License for current & active status or Joint Venture license per Business & Professions Code Section 7029.1		
	Check for CMD recommendation of award		
	Check 12B Compliance in the financial system or contact CMD		
	Check for 1st Source Hiring Submittal with bid & send to 1st Source Hiring Administrator	N/A	N/A
	Prepare Award of Formal Construction Contract		
	Prepare contract agreement, bonds, & insurance documents		
<b>Contractor Response to Award</b>	Return executed agreements, bonds insurance & sub-contractors' licenses, business tax & worker's comp insurance information		10
<b>Contracting Department Review</b>	Review executed agreement, bonds, for notarized signatures		
	Review bonds & insurance for correct amounts & coverage & verifies Bond & Insurance Companies admitted to do business in California & company financial rating		
	Check all sub-contractors' licenses, business taxes & worker's comp insurance		
	1 <sup>st</sup> Source Hiring	N/A	N/A

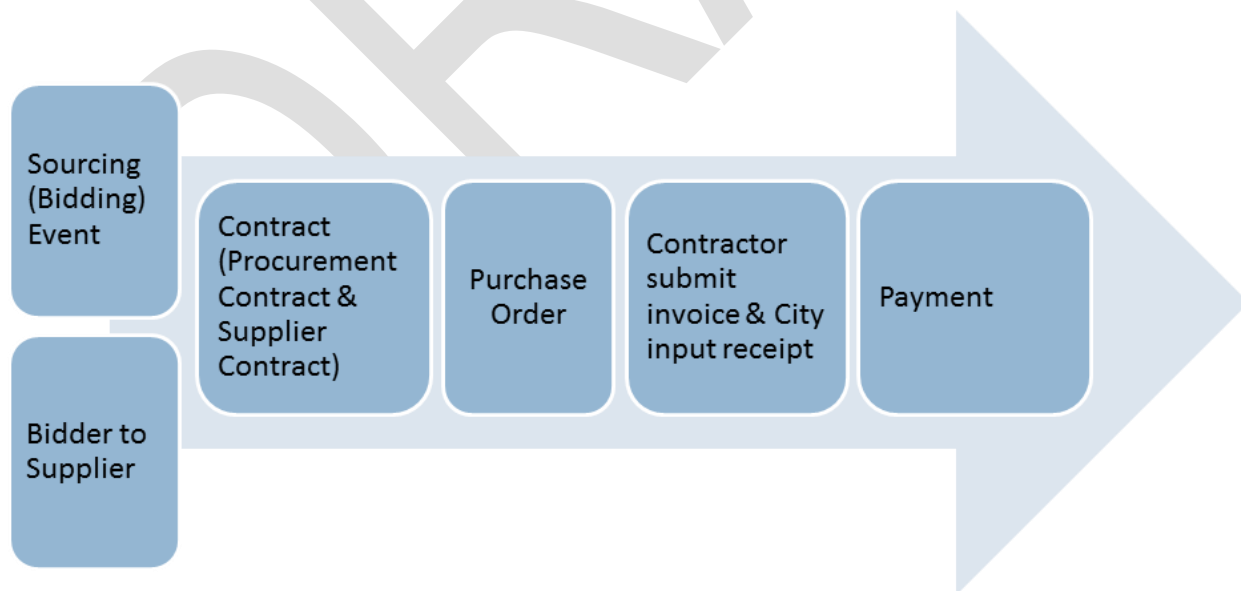
ACTION	REQUIREMENTS	MINIMUM DAYS	MAXIMUM DAYS
<b>Routing for City Execution</b>	Contracting Department Head		
	City Attorney as to form		
	City Administrator		
<b>Posting Contract</b>	Enter contract into contract management system for electronic approval (posting/certification) if applicable		
<b>Notice to Proceed (NTP)</b>	Sends contractor NTP & executed Contract Documents		

Refer to [Section 4.4.1 | Prompt Payment to Suppliers](#) for more information on City’s prompt payment guidelines.

### 3.2.7 | Processing Chapter 6 Contracts in PeopleSoft

The flowchart below is a high-level overview of how contracts will be processed in PeopleSoft from bidding to payment. Each step will be elaborated in the sub-sections below.

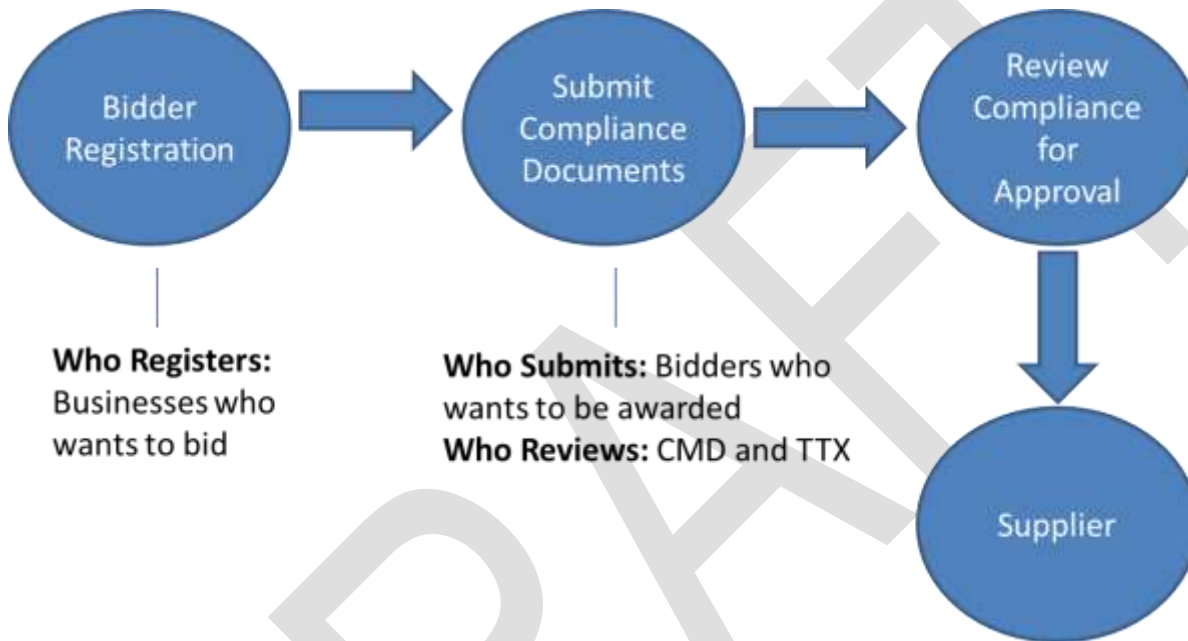
**FIGURE 3-1. OVERVIEW OF CONTRACT TO PAYMENT**



### Bidder to Supplier

Businesses that want to bid on a City sourcing event will need to register in PeopleSoft as a bidder. Bidders that want to be awarded contracts and receive payments must submit required documents, pass CMD compliance and business tax status review, and become a Supplier. For more details, refer to [Section 3.4 | Becoming a City Supplier\\*](#)

FIGURE 3-2. BIDDER TO SUPPLIER



### Sourcing

The City encourages all departments to utilize the Sourcing function in PeopleSoft for invitations to bid, bid analysis, and contract award.

Departments create a sourcing event in PeopleSoft and input the details. The navigation in PeopleSoft is *Main Menu>Sourcing>Create Events>Event Details*. Line items can be input during sourcing, or when the contract or purchase orders are set up.

FIGURE 3-3. CREATING A SOURCING EVENT

Create an Event

### Event Summary

Business Unit: SFGOV    Event ID: NEXT    Round: 1    Version: 1    Event Format: Buy

Event Type: RFX [Change to Auction](#)

Event Status: Open

\*Event Name: Crystal Springs PS & CS-SA PL Environmental Review

Description: Provide Environmental Review for The San Francisco Utility Commission project is a 19-mile long 54 and 60 inch diameter pipeline provides drinking water to 1.6 million residents and

Time Zone: PDT

Preview Date: 04/20/2017 [Go](#)    Time: 10:00PM

Start Date: 04/20/2017 [Go](#)    Time: 10:00PM

End Date: 04/20/2017 [Go](#)    Time: 10:00PM

Copy From: [Go](#)

Required fields reside on pages marked with an asterisk (\*) – you may not save your event until all required fields are filled.

### Step 1: Define Event Basics

Enter basic information, general settings and optional rules for this event.

[\\* Event Settings and Options](#)
[Payment Terms and Contact Info](#)

[Event Comments and Attachments](#)
[Event Constraints](#)

[Event Header Bid Factors](#)

[Add an RFX Document](#)

---

### Line Items

Business Unit: SFGOV    Event ID: 0000000501    Round: 1    Version: 1    Event Format: Buy    Event Type: RFX

Your event may consist of items from your item catalog and, optionally, ad-hoc items. You can create the event lines manually, or by copying lines from an existing event or temp

Copy From: [Go](#)    Filters

Line Items [?](#)    [Personalize](#) | [i](#)

[Basic Definition](#)    [Advanced Definition](#)

Line	Item ID	Description	Category	*UOM	*Qty	Start Price
1		Environmental Review		EA	1.0000	1000000.0000

Event Total: 1000000.0000 USD

Group Selected Lines: [OK](#)

Departments invite bidders after Event Details are completed.



## ACCOUNTING POLICIES &amp; PROCEDURES

FIGURE 3-4. INVITE BIDDERS

Modify an Event

Invite Bidders

Business Unit: SFGOV Event ID: 0000000080 Round: 1 Version: 1 Event Format: Buy Event Type: RFX

☒ Public Event

**Bidder Invitation List** Personalize Find View All 1-3 of 3 First Last

Select	Bidder ID	Bidder Type	Location	Name	*Dispatch Method		
<input checked="" type="checkbox"/>	0000003037	Supplier	MAIN	ADAM-HILL CO	Email		
<input type="checkbox"/>	0000003092	Supplier	MAIN	ALLIED ROPES CO	Email		
<input type="checkbox"/>	PUBLIC_AUC	Public	1	This is a Public Event	Email		

Search for Bidders Dispatch Lines Save Bidders as Group

Save Event Changes Go To Go

< Return to Event Overview

Departments analyze the bids and award to the winning bidder. Navigation:  
 Main Menu>Sourcing>Maintain Events>Analyze Events. Contracts can then be awarded from the Events.

**FIGURE 3-5. AWARDED A CONTRACT FROM EVENTS**

**SF EMPLOYEE PORTAL FINANCIALS & PROCUREMENT**

Welcome 61972 Logged On FSUAT

All Search Advanced Search

**Analyze Total**

Analyze Total Analyze Line

Business Unit: SFGOV Event ID: 0000000093 Round: 1 Version: 1 Event Name: CON UET EVENT

Event Format: Buy Event Type: RFx Currency: USD End Date: 04/20/2017 10:00PM PDT Status: Pending Award

Bid Analysis and Display Options

Analysis:

	Bidder Name ADAM HILL CO	ALLIED ROPES CO
Event Version Responded To	1	1
Bid Number	1	1
Total Bid Amount	568,750.00	568,500.00
Total Bid Cost	568,750.00	568,500.00
Total Event Score	89.65	89.49
Total Header Cost	0.00	0.00
Total Header Score	0.00	0.00

Bid Action: Award Reject Reason: Award by Percent: 100.000 Hide Bid: ☐

Recalculate Add / Edit Factors Unhide Data

Save Return to Search Notify

Dropdown Menu:

- Analyze Export
- Associate Planning Task
- Award Events
- Create New Round
- Discuss Event in Forum
- Document Status Inquiry
- Event Comments and Attachments
- Invite Collaborators
- Review Optimization

### 3.2.7.1 | CONTRACTS & PURCHASE ORDERS

This section explains how to create Contracts and Purchase Orders in PeopleSoft for different Chapter 6 contract types, with a reference to FAMIS processing. Refer to [Table 3-1. Contract Types with Corresponding Admin. Code](#) for a complete list of Chapter 6 contract types.

#### Create PeopleSoft Contract & Purchase Orders for Contracts without Retentions

This section applies to awarded contracts without retentions. The document type in ADPICS for such contracts was “BP” and the City had been using BP for the following Chapter 6 contract types:

- As-Needed Construction
- As-Needed Master Service Agreement
- As-Needed Professional Services
- Design - Bid - Build
- Job Order Contract
- Hazardous Materials Abatement

- Master As-Needed Construction
- Professional Services (Inspection & Testing)
- Professional Services (Architecture or Engineering)
- Sole Source

#### Comparing Contracts in ADPICS & PeopleSoft

Using a Design – Bid - Build contract as an example, a comparison of how contracts are set up in ADPICS and in PeopleSoft is illustrated below.

For contracts without retentions, City departments created blanket purchase orders (BPOs) in ADPICS for awarded contracts ([Figure 3-5](#)) after the contract has been signed by various parties.

In PeopleSoft, a Procurement Contract (equivalent to BPO) and a Supplier Contract (equivalent to current City contract in templates such as P-600) are generated at the same time. The navigation to create/update a Contract in PeopleSoft is *Main Menu>Procurement Contracts>Add/Update Contracts*. The contract preparation and approval follow the sequence below:

1. Complete the required fields on Procurement Contract (See [Figure 3-7. Example Contract in PeopleSoft](#))
2. The Supplier Contract will be generated at the same time and can be routed to various parties for approval through DocuSign
3. Once the Contract is completely signed through DocuSign, the Procurement Contract will be in “Approved” status and ready for Purchase Order releases

The numbers on the two screenshots below are referencing each other to the corresponding fields in ADPICS and PeopleSoft.

**FIGURE 3-6. EXAMPLE CONTRACT IN ADPICS**

```

PCHL2342 V5.1   CITY AND COUNTY OF SAN FRANCISCO--NFAMIS           05/03/2017
LINK TO:                BLANKET PURCHASE ORDER WRITING           5:28 PM

BPO/CONTRACT ID : BPAT17000012      ACTION IND   : F   COPY TYPE:   (B/R)
PURCHASING TYPE  : NB               INTERFACE TYPE: BP   PRINT    : N (Y/N)
CONTRACT AMOUNT : 5,000,000.00      TERMS IND    : Y   NOTE PAD : N (Y/N)
REMAINING VAL   : 4,468,766.29      CONTRACT ID   :
EFFECTIVE DATE  : 10/19/2016        ITB ID       :
EXPIRATION DATE : 10/18/2018        F.O.B. POINT : DEST   STATUS: POST
INSURANCE CERT  : N                DISCOUNT TERMS: NET   AUTO TL: N
CHANGE NO       :
BPO TITLE       : JOC-J32 #185137 GENERAL BLDING SVC      CREATE : 10/19/2016
DEPARTMENT      : DPWAT              DPW - ARCHITECTURE   UPDATE : 04/17/2017
BUYER           : N/A                NO BUYER           POST : 10/19/2016
VENDOR/SUFFID   : 60572 / 01        RUBECON GENERAL CONTRACTING INC
ATTN-1:
ATTN-2:
ATTN-3:
STREET: 3450 3RD ST BLDG 1B
CITY: SAN FRANCISCO
ST: CA ZIP: 94124 CTRY: USA
PHONE : 415-206-7740
PURCH AUTH 5: CONSERV
F1-HELP    F2-SELECT    F3-DELETE    F4-PRIOR    F5-NEXT    F6-VIEW DOC
F7-DEPT SEC F8-SEL TERMS F9-LINK      F10-SAVE    F11-OTH KEY F12-PRINT
  
```

**FIGURE 3-7. EXAMPLE CONTRACT IN PEOPLESOFT**

Header	
Contract Style	General Contract
Process Option	General Contract
Supplier	RUBECON001-001
Supplier ID	0000026583
Begin Date	10/19/2016
Expire Date	10/18/2018
Renewal Date	
Currency	USD CRRNT
Primary Contact	
Supplier Contract Ref	BPAT17000012
Description	JOC-J32 #185137 GENERAL BLDING
Master Contract ID	
Tax Exempt ID	
Contract Type	PC
Department	229802 DPW Building Design & Construct
Purchasing Authority	CONSERV CONSTRUCTION SERVICES
CMD Compliance Officer	
	<input type="checkbox"/> Tax Exempt

Amount Summary	
Maximum Amount	5,000,000.00 USD
Line Item Released Amount	0.00
Category Released Amount	0.00
Open Item Released Amount	56,645.00
Total Released Amount	56,645.00
Remaining Amount	4,943,355.00
Remaining Percent	98.87

Note that the selection in the Contract Type field in PeopleSoft determines the workflow of the Contract.  
**[LIST OF CONTRACT TYPE OPTIONS AND RELATED WORKFLOW TO BE ADDED]**

Below is a comparison of a Contract Detail line between ADPICS and PeopleSoft.

**ACCOUNTING POLICIES & PROCEDURES****FIGURE 3-8. CONTRACT WITHOUT RETENTIONS DETAIL IN ADPICS**

```

PCHL2348 V5.1    CITY AND COUNTY OF SAN FRANCISCO--NFAMIS    05/03/2017
LINK TO:                BLANKET PURCHASE ORDER DETAIL ENTRY    7:43 PM

BPO ID   : BPAT17000012    LINE NO   : 001    LEVEL CONTROL: 2
COMMODITY: 7280-24        GENERAL BUILDING CONTRACTING
PUR U/M  : JB            UNIT COST:

BLOCK FUNCTION:          (SPEC ID TO COPY, ISRT, DLET, DUP)
SPECIFICATION INFO                                BLOCK 001 OF 001
CONTRACT NO. JOC-J32    DPW NO. 185,137    ID NO. JCC16100    <
JOB ORDER CONTRACT NO. J32 GENERAL BUILDING SERVICES    <
.                                                                <
TERM: OCTOBER 19, 2016 THROUGH OCTOBER 18, 2018.    <
NOT-TO-EXCEED AMOUNT: $5,000,000.00    <
.                                                                <
INDIVIDUAL TASK ORDERS WILL BE ASSIGNED ON AN AS-NEEDED BASIS; ALL    <
SERVICES ARE CONSTRUCTION RELATED.    <

```

**FIGURE 3-9. CONTRACT WITHOUT RETENTIONS DETAIL IN PEOPLESOFT**

**Contract Items**

Catalog Search    Item Search    Search for Contract Lines

**Lines**    Personalize | Find | View All | First 1 of 1 Last

Details    Order By Amount    Item Information    Default Schedule    Release Amounts    Release Quantities    Line Groupings    Spend Threshold

Line	Item	Description	Amt Only	Merchandise Amount	Release as Milestone
1		Design & Construction	<input checked="" type="checkbox"/>	1,000,000.00	

View Category Hierarchy    Category Search

**Contract Categories**

**Lines**    Personalize | Find | View All | First 1 of 1 Last

Details    Pricing Options    Release Amounts    Spend Threshold

Line	Category	Description	Status
1			Active

Note that:

- For contracts expecting progressive payments, make sure to check the “Amt Only” box (indicated by the square in the screenshot above)
- “Category” in PeopleSoft (circled in the screenshot above) uses the National Institute of Governmental Purchasing (NIGP) Code and functions like Commodity Codes in ADPICS

### Comparing Purchase Orders in ADPICS & PeopleSoft



Departments can copy purchase orders from contracts in PeopleSoft, which is similar to releasing purchase orders (DPs) from BPOs in ADPICS. The navigation in PeopleSoft is  
*Main Menu>Purchasing>Purchase Orders>Add/Update POs.*

For comparison of the purchase orders in ADPICS and PeopleSoft, see the Figures below. The indexing numbers on the two groups of screenshots below reference each other to the corresponding fields in ADPICS and PeopleSoft.

**FIGURE 3-10. CONTRACT WITHOUT RETENTIONS PURCHASE ORDER IN ADPICS**

```

LINK TO:                                DIRECT PURCHASE ORDER WRITING
PURCHASE ORDER : DPAT17000166          ACTION IND: P    STATUS: PVCH
PURCHASING TYPE: NR                    INTF TYPE : DP    EFF DT: 02/27/2017
DEPARTMENT      : DPWAT                 BUYER       : N/A   CREATE: 02/27/2017
PO AMOUNT       : 32,802.38             MATCH TYPE: AA    UPDATE: 04/11/2017
PO NET AMOU ①   : 32,802.38             CHANGE      : 001   POST  : 02/27/2017
REMAINING AMT  : 1,951.74               CREDIT IND: N    WHSE  :
VENDOR/SUFF ②   : 60572 / 01 RUBECON GENERAL CONTRACTING INC
ADDRESS        : 3450 3RD ST BLDG 1B
CITY           : SAN FRANCISCO          ST: CA ZIP: 94124
P/O TITLE      : 2250R/J32-02/1235 MISSN-MINNA LIGHT *
BPO/SCHED/CALL : BPAT17000012 / BASE / 0001 EXPEDITOR:
DELIVERY DATE  : 01/09/2017             FOB        : DEST  TRACK CODE:
EXPIRE DATE    :                       FREIGHT     : TRACK DATE:
DISCOUNT TERMS : NET                  PURCH AUTHRTY: CONSERV
DIST METHOD     : S (S,M,P)             CONTRACT ID :
SFX INDEX      : SUBOBJ                USERCODE   PROJCT   PRJDTL GRANT GRNTDTI
③ PWA331GGFACP 02704                  CSS006     015040
  
```

```

LINK TO:                                DIRECT PURCHASE ORDER DETAIL ENTRY          9:20 AM
PURCHASE ORDER: DPAT17000166          LINE NO : 001   BPO LINE NO: 001
COMMO ④       : 7280-24              GENERAL BUILDING CONTRACTING
QUANT        : 1.00                 STATE TAX : N    LOCAL TAX :
PURCHASE U/M : JB                   UNIT COST  : 21,925.1900
EST TOTAL COST: 21,925.19
BLOCK FUNCTION: (SPEC ID TO COPY, ISRT, DLET, DUP)
SPECIFICATION INFO                                BLOCK 001 OF 001
JO#: 2250R          DPW#: 185,137          TO#: J32-02      <
PROJ: 1235 MISSION-MINNA LIGHTING          <
-                                           <
PROVIDE STREET LIGHTING AT MISSION AND MINNA STREETS INCLUDING <
FIXTURES, PULL BOXES FITTINGS, ETC.REFER TO FINAL SCOPE OF WORK DATED <
12/15/2016.                                <
-                                           <
TO AMOUNT: $21,925.19          TO DURATION: 28 CALENDAR DAYS <
-                                           <
CM: JASON CHIN, PCS-JOC; PH:(415) 558-4420 <
SPEC ID:
  
```

FIGURE 3-11. CONTRACT WITHOUT RETENTIONS PURCHASE ORDER IN PEOPLESOFT

**Header Details**

\*PO Date: 05/03/2017  
 \*Supplier: RUBECOM001.001  
 \*Supplier ID: 0000026583  
 \*Buyer: ashley.real  
 PO Reference: JOC-002 #115137 GENERAL BLDING

**Supplier Search**  
 Supplier Details  
 RUBECOM GENERAL CONTRACTING INC  
 ashley.real

**Doc Tel Status Valid**  
 Receipt Status: Not Recvd  
 \*Dispatch Method: Print  
 Purchasing Authority: CONSERV  
 CONSTRUCTION SERVICES

**Amount Summary**

Merchandise	1,000,000.00
Freight/Tax/Misc.	0.00
<b>Total Amount</b>	<b>1,000,000.00 USD</b>

**Lines**

Line	Item	Description	PO Qty	Category	Supplier ID	Supplier Name	Price	Merchandise Amount
1		design & construction	1,000 EA	81200			1,000.0000	1,000,000.00

**Distributions for Schedule 1**

Unit: SFGOV  
 PO ID: NEXT  
 Line: 1  
 Schedule: 1

Supplier: RUBECOM001.001  
 Item: design & construction  
 Status: Active

\*Distribute By: Quantity

Schedule Qty: 1,000  
 Merchandise Amount: 1,000,000.00 USD  
 Doc. Base Amount: 1,000,000.00 USD

**Distribution**

Dist	Status	Percent	PO Qty	Merchandise Amount	Currency	*GL Unit	*Account	Fund	Dept	Authority	Agency Use	PC Bus Unit
1	Open	100.0000	1,000	1,000,000.00	USD	SFGOV	527040	10000	103757	10000		SFGOV

### Create PeopleSoft Contract & Purchase Orders for Contracts with Retentions

This section applies to awarded contracts with retentions. The document type for this type of contract in FAMIS was "EN" and the City used EN for the following Chapter 6 contract types:

- As-Needed Construction
- As-Needed Professional Services
- Construction Management/General Contractor ("CMGC")

- Design - Bid - Build
- Design - Build
- Emergency
- Master As-Needed Construction
- Professional Services (Architecture or Engineering)

### Comparing Contracts with Retention in ADPICS & PeopleSoft

Contracts with retentions were directly encumbered in FAMIS as EN, instead of being set up with BPO in ADPICS and then releasing DP for encumbrances. Contracts with retentions need to be set up in PeopleSoft as well. The processing is the same as creating PeopleSoft contracts without retentions as described in the previous section.

To set up retentions in Contracts Module, navigate to *Main Menu>Procurement Contracts>Add/Update Contracts* and select the Payment Term ID that is related to retention. This Payment Term will be carried over to the purchase order when the PO is copied from the contract. With the retention Payment Term ID associated with the PO, the retainage portion will be held for payment. For more details on retention set-up and payment withholding, refer to [Section 4.4.2.1 - | Contract Retention](#).

**FIGURE 3-12. SETTING UP RETENTIONS IN PEOPLESOFT**

The screenshot shows the 'Contract Options' tab in the PeopleSoft Contracts Module. The 'Payment Terms ID' is set to 'M010'. A table of available payment terms is displayed on the right, with 'M010' highlighted in red.

Payment Term ID	Payment Term Description	Payment Term Type
000	5%10N30	Single
070	5%10N30	Single
080	5%20N30	Single
090	5%30N31	Single
100	1%10N30	Single
110	1%20N30	Single
120	1%30N31	Single
130	1.5%10N30	Single
140	1.5%20N30	Single
150	1.5%30N31	Single
160	2%10N30	Single
170	2%20N30	Single
180	2%30N31	Single
190	3%10N30	Single
200	3%20N30	Single
210	3%30N31	Single
220	4%10N30	Single
230	4%20N30	Single
240	4%30N31	Single
250	5%10N30	Single
260	5%20N30	Single
270	5%30N31	Single
280	N365	Single
290	N720	Single
M000	5MPN45	Multiple
M010	R5%1YRN30	Multiple
M020	R5%2YRN30	Multiple
M030	R10%1YRN30	Multiple
M040	R10%2YRN30	Multiple

### Comparing Purchase Orders for Contracts with Retention in FAMIS & PeopleSoft



## ACCOUNTING POLICIES &amp; PROCEDURES

Once the Contract is in “Approved” status, departments can copy Purchase Orders from the contract in PeopleSoft. The navigation is *Main Menu>Purchasing>Purchase Orders>Add/Update POs*.

For comparison of encumbrances (EN) in FAMIS and Purchase Orders in PeopleSoft, see the Figures below. The indexing numbers on the two groups of screenshots below reference each other to the corresponding fields in FAMIS and PeopleSoft.

**FIGURE 3-13. PURCHASE ORDER FOR CONTRACT WITH RETENTION IN FAMIS**

```

DOCUMENT      -- POST PERIOD -- POST DATE ----- POSTED BY
ENPT10000036 01 07 2010 JAN  2010 01/07/2010 URBANO, FERNANDO R

-----
TRANS CODE    : 140    ESTABLISH A NON-ADPICS ENCUMBRANCE
DOCUMENT REF  :
TRANS DESC.   : ARCHITECTURAL & ENGR SVCS FOR PHASE OF CPT544
AMOUNT        ① :      4,983,728.00    DUE DATE      :          SIN
VENDOR NUMBER ② : 79819      01        PB TELAMON
INDEX CODE     ③ : 35CPT5441232      NEW CENTRAL SUB(DD)-PB TELA
SUB-OBJECT    : 02799                OTHER PROFESSIONAL SERVICES
USER CD       :
GRANT / GR DTL :
PROJ / PJDTL  : CPT544 1232          NEW CENTRAL SUB(DD)-PB TELA
START DATE    :                      END DATE      :
  
```

**FIGURE 3-14. PURCHASE ORDER FOR CONTRACT WITH RETENTION IN PEOPLESFT**

PO Date: 05/03/2017 Supplier Search Supplier Details Doc Tel Status Valid

\*Supplier: RUBECON001-001 Supplier Details

\*Supplier ID: 0000026583 RUBECON GENERAL CONTRACTING INC

\*Buyer: ashley.neal ashley.neal

PO Reference: JOC-332 #185137 GENERAL BLDING

Header Details Activity Summary Project Team

PO Details Add Comments

PO Activities Add ShpTo Comments

\*Actions

Receipt Status: Not Recvd

\*Dispatch Method: Print

Purchasing Authority: CONSERV CONSTRUCTION SERVICES

Amount Summary

① Merchandise: 1,000,000.00

Freight/Tax/Misc.: 0.00

Total Amount: 1,000,000.00 USD

Add Items From: Catalog Item Search

Lines

Details Ship To/On Date: Statuses Item Information Attributes BFO Contract Receiving

Line: 1 Item: design & construction PO Qty: 1.0000 EA Category: 81200 Supplier ID: Supplier Name: Price: 1,000,000.000 Merchandise Amount: 1,000,000.00

View Printable Version

View Approvals

Save Notify Refresh

Close Short All Lines

\*Go to: None

Distributions for Schedule 1

Unit: SFGOV Supplier: RUBEGON001-001  
 PO ID: NEXT Item: design & construction  
 Line: 1  
 Schedule: 1 Status: Active

\*Distribute By: Quantity

Schedule Qty: 1.0000  
 Merchandise Amount: 1,000,000.00 USD  
 Doc. Base Amount: 1,000,000.00 USD

SpeedChart: Multi-SpeedCharts

Distribution

Personalize | Find | View All | First | 1 of 1 | Last

Chartfields	Details/Tax	Asset Information	Req Detail	Statuses	Budget Information							
Dist	Status	Percent	PO Qty	Merchandise Amount	Currency	GL Unit	Account	Fund	Dept	Authority	Agency Use	PC Bus Unit
1	Open	100.0000	1.0000	1,000,000.00	USD	SFGOV	527040	10000	103757	10000		SFGOV

OK Cancel Refresh

With EN, the City was unable to identify commodity codes on contracts with retentions. In PeopleSoft, departments are required to input Category (numbered as ④ in the screenshots above), which is the PeopleSoft equivalent of commodity code.

### 3.2.7.2 | RECEIVING & PAYMENT

PeopleSoft runs a five-way match to approve Chapter 6 contract payments: invoice, purchase order, receipt, business tax status, and contract status. Payments with match overrides will be routed the Office of Contract Administration and the Controller's Office for approval. For payments to avoid match overrides, departments must input an appropriate "PO Receipt" in PeopleSoft. Refer to [Section 4.3.3 - | PeopleSoft Voucher Approval Workflow](#) for more details on matching rules and match overrides.

The navigation for creating a receipt is *Main Menu>Purchasing>Receipts>Add/Update Receipts*. Departments select the PO to receive against. As needed, change the Receipt Price to match the value of the service received.

**FIGURE 3-15. RECEIPTS IN PEOPLESOFT**

Suppliers can submit invoices directly in PeopleSoft eSettlement by copying the PO Receipt. For suppliers not submitting invoices in eSettlement, departments can create vouchers by copying the PO Receipt. The navigation is *Main Menu>Accounts Payable>Vouchers>Add/Update>Regular Entry*.

**FIGURE 3-16. COPYING THE PO RECEIPT IN PEOPLESOFT**

Suppliers are required to complete CMD forms online before submitting invoices in eSettlement. Suppliers submitting invoices offline (through mail, e-mail or sub-systems) must submit the completed CMD forms to City departments along with the invoices as usual.

For detailed payment guidelines on retention, escrow, stop notice and CMD requirements, refer to [Section 4.4.2 - | Construction/Contract Payment\\*](#)

### **3.3 | Contracting Rules & Regulations, Admin. Code Chapter 21\***

The Office of Contract Administration (OCA) promulgates rules and regulations pursuant to *Chapter 21* of the San Francisco *Administrative Code*. Each contracting department shall cooperate to the fullest extent with OCA in the acquisition of commodities and services. Refer to the OCA website at <http://sfgov.org/oqa/> for the complete and most updated procurement rules and regulations.

#### **3.3.1 | Scope**

*Chapter 21* governs the acquisition of commodities and services. *Chapter 21* does not apply to contracts for public works or improvements or to contracts for the purchase, sale or lease of any interest in real property. Although *Chapter 21* sets forth detailed procedures for procurement, there are sections in *Chapter 21* that require further guidelines by the Purchaser. This section sets forth the rules and regulations for the following sections in *Chapter 21*:

- 21.03(a): General Authority of the Purchaser of Supplies: Approval of Purchases
- 21.03(e)(3): Dollar Limit for Optional Equipment in Vehicles
- 21.03(e)(5): Definition of Specialized Vehicles
- 21.03(j): Information Technology (IT) Purchases
- 21.05(b): Procurement of Professional Services
- 21.06(c): Other Electronic Transactions
- 21.3(b): Competitive Sealed Bidding: Bid Opening
- 21.3(d): Correction, Withdrawal, or Rejection of Bids: Cancellation of Awards
- 21.3(g): Additional Purchases
- 21.3(i): Bid Protests
- 21.5(a): Other Purchases: Commodities and Services Less Than \$50,000
- 21.5(b): Sole Source
- 21.5(c): Perishable Foods

- 21.5(d): Proprietary Articles
- 21.5(e): Pilot Project
- 21.6: Multiple Low Offers

### 3.3.2 | Definitions

Definitions set forth in *Chapter 21, Section 21.02 Acquisition of Commodities and Services*, are incorporated as follows:

- **Bid** shall mean a bid, quotation, or other offer, other than a Proposal, from a person or entity to sell a commodity or service to the City at a specified price
- **Bidder** shall mean any person or entity which submits a bid
- **City** shall mean the City & County of San Francisco
- **COIT** shall mean the Committee on Information Technology of the City & County of San Francisco
- **Commodity** shall mean products, including materials, equipment and supplies, purchased by the City. “Commodity” shall specifically exclude legal and litigation related contracts or contracts entered into pursuant to settlement of legal proceedings, and employee benefits, including, without limitation, health plans, retirement or deferred compensation benefits, insurance and flexible accounts, provided by or through the City's Human Resources Department or the Retirement Board
- **Technology Marketplace** shall mean the City-wide, multiple award term contract for the procurement of certain Commodities and Services, which is administered by DT for the benefit of City departments, awarded pursuant to the “Request for Proposal for Computer Hardware, Software, Peripherals and Appropriate Network, Consulting, Maintenance, Training and Support Services,” and any successor contracts thereto
- **Contractor** shall mean any corporation, partnership, individual, sole proprietorship, joint venture or other legal entity which enters into a contract to sell commodities or services to the City
- **Contracting Officer** shall mean the City employee who is authorized to execute a contract, which may be either the Department Head or a person designated in writing by the Department Head, board or commission as having the authority to sign contracts for the department. A designation of authority to sign contracts on behalf of a department may specify authority to sign a single contract, specified classes of contracts, or all contracts entered into by a department
- **DT** shall mean the Department of Telecommunications

- **Local Business Enterprise (LBE)** shall mean a business that is certified as an LBE under Section 14B.3. LBEs are either Small-LBEs or Micro-LBEs, and are also either MBEs, WBEs, or OBEs
- **Electronic** shall mean electrical, digital, magnetic, optical, electromagnetic or other similar technology for conveying documents or authorizations, excluding facsimile
- **General Services** shall mean those services that are not Professional Services. Examples of General Services include janitorial, security guard, pest control, parking lot attendants and landscaping services
- **OCA** shall mean Office of Contract Administration
- **Offer** shall mean a Bid or Proposal submitted to the City in response to an Invitation for Bids (IFB) or a Request for Proposals (RFP). “Offer” may include a response to a Request for Qualifications (RFQ) if no further ranking prior to Contractor selection is contemplated by the procurement process
- **Offeror** shall mean a person or entity that submits an Offer to the City to provide commodities or services
- **Professional Services** shall mean those services which require extended analysis, the exercise of discretion and independent judgment in their performance, and/or the application of an advanced, specialized type of knowledge, expertise, or training customarily acquired either by a prolonged course of study or equivalent experience in the field. Examples of professional service providers include licensed professionals such as architects, engineers, and accountants, and non-licensed professionals such as software developers and financial and other consultants
- **Proposal** shall mean a response to an RFP issued by the City for commodities or services, or a response to an RFQ if no further ranking prior to contractor selection is contemplated by the procurement process
- **Proposer** shall mean a person or entity that submits a Proposal in response to an RFP issued by the City
- **Purchase Order** shall mean an authorization document designated as such by the Purchaser for the procurement of commodities or services, whether issued in a paper or electronic format, including blanket purchase orders for purchases involving multiple payments
- **Purchaser** shall mean the Purchaser of Supplies of the City & County of San Francisco, or his or her designee(s)
- **Quotation** shall mean a bid for commodities or services which is acquired without the use of advertising to solicit bids



- **Responsible** shall mean a responsible bidder or supplier is one who: (1) meets the qualifying criteria required for a particular bid, including without limitation the expertise, experience, record of prior timely performance, license, resources, bonding and insurance capability necessary to perform the work under the contract, and (2) at all times deals in good faith with the City & County and shall submit bids, estimates, invoices claims, requests for change orders, requests for contract modifications or requests of any kind on a good faith and honest manner
- **Responsive** shall mean a responsive bidder or supplier is one that complies with the requirements of the subject Advertisement for Bids without condition or qualification
- **Services** shall mean Professional Services and General Services. “Services” shall specifically exclude agreements making a grant of City funds to private entities for the purpose of providing a benefit to the public, which may include incidental purchases of commodities; legal and litigation related services or contracts entered into pursuant to settlement of legal proceedings; and services related to employee benefits, including, without limitation, health plans, retirement or deferred compensation benefits, insurance and flexible accounts, provided by or through the City’s Human Resources Department or the Retirement Board
- **Solicitation** shall mean an IFB, Request for Quotations, RFQ, or RFP issued by the City for the purpose of soliciting bids, quotations, or proposals to perform a City contract

### 3.3.3 | Reg. 21.03(a): General Authority of the Purchaser of Supplies: Approval of Purchases

*Administrative Code*, Section 21.03(a) empowers the Purchaser to delegate signature authority within the Purchasing Division of OCA for contracts as provided in Section 21.03. The delegation levels and limits can be found in Purchasing’s *Procurement Manual*, Section 2.05. Only the Purchaser and the delegated personnel in Purchasing are authorized to purchase the commodities or services required by City departments and offices of the City, except as otherwise stated in the *City Charter* and *Municipal Code* of San Francisco.

In addition to the above, the Purchaser has the authority to delegate signature authority to departments (“Delegated Departmental Purchasing”) up to the dollar amount stated in regulation 21.5(a). (Currently \$10,000 including tax and shipping.) In order to continue to use Delegated Departmental Purchasing authority, the following requirements must be met:

1. Departments must submit a roster of employees in the department who are authorized to purchase goods and services using delegated purchasing authority.
2. The roster must list employee name, Civil Service classification, address and telephone number. OCA may restrict the delegated authority to certain Civil Service classifications as appropriate, upon a review of the information submitted.

3. All designated employees are required to attend a Purchasing training class. The roster must indicate the date training was completed.
4. All employees who exercise delegated Purchasing signature authority must adhere to the *Principles and Standards of Ethical Purchasing Conduct* promulgated by the OCA and must sign a statement attesting thereto.
5. All designated employees shall file *Form 700, Statement of Economic Interests* annually as required by *Article III, Chapter 1, of the San Francisco Campaign and Governmental Conduct Code*.

The following items may not be purchased using delegated Purchasing authority unless specifically exempted and allowed by the Purchaser:

- Unbudgeted equipment
- Commodities and services on Master or Multi-Year contracts
- Commodities and services on City Blanket Purchase Orders (Term Contracts)
- Equipment for lease purchase
- Tropical hardwoods and products
- Video Display Terminals (VDT) and related products
- Computer equipment and supplies
- Telecommunication equipment and wiring
- Cars, trucks, and vehicles

Order splitting and using non-compliant vendors are not allowed under any circumstances. Departments are required to follow and adhere to all other City laws, regulations, rules, ordinances, or any commission requirements of the department. Departments are encouraged to obtain bids when cost savings could be achieved in doing so, and should use “good faith efforts” in using LBEs and apply bid discounts as certified by the Contract Monitoring Division.

Department purchases are generally subject to all the procurement provisions of the *Charter*, *Administrative Code*, and City ordinances. The department use of this authority will be audited annually by the Controller and OCA.

The delegation of purchasing authority may be rescinded at any time if a department does not meet the above requirements or has been found to be in violation of any of the Purchasing procedures or rules and regulations cited above.



Departments have the option to use Delegated Departmental Purchasing authority or may continue to send their requirements to Purchasing.

### **3.3.4 | Reg. 21.03(e)(3): Dollar Limit for Optional Equipment in Vehicles**

If a department requests optional equipment that is not part of the Purchaser's group of options and that would cost \$1,000 and less, it shall be the Purchaser's policy that the department must justify in writing to the Purchaser that the optional equipment is necessary in the course of the regular operation of the vehicle by the officer and/or employee using the vehicle.

If the requested item costs in excess of \$1,000, the department must satisfy the rules set forth in the *Administrative Code, Section 21.03e(3)(A)* or *Section 21.03e(3)(B)* as follows:

- Itemize the equipment in the description of the vehicle itself when the vehicle purchase is reviewed as part of the City's annual budget process, and obtain the Board's approval of the vehicle as equipped; or
- Obtain the approval of the Mayor's Budget Office before submitting a requisition to the Purchaser.

### **3.3.5 | Reg. 21.03(e)(5): Definition of Specialized Vehicles**

Specialized Vehicles are hereby defined as "vehicles other than passenger vehicles as described in *Administrative Code, Section 21.03(e)(1)*." Passenger vehicles, as listed under this code, include passenger cars, passenger vans, sport utility vehicles, cargo vans and pickup trucks up to and including one ton in payload.

### **3.3.6 | Reg. 21.03(j): Information Technology (IT) Purchases**

All contracts for the acquisition of Information Technology (IT) commodities or services shall be made by the Purchaser, under the general direction of the San Francisco Committee on Information Technology (COIT). The Purchasing Policies and Procedures on IT purchases are available on the intranet at <http://intranet/> under OCA then Technology Store. IT Purchasing Policies and Procedures are also available from the Information Technology Procurement Group in OCA at (415) 554-6743.

### **3.3.7 | Reg. 21.05(b): Procurement of Professional Services**

All departments must attach the *P-500* or *P-501 Checklist* to the *Professional Service Contract* (P-500 or P-501) when the contracts are routed to the City Attorney's Office and to OCA. OCA updates the Checklists and the model contracts periodically as new laws or requirements are mandated. Departments

must use the most updated Checklists and model contracts posted on the intranet at <http://intranet/> under Forms.

P-500 and P-501 are downloadable on the City's Intranet Document Center under Office of Contract Administration (OCA) | Model Contracts:

[http://mission.sfgov.org/doccenter/ByDept.aspx?S=0&T=Office%20of%20Contract%20Administration%20\(OCA\)%20|%20Model%20Contracts&K=70132](http://mission.sfgov.org/doccenter/ByDept.aspx?S=0&T=Office%20of%20Contract%20Administration%20(OCA)%20|%20Model%20Contracts&K=70132)

### **3.3.8 | Reg. 21.06(c): Other Electronic Transactions**

The Purchaser supports the use of technology to reduce the cost of procuring commodities and services and to streamline the procurement process.

All departments must obtain Purchasing approval prior to implementing any system that uses technology or electronic methods to procure commodities or services.

The Purchaser may allow appropriate business-to-business systems that meet City-wide information technology standards as promulgated by COIT and DT. All electronic technology systems must also be approved by COIT and DT.

The Purchaser may require independent verification that the applications meet City-wide standards.

The use of electronic methods to procure commodities or services does not excuse the department from meeting *Administrative Code* requirements that would normally be in effect if the procurement were made by traditional methods. The department must continue to adhere to *Administrative Code* requirements with any technology solution or electronic procurement that is implemented, including but not limited to *Chapter 12B* (Nondiscrimination in Contracts), *Chapter 14B* (Local Business Enterprise Utilization), *Chapter 12G* (Prohibition on Use of Public Funds for Political Activity by Recipients of City Contracts, Grants, and Loans), *Chapter 12P* (Minimum Compensation Ordinance (MCO)), *Chapter 12Q* (Health Care Accountability Ordinance (HCAO)), *Chapter 21* (Acquisition of Commodities and Services), and *Chapter 83* (First Source Hiring Program).

### **3.3.9 | Reg. 21.3(b): Competitive Sealed Bidding: Bid Opening**

For commodities and general services in excess of \$50,000, pursuant to *Administrative Code*, Section 21.3(b), the Contracting Officer shall publicly open bids, which were received on or before the submittal deadline, at the time and place designated in the IFB in the presence of all Bidders and interested parties who attend. Additionally, it shall be the Purchaser's regulation that all bids must be dated and time stamped upon receipt. Bids that are received after the submittal deadline shall be marked as "Late" and shall not be opened at the bid opening and shall not be considered for award. The Contracting Officer shall record the following information at the bid opening:

- Date/time of opening
- Bid number (if available)
- Bid title
- Bidder names
- Other bid document requirements as appropriate (i.e. Bid Security, 14A, date and time bid received, etc.)
- Name of employees who opened bids.

### **3.3.10 | Reg. 21.3(d): Correction, Withdrawal, or Rejection of Bids; Cancellation of Awards**

Correction or withdrawal of inadvertently erroneous bids before or after award, or cancellation of awards or contracts based on such bid mistakes, under *Administrative Code*, Section 21.3(d), shall be permitted in accordance with the following regulations:

#### **General**

The Contracting Officer shall maintain complete and sufficient written records of bid corrections, withdrawals, or rejections and cancellations of award to ensure that there is no abuse of the bidding process. All such written records shall be retained in the bid file. The Purchaser may reject any and all bids at any time prior to award.

Every bid subject to award shall be carefully examined to ensure compliance with the written specifications and confirm submission of all required documents. Any bid that materially deviates from the bid document shall be rejected.

#### **Correction of a Bid Before Bid Opening**

The Contracting Officer shall allow any bidder to amend its bid before the submission deadline by submitting an amended bid on or before the bid submission deadline.

#### **Correction to a Bid Before Award**

The Contracting Officer may waive any informality, irregularity, immaterial defect or technicality, in any bid received. A bid variation that has either no effect, or only a trivial effect, on price, quantity, quality or delivery is immaterial. Failure to furnish the requested number of copies of bid, corrections of typographical errors and grammatical mistakes, the omission of or mistakes in unit price extension, transposition errors, and mathematical mistakes are common examples of trivial or immaterial bid

variations. Any bid variation that affects price, quantity, quality or delivery in any manner that is more than trivial, is material and cannot be waived.

#### **Withdrawal of a Bid Before Award**

The City may allow the withdrawal of a bid prior to award upon written request of the bidder. The written request must include the circumstances and the reasons for the request. The City must evaluate the bidder's reasons for withdrawal, the requirements of the bid, and the impact of such withdrawal to the City. Withdrawal of a bid, if properly justified, should not unreasonably be denied.

#### **Correction of a Bid After Contract Award**

The Contracting Officer may allow post award bid correction by a contract modification if correcting the mistake is in the best interests of the City and does not change the essential requirements of the bid specifications, or compromise the integrity of the initial bidding process.

#### **Cancellation of the Award or Contract at the Request of the Bidder Based on Bid Mistakes**

If a contractor requests the cancellation of the contract after award, the contractor must submit a written justification with the reasons and circumstances for cancellation. The City may review the request and make a decision in the best interests of the City.

### **3.3.11 | Reg. 21.3(g): Additional Purchases**

It shall be the Purchaser's regulation for *Administrative Code*, Section 21.3(g) that additional purchases of the same or like commodities or general services provided under the original contract are allowed under the following circumstances:

#### **Same Items**

1. Additional purchases at the award price or a lower price may be added by mutual agreement of the parties.
2. All requests to make additional purchases must be submitted by City departments in writing to Purchasing for approval.
3. All additional purchases shall be memorialized in a written contract modification or a purchase order. The new purchase order must reference a previous competitive bid and cite *Administrative Code*, Section 21.3(g) as the authority.
4. Additional purchases must be made within one year after original award.

#### **New Items (Term Contracts)**

1. Additional items may be added to a term contract by mutual agreement of the parties.

2. Aggregated cost of all items added to the contract during the contract term shall not exceed 20% of the total estimated value (cost) of the original contract or a maximum accumulative dollar amount of \$50,000, whichever is less.
3. All requests to add additional items to the contract must be submitted by City departments in writing to Purchasing. All requests must include complete specifications, estimated quantities for the remainder of the contract period and a price quotation provided by supplier, for each item. Price must be competitive and will be reviewed by Purchasing.
4. All additional items added to the contract shall be approved through issuance of a contract modification.
5. In the event the aggregated cost of the contract increases by more than 20% of the total estimated value of the original contract, or the increase totals more than \$50,000, the excess of these limits shall be bid in accordance with *Standard Purchasing Procedures*. The resulting bid award shall be added to the contract (or separate contracts), through a contract modification and include Contractor's name and information, complete item description (brand name and number, if applicable), and delivery and pricing information.
6. The contract term for the additional items added to the contract after the initial award shall be the remaining term of the existing contract and any extension thereof.

### **3.3.12 | Reg. 21.3(i): Bid Protests**

Bid protests of contracts awarded under Section 21.3 of the *Administrative Code* for purchases of commodities or general services in excess of \$50,000, shall be submitted and responded to in accordance with the following requirements:

#### **General Requirements**

All protests shall be in writing, dated, and state in detail each and every ground asserted for the protest. Each protest must cite the law, rule, local ordinance, procedure or bid provision on which the protest is based. To expedite the handling of protests, the envelope (or facsimile sheet if the invitation for bids allows protest by facsimile) containing the protest shall be marked "PROTEST." Failure to file a protest within three (3) working days shall waive all rights to protest. Protests shall be made to the Contracting Officer. The Contracting Officer shall notify the protester in writing of the decision regarding the protest.

#### **Protest of Bid Requirements**

Protests based on the bid specifications or requirements must be received by the Contracting Officer requesting the bids no less than three (3) working days prior to the deadline for submission of bids. Bidders who fail to protest by the deadline shall waive all rights to protest the bid based on specifications or requirements.

### **Protest of Non-responsive and Non-responsible Bidders**

If the Contracting Officer determines that the apparent lowest bidder is either non-responsive or non-responsible, the Contracting Officer shall reject the bid. The Contracting Officer shall notify the bidder in writing that the bid has been rejected, and state the basis for the rejection. The bidder may protest the Contracting Officer's decision. The protest must be in writing and received by the Contracting Officer within three (3) working days of the issuance of the *Notice of Non-responsiveness and/or Non-responsibility*. If a bid and a subsequent protest are rejected for non-responsibility, the Contracting Officer must inform the bidder that it shall have an opportunity for a hearing on the issue of non-responsibility if requested. There is no appeal on the denial of a protest based on a non-responsive bid.

### **Protest of Award**

A bidder may protest the Contracting Officer's award of a contract to an apparent lowest responsive and responsible bidder. The protest must be in writing and received by the Contracting Officer within three (3) working days of issuance of a notice of intent to award the contract. The Contracting Officer will review the protest and respond in a timely manner.

### **3.3.13 | Reg. 21.5(a): Other Purchases: Commodities & Services Less Than \$50,000**

In reference to *Administrative Code*, Section 21.5(a), the following are regulations for the acquisition of commodities, general services and professional services where the total amount of the transaction is less than \$50,000.

Department heads and their designees who have complied with *Regulation 21.03(a)* and have been delegated by the Purchaser may purchase commodities and general services up to \$10,000 (including tax and shipping).

#### **Commodities**

**\$0 - \$10,000 – no bidding is required. However, departments are encouraged to solicit written bids or written price quotations especially from LBEs and select the lowest responsive and responsible bidder**

For procurement of commodities over \$10,000, departments must submit a requisition to OCA. Purchasing approval is required to authorize purchases; and transactions for these amounts are covered by regulations delegating signature authority to Purchasing staff.

## ACCOUNTING POLICIES & PROCEDURES

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Formal competitive bidding is required for any amount over \$50,000, unless otherwise exempted under *Chapter 21*.

### General Services

General services are those services that are not professional services. Examples of general services per *Administrative Code*, Section 21.02(k) include: janitorial, security guard, pest control, parking lot attendants and landscaping services.

**\$0 - \$10,000 – no bidding is required. However, departments are encouraged to solicit written bids or written price quotations especially from LBEs and select the lowest responsive and responsible bidder**

**Over \$10,000 but less than \$600,000 – Purchasing conducts informal bidding in accordance with Purchasing and Contract Monitoring Division requirements**

**\$600,000 or more – Purchasing conducts formal bidding in accordance with Purchasing and Contract Monitoring Division requirements**

### Professional Services

Professional services are those services which require extended analysis, the exercise of discretion and independent judgment in their performance, and/or the application of an advanced, specialized type of knowledge, expertise, or training customarily acquired either by a prolonged course of study or equivalent experience in the field. Examples of professional service providers per *Administrative Code*, Section 21.02(n) include architects, engineers, software developers, attorneys, consultants, physicians and dentists.

**\$0 - \$10,000 – no solicitation is required. However, departments are encouraged to solicit written bids or written price quotations especially from LBEs and select the lowest responsive and responsible bidder**

**Over \$10,000 but less than \$110,000 – informal solicitation is required. Departments are to follow the informal bidding rules established by the Contract Monitoring Division under Section IV.D of its rules and regulations**

**\$110,000 or more – a formal solicitation is required. Departments are to follow the formal bidding rules established by the Contract Monitoring Division as set forth in the definition of “Good Faith Efforts” of a contract awarding authority (see *Administrative Code Chapter 14B.7* and [\*Chapter 14B – Rules & Regulations\*](#))**

### **3.3.14 | Reg. 21.5(b): Sole Source**

*Administrative Code*, Section 21.5(b) provides that commodities or services available only from a sole source shall be procured in accordance with the Purchaser's regulations. It shall be the Purchaser's regulations that if a department needs a commodity or service that is unique and known to be provided by only one vendor/contractor, then only one price quotation is solicited from the single vendor/contractor. The requesting department must submit documentation to Purchasing justifying the transaction as a sole source with a OCA Waiver Request (See [Section below 3.3.19](#)). From time to time, Purchasing may conduct a formal bid to determine the continuing validity of the sole source determination.

### **3.3.15 | Reg. 21.5(c): Perishable Foods**

*Administrative Code*, Section 21.5(c) provides that perishable foods shall be procured in accordance with the Purchaser's regulations. It shall be the Purchaser's regulations that when purchasing perishable foods, the Contracting Officer shall attempt to comply with competitive bidding requirements of this Chapter. However, when the situation arises where it is impossible or highly impractical to obtain competitive pricing because of the nature of perishable foods (i.e., freshness and spoilage of perishable items) the Purchaser may procure the items in the most expeditious manner. The Purchaser shall require the requesting department to provide a written justification of the perishable nature of the items and why competitive bidding should be waived. A copy of the justification shall be kept on file with the transaction.

### **3.3.16 | Reg. 21.5(d): Proprietary Articles**

*Administrative Code*, Section 21.5(d) provides that proprietary articles shall be procured in accordance with the Purchaser's regulations. It shall be the Purchaser's regulations that purchasing uses the terms "proprietary" and "no substitute" to mean purchases that are made where no alternate brand or model will be considered or accepted. The item must be the one described in the current Proprietary List. Although an item may be considered proprietary, it may still be subject to competitive bidding if there is more than one source of supply for that item. If the item is put out to bid, alternate brands and models need not be considered. Purchasing periodically accepts bids for alternate brands to monitor the appropriateness of continuing to consider certain purchases proprietary.

All proprietary purchases must be justified with documentation from the requesting department and must be approved by the Purchaser within his/her approval limits. The documentation must clearly state why only one make or model will meet the department's needs.

Below is a list of approved proprietary purchases and their corresponding descriptions. Purchasing may revise the list from time to time as situation changes.



**TABLE 3-7. PROPRIETARY LIST 7-03**

<b>PROPRIETARY (PROP) #</b>	<b>DESCRIPTIONS</b>
1	Charts, globes and maps
2	Books, magazines, pamphlets and periodicals
3	Specialized equipment, materials and supplies for instructional purposes. Specialized educational tests and testing services
4	Fine arts; music; plays; works of art; films; audio and video cassettes; etc.
5	Medicines and drugs
6	Medical, surgical and dental equipment; instruments; prosthetic devices, special supplies
10	Animals
12	Repairs for equipment including service and parts when repairs must be done by the manufacturer, the installer of equipment or system, or when repairs by others would void the warranty.

**3.3.17 | Reg. 21.5(e): Pilot Project**

*Administrative Code*, Section 21.5(d) provides that contracts involving a pilot project with a term not to exceed two (2) years shall be procured in accordance with the Purchaser's regulations.

Some business problems offer unique challenges where the use of competitive bidding requirements of this *Chapter* may not be appropriate. Therefore, a different procurement method is allowed for a pilot project. It shall be the Purchaser's regulations that when procurement is done through a pilot project, either the Purchaser may initiate or a department may initiate by making a request to the Purchaser specifying the problem to be solved and the reason why traditional bidding method is not being used. The request must also specify how competition, fairness, and compliance with other OCA requirements for bidding will be achieved. Purchaser will evaluate the request and shall either approve or deny the request. At the end of the pilot term, within 90 days, the requesting department must submit a report stating the results of the project with recommendations for future procurement. If the pilot includes the creation of any work that may be copyrighted or patented, the Purchaser, in cooperation with the requesting department, shall determine if it is advantageous to obtain the rights of ownership or rights to

use the work. Any further procurement beyond the pilot project phase shall be subject to all applicable competitive procurement requirements.

### **3.3.18 | Reg. 21.6: Multiple Low Offers**

Pursuant to *Administrative Code*, Section 21.6, if two (2) or more bids received are for the same amount or unit price and such bids are the lowest bids from responsive and responsible bidders, then the Contracting Officer may award a contract to either of the lowest responsive and responsible bidders.

It shall be the Purchaser's regulations that to resolve tie bids, the following criteria shall be applied in sequence until a tie bid is resolved:

1. If there is any doubt as to quality, performance or functionality, a specified item receives consideration over an alternative.
2. A San Francisco bidder receives consideration over an out-of-town bidder.
3. Delivery time – Any significant difference, e.g., three (3) days vs. three (3) weeks.
4. Tie bid items should be aggregated with the items that are being awarded to one of the bidders. For example, if a bidder is low on several items and is in a tie on one item, do not award the tied item to another vendor if the result will add an additional vendor to the contract.
5. A California bidder receives consideration over an out-of-state bidder.
6. The Contracting Officer and the user department may divide the award subject to the mutual agreement of the tied bidders.
7. As a final resort, the Contracting Officer may roll a die. The tied bidders must be notified and invited to attend the tiebreaker event. The highest rolled number will indicate the successful bidder. A second representative of the awarding department must be present to witness the event. Adequate documentation of the award must be maintained in the file.

### **3.3.19 | Requests to Waive Competitive Solicitation Requirements**

Beginning April 1, 2019, the Office of Contract Administration (OCA) requires *Request to Waive Competitive Solicitation Requirements* to be submitted through the ServiceNow portal. To submit a new request:

1. Go to DT's ServiceNow at <http://ccsfdt.service-now.com>
2. Sign in with your CCSF Active Directory (email) credentials
3. On the top left corner, filter for "OCA Waiver"

4. Select "Create New"
5. Once a record has been open, select the basis of your request, answer all questions and upload all required documents, including quotes or other documents related to the total amount requested.

### Department Head / Department Delegate Approver

Only the Department Head can determine department delegates with signatory authority for the purpose of submitting a request in the Portal. If someone other than the Department Head is listed as the approver, please ensure OCA has a memo on file with the names of the individuals so delegated and/or attach a copy of such memo with your request.

### Modifying Existing Requests

To modify an existing request, select the appropriate request type in the drop-down menu field as shown in below.

- **New:** new request
- **Modification – Digital:** modifications to a request previously approved in ServiceNow
- **Modification – Non-Digital:** modifications to a request previously approved outside of ServiceNow

FIGURE 3-17. SERVICENOW REQUEST TYPE SELECTION

\* Is this a new request or a modification of a previously approved request?

-- None --
-- None --
New
Modification - Digital
Modification - Non Digital

### Request Reasons

The *Request to Waive Competitive Solicitation Requirements* request form identifies multiple acceptable justifications for sole source contracting. Department's justification for making a waiver request should fall within these parameters. If not, additional space has been provided for departments to submit other justification. Each request reason will require additional support detail questions and/or support documentation. All questions for each reason are mandatory and must be answered in order for the request to be processed.

### **3.3.20 | Office of Contract Administration - Resources**

The following are resources related to OCA, including issued memorandums and reports:

#### **Memorandums issued by OCA**

- [Website](#)
- [Main Document Center](#)
- [Direct Document Center under OCA | Memorandum & Communications](#)

#### **Checklists / Templates / Technology Marketplace**

- [Website](#)

#### **Reports & Analytics**

- [Website](#)
- [Main Document Center](#)
- [Direct Document Center under OCA | Reports](#)

## **3.4 | Becoming a City Supplier\***

This section provides the Controller's Office Supplier Management Team (SMT)<sup>1</sup> general guidelines to businesses on how to become a City supplier<sup>2</sup>. This section also serves as a guide for City Departments on the procedures and information required to set up suppliers in the City Supplier Profile.

In addition to setting up City suppliers that do business with the City, the Supplier Management Team is responsible for setting up other types of suppliers in the City Supplier Profile upon request from the OCA Purchasers and City Departments. These other types have been created for bid purposes and to receive payments, refunds, and reimbursements. The following Table lists the different types of suppliers being maintained in the City Supplier Profile.

---

<sup>1</sup> Formerly known as the Vendor File Support Unit

<sup>2</sup> Formerly known as vendors

## ACCOUNTING POLICIES &amp; PROCEDURES

TABLE 3-8. SUPPLIER TYPES IN THE CITY SUPPLIER PROFILE

SUPPLIER TYPE & BRIEF DESCRIPTION	REQUIRED PROCESS TO SET UP A NEW SUPPLIER	INITIATOR
<b>Bidder:</b> Entities who wish to do business with the City must first register in PeopleSoft as a Bidder. Bidders may bid on the City's sourcing events. City Bids are posted on the Web in the Bids and Contracts database at <a href="http://mission.sfgov.org/OCABidPublication/">http://mission.sfgov.org/OCABidPublication/</a> .	The IRS form W-9 - "Request for Taxpayer Number Identification and Verification"  Online Supplier Registration Portal	Business or SMT
<b>Supplier:</b> Entities who wish to be awarded contracts and/or receive payments from the City must become a Supplier. There are different types of suppliers: Approved Supplier, Unapproved Supplier and Payment Supplier.	The IRS form W-9 - "Request for Taxpayer Number Identification and Verification"  Online Supplier Registration Portal	Business or SMT
<b>Approved Supplier:</b> Full compliance suppliers that fulfill their business tax requirements and Contract Monitoring Division (CMD) compliance. Exceptions on CMD compliance are given to suppliers who receive payments less than \$5,000 in any given fiscal year.	The IRS form W-9 - "Request for Taxpayer Number Identification and Verification"  Online Supplier Registration Portal  Business Tax Registration  Chapter 12B and 14B Compliance Verification	Business or SMT
<b>Unapproved Supplier:</b> Unapproved suppliers are sub-contractors who are not direct payees of CCSF and who are paid by/through the 'prime' contractor, which is the supplier with the contractual relationship with the City	The IRS form W-9 - "Request for Taxpayer Number Identification and Verification"  Online Supplier Registration Portal	Business or SMT
<b>Payment Supplier:</b> Suppliers that are not required to be CMD compliant or pay business tax, but can receive certain payments. Examples of such payments include CCSF programs payments (e.g., SF Solar Energy, SF Water Toilet Rebate Program,	The payment only supplier request includes the payment reason  The IRS form W-9	City Department

SUPPLIER TYPE & BRIEF DESCRIPTION	REQUIRED PROCESS TO SET UP A NEW SUPPLIER	INITIATOR
Flood Rain, JobNow Program, etc.). These programs are administered by City departments such as DSS, PUC, Mayor's Office, and the Office of Small Business.		
<b>Property Tax Interest Refunds Suppliers</b> are property owners who are owed \$600 or more in property tax interest refunds	Report of Property Tax Owner Name and information  IRS form W-9	Office of the Treasurer & Tax Collector/Controller Cash Disbursement Unit
<b>Revolving Fund Account Suppliers</b> are accounts owned by the City Department to pay for minor, non-recurring goods and services that are needed immediately	Revolving funds must have the department setup as a supplier, with payment mode of ACH.	Controller's Cash Disbursement Unit

The City will use Oracle's PeopleSoft Supplier Relationship Management (SRM) solution, an integrated suite of procurement applications, to engage these bidders and suppliers and streamline processes.

PeopleSoft differentiates between bidder and supplier entities<sup>1</sup>. In PeopleSoft, an entity registered as a **bidder** can participate in Strategic Sourcing events, but cannot be awarded a contract or receive payment. A bidder must be converted to a **supplier** and approved before the City can conduct business with the entity. Once the bidder is converted to a supplier, the supplier data will populate records in the following SRM applications:

- eProcurement
- eSettlement
- eSupplier Connection
- Payables

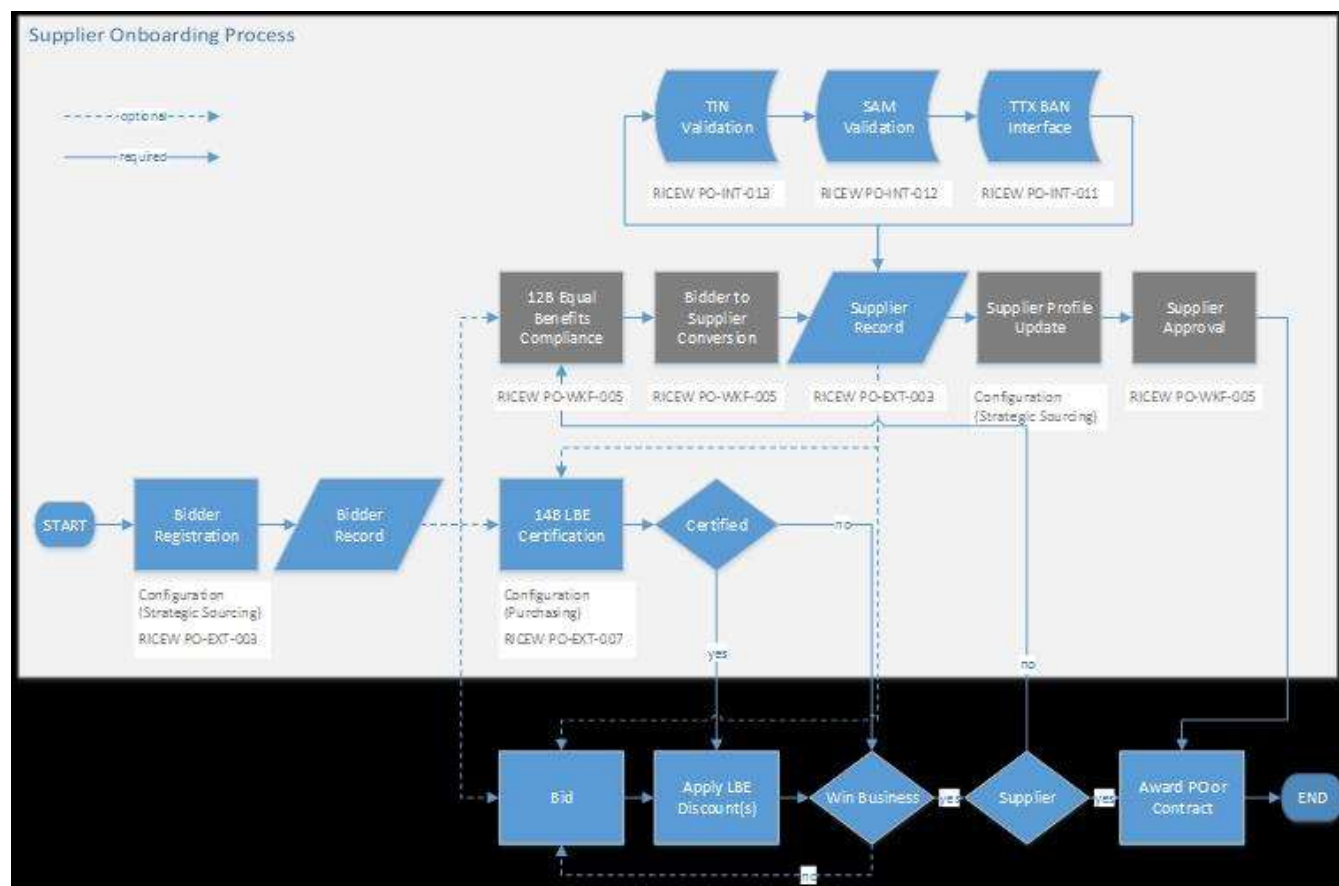
<sup>1</sup> Formerly known as vendors

- Purchasing
- Strategic Sourcing
- Supplier Contract Management

The City has several supplier compliance requirements that are enforced and monitored by the Contract Monitoring Division (CMD). The City's *Administrative Code 12B, Equal Benefits and Nondiscrimination in Contracts*, applies to the majority of suppliers. Although this compliance requirement is only applicable for a supplier, a bidder may initiate the 12B compliance process to reduce post-award processing times. Once CMD determines that a bidder is compliant with 12B, they will update the bidder profile. The entity must provide additional required information before the Controller's Office approves the supplier. This approach enables entities to engage in bidding opportunities and begin the supplier compliance process, but prevents the entity from becoming an approved supplier until the compliance requirements have been met.

The following Figure shows how PeopleSoft supports the supplier approval and 12B compliance process.

**FIGURE 3-18. SUPPLIER ONBOARDING PROCESS USING PEOPLESOFT (TO BE UPDATED)**



### 3.4.1 | Roles and Responsibilities

#### 3.4.1.1 | BIDDERS / SUPPLIERS

Businesses should refer to the City & County of San Francisco Office of Contract Administration website (<http://sfgov.org/oca/vendor-information>) for information on how to become eligible to do business with the City. Businesses that wish to do business with the City to provide goods and services are responsible for completing various required and supplemental online and paper-based forms, if the requirements for submitting the forms apply.

#### Self-Registration

PeopleSoft functionality allows businesses to self-register as a bidder through the online registration portal. When self-registering as a bidder, businesses are responsible for completing the following:



- Logging into the registration portal and providing business information such as Company Name, DUNS (if applicable), Tax Identification Number, Business Structure, etc.
- Uploading a copy of their IRS Form W-9 ([Figure 3-20](#))

Once bidder registration is complete, the business will need to provide additional information to be converted into a Supplier. Although bidders may view and bid on sourcing events, they cannot be paid or awarded contracts. To be marked and approved for conversion to a Supplier, the business will also need to complete the following:

- Online Business Registration Process
  - CCSF Supplier – Business Registration (Electronic submission to Office of the Treasurer & Tax Collector at <https://newbusiness.sfgov.org/vendor/>)
- Chapter 12B and 14B compliance verification ([Figure 3-21](#))
- Provide payment information, including ACH Banking information (if applicable)

Screenshots of the bidder registration process are shown below:

**FIGURE 3-19. BIDDER REGISTRATION PROCESS SCREENSHOTS**

The screenshot displays the 'Welcome - Step 1 of 6' screen of the bidder registration process. At the top, a horizontal navigation bar contains six steps: 'Welcome' (active, highlighted with an orange icon), 'Identifying Information', 'Addresses', 'Contacts', 'Categorization', and 'Submit'. Below this bar, on the right, are three buttons: 'Exit', 'Previous' (disabled), and 'Next' (disabled). The main content area begins with the heading 'Welcome - Step 1 of 6'. Below this, a paragraph states: 'Welcome to the City's bidder registration process. This registration will quickly allow you to get a username and password to view as well as respond to business opportunities issued by the City.' This is followed by a sub-header 'Prior to starting the registration, please have the following information available:' and a bulleted list: '• Tax Identification Number (TIN). Companies should provide their Federal Employee Identification Number (FEIN). Individuals may supply their Social Security Number (SSN).', and '• Business structure / type (e.g. corporation, sole proprietorship)'. Another paragraph instructs: 'To complete the registration, please fill in the information for each step of the registration process. Use navigation buttons "Next" or "Previous" to navigate between steps or "Save for Later" to resume registration later.' Below this is a section titled 'Select an activity below:' with a help icon. It contains a radio button for 'Start a new registration form' (which is selected) and a radio button for 'Continue from where you left'. Under 'Start a new registration form', there are two questions: 'What type of entity do you represent?' with radio buttons for 'Business' (selected) and 'Individual'; and 'What type of bidding activities you are interested in?' with radio buttons for 'Buying goods/Services' (selected), 'Selling goods/Services', and 'Both'. At the bottom right of the form area are three buttons: 'Exit', 'Previous' (disabled), and 'Next' (disabled).

Welcome - Step 1 of 6

Welcome to the City's bidder registration process. This registration will quickly allow you to get a username and password to view as well as respond to business opportunities issued by the City.

Prior to starting the registration, please have the following information available:

- Tax Identification Number (TIN). Companies should provide their Federal Employee Identification Number (FEIN). Individuals may supply their Social Security Number (SSN).
- Business structure / type (e.g. corporation, sole proprietorship).

To complete the registration, please fill in the information for each step of the registration process. Use navigation buttons "Next" or "Previous" to navigate between steps or "Save for Later" to resume registration later.

Select an activity below:

☒ Start a new registration form

What type of entity do you represent?

☒ Business  
☐ Individual

What type of bidding activities you are interested in?

☒ Buying goods/Services  
☐ Selling goods/Services  
☐ Both

☐ Continue from where you left

\* Required field

## ACCOUNTING POLICIES &amp; PROCEDURES

Welcome	<b>Identifying Information</b>	Addresses	Contacts	Categorization	Submit
---------	--------------------------------	-----------	----------	----------------	--------

Exit Save for Later | ◀ Previous Next ▶

### Identifying Information - Step 2 of 6

**Unique ID & Company Profile** ?

DUNS Number (No Edit)

\* Tax Identification Number

\* Entity Name

http://URL  [Open URL](#)

☐ Joint Ventures

**Profile Questions** ?

Would you like to be included on the City's emergency supplier list?

What is the business structure for the company that you are registering?

Please attach your completed and signed IRS W-9 form. For foreign vendors, please attach your completed and signed IRS W-8 form. [View/Modify Attachment \(1\)](#)

Is any owner, partner, contractor, employee or employee family member a current City employee (including Commissioners, Board Members)?

Does your company possess a current Business Registration Certificate?

**Additional Reporting Elements** ?

HUBZone Program	<input type="text" value="If applicable, select one"/>	Please check all that apply: <input type="checkbox"/> Emerging Small Business <input type="checkbox"/> Women-Owned Business <input type="checkbox"/> Veteran <input type="checkbox"/> Disabled
Size of Small Business	<input type="text" value="If applicable, select one"/>	
Veteran-Owned Small Business	<input type="text" value="If applicable, select one"/>	
Sm Disadvantaged Business Prog	<input type="text" value="If applicable, select one"/>	
Other Preference Programs	<input type="text" value="If applicable, select one"/>	

**Comments** ?

Exit Save for Later | ◀ Previous Next ▶

Progress bar: Welcome, Identifying Information, **Addresses**, Contacts, Categorization, Submit

Buttons: Exit, Save for Later, Previous, Next

**Addresses - Step 3 of 6**

**Primary Address** ?

\* Country: USA United States

Address 1: 1155 Market St

Address 2:

Address 3:

City: San Francisco

County: Postal: 94103

State: CA

Email ID: corey.fake@sfgov.org

**Other Addresses** ?

Check boxes below to indicate addresses that are different from your Primary Address above:

- ☐ Invoice Address  
Address from which you send invoice

Buttons: Exit, Save for Later, Previous, Next

Progress bar: Welcome, Identifying Information, **Addresses**, **Contacts**, Categorization, Submit

**Contacts - Step 4 of 6**

**Company Contacts** ?

You have not added any contact information to your application. Click "Add Contact"

Add Contact

\* Required field

**Add Contacts**

**Contact Information** ?

\* First Name: June ☒ Primary Contact

\* Last Name: Bug

Title: CEO

\* Email ID: corey.fake@sfgov.org

\* Telephone: 415.333.3933 Ext:

Fax Number:

Contact Type: General

**User Profile Information** ?

\* Requested User ID: jbug

Description:

Language Code: English

Time Zone:

Currency Code: US Dollar

OK Cancel

## ACCOUNTING POLICIES & PROCEDURES

Welcome

Identifying Information

Addresses

**Contacts**

Categorization

Submit

Exit

Save for Later

Previous

Next

### Contacts - Step 4 of 6

#### Company Contacts

Primary	Name	Phone	Designate Address
<input checked="" type="radio"/>	June Bug	415.333.3333	Primary Address

Add Contact

Exit

Save for Later

Previous

Next

\* Required field

Welcome

Identifying Information

Addresses

Contacts

**Categorization**

Submit

Exit

Save for Later

Previous

Next

### Categorization - Step 5 of 6

Select to add or de-select to remove categories applicable to your business

Select All Un Select All

#### Self-categorization Tree

- Sourcing - Sourcing Categories
- Sell Categories
  - ☒ ARTND - Art and Historical Items

#### My Categories

Category	Description
ARTND	Art and Historical Items

Exit

Save for Later

Previous

Next

**Submit - Step 6 of 6**

Click the "Review" button to review the registration information.

Click the "Submit" button to submit your registration after reviewing and accepting following Terms of Agreement.

Email communication regarding this registration will be sent to:

**Terms and Conditions** (?)

Make sure you read terms of agreement fully before submitting your registration.

☒ Click to accept the Terms of Agreement below.

[Terms of Agreement](#)

The business will be notified if the online self-registration process is not completed correctly. The business must resolve the issue and resubmit the information in a timely manner to the Supplier Management Team to complete processing. A Supplier ID will be generated once a bidder is successfully converted into a supplier.

Refer to the City & County of San Francisco Office of Contract Administration website for further information on how suppliers become eligible to do business with the City and the supplier forms: <http://sfgov.org/oca/qualify-do-business>.

### **Business Registration**

Business registration is required for all entities that conduct business in San Francisco and determines the business's tax responsibilities. In some cases, businesses may not be required to register; all businesses are advised to refer to information at <https://sftreasurer.org/business/register-business> in order to:

- Determine if the business needs to register in San Francisco
- Register the business and / or link an existing business account to a supplier ID number
- Declare that the business does not need to register as a business in San Francisco

### **Supplemental Forms**

Certain businesses may also require supplemental forms to be provided during the registration process. These may include:

- Minimum Compensation Ordinance (MCO) Declaration ([Figure 3-22](#))
- Health Care Accountability Ordinance (HCAO) Declaration ([Figure 3-23](#))
- Insurance Requirements (Insurance information can be maintained by external and internal users on the Supplier Compliance Summary page in the insurance section of People Soft) ([Figure 3-24](#))
- Payment (Labor and Material) Bond ([Figure 3-25](#))
- Performance Bond ([Figure 3-26](#))
- Local Business Enterprise (LBE) Program Application (submitted to CMD) ([Figure 3-27](#))

The Figures on the following pages are samples of these required and supplemental forms.



FIGURE 3-20. IRS FORM W-9

**Form W-9**  
(Rev. October 2018)  
Department of the Treasury  
Internal Revenue Service

**Request for Taxpayer Identification Number and Certification**

► Go to [www.irs.gov/FormW9](http://www.irs.gov/FormW9) for instructions and the latest information.

Give Form to the requester. Do not send to the IRS.

1 Name (as shown on your income tax return). Name is required on this line; do not leave this line blank.

2 Business name/disregarded entity name, if different from above

3 Check appropriate box for federal tax classification of the person whose name is entered on line 1. Check only **one** of the following seven boxes.

☐ Individual/sole proprietor or single-member LLC

☐ C Corporation

☐ S Corporation

☐ Partnership

☐ Trust/estate

☐ Limited liability company. Enter the tax classification (C=C corporation, S=S corporation, P=Partnership) ►

**Note:** Check the appropriate box in the line above for the tax classification of the single-member owner. Do not check LLC if the LLC is classified as a single-member LLC that is disregarded from the owner unless the owner of the LLC is another LLC that is **not** disregarded from the owner for U.S. federal tax purposes. Otherwise, a single-member LLC that is disregarded from the owner should check the appropriate box for the tax classification of its owner.

☐ Other (see instructions) ►

4 Exemptions (codes apply only to certain entities, not individuals; see instructions on page 3):

Exempt payee code (if any) \_\_\_\_\_

Exemption from FATCA reporting code (if any) \_\_\_\_\_

(Applies to accounts maintained outside the U.S.)

5 Address (number, street, and apt. or suite no.) See instructions.

6 City, state, and ZIP code

7 List account number(s) here (optional)

Requester's name and address (optional)

**Part I Taxpayer Identification Number (TIN)**

Enter your TIN in the appropriate box. The TIN provided must match the name given on line 1 to avoid backup withholding. For individuals, this is generally your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the instructions for Part I, later. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN*, later.

**Note:** If the account is in more than one name, see the instructions for line 1. Also see *What Name and Number To Give the Requester* for guidelines on whose number to enter.

**Social security number**

\_\_\_\_ - \_\_\_\_ - \_\_\_\_

**or**

**Employer identification number**

\_\_\_\_ - \_\_\_\_

**Part II Certification**

Under penalties of perjury, I certify that:

1. The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me); and

2. I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding; and

3. I am a U.S. citizen or other U.S. person (defined below); and

4. The FATCA code(s) entered on this form (if any) indicating that I am exempt from FATCA reporting is correct.

**Certification instructions.** You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the certification, but you must provide your correct TIN. See the instructions for Part II, later.

**Sign Here**

Signature of U.S. person ► \_\_\_\_\_

Date ► \_\_\_\_\_

**General Instructions**

Section references are to the Internal Revenue Code unless otherwise noted.

**Future developments.** For the latest information about developments related to Form W-9 and its instructions, such as legislation enacted after they were published, go to [www.irs.gov/FormW9](http://www.irs.gov/FormW9).

**Purpose of Form**

An individual or entity (Form W-9 requester) who is required to file an information return with the IRS must obtain your correct taxpayer identification number (TIN) which may be your social security number (SSN), individual taxpayer identification number (ITIN), adoption taxpayer identification number (ATIN), or employer identification number (EIN), to report on an information return the amount paid to you, or other amount reportable on an information return. Examples of information returns include, but are not limited to, the following:

- Form 1099-INT (interest earned or paid)
- Form 1099-DIV (dividends, including those from stocks or mutual funds)
- Form 1099-MISC (various types of income, prizes, awards, or gross proceeds)
- Form 1099-B (stock or mutual fund sales and certain other transactions by brokers)
- Form 1099-S (proceeds from real estate transactions)
- Form 1099-K (merchant card and third party network transactions)
- Form 1098 (home mortgage interest), 1098-E (student loan interest), 1098-T (tuition)
- Form 1099-C (canceled debt)
- Form 1099-A (acquisition or abandonment of secured property)

Use Form W-9 only if you are a U.S. person (including a resident alien), to provide your correct TIN.

If you do not return Form W-9 to the requester with a TIN, you might be subject to backup withholding. See What is backup withholding, later.

Cat. No. 10231X

Form **W-9** (Rev. 10-2018)



FIGURE 3-21. 12B COMPLIANCE APPLICATION PAGE (TO BE UPDATED)

12B COMPLIANCE SEARCH		12B APPLICATION	
Applicant Type	Bidder or Supplier	Application Number	AUTOPOPULATE
Applicant ID	AUTOPOPULATE		
Applicant Name	AUTOPOPULATE		

**S.F. ADMINISTRATIVE CODE CHAPTERS 12B & 12C: NONDISCRIMINATION IN CONTRACTS AND BENEFITS**

The Equal Benefits Ordinance prohibits the City and County of San Francisco from contracting with vendors that discriminate in the provision of benefits between employees with domestic partners and employees with spouses, and between the domestic partners and spouses of such employees.

- Domestic Partners are same-sex and opposite-sex couples registered with any state or local government agency authorized to perform such registrations.
- Domestic partnerships and marriages may only be verified to the same extent and in the same manner. For example, waiting periods to qualify for benefits must be the same for domestic partners and spouses. Domestic partner registry certificates must be recognized as fully equivalent to marriage certificates.

DRAFT

**FIGURE 3-22. MCO DECLARATION**

CITY AND COUNTY OF SAN FRANCISCO

GENERAL SERVICES AGENCY  
**OFFICE OF LABOR STANDARDS ENFORCEMENT**  
PATRICK MULLIGAN, DIRECTOR



### Minimum Compensation Ordinance (MCO) Declaration

**What the Ordinance does.** The Minimum Compensation Ordinance (MCO) became effective October 8, 2000, and was later amended by the Board of Supervisors, with an effective date for the amendments of October 14, 2007. The MCO requires City contractors and subcontractors to pay Covered Employees a minimum hourly wage and to provide 12 compensated and 10 uncompensated days off per year. The minimum wage rate may change from year to year and Contractor is obligated to keep informed of the then-current requirements.

The MCO applies only if you have at least \$25,000 in cumulative annual business with a City department or departments and have more than 5 employees, including employees of any parent, subsidiaries and subcontractors.

The City may require contractors to submit reports on the number of employees affected by the MCO.

**Effect on City contracting.** For contracts and amendments signed on or after October 8, 2000 the MCO will have the following effect:

- In each contract, the contractor will agree to abide by the MCO and to provide its employees the minimum benefits the MCO requires, and to require its subcontractors subject to MCO to do the same.
- If a contractor does not agree to provide the MCO's minimum benefits, the City will award a contract to that contractor **only** if the contractor has received an approved exemption or waiver under MCO from the Office of Labor Standards Enforcement (OLSE) through the contracting Department. The contract will not contain the agreement to abide by the MCO if there is an exemption or waiver on file.

**What this form does.** If you can assure the City now that, beginning with the first City contract or amendment you receive after October 8, 2000 and until further notice, you will provide the minimum benefit levels specified in the MCO to your covered employees, and will ensure that your subcontractors also subject to the MCO do the same, this will help the City's contracting process.

If you cannot make this assurance now, please do not return this form.

For more information, (1) see our Website, including the complete text of the ordinance: [www.sfgov.org/olse](http://www.sfgov.org/olse), (2) e-mail us at: [MCO@sfgov.org](mailto:MCO@sfgov.org), (3) Phone us at (415) 554-7903.

**Where to Send this Form.** Submit this form via San Francisco's centralized vendor portal [sfcitypartnersupport@sfgov.org](mailto:sfcitypartnersupport@sfgov.org) or call the Supplier Support Desk at 415-944-2442, Ext 1

### Declaration

In order to be a certified vendor with the City and County of San Francisco, this company will provide, if applicable, the minimum benefit levels specified in the MCO to our Covered Employees, and will ensure that our subcontractors also subject to the MCO do the same, until further notice. This company will give such notice as soon as possible.

I declare under penalty of perjury under the laws of the State of California that the above is true and correct.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Bidder/Supplier # - if known

\_\_\_\_\_  
Company Name

( ) \_\_\_\_\_  
Phone

\_\_\_\_\_  
Federal Employer ID #

SF OFFICE OF LABOR STANDARDS ENFORCEMENT, CITY HALL ROOM 430  
1 DR. CARLTON B. GOODLETT PLACE • SAN FRANCISCO, CA 94102

MCO/HCAO TEL (415) 554-7903 • FAX (415) 554-6291  
[WWW.SFGOV.ORG/OLSE](http://WWW.SFGOV.ORG/OLSE)

**FIGURE 3-23. HCAO DECLARATION**

CITY AND COUNTY OF SAN FRANCISCO

GENERAL SERVICES AGENCY  
OFFICE OF LABOR STANDARDS ENFORCEMENT  
PATRICK MULLIGAN, DIRECTOR



### Health Care Accountability Ordinance (HCAO) Declaration

**What the Ordinance Requires.** The Health Care Accountability Ordinance (HCAO), which became effective July 1, 2001, requires Contractors that provide services to the City or enter into certain leases with the City, and certain Subcontractors, Subtenants and parties providing services to Tenants and Subtenants on City property, to provide health plan benefits to Covered Employees, or make payments to the City for use by the Department of Public Health (DPH), or, under limited circumstances, make payments directly to Employees.

The HCAO applies only to Contractors with at least \$25,000 (\$50,000 for non-profit organizations) in cumulative annual business with a City department(s) and have more than 20 Employees (50 Employees for non-profit organizations) including Employees of any parent or subsidiaries.

The City may require Contractors to submit reports on the number of Employees affected by the HCAO.

**Effect on City Contracting.** For contracts and amendments signed on or after July 1, 2001, the HCAO requires the following:

- Each contract must include terms ensuring that the Contractor will agree to abide by the HCAO and either to provide its employees with health plan benefits meeting the Minimum Standards set forth by the Director of Health or to make the payments required by the HCAO;
- All City Contractors must agree to comply with the requirements of the HCAO unless the Contracting Department has obtained an approved exemption or waiver under the HCAO from the Office of Labor Standards (OLSE).
- Contractors must require any Subcontractors subject to the HCAO to comply with the HCAO:

**The Purpose of This Declaration.** By submitting this declaration, you are providing assurances to the City that, beginning with the first City contract or amendment you receive after July 1, 2001 and until further notice, you will either provide the health plan benefits meeting the Minimum Standards to your covered employees or make the payments required by the HCAO, and will ensure that your Subcontractors also abide by these requirements. **If you cannot provide this assurance, do not return this form.**

To obtain more information regarding the HCAO, Visit our website, which includes links to the complete text of the HCAO, at [www.sfgov.org/olse/hcao](http://www.sfgov.org/olse/hcao); send an e-mail to [HCAO@sfgov.org](mailto:HCAO@sfgov.org); or call (415) 554-7903.

**Where to Send this Form.** Submit this form via San Francisco's centralized vendor portal [sfcitypartnersupport@sfgov.org](mailto:sfcitypartnersupport@sfgov.org) or call the Supplier Support Desk at 415-944-2442, Ext 1

### Declaration

In order to be a certified vendor with the City and County of San Francisco, the company named below will either provide, if applicable, health benefits specified in the HCAO to our covered employees or make the payments required by the HCAO, and will ensure that our subcontractors that are subject to the HCAO also comply with these requirements, until further notice. The company named below will provide such notice as soon as possible.

I declare under penalty of perjury under the laws of the State of California that the above is true and correct.

Signature

Date

Print Name

Bidder/Supplier # - if known

Company Name

( )  
Phone

Federal Employer ID #

SF OFFICE OF LABOR STANDARDS ENFORCEMENT, CITY HALL ROOM 430  
1 DR. CARLTON B. GOODLETT PLACE • SAN FRANCISCO, CA 94102

MCO/HCAO TEL (415) 554-7903 • FAX (415) 554-6291  
[WWW.SFGOV.ORG/OLSE](http://WWW.SFGOV.ORG/OLSE)

**FIGURE 3-24. INSURANCE REQUIREMENTS**

<b>CERTIFICATE OF INSURANCE</b>					ISSUE DATE:	
PRODUCER:			THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER OTHER COVERAGE AFFORDED BY THE POLICIES BELOW.			
INSURED:			<b>COMPANIES AFFORDING COVERAGE</b>			
			COMPANY LETTER A			
			COMPANY LETTER B			
			COMPANY LETTER C			
COMPANY LETTER D						
<b>COVERAGES AND LIMITS</b>						
THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED, NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN. THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.						
CO. LTR.	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFF. DATE	POLICY EXP. DATE	DESCRIPTION	LIMITS
	<b>GENERAL LIABILITY</b> <input checked="" type="checkbox"/> COMM. GENERAL LIAB. <input type="checkbox"/> CLAIMS MADE <input checked="" type="checkbox"/> OCCURRENCE <input type="checkbox"/> OWNER'S & CONTRACTOR'S PROT. <input type="checkbox"/> _____				GENERAL AGGREGATE PROD.-COMP/OP AGG. FERS & ADV. INJURY EACH OCCURRENCE FIRE DAMAGE (One Fire) MEDICAL EXPENSE (One Pk)	\$2 million \$1 million \$1 million \$1 million
	<b>AUTOMOBILE LIABILITY</b> <input checked="" type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input checked="" type="checkbox"/> HIRED AUTOS <input checked="" type="checkbox"/> NON-OWNED AUTOS <input type="checkbox"/> GARAGE LIABILITY <input type="checkbox"/> _____				COMBINED SINGLE LIMIT BODILY INJURY (Per Person) BODILY INJURY (Per Accident) PROPERTY DAMAGE	\$1 million
	<b>EXCESS LIABILITY</b> <input type="checkbox"/> UMBRELLA FORM <input type="checkbox"/> OTHER THAN UMBRELLA FORM				EACH OCCURRENCE AGGREGATE	
	<b>WORKERS' COMPENSATION AND EMPLOYER'S LIABILITY</b>				<input checked="" type="checkbox"/> STATUTORY LIMITS EACH ACCIDENT DISEASE - POLICY LIMIT DISEASE - EACH EMPLOYEE	\$1 million \$1 million \$1 million
	OTHER INSURANCE					
<b>DESCRIPTION OF OPERATIONS/LOCATIONS/VEHICLES/SPECIAL ITEMS:</b> (1) Additional Insureds: City and County of San Francisco, its officers, employees and agents. (Endorsement required) (2) Liability insurance is primary and applies separately to each insured, except with respect to limits of liability. (Endorsement required) (3) Endorsement must be attached with the Certificate.						
<b>NAME AND ADDRESS OF CERTIFICATE HOLDER:</b>  City and County of San Francisco Department Name Attn: Address City, State, Zip Code				<b>CANCELLATION:</b>  SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING COMPANY WILL ENDEAVOR TO MAIL 30 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO MAIL SUCH NOTICE SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE COMPANY, ITS AGENTS OR REPRESENTATIVES. (See contract requirements for any changes to this Section.)		
				<b>AUTHORIZED REPRESENTATIVE:</b>  (Signature required)		

P-607 (1-07)

FIGURE 3-25. PAYMENT (LABOR & MATERIAL) BOND

Contract No. \_\_\_\_\_

### PAYMENT (LABOR AND MATERIAL) BOND

KNOW ALL MEN BY THESE PRESENTS, that WHEREAS, the City and County of San Francisco, State of California, has awarded to:

hereinafter designated as the "Principal", a contract, dated, \_\_\_\_\_, for the City and County of San Francisco's Office of Contract Administration Contract No. \_\_\_\_\_ (the "Contract").

WHEREAS, said Principal is required under the terms of said Contract to furnish a bond for the payment of any services, materials, provisions, equipment or other supplies, used in, upon, for or about the performance of the work contracted to be done (the "Bond");

NOW, THEREFORE, we the Principal and \_\_\_\_\_, as Surety, are firmly bound unto the City and County of San Francisco ("City") in the penal sum of \_\_\_\_\_ Dollars ( \$ \_\_\_\_\_ )

lawful money of the United States for the payment of which sum well and truly to be made, we bind ourselves, our heirs, executors, administrators, successors and assigns, jointly and severally firmly by these presents for a payment bond.

THE CONDITION OF THIS OBLIGATION IS SUCH, that if said principal, its heirs, executors, administrators, successors or assigns, of its subcontractor or subcontractors, shall fail to pay for any services, materials, provisions, equipment or other supplies, used in, upon, for or about the performance of the work contracted to be done, or for any work or labor thereon of any kind, or for amounts due the Unemployment Insurance Act with respect to such work or labor, then the surety of this Bond will pay for same, in an amount not exceeding the sum specified in this Bond, and in case suit is brought upon this Bond will also pay a reasonable attorney's fee, to be fixed by the Court.

This Bond shall inure to the benefit of all contractors or subcontractors of Principal and any and all persons, companies, corporations, political subdivisions and state agencies, performing labor, furnishing materials or equipment, or performing other services under the Contract.

And the said Surety, for value received, hereby stipulates and agrees that no change, extension of time, alteration or addition to the terms of the Contract or to the work to be performed thereunder or the specifications accompanying the same and no inadvertent overpayment of progress payments shall in any way affect its obligations on this Bond, and it does hereby waive notice of any such change, extension of time, alteration or addition to the terms of the Contract or to the work or to the specifications or of any inadvertent overpayment of progress payments.

Contract No. \_\_\_\_\_

IN WITNESS WHEREOF, the above-bounden parties have executed this instrument under their seal this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_, the name and corporate seal of each corporate party being hereto affixed and these presents duly signed by its undersigned representative, pursuant to authority of its governing body.

**PRINCIPAL**

By: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

**SURETY**

By: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

**NOTE: Signature of Sureties must  
be acknowledged by a Notary  
Public**

**CITY**

By: Benjamin Rosenfield, Controller

Date: \_\_\_\_\_

Approved as to form:  
Dennis J. Herrera  
City Attorney

By: \_\_\_\_\_  
Deputy City Attorney



**ACCOUNTING POLICIES & PROCEDURES**

---

**FIGURE 3-26. PERFORMANCE BOND**

Contract No. \_\_\_\_\_  
Bond No. \_\_\_\_\_

**PERFORMANCE BOND**

**KNOW ALL MEN BY THESE PRESENTS**, that WHEREAS, the City and County of San Francisco, State of California, has awarded to:

\_\_\_\_\_ hereinafter designated as the "Principal", a contract, dated, \_\_\_\_\_, for the City and County of San Francisco's Office of Contract Administration Contract No. \_\_\_\_\_ (the "Contract").

WHEREAS, said Principal is required under the terms of said Contract to furnish a bond for the faithful performance of said Contract (the "Bond");

NOW, THEREFORE, we the Principal and \_\_\_\_\_, as Surety, are firmly bound unto the City and County of San Francisco ("City") in the penal sum of \_\_\_\_\_ Dollars ( \$ \_\_\_\_\_ )

lawful money of the United States for the payment of which sum well and truly to be made, we bind ourselves, our heirs, executors, administrators, successors and assigns, jointly and severally firmly by these presents for a performance bond. The conditions of this obligation is such that if the said Principal does well and faithfully performs all the conditions and covenants of said Contract, according to the true intent and meaning thereof, upon its part to be kept and performed, then the above obligation is to be null and void, otherwise to remain in full force and effect.

**THE CONDITION OF THIS OBLIGATION IS SUCH**, that if the above bounden Principal, its heirs, executors, administrators, successors or assigns, shall in all things stand to and abide by, and well and truly keep and perform the covenants, conditions and agreements in the said Contract, including the provisions for liquidated damages in the said Contract, any changes, additions or alterations thereof made as therein provided, on its part, to be kept and performed at the time and in the manner therein specified, and in all respects according to their true intent and meaning, and shall indemnify and save harmless the City and County of San Francisco, its officers and agents, as therein stipulated, then this obligation shall become null and void; otherwise it shall be and remain in full force and effect.

And the said Surety, for value received, hereby stipulates and agrees that no change, extension of time, alteration or addition to the terms of the Contract or to the work to be performed thereunder or the specifications accompanying the same and no inadvertent overpayment of progress payments shall in any way affect its obligations on this Bond, and it does hereby waive notice of any such change, extension of time, alteration or addition to the terms of the Contract or to the work or to the specifications or of any inadvertent overpayment of progress payments.

Contract No. \_\_\_\_\_  
Bond No. \_\_\_\_\_

IN WITNESS WHEREOF, the above-bounden parties have executed this instrument under their seal this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_, the name and corporate seal of each corporate party being hereto affixed and these presents duly signed by its undersigned representative, pursuant to authority of its governing body.

**PRINCIPAL**

By: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

**SURETY**

By: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

\_\_\_\_\_  
**NOTE: Signature of Sureties must be  
acknowledged by a Notary Public**

**CITY**

By: \_\_\_\_\_

**Benjamin Rosenfield, Controller**

Date: \_\_\_\_\_

Approved as to form:  
**Dennis J. Herrera**  
City Attorney

By: \_\_\_\_\_

**Deputy City Attorney**



**FIGURE 3-27. LBE PROGRAM APPLICATION**



City and County of San Francisco  
Contract Monitoring Division (CMD)  
Chapter 148 San Francisco Local Business Enterprise Certification & Compliance

## LBE Application

Initial Certification ☐ Recertification ☐

PUC Regional Service Area ☐

### SECTION I: BUSINESS INFORMATION

Business Name:

Primary Place of Business: Address

City  State  Zip Code

Check all that apply: ☐ Home Office ☐ Own ☐ Lease

Mailing Address: ☐ Same as Above Address

City  State  Zip Code

Contact Name:

Contact Information: Phone  Fax

Cell  Email

Website

Federal Employer ID Number (FEIN):  ☐ No FEIN

San Francisco Green Business? ☐ Yes ☐ No

Business Type: ☐ Individual/Sole Proprietor or Single-Member LLC ☐ Partnership  
☐ LLC ☐ Corporation (Including S-Corps)

Sample Format: 111 Street, City, State 95030 (Equipment Storage)

Additional Locations, if any:  
(e.g., satellite offices, storage units, warehouses, etc.)

Truckers/Haulers:  
Indicate where you park your vehicle(s).

Email LBE applications to [lbecert@sfgov.org](mailto:lbecert@sfgov.org); Walk-in/mail to 30 Van Ness, Suite 200, SF CA 94102

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Version 7/27/18

## SECTION II: OWNERSHIP & EMPLOYEE DATA

Owners/ Shareholders (First and Last Name)	Ownership %	Professional and/or Contractor License(s) if any	Full-time employee of the City & County of San Francisco (Y/N)	For Tracking Purposes Only.			
				Ethnicity (optional)	Female (optional) (Y/N)	LGBT (optional) (Y/N)	Disabled Veteran (optional) (Y/N)

*\*Please attach separate page if there are more owners/shareholders*

### A. ORGANIZATIONAL HISTORY

For Firms That Are Corporations, Partnerships, or Sole Proprietors:

Date incorporated or founded:  Under the laws of what state:  Not Applicable: ☐

### B. BUSINESS STRUCTURE

1. Has there been any change in ownership of the firm at any time during the last five years?

☐ Yes ☐ No

If yes, please explain:

2. How many years has your organization been in business in California, under your present business name and license number?  Years

3. Has any owner, partner or (for corporations) officer of your firm operated another firm under any other name in the last five years?

☐ Yes ☐ No

If yes, please explain:

4. Are any of the owners/shareholders full time employees for another business?

☐ Yes ☐ No

If yes, please explain:

5. Indicate whether your business paid wages last year: ☐ Yes ☐ No

## SECTION III: GOODS AND SERVICES

List the goods and services that you provide and for which you are seeking certification below. For a list of the specific goods and services eligible for LBE certification, go to: [www.sfgov.org/cmd/categories](http://www.sfgov.org/cmd/categories).

[Sample Format: CN031 - General Building Contracting (B)]\*

\*Please note: PUC LBE firms are allowed certification under Construction and Construction related Supplies and Equipment and Professional Services only.

## SECTION IV: REQUIRED SUPPORTING DOCUMENTS

Please submit the required supporting documents with your LBE Application. Complete the Document Checklist Provided Below.

☐ Submitted **Verification of Primary Place of Business:** Provide a copy of your lease or other written agreement with proof of recent rent payment for your primary place of business. If you own this property, provide proof of ownership (e.g., property tax bill or deed). **Please Note: If you are submitting an LBE Recertification Application and your principal address is the same, you do not need to verify the primary place of business.**

☐ NA

☐ Submitted **Verification of Additional Locations:** Provide a copy of your lease or other written agreement with proof of recent rent payment for each additional location identified in Section I. If you own this property, provide proof of ownership (e.g., property tax bill or deed).

☐ NA

Truckers/Haulers: Provide a copy of parking lease with proof of recent payment.

☐ Submitted **Six months of Continuous Operation:** Provide a copy of your current San Francisco Business License. **Please note: If the license was issued less than six months ago, then provide a copy of your most recently expired business license. If you are submitting an LBE Recertification Application, you do not need to provide proof of continuous operation.**

☐ NA

Truckers/Haulers: Truckers do not need to submit a San Francisco Business License. Provide copies of (1) your DMV Motor Carrier Permit and (2) proof of ownership for each vehicle (trucks & haulers) in your fleet (e.g., vehicle registration or title).

### Verification of Business Type:

☐ Submitted **Individual/Sole Proprietor or Single-Member LLC:** Check NA.

☐ NA **Partnerships:** Provide a copy of your partnership agreement. If you do not have one, check NA.

☐ Submitted **Corporations (including S-Corps):** Provide a copy of your Articles of Incorporation.

☐ NA **LLCs:** Provide a copy of your Articles of Organization.

☐ Submitted **Verification of Ownership Percentages:** Provide proof of ownership percentages for each owner/principal identified in Section II (e.g., up-to-date stock transfer ledger, most recent K-1 Schedules, etc.).

☐ NA

Individual/Sole Proprietor or Single-Member LLC: Check NA.

☐ Submitted **Woman or Minority Owned Businesses:** For each owner/principal which you identified as Female or an Ethnic Minority in Section II, provide proof of gender or ethnicity (e.g., passport, driver's license, birth certificate, etc.).

☐ NA

☐ Submitted **LGBT Owned Businesses:** If owners/principals are identified as LGBT in Section II, provide proof of LGBT certification with the National Gay and Lesbian Chamber of Commerce.

☐ NA

☐ Submitted **Disabled Veteran Owned Businesses:** If owners/principals are identified as Disabled Veteran in Section II, provide proof of DVBE certification with the State of California Department of General Services.

☐ NA

☐ Submitted **Recognized Green Businesses:** If your firm is a recognized San Francisco Green Business, as indicated in Section I, provide a copy of your Green Business Program Recognition Certificate.

☐ NA

Email LBE applications to [lbecert@sfgov.org](mailto:lbecert@sfgov.org); Walk-in/mail to 30 Van Ness, Suite 200, SF CA 94102

- ☐ *Submitted*     **Verification of Employee Data (1):** Provide a copy of your most recently filed annual W-3 Transmittal of Wage and Tax Statement filed with the Social Security Administration. If you did not pay wages last year, check NA.
- ☐ *NA*
- ☐ *Submitted*     **Verification of Employee Data (2):** Provide copies of all quarterly DE9C payroll reports you filed with the CA Employment Development Department last year. If you did not pay wages last year, submit copies of all DE9C payroll reports you filed with the EDD this year. If you did not pay wages during either period, check NA.
- ☐ *NA*
- ☐ *Submitted*     **Verification of Goods and Services:** Provide copies of invoices and/or contracts signed by your clients as evidence of your ability to provide the goods and services for which you seek to be certified. Provide **three** examples for **each** category identified in Section III.
- ☐ *NA*
- ☐ *Submitted*     **Verification of Average Gross Receipts:** To determine your average gross receipts for the last three years, submit the following documents.
- ☐ *NA*

**Individual/Sole Proprietor or Single-Member LLC:**

- ☐ *Submitted*     Three most recently filed federal individual income tax returns. Submit only the first two pages (Form 1040 and signature page), depreciation schedules, and Schedules C, E and F, if any.
- ☐ *NA*

**All other Business Types:**

- ☐ *Submitted*     Three most recently filed federal income tax returns for your business. Submit only the first page (Form 1120, 1120S or 1065), Schedule E, depreciation schedules, and K-1 Schedules, if any.
- ☐ *NA*
- AND**
- ☐ *Submitted*     **Initial Certification:** Three most recently filed federal individual income tax returns for each owner identified in Section II. Submit only the first two pages (Form 1040 and signature page), depreciation schedules, and Schedules C, E and F, if any.
- ☐ *NA*
- Recertification:** Most recently filed federal individual tax returns for each owner.

*We reserve the right to request additional information/documents once we have reviewed your application and accompanying required documents.*

## SECTION V: AFFIDAVIT

The undersigned declares and swears under penalty of law that the statements made in this application are true, correct and complete. The undersigned further agrees to permit audits and examination of the books, records and files of the named firm to verify the information submitted in this application. Any material misrepresentation will be grounds for initiating criminal and civil actions under federal, state and local laws and for terminating any contract awarded pursuant to this Certification.

Full Name

Signature

Date

PLEASE SUBMIT APPLICATION WITH ALL SUPPORTING DOCUMENTS TO [LBECERT@SFGOV.ORG](mailto:LBECERT@SFGOV.ORG) OR MAIL TO:

Contract Monitoring Division  
Attn. Certification Unit  
30 Van Ness Avenue, Suite 200  
San Francisco, CA 94102-6020

For more information, visit [www.sfgov.org/cmd](http://www.sfgov.org/cmd) or call (415) 581-2310

#### 3.4.1.2 | CONTROLLER'S OFFICE SUPPLIER MANAGEMENT TEAM

The Supplier Management Team is responsible for overseeing and reviewing new supplier applications submitted through the online supplier portal. In certain cases, businesses may request that the City register as a bidder on their behalf. In that case, the Department should directly contact the Supplier Management Team at [supplier.management@sfgov.org](mailto:supplier.management@sfgov.org) to obtain a *Bidder's Application Form*. The business will need to complete the form with all necessary documentation. Once received and verified, the Supplier Management Team will internally create and a bidder profile.

The Unit's other responsibilities include:

- Convert bidders to suppliers once all required information has been provided
- Reviewing and approving changes made to the supplier record, including Business Registration Certificate, Profile Questions, Address, Contacts, Location, Banking information, and more. Approval is not required for changes that occur on the Supplier Compliance Summary tab, which includes joint venture information, any automated changes to 12B compliance and 14B certification, or changes to insurance
- Review the required forms/online applications and verify the application is completed according to the instructions provided on the forms
- Verify with PPSD using the suppliers' SSN to ensure the suppliers applying for Supplier IDs are not active City employees
- Communicate with businesses and requesting City Department(s) to request additional information and clarifications on applications, if needed
- Ensure there are no duplicate PeopleSoft Supplier ID records in the City Supplier Profile. Generally, entities with the same FEIN, ITIN or SSN should only have one Supplier ID set up in the system. Exceptions are granted on a case-by-case basis by the Supplier Management Team
- Notify the business and the requesting City Department(s) with the new supplier ID after the supplier has been set up in the City Supplier Profile
- With the exception of 12B compliance and 14B certification, maintain and update supplier profile and status information when information has changed
- Coordinate with all City Departments in processing new supplier applications, including but not limited to OCA Purchasing, Office of the Treasurer & Tax Collector, Contract Monitoring Division, Controller Cash Disbursement Unit, Controller Purchasing Card Administration, and City Attorney
- Respond to inquiries from businesses and City Departments on the status of applications or on how to become a City supplier

- Provide training to City Department users on how to navigate the Supplier Management Module and their functions
- Deactivate Supplier ID as instructed by the Cash Disbursement unit for stop notice liens. For details on stop notices, refer to [Section 4.4.2.3 | Stop Notice](#)
- Flag Supplier ID Locations for 1099 withholding according to the W-9 forms submitted by the departments and/or suppliers. For details on 1099 withholding, refer to [Section 4.6.1 | Requirement of Encumbrances, Supplier IDs, Account Codes & Withholding Classes](#)

#### 3.4.1.3 | CONTRACT MONITORING DIVISION (CMD)

The Contract Monitoring Division (CMD) implements and enforces the *San Francisco Administrative Code Chapter 12B Equal Benefits Ordinance* and *Chapter 14B Local Business Enterprise Ordinance* adopted by the Mayor and the Board of Supervisors to protect the public interest in equality throughout the City & County of San Francisco's government contracting process.

To become a City supplier, a business is required to complete and submit the *CMD 12B-101 Declaration* to CMD for processing.

Once the City has spent more than \$5,000 with a supplier, the requirement to comply with 12B is triggered.

- Once the threshold is exceeded in any fiscal year, the supplier is required to comply in order to do any further business with the City. The threshold does not reset to \$0 in subsequent fiscal years.

12B applies to virtually all suppliers, regardless of location. Advertising transactions are subject to 12B, regardless of where the supplier or advertising is located.

When a supplier is unwilling to comply, and if there is no other source for the required product or service, then the department must submit a 12B waiver request in order to contract.

- Waivers are associated with transactions, not suppliers, i.e., no suppliers are automatically waived for every transaction.

CMD communicates directly with the vendor during the certification process, and updates the City Supplier Profile with the compliance status when the certification process is complete.

Refer to the Contract Monitoring Division website for further information on the Equal Benefits Program: <http://sfgov.org/cmd/12b-equal-benefits-program>.

## 3.4.1.4 | OFFICE OF THE TREASURER &amp; TAX COLLECTOR

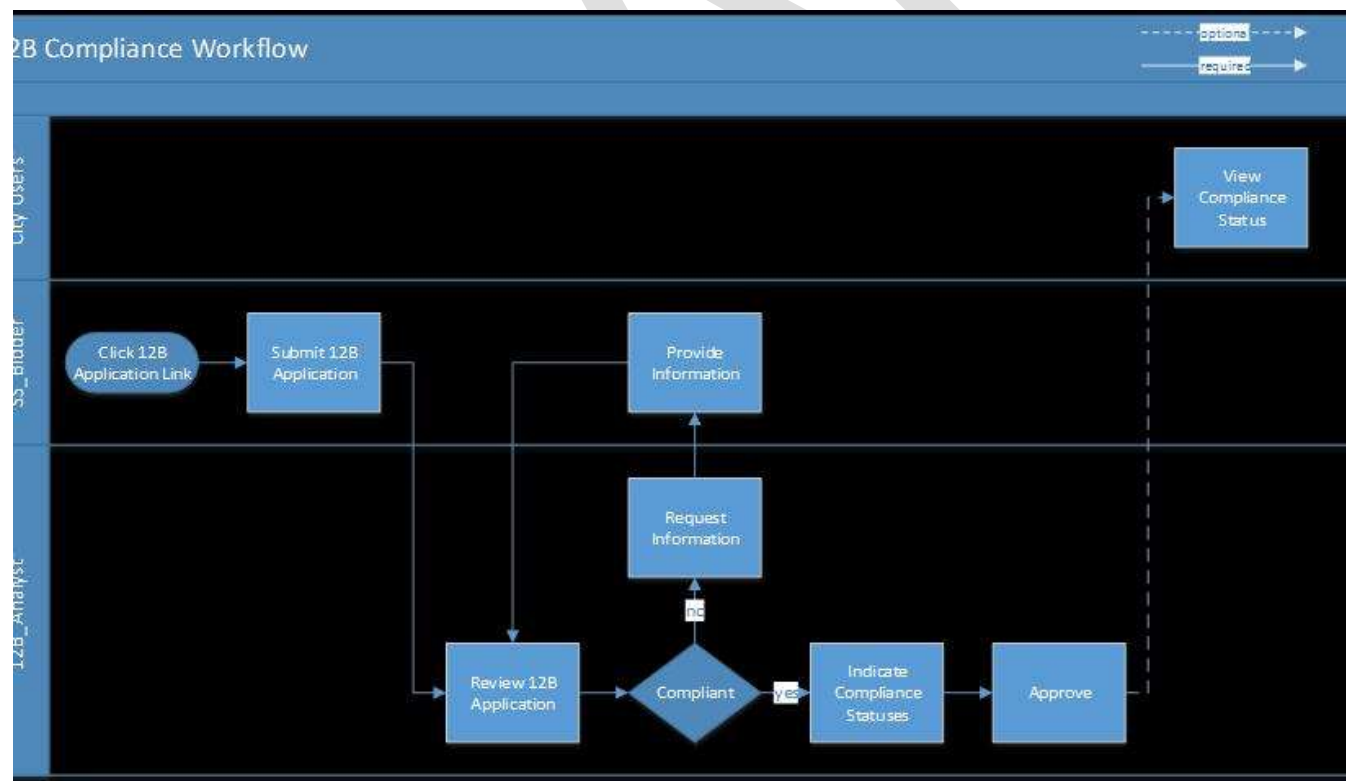
San Francisco's *Business and Tax Regulations Code* requires that every person engaging in business within the City, regardless of whether such person is subject to taxation, must register within 15 days after commencing business within the City.

To become a City supplier, a business is required to complete and submit the *CCSF Supplier – Business Registration* to Office of the Treasurer and Tax Collector online at <https://newbusiness.sfgov.org/vendor/>. The Treasurer's Office Business Tax Unit communicates directly with the business during the certification process, and updates the supplier's profile with the Business Tax Certification Number and Expiration Date during the TTX interface with PeopleSoft.

## 3.4.2 | Supplier Compliance Status

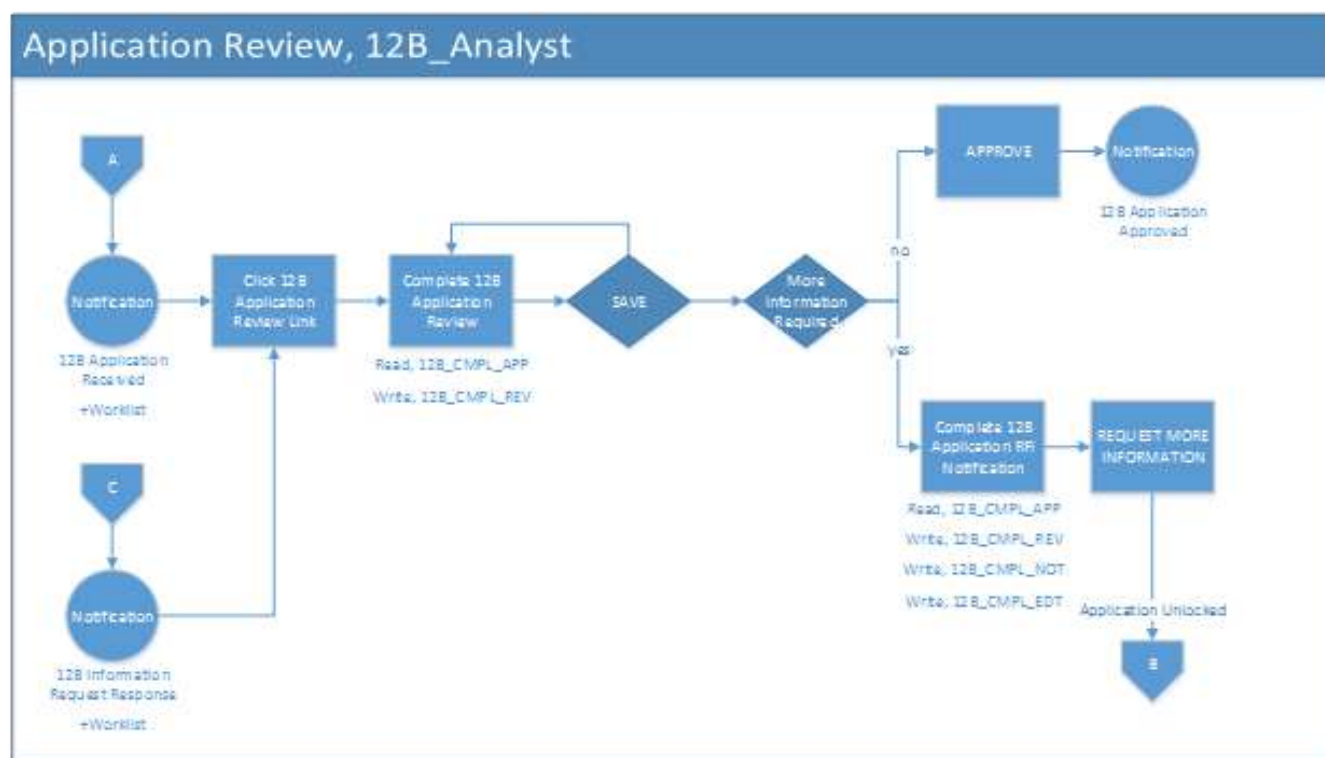
Suppliers must have a valid Business Tax status and be compliant with *Chapter 12B* to enter into contract or receive payment from the City. The following Figure shows the 12B compliance process.

FIGURE 3-28. SUPPLIER ONLINE 12B APPLICATION WORKFLOW (TO BE UPDATED)





**FIGURE 3-29. CMD 12B COMPLIANCE PROCESS FLOW DIAGRAM (TO BE UPDATED)**



### Exceptions to Chapter 12B Compliance

The exceptions to *Chapter 12B* compliance include:

1. The City spent less than \$5,000 with the supplier during each of the previous fiscal years and the purchase (or series of purchases) being considered will not exceed \$5,000 during any given fiscal year.
2. The supplier is the sole source for the purchase. Note that departments must file Sole Source Waiver forms with CMD. The forms are available on the City's Intranet Document Center under Contract Monitoring Division at <http://mission.sfgov.org/DocCenter/ByDept.aspx?S=0&T=Contract%20Monitoring%20Division%20|/%20All%20Documents&K=All70001>. Once approved, attach the forms to the appropriate transaction.
  - a. For *Chapter 12B* transactions only, see if the *Form 104 - Chapter 12B Blanket Sole Source Form* (Figure 3-30) can be used. Use it if the transaction falls exactly into one of the exemptions listed on the form and is under \$250,000. Attach the completed, signed form before the Date of Contract (when the money was legally promised to a specific vendor). Also attach a copy of *Form 104* (Figure 3-30) to the contract or request for payment.



## ACCOUNTING POLICIES &amp; PROCEDURES

FIGURE 3-30. CMD FORM 104 (CHAPTER 12B BLANKET SOLE SOURCE FORM) (TO BE UPDATED)

CITY AND COUNTY OF SAN FRANCISCO  
CONTRACT MONITORING DIVISIONS.F. ADMINISTRATIVE CODE CHAPTER 12B  
BLANKET SOLE SOURCE FORM  
(CMD-104)

Send completed waivers to:  
cmd.waiverrequest@sfgov.org or  
CMD, 30 Van Ness Avenue, Suite 200, San Francisco, CA 94102

To use the blanket sole source exception to Administrative Code Chapters 12B and 12C, the contracting department is encouraged to first make good faith efforts to obtain compliance, or partial compliance, from the prospective contractor. If such efforts fail, the department must complete this form and submit it to the Contract Monitoring Division (CMD) before the contract is executed or the goods ordered. The contract must exactly match one of the exceptions listed below; otherwise use the CMD-201 form. CMD will not grant or deny individual requests; upon filing, the exception is granted. CMD will maintain departmental files on the use of this exception and reserves the right to audit departments and revoke the use of this exception where misuse is found. ***Use of this form is permitted ONLY where the contract amount at issue is for less than \$250,000.***

Department: Contractor Name: Dept. Head Signature: Contractor Vendor #: Dept. Contact Name: Date of Contract: Dept. Contact Phone: Contract Dollar Amount: Date Waiver Submitted: 

(Contract Dollar Amount must be less than \$250,000)

**This contract qualifies for a sole source waiver because it is a (check one):**

- ☐ Contract to purchase postage from the U.S. Postal Service.
- ☐ Maintenance agreement where use of a maintenance service provider other than the manufacturer would void a warranty.
- ☐ Contract for the acquisition of proprietary equipment where the equipment to be acquired is the only equipment compatible with equipment currently owned or operated by the City and is unavailable from another source.
- ☐ Computer software maintenance agreement where the City does not have access to the source codes and such access is necessary to perform the maintenance; or where software has been developed for the City and the City does have access to the source codes but the source codes may not be modified without the developer's consent.
- ☐ Contract for the payment of fees associated with memberships, conferences, educational presentations, training sessions or publications that are unavailable from another source and are provided by a **governmental, professional or trade organization or association.**

(OVER)




30 Van Ness Avenue  
Suite 200  
San Francisco  
California 94102



TEL (415) 581-2310  
FAX (415) 581-2351  
Info.cmd@sfgov.org  
<http://www.sfgov.org/cmd>




- ☐ Contract for the acquisition of materials printed by any federal, state, local or regional governmental entity that are unavailable from another source.
- ☐ Contract for the acquisition or use of periodicals, trade journals, newspapers, online research services or legal treatises that are unavailable from another source.
- ☐ Contract for the employment of student interns where effort has been made to recruit students from any available educational institution that complies with the requirements of San Francisco Admin. Code Chapters 12B and 12C.
- ☐ Contract for fees associated with the use of federal, state or regional parks or bridges.
- ☐ Contract for parts to repair, or goods to use with equipment owned by the City where the part or good is required for proper operation of the equipment and is available only from the manufacturer of the equipment.
- ☐ Property contract between the City and a financial institution where the financial institution is entering into the property contract as a result of foreclosure proceedings and where the previous contractor has defaulted on a loan agreement between the previous contractor and the financial institution.
- ☐ Contract for the acquisition and/or borrowing of cultural and educational items and exhibits that are unavailable from another source.
- ☐ Contract for the insuring, transporting, storage or curation of cultural and educational exhibits and collection items where the contractor to perform the work has been designated by the lender and use of this designated contractor is required by the loan agreement.
- ☐ Contract with any federal, state, local or regional governmental agency or entity to the extent the contract is related to the regulatory functions of such agency or entity, including licensing, inspection, permit, application fees, fines and taxes.
- ☐ Lease or permit of City Right of Way property to adjacent landowners where the contracting officer determines that there are no other potential users of the property.

- 
- Additional copies of this form may be downloaded at the Documents Center on the City's intranet at: <http://intranet/>.
  - Read the [\*Quick Reference Guide to Chapter 12B, Chapter 12C and Chapter 14B Waivers\*](#) for more information. Copies are available at the Documents Center on the City's intranet at: <http://intranet/>.
  - Send waivers to: Contract Monitoring Division, 30 Van Ness Avenue, Suite 200, San Francisco, CA 94102 or [cmd.waiverrequest@sfgov.org](mailto:cmd.waiverrequest@sfgov.org)
  - ☎ For further assistance, contact the Contract Monitoring Division at 415-581-2310.

- b. If *Form 104* ([Figure 3-30](#)) is not appropriate because the transaction does not match any of the exemptions on the form or exceeds the \$250,000 limit, submit *Form 201 - Chapters 12B and 14B Waiver Request Form* ([Figure 3-31](#)) to CMD. Attach a justification that explains:
- The purpose of the transaction
  - Why the transaction meets the type of waiver being requested
  - The Department's efforts to get the vendor to comply

DRAFT

**FIGURE 3-31. CMD FORM 201 (CHAPTERS 12B AND 14B WAIVER REQUEST FORM) (TO BE UPDATED)**



**CITY AND COUNTY OF SAN FRANCISCO**  
**CONTRACT MONITORING DIVISION**

**S.F. ADMINISTRATIVE CODE CHAPTERS 12B and 14B**  
**WAIVER REQUEST FORM**  
(CMD-201)

Send completed waiver requests to:  
cmd.waiverrequest@sfgov.org or  
CMD, 30 Van Ness Avenue, Suite 200, San Francisco, CA  
94102

FOR CMD USE ONLY

Request Number:

➤ **Section 1. Department Information**

Department Head Signature: \_\_\_\_\_

Name of Department: \_\_\_\_\_

Department Address: \_\_\_\_\_

Contact Person: \_\_\_\_\_

Phone Number: \_\_\_\_\_ E-mail: \_\_\_\_\_

➤ **Section 2. Contractor Information**

Contractor Name: \_\_\_\_\_ Vendor No.: \_\_\_\_\_

Contractor Address: \_\_\_\_\_

Contact Person: \_\_\_\_\_ Contact Phone No.: \_\_\_\_\_

➤ **Section 3. Transaction Information**

Date Waiver Request Submitted: \_\_\_\_\_ Type of Contract: \_\_\_\_\_

Contract Start Date: \_\_\_\_\_ End Date: \_\_\_\_\_ Dollar Amount of Contract: \$ \_\_\_\_\_

➤ **Section 4. Administrative Code Chapter to be Waived (please check all that apply)**

☐ Chapter 12B

☐ Chapter 14B Note: Employment and LBE subcontracting requirements may still be in force even when a 14B waiver (type A or B) is granted.

➤ **Section 5. Waiver Type (Letter of Justification *must* be attached, see Check List on back of page.)**

☐ A. Sole Source

☐ B. Emergency (pursuant to Administrative Code §6.60 or 21.15)

☐ C. Public Entity

☐ D. No Potential Contractors Comply (Required) Copy of waiver request sent to Board of Supervisors on: \_\_\_\_\_

☐ E. Government Bulk Purchasing Arrangement (Required) Copy of waiver request sent to Board of Supervisors on: \_\_\_\_\_

☐ F. Sham/Shell Entity (Required) Copy of waiver request sent to Board of Supervisors on: \_\_\_\_\_

☐ G. Subcontracting Goals

☐ H. Local Business Enterprise (LBE)

**CMD/HRC ACTION**

12B Waiver Granted: \_\_\_\_\_ 14B Waiver Granted: \_\_\_\_\_

12B Waiver Denied: \_\_\_\_\_ 14B Waiver Denied: \_\_\_\_\_

Reason for Action: \_\_\_\_\_

CMD Staff: \_\_\_\_\_ Date: \_\_\_\_\_

CMD Director: \_\_\_\_\_ Date: \_\_\_\_\_

HRC Director (12B Only): \_\_\_\_\_ Date: \_\_\_\_\_

CMD-201 (June 2014)

This form available at: <http://intranet/>.

## CHECK LIST

*You must complete each of the steps below before submitting this form:*

- ✓ Attempt to get the contractor to comply with Administrative Code Chapter 12B requirements.  
(Applies to Chapter 12B waiver requests only.)
- ✓ Include a letter of justification explaining:
  - The purpose of the contract.
  - Why the contract fits the type of waiver being requested (for example, why it is a sole source).
  - Your department's efforts to get the contractor to comply (for Chapter 12B waivers).  
(Do not substitute the OCA waiver form or justification in place of the CMD waiver form and justification.)
- ✓ Fill in all of the blanks in Sections 1-3.
- ✓ Indicate (in Section 4) which Administrative Code Chapter(s) need to be waived.
- ✓ Indicate (in Section 5) which waiver type is being requested.
- ✓ For waiver types D, E and F, submit a copy of this form to the Clerk of the Board of Supervisors and indicate the date this was done in the blank provided on the form.

## ADDITIONAL INFORMATION

**Contract Duration:** Contracts entered into pursuant to a Chapter 12B waiver should be constructed for the shortest reasonable duration so that future contracts may be awarded to a Chapter 12B-compliant contractor.

**Waiver Type B (Emergency):** A copy of the formal Declaration of Emergency or letter from the department Commission or Board must be submitted with the Form 201.


**Chapter 14B Sole Source, Emergency and LBE Waivers:** Only the bid discounts and departmental good faith outreach efforts requirements of Chapter 14B may be waived. All other provisions of this Chapter will still be in force even if this type of waiver has been granted.

**Chapter 14B Subcontracting Waivers:** Only the subcontracting goals may be waived. All other provisions of this Chapter still will be in force even if this type of waiver has been granted.

**Waiver Types D, E and F:** These waiver types have additional requirements:

1. The contracting department must notify the Board of Supervisor's that it has requested a waiver of this type.
2. Departments exercising waiver authority under one of these provisions must appear before a Board of Supervisors committee and report on their use of such waiver authority.

**All modifications** to waived contracts that increase the dollar amount of the contract or extend the contract period must have CMD and/or HRC approval prior to the expiration date on the original waiver form.

- 
- Additional copies of this form may be downloaded at the Documents Center on the City's intranet at: <http://intranet/>.
  - Read the *Quick Reference Guide to Chapter 12B, Chapter 12C and Chapter 14B Waivers* for more information. Copies are available at the Documents Center on the City's intranet at: <http://intranet/>.
  - Send waiver requests to: Contract Monitoring Division, 30 Van Ness Avenue, Suite 200, San Francisco, CA 94102 or [cmd.waiverrequest@sfgov.org](mailto:cmd.waiverrequest@sfgov.org)
  - ☎ For further assistance, contact the Contract Monitoring Division at 415-581-2310.

CMD-201 (June 2014)

## Compliance Inquiry

Departments can look up a supplier's CMD compliance status directly in the supplier's profile. To check a supplier's Chapter 12B and 14B compliance, navigate to the "Compliance Summary" tab of the supplier's Profile and open the "12B Compliance Summary" and "14B Compliance Summary" submenus.

**FIGURE 3-32. COMPLIANCE STATUS LOOKUP**

The screenshot displays two stacked panels for compliance lookup. The top panel, titled "12B Compliance Summary", shows a "Compliance Status: Pending". The bottom panel, titled "14B Certification Summary", displays certification details for a supplier.

**14B Certification Summary Details:**

- Request Type: LBE
- Certificate Begin Date: 05/04/2017
- Certificate Expiry Date: 05/04/2020

**Certification Categories Table:**

Category	Description	Size
General Service Providers		Not Calculated
GS102	Computer Graphics And Graphic	
GS109	Computer Systems Services	
GS129	Computer: Web Design And Maint	
GS131	Computer Training	

**Comments:**

Our service is the best.

## 3.4.3 | Automated Clearing House (ACH) Payments

Departments should encourage suppliers to sign up with Paymode-X to get electronic payments (ACH-Automated Clearing House) that are paid out of the City's existing disbursement account and sent electronically to the suppliers' bank accounts at any financial institution.

For more information on Paymode-X, please refer to | Payment Considerations or contact the Supplier Management Team directly.

### 3.4.4 | Security and Internal Controls

#### System Security Roles & Responsibilities

Permission to view City Supplier Profile information is granted at the user level, screen level (Supplier Detail, Address, Status) and at the Field level (for example the SSN/FEIN field).

Departments will have access to three supplier-related roles. The Supplier Viewer role can view existing bidder and supplier information. The Supplier Reporter role will be able to run bidder and supplier reports. The Supplier Project Team Processor role may enter Project Team (Additional subcontracting vendors) for LBE Participation. One or more of these roles may be served by the same employee.

Only Supplier Management Team staff has permission to update 1099 Withholding information. Supplier banking information will **not** be accessible to Departments.

#### Status Changes / Updates

There are two points when supplier data need to be updated:

- **When a bidder is converted to a supplier (To be confirmed)**

A new Supplier Update Information request will generate automatically when a bidder is converted to a supplier. This will require the supplier to provide additional information required for the TTX analyst and Controller's Office to complete their reviews of the supplier file. A Supplier Change Request (SCR) can be submitted for both approved and unapproved suppliers and will require SMT approval.

- **When a supplier needs to update existing profile information**

Suppliers should review their existing profile information. Changes to a supplier profile may be initiated either externally through Supplier Portal by the supplier via an SCR or internally by an employee. All change requests originating from the external supplier will require SMT approval. If changes are initiated by departments, all changes except those related to Compliance Summary will require SMT approval.

#### 1099 Report

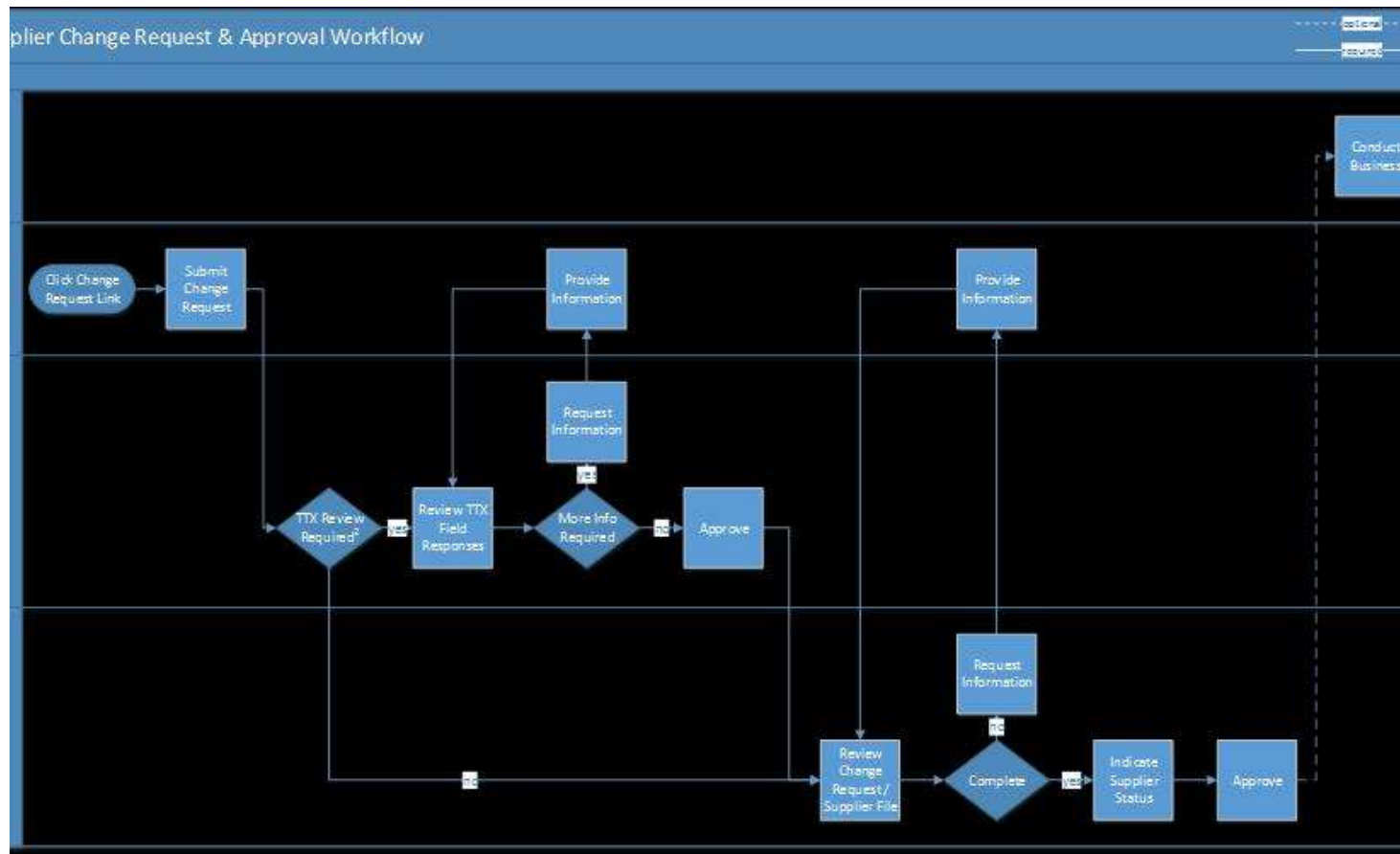
A year-end, the Controller's Cash Disbursement Unit generates a report identifying those suppliers whose *IRS Form 1099* indicators are not set up correctly in the City Supplier Profile. The report is forwarded to the Supplier Management Team for its review and to update the 1099 indicator in the supplier profiles.

The City Supplier Profile is maintained by the Controller's Supplier Management Team. Other City departments, including but not limited to the Office of the Treasurer & Tax Collector and the City's Contract Monitoring Division, also maintain supplier data specific to their departments' certification programs.



The following Figure provides an overview of the change process.

**FIGURE 3-33. SUPPLIER CHANGE REQUEST & APPROVAL WORKFLOW (TO BE UPDATED)**



### 3.4.5 | Searching for an Existing Supplier

While there are multiple ways to search for Supplier in Supplier Database, the following procedure describes the two most commonly used search methods—by Supplier name and Supplier ID.



## ACCOUNTING POLICIES &amp; PROCEDURES

Step	Action
1.	<p>Search for existing Suppliers by navigating to the <b>Add/Update Supplier</b> option:</p> <p>Navigation: Main Menu → Suppliers → Supplier Information → Add/Update → Supplier → Find an Existing Value Tab</p> <p>Multiple search options exist. To help refine searches, the “Supplier ID” and “Supplier Name” fields provide secondary drop-down options, including:</p> <ul style="list-style-type: none"> <li>• <b>Equal To</b></li> <li>• <b>Contains</b> (casts a wider search net)</li> <li>• <b>Not Equal To</b></li> </ul>

## Search by Supplier Name

Step	Action
2.	Within the <b>Supplier</b> screen, under the “Supplier Name” section, change the drop-down option from “Equal to” to “Contains” (as preferred).
3.	<p>Enter the Supplier name into the <b>Name</b> field.</p> <p><b>NOTE:</b></p> <ul style="list-style-type: none"> <li>• This field is not case sensitive.</li> <li>• Partial names may be entered.</li> <li>• To generate more refined search results, avoid using broad single terms, such as “the”.</li> </ul>
4.	Click the <b>Search</b> button at the bottom of the page.
5.	The “Search Results” table will open the matching vendor record, produce a list of entries that contains the name you entered in the “Name” field (if the “Contains” option is used); if no records match, the system will return an error message.
6.	Review the list for any existing/duplicate vendors. (See “Parent/Child Supplier Record Relationships” topic regarding duplicate vendors.)
7.	Use the <b>Clear</b> button to erase previously entered search criteria to begin a new search.
8.	Repeat the name search using various combinations and versions of the vendor name(s).

## Search by Supplier ID

Step	Action
9.	Within the <b>Supplier</b> screen, in the “Supplier ID” field, enter the desired supplier’s 10 Digit Supplier ID or (b) “%XXXX” with X being the last numeric digits.
10.	Click the <b>Search</b> button at the bottom of the screen.
11.	The “Search Results” table will list any Supplier record(s) that match the entered Supplier ID; if no records match, the system will return an error message.
12.	Use the <b>Clear</b> button to erase previously entered search criteria to begin a new search.

## 3.5 | Technology Marketplace\*

Please refer to the most updated Technology Marketplace information as of July 2018 at:  
<https://sfemployeeportalsupport.sfgov.org/support/solutions/articles/11000022819-new-cio-review-policy-for-f-p>

### 3.5.1 | Technology Store Fee

The 1.9% Technology Store fee is an interdepartmental service recovery offsetting General Fund support for the Office of Contract Administration. The Controller’s Office is responsible for processing this fee for the City. Eligible fees are based on contracts and not by Supplier. The Office of the City Administrator updates eligible contracts on a quarterly basis. The Table below provides a list of contracts which are eligible for Technology Marketplace fees as of July 2019.

**TABLE 3-9. CONTRACTS SUBJECT TO TECHNOLOGY STORE FEE**

Contract ID	Contract Description	Purchasing Authority	Supplier ID	Supplier
1000001508	Tech Marketplace Tier 1A Gener	TC	0000023129	CENTRAL COMPUTERS INC
1000001509	Tech Marketplace Tier 1A Gener	TC	0000022410	COMPUTERLAND SILICON VALLEY
1000001510	Tech Marketplace Tier 1A Gener	TC	0000020671	EN POINTE TECHNOLOGIES SALES LLC
1000001511	Tech Marketplace Tier 1A Gener	TC	0000009920	TECHNOLOGY INTEGRATION GROUP

**ACCOUNTING POLICIES & PROCEDURES**

1000001512	Tech Marketplace Tier 1A Gener	TC	0000008050	WORLD WIDE TECHNOLOGY LLC
1000001513	Tech Marketplace Tier 1A Gener	TC	0000008003	XTECH
1000001514	Tech Marketplace Tier 1B Speci	TC	0000018177	INTERVISION SYSTEMS TECHNOLOGIES INC
1000001515	Tech Marketplace Tier 1B Speci	TC	0000012107	ROBERT HALF INTERNATIONAL INC
1000001516	Tech Marketplace Tier 1B Speci	TC	0000010447	STELLAR SERVICES INC
1000001626	Tech Marketplace Tier 1B Speci	TC	0000022243	CORNERSTONE TECHNOLOGY PARTNERS II JV
1000001627	Tech Marketplace Tier 1B Speci	TC	0000016427	LEARN IT
1000001628	Tech Marketplace Tier 1B Speci	TC	0000010802	SOFTNET SOLUTIONS
1000001629	Tech Marketplace Tier 1B Speci	TC	0000008945	UNITEDLAYER LLC
1000012601	Tech Mktplc 2.0 Tier 1	TC	0000032444	CCS Global Tech
1000012602	Tech Mktplc 2.0 Tier 1	TC	0000023205	CDW GOVERNMENT LLC
1000012603	Tech Mktplc 2.0 Tier 1	TC	0000023129	CENTRAL COMPUTERS INC
1000012604	Tech Mktplc 2.0 Tier 1	BID	0000022410	COMPUTERLAND SILICON VALLEY
1000012605	Tech Mktplc 2.0 Tier 1	TC	0000030047	ConvergeOne, Inc.
1000012606	Tech Mktplc 2.0 Tier 1	TC	0000022243	CORNERSTONE TECHNOLOGY PARTNERS II JV
1000012607	Tech Mktplc 2.0 Tier 1	TC	0000020897	DPP Tech Inc.
1000012608	Tech Mktplc 2.0 Tier 1	TC	0000021099	DYNAMIC SYSTEMS INC
1000012609	Tech Mktplc 2.0 Tier 1	TC	0000020671	EN POINTE TECHNOLOGIES SALES LLC
1000012610	Tech Mktplc 2.0 Tier 1	TC	0000030163	Intervision Systems LLC
1000012611	Tech Mktplc 2.0 Tier 1	TC	0000012909	PRESIDIO NETWORKED SOLUTIONS GROUP LLC
1000012612	Tech Mktplc 2.0 Tier 1	TC	0000012107	ROBERT HALF INTERNATIONAL INC
1000012613	Tech Mktplc 2.0 Tier 1	TC	0000010886	SLALOM CONSULTING
1000012614	Tech Mktplc 2.0 Tier 1	TC	0000010802	SOFTNET SOLUTIONS
1000012615	Tech Mktplc 2.0 Tier 1	TC	0000010447	STELLAR SERVICES INC
1000012616	Tech Mktplc 2.0 Tier 1	TC	0000037842	VARIEDY
1000012617	Tech Mktplc 2.0 Tier 1	TC	0000008050	WORLD WIDE TECHNOLOGY LLC

1000012618	Tech Mktplc 2.0 Tier 1	BID	0000008003	XTECH
1000012619	Tech Mktplc 2.0 Tier 1	TC	0000038064	ZONES, LLC
1000012721	Tech Mktplc 2.0 Tier 2	TC	0000025514	AMERITECH COMPUTER SERVICES INC
1000012722	Tech Mktplc 2.0 Tier 2	TC	0000024019	BRIDGE MICRO
1000012723	Tech Mktplc 2.0 Tier 2	TC	0000021575	DELTA COMPUTER SOLUTIONS INC
1000012724	Tech Mktplc 2.0 Tier 2	TC	0000032448	Elyon Enterprise Strategies, Inc.
1000012725	Tech Mktplc 2.0 Tier 2	TC	0000018143	IPSOFACTO IT SERVICES
1000012726	Tech Mktplc 2.0 Tier 2	TC	0000016427	LEARN IT
1000012727	Tech Mktplc 2.0 Tier 2	TC	0000014048	NUSPECTIVE INC
1000012728	Tech Mktplc 2.0 Tier 2	TC	0000037146	Pantheon Systems Inc
1000012729	Tech Mktplc 2.0 Tier 2	TC	0000010525	STAPLES BUSINESS ADVANTAGE
1000012730	Tech Mktplc 2.0 Tier 2	TC	0000008559	VOX NETWORK SOLUTIONS
1000012952	Tech Mktplc 2.0 Tier 3-EQ108	BID	0000026254	ACTNET ADVANCED TECHNOLOGY CORP
1000012953	Tech Mktplc 2.0 Tier 3-GS093	BID	0000026254	ACTNET ADVANCED TECHNOLOGY CORP
1000012954	Tech Mktplc 2.0 Tier 3-GS109	BID	0000026254	ACTNET ADVANCED TECHNOLOGY CORP
1000012955	Tech Mktplc 2.0 Tier 3-GS131	BID	0000026254	ACTNET ADVANCED TECHNOLOGY CORP
1000012956	Tech Mktplc 2.0 Tier 3-EQ108	BID	0000024375	BETA NINETIES COMPUTER INC
1000012957	Tech Mktplc 2.0 Tier 3-GS093	BID	0000024375	BETA NINETIES COMPUTER INC
1000012958	Tech Mktplc 2.0 Tier 3-EQ108	BID	0000021431	DIAMOND TECHNOLOGY INC
1000012959	Tech Mktplc 2.0 Tier 3-GS093	BID	0000021431	DIAMOND TECHNOLOGY INC
1000012960	Tech Mktplc 2.0 Tier 3-GS109	BID	0000021431	DIAMOND TECHNOLOGY INC
1000012961	Tech Mktplc 2.0 Tier 3-GS109	BID	0000020358	EXYGY INC
1000012962	Tech Mktplc 2.0 Tier 3-GS131	BID	0000020358	EXYGY INC
1000012963	Tech Mktplc 2.0 Tier 3-GS132	BID	0000020358	EXYGY INC
1000012964	Tech Mktplc 2.0 Tier 3-GS109	BID	0000020303	FARALLON GEOGRAPHICS INC
1000012965	Tech Mktplc 2.0 Tier 3-GS132	BID	0000020303	FARALLON GEOGRAPHICS INC
1000012966	Tech Mktplc 2.0 Tier 3-GS109	BID	0000020121	FIVEPATHS LLC
1000012968	Tech Mktplc 2.0 Tier 3-GS131	BID	0000020121	FIVEPATHS LLC
1000012969	Tech Mktplc 2.0 Tier 3-GS132	BID	0000020121	FIVEPATHS LLC
1000012970	Tech Mktplc 2.0 Tier 3-GS093	BID	0000033704	Gensigma LLC

**ACCOUNTING POLICIES & PROCEDURES**

1000012971	Tech Mktplc 2.0 Tier 3-GS132	TC	0000033704	Gensigma LLC
1000012972	Tech Mktplc 2.0 Tier 3-EQ108	BID	0000027710	PARTHEX
1000012973	Tech Mktplc 2.0 Tier 3-GS109	BID	0000010624	SPIRAL SCOUT LLC
1000015320	Tech Marketplace Tier 1A Gener	TC	0000008003	XTECH
1000009641	Tech Marketplace Tier 1B Speci	TC	0000018177	INTERVISION SYSTEMS TECHNOLOGIES INC
1000009642	Tech Marketplace Tier 1B Speci	TC	0000018177	INTERVISION SYSTEMS TECHNOLOGIES INC
1000009643	Tech Marketplace Tier 1B Speci	TC	0000030163	Intervision Systems LLC
1000017631	Tech Mktplc 2.0 Tier 1	BID	0000012107	ROBERT HALF INTERNATIONAL INC
1000012976	Tech Mktplc 2.0 Tier 3-EQ108	BID	0000010057	T & S TRADING & ENTERPRISE CO
1000012980	Tech Mktplc 2.0 Tier 3-EQ108	BID	0000009339	TOPTEK MICRO CENTER INC
1000012982	Tech Mktplc 2.0 Tier 3-EQ108	BID	0000008001	XTERRA SOLUTIONS INC
1000012975	Tech Mktplc 2.0 Tier 3-GS093	BID	0000010311	STUDIO 151
1000012977	Tech Mktplc 2.0 Tier 3-GS093	BID	0000010057	T & S TRADING & ENTERPRISE CO
1000012983	Tech Mktplc 2.0 Tier 3-GS093	BID	0000008001	XTERRA SOLUTIONS INC
1000012978	Tech Mktplc 2.0 Tier 3-GS109	BID	0000010057	T & S TRADING & ENTERPRISE CO
1000012981	Tech Mktplc 2.0 Tier 3-GS109	BID	0000028618	TWO RIVERS CORP
1000012984	Tech Mktplc 2.0 Tier 3-GS109	BID	0000008001	XTERRA SOLUTIONS INC
1000013080	Tech Mktplc 2.0 Tier 3-GS109	TC	0000021431	DIAMOND TECHNOLOGY INC
1000012974	Tech Mktplc 2.0 Tier 3-GS132	BID	0000010624	SPIRAL SCOUT LLC

**3.6 | Blanket Purchase Order, Purchase Order & Direct Voucher\***

Note that Section 3.6.2 and 3.6.3 are superseded by Section 3.9 Procurement.

The *City Charter* (Section 3.105) and *Administrative Code* (Section 10.06) require that departments encumber funds before goods or services are provided:

**No officer or employee shall bind the City & County to expend money unless there is a written contract or other instrument and unless the Controller shall certify that sufficient unencumbered balances are available in the proper fund to meet the payments under such contract or other obligation as these become due**

A purchase order is the prerequisite to the certification and encumbrance of funds. Departments must not receive goods or services, or provide payments to a vendor, until the purchase order has been entered into the City's financial system.

Departments must always enter purchase order information into the financial system, which then results in the Controller's Office certification that funds are available for a purchase, contract, or other obligation. The posting of a Purchase Order in PeopleSoft creates encumbrances and commits the funds for the purpose certified until the obligation is fulfilled, canceled, or discharged.

### **3.6.1 | Encumbrances\***

Encumbrances are the recognition of commitments that will subsequently become expenditures when goods and services are received. Encumbrances are posted for documents such as purchase estimates, purchase orders, and contracts.

#### **3.6.1.1 | HOW ENCUMBRANCES AFFECT APPROPRIATIONS**

Encumbrances help manage available appropriation, allotment, and budget balances more effectively. When an encumbrance is posted to a department's financial records, the amount of money available for spending by the department is reduced by the amount of the encumbrance. By recording the estimated cost of purchase orders and contracts as encumbrances, managers are aware of the future impact of previous financial decisions.

The bulleted items and corresponding Table below show how expenditures and encumbrances affect appropriation balances.

- Encumbrances reduce an appropriation balance
- Expenditures not previously encumbered reduce an appropriation balance
- Decreasing an encumbrance increases an appropriation balance

- Expenditures previously encumbered do not affect the appropriation balance.

FIGURE 3-34. SAMPLE OF HOW EXPENDITURES &amp; ENCUMBRANCES AFFECT APPROPRIATION BALANCES

	BEGINNING APPROPRIATION	EXPENDITURES	ENCUMBRANCE	APPROPRIATION BALANCE
Establish original appropriation	10,000			10,000
Post encumbrance			6,000	4,000
Post expenditure (not encumbered)		1,000		3,000
Decrease encumbrance			-1,000	4,000
Post expenditure (encumbered)		2,000	-2,000	4,000
Summary	\$10,000	\$3,000	\$3,000	\$4,000

### 3.6.2 | Purchase Orders\*

~~A Purchase Order can result from a requisition only process, or a requisition and bid process. When the requisition is entered into FAMIS Purchasing, funds are pre-encumbered. Approved department requisitions in FAMIS Purchasing become Purchase Orders, liquidating the requisition and creating the financial system encumbrance. Certification of available funds for all purchases, contracts, and other obligations is done by posting an encumbrance transaction in the financial system. Purchases of goods and services, including professional service contracts, are generally recorded in Advanced Purchase Inventory Control System (ADPICS) using a Purchase Order, which posts an encumbrance in the financial system. Construction and real estate contracts are generally recorded directly in FAMIS using an “EN” encumbrance document. The Purchase Order is sent to the vendor and, after the order has been fulfilled, the department reviews and approves the vendor invoice for payment.~~

~~Departments must follow the steps below to ensure that the Purchase Order process has been completed appropriately:~~

- ☐ ~~If necessary, the department has completed a requisition process<sup>1</sup>~~
- ☐ ~~The requisition request has been entered into FAMIS Purchasing and pre-encumbered funds~~
- ☐ ~~If necessary, the department has completed a bid process<sup>2</sup> in support of the requisition~~
- ☐ ~~The requisition has been approved in FAMIS Purchasing or ADPICS, triggering the Purchase Order and interface with FAMIS Accounting~~
- ☐ ~~The Purchase Order liquidates the requisition, creates the encumbrance, and certifies the availability of funds~~
- ☐ ~~The Purchase Order is approved, signed, and sent to the vendor~~
- ☐ ~~The vendor fulfills the order with the department and sends the invoice~~
- ☐ ~~The department reviews, approves, and posts the invoice and voucher in FAMIS Purchasing~~
- ☐ ~~The voucher is interfaced into FAMIS Accounting, which generates a check to be mailed to the vendor~~

### **3.6.3 | Blanket Purchase Order\***

Department or City Blanket Purchase Orders (BPOs) are a method to obtain approval for future purchases from a vendor for a specific time period and dollar limit. BPOs are also used to track Professional Service Contracts that span multiple fiscal years. BPOs do not encumber funds. Before placing orders or issuing contracts, departments must record an encumbrance against the BPO, which is done in ADPICS using a Purchase Order release.

Departments must follow the steps below to ensure that the BPO process has been completed appropriately:

- ☐ ~~The department has identified the appropriate BPO authority and has obtained favorable terms from vendors<sup>3</sup>~~

---

<sup>1</sup> Requisitions are not used for the following types of purchases: 1) construction services; 2) professional services; 3) leasing or rental of equipment; 4) travel and training expenses and reimbursements; 5) conference and registration fees; 6) employee-related expenses; 7) organization memberships, dues, and subscriptions; 8) postage.

<sup>2</sup> Bidding is not required on items: 1) covered under the conditions of a "term contract"; 2) with a total price of \$10,000 or less; 3) with no other source; 4) that are certain perishable foods; 5) that are proprietary articles; 6) subject to contract awarded by the State of California; 7) that are reciprocal buying agreements with other public agencies in the State of California.

<sup>3</sup> Favorable terms for the BPO include discount pricing off retail prices; prompt payment discount; free on board (FOB) freight terms specify Destination Point.



- ☐ ~~The department has obtained a detailed description of the product or service to be purchased through the BPO~~
- ☐ ~~The department records an encumbrance against the BPO using ADPICS Purchase Order release~~
- ☐ ~~The Purchase Order is approved, signed, and sent to the vendor~~
- ☐ ~~The vendor fulfills the order with the department and sends the invoice~~
- ☐ ~~The department reviews, approves, and posts the invoice and voucher in FAMIS Purchasing~~
- ☐ ~~The voucher is interfaced into FAMIS Accounting, which generates a check to be mailed to the vendor~~

### **3.6.4 | Direct Payment without Encumbrance\***

A Direct Payment is a payment request without an existing encumbrance. Generally, it is a violation to the City's standard procurement practices and *Administrative Code*, and departments should refrain from using Direct Payments. There are allowed Direct Payments and some examples are listed below. Please check with OCA and the Controller's Office Fund Accountants on allowed Direct Payments.

- Claims
- Court related fees
- Dues & Subscriptions
- Payroll related payments, e.g. payments to credit unions
- Postage
- Refunds of revenues and liabilities
- Revolving fund replenishment
- Trust & agency payments

Each Direct Payment over \$10,000 is reviewed by OCA and the Controller's Office. Note that, as of August 2017, OCA has been temporarily removed from the approval path due to PeopleSoft configuration limitation. This removal will be evaluated and revisited at a later time.

The OCA evaluates the department's response to four questions:

1. What happened to cause the need for a direct payment?
2. If no error occurred, then why wasn't there an encumbrance and who authorized this situation?

3. Why is the price reasonable or how do we know it is a good deal for the City?
4. What steps are being taken to ensure that this doesn't happen again?

Departments provide the answers to these four questions in the Comment field.

The Controller's Office contacts the department to determine the following issues regarding the direct payment request:

- Authority: is the department able to purchase the item sought?
- Violation type: what procurement or contracting rule was broken?
- Eligibility of costs or expenditures: was the expense eligible under the funding source? (e.g., the bond, grant, MOU, agreement, etc., allows it?)
- Appropriateness of cost: is it necessary and reasonable?
- Timing: when was the cost incurred? When should the encumbrance have been recorded?  
Example: cost was incurred in 2011 but brought to Controller in 2015. Not reasonable. 12-18 months is reasonable.
- Context of the request: does the department making the direct payment request have a track record of routinely failing to comply with accounting rules, or there has been no good faith effort in the past to address issues? Is the request originating from a new manager who may not understand the City's procurement rules, or from a manager who has previously not complied with *Chapter 21*?
- Preventive measures: has the department explained how it will improve its processes to avoid the need for direct payment in future similar instances? How will it ensure that its program staff will follow the procurement rules going forward?

Departments should contact the Controller's Office for training and support to reduce the need for direct payments.

### **3.7 | Sugar-Sweetened Beverage Funding Ban**

*San Francisco Administrative Code, Chapter 101* restricts the purchase, sale, or distribution of sugar-sweetened beverages by or for the City. Below is the legislation:

#### **SEC. 101.1. TITLE.**

The title of this Chapter 101 shall be the Sugar-Sweetened Beverage Funding Ban Ordinance.

## ACCOUNTING POLICIES & PROCEDURES

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### SEC. 101.2. DEFINITIONS.

For purposes of this Chapter 101,

"Base Product" means the same as Powder.

"Beverage Dispensing Machine" means an automated device that mixes Concentrate with one or more other ingredients and dispenses the resulting mixture into an open container as a ready-to-drink beverage.

"Caloric Substance" means a substance that adds calories to the diet of a person who consumes that substance.

"Caloric Sweetener" means any Caloric Substance suitable for human consumption that humans perceive as sweet and includes, but is not limited to, sucrose, fructose, high fructose corn syrup, glucose and other sugars.

"City" means the City and County of San Francisco.

"Concentrate" means a Syrup, Powder, or Base Product that is used for mixing, compounding, or making Sugar-Sweetened Beverages in a Beverage Dispensing Machine. Notwithstanding the foregoing sentence, "Concentrate" does not include the following:

- (a) Any product that is designed to be used primarily to prepare coffee or tea.
- (b) Any product that is sold and is intended to be used for the purpose of an individual consumer mixing, compounding, or making a Sugar-Sweetened Beverage.
- (c) Any product sold for consumption by infants, which is commonly referred to as "infant formula," or any product whose purpose is infant rehydration.
- (d) Medical Food.
- (e) Any product designed as supplemental, meal replacement, or sole-source nutrition that includes proteins, carbohydrates, and multiple vitamins and minerals.

"Contract" means any agreement between the City and a person to provide or procure labor, materials, equipment, supplies, or services to, for, or on behalf of the City for a price to be paid out of monies deposited in the City Treasury or out of trust monies under the control of or collected by the City, but excluding agreements for a cumulative amount of \$5,000 or less per vendor in each fiscal year.

"Grant" means any agreement between the City and a nonprofit entity to provide services to the public or a portion of the public, whether the agreement is funded by the City or by Federal or State grant funds.

"Medical Food" means medical food as defined in Section 109971 of the California Health and Safety Code, including amendments to that Section.

"Milk" means natural liquid milk, natural milk concentrate, or dehydrated natural milk (whether or not reconstituted), regardless of animal source or butterfat content. For purposes of this definition, "Milk" includes flavored milk containing no more than 40 grams of total sugar (naturally-occurring and from added Caloric Sweetener) per 12 ounces.

"Natural Fruit Juice" means the original liquid resulting from the pressing of fruit, the liquid resulting from the complete reconstitution of natural fruit juice concentrate, or the liquid resulting from the complete restoration of water to dehydrated natural fruit juice.

"Natural Vegetable Juice" means the original liquid resulting from the pressing of vegetables, the liquid resulting from the complete reconstitution of natural vegetable juice concentrate, or the liquid resulting from the complete restoration of water to dehydrated natural vegetable juice.

"Nonalcoholic Beverage" means any beverage that is not subject to tax under Part 14 (commencing with Section 32001) of the California Revenue and Taxation Code.

"Person" means any natural person, corporation, sole proprietorship, partnership, association, joint venture, limited liability company, or other legal entity.

"Powder" means a solid or liquid mixture of ingredients with added Caloric Sweetener used in making, mixing, or compounding Sugar-Sweetened Beverages by mixing the Powder with any one or more other ingredients, including, without limitation, water, ice, Syrup, Simple Syrup, fruits, vegetables, fruit juice, vegetable juice, or carbonation or other gas.

"Simple Syrup" means a mixture of sugar and water.

"Sugar-Sweetened Beverage" means any Nonalcoholic Beverage sold for human consumption that has one or more added Caloric Sweeteners and contains more than 25 calories per 12 ounces of beverage. Notwithstanding the foregoing sentence, "Sugar-Sweetened Beverage" does not include any of the following:

- (a) Milk.
- (b) Milk alternatives, including but not limited to non-dairy creamers or beverages primarily consisting of plant-based ingredients (such as soy, rice, or almond milk products), regardless of sugar content.
- (c) Any beverage that contains solely 100 percent Natural Fruit Juice, Natural Vegetable Juice, or combined Natural Fruit Juice and Natural Vegetable Juice.
- (d) Any product sold for consumption by infants, which is commonly referred to as "infant formula," or any product whose purpose is infant rehydration.

## ACCOUNTING POLICIES & PROCEDURES

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(e) Medical Food.

(f) Any product designed as supplemental, meal replacement, or sole-source nutrition that includes proteins, carbohydrates, and multiple vitamins and minerals.

(g) Any product sold in liquid form designed for use as an oral nutritional therapy for persons who may have a limited ability to absorb or metabolize dietary nutrients from traditional food or beverages.

(h) Any product sold in liquid form designed for use for weight reduction.

"Syrup" means the liquid mixture of ingredients used in making, mixing, or compounding Sugar-Sweetened Beverages using one or more ingredients, including, without limitation, water, ice, a Base Product, Powder, Simple Syrup, fruits, vegetables, fruit juice, vegetable juice, or carbonation or other gas.

### SEC. 101.3. BARRING CITY DEPARTMENTS FROM USING CITY FUNDS TO PURCHASE SUGAR-SWEETENED BEVERAGES.

No City officer, department, or agency (collectively, "department") shall use City funds to purchase Sugar-Sweetened Beverages in any form, except as specifically exempted from or allowed under this Chapter 101.

### SEC. 101.4. BARRING THE SALE, PROVISION, OR DISTRIBUTION OF SUGAR-SWEETENED BEVERAGES UNDER A CITY CONTRACT OR GRANT.

No person shall sell, provide, or otherwise distribute Sugar-Sweetened Beverages, in any form, as part of its performance of a City Contract or Grant.

### SEC. 101.5. WAIVERS AND EXCLUSIONS.

(a) A City officer, department, or agency (collectively, "department"), with the approval of the Purchaser, may waive the requirements of Sections 101.3 and 101.4 in full or in part if the department determines that strict application of the requirement would not be feasible, would create an undue hardship or practical difficulty, or that similar circumstances otherwise warrant granting of the waiver. The department's decision to grant a waiver shall be in writing.

(b) The provisions of Sections 101.3, 101.4, or both, shall not apply where the department makes a written finding that the application or inclusion of such provisions would violate or be inconsistent with the terms or conditions of a grant, subvention or contract with an agency of the State of California or the United States or the instructions of an authorized representative of any such agency with respect to any such grant, subvention or contract.

(c) The provisions of Sections 101.3 shall not apply to the purchase by the Department of Public Health of Sugar-Sweetened Beverages for its patients, to be used in cases where a medical professional has determined that providing such beverages is part of the appropriate course of treatment for the

patient. The provisions of Sections 101.4 shall not apply to the sale, provision, or other distribution of Sugar-Sweetened Beverages to patients as part of the performance of a Contract with or a Grant from the Department of Public Health in cases where a medical professional has determined that supplying such beverages is part of the appropriate course of treatment for the patient.

(d) Nothing in this Chapter 101 shall be construed to impair a contract, lease, management agreement or other agreement to which the City is a party on the effective date of this Chapter.

(e) Departments shall annually report all waivers granted under subsection (a) and determinations of non-applicability made under subsections (b) and (c) to the City Administrator, and include the reason for each waiver.

#### SEC. 101.6. ENFORCEMENT AND PENALTIES.

(a) Any person that sells, provides, or otherwise distributes Sugar-Sweetened Beverages in violation of Section 101.4 may be subject to administrative fines imposed by the City Administrator in the amount of

- (1) Up to \$500 for the first violation;
- (2) Up to \$750 for a second violation within a twelve-month period; and,
- (3) Up to \$1,000 for a third and subsequent violations within a twelve-month period.

(b) Except as provided in subsection (a), setting forth the amount of administrative fines, Administrative Code Chapter 100, "Procedures Governing the Imposition of Administrative Fines," as may be amended from time to time, is hereby incorporated in its entirety and shall govern the imposition, enforcement, collection, and review of administrative citations issued by the Director to enforce this Chapter 101 or any administrative regulation adopted under this Chapter.

(c) Any person that sells, provides, or otherwise distributes Sugar-Sweetened Beverages in violation of Section 101.4 shall be deemed to have committed a material breach of the Contract or Grant and, after a noticed hearing, the person or entity may be barred for two years from receiving any City contract, grant agreement, or loan agreement.

#### SEC. 101.7. ADMINISTRATIVE REGULATIONS.

The City Administrator, or at the City Administrator's discretion, the Purchaser, may adopt rules, regulations, or guidelines for the implementation of this Chapter 101.

### 3.8 | Contracting Frequently Asked Questions (FAQs)

[THIS SECTION WILL BE UPDATED UPON COMPLETION OF OCA P&P UPDATE]

**Q:** What is the threshold for commodities and general services bidding?

**A:** Per *Administrative Code Chapter 21*, the bidding threshold (or Minimum Competitive Amount) has been calculated by the Controller's Office to be \$129,000 for commodities and \$706,000 for general services.

**Q:** What is the professional service solicitation threshold?

**A:** Per *Administrative Code Chapter 21*, the bidding threshold (or Minimum Competitive Amount) has been calculated by the Controller's Office to be \$129,000 for professional services.

**Q:** What is the distinction between general services vs. professional services?

**A:** The definition of professional services and general services can be found in *Administrative Code Chapter 21*, Section 21.02, Definitions, subsections (i) for general services and (m) for professional services. "General Services" shall mean those services that are not Professional Services, including but not limited to janitorial, security guard, pest control, parking lot management, and landscaping services. "Professional Services" shall mean those services which require extended analysis, the exercise of discretion and independent judgment in their performance, and/or the application of an advanced, specialized type of knowledge, expertise, or training customarily acquired either by a prolonged course of study or equivalent experience in the field. Professional service providers include, but not limited to, licensed professionals such as architects, engineers, and accountants, and non-licensed professionals such as software developers and financial consultants.

**Q:** If my technology marketplace contract has expired, may I still use open Purchase Orders that were released before the contract expiration date?

**A:** Technology Marketplace Purchase Orders released before Term Contract expiration dates may still be used as long as the Purchase Order includes language similar to that below:

"UPON THE EXPIRATION OF THE TECHNOLOGY MARKEPLACE AGREEMENT BETWEEN THE CITY AND COUNTY OF SAN FRANCISCO AND <Insert Awarded Supplier> FOR PRODUCTS OR SERVICES, <Insert Awarded Supplier> SHALL, AT CITY'S DIRECTION, ASSIGN TO CITY ANY OR ALL <Insert Awarded Supplier> RIGHT, TITLE, AND INTEREST TO ORDERS AND SUBCONTRACTS THAT WILL NOT BE FULLY EXECUTED OR PERFORMED AS OF THE CONTRACT EXPIRATION DATE, INCLUDING, WITHOUT

LIMITATION, ONGOING SOFTWARE LICENSES AND SOFTWARE MAINTENANCE AGREEMENTS NOT PREVIOUSLY ASSIGNED TO CITY.

CITY SHALL HAVE THE RIGHT, IN ITS SOLE DISCRETION, BUT NOT THE OBLIGATION TO <Insert Awarded Supplier> TO ASSIGN ANY AND ALL SUCH ORDERS AND SUBCONTRACTS.

THE TERMS AND CONDITIONS OF THE MASTER TECHNOLOGY MARKETPLACE ARE INCORPORATED AND SURVIVE THROUGH THE TERM OF THIS PROPOSED TRANSACTION

AS IT WILL SURVIVE AFTER THE MASTER HAS ENDED.”

Note that the Department will still run into a match exception during the payment process, and will need to manually override the exception and provide the required justification.

**Q:** What is “Prop Q”?

**A:** Prop Q, also known as Delegated Departmental Purchasing, is a purchasing mechanism for commodities and services under \$10,000. Prop Q cannot be used for information technology (IT) purchases, professional services, construction, term contract items, lease-purchase transactions, or vehicles/heavy equipment.

All employees who exercise Prop Q purchasing authority are required to attend a Prop Q training every three years. Please contact OCA for the details.

**Q:** What is the definition of “order splitting”?

**A:** Order splitting is the procurement of the same item through separate requests within two to three weeks. Consideration is given to orders using different funding codes or delivery address (a proxy for different expense centers).

**Q:** What is OMP purchasing authority?

**A:** OMP is the abbreviation for “open market purchase”. This authority is used for department blanket purchase orders, which is limited to \$1,000 per day and is used for low-dollar purchases of a specified list of items with specified prices, and when the volumes to be purchased are uncertain. An example of this type of purchase would be the purchase of nails.



**Q:** What is NP purchasing authority?

**A:** NP is the abbreviation for “non-purchasing”. This authority is used for non-purchasing Purchase Orders, which means they do not fall within the purview of OCA. Examples of NP purchases include non-customized training, subscription, rent, etc.

**Q:** What impact does purchasing authority have on the Purchase Order approval workflow?

**A:** Purchasing authority does not have a direct impact on the PO approval workflow. If a PO should be classified as non-purchasing (i.e. not go through OCA approval), the Department should release the PO from a Contract Type PCR (Non-Purchasing) contract. PO releases from a PCR contract do not require OCA approval.

**Q:** How am I supposed to procure training services?

**A:** In situations where the training services are provided by an independent supplier/vendor who is **not** a City employee or related to a City employee, departments may procure training services by the following matrix:

<b>Training Services Matrix (1/30/20)</b>									
<p><b>Customized Training</b></p> <p><u>Definition:</u> Specifically developed for the requesting department.</p>	<ul style="list-style-type: none"> <li>• <b>Solicitation Requirements:</b> <ul style="list-style-type: none"> <li>○ <b>≤ \$10,000:</b> None (but highly encouraged) except if required by grant or other funding source.</li> <li>○ <b>&gt; \$10,000 and &lt; \$129,000:</b> Informal RFP to a minimum of three bidders, in accordance with Chapter 21, unless solicitation requirements are waived by OCA.</li> <li>○ <b>≥ \$129,000:</b> Formal public RFP, in accordance with Chapter 21, unless solicitation requirements are waived by OCA.</li> </ul> </li> <li>• <b>Contract Form:</b> P-600. <i>If the purchase involves <u>online training</u>, you may be required to use the P-648 (SaaS Template), P-629 (Online Content Template) or other City software agreement template.</i></li> <li>• <b>Supplier Compliance:</b> Suppliers will still be required to comply with 12B, 12X and all other applicable City supplier requirements.</li> <li>• <b>Insurance:</b> Standard insurance requirements as per P-600, unless otherwise provided by the Risk Manager.</li> <li>• <b>PeopleSoft Purchasing Authority:</b> <table border="1"> <tr> <td>≤ \$10K</td><td>"PROFSERV-10K"</td></tr> <tr> <td>&gt; \$10,000 and &lt; \$129K</td><td>"PROFSERV-BID"</td></tr> <tr> <td>≥ \$1290K</td><td>"PROFSERV-BID"</td></tr> <tr> <td>Waived</td><td>"PROFSERV-NOS"</td></tr> </table> </li> </ul>	≤ \$10K	"PROFSERV-10K"	> \$10,000 and < \$129K	"PROFSERV-BID"	≥ \$1290K	"PROFSERV-BID"	Waived	"PROFSERV-NOS"
≤ \$10K	"PROFSERV-10K"								
> \$10,000 and < \$129K	"PROFSERV-BID"								
≥ \$1290K	"PROFSERV-BID"								
Waived	"PROFSERV-NOS"								
<p><b>Non-Customized / Off the Shelf Training</b></p> <p><u>Definition:</u> Standard training offered in the same manner to anyone purchasing it (e.g. the curriculum and/or course materials are not altered in any way).</p>	<ul style="list-style-type: none"> <li>• <b>Solicitation Requirements:</b> <ul style="list-style-type: none"> <li>○ <b>≤ \$10,000:</b> None (but highly encouraged) except if required by grant or other funding source.</li> <li>○ <b>&gt; \$10,000 and &lt; \$706,000:</b> If possible, request quotes from a minimum of three bidders.</li> <li>○ <b>≥ \$706,000:</b> Unless waived by OCA, a formal solicitation will be required in accordance with Chapter 21. Submit request to OCA to conduct solicitation on your behalf.</li> </ul> </li> <li>• <b>Contract Form:</b> Purchase Order.  <i>* If the purchase involves <u>online training</u>, consult with your City Attorney to determine if a PO without a duly negotiated software license agreement will suffice. If a contract is required, you will be required to follow OCA's standard contracting requirements. Alternatively, you may make the purchase through the City's Technology Marketplace process.</i></li> <li>• <b>Supplier Compliance:</b> Suppliers will still be required to comply with 12B, 12X and all other applicable City supplier requirements.</li> <li>• <b>Insurance:</b> <ul style="list-style-type: none"> <li>○ <b>On-Site:</b> Consult with Risk Manager regarding the City's standard insurance requirements (GL, Auto and WC) and incorporate into the PO in the "Edit Comments" or "Ship To Comments" field(s).</li> <li>○ <b>Off-Site:</b> Generally not required. If uncertain, Consult with Risk Manager.</li> </ul> </li> <li>• <b>PeopleSoft Purchasing Authority:</b> <table border="1"> <tr> <td>≤ \$10K</td><td>"NON-PURCHASING"</td></tr> <tr> <td>&gt; \$10,000 and &lt; \$706K</td><td>"NON-PURCHASING"</td></tr> <tr> <td>≥ \$706K</td><td>"NON-PURCHASING"</td></tr> <tr> <td>Waived</td><td>"NON-PURCHASING"</td></tr> </table> </li> </ul>	≤ \$10K	"NON-PURCHASING"	> \$10,000 and < \$706K	"NON-PURCHASING"	≥ \$706K	"NON-PURCHASING"	Waived	"NON-PURCHASING"
≤ \$10K	"NON-PURCHASING"								
> \$10,000 and < \$706K	"NON-PURCHASING"								
≥ \$706K	"NON-PURCHASING"								
Waived	"NON-PURCHASING"								

**Q:** What is a direct voucher?

**A:** A direct voucher is an exception to the City's standard procurement practices, and is a payment request without a prior encumbrance or when an encumbrance is no longer valid. Each request is reviewed by OCA on its own merits but, generally, at least four questions must be answered:

- 1) What happened to cause the need for a direct voucher?
- 2) If no error occurred, then why wasn't there an encumbrance and who authorized this situation?
- 3) Why is the price reasonable or how do we know it is a good deal for the City?
- 4) What steps are being taken to ensure that this doesn't happen again?

**Q:** How does my department procure a software maintenance agreement?

**A:** Software maintenance agreements use the P-540 agreement template, and department blankets are created to record the agreement.

**Q:** What is an OCA sole source?

**A:** *Administrative Code Chapter 21.5(b)* provides for purchases available only from one source. The form to request a sole source waiver is available on the Intranet and must be signed by the Department Head and accompanied by a justification memo that answers the questions on the form.

**Q:** Has the OCA changed or updated its rules in recent years?

**A:** The rules and regulations pertaining to *Administrative Code Chapter 21* were last revised in June 2005.

**Q:** What is the definition of a "vendor"?

**A:** A vendor is a person or a firm selling goods or services.

**Q:** What is a "compliant" or "qualified" vendor?

**A:** A compliant or qualified vendor is one that conforms to the requirements to do business with the City & County of San Francisco. Departments must use vendors that are compliant or qualified. Refer to *San Francisco Administrative Code, Chapter 21-Acquisition of Commodities and Services*.

[http://www.amlegal.com/nxt/gateway.dll?f=templates&fn=default.htm&vid=amlegal:sanfrancisco\\_ca](http://www.amlegal.com/nxt/gateway.dll?f=templates&fn=default.htm&vid=amlegal:sanfrancisco_ca)

**Q:** Can I pay a City employee as a vendor?

**A:** As a general rule:

**No active City employee should serve the City as an independent contractor**

An active City employee who provides service to the City should do so under an arrangement other than independent contracting. Departments should pay employees for all employment services and fringe benefits through the City's payroll system. Employees should not be compensated through vendor payments; rather, all pay to an active employee should be part of taxable employment compensation. Refer to [Section 4.6 | IRS 1099 Miscellaneous \(MISC\) Reporting Rules](#) for more information.

**Q:** Where can I find more information on the Bottled Water Ban?

**A:** For updated definitions and policy pertaining to the Bottled Water ban, refer to Chapter 24 of the San Francisco Environment Code, available at the [SF Environment website](#).

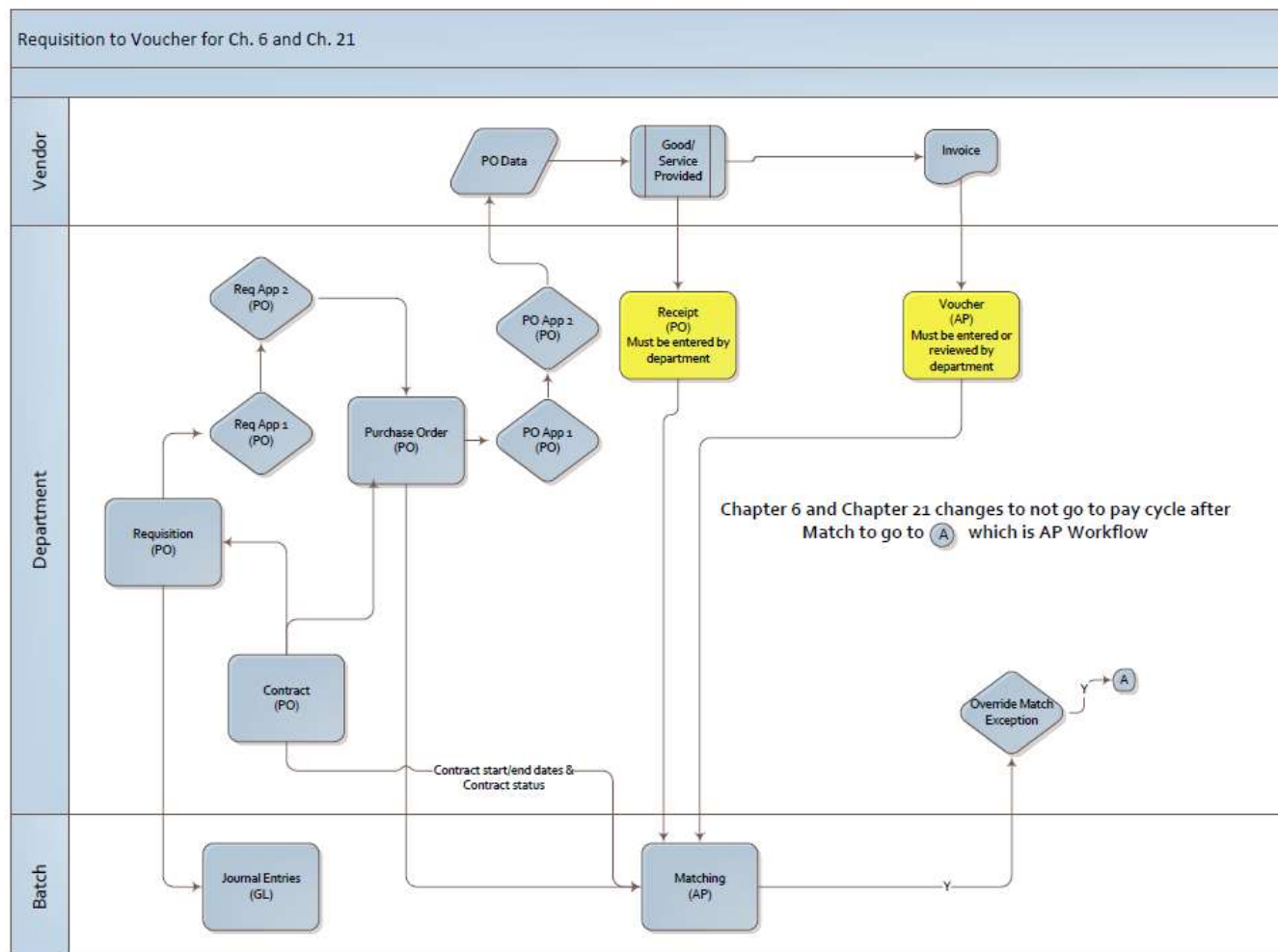
**Q:** May Departments create accounts with online retailers such as Amazon.com?

**A:** Departments may not create accounts with online retailers unless previously authorized by the Controller's Office and the Office of Contract Administration.

### **3.9 | Commodity Procurement in PeopleSoft\***

This section describes the process of creating and approving requisitions and purchase orders in PeopleSoft.

**FIGURE 3-35. REQUISITION TO VOUCHER IN PEOPLESOFT**



### Procurement Process Summary

The primary steps involved in processing a procurement in PeopleSoft are:

1. Suppliers Register in Portal (Suppliers)
2. Requisition Created (Department)
3. Sourcing Event Created and Advertised (Department)
4. Bids Submitted (OCA)
5. Bids Evaluated and Awarded (OCA)
6. Procurement Contract (OCA)

7. Draft and Negotiate Contract Document (OCA)
8. Create Purchase Order to Allow for Invoicing (Department)
9. Receiving
10. Invoicing

### **3.9.1 | Requisitions**

#### **3.9.1.1 | SUMMARY**

- Anyone with Requestor permission can make a request to order an item from a certain Vendor
- Requestor searches for item in catalog and selects item
- Requestor can place an order for non-catalog items by entering a description
- All of the items requested from the same supplier are grouped for Buyer review
- Buyer then creates one purchase order with all requisitions

#### **Why requisition?**

- Allows departments with various branches to centralize purchasing
- Decreases the amount of purchase orders going to each supplier
- Requisitions still allows for delivery to various locations

#### **Separation of duties**

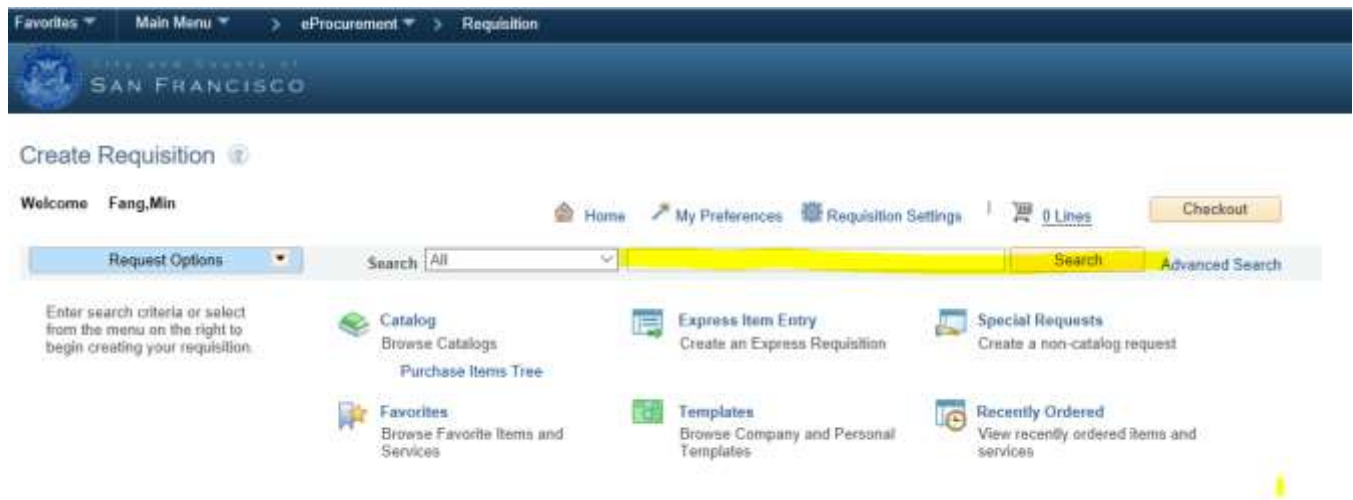
- Many Requestors to few buyers
- Requestor cannot be a buyer

#### **3.9.1.2 | CREATING A REQUISITION**

##### **Adding a Requisition**

1. Navigate to eProcurement → Requisition
2. Enter your DSW# (minus the leading zero, if any) in the Requester field. Click OK.
3. Search for an item

**FIGURE 3-36. CREATING REQUISITION BY SEARCHING FOR AN ITEM**

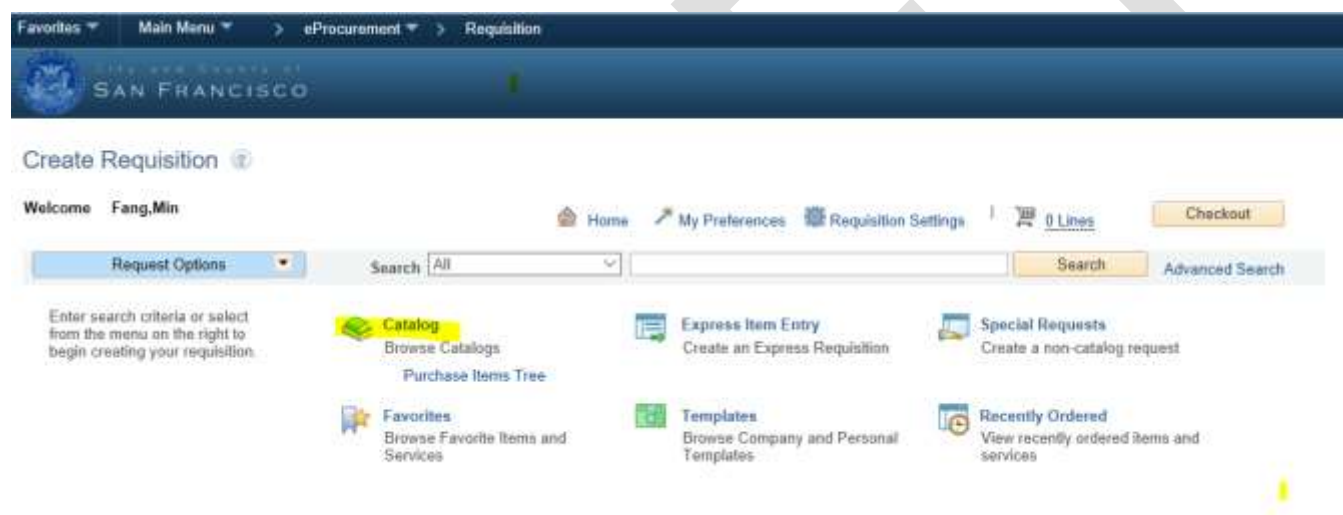


4. To select an item to add to your cart, you can either enter a quantity and click Add or select the checkbox next to the item, enter a quantity, and click Add.
5. After you have added items to your cart, click Checkout. You can change the quantity of any of the items ordered on the checkout page. Click the Add More Items button if you forgot to add items. This returns you to the Create Requisition page. Otherwise, proceed to the next step.
6. If you are requesting more than one item, and all items are being charged to the same Chartfields string, and being shipped to the same location, then click Requisition Settings toward the top of the page.
7. Leaving the Requisition Name field blank means after the requisition is saved, the requisition ID number will populate into this field. Select a Ship To location and enter a Due Date (especially if it needs to be expedited), and then in the Accounting Defaults section, enter the Chartfield string. This information can be obtained from your department's accountant. Click OK.
8. An optional step is to enter a comment at each line by clicking Add under the Comments column, especially if you want to provide a description such as a model number or further details to help the Buyer purchase the correct item. Another optional step is to enter comments and/or attachments in the Requisition Comments and Attachments box. Helpful information may be to include your email address and telephone number, in case a Buyer needs to contact you.
9. You can save the requisition before submitting by clicking the Save for Later button at the bottom of the page. This will generate a Requisition ID number, which can be found by scrolling to the top of the page.
10. Click the Check Budget link if you want to see if the budget status is valid.
11. When you are ready to submit the requisition, click Save & submit.

### Entering requisition through eProcurement using a catalog

1. Navigate to eProcurement → Requisition. This will take you to the Create Requisition Page
2. Requisition Default Header Details:
  - a. Click on the Requisition Settings icon at the top of the page
  - b. Enter requisition name and priority
  - c. Requestor, currency, shipping defaults and accounting defaults will be displayed
3. Select an item from a Catalog: When you click on Catalog Link, a list of catalogs will appear. Click on the catalog name

**FIGURE 3-37. CREATING REQUISITION USING A CATALOG**



4. Select item: Select one item and enter the quantity
5. Click on Check Out Button. This will take you to the Checkout - Review and Submission page
6. Add Line Level details:
  - a. Click on the Line Details icon. Doing so will display the Line Details Page
  - b. Enter Buyer
  - c. Supplier ID and Supplier Location will be displayed by default as the item is already linked to the Supplier
7. To select a contract on a requisition, enter Contract ID
8. Click on the Comments Icon on a line to add comments at line level. Check the "Send to Supplier" box to send the comment to the supplier



9. To add Attachments at line level, click on the Add Attachment button. The File Attachment Window will open. In the window, browse the file and click Upload. Check the "Send to Supplier" box to send the attachment to the supplier and click OK
10. Click on Mass Change icon - Able to edit Lines/Shipping/Accounting
  - a. Enter Supplier ID, Location, and Buyer under Line Info
  - b. Enter Ship to Location, Due Date, and Attention under Shipping Info
  - c. Enter Percentage, GL Business Unit, Account, Fund Dept, BUD unit and Program in Accounting Info
11. Distribution Change Options page will be displayed, select "All Distribution Lines" on it and click OK
12. Add Header Level Comments
  - a. Enter comments under Requisition Comments and check Send to Supplier box
  - b. Be sure to use the Spell Check tool as these comments will appear on the actual Requisition to Supplier
13. Save and Submit Requisition for Approval
  - a. Click Save and Submit button at the bottom of the page
  - b. The requisition will be submitted and will have the "Pending Approval Status"

#### **Entering requisition through Express Item Entry**

To request an item that is not readily available in the catalog, users can enter the requisition by clicking the Express Item Entry link. The rest of the steps are similar to other requisitions as describe above.

**FIGURE 3-38. CREATING REQUISITION THROUGH EXPRESS ITEM ENTRY**



### **Approve a Requisition**

1. Select the Requisition
  - a. Click the worklist
  - b. Click the hyperlink for the requisition to approve. Doing so will display the View Approvals Page
2. Review requisition lines
  - a. Click the "Select All/De-select All" box under "Review Lines" to select all the requisition lines
3. Enter comments under Enter Approver Comments
4. Click Approve
5. Requisition goes through multiple approver levels

### **Budget Check a Requisition**

1. Navigate to eProcurement → Manage Requisition
2. Search for the requisition by entering Business Unit and Requisition ID. Click Search
3. Select 'Check Budget' option from the 'Select Action' drop down. Click Go. Budget Check will be run for the requisition and the Budget Check Status will change to Valid

### 3.9.2 | Purchase Order

Departments can release Purchase Orders from Contracts or directly create Purchase Orders. Direct purchase orders can be used for Delegated Purchasing Authority (also known as Prop-Q) and Non-Purchasing Authorities as defined by *San Francisco Administrative Code Chapter 21*.

#### 3.9.2.1 | CREATE PO BY COPYING FROM CONTRACT

1. Navigate to: Purchasing → Purchase Orders → Add/Update PO's
2. Click on Add a new value Tab
3. Enter Business Unit: SFGOV
4. PO ID displays: NEXT
5. Click on Add
6. The Purchase Order page displays
7. Click on “Copy From” drop down box and select
8. The Copy Purchase Order from contract window opens

**FIGURE 3-39. CREATING PO BY RELEASING FROM A CONTRACT**

The screenshot shows the 'Copy Purchase Order from Contract' dialog box. The 'Contract Selection Criteria' section includes fields for Contract SetID (SHARIE), Contract ID, Supplier, and Master Contract. There is a checkbox for 'Allow Open Item Contract Only' and a 'Search' button. Below this is the 'Select Contract' section, which features a table with columns: Select, SetID, Contract, Description, Supplier ID, Begin Date, and Expire Date. The 'Select' column contains a checkbox. At the bottom of the dialog are 'OK', 'Cancel', and 'Refresh' buttons. The background shows the 'Maintain Purchase Order' page with fields for Business Unit (SFGOV), PO ID (NEXT), and a 'Copy From' dropdown menu.

9. Enter the Contract ID in the prompt and click on search
10. Click on the “select” check box to select the contract and then click OK.

11. Click OK if the Buyer defaulting message pops up
12. Enter Buyer name by clicking on the buyer prompt
13. You can search buyer by DSW or by name. Choose the Buyer Name filter as “Contains” and enter the name. Click Look up. The matching results will be displayed.
14. Review PO qty and price and make updates as needed
15. Click on “Ship to/Due Date” tab and click on ship to prompt to choose a ship to location
16. The ship to location can be searched by Code or by description Enter the description and click look up
17. Click on Save
18. Click Ok/Cancel if any price adjustment warning message is thrown
19. The PO id will be generated upon Save. Note the PO id for your future references. Click on Return to Main page.
20. Click on “PO Defaults” hyperlink
21. Enter Chartfields at PO default page if the Chartfields are same value for all PO lines. Entering Chartfields here would apply those values to all lines. Note: Choose Override while updating Chartfields.
22. Enter Values for Account, Fund, Dept, PC Bus Unit, Project and Activity.
23. Click Ok. The PO Default Retrofit page is displayed.
24. Click on “Select All” Hyperlink and click Ok.
25. Click Save
26. The PO has been successfully copied from a contract.
27. Submit the PO for approval by clicking Green check box button near PO status.

#### 3.9.2.2 CREATE DEPARTMENTAL PO (NOT ASSOCIATED WITH A CONTRACT ID OR ITEM ID)

1. Navigate to: Purchasing>Purchase Orders>Add/Update PO's
2. Click on Add a new value tab
3. Enter Business Unit: SFGOV
4. PO ID displays: NEXT
5. Click on Add

## ACCOUNTING POLICIES & PROCEDURES

6. The Purchase Order page displays
7. Choose Supplier: Search Supplier by id or by name
8. Select Buyer: Search Buyer by DSW or by name
9. Select Purchasing Authority – PROPQ-BID or other applicable Purchasing Authority Code

10. Enter Item Details
  - a. Item: Search and select Item (If there is existing item id in system)
  - b. Description: If you select item id, the description auto populates. If its description only item then key in the Item description
  - c. Enter PO Qty
  - d. Enter UOM
  - e. Enter Category
  - f. Enter Price
11. Add More PO lines by clicking on the “+” button at PO line 1
12. Enter the number of line items to be added in the prompt and click OK
13. Enter line item details for line 2

14. Click on PO Defaults hyperlink to enter Ship to location and chart fields information
15. Select Ship To
16. Enter chart field information at distribution section: Account, Fund, Authority, PC Bus Unit, Project and Activity
17. Click Ok
18. Click "Select All" Hyperlink on PO default Retrofit page.
19. Click Save
20. PO Id will be generated upon saving the page.
21. Submit the PO for approval by clicking Green check box button near PO status

### **Approve Purchase Order**

1. On the Worklist Page, select the hyperlink for the Purchase Order (created from a Requisition). The approval page may also be reached via e-mail notification
2. In the Purchase Order Approval page, click the Approve button

Approvals are done at the header level even though it appears each line is approved individually. An e-mail of the approval is sent to the Buyer and Requestor.

### **Run a budget Check for a PO**

1. To access the default page, navigate to: Purchasing → Purchase Orders → Budget Check
2. Click on Add a New Value tab and enter a Run Control ID
3. In Run Control parameter page
  1. Add the Run Control parameter
  2. Click on "Always" radio button to mark the Process frequency as always
  3. Add Description
  4. Select Business Unit and PO ID as Value
  5. Enter Business Unit and PO ID
    4. Commitment Control
      1. Click Run button
      2. Select Commitment Control Budget Process

3. Click OK

5. Click on Process Monitor and click refresh until the status of the process runs to Success
6. Click on Details Link. Click on Message Log on the Process Detail page. Message Log will display the number of documents processed successfully

**Run PO Dispatch**

1. Access the Purchase Order Page by navigating to: Purchasing → Purchase Orders → Add/Update POs
2. Click Find an Existing Value, Enter Values, and click Search. A list of available Purchase Orders will display
3. Select a PO with an Approved PO Status and a Valid Budget Status. Notate the PO number.
4. In the Purchase Order Page, enter Value and click Dispatch
5. In the Dispatch Options Page, enter Values and click OK

**Review Purchase Order**

1. Access the Purchase Order Inquiry page by navigating: Purchasing → Purchase Orders → Review PO Information → Purchase Orders
2. Use the available fields to inquire the Purchase Orders
3. Review the PO totals
4. Check PO status to verify if the PO has been acknowledged
5. Search a PO using the PO status as 'Approved'
6. To search for a PO using the PO Status as 'Approved,' navigate to Purchasing → Purchase Orders → Review PO Information → Purchase Orders
7. Enter the following fields to inquire the approved Purchase Orders. The search page will display all the approved POs:
  - a. Business Unit
  - b. PO Status

### 3.10 | Gift Card Purchases

The City and County of San Francisco (City) restricts the purchase of gift cards to purposes defined by specific departmental programs. Gift card purchases outside the scope of these authorized programs are generally prohibited.

Gift cards are considered equivalent to cash and petty cash funds. Therefore, strict protocols and controls must be developed and implemented to a) maintain accountability for all gift cards purchased and distributed, and b) avoid mishandling, misuse, abuse, and theft of gift cards. City employees may not be gift card recipients.

#### 3.10.1 | Eligibility to Receive Gift Cards

##### A. Program Eligibility Requirements for Clients

1. Clients must have been found eligible for the program that distributes gift cards as incentives.
2. Clients must continue to meet program eligibility criteria for benefits (such as gross household income below income thresholds).
3. Clients who become ineligible or inactive for the program or its benefits must have their eligibility status immediately changed to *inactive* or *ineligible* in the department's participant tracking system.
4. Clients receiving gift cards cannot be City employees. If a City employee were to receive a gift card from a City-funded program, this will have tax implications for the employee/recipient and may pose serious concerns regarding possible conflicts of interest.

##### B. Goals Clients Must Meet to Be Eligible Must Be Set in Advance

1. Program managers and/or eligibility workers must establish in advance the goals clients must achieve for them to qualify to receive gift cards.
2. The program's pre-set goals must be established within specific areas of client achievement and within a specified timeframe.
3. Clients must present—and program managers and/or eligibility workers must verify—sufficient and appropriate proof that they met the program goals that entitle them to receive gift cards.



### **3.10.2 | Gift Card Purchases by City Departments**

#### *A. Authorization to Purchase*

1. Each department's designated oversight body (commission or other) must approve the department's general use and purchase of gift cards as incentives to departmental program clients.
2. The department's director of programs (or designee during the director's absence) and finance director must approve each purchase of gift cards for the program.

#### *B. Funding Source*

1. Gift cards must be purchased with designated funds from the department.
2. In cases where gift cards are purchased with specified funds the use of which is restricted, the use of the gift cards must be subject to the same restrictions as the use of the specified funds.
3. Gift card purchases must be listed as an approved use of the specified funds.

#### *C. Actual Purchase*

1. Gift cards must be purchased through the department's contracts and accounting units, in coordination with the Office of Contract Administration (OCA).
2. Gift cards must be purchased from City-approved vendors.
3. The value of each gift card purchased for a program must not exceed the maximum amount per card established by the department for that program.
4. The number of gift cards purchased for a program must not exceed the maximum quantity per period established by the department for that program.
5. Gift cards may not be purchased using departmental procurement cards (P-Cards).
6. Employees may not purchase gift cards as a reimbursable expense.

#### *D. Inventory Receipt*

1. Documentation of inventory receipt and distribution must include the name and signature of the receiving staff and corresponding date.
2. Staff must verify the gift card types and quantities by type and in total from the gift card shipments against the packing slips of the shipments.

3. Staff must review, sign, and date packing slips of the gift card shipments.

Staff must promptly record the received gift card shipments and returns, if any, in the inventory records.

### **3.10.3 | Separation of Duties**

#### *A. Stages of Handling and Transfer of Gift Cards*

1. Departments must have a different person responsible at each stage in the handling and transfer of gift cards:
  - a. Request the order of gift cards
  - b. Approve the order of gift cards
  - c. Purchase the gift cards
  - d. Receive the gift cards
  - e. Distribute the gift cards
  - f. Monitor usage of the gift cards
  - g. Periodically inventory the gift cards

#### *B. Staff Handling Gift Cards Cannot Use Them*

1. Under no circumstances may a City employee involved in any stage of handling or transferring gift cards issue or use a gift card for his or herself or family member.

### **3.10.4 | Gift Card Inventory**

#### *A. Inventory Records.* Offices that store gift cards must use the following internal controls:

1. Maintain complete and accurate inventory records by gift card, gift card type, and in total, including the gift card vendor and serial number, the beginning balance, gift cards received and distributed and corresponding dates, and the ending balance.
2. Restrict access to gift card inventory records to authorized employees. Ensure access rights are immediately terminated once the employees no longer need access.
3. Conduct periodic (weekly, monthly, or quarterly), as determined by the department for the subject program, physical inventory counts, and match results to inventory records.
4. Report to management any discrepancies in the quantities and amounts between the physical inventory counts and inventory records.

5. Investigate significant discrepancies between the physical inventory counts and inventory records, and document the reasons for discrepancy.
6. Review and approve any adjustments to inventory records. This must be done by management.

*B. Inventory Storage and Security*

1. Store all gift card inventories in a locked cabinet or safe and restrict access to its key or combination.
2. Keep the locked cabinet or safe in a room with restricted lock access. The room should, if possible, have cameras to monitor the handling of gift card inventories.
3. Maintain a log or install electronic keys documenting who has had access to the room and when (each entry and exit).
4. Exercise dual custody controls at all times during each stage of handling and transferring gift cards.
5. Using performance measurement systems, hold appropriate personnel accountable for accomplishing consistent, accurate physical inventory counts.
6. Hold no more gift cards than will be needed for the program during a reasonable timeframe, which the department must establish in writing.

Transfer to the department's fiscal office any gift card inventory in excess of the number needed during the established timeframe.

### **3.10.5 | Gift Card Distribution**

1. Review and approve all eligibility documentation for each client upon each round of gift card distribution. This should be done by the program manager and/or eligibility worker.
2. Maintain complete and accurate distribution records by gift card, gift card type, and in total, including the gift card vendor and serial number, client name(s), and date on which the gift card was distributed. The program manager and/or eligibility worker and fiscal office must review and approve such records before each round of gift card distribution.
3. Maintain a log for eligible clients to sign upon receiving their gift cards in person.
4. Return to the fiscal office any gift card not distributed to a client and properly record the card in the inventory records

### 3.10.6 | Gift Card Usage by Recipients

1. Gift cards must be provided only to clients and only as incentives for participating in the program.
2. Gift cards must be used only for the purposes stated and determined by the department for the program.
3. The value of gift cards distributed to each client must not exceed the per-person limit determined by the department for the program.
4. Gift cards cannot be used to purchase prohibited items, including program materials, as specified by the program.
5. Any instance of loss, theft, fraudulent use, or abuse of gift cards must be immediately reported to the department's fiscal office. The fiscal office should investigate instances of reported loss, theft, fraudulent use, or abuse of gift cards, as it deems necessary.
6. The fiscal office must monitor and audit the usage of distributed gift cards no less frequently than annually. The department must determine and state in writing the required frequency of the audit, and the frequency may vary by program.

### 3.10.7 | Gift Card Record Retention

1. For audit purposes, retain all documentation for no less than two years.
2. Records and physical cards are subject to audit by CON.

### 3.10.8 | Prerequisites and Procedures on Purchasing Gift Cards

TABLE 3-10. GIFT CARD PURCHASING PROCEDURES

<b>Development and Approval of Departmental Gift Card Policies</b>	<ol style="list-style-type: none"><li>1. <b>Departmental Policy on Gift Cards:</b> Prior to procuring any gift cards, departments must develop a departmental gift card policy for the program(s) identified. <a href="#">View existing approved department policies.</a></li><li>2. <b>AOSD Fund Accountant Approval:</b> Once developed, the policy must be reviewed and approved by the department's <a href="#">AOSD Fund Accountant</a>.</li><li>3. <b>TTX Approval:</b> If the department intends to purchase <b>VISA</b> gift cards using the Treasurer's Office US Bank contract, the department must also have its policy reviewed and approved by TTX by emailing it to <a href="mailto:TTX.BankingTreasuryAccounting@sfgov.org">TTX.BankingTreasuryAccounting@sfgov.org</a>. <b>TTX approval must be obtained prior to requesting AOSD approval.</b></li></ol>
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## ACCOUNTING POLICIES &amp; PROCEDURES

<b>Purchasing VISA Gift Cards through Treasurer's Office (TTX)</b>	<p><b>Step 1:</b> Department processes a <b>direct payment voucher</b> to US Bank for approval by the Department's <a href="#">AOSD Fund Accountant</a>.</p> <ol style="list-style-type: none"> <li><b>1. Direct Vouchers ≤ \$10K:</b> Department must manually insert the <a href="#">AOSD Fund Accountant</a> as the final approver. Departments can email their AOSD Fund Accountants. Requests will be reviewed and approved within 2-3 business days.</li> <li><b>2. Invoice Line Description:</b> To begin with "<b>XXX (3-character department code)-GC</b>", e.g. "DPH-GC". Departments may also add digits or characters after XXX-GC for internal tracking purposes</li> <li><b>3. Amount:</b> Total card amount plus the fee per card. For example, 10 cards for \$25 each = <math>10 \times (\\$25 + \\$1) = \\$260.00</math></li> <li><b>4. Payment information:</b> Remit to: 0000008865, Location: WIRE-14, Address: 1.</li> <li><b>5. Payment options:</b> Bank: BOA, Account: 0806, Method: WIR.</li> <li><b>6. Payment Information:</b> Scheduled Due: same date to be entered on ACH request</li> </ol> <p><b>Step 2:</b> Once the direct payment voucher is fully approved, submit a Wire/ACH Request Form to TTX's banking portal at <a href="https://sftreasurer.org/banking-investments/banking-services-city-departments">https://sftreasurer.org/banking-investments/banking-services-city-departments</a>.</p> <p>Enter the following information on the ACH request form:</p> <ol style="list-style-type: none"> <li><b>1. Payment Request Type:</b> ACH Request</li> <li><b>2. "DATE PAYMENT IS DUE (SETTLEMENT DATE)":</b> enter 3 business days from date of submission. For example, submitting the ACH request on 7/8/19, enter 7/11/19 as date payment is due.</li> <li><b>3. ACH or Fedwire ABA Routing Number:</b> 322285846</li> <li><b>4. Beneficiary Bank and Name:</b> US Bank</li> <li><b>5. Beneficiary's Full Address:</b> 200 South Sixth St, Minneapolis, MN 55402</li> <li><b>6. Beneficiary's Account Number:</b> 6013650048899</li> </ol> <p>TTX will then order the cards from US Bank and send confirmation to department staff.</p>
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<b>Purchasing All Other Gift Cards</b>	<p><b>Step 1:</b> Department submits a <b>Requisition to OCA</b>, regardless of dollar amount and use of a contract.</p> <p>1. <b>Requisitions ≤ \$10K:</b> Department will insert an OCA buyer as an approver <u>AND</u> inform the buyer:</p> <ul style="list-style-type: none"><li>• <b>SFO:</b> Galen Leung (<a href="mailto:galen.leung@sfgov.org">galen.leung@sfgov.org</a>)</li><li>• <b>DPH:</b> Lin Repola (<a href="mailto:linda.repola@sfgov.org">linda.repola@sfgov.org</a>)</li><li>• <b>All Other Departments:</b> Florence Kyaun (<a href="mailto:florence.kyaun@sfgov.org">florence.kyaun@sfgov.org</a>) or Stacey Lo (<a href="mailto:Stacey.Lo@sfgov.org">Stacey.Lo@sfgov.org</a>)</li></ul> <p>2. <b>Requisition Requirements</b></p> <ul style="list-style-type: none"><li>• Requisition name to begin with “<b>XXX (3-character department code)-GC</b>”, e.g. “DPH-GC”. Departments may add digits or characters after XXX-GC for internal tracking purposes.</li><li>• Item description must include “Gift Card”</li><li>• In the Requisition Comments field, indicate if the purchase will be using existing contracts with the Contract ID or no contract.</li></ul> <p><b>Step 2:</b> OCA will review and approve requisition into a Non Purchasing (NP) Purchase Order:</p> <ul style="list-style-type: none"><li>• <b>POs with a Contract:</b> OCA will insert <b>AOSD</b> after the Dept Approver.</li><li>• <b>POs ≤ \$10K without a Contract:</b> OCA will insert <b>AOSD</b> after the Dept. Approver.</li><li>• <b>POs &gt; \$10K without a Contract:</b> OCA will insert <b>AOSD</b> <u>and</u> a Department Approver.</li></ul>
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### 3.11 | Grant Agreements - Consensus

In September 2018, the City Attorney’s Office, Controller’s Office, Human Resources Department, and Office of Contract Administration reached a consensus regarding the jurisdiction of contracts involving an award of a grant rather than the acquisition of goods and services. A summary of the consensus is below:

#### **Summary of Consensus Reached in September 2018 re Grant Agreements**

*City Attorney’s Office, Controller’s Office,  
Human Resources Department and Office of Contract Administration*

#### **Status of Grant Procedures before July 1997:**

In 1984, the City Attorney’s Office issued a published opinion (Opinion No. 84-29) concluding that the Civil Service Commission (“Civil Service”) and the Purchasing Department (“Purchasing”) do not have

jurisdiction over contracts involving an award of a grant rather than the acquisition of goods and services. In the opinion, the City Attorney's Office pointed out the difficulty in many situations of distinguishing between a grant award and a contract for goods or services. The opinion set forth a set of factors to be examined in making such a distinction, such as the intended beneficiaries of the funds, the level of supervision by the City of the grantee's activities and the use in the contract of general goals and objectives rather than detailed service or product specifications. In many instances, the distinction was easy to make. In difficult cases, the opinion recommended still going through Civil Service and Purchasing for approval.

After the 1984 opinion, the departments involved in making grants did not follow consistent procedures in documenting and processing their grant agreements. Some used a one- or two-page form and did not seek approvals from the City Attorney's Office, Purchasing or Civil Service. Others followed all of the guidelines for personal services contracts. Most simply would pick and choose.

Consensus Reached in July 1997:

Representatives of the City Attorney's Office, the Controller's Office, the Human Resources Department and Purchasing reached a consensus providing for the consistent treatment of grant agreements (the "1997 Consensus"): if an agreement involved a "true grant," the agreement would *not* go through Purchasing or Civil Service. In defining a "true grant" for these purposes, the group created a four-prong "bright line" test that fell well within the guidelines of the 1984 opinion. The group agreed that if an agreement failed any prong of this test, the regular process for services contracts would apply, and the agreement would be required to go through both Purchasing and Civil Service. Departments have generally followed the 1997 Consensus.

Consensus Reached in September 2018:

Some departments recently raised issues about strict application of the 1997 Consensus, particularly involving grants to other government agencies or to nonprofits that are closely related to the City. Representatives of the City Attorney's Office, the Controller's Office, the Human Resources Department, and the Office of Contract Administration (formerly known as Purchasing) met in September 2018 to consider modifying Prongs 1 and 2 of the test to address these situations. The group agreed to amend the 1997 Consensus with regard to grants to government agencies only. The group declined to extend the new exception in Prong 2 for government agencies to nonprofits that are closely related to the City, such as the four neighborhood cultural centers that are operated by nonprofits in City-owned buildings.

The new factors for the four-prong bright line test (the "2018 Consensus") are:

1. The grantee must be either a nonprofit entity that serves the public interest or a government agency;
2. The grantee must be selected through a competitive grant application and award process, unless the grant is to a government agency for programs, activities, or services that can only be practically performed by that particular government agency and cannot be performed by any other party;

3. The agreement must not involve the acquisition of goods or services for the direct benefit or use of the Department or Commission; and
4. The agreement must not involve the contracting out of, or delegation of the responsibility for, any services that have at any time been performed by employees of the Department or Commission.

The 2018 Consensus will apply going forward. Other than the changes to the first two prongs concerning grants to governmental agencies, the test is unchanged from 1997. In unusual circumstances where it is not clear where a proposed grant agreement meets the 2018 Consensus, a Department or Commission wishing to approve the grant agreement should seek the approval of the four City offices that are party to the 2018 Consensus, before entering into the agreement.



## 4 | EXPENDITURES

### 4.1 | Overview

This section describes City policy regarding basic internal control steps, payment processing for goods and services, and reimbursement to employees. Departments are encouraged to use this section to develop more detailed procedures for their specific expenditures.

These guidelines are issued according to the applicable provisions of the *San Francisco City Charter*, *San Francisco Administrative Code*, *California Civil Code*, and Internal Revenue Service (IRS) publications.

- *San Francisco Charter* Section 3.105 – Controller; City Services Auditor
- *San Francisco Administrative Code*, Section 10.06 – Encumbrances
- *San Francisco Administrative Code*, Section 10.07 – Disbursements
- *San Francisco Administrative Code*, Section 10.08-2 – Penalties
- *California Civil Code*, Sections 3196 through 3205
- *California Civil Code*, Sections 9000 through 9566
- *IRS Publication 463* (2014), Travel, Entertainment, Gift, and Car Expenses
- IRS Instructions for Form 1099-MISC

This section addresses payment processing and not the City's ordering, contracting, purchasing or bidding process. The City has extensive rules, regulations, and policies in those areas. Refer to [Section 3 | Contracts & Encumbrances](#) or contact the Office of Contract Administration and your department's purchasing and contracting staff about those policies and related requirements. See the following for additional information: <http://sfgsa.org/index.aspx?page=359>.

### 4.2 | Invoices

This section discusses the types and formats of invoices that departments can accept from external parties. It also describes the steps that must be completed to properly review and approve invoices.

## 4.2.1 | Forms of Invoicing (Electronic vs. Hard Copy)

### 4.2.1.1 | INVOICES SUBMITTED IN PEOPLESOFT

The City strongly encourages suppliers to directly submit invoices in PeopleSoft. Suppliers can input invoice information in the Create Invoice page in PeopleSoft eSettlement as shown below. Note that invoices without purchase orders cannot be submitted in eSettlement and must be sent to City departments through mail, e-mail or FAX. For policies on invoices not submitted in PeopleSoft, refer to [Section 4.2.1.2 | Invoices Submitted Offline \(Not Submitted in PeopleSoft\)](#).

**FIGURE 4-1. INVOICE CREATION SCREEN IN PEOPLESOFT**

The screenshot displays the 'Create Invoice' interface in PeopleSoft eSettlement. At the top, a navigation bar includes 'Favorites', 'Main Menu', and 'eSettlements'. The user is logged in as 'FSP\_EM\_SUPPLIER\_PROCESSOR'. The 'Invoice Entry' section contains 'Invoice Header Information' with fields for Supplier, Invoice ID, Invoice Date, Supplier VAT Country, Voucher ID, Buyer, Currency (USD), and Requested. Below this is a table for 'Invoice Details' with columns for Item ID, Description, Quantity, Unit, Unit Price, Merchandise Amt, Currency, and Tax. The 'Settlement Information' section includes Payment Terms and Payment Method. A summary section on the right shows Total Amount, Sales Tax Amount, Shipping Amount, Misc. Charge Amount, and Gross Amount. At the bottom, there are buttons for 'Save and Submit', 'Save for Later', and 'Attachments'.

Suppliers must provide accurate information for the invoice to be paid timely. Invoicing in PeopleSoft involves the following steps:

- Using the supplier portal eSettlement, supplier creates an invoice against the purchase order (PO)
- Suppliers will create invoices by copying all or some of the PO lines
- Invoice number must be unique
- Supplier can upload supporting documentation

- Supplier then submits complete invoice through system
- Invoices submitted must be actuals and not estimates

#### 4.2.1.2 | INVOICES SUBMITTED OFFLINE (NOT SUBMITTED IN PEOPLESOFT)

Supplier can still submit invoices to the City offline (*i.e.*, not directly in PeopleSoft) during the initial stage of the PeopleSoft implementation. For invoices in paper form, departments must ensure the invoices are the original copies. Departments that want to accept electronic invoices (via e-mail, FAX, or other format) from suppliers or contractors must maintain department policies and procedures for receiving, tracking, and processing electronic invoices. This should include an explanation of the internal controls established by the department to ensure adequate tracking of invoices and avoidance of duplicate billing/payment. Department electronic invoice policies must be reviewed and approved by the Controller's Office.

The following controls must be maintained for accepting electronic invoices:

- Suppliers must submit a letter to the department authorizing electronic invoicing prior to submission of electronic invoices. The letter must indicate which form of electronic invoicing the supplier will use (e-mail, FAX, or internal contracting systems). Suppliers must clearly state that no other method of invoicing will be used. Once the letter is received and approved by the department, suppliers may begin invoicing electronically
- The department must maintain a list of all suppliers authorized to electronically invoice
- The department should designate a single point of contact (*e.g.*, a designated e-mail account) for electronic invoices to be centralized
- The department should designate a single point of contact for suppliers to make inquiries and receive responses regarding the status of invoices and payments
- Suppliers must assign unique invoice numbers to electronic invoices to avoid duplicate invoice numbers
- Departments have the option of keeping a hard copy of the invoice for authorization and record retention, or maintaining the invoices in the automated system as long as information can be accessed on demand

#### **4.2.2 | Information on Invoices Submitted Offline (Not Directly Submitted by Suppliers in PeopleSoft)**

Invoices submitted by suppliers offline to departments must contain certain required data elements. In order to be considered acceptable, supplier invoices must include, but are not limited to, the following elements:

- Supplier name
- Unique invoice number
- Invoice date
- Description of the item(s) billed
- Service period for services
- "Shipped to" or "delivered to" address
- Supplier remittance address
- Mode of shipment (if applicable)
- Sales tax
- Discount terms (if any)
- Total amount due
- PO number generated by the City's financial system

The following elements are highly recommended:

- Order date for materials and supplies
- Shipping date for materials and supplies

Note that only one invoice number may be entered per voucher in the invoice number field. Namely, each voucher in PeopleSoft may only issue payment for one invoice. Inserting asterisks " \*" between multiple invoices numbers within the invoice number field is not permitted as the system will not identify the voucher as payment to multiple invoices.

See [Section 4.4.6 | Credit Memorandum](#) for detail on applying a credit memo against an invoice offline.

FIGURE 4-2. PEOPLESOFT VOUCHER INVOICE NUMBER FIELD

Business Unit	SFGOV	Invoice No	<input type="text"/>
Voucher ID	NEXT	Accounting Date	03/26/2019
Voucher Style	Regular Voucher	*Pay Terms	030   N30
Invoice Date	03/26/2019	Basis Date Type	Acct Date
Invoice Received	03/26/2019		<input type="checkbox"/> Tax Exempt

### 4.2.3 | Receiving

Receiving is the act of taking possession of goods or services in order to stage them for inspection, place them into inventory, or deploy them for immediate use. In Peoplesoft, receipts are entered into the system by CCSF personnel. Receipts may take on many forms as described in [Section 4.3 | Approval of Invoices](#). If departments have different definitions for evidence of receipt, the definitions must be documented, and reviewed and approved by the Controller's Office.

Best practice is to create receipts for the actual quantities and amounts received, and to subsequently copy vouchers directly from the receipts. In general, vouchers and receipts should have a one-to-one relationship. Departments should not create receipts to include multiple invoices, as this may cause voucher “overmatching” or other errors. The voucher should also match the receipt to the exact amount. A voucher may also be created *before* a receipt is recorded. As long as the matching receipts and voucher exist, the sequence of processing will not result in an audit finding.

Departments should **not** flag “Receiving Required” as *Optional* when setting up a Purchase Order. This will result in the voucher skipping the systematic matching process, resulting in payment without matching or approval.

FIGURE 4-3. PURCHASE ORDER – “RECEIVING REQUIRED” FIELD

The screenshot shows the 'Lines' tab of a Purchase Order in the Peoplesoft system. The 'Receiving Required' field is highlighted in yellow and set to 'Required'. Other fields visible include 'Line', 'Item', 'Description', 'Inspection Required', 'Inspect ID', and 'Close Short'. The interface includes standard navigation buttons like 'Save', 'Notify', 'Refresh', 'Add', and 'Update/Display'.

## 4.3 | Approval of Invoices

This section outlines major steps or control points generally found in a good invoice payment process. Departments must document and implement department-level policies and procedures that incorporate these City-wide policies, reflect good internal controls (such as segregation of duties), and are specific to the operational and organizational risks in their environments. For guidelines on contract invoice approval, refer to [Section 4.4.2 - | Construction/Contract Payment\\*](#).

### 4.3.1 | Approval of Invoices Submitted Offline (Not Directly Submitted by Suppliers in PeopleSoft)

#### 1. Properly Receive an Invoice

- ☐ Write the initials or name of the person, or stamp the division, receiving the invoice
- ☐ Mark the invoice with the “date received” (e.g., use a date stamp). Refer to [Section 4.4.1.1 | Prompt Payment Definitions](#).

Note: If there is an invoice dispute, notification must be made to the supplier specifying reasons and corrective actions within seven (7) calendar days of the date of invoice receipt

#### 2. Confirm Receipt of Item(s) Listed on the Invoice

- ☐ Department receiving personnel match the invoice to evidence of receipt of goods or services.
- ☐ Department receiving personnel input the receipt in PeopleSoft. Examples include:
  - a. Goods – packing slip or copy of the invoice signed and dated by staff who received the goods on the date of delivery
  - b. Professional services – status or milestone report, proof of services performed, timesheet, receipts, etc.
  - c. Maintenance Service – service call documentation or copy of the invoice signed and dated by staff who received the service on the date of service
  - d. Construction – refer to contract for documentation required for progress and final payments, this may include documentation related to sub-contractors
- ☐ If departments have different definitions for evidence of receipt, the definitions must be documented, and reviewed and approved by the Controller's Office

#### 3. Obtain Approval for Payment

- ☐ Submit the invoice to the authorized staff member for review
- Note: Payment documents must be reviewed and approved by a staff member other than the payment initiator and the purchase requestor. “Payment initiator” refers to the staff who

## ACCOUNTING POLICIES & PROCEDURES

initiates payments in the City's financial system. "Purchase requestor" refers to the staff who makes the purchase request

- ☐ Obtain approval for payment by authorized staff member

Note: Department polices must identify "who can approve for what". Invoices must be signed and dated. Signatures in electronic forms (e.g., PDF, DocuSign, Adobe Signature, etc.) are acceptable. E-mails with language indicating that an invoice has been approved cannot replace required approval signatures

- ☐ Obtain review and approval of the invoice by secondary approver, if required

Note: Department polices must address the circumstances when a second approver is needed; this may involve certain dollar levels, certain funding sources, etc.

### 4. Accounting Review of Invoice

The following steps are completed by department accounting staff when an invoice is submitted for payment:

- ☐ Confirm invoice is an original

If the original invoice is missing, the duplicate invoice must be signed by the Department Head or approved designee with: 1) an explanation of why the original invoice is unavailable, and 2) a statement certifying that no payment has been made on the original invoice. The signature card of the approved designee certified by the Department Head must be on file with the Controller's Office

- ☐ Review the invoice for completeness and accuracy. Confirm the invoice has not already been paid

Once the invoice is entered in PeopleSoft and the voucher is generated, the system will match the voucher against the receipt and the purchase order. If no exceptions are found, the voucher will be approved automatically. If there are match exceptions, departments will need to either make corrections to allow the voucher to pass matching, or manually review and approve the voucher in PeopleSoft. When reviewing, ensure that invoices have been validated against accompanying ordering and receipt documents, as follows:

- a. Amounts and prices on invoice match ordering and receipt documents
- b. Invoice and associated documents are dated and signed by authorized staff (see "3. Obtain Approval for Payment", above)
- c. Supplier compliance is verified
- d. Supplier insurance coverage is current
- e. Supplier payment address is accurate, and matches ordering documents
- f. Contract retention/liens are recorded, if contract related
- g. Prior payments are reflected, as needed
- h. Proper sales tax rates are used. If sales tax is missing or incorrect, additional journal

entries are required. Refer to [Section 4.5 | Sales & Use Taxes](#).

i. If discounts are available, expedite processing to realize discounts.

Discount terms should be clearly stated in the procurement contract. Should the pay terms on the Contract/PO and invoice differ, the department should take the term more favorable to the City. The discount term starts on the date of invoice receipt (refer to [Section 4.4.1.1 | Prompt Payment Definitions](#) and [4.4.1.5 | Prompt Payment Discounts](#)), not the invoice date stated on the invoice. It is departments' responsibility to ensure the discount is actually taken.

j. Cost center for payment is identified.

## **5. Process Payment Document in the Financial System**

- ☐ The person preparing and entering payments into the financial system cannot approve the final payment in the system. The PeopleSoft security roles for Payment Processor and Payment Approver must be assigned to different employees
- ☐ Departments must upload a copy of the invoice received offline and any supporting documents in PeopleSoft when processing the payment
- ☐ After data entry into the financial system, invoice and supporting documents must be systematically filed and retained for audit purposes

For payments without purchase orders over \$10,000, the vouchers will be routed to OCA and the Controller's Office for final approval (OCA has been temporarily removed from the workflow, but the workflow will be updated to include OCA at a later time). Note that regardless of the amount of such payments, department must specify the reason for not encumbering in the Comment field for OCA to identify if the non-contract payment is a violation of the City procurement rule. Once approved by OCA, the Controller's Office will review and approve such payments in the financial system within five (5) business days. To reduce approval time and better comply with the City procurement policies, departments should set up purchase orders whenever possible.

### **4.3.2 | Approval of Invoices Submitted by Suppliers in PeopleSoft**

The City encourages suppliers to directly submit invoices in PeopleSoft eSettlement to expedite the payment process. Submission and approval of invoices will be completed electronically in the system. Refer to [Section 4.3.3 | PeopleSoft Voucher Approval Workflow](#) for the detailed approval workflow. The invoice reviewing principles remain the same as described in [Section 4.3.1 | Approval of Invoices Submitted Offline](#) [\(Not Directly Submitted by Suppliers in PeopleSoft\)](#)

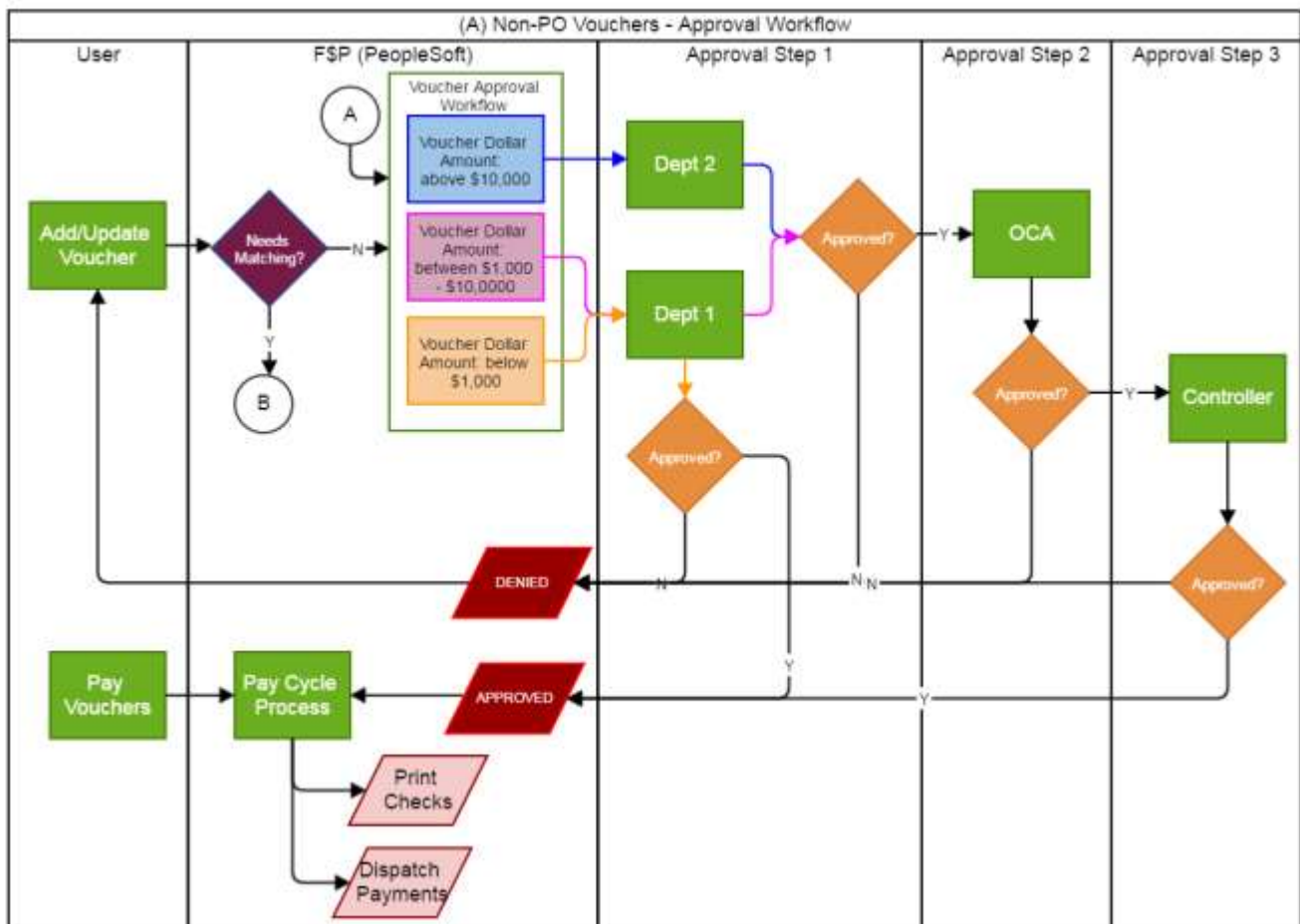


### 4.3.3 | PeopleSoft Voucher Approval Workflow

#### Approval of Vouchers without Purchase Orders<sup>1</sup> – Path A

Payments over \$10,000 without purchase orders (Direct Payments) are routed to the Controller's Office for approval. OCA has been temporarily removed from Direct Payment approval path as of Aug 2017, which will be revisited at a later date. Refer to Section [3.6.4 | Direct Payment without Encumbrance\\*](#) for policies on Direct Payment. Also, vouchers over \$10,000 will be routed to more senior staff in departments for approval. Note if any changes are made on an approved voucher, the voucher will go through the approval path again.

FIGURE 4-4. NON-PO VOUCHER APPROVAL PROCESS (PATH A) (TO BE UPDATED)



<sup>1</sup> Formerly known as PR/RM/DV payments in FAMIS. The guidance in this paragraph also applies to PR/RM payments

## Approval of Vouchers from Purchase Orders without Contracts (Formerly Known as Blankets) – Path B

Suppliers can submit invoices in eSettlement. Departments can also manually input invoices in PeopleSoft. When manually inputting invoices, process one voucher per invoice to ensure the invoice number is accurately captured by the system. Vouchers will be generated upon invoice submission or input. Departments must review the voucher for accuracy and send the voucher to the matching process by clicking “Approve” as shown in the screenshot below. There is also a scheduled batch posting that will systematically send vouchers through matching. The batch schedule can be found [here](#). Department voucher review must happen before the batch posting.

**FIGURE 4-5. VOUCHER APPROVALS STAGE**

**Voucher Mass Approvals**

**Search Criteria**

Business Unit: SFGOV  
Voucher ID:   
Voucher Source:   
Voucher Style:   
Invoice Number:   
\*Approval Status: Pending  
☒ Include On Hold

Supplier SetID: SHARE  
Short Name:   
Supplier ID:   
Supplier Name:   
Search Clear

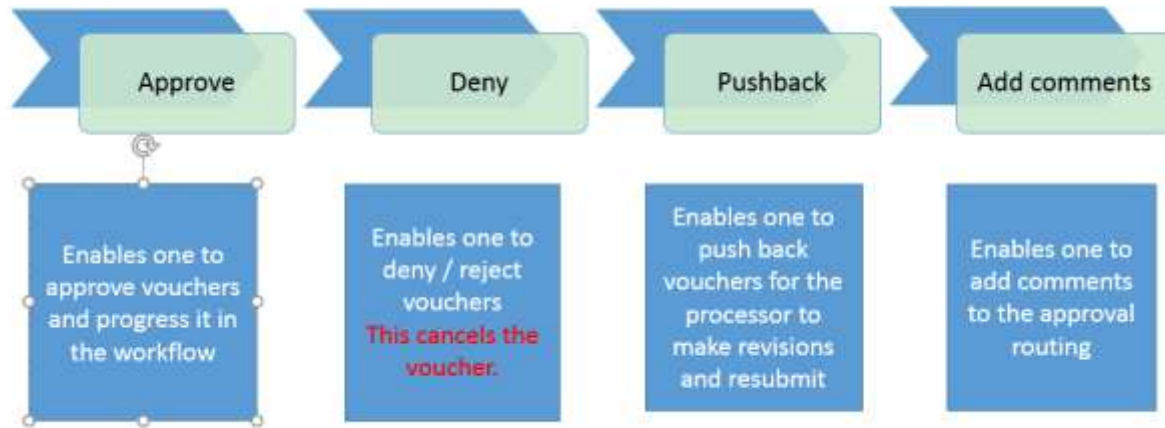
**Comments**

☒ Select All ☐ Deselect All Approve Deny Pushback Hold

**Search Results**

Select	Business Unit	Voucher ID	Approval Status	Supplier ID	Gross Invoice Amount	Transaction Currency	Voucher Style	Voucher Source	Attachments (0)
1 <input type="checkbox"/>	SFGOV	00000121	Pending	0000002779	11500.00	USD	Regular Voucher	Online	

☒ Select All ☐ Deselect All Approve Deny Pushback Hold

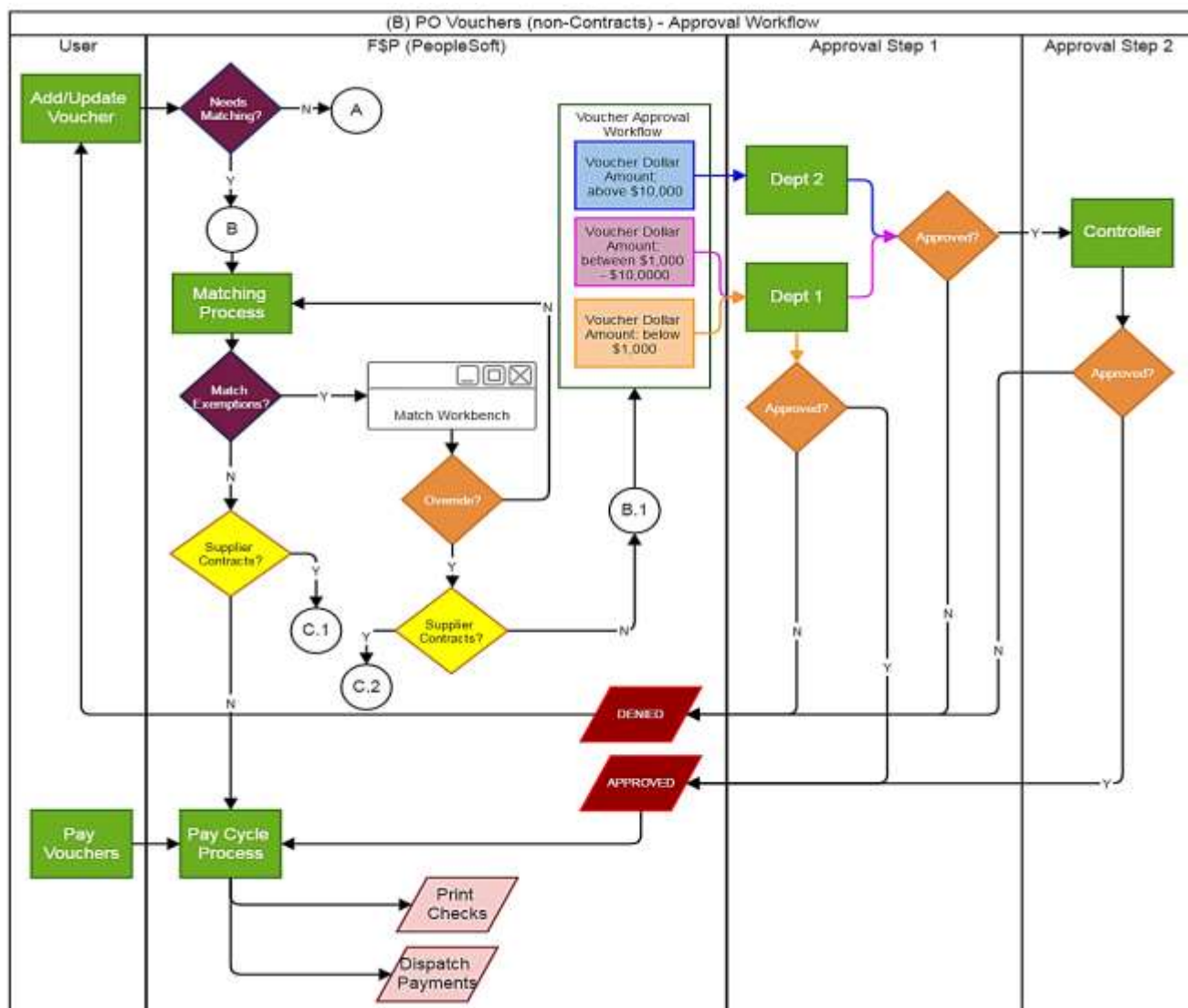


The voucher will then be matched against PO, receipt\*, and business tax status by the system. If there are no match exceptions, the payment voucher will be automatically generated within pay terms. If there are match exceptions, departments can revise the voucher to allow for four-way matching, or can override the match and let the voucher go through the approval workflow. The latter option is called match override. Exception vouchers over \$500,000 will be routed to more senior staff in departments for approval. All match override vouchers over \$500,000 will be routed to the Controller's Office for final approval. Below is the list of rules for match exceptions:

- Voucher unit price  $\neq$  PO unit price (not for POs with "Amount Only" lines)
- Voucher quantity  $>$  PO quantity
- Voucher amount  $>$  PO amount
- Voucher quantity  $>$  Receipt quantity
- Voucher quantity  $\neq$  Receipt quantity (when voucher is copied from receipt)
- Voucher amount  $>$  Sum of received amount
- Voucher UOM  $\neq$  PO UOM
- Voucher UOM  $\neq$  Receipt UOM
- Voucher item  $\neq$  PO item
- Voucher item  $\neq$  Receipt item

- Voucher pay term  $\neq$  PO pay term
- Voucher Supplier/Location  $\neq$  PO Supplier/Location
- Voucher Supplier/Location  $\neq$  Receipt Supplier/Location
- Voucher Line Packing Slip  $\neq$  Receiver Packing Slip
- No receipts found
- Invalid PO status (any status other than “approved”)
- Business Tax expired (compared to the date of when the match process is run)

FIGURE 4-6. NON-CONTRACT PO VOUCHER APPROVAL PROCESS (PATH B) (TO BE UPDATED)

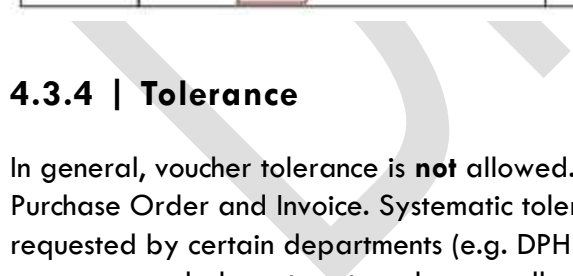


### Approval of Vouchers from Purchase Orders with Contracts (Formerly Known as Blankets) – Path C

The workflow for voucher payments against POs with contracts (e.g., construction and professional service contracts) is similar to the workflow for vouchers generated from POs without contracts, with the following exceptions:

- Vouchers for commodities and general services will go through a five-way matching: invoice, receipt, purchase order, business tax status and contract status. In addition, there are the following matching rules:

- Invalid contract status (e.g., any status other than “approved”)
- Contract expired
  - Departments are authorized to override the match exception on vouchers resulting from an Invoice Date greater than the Contract Expiration date given the invoice is for services provided within the contract term. Departments must put the justification of such override in the Comment field of the voucher.
- Contract hasn’t started
- Vouchers for *Chapter 6* and professional service contracts including the ones passing the five-way match will be routed to the Program/Project Manager and then department accounting for approval. Vouchers with match overrides will also be routed to OCA and the Controller’s Office for final approval



In general, voucher tolerance is **not** Purchase Order and Invoice. System requested by certain departments

Payments that exceed their PO amount and have not been pre-approved as an exception are subject to monitoring through reports and post audit.

## 4.4 | Payment Considerations

This section describes special payment circumstances, including:

- Prompt payments
- Construction/contract payments
- One-time payments
- Advance payments
- Late payments
- Payment disbursements
- Payment cancellation

### 4.4.1 | Prompt Payment to Suppliers

The City's Prompt Payment Program is based on Chapter 14B.7(M) of the City's *Administrative Code*, which states that, "The City shall pay Local Business Enterprises certified by the Contract Monitoring Division (LBEs) within 30 days of the date on which the City receives an invoice for work performed for and accepted by the City."

To provide consistency of payment policies and procedures, the Controller's Office has directed that the Prompt Payment Program shall include non-LBE suppliers. In addition, per the Mayor's Executive Directive on *Payment Policies for Construction Contracts* (August 2007), "all City Departments shall make every effort to pay suppliers within fifteen (15) business days after receipt of an undisputed invoice for work performed." Departments may develop different payment policies and procedures from those in this section to foster prompt payment, including use of additional accelerated payment methods.

**Departments should not work with a supplier without an authorized contract or purchase order. In general, no services should be provided and no goods should be delivered before a contract is authorized by the City**

#### 4.4.1.1 | PROMPT PAYMENT DEFINITIONS

The following timeframes must be met in order to comply with the City's prompt payment guidelines:



**ACCOUNTING POLICIES & PROCEDURES****TABLE 4-1. PROMPT PAYMENT DEFINITIONS**

<b>TERM</b>	<b>DEFINITION</b>	<b>PROMPT PAYMENT CLOCK</b>
Date of Invoice Receipt	<p>Whichever event is later:</p> <ul style="list-style-type: none"> <li>• Date the supplier's payment request (invoice) received by the City:               <ol style="list-style-type: none"> <li>1. Mailed invoice reached the City premises</li> <li>2. Electronic invoice received in the City e-mail account, FAX, etc.</li> <li>3. Payment request initiated in PeopleSoft or a City e-payment subsystem</li> </ol> </li> <li>• Payment date specified in the contract or purchase order (not to preclude supplier early performance), or</li> <li>• Date materials or services are delivered to the City</li> </ul> <p>Departments may have their own definition of Invoice Receipt Date. However, the definition must be reviewed and approved by the Controller's Office.</p>	<b>DAY ZERO</b>
Date of Invoice Acceptance	<p>Date the invoice is deemed "accepted" by the City for payment, meaning all approvals required by the City have been received</p> <p>If there is an invoice dispute, the City shall make every effort to notify the supplier specifying reasons and corrective actions within seven (7) calendar days of the Date of Invoice Receipt. Invoice Dispute Notifications by e-mail to suppliers is acceptable</p> <p>As part of a construction contract invoice dispute, a stop notice lien must be filed with the Controller's Office. An <i>Invoice Dispute Notification</i> stops the prompt payment clock until the dispute is resolved</p> <p>If a corrected invoice must be submitted, the prompt payment clock re-starts on the date the corrected invoice is received by the City</p>	<b>By DAY SEVEN, invoice must be submitted to Accounting for payment or Invoice Dispute Notification must go out to the supplier</b>
Payment Due Date	<p>Within 30 calendar days of the Date of Invoice Receipt</p> <p>Per the <i>Mayor's Payment Policies for Construction Contracts Executive Directive</i>, City Departments shall make every effort to pay suppliers within fifteen (15) business days. When the due date falls on a Saturday, Sunday, or legal holiday and</p>	<b>By DAY 30, payment must be made</b>

TERM	DEFINITION	PROMPT PAYMENT CLOCK
	City offices are closed, the City may make payment on the following working day	
Payment Term	Terms used to calculate net due date, discount due date, and discount amount calculations (if applicable)	
Payment Date	The check date. If payment is made by electronic fund transfer, it is the bank settlement date	

The following screen shots provide examples of how the various key dates appear in the City’s financial system, PeopleSoft.

- Invoice Date: Invoice date submitted by supplier
- Invoice Received: Date invoice was received by the City (refer to [Table 4-1. Prompt Payment Definitions](#)); for disputed invoices, input the date when the corrected invoice was received by the City. For multiple invoices processed in the same payment document, use the invoice with the earliest receipt date.
- Accounting Date and Pay Terms: date that determines the fiscal period for expenditure recording. Note that Accounting Date (combined with Pay Terms) is also used to calculate payment date in PeopleSoft. Please enter the date invoice received by the City in the Accounting Date field for payment date calculation. Payment terms should agree to the terms set in the underlying contract, purchase order, grant agreement, or other applicable requirements. During the year end period, the Accounting Date field may be utilized differently for accruals and/or other reporting purposes. Please refer to the annual Controller’s Office Year End instructions for additional information.
- Scheduled Due: the payment date calculated by the system based on the Pay Terms and the Accounting Date input by the user. This field can be manually overridden to a different date.

## ACCOUNTING POLICIES &amp; PROCEDURES

FIGURE 4-8. INVOICE RECEIPT DATE ILLUSTRATION 1

Invoice Information Payments Voucher Attributes

Business Unit: SFGOV  
 Voucher ID: NEXT  
 Voucher Style: Regular Voucher  
 Invoice Date: 06/23/2017  
 Invoice Received: 07/16/2017  
 MISSION NEIGHBORHOOD HEALTH CENTER  
 Supplier ID: 0000023542  
 ShortName: MISSION024-001  
 Location: MAIN  
 \*Address: 1

Invoice No: TEST123  
 Accounting Date: 06/30/2017  
 \*Pay Terms: 000  
 Basis Date Type: Acct Date  
☐ Tax Exempt  
 Control Group:   
☐ Incomplete Voucher

Invoice Total  
 Line Total: 40,046.64  
 \*Currency: USD  
 Miscellaneous:   
 Freight:   
 Sales Tax:   
 Use Tax: 0.00  
 Total: 40,046.64  
 Difference: 0.00

Save Save For Later Action Run Calculate Print

Copy From Source Document  
 PO Unit: PO Number: Copy PO Copy From: None

Payment Information Find View All

Payment 1  
 \*Remit to: EDX12  
 Location: 001  
 \*Address: 1  
 Australian Outback Camping Supplies  
 1834 River Crest  
 Malanda, QLD 4885 AUS

Gross Amount: 8,000.00 USD  
 Discount: 40.00 USD  
 Scheduled Due: 05/27/2016  
 Net Due: 06/16/2016  
 Discount Due: 05/27/2016  
 Accounting Date:

Below is a list of the Pay Terms available for use in Peoplesoft. The proper pay terms should be indicated on the Purchase Order and voucher to ensure correct payment date and discounts (if applicable).

FIGURE 4-9. TABLE OF PAY TERMS

Payment Term Code	Payment Term Type	Short Description	Description
000	Single	NET	NET
001	Single	NET 1	NET 1
002	Single	NET 2	NET 2
005	Single	NET 5	NET 5
007	Single	NET 7	NET 7
010	Single	NET 10	NET 10
020	Single	N20	NET 20
030	Single	N30	NET 30
040	Single	N31	NET 31
050	Single	N45	NET 45

060	Single	N60	NET 60
070	Single	.5%10N30	.5% 10 NET 30
080	Single	.5%20N30	.5% 20 NET 30
090	Single	.5%30N31	.5% 30 NET 31
098	Single	1%10N25	1% 10 NET 25
100	Single	1%10N30	1% 10 NET 30
110	Single	1%20N30	1% 20 NET 30
120	Single	1%30N31	1% 30 NET 31
130	Single	1.5%10N30	1.5% 10 NET 30
140	Single	1.5%20N30	1.5% 20 NET 30
150	Single	1.5%30N31	1.5% 30 NET 31
157	Single	2%10N25	2% 10 NET 25
160	Single	2%10N30	2% 10 NET 30
161	Single	2%15N30	2% 15 NET 30
170	Single	2%20N30	2% 20 NET 30
180	Single	2%30N31	2% 30 NET 31
190	Single	3%10N30	3% 10 NET 30
200	Single	3%20N30	3% 20 NET 30
210	Single	3%30N31	3% 30 NET 31
220	Single	4%10N30	4% 10 NET 30
230	Single	4%20N30	4% 20 NET 30
240	Single	4%30N31	4% 30 NET 31
250	Single	5%10N30	5% 10 NET 30
260	Single	5%20N30	5% 20 NET 30
270	Single	5%30N31	5% 30 NET 31
280	Single	N365	NET 365
290	Single	N720	NET 720
M000	Multi	5MPN45	5 Multi Payments NET 45
M010	Multi	R5%1YRN30	RETAIN 5% 1 YEAR NET 30
M020	Multi	R5%2YRN30	RETAIN 5% 2 YEARS NET 30
M030	Multi	R10%1YRN30	RETAIN 10% 1 YEAR NET 30
M040	Multi	R10%2YRN30	RETAIN 10% 2 YEARS NET 30
M050	Multi	R1%1YRN30	RETAIN 1% 1 YEAR NET 30
M060	Multi	R2.5%1YRN30	RETAIN 2.5% 1 YEAR NET 30
M070	Multi	R3%1YRN30	RETAIN 3% 1 YEAR NET 30

If there is a dispute regarding one or more aspects of a supplier invoice, the department must attach all supporting documents with the payment in PeopleSoft and/or update the Comment field, as shown in the following example.

**FIGURE 4-10. COMMENT FOR DISPUTED INVOICE**

Payment Note (Maximum number of characters allowed for comments is 254)

Business Unit SFGOV  
Voucher ID 00000085  
Payment Count 1

Payment Note:

ORIGINAL INVOICE RECEIPT DATE:  
REASON FOR DISPUTE (E.G. AMOUNT, WRONG ITEM, WRONG ADDRESS, ETC.):  
DATE DISPUTE FIRST COMMUNICATED TO VENDOR:  
DATE ORIGINAL INVOICE RETURNED TO VENDOR:  
DATE CORRECTED INVOICE RECEIVED:

254 characters remaining  
Note: Payment Note is for internal use only and will not appear on remittance advice.

OK Cancel

#### 4.4.1.2 | PROMPT PAYMENT IMPLEMENTATION GUIDELINES

The following section describes steps City departments can implement to help ensure prompt payments to suppliers.

##### **Establish a “One-Stop Shop” for Receiving and Tracking Payment Requests**

Departments should:

- Encourage and train suppliers to directly submit invoices in PeopleSoft eSettlement
- Create a single point of contact/unit (e.g., a designated e-mail account) for suppliers to make inquiries and receive responses regarding the status of invoices and payments. Encourage suppliers to track payment using PeopleSoft
- Specify the name, mailing address, phone number, and e-mail address of the unit in all City department communications to suppliers regarding payment
- Have a back-up protocol to ensure continuity and timeliness of operations during vacations and other leaves

- Record invoices and vouchers in financial systems as early in the process as possible and accurately document the date that each invoice is first received
- Record the Date of Invoice Receipt and the Date of Invoice Acceptance to track the progress of invoices through necessary approvals

### **Track the Duration from Date of Invoice Receipt to Payment Date**

For audit purposes, departments should monitor the number of days from the Date of Invoice Receipt, to Date of Invoice Acceptance, to Payment Date. Departments must evaluate the number of payments delayed by performance or other disputes to determine how to decrease the likelihood of future disputes.

### **Communicate Corrective Actions in a Timely Manner**

Make every effort to notify suppliers within seven (7) calendar days from the Date of Invoice Receipt, or sooner as practicable, if an invoice cannot be accepted by the City due to defects or improprieties in the goods or services, errors or omissions in the invoice, contractual performance obligations, or City requirements compliance status. An invoice may also be denied because a stop notice has been filed with the Controller's Office, thus disputing the supplier's entitlement to the requested funds. Clearly describe to the supplier the corrective action(s) required, including whether the invoice must be corrected and re-submitted to re-start a payment request process, and document the supplier notification date and reason for notification.

As shown in the figure below, for invoices submitted in PeopleSoft eSettlement, voucher approvers can "Pushback"<sup>1</sup> the vouchers for voucher initiators to make corrections or "Deny" the voucher to stop processing. The department will then need to inform the supplier and have the supplier resubmit the invoice in eSettlement using a new invoice number.

**[NEED TO CONFIRM THE ABOVE PROCEDURE]**

---

<sup>1</sup> Formerly known as reject

**FIGURE 4-11. "PUSHBACK" AND "DENY" OPTIONS FOR VOUCHER APPROVERS**

**Voucher Mass Approvals**

Welcome FSP\_AGENCY\_AP\_APPROVER\_2 Logged On FSTST

**Search Criteria**

Business Unit: SFGOV  
 Voucher ID:   
 Voucher Source:   
 Voucher Style:   
 Invoice Number:   
 \*Approval Status: Pending  
☒ Include On Hold

Supplier SetID: SHARE  
 Short Name:   
 Supplier ID:   
 Supplier Name:   
 Search Clear

**Comments**

☒ Select All ☐ Deselect All

Approve Deny Pushback Hold

**Search Results**

Select	Business Unit	Voucher ID	Approval Status	Supplier ID	Gross Invoice Amount	Transaction Currency	Voucher Style	Voucher Source	Attachments (0)
<input type="checkbox"/>	SFGOV	00000121	Pending	0000002779	11500.00 USD		Regular Voucher	Online	

Personalize | Find | First 1 of 1 Last

☒ Select All ☐ Deselect All

Approve Deny Pushback Hold

#### 4.4.1.3 | EASY METHODS TO ACCELERATE PAYMENTS

Suppliers must be paid within 30 days of the date on which the City receives an invoice for work performed and accepted by the City. If a dispute prevents a department from meeting this requirement, that dispute must be documented.

The fastest and easiest way for departments to accelerate payments is to encourage suppliers to submit invoices in PeopleSoft and accept electronic payments.

##### **Electronic Payments**

Electronic payments are free, secure, Internet-based services. Departments should encourage suppliers to sign up with Paymode-X to get electronic payments (ACH-Automated Clearing House) that are paid out of the City's existing disbursement account and sent electronically to the suppliers' bank accounts at any financial institution. Depending on the Scheduled Due Date defined on the voucher, the earliest ACH payment date is the 2<sup>nd</sup> business day after payment document is approved. For example, if the payment document is approved on Tuesday and the Schedule Due Date is Tuesday, Wednesday, or Thursday, the ACH payment will be processed on Thursday.

Departments can describe to their supplier the numerous benefits of Paymode-X electronic payment, including:

- There is no charge to the vendor for this service.
- Paymode-X is secure, Internet-based, and requires no software purchase and no modification to existing accounts receivable system.
- It takes about 10 minutes to enroll.
- Electronic payments are automatically made to supplier's accounts, with no need to cash physical checks.

The approval process takes approximately 2-3 weeks from the time the supplier enrolls in Paymode-X. Note that individuals with SSN may take longer and, depending on the credentials provided to Paymode-X, may be outright rejected. Individuals should work directly with Paymode-X to ensure all required documents have been provided. Once the supplier is set up in Paymode-X, an activation file is sent to the Supplier Management Team for processing. When the supplier's Paymode-X is linked to the supplier profile in PeopleSoft, departments can select the "Paymode location".

### **Partial Payments Not Allowed**

If the invoice has disputed items or amounts, the invoice should be returned to the supplier for correction. Partial payments on invoices are not allowed. Refer to [Section 4.7 - | Payments-Related Frequently Asked Questions](#) for detailed examples. Partial payment on contract payment is discussed in [Section 4.4.2 | Construction/Contract Payment\\*](#).

### **Access Online Supplier Payment information**

Supplier payment information is searchable online through SFOpenBook under "Spending & Revenue" at <http://openbook.sfgov.org/>.

#### **4.4.1.4 | ACH FREQUENTLY ASKED QUESTIONS**

##### **1. What is ACH?**

Automated Clearing House (ACH) Payment Processing refers to the electronic transfer of funds to and from checking or saving accounts using the Federal Reserve Banking System. ACH payments are the preferred form of payment the City and County of San Francisco (the City) uses to pay its suppliers.

##### **2. How will the City issue payments to suppliers not set-up for ACH?**

The City will issue paper checks and send them via U.S. mail to the "remit to" address for their organization in our records.



**3. How can a non-existing authorized City supplier receive ACH Payment?**

Only City-approved suppliers should sign up to receive ACH payments through Paymode-X. A supplier must be issued a City supplier ID and have all supplier compliance paperwork completed and approved by the City before enrolling with Paymode-X.

They can be directed to the SF City Partner website to register as an authorized City supplier:

<https://sfcitypartner.sfgov.org/Vendor/Login>

If they have any questions or need assistance with the process, please refer them to the training guides: <https://sfcitypartner.sfgov.org/Training/Classes>

**4. How does a supplier gain access to the new financial system?**

If they are already a supplier with the City and County of San Francisco, do not register as a sourcing bidder. Instead, obtain a supplier login by contacting [sfcitypartnersupport@sfgov.org](mailto:sfcitypartnersupport@sfgov.org).

**5. Are there any enrollment restrictions for ACH?**

City employees, foreign suppliers with banks outside the USA, City retirees, one-time payments from the City, and benefit payments are not eligible to receive ACH payments from the City.

**6. If a supplier's banking institution is based outside of the United States, can they sign up for ACH?**

Unfortunately, the City does not accommodate payments to foreign suppliers outside of the United States at this time.

**7. How does a supplier register to receive ACH payments?**

If they were an existing authorized City supplier and were previously enrolled with Paymode-X before the City's System change, then they do not need to do anything to further activate their Paymode-X account. Existing Paymode-X members may contact Paymode-X at their toll-free number at 1-866-252-7366 to confirm the details of their membership to ensure that their account information is current.

If the supplier does not have a Paymode-X account they can easily enroll by going to:

[http://www.paymode.com/city\\_countyofsanfrancisco](http://www.paymode.com/city_countyofsanfrancisco).

**8. How do suppliers receive the City's ACH payment if they have multiple bank accounts, or if they want a particular payment directed to one of their specific business locations/accounts?**

Each Paymode-X Account Name refers to one checking or saving account only. The City can work with Paymode-X to "link" specific City supplier locations/accounts to specific the Paymode-X Account Names. If you have this situation, please contact the City at [sfcitypartnersupport@sfgov.org](mailto:sfcitypartnersupport@sfgov.org) to receive assistance on how to properly set up your accounts.

**9. If the supplier is no longer getting a check mailed to their address, why do they need to provide their current remittance address when receiving electronic payments?**

City departments verify the remittance address on the supplier's invoice to the one on the City's supplier file to ensure the right supplier and/or supplier division is paid. We also verify the supplier's remittance address on the Paymode-X network to the one on the City supplier profile before we establish the ACH disbursement type for each of our suppliers.

**10. The supplier is receiving ACH payments but they have changed their bank/bank account/bank information, what do they need to do?**

The City cannot update the supplier's bank information for them. We can instruct them to log in to their Paymode-X account to change any of their information under the "Admin" tab. Only the supplier can update their account information.

**11. The supplier has changed their Federal Employer Identification Number (FEIN) and/or Social Security number (SSN). How will this affect their ACH and City payment process.**

If they have changed their FEIN/SSN, they are required to re-apply for a new City Supplier ID. For tax reporting purposes, the City is not allowed to replace or copy information from an existing vendor number if the Tax ID has been changed for any reason.

They must re-register to become an authorized city supplier via the [SF City Partner](#) website.

**12. How will they know when and if payments have been made to their company and how can they view the remittance information?**

When logged into SF City Partner website, suppliers can look up their payments on the following screens.

**FIGURE 4-12. SF CITY PARTNER PAGE FOR SUPPLIERS TO REVIEW PAYMENT INFORMATION**

Supplier Homepage

Contact Us

My Alerts

Links

My Shortcuts

- Self-Service Invoice
- Create PO Acknowledgments
- Invoices
- Payments**
- View Receipts

My Profile Information

- My Bidding Events
- My Quotes
- My Catalogs
- My Contracts and Agreements
- My Orders
- My Acknowledgments
- My Advanced Shipping Notices
- My Time and Expenses

My Invoices and Payments

- Self-Service Invoice
- Receivables Aging Balance
- Manage Bills
- Review Payment Installments
- Review Payments**
- Approve Service Invoices

My Discounts

- Settlements
- CCSF Certifications

Review Payments

Payment History

Search Criteria

Payment Reference  Payment Status

Advanced Search

Sort Criteria

1st Sort  By

2nd Sort  By

No Payments Found.

Supplier Homepage

Contact Us

My Alerts

Links

My Shortcuts

- Self-Service Invoice
- Create PO Acknowledgments
- Invoices
- Payments**
- View Receipts

My Profile Information

- My Bidding Events
- My Orders
- My Acknowledgments
- My Advanced Shipping Notices
- My Invoices and Payments
- Settlements
- CCSF Certifications

Review Payments

Payments Made

CITY ELECTRIC SUPPLY

Set filter options

Payments Made

Personalize | Find |  First 1-3 of 3 Last

Reference	Invoice Number	Payment Date	Amount
00000239	723663T	06/20/2017	\$5,000.00 USD
00000240	662616R	06/27/2017	\$214,605.00 USD
00000240	7172317Q	06/27/2017	\$214,605.00 USD

### **13. What if they have an access issue or need additional help?**

If they have additional questions or need help, please call the Fresh Desk at (415) 944-2442 or e-mail it at [supplier.managment@sfgov.org](mailto:supplier.managment@sfgov.org).

#### **4.4.1.5 | PROMPT PAYMENT DISCOUNTS**

City departments shall pay within the discount term from the invoice receipt date to capture the prompt payment discounts offered by the suppliers. Refer to [Section 4.4.1.1 | Prompt Payment Definitions](#) for definition of invoice receipt date and illustration on related fields in PeopleSoft such as Pay Term and Accounting Date.

##### **When Setting up POs**

Departments must select the correct Pay Term (e.g., “1%10N30”) in PeopleSoft according to the contract.

##### **When Invoice is Submitted to City Offline (Not Directly Submitted in PeopleSoft)**

Departments should update the Pay Term in PeopleSoft Accounts Payable Module if the discount term stated on the invoice is more favorable than the discount term in the PO. Make sure to put the correct invoice receipt date in the Accounting Date field. PeopleSoft will calculate the Scheduled Due Date based on Pay Term and Accounting Date. If the supplier is being paid by a physical check, keep in mind that, normally, the City only prints checks once a week on Wednesdays for checks due Saturday through Friday of the week. Departments can manually change the Scheduled Due Date if needed to make sure the check is issued on time and the discount is captured. Checks are temporarily being printed daily as of Aug 2017.

Controller’s Office Fund Accountants monitor missed discounts and communicate with department finance officers through the quarterly *Lost Discount Report*.

Note that discounts will no longer offset the respective expenditures account. Instead, there is a Discount Earned account (535820) to track the discounts earned.

##### **Sales/Use Tax on Discounted Payment Terms**

When suppliers offer cash discounts, the sales/use tax must be based on the discounted amount. For information on how to adjust the voucher’s tax amount, refer to the Job Aids in [Section 18.2 | Accounts Payable](#).

#### 4.4.2 | Construction/Contract Payment\*

The following section describes guidelines for departments that make payments on construction projects and to contractors. For guidelines on construction contracting, refer to [Section 3.2 | Contracting Rules & Regulations, Admin. Code Chapter 6\\*](#).

##### 4.4.2.1 | CONTRACT RETENTION

##### **Best Practice(s) Requested for All Departments on Retention Payments**

Retention Payments and the tracking of unpaid Retention Payables, should be tracked consistent with the Terms & Conditions contained in the respective contract(s).

For Retention Payables, the respective Due Date(s) and Scheduled Payment Date(s) should be updated, following the payment of the original Invoice Voucher Payment, to ensure the Open Invoices Dashboard reflects up-to-date information.

Retention Payments and the tracking of unpaid Retention Payables, should be tracked consistent with the Terms & Conditions contained in the respective contract(s).

For Retention Payables, the respective Due Date(s) and Scheduled Payment Date(s) should be updated, following the payment of the original Invoice Voucher Payment, to ensure the Open Invoices Dashboard reflects up-to-date information.

*For example, contracts with Net 30, 10% Retention Payables Upon ...*

- **Deliverable Milestone:** Update the Due Date and Scheduled Payment Date to match the projected Milestone Date, and continue to show the Voucher 'on hold' using the Reason Code 'Contract Retention'. For Departments using the Project Costing Module, your departmental A/P Professionals can cross reference the schedules phase, deliverable and milestone dates there, as long as they are updated timely and consistent with your departmental Project Management subsystems and reporting to your Commission or others.
- **Project Phase Completion:** Update the Due Date and Scheduled Payment Date to match the projected Project Phase Completion Date, and continue to show the Voucher 'on hold' using the Reason Code 'Contract Retention'. For Departments using the Project Costing Module, your departmental A/P Professionals can cross reference the schedules phase, deliverable and milestone dates there, as long as they are updated timely and consistent with your departmental Project Management subsystems and reporting to your Commission or others.
- **Total Contract Completion:** Update the Due Date and Scheduled Payment Date to match the projected Contract Completion Date, and continue to show the Voucher 'on hold' using the Reason Code 'Contract Retention'. For Departments using the Project Costing Module, your departmental

A/P Professionals can cross reference the schedules phase, deliverable and milestone dates there, as long as they are updated timely and consistent with your departmental Project Management subsystems and reporting to your Commission or others.

- **Substantial Completion:** Update the Due Date and Scheduled Payment Date to match the projected Substantial Completion Date, and continue to show the Voucher 'on hold' using the Reason Code 'Contract Retention'. For Departments using the Project Costing Module, your departmental A/P Professionals can cross reference the schedules phase, deliverable and milestone dates there, as long as they are updated timely and consistent with your departmental Project Management subsystems and reporting to your Commission or others.
- **Total Project Completion and Warrant Period Completion:** Update the Due Date and Scheduled Payment Date to match the projected Post-Contract Completion, Warranty Period End Date, and continue to show the Voucher 'on hold' using the Reason Code 'Contract Retention'. For Departments using the Project Costing Module, your departmental A/P Professionals can cross reference the schedules phase, deliverable and milestone dates there, as long as they are updated timely and consistent with your departmental Project Management subsystems and reporting to your Commission or others.

Based on the above, and consistent with the Controller's Calendar-At-A-Glance dashboard monitoring guidance, Departments should review their Open Invoices Dashboard weekly, and keep up-to-date their Due Dates and Scheduled Payment Dates for the Retention Payables portions of their previously vouchered payments. This is helpful to ensure timely monitoring of payment timeliness, as well as helping to ensure cash outflow projections used by the Treasurer's Office, Controller's Office and Contracting Departments is accurate.

### **Establishing Retention**

To set up retention, select one of the Payment Terms ID in Procurement Contract for retention. Refer to [Figure 4-7. Contract PO Voucher Approval Process \(Path C\)](#). When setting up retention on the purchase order, departments can copy the purchase order from the Procurement Contract to carry over the Payment Term.

**FIGURE 4-13. SET UP RETENTION IN PROCUREMENT CONTRACT**



M010	R5%1YRN30	RETAIN 5% 1 YEAR NET 30	Multiple	Supplier
M020	R5%2YRN30	RETAIN 5% 2 YEARS NET 30	Multiple	Supplier
M030	R10%1YRN30	RETAIN 10% 1 YEAR NET 30	Multiple	Supplier
M040	R10%2YRN30	RETAIN 10% 2 YEARS NET 30	Multiple	Supplier

When paying the contractor, the Pay Term will be carried forward to the AP Module. See the Figure below.

**FIGURE 4-14. RETENTION PAY TERM IN ACCOUNTS PAYABLE MODULE**

Business Unit: SFGOV  
 Voucher ID: 00000219  
 Voucher Style: Regular Voucher  
 Invoice Date: 01/17/2017  
 Invoice Received: 01/19/2017  
 Supplier: H & L INTERNATIONAL INC  
 Supplier ID: 0000003213  
 ShortName: H & L INTE-001  
 Location: MAIN  
 \*Address: 1

Invoice No: CH6TEST1  
 Accounting Date: 01/20/2017  
 \*Pay Terms: M030 R10%1YRN30  
 Basis Date Type: Acct Date  
☐ Tax Exempt  
 Control Group:

Invoice Total:  
 Line Total: 1,646,399.00  
 \*Currency: USD  
 Miscellaneous:   
 Freight:   
 Sales Tax:   
 Use Tax: 0.00  
 Total: 1,646,399.00  
 Difference: 0.00

Save Action Run Calculate Print

Copy From Source Document

PO Unit: SFGOV PO Number: 0000000175 Copy PO Copy From: None

Two payment lines will be populated as shown in the figure below. Payment 1 is for the regular payment and Payment 2 is for the retention amount. If the retention does not have a definite term, departments must check the box next to “Hold Payment”. This will place the payment on hold regardless of the Scheduled Due Date.

**FIGURE 4-15. RETENTION PAYMENT OPTIONS**

Payment Information Find | View All First 1 of 2 Last

Payment 1  
 Remit to: 0000003213  
 Location: MAIN  
 \*Address: 1  
 H & L INTERNATIONAL INC  
 3130-3132 DIABLO AVE  
 HAYWARD, CA 94545-2702

Gross Amount: 1481759.10 USD  
 Discount: 0.00 USD  
 Scheduled Due: 02/19/2017  
 Net Due: 02/19/2017  
 Discount Due:   
 Accounting Date:

Payment Inquiry  
☐ Discount Denied  
☐ Late Charge  
☐ Express Payment  
☐ Payment Comments(0)  
☐ Holiday/Currency



## ACCOUNTING POLICIES &amp; PROCEDURES

Payment 2

\*Remit to: 000000004  
Location: OFFC  
\*Address: 1

North American Bus Industries  
789 HUNO Street  
8th Floor  
Arlington, AL 36207

Gross Amount: 164639.90 USD  
Discount: 0.00 USD

Scheduled Due: 02/19/2018  
Net Due: 02/19/2018  
Discount Due:  
Accounting Date:

Payment Inquiry  
Discount Denied  
Late Charge  
Express Payment  
Payment Comments(0)  
Holiday/Currency

Payment Options

\*Bank: BOA  
\*Account: 0007  
\*Method: CHK  
Message: Message will appear on remittance advice.

Pay Group:  
\*Handling: Regular Payments  
Hold Reason:

\*Netting: Not Applicable  
L/C ID:

Supplier Bank Messages  
☒ Hold Payment  
☐ Separate Payment

Since the AP Module records the retention as an account payable, departments must also process a journal entry to reclassify it to Retainage Payable. The entry should be processed in the Actual Ledger of the GL Module (see the Figure below). In the “Reference” field, make sure to input the Voucher ID to establish an audit trail and for reporting purposes.

**FIGURE 4-16. JOURNAL ENTRY TO RECORD RETENTION**

Favorites Main Menu > General Ledger > Journals > Journal Entry > Create/Update Journal Entries

City and County of SAN FRANCISCO

Header Lines Totals Errors Approval

Unit: SFGOV Journal ID: NEXT Date: 07/12/2017  
Template List: Inter/IntraUnit \*Process: Edit Journal Change Values: Process

Select	Line	*Unit	*Ledger	Account	Fund	Dept	Authority	Amount	Reference	Agency Use	PC Bus
<input type="checkbox"/>	1	SFGOV	ACTUALS	200000	15790	274643	17700	1984	0000002718		
<input type="checkbox"/>	2	SFGOV	ACTUALS	200040	15790	274643	17700	-1984	0000002718		

Lines to add: 1

Unit	Total Lines	Total Debits	Total Credits	Journal Status	Budget Status
SFGOV	2	0.00	0.00	N	N

Save Notify Refresh Add Update/Display

Header | Lines | Totals | Errors | Approval

The Table below shows the accounts to debit and credit for the retention recording entry.

**TABLE 4-2. JOURNAL ENTRY TO RECORD RETENTION**

	ACCOUNT	PS ACCOUNT CODE
Debit	Vouchers Payable	200000
Credit	Retainage Payable	200040

### Releasing Retention

When ready to release retention, departments should go to the AP Module and uncheck the box next to “Hold Payment” in [Figure 4-15](#) and change the Scheduled Due Date to the desired payment date. Departments must also reverse the entry to record retention shown in [Table 4-3](#).

**TABLE 4-3. JOURNAL ENTRY TO LIQUIDATE RETENTION**

	ACCOUNT	PS ACCOUNT CODE
Debit	Retainage Payable	200040
Credit	Vouchers Payable	200000

### Releasing Retention Converted from FAMIS

When the conversion to PeopleSoft took place, the balance in Retainage Payable carried over and the retention amounts were added to the net amount in the converted Purchase Orders.

Refer to the [Data Cleanup for Retainage/Liens Job Aide](#) for procedures to clean up retainage/liens that were converted as a liability through the GL conversion and an encumbrance through the PO conversion.

#### 4.4.2.2 | ESCROW

Some construction contracts require the City to place the retention amount with an escrow bank. When making such payments, departments should:

Pay the non-escrow amount to the supplier on the purchase order (as shown in Payment 1 in [Figure 4-17](#))

For the escrow amount, submit a request to the Supplier Management Team (SMT) to add a Location with an alternative name for the escrow bank under the Supplier ID of the contractor, and then add a payment line and change the Location field to the Supplier Location for the escrow bank (as shown in Payment 2 in [Figure 4-17](#))

**FIGURE 4-17. PAYMENTS TO CONTRACTOR & ESCROW**

**Payment Information**

Find | View All First 1 of 2 Last

**Payment 1**

\*Remit to 0000003213

\*Location MAIN

\*Address 1

H & L INTERNATIONAL INC  
 3130-3132 DIABLO AVE  
 HAYWARD, CA 94545-2702

Gross Amount 1481759.10 USD  
 Discount 0.00 USD

Scheduled Due 02/19/2017  
 Net Due 02/19/2017  
 Discount Due  
 Accounting Date

Payment Inquiry  
☐ Discount Denied  
☐ Late Charge  
☐ Express Payment  
 Payment Comments(0)  
 Holiday/Currency

**Payment 2**

\*Remit to 0000000004

\*Location OFFICE

\*Address 1

North American Bus Industries  
 789 HUGL Street  
 8th Floor  
 Anniston, AL 36207

Gross Amount 194639.90 USD  
 Discount 0.00 USD

Scheduled Due 02/19/2018  
 Net Due 02/19/2018  
 Discount Due  
 Accounting Date

Payment Inquiry  
☐ Discount Denied  
☐ Late Charge  
☐ Express Payment  
 Payment Comments(0)  
 Holiday/Currency

**Payment Options**

\*Bank BOA  
 \*Account 0007  
 \*Method CHK Check  
 Message

Pay Group  
 \*Handling Regular Payments  
 Hold Reason

\*Netting Not Applicable  
 LIC ID

Supplier Bank Messages  
☐ Hold Payment  
☐ Separate Payment

Message will appear on remittance advice.

#### 4.4.2.3 | STOP NOTICE

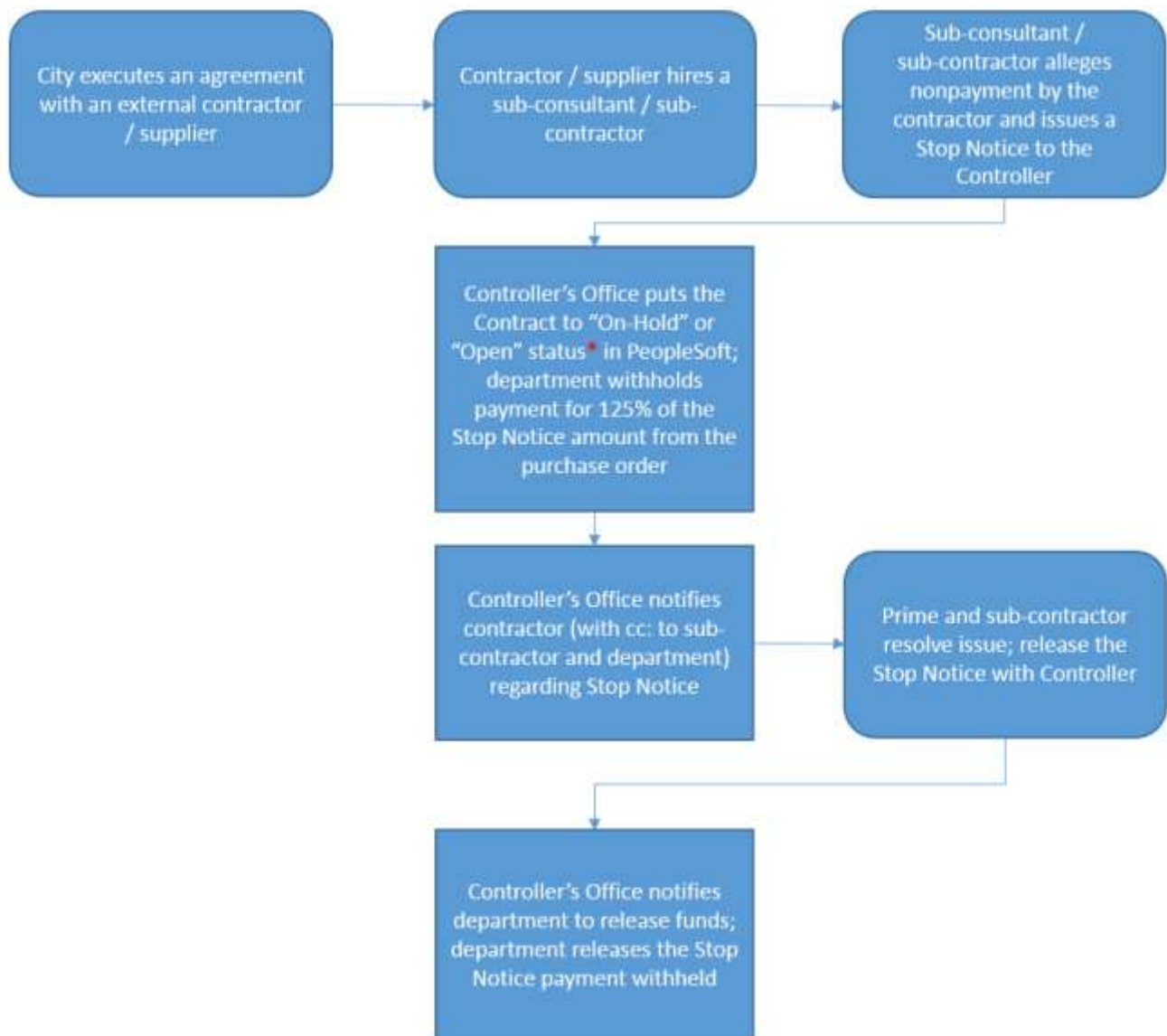
A “stop notice” provides a legal remedy to sub-contractors against a prime contractor for non-payment of goods and/or services provided or performed to support delivery of an existing contract with the City. A stop notice informs the Controller that a dispute over payments exists between a prime and a sub-contractor. When a stop notice is received, the Controller and City departments monitor the withholding of the disputed amount until a resolution between the prime and sub-contractor is finalized.

Stop notices are regulated by *California Civil Code Sections 9000 through 9510 (Title 3. Public Work of Improvement)*. The following link provides access to the relevant regulations:

[https://leginfo.ca.gov/faces/codes\\_displayexpandedbranch.xhtml?tocCode=CIV&division=4.&title=3.&part=6.&chapter=&article=](https://leginfo.ca.gov/faces/codes_displayexpandedbranch.xhtml?tocCode=CIV&division=4.&title=3.&part=6.&chapter=&article=)

The following high-level process flow diagram provides an overview of what occurs to resolve a stop notice.

**FIGURE 4-18. STOP NOTICE WORKFLOW**



Note: Both "On-Hold" and "Open" Contract status will result in match exceptions for any payments against the contract. Such payments will be routed to OCA and the Controller's Office for approval. "Open" is when there are changes being processed to the contract. **[NOTE TO BE CONFIRMED]**

**FIGURE 4-19. STATUS FIELD PREVENTS OR ALLOWS PAYMENT PROCESSING**

Contract Entry

---

Contract

SetID SHARE

Contract ID 1000000109

\*Status Open

Administrator/Buyer

Contract Entry

---

Contract

SetID SHARE

Contract ID 1000000109

\*Status On-Hold

Administrator/Buyer

### Processes Involving City Departments

Stop notices are usually mailed to the Controller’s Office, but a sub-contractor can also file a stop notice in person with the Controller’s Office Claims and Disbursement Unit (Disbursement Unit). Note that sub-contractors must file a 20-day *Preliminary Notice* before starting work for a prime contractor. If a sub-contractor fails to file one, prime contractors may challenge the sub-contractor’s stop notice.

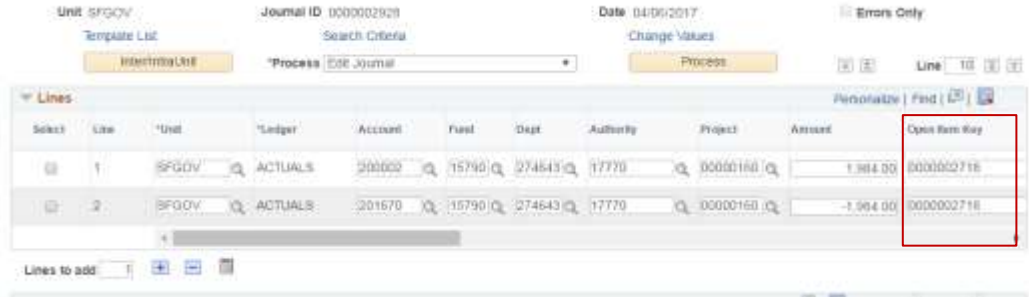
If the sub-contractor includes a \$10 check with the stop notice, within ten (10) days of project completion the department must provide a notice to the sub-contractor of the deadline for filing a court action to enforce the claim (60 days after the project completion) (*Civil Code*, Sections 9360 and 9200). The department needs to deposit the check, upload a copy of the check as an attachment to the contract, and input the check information in the “Comment” field of the contract. Departments can contact the City Attorney (David R. Hobstetter, 554-3981) for questions on the notice.

The following Table lists the steps in the stop notice process and the responsibilities of City departments, Controller’s Office, and City Attorney.

**TABLE 4-4. STOP NOTICE PROCESS SUMMARY, ROLES & RESPONSIBILITIES**

STAKEHOLDERS INVOLVED IN STOP NOTICES	RESPONSIBILITIES
AOSD – Disbursement Unit	<ul style="list-style-type: none"> <li>• E-mail the stop notice to department upon receiving a signed stop notice</li> <li>• Obtain Project ID, Contract ID and Supplier ID from department. Change the Contract status to “On-Hold” or “Open”</li> <li>• Upload the stop notice as attachment to the contract and input the stop notice information in the “Comment” field of the contract</li> <li>• Send a notification letter to the prime contractor and the sub-contractor that filed the stop notice</li> <li>• E-mail the notification letter to the department and inform the department to record the stop notice lien</li> <li>• Run purchase order/stop notice status report daily to monitor the stop notice. Also forward a copy of the report to AOSD Fund Accountants</li> <li>• Upon receiving an original release of stop notice, verify the sufficiency of the release, e-mail City Attorney for any questions or concerns on the release</li> <li>• If the stop notice release is sufficient, upload the stop notice release as attachment to the Contract and mail the department the release</li> </ul>
City Department	<ul style="list-style-type: none"> <li>• Upon receiving the notification letter from Disbursement Unit about the stop notice, e-mail Disbursement Unit the Project Number, Supplier ID, and Contract ID for the stop notice</li> <li>• When any contractor submits an invoice, the department must check the status of the contract. If the contract has “On-Hold” or “Open” status due to a stop notice, the department <b>may</b> process payment (except for Scenario 3 described below) but <b>must</b> withhold the stop notice amount. Since the contract status is not “Approved”, the payment will be routed to OCA and the Controller’s Office for approval. Refer to <a href="#">Section 4.3.3 -   PeopleSoft Voucher Approval Workflow</a> for details on approval paths.</li> <li>• The process for withholding payment for stop notices in the PeopleSoft AP Module is the same as withholding payment for retention. Refer to <a href="#">Section 4.4.2.1 -   Contract Retention</a> for details.</li> </ul> <p>There are three scenarios for stop notice payment withholding:</p> <ol style="list-style-type: none"> <li>1. <u>The contract and invoice amount are greater than the stop notice</u>  Department needs to withhold the stop notice amount and only pay the remaining balance on the invoice. For example:  Contract balance = \$20,000  Invoice = \$10,000</li> </ol>

## ACCOUNTING POLICIES &amp; PROCEDURES

STAKEHOLDERS INVOLVED IN STOP NOTICES	RESPONSIBILITIES
	<p>Stop notice lien (including 25%) = \$6,000 The department should withhold payment for \$6,000 and process the payment to the prime contractor for \$4,000</p> <p>2. <u>The contract amount is greater than the stop notices, but the invoice amount is less than the stop notices</u> Department needs to withhold the full invoice amount and continue to withhold the remaining balance of the stop notice on the next invoice until the stop notice amount is fully withheld, then pay the remaining balance on the invoice. For example: Contract balance = \$20,000 Invoice = \$5,000 Stop notice lien (including 25%) = \$6,000 The department should withhold the entire \$5,000 for this time and withhold the other \$1,000 when the next invoice comes in</p> <p>3. <u>The contract amount is less than the stop notice</u> No payment should be processed at all. Contract status should remain “On-Hold” or “Open” until receiving the stop notice release</p> <ul style="list-style-type: none"> <li>Must also process a journal entry to reclassify the withheld amount from vouchers payable to liens payable. Make sure to input Purchase Order ID in the “Reference” field (see the Figure below). DR - Account 200000 Vouchers Payable CR - Account 201670 Liens Payable</li> </ul>  <p>Upon receiving a stop notice release, release the payment to the prime contractor. The process for releasing payment for stop notices in the PeopleSoft AP Module is the same as releasing payment for retention. Refer to <a href="#">Section 4.4.2.1 - Contract Retention</a> for details. If the Contract is still in “On-Hold” or “Open” status, department may change the status to “Approved”.</p>

STAKEHOLDERS INVOLVED IN STOP NOTICES	RESPONSIBILITIES
	Department must also reverse the reclassifying journal entry described above: DR - Account 201670 Liens Payable CR - Account 200000 Vouchers Payable
AOSD – Fund Accountant	<ul style="list-style-type: none"> <li>Any construction payments with match overrides will be routed to AOSD Fund Accountants for approval. Refer to <a href="#">Section 4.3.3 - PeopleSoft Voucher Approval Workflow</a> for definition of match overrides. Fund Accountants must review outstanding stop notice(s) based on the report provided by the Disbursement unit before approving any purchase order/payment vouchers</li> <li>Consult with Disbursement Unit for questions and concerns on stop notices</li> </ul>
City Attorney	<ul style="list-style-type: none"> <li>Provide instruction and guidelines to Disbursement Unit and departments for questions and concerns on stop notices</li> <li>Provide updates to Disbursement Unit on Civil Codes for stop notice</li> </ul>

### Processes Handled by AOSD Disbursement Unit

The Disbursement Unit sends a notification letter to the prime contractor against whom the sub-contractor is filing a stop notice. The sub-contractor and the accounting personnel of the contracting department are copied of the notification letter, as follows:

- If the encumbrance balance (remaining balance + retainage) shown in the financial system is enough to cover the amount of the stop notice plus 25%, the Disbursement Unit will send the prime contractor the *Standard Notification Letter*. The sub-contractor and the accounting personnel of the contracting department are copied on the notification letter
- If the encumbrance balance (remaining balance + retainage) shown in the financial system is not enough to cover the amount of the stop notice plus 25%, the Disbursement Unit will send the prime contractor the *Non-sufficient Funds Notification Letter*. The sub-contractor and the accounting personnel of the contracting department are copied of the notification letter
- If a sub-contractor subsequently files an amended stop notice to modify the stop notice it originally filed, the Disbursement Unit will send the prime contractor the *Amendment Notification Letter*. The sub-contractor and the accounting personnel of the contracting department are copied of the notification letter

A prime contractor can serve the City with an affidavit to dispute the validity or the amount of the stop notice filed by the sub-contractor. An affidavit is a written declaration under oath, made without notice to the adverse party. It must include a written declaration clause signed by the prime contractor that



includes the date and place of signing and a statement under penalty of perjury that its contents are true and correct (e.g., “The statement set forth in this letter are true and correct and are made under penalty of perjury this xx (date) of xx (month), xxxx (year) in San Francisco”). Upon receipt of the affidavit from the prime contractor, the Disbursement Unit will mail a certified letter to the sub-contractor notifying that the prime contractor has served the City an affidavit refuting the stop notice; a copy of the letter will also be sent to the prime contractor; and another copy of the letter will be e-mailed to the accounting unit of the contracting department.

The sub-contractor can serve the City with a counter-affidavit contesting or refuting the affidavit filed by the prime contractor. The sub-contractor has 20 days (calculated from the date of the letter sent by the prime contractor) to serve the City the counter-affidavit. It must include a written declaration clause signed by the sub-contractor that includes the date and place of signing and a statement under penalty of perjury that its contents are true and correct (e.g., “The statement set forth in this letter are true and correct and are made under penalty of perjury this xx (date) of xx (month), xxxx (year) in San Francisco”). In addition, the sub-contractor must supply copies of invoices to support the claims in the counter-affidavit. Upon receipt of the counter-affidavit from the sub-contractor, the Disbursement Unit will send a letter to the prime contractor notifying that the sub-contractor has served the City a counter-affidavit refuting the affidavit; a copy of the letter will be sent to the sub-contractor; and another copy of the letter will be e-mailed to the accounting unit of the contracting department.

#### 4.4.2.4 | STOP NOTICE RELEASES

If a counter-affidavit is received from the sub-contractor, and a request is received from the prime contractor to release funds, the accounting unit of the contracting department should contact the City Attorney’s Office (David R. Hobstetter at 554-3981) for instructions. Follow City Attorney’s instructions for any further actions.

Unlike filing a stop notice where original signatures are not required, all releases of a stop notice from a sub-contractor must have an original signature. There are five types of releases, described below.

##### **Unconditional Release**

- This release satisfies the sub-contractor’s monetary complaint (stop notice)
- The amount indicated on an unconditional release must be “\$0”
- Upon receipt of an original unconditional release, the Disbursement Unit will upload the release as an attachment to the PeopleSoft Contract (contract) and e-mail a copy to the contracting department. The department can then release the payment withheld and must also reverse the retention reclassifying journal entry. Refer to [Table 4-4. Stop Notice Process Summary, Roles & Responsibilities](#) for detailed procedures.

##### **Partial Release**

- This release partially (up to the released amount) satisfies the sub-contractor's monetary complaint (stop notice)
- Upon receipt of an original partial release, the Disbursement Unit will upload the partial release as an attachment to the contract and e-mail a copy to the contracting department. The department can then release the payment withheld for the partial release amount only. The department must also reverse the retention reclassifying journal entry for the partial release amount. Refer to [Table 4-4. Stop Notice Process Summary, Roles & Responsibilities](#) for detailed procedures

#### **Release of stop notice**

- This release satisfies the sub-contractor's monetary complaint (stop notice)
- If the amount to be released, as indicated on the release of stop notice, equals to the amount of the stop notice, the Disbursement Unit will upload the release as an attachment to the contract and e-mail a copy to the contracting department. The department can then release the payment withheld and must also reverse the retention reclassifying journal entry. Refer to [Table 4-4. Stop Notice Process Summary, Roles & Responsibilities](#) for detailed procedures
- If the amount to be released, indicated on the release of stop notice, is less than the amount of the stop notice, it is considered a partial release. The Disbursement Unit follows the partial release instructions

#### **Bond Release**

- The prime contractor bought the bond to release the stop notice. The bonding company will pay the sub-contractor if, at a later time, the Court rules in favor of the sub-contractor
- A bond release must have an original seal of the bonding company with original signature
- The release bond and the performance bond must have different underwriters. The Disbursement Unit will contact the contracting department to find out the underwriter of the performance bond
- The amount indicated on the bond release must equal to the amount of the stop notice. If it is less, the Disbursement Unit will contact the prime contractor to revise the amount
- If all above conditions are met (original seal, original signature, different underwriters, equal amount), the Disbursement Unit will send the original bond release, performance bond, surety rating from A.M. Best's Member Center ([https://www3.ambest.com/MemberCenter/sMC/Cust\\_existing.aspx](https://www3.ambest.com/MemberCenter/sMC/Cust_existing.aspx)), and stop notice lien by inter-office mail to City Attorney for review. Upon receiving the approval from City attorney, the Disbursement Unit will upload the bond release as attachment to the contract and e-mail a copy

to the contracting department. The department can then release the payment withheld and must also reverse the retention reclassifying journal entry. Refer to [Table 4-4. Stop Notice Process Summary, Roles & Responsibilities](#) for detailed procedures

Note that each stop notice and release incident may be different. Consult with the City Attorney's Office for instructions.

#### 4.4.2.5 | CMD FORMS 7, 8 & 9

Contractors are required to submit *Form 7 (CMD Progress Payment Form)* and *Form 9 (CMD Payment Affidavit)* for progress payments, and *Form 8 (CMD Exit Report & Affidavit)* for final payment as governed by *San Francisco Administrative Code 14B*. Should the prime contractor and/or the sub-contractor fail to provide the relevant payment data and confirmation through these forms, City departments may automatically withhold 20% of the requested total progress payment. Additionally, CMD may inform City departments to withhold 20% of the requested progress payment until required information is entered and accepted.

Contractors (suppliers) submitting invoices in PeopleSoft eSettlement are required to complete *Form 7* and *Form 9* before invoices can be submitted. Contractors submitting invoices outside PeopleSoft must submit *Forms 7 & 9* through <http://sfgov.org/cmd/lbe-tracking-system-lbeuts>. If the contract was not added to the Elations-LBEUTS program, paper forms can be submitted along with the payment request.

All contractors need to submit the fully signed hard copy of *Form 8* for final payment.

#### 4.4.2.6 | JOINT CHECK REQUESTS

In the event that a payment must be made through a joint check, the department should follow the steps below:

1. Department submits a joint check Supplier ID request with the sub-contractor's legal name to the Supplier Management Team ("SMT").
2. SMT adds an address (with "Joint Check" as the description) with the alternative name being the sub-contractor's name.
3. When making the voucher payment, the department should select the address that says "Joint Check".
  - a. The check will be printed with both the prime contractor and sub-contractor's names.
4. Department requests the Cash Disbursement team to hold the check and arrange pickup.

### 4.4.3 | Single Payment<sup>1</sup>

These guidelines are issued under the Controller's authority under:

- *San Francisco Charter, Article III, Sec. 3.105*
- *San Francisco Administrative Code Chapter 10, Article I, Sec. 10.07*

The single payment process in PeopleSoft is only for authorized non-recurring and non-1099 reportable payments to one-time suppliers. Refer to [Section 4.6.2 - | 1099 Reportable Payments](#) below for more information about what is and is not 1099-reportable.

Allowable non-1099 reportable single payments include:

- Non-1099 reportable claims and judgments as well as litigation expenses – use Account Code 553110 for settlement of claims generally processed by the City Attorney and other responsible departments
- Tow claim judgments and refunds of improper tow charges – use Account Code 553110, generally processed by the Police Department and Parking and Traffic
- Refunds of security deposits from liability or deferred credit account (e.g., Port's refund of customer deposits and Treasure Island's refund of event security deposits)
- Payments against agency obligations (e.g., payment from Trial Court Trust Account, District Attorney's Bad Check program and Juvenile Probation restitutions)
- Aid assistance payments– processed by Human Services Agency and not subject to 1099 reporting if paid directly to clients, including SSI retro payments to clients
- Working Families Credit payments – non-1099 reportable tax credit, use Account Code 539100
- Elections' poll workers (Account Code 527100) and polling places (Account Code 530510) payments with the assumption that the annual payments to any one individual will not exceed the \$600 limit in one tax year
- Other examples include reissue of ERS Retirement Allowances (Account Code 555110), reissue of payroll checks, Building Inspection Code Enforcement Rehabilitation Fund Underground Utility Program (Account Code 535990)

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<sup>1</sup> Formerly known as one-time payment

## 4.4.3.1 | RULE FOR SINGLE PAYMENT PROCESSING

Typical use of the single payment involves one-time, non-recurring payments to suppliers and expenses that are paid out of liability accounts, agency obligations, special programs or funds. Single payments are for paying suppliers (not employees) for non-recurring, non-1099 reportable expenses. One-time payments are not for employee reimbursements, and should not be used for purchase of materials and supplies, or services. Departments must maintain proper controls and/or verification procedures to ensure accurate 1099 reporting. Departments must also ensure that the pay terms indicated on the single payment are entered to properly schedule the payment date and capture any applicable discounts. Controller's Office monitors use of single payments through PeopleSoft reports and communicates quarterly with department CFOs on monitoring results. [DETAILS TO BE PROVIDED] Departments must communicate with OCA and CMD, advise suppliers to register and become compliant, then process the payment as a non-PO payment (direct voucher), if an exception is given by OCA and CMD.

## 4.4.3.2 | NO MORE SINGLE PAYMENT EXCEPTIONS

Single payments must not be used for 1099-reportable expenditures. The following one-time payment exceptions in FAMIS can no longer be processed as single payments in PeopleSoft. Supplier IDs must be set up in the system prior to payment processing.

**[NEED TO WORK WITH RELATED DEPARTMENTS ON HOW TO HANDLE THESE PAYMENTS IN PS]**

- **Aid Assistance payments** – Human Service Agency maintains W-9 information for non-client payees and submits W-9 information to Controller's Supplier File Support Unit for update or set up of supplier numbers. Payments to non-client payees must use the sub-object flagged for 1099-reportable. Additionally, the department should use the correct sub-object to ensure proper recording in 1099; e.g., box 3 or type 07 for non-employee compensation, vs. sub-object 03652 (type 01), which will be reported in box 1 for rents/leases
- **Claims and judgments, litigation expenses** (legal fees, rents, etc.) – these are 1099 reportable:
  - Judgments—Legal Fees should be recorded to sub-object 05323 (type 07), which will be reported in box 7 on the 1099-M
  - Litigation Expenses—Legal Fees included in gross proceeds should be recorded to sub-object 05312 (type 11), which will be reported in box 14 on the 1099-M
  - General Litigation Expenses should be recorded to sub-object 05321 (type 07), also reported in box 7 on the 1099-M (e.g., District Attorney's witness lost wages payments)
  - For rent/lease expenses paid to non-clients engaged in the business of rentals and housing as a result of litigation, sub-object 05324 (type 1) should be used, which will be reported in box 1 on the 1099-M (e.g., District Attorney's relocation expenses)

- **1099-reportable Public Defender's payments to expert witnesses** (keeping necessary confidentiality should not preclude compliance with IRS regulations and W-9 information is still necessary) – use sub-object 02699 Other Fees (type 07). Do not make these payments from the revolving fund
- **Water Department toilet rebates** (sub-object 03820)
- **The Public Defender's Office makes single payments from its Capital Cases Revolving Fund** and may continue to do so while in compliance with the IRS 1099 tax reporting requirements. For purposes of confidentiality, however, Public Defender will restrict information to the minimum needed to meet the IRS 1099 reporting requirements

#### 4.4.3.3 | SYSTEM INTERFACES OF OT PAYMENTS

The contents of this section have been deleted. There are no more interfaces for Single Payments in PeopleSoft.

#### 4.4.3.4 | UNACCEPTABLE SINGLE PAYMENTS

The following types of payments should never be processed as a single payment:

- Payments to employees including employee reimbursements
- Contractual services
- Purchases of materials and supplies

#### 4.4.3.5 | EXISTING CONTROLS TO ASSIST DEPARTMENTS WITH SINGLE PAYMENTS

The following systems and processes are in place to help prevent unacceptable one-time payments being entered by departments:

- Supplier Locations are flagged as either 1099 reportable or non-1099 reportable. Departments should ensure use of the correct Supplier IDs and Locations. Refer to [Section 4.6 | IRS 1099 Miscellaneous \(MISC\) Reporting Rules](#) for more information
- Periodic matching of the supplier payments file with the employees file to report to Payroll the additional income to the employee
- Quarterly review of payments using 1099-reportable account codes to Suppliers Locations without 1099 withholding class
- Regular Supplier IDs require W-9 tax identification information at the time of registration

In summary, departments should keep in mind the following guidelines when using one-time payments:

- Departments should set up regular Supplier IDs and encumber funds to the extent possible. Single payments are for limited use for non-1099 reportable and non-recurring payments
- City departments should ensure that suppliers provide W-9 information before payments are made
- Supplier Location must be flagged accordingly before making 1099-reportable payments
- It is the department's responsibility to ensure that taxable payments will be recorded and reported to the IRS correctly. Thus, it is highly important that departments refrain from using single payment for 1099-reportable payments to satisfy the Controller's requirements for proper use, review, and monitoring of one-time payment transactions

#### **4.4.4 | Advance Payment**

An advance payment is the part of a contractually due amount that is paid to suppliers in advance for goods or services. Departments must obtain approval from the Controller's Office before entering into a contract or making a purchase involving advance payment. Advance payment is not allowed except for the situations described in the following two sections.

##### **4.4.4.1 | ADVANCE PAYMENT TO GRANT SUB-RECIPIENTS (COMMUNITY BASED ORGANIZATIONS)**

The Controller's Office issues the following advance payment guidelines as authorized by the *City Charter*, Article I, Section 3.105:

Advances or pre-payments to community-based, non-profit organizations are allowable in order to meet contractor cash flow needs in certain circumstances. Departments must have approved contracts with the supplier, and contracts must explicitly allow pre-payments. The contracts must explicitly define and allow pre-payments to contract providers, who have been awarded the contracts according to the City's procurement and contracting rules and regulations. If the original contract does not allow advance payment, then it needs to be amended to include pre-payment provision. In the event the funder does not allow advance payment, the City department should not enter into such agreement with the contractor or sub-recipient. Any City agency's agreement allowing pre-payment to a supplier should be based on the department's assessment of the organization's financial situation, proven track record of providing services, justified needs for advances, as well as compliance with City's purchasing and contracting rules and regulations. Periodic reconciliation, service tracking, and control procedures must be clearly defined in the contract, as they are critical to the effectiveness of this arrangement to prevent overpayment, misuse or loss of City funds. The following procedures are necessary to ensure uniform implementation of agreements to provide advances or pre-payments to contract providers.

### **Advances or Pre-payments to Providers**

In order for advance payments to be allowable, departments should:

- Select service providers according to the City's purchasing and contracting guidelines
- Ensure that the proposed pre-payment agreement does not violate funding agencies' or City's rules or regulations, and that it does not create a difficult cash management situation for the department
- Develop required text to be inserted in contracts that will outline maximum pre-payment amounts (dollar or percentage), permitted frequency, required repayment timelines, and method for tracking pre-payment balances on claim forms or other reconciliation documents
- Add appropriate language to the contract to identify any special payment arrangement or agreement that does not fall within the standard or boilerplate provisions or rules of purchasing or contracting regulations

### **Internal Controls Regarding Use & Collection of Advances or Pre-payments**

Departments should ensure internal controls over appropriate use and collection of advances or pre-payments as follows:

- Require written request and justification from supplier to request pre-payment for services
- Develop policy that states the criteria under which providers are eligible for advances or pre-payments. Include allowable reasons for approving requests, and any additional requirements based on the department's assessment of satisfactory contract performance to date
- Require review and approval of advance and pre-payment requests by responsible managers, and approval from the Department Head or highest financial officer in the department
- Effectively monitor pre-payment activity and balances to safeguard against misuse or loss of City funds
- Ensure segregation of duties among contracting, program management, accounts payable, and accounts receivable functions within the department
- Ensure funds are available before contract issuance, and encumber funds in the financial system as soon as the purchase order is issued. When submitting a pre-payment request transaction, clearly describe it as a pre-payment against the purchase order and with appropriate documentation in the system to certify that pre-payment is explicitly allowed in the contract

### **Processing Advance Payments in the Financial System**



Follow these steps to ensure that advance payments/pre-payments are correctly entered into the financial system:

- Make advance payment in PeopleSoft Accounts Payable Module against a purchase order. **Do not** use direct payment (payment without contract) to process advances to contract providers. Describe the payment as advances in the description and/or comment field
- Apply repayment of advances against subsequent invoices according to repayment agreement between the City department and contract provider
- Pre-payments are considered expenses at the time of payment (e.g., a reduction to the encumbrance). Ensure that the time of payment, service period, and fiscal month posted in PeopleSoft are consistent and accurate

### **Preventative Measures Against Overpayment**

In order to ensure that organizations are not overpaid, departments must:

- Review invoices in detail to ensure payment only for actual and authorized services rendered for the period indicated
- Maintain accurate records of advances that match the balance in the financial system. Departments should use tracking applications (e.g., spreadsheets, contract management system, invoicing system) and perform a reconciliation process to monitor advances and rendered services
- Monitor closely the supplier payment history to ensure that the advances are being repaid as deductions from subsequent invoices, and to safeguard against overpayment
- Process final payment only when advances have been fully repaid; all services have been rendered and properly invoiced, documented, and authorized; and detailed review has confirmed the accuracy of the contract's remaining balance. This is especially important at fiscal year-end to ensure expenses are booked in the proper reporting period
- Have a contingency plan to recover funds and act immediately in the event an overpayment is identified, to prevent further loss of City funds
- Contract providers must be made aware of legal consequences and possible loss of City business if negligence and fraudulent billings result in overpayment

In summary, when considering advances or pre-payments to contract providers, departments must develop policies and procedures to ensure accurate and timely reconciliation of payments. Departments must have approved contracts with the supplier, and contracts must explicitly allow pre-payments. If the original contract does not allow advance payment, then it needs to be amended to include a pre-payment provision. Contract provisions should also include terms that state the maximum pre-payment

amount, permitted pre-payment frequency, required repayment timelines, and required method for tracking pre-payment balances on claim forms or other reconciliation documents. Any deviations from these policies require the Controller's pre-approval.

In general, the prerequisites and conditions described in these guidelines should be met for contract providers to be considered for pre-payment. Departments must also have in place service tracking and internal control procedures to monitor and reconcile the advance payments, with the goal that such arrangements do not negatively impact the City's financial resources.

For accounting-related questions, contact the Controller's Fund Accountants assigned to your department.

#### 4.4.4.2 | OTHER ALLOWED ADVANCE PAYMENT

As stated by *San Francisco Administrative Code, Chapter 21, Section 30 (e)*:

A Contracting Officer is authorized to make payment for software license fees and software support, equipment maintenance and associated escrow and finance fees in advance of receiving services under a contract.

Advance payment is allowed for the following items:

- Training and conference registration
- Membership dues
- Subscriptions
- Licenses
- Rent under a contract
- Software maintenance service under a contract
- Capital case defense service authorized by declarations
- Relocation for prospective City employees authorized by the Department of Human Resources

#### 4.4.4.3 | RECORDING ADVANCE (PRE-PAID) IN THE GENERAL LEDGER

For allowed advances without purchase orders, payments can be made in the PeopleSoft AP Module as a direct payment without contract. For the Voucher Style field, input "Regular". Make sure the Account Code is the actual expense account (e.g., "526130 Attorney Fees – Serious Cases"). This will ensure the advance payment goes through the system budget check.

FIGURE 4-20. SETTING UP PREPAID VOUCHER IN PEOPLESOFT

**Voucher**

Find an Existing Value | Keyword Search | Add a New Value

Business Unit  
Voucher ID  
Voucher Style  
Supplier Name  
Short Supplier Name  
Supplier ID  
Supplier Location  
Address Sequence Number  
Invoice Number  
Invoice Date

Adjustments  
Journal Voucher  
Prepaid Voucher  
Register Voucher  
Regular Voucher  
Reversal Voucher  
Single Payment Voucher  
Template Voucher  
Third Party Voucher

**Distribution Lines** Personalize | Find | View All

GL Chart | Exchange Rate | Statistics | Assets

Line	Merchandise Amt	Quantity	*GL Unit	Account	Fund	Dept	Authority	Agency Use	PC Bus Unit	Project
1	10.00		SFGOV	526130	10000					

Since the voucher payment in the AP Module records the advance as an expense, departments must also process a journal entry to reclassify it to the asset account. The entry should be processed in the:

- Modified Accrual Ledger of the GL Module for governmental fund departments
- Full Accrual Ledger for proprietary fund departments

In the “Reference” field of the journal entry, make sure to input the Voucher ID to establish an audit trail and for reporting purposes.

Below is a sample journal entry using capital case defense advance as the example.

**TABLE 4-5. JOURNAL ENTRY TO RECORD ADVANCES**

	ACCOUNT	PS ACCOUNT CODE
Debit	Advances	100056
Credit	Attorney Fees – Serious Cases	526130

When the actual expenses are incurred and invoices/receipts are submitted, departments must process a reversal journal entry to recognize actual expenditures in the:

- Modified Accrual Ledger for governmental fund departments
- Full Accrual Ledger for proprietary fund departments

**TABLE 4-6. JOURNAL ENTRY TO RECOGNIZE EXPEDITURES**

	ACCOUNT	PS ACCOUNT CODE
Debit	Attorney Fees – Serious Cases	526130
Credit	Advances	100056

#### **4.4.5 | Late Payment**

The City & County of San Francisco does not pay any fees incurred following a late payment unless the fees related to the late payment are authorized by the Controller's Office.

#### **4.4.6 | Credit Memorandum**

A credit memo may be issued by a supplier because the City returned goods to the supplier; there is a pricing dispute; or a marketing allowance; or other reasons under which the City will not pay the supplier the full amount of the invoice.

##### **4.4.6.1 | PROCESSING A CREDIT MEMORANDUM IN THE FINANCIAL SYSTEM**

**If the supplier directly input the credit memo in the system,** the system will net the credit memo amount against the next voucher payment to the supplier.

**If the supplier submits the credit memo offline either through mail, e-mail or FAX:**

For citywide suppliers (i.e. suppliers doing business with multiple departments), the City should manually input the credit memos into the system based on the following criteria:

- Suppliers with continuous invoices to department:

The Department should apply the credit memo balance to the next invoice due by issuing a Regular Voucher net of the invoice and credit memo. The credit memo amount is to be entered as an additional line to the total invoice lines for tracking purposes as shown on [Figure 4-21](#).

On [Figure 4-21](#), the actual invoice payment is on Line 1 of the Voucher while the credit memo is applied as a negative amount on Line 2 with the Credit Memo number in the Description. Comment must be inputted with the voucher indicating that a credit memo is being applied and the respective credit memo number. The message field in the Payment tab should also indicate that a credit memo is being applied by using the text "Including Credit Memo XXX".

FIGURE 4-21. APPLYING CREDIT MEMO FOR CITYWIDE SUPPLIER IN ACCOUNTS PAYABLE MODULE

Summary | Related Documents | Invoice Information | Payments | Voucher Attributes | Error Summary

Business Unit: SFGOV  
Voucher ID: 00763024  
Voucher Style: Regular Voucher  
Invoice Date: 03/25/2019  
Invoice Received: 03/25/2019

Supplier ID: 000009827  
ShortName: TESTINGENG-001  
Location: MAIN  
Address: 1

Invoice No: TESTING  
Accounting Date: 03/25/2019  
Pay Terms: 030  
Basis Date Type: Acct Date  
Tax Exempt: ☒  
Control Group:   
Incomplete Voucher: ☒

Invoice Total  
Line Total: 920.00  
Currency: USD  
Miscellaneous:   
Freight:   
Sales Tax:   
Use Tax: 0.00  
Total: 920.00  
Difference: 0.00

Sales/Use Tax Summary  
Non Merchandise Summary  
Session Defaults  
Comments(1)  
Attachments(0)  
Template List  
Advanced Supplier Search  
Supplier Hierarchy  
Supplier 360

Save | Save For Later | Calculate | Print

Copy From Source Document

Invoice Lines

Line 1  
Copy Down  
Distribute by: Amount  
Item:   
Quantity:   
UOM:   
Unit Price:   
Line Amount: 1,000.00  
SpeedChart:   
Ship To: 10420  
Description: Testing  
Packing Slip:   
Supplier ID:   
Supplier Name:   
Calculate

Distribution Lines

Copy Down	Line	Merchandise Amt	Quantity	*GL Unit	Account	Fund	Dept	Agency Use	Authority	PC Bus Unit	Project	Activity	Source
<input checked="" type="checkbox"/>	1	1,000.00		SFGOV	527090	10000	229227		10000	SFGOV	10001644	0001	

Line 2  
Copy Down  
Distribute by: Amount  
Item:   
Quantity:   
UOM:   
Unit Price:   
Line Amount: -80.00  
SpeedChart:   
Ship To: 10420  
Description: Credit Memo# TEST123  
Packing Slip:   
Supplier ID:   
Supplier Name:   
Calculate

Distribution Lines

Copy Down	Line	Merchandise Amt	Quantity	*GL Unit	Account	Fund	Dept	Agency Use	Authority	PC Bus Unit	Project	Activity	Source
<input checked="" type="checkbox"/>	1	-80.00		SFGOV	527090	10000	229227		10000	SFGOV	10001644	0001	

Payment Options

\*Bank: BOA  
\*Account: 0907  
\*Method: CHK  
Pay Group:   
Handling: Regular Payments  
Hold Reason:   
Netting: Not Applicable  
L/C ID:   
Supplier Bank Messages  
Hold Payment: ☐  
Separate Payment: ☐  
Message: Including Credit Memo# TEST123  
Message will appear on remittance advice.

- Suppliers with one-time payment to department:

The City department should request a payment refund from the supplier.

- FIGURE 4-22. ADJUSTMENT VOUCHER FOR CREDIT MEMO IN ACCOUNTS PAYABLE MODULE**

Departments may always work with the Supplier for alternative arrangements, such as a refund. Departments can use the credit memo as the basis for demanding a payment refund from the supplier in exchange for the credit memo.

#### 4.4.7 | Payment Disbursement

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- The Controller's Office encourages departments to have suppliers enroll in the City's electronic payment plan. Refer to [Section 4.4.1.3 - | Easy Methods to Accelerate Payments](#) for more details
- Checks are printed ONCE every week on Wednesday night for payment due dates through Friday with Thursday check dates
- The weekly check or the daily ACH payment to any supplier reflects the total amount paid to this particular supplier throughout the City during the period covered. For special circumstances when suppliers require single checks, departments must submit the list of such suppliers and justification to the Controller's Office Fund Accountants in advance. Upon approval from the Fund Accountants, departments can select "Single Check" in PeopleSoft for such payments
- Non-payroll checks will be distributed by mail through the US Postal Service ONCE every week on Friday
- Employee reimbursements will be disbursed to employees through payroll. Refer to [Section 4.8.2 | Automated Travel or Expense Processing](#) for more details.
- For those extraordinary circumstances that require special check handling/pick-up, FAX a request to the Controller's Disbursement Unit using the Check Pickup Request Form ([Figure 4-23](#)).
- As a reiteration from [Section 4.2.2](#), each voucher may only issue payment to one invoice.



[illegible]

This section provides guidance on how to handle instances in which the department might need to cancel payment to a supplier. There are three payment cancellation options: “void”, “stop”, and “undo cancel”. A void will occur if a payment cancellation is needed before the payment has been released. Stop payment occurs when the payment has been released but needs to be canceled. A canceled payment,

void or stop, is allowed to be undone until the cancellation is posted. Cancellation cannot be undone after posting.

### **Changing/Unposting a Payment Request before Check is Issued**

Before the scheduled payment due date, departments can either change or unpost a voucher. For any changes needed on the Payments tab (e.g., Scheduled Due date, Remit to Supplier/Location), simply make the changes on the voucher. The voucher will then be routed for approval.

**FIGURE 4-24. MAKING CHANGES TO A VOUCHER ON THE PAYMENTS TAB**



For any changes needed on the Invoice Information tab (e.g., account code, fund code), departments need to unpost the voucher, make the changes, and then resubmit the voucher for approval. **Note** that the payment will be processed on the Scheduled Due Date even if the voucher is in the “Unposted” status.

FIGURE 4-25. UNPOST A VOUCHER

UnPost Voucher

New Window

UnPost Voucher

Voucher Details

Business Unit SFGOV Voucher 01135603

Supplier

Supplier ID 0000029887 MEDLINE INDUSTRIES INC

Short Name MEDLINEIND-002

Voucher Information

Invoice 1899761981 Origin MPY

Date 01/28/2020 Group

Gross Amount 335.27 USD

Update Voucher

\*Accounting Date 01/28/2020

Reversal Accounting Date

☒ Business Unit Default

☐ Use Current Date

☐ Use Specific Date

Accounting Date

Unpost

Return to Search

Previous in List

Next in List

Notify

UnPost Voucher | [Voucher Details](#)

**FIGURE 4-26. MAKING CHANGES TO A VOUCHER ON THE INVOICE INFORMATION TAB**

The screenshot displays the 'Invoice Information' tab in a software application. The 'Business Unit' is SFGOV, and the 'Voucher ID' is 01133210. The 'Invoice Date' is 01/25/2020. The 'Supplier' is MEDLINE INDUSTRIES INC. The 'Invoice Total' section shows a 'Line Total' of 30.59 and a 'Total' of 30.59. The 'Invoice Lines' section shows a single line item with a quantity of 7.0000 and a unit price of 4.37000. The 'Distribution Lines' table at the bottom shows the following data:

Copy Down	Line	Merchandise Amt	Quantity	*GL Unit	Account	Fund	Dept	Authority	Agency Use	PC Bus Unit	Project	Activity	Source Type	Cat
	1	30.59	7.0000	SFGOV	544510	21000	251652	10000		SFGOV	10001046	0002		

### Voiding a Payment after Check is Issued but Not Yet Mailed

If the check has been issued but not mailed out, call the Controller's Disbursement Unit at 554-7513 to intercept the check before it is sent. Controller's Office will void the payment in PeopleSoft.

**FIGURE 4-27. CANCEL PAYMENT IN PEOPLESFT**

**Cancel Payment**

**Enter Cancel Payment**

Bank Set ID: SHARE	Creation Date: 11/24/2016
Bank: BOA Bank of America	Payment Date: 11/24/2016
Account: 0907 1498060080	Payment Amount: 142.00 USD
Reference ID: 03006_C2	Cancel Post Status: Not Applicable
Payment Method: Wire Transfer	Settle By: Pay Cycle
Remit Supplier: 0000000004 North American Bus Industries	Settlement Status: None

---

Date Cancelled: 12/26/2016

Payment Status:
 

- ☒ Void
- ☐ Stopped
- ☐ Undo Cancel

Cancel Action:
 

- ☒ Re-Open Voucher(s)/Re-Issue
- ☐ Re-Open Voucher(s)/Put on Hold
- ☐ Do Not Reissue/Close Liability

Hold Reason:

Cancel Reason:

Description:

Buttons: Save, Return to Search, Previous in List, Next in List, Notify

### Canceling Payment and Closing Liability

When canceling a payment and closing the liability, upon request from departments, Controller’s Office will either restore the encumbrances to the PO or completely liquidate the PO. To restore the encumbrance, select “YES”. To liquidate the PO, select “NO” and do not unmatched the voucher.

**FIGURE 4-28. CANCEL PAYMENT AND CLOSE LIABILITY**

**Cancel Payment**  
 Enter Cancel Payment

Bank Set ID: SHARE	Creation Date: 06/26/2017
Bank: BOA BANK OF AMERICA	Payment Date: 06/27/2017
Account: 0907 001499080980	Payment Amount: 120.00 USD
Reference ID: 00000748	Cancel Post Status: Not Applicable
Payment Method: System Check	Settle By: Pay Cycle
Remit Supplier: 0000000001 Payment Alternate Name 1	Settlement Status: None

---

Date Cancelled: 06/28/2017

Payment Status: ☒ Void  
☐ Stopped  
☐ Undo Cancel

Cancel Action: ☐ Re-Open Voucher(s)/Re-Issue  
☐ Re-Open Voucher(s)/Put on Hold  
☒ Do Not Reissue/Close Liability

Hold Reason:

Cancel Reason:

Description:

**Cancel Payment**  
 Enter Cancel Payment

Bank Set ID: SHARE	Creation Date: 06/26/2017
Bank: BOA BANK OF AMERICA	Payment Date: 06/27/2017
Account: 0907 001499080980	Payment Amount: 120.00 USD
Reference ID: 00000748	Cancel Post Status: Not Applicable
Payment Method: System Check	Settle By: Pay Cycle
Remit Supplier: 0000000001 Payment Alternate Name 1	Settlement Status: None

---

Date Cancelled: 06/28/2017

Payment Status: ☒ Void  
☐ Stopped  
☐ Undo Cancel

Cancel Action: ☐ Re-Open Voucher(s)/Re-Issue  
☐ Re-Open Voucher(s)/Put on Hold  
☒ Do Not Reissue/Close Liability

Hold Reason:

Cancel Reason:

Description:

**Message**

Payment Schedule selected for cancellation has at least 1 PO/Voucher. Do you wish to continue? (YES/NO)

**YES** - will restore encumbrance, reissue liability, and reopen the POLine Schedule for future issuing for the unreconciled POs selected.

**NO** - will only/validate the liability for all vouchers.

The subsequent voucher issuing will automatically attach to the voucher if your answer is YES. If the answer is NO then Unreconciling will NOT be performed.

Note: This process cannot be undone.

### Cancel and Reissue ACH Payment

If the payment has been issued and returned to our bank, call the Controller's Disbursement Unit at (415) 554-7513 to cancel and reissue the payment. Controller's Office will cancel the payment in PeopleSoft and reissue the payment as a check.

The Controller's Office will unreconcile the transaction via semi-manual reconciliation and stop the payment. Both the outbound transaction and inbound return on the bank statement will be reconciled using semi-manual reconciliation to the remaining outbound AP payments. The voucher will then be updated using the check location and a payment will be reissued when pay cycle is run.

**If Incorrect Check is Mailed to Supplier**

Call the supplier and request that the check be returned. Void the physical check and contact Fund Accountants to void the payment in PeopleSoft when it is received back. If the check is not returned, call Controller's Office Disbursement Unit to stop payment as described below.

**Requesting a Stop Payment**

FAX or e-mail the Controller's Disbursement Unit at (415) 554-7513 with the stop payment request on a check that has been issued. The FAX or e-mail should contain detailed check information and the reason for the stop payment. The Disbursement Unit will forward the stop payment request to the bank. Controller's Office Fund Accounts will void the payment in PeopleSoft.

**Lost Warrant (Check)**

Call the Controller's Disbursement Unit at (415) 554-7513 to request the *Lost Warrant Affidavit* form, shown in the Figure below, and complete as follows:

- Department completes Section 1 with original signatures
- Supplier completes Section 2
- Return the completed original form to Disbursement Unit, with the following documentation:
  - Valid Photo ID of signer in Section 2; and
  - Most recent Statement of Information filed with the Secretary of State or Corporate Resolution (if check is payable to business). The signer in Section 2 should also be listed.

If the requestor is a custodian, a letter of authorization from the payee is required. Disbursement Unit processes the form and sends a stop payment request to the bank. Disbursement Unit will also void the payment in PeopleSoft and reissue the check.

**FIGURE 4-29. LOST WARRANT AFFIDAVIT FORM**

Government Code Section 29851

STATE OF CALIFORNIA  
CITY AND COUNTY OF SAN FRANCISCO

**REQUEST FOR REPLACEMENT OF LOST OR DESTROYED WARRANT/AFFIDAVIT**

(1) Department for whom payment was issued completes and signs the warrant information under SECTION I.  
(2) Payee executes the affidavit section below under SECTION II.  
(3) Submit this completed form (must be the original signature; photocopy will not be accepted) and the required supporting documents to:

CITY & COUNTY OF SAN FRANCISCO  
CONTROLLER'S OFFICE, CLAIMS AND DISBURSEMENT UNIT  
1 DR. CARLTON B. GOODLETT PLACE, ROOM 396  
SAN FRANCISCO, CA 94102-4694

**SECTION I. LOST/DESTROYED WARRANT INFORMATION**

WARRANT NUMBER: \_\_\_\_\_ WARRANT DATE: \_\_\_\_\_ AMOUNT: \_\_\_\_\_  
PAYEE: \_\_\_\_\_  
ADDRESS: \_\_\_\_\_  
(Street No., City, State, Zip Code)  
ISSUING DEPARTMENT: \_\_\_\_\_  
PRINT NAME & SIGN: \_\_\_\_\_ TEL# \_\_\_\_\_  
(Department's Authorized Signature)

**SECTION II. AFFIDAVIT FOR LOST OR DESTROYED WARRANT**

(1) I, the undersigned, being first duly sworn, depose and say: That City and County of San Francisco Controller's warrant described above was ☐ LOST ☐ DESTROYED ☐ STALE  
DATED on \_\_\_\_\_, 20\_\_\_\_, under the following circumstances: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
That affiant is entitled to possession, and hereby requests replacement of such warrant as the

☐ Original Payee: *only select this if your name is on the check* (Must provide copy of a photo ID)  
☐ Endorsee (Must show Proof of Right to Possession) \*\*  
☐ Custodian \*\*  
\*\*Required supporting document:  
a) Statement of Information filed with the Secretary of State  
([http://www.sco.ca.gov/Files-UPD/guide\\_claim\\_business.pdf](http://www.sco.ca.gov/Files-UPD/guide_claim_business.pdf))  
b) Copy of a photo ID

(2) I certify that I have not requested nor received any replacement warrant for this payment.  
(3) I certify that I have not deposited this check and that I am liable for all expenses and fees incurred to recover stolen funds if the check has been deposited.  
(4) I certify under penalty of perjury that the foregoing is true and correct.

PAYEE'S SIGNATURE: \_\_\_\_\_ DATE: \_\_\_\_\_  
PAYEE'S NAME (Print Legibly) \_\_\_\_\_  
PRESENT ADDRESS \_\_\_\_\_ TEL# \_\_\_\_\_



## Checks for Deceased Persons

For checks belonging to a deceased person, please contact the Controller's Disbursement Unit directly at (415) 554-7513.

## Check Revalidation

The Disbursement Unit receives requests from City departments or suppliers to revalidate checks that have been outstanding for more than 90 days, but less than one year. The Unit only revalidates supplier checks for an additional 90-day period; revalidation requests for Retirement, General Assistance (Human Services Agency), or Sheriff's checks need to be referred to the appropriate department. Note that the original payee must be the person to present the check for revalidation.

**FIGURE 4-30. CHECK REVALIDATION IN PEOPLESOFT**

**Payment Escheatment**

**Escheat Payment**

Bank Set ID: SHARE      Reference ID: 03005\_C2  
 Bank: BOA      Bank of America      Creation Date: 11/24/2016  
 Account: 0907      1496080080      Payment Date: 11/24/2016  
 Payment Method: Wire Transfer      Payment Amount: 142.00      USD  
 Remit Supplier: 0000000004      North American Bus Industries

**Payment Status**

☐ Escheated Check      Date Escheated:   
☐ Stale Dated Payment      Stale Date:   
☐ Undo Escheatment

**Cancel Action**

☐ Escheated

Description:

### 4.4.8.1 | REUSING VS. DELETING VS. CLOSING VOUCHERS

PeopleSoft allows authorized users to either close a voucher to eliminate liability or delete a voucher. Departments will inform their respective Fund Accountants the reason for the deletion or closing of a specific voucher ID. Currently, only AOSD staff have the role to process the request.

## Reusing a Voucher

In most cases, Departments are encouraged to reuse a voucher if the original entry is no longer needed. To reuse a voucher, add an invoice line on the Invoice Information tab for a new invoice. Once completed, delete the previous, erroneous invoice line.

To reuse a voucher, it:

- Must be unmatched
- Cannot be posted
- Cannot have been paid

Further, departments should **not** reuse vouchers with sales tax that have been budget checked. If the voucher has not been posted, the department should contact their fund accountant for voucher deletion. If the voucher has previously been posted and cannot be deleted, the department should fully approve and post the voucher. They should then close the voucher before the scheduled due date. Departments may continue to reuse vouchers without sales tax.

### **Deleting a Voucher**

Only vouchers that have never been posted and/or selected for payments are eligible for deletion. Posted vouchers that are unposted cannot be deleted. Deleting a voucher restores the budget(s) used on the voucher if it successfully budget checked, provided the voucher's accounting date is in an open Accounts Payable period (the current month and prior two months) at the time of deletion.

To delete a voucher, it:

- Cannot have any accounting entries created
- Must be unmatched
- Cannot have been posted
- Cannot have been paid
- Cannot have the Finalize checkbox on the Distribution Line
- Cannot be associated with Matching or Workflow

### **Closing a Voucher**

A voucher can be closed if it has been posted and then later decided that it will not be paid or no further payments will be necessary. Closing a voucher will write off any remaining liability that will not be paid and decrease the respective expense account. If the voucher has a purchase order associated to it, the encumbrance will be restored to the PO unless the PO has been reconciled. The encumbrance will be released the next day following the overnight batch process.

To close a voucher, it must be

- Matched (except for DV)

- Budget Checked
- Posted
- Not selected for payment
- Not fully paid

#### **Impact of Voucher Deletion/Reuse on Underlying Purchase Orders**

Vouchers liquidate their underlying purchase order encumbrance during the *Budget Check* process. Further, budget-checked vouchers (and their individual lines) that are deleted or reused will automatically create an entry to reverse the original liquidation.

If a replacement voucher is budget-checked **before** the original voucher or lines are deleted/reused, the system will only liquidate up to the remaining balance on the purchase order. Because the original voucher has already liquidated its encumbrance, the remaining PO balance may not have a sufficient balance for the replacement voucher's full liquidation amount. In this case, the liquidation entry will be less than the true amount (see Appendix A – Voucher Deletion Error).

However, when the original voucher is deleted/reused, the system will reverse the entire original liquidation amount, thus overstating the true encumbrance balance.

This applies to all cases in which a voucher line is budget checked against a purchase order. Specifically:

- Entire vouchers that are budget checked, then deleted;
- Individual lines that are budget checked, then deleted or;
- Entire vouchers and individual lines that are budget checked, then reused for a different, unrelated purchase order/invoice

For additional information, please refer to [Impact of Voucher Deletion/Reuse on Purchase Orders](#).

## **4.5 | Sales & Use Taxes**

The California Department of Tax and Fee Administration (CDTFA) promulgates guidelines for the administration of Sales and Use Tax Programs. Here is a link to the CDTFA website:

<https://www.cdtfa.ca.gov/>

**The CDTFA regularly updates its rules and regulations regarding the state's Sales and Use Tax Programs and it is the department's responsibility to ensure that it has checked the CDTFA website in order to be compliant**

Suppliers are responsible for the reporting and remittance of sales tax to the state while the City is responsible for use tax. The City is audited by the CDTFA and City departments are responsible for any use tax underpayment penalties from the State.

All City departments should establish the policies and procedures necessary to ensure their in-state, out-of-state, on-line, or mail order purchases accurately account for sales tax or use tax.

The purpose of this section is to provide general guidance to City departments on when and how to accrue sales or use tax in the City's financial system. It is important that departments observe these guidelines to ensure that they are charged the proper rate of tax for the area where they use, store, or consume the merchandise, and that the City does not incur penalties due to non-payment of tax in periodic State Sales and Use Tax audits.

It is City departments' responsibility to differentiate between sales tax and use tax. Departments can refer to the following CDFTA resources for guidance:

TOPIC	CDFTA WEBSITE
Sales And Use Tax Laws	<a href="https://www.cdtfa.ca.gov/lawguides/vol1/sutl/sales-and-use-tax-law-chapters.html">https://www.cdtfa.ca.gov/lawguides/vol1/sutl/sales-and-use-tax-law-chapters.html</a>
Tax Regulations	<a href="https://www.cdtfa.ca.gov/lawguides/vol1/sutr/sales-and-use-tax-regulations.html">https://www.cdtfa.ca.gov/lawguides/vol1/sutr/sales-and-use-tax-regulations.html</a>

Departments are also encouraged to contact CDFTA directly at 1-800-400-7115 or the CDFTA Oakland Office at 1-510-622-4100.

For any questions raised to CDFTA, departments must obtain written responses and attach them to the accruing journal entry (if applicable) and the voucher in PeopleSoft.

#### **4.5.1 | Definition of Sales Tax and Use Tax**

The California "sales tax" is imposed on all California retailers. Sales tax is tax collected by the retailer in California and the retailer is responsible for reporting and paying the tax to the State. California law requires tax on in-state purchases, and requires tax on items purchased out-of-state for use in California.

**ACCOUNTING POLICIES & PROCEDURES**

When an out-of-state or online retailer does not collect the tax for an item delivered to California, the purchaser may owe “use tax”, which is simply a tax on the use, storage, or consumption of personal property in California. Use tax liabilities are often created by Internet or mail order purchases with out-of-state retailers not required to collect the tax. The use tax, which was created in July 1935, is a companion to California’s sales tax that is designed to level the playing field between in-state retailers who are required to collect tax, and some out-of-state retailers who are not. Generally, use tax also applies to foreign purchases of tangible personal property brought into California for storage, use, or other consumption.

The State’s sales tax and use tax are “mutually exclusive”, which means either one or the other applies to a single transaction, but not both. The sales and use tax rates are the same within the same area or jurisdiction.

To summarize for purchases or sales of taxable items and/or services:

<b>RETAILER / SUPPLIER LOCATION</b>	<b>TRANSFER OF TITLE / LOCATION OF SALE</b>	<b>TYPE OF TAX INCURRED</b>	<b>RESPONSIBLE PARTY</b>
In-State (California) or Out-Of-State	In-State (California)	CA Sales Tax	<u>Retailer</u> responsibility to collect & remit to CDTFA
Out-Of-State	In-State (California)	CA Use Tax <i>(if sales tax not collected on purchase, above)</i>	<u>Purchaser</u> responsibility to remit to CDTFA
In-State (California) or Out-Of-State	Out-Of-State	Out-of-State Tax (if applicable)	<u>Retailer</u> responsibility to collect & remit to State of sale (if applicable)

Certain products and/or services are tax-exempt. Items that are exempt from sales tax are exempt from use tax as well. Inquire with the CDTFA or department’s purchaser to ensure appropriate accrual and/or payment of sales and use tax.

#### 4.5.1.1 | PURCHASES FROM CALIFORNIA SUPPLIERS

California sales tax is imposed on all California suppliers. Suppliers making sales in the State of California are required to report and remit sales tax to the CDTFA. When the supplier collects the sales tax, the supplier is liable to remit the tax due. When purchasing from California suppliers, departments must review invoices to make sure sales tax is charged and the rate is correct.

If no or insufficient sales tax is paid on taxable items, departments must accrue sales tax liability in the Tax Collector State Revenue Fund (Fund Code 28970) and not pay it to the supplier (see [Section 4.5.4 | Accruing Sales Tax or Use Tax Liabilities](#)).

#### 4.5.1.2 | PURCHASES FROM OUT-OF-STATE SUPPLIERS [PENDING]

In general, out-of-state suppliers that are engaged in business in California must register with the CDTFA to obtain a seller's permit that allows them to collect use tax from their California customers.

Departments must review invoices from out-of-state suppliers to ensure that the correct use tax amount was charged. If the supplier imposes any use tax on its invoice, departments should obtain the supplier's permit number and verify its validity at the CDTFA website

(<https://services.cdtfa.ca.gov/webservices/verification.jsp>).

If no or insufficient use tax is paid on taxable items, departments must accrue use tax liability in the Tax Collector State Revenue Fund (Fund Code 28970) and not pay it to out-of-state suppliers (see [Section 4.5.4 | Accruing Sales Tax or Use Tax Liabilities](#)).

Departments also have the option of having their supplier(s) exempted from collecting sales & use tax on sales of tangible personal property to the City. The City & County of San Francisco holds Use Tax Direct Payment Permit No. [PENDING] which transfers the liability of State sales and use tax collection from the supplier(s) to the City as permitted under CA Regulation 1699.5 *Direct Payment Permits*. Instead of paying use tax to the Supplier, the Departments must send them a signed Direct Payment Exemption Certificate (<https://www.cdtfa.ca.gov/lawguides/vol1/sutr/1699-5.html>). The certificate is to be signed by XXX. Once the certificate is issued, the out-of-state supplier no longer has an obligation to collect use tax.

Proper documentation and procedures must be in place to ensure there are no duplications in tax payments to the exempted supplier(s) (e.g. the supplier collects sales tax and the city also remits sales tax to the State). Extra care and review must be made especially if the supplier is a City-wide supplier. Contracts, requisitions, and related purchase orders should include language indicating the transfer of sales and use tax liability to the City.

#### 4.5.1.3 | SALES & USE TAX ON SHIPPING AND HANDLING

Delivery, shipping, and handling may be wholly or partially subject to California sales tax depending on the type of charge and specific conditions. These specific conditions are detailed in CDFTA Publication 100 *Shipping and Delivery Charges* (<https://www.cdtfa.ca.gov/formspubs/pub100/#applying>).

Some common charges include:

TYPE OF CHARGE	DESCRIPTION OF CHARGE	TAXABILITY OF DELIVERY CHARGE
Delivery-related charges on a <u>non-taxable</u> transaction	Underlying sale is a not a taxable transaction	Not taxable

## ACCOUNTING POLICIES &amp; PROCEDURES

Delivery-related charges on a <u>taxable</u> transaction	Underlying sale is a taxable transaction	May be either fully taxable, partially taxable, or non-taxable (refer to <a href="#">CDFTA Publication 100</a> )
Freight-In	Charge to customer represents the cost of shipping the merchandise to the Supplier's place of business	Fully taxable
Freight-Out	Sales agreement specifies that delivery is included in price, whether delivery charge is listed separately, included in per-item cost, or listed as "freight prepaid"	May be either fully taxable, partially taxable, or non-taxable (refer to <a href="#">CDFTA Publication 100</a> )
Handling	Cost of handling the merchandise, whether it's included in "shipping and handling" or a separately stated charge	In general, handling charges are taxable

The above table is included as a general reference. Departments are still encouraged to visit [CDFTA Publication 100](#) as tax applicability on various transactions may be complex.

Suppliers should maintain records for shipping costs with clear and specific terms on the type of delivery-charge being charged. City departments must ensure that merchandise, service, freight, handling, and sales tax charges are accurately itemized on all quotes, purchase orders, and invoices.

#### 4.5.1.4 | SALES & USE TAX ON LABOR

In California, certain types of labor are subject to sales tax. CDFTA Publication 108 *Labor Charges* (<https://www.cdtfa.ca.gov/formspubs/pub108/#general>) summarizes the types of taxable and non-taxable labor charges in the State.

TAXABILITY	LABOR CHARGE	EXAMPLES
Taxable Labor	<ul style="list-style-type: none"> <li>Fabrication &amp; assembly (work done in creating, producing, processing, or assembling a product)</li> </ul>	<ul style="list-style-type: none"> <li>Manufacturing a new piece of machinery</li> <li>Cutting metal or lumber provided by the customer</li> <li>Assembling office furniture that arrives in parts</li> </ul>

TAXABILITY	LABOR CHARGE	EXAMPLES
	<ul style="list-style-type: none"> <li>Services related to a taxable sale, whether itemized or included in the product</li> </ul>	<ul style="list-style-type: none"> <li>Mandatory training on taxable computer software</li> </ul>
Non-Taxable Labor	<ul style="list-style-type: none"> <li>Itemized charges for repair labor to repair or restore to its intended use</li> </ul>	<ul style="list-style-type: none"> <li>Replacing a broken pump on a used car</li> <li>Restoring damaged painting</li> <li>Replacing a hard drive in a used computer</li> </ul>
	<ul style="list-style-type: none"> <li>Installation</li> </ul>	<ul style="list-style-type: none"> <li>Installing a stereo in a used car</li> </ul>
	<ul style="list-style-type: none"> <li>Services related to a non-taxable sale, including sales for resale</li> </ul>	<ul style="list-style-type: none"> <li>Design and build for a custom computer intended to be resold in a retail store</li> </ul>

Reconditioning and rebuilding parts may be either taxable or non-taxable. It may also be difficult to differentiate between nontaxable installation and taxable fabrication on site. For more information, please refer directly to [CDTFA Publication 108 Labor Charges](#).

#### 4.5.2 | Verify if Sales Tax or Use Tax is Appropriate for the Area

Departments must verify that they are charged the proper rate of tax for the area where they use, store, or consume the merchandise. The rate of sales or use tax is determined based on where the property will ultimately be used, stored, or consumed, regardless of where the sale takes place.

For each line on the purchase order, departments must indicate whether the item is taxable or not. If the line is marked as taxable, PeopleSoft will automatically calculate the applicable tax amount on the purchase order based on the tax rate. The tax rate is determined by the item's "ship-to" location (see the purchase order example below). If the item purchased is not going to be used or stored in the "ship to" location, departments must ensure that the applied sales/use tax is based on the location of where the item will ultimately be used or stored.



**FIGURE 4-31. PEOPLESOFT PURCHASE ORDER SALES/USE TAX DETERMINATION**

Maintain Purchase Order

Schedules

Unit SFGOV Supplier MITTENS IN-001 PO Status Open  
 PO ID 0000000286 PO Date 02/13/2017

[Return to Main Page](#)

Lines										Find	View All	First	1 of 1	Last
Line 1	Item 000000000000000001	Computer Accessories	PO Qty	10.0000	EA	Merchandise Amt	120.00	USD						
Schedules														
Personalize   Find   View All   First   1 of 1   Last														
Details   Statuses   Shipment   Matching   Receiving   Freight   RTV														
Sched	*Due Date	*Ship To	*PO Qty	Price	Merchandise Amount	Status								
1	02/13/2017	10050	10.0000	12.00000	120.00	Active								

Add ShipTo Comments

Save Return to Search Previous in List Next in List Notify Refresh Add Update/Display

The Table below shows the tax rates that departments use the most. More information on California city and county sales and use tax rates can be found online at <https://www.cdtfa.ca.gov/taxes-and-fees/sales-use-tax-rates.htm>.

**TABLE 4-7. EXAMPLES OF VARIATIONS IN SALES & USE TAX RATES (AS OF 1/1/2017)**

CITY	TAX RATE	COUNTY
San Francisco	8.50%	San Francisco
Moccasin	7.25%	Tuolumne
Millbrae	9.25%	San Mateo

For example: If a City department purchased merchandise from a supplier in San Francisco, which charges 8.50% sales tax, but the goods will be used, stored, or consumed in Millbrae, which has a sales tax rate of 9.25%, then the department needs to accrue the additional 0.75% sales tax in the Tax Collector State Revenue Fund (Fund Code 28970) and not pay it to the supplier.

### 4.5.3 | Paying Sales Tax or Use Tax

When a voucher is generated in PeopleSoft, the Sales Tax field is **not** automatically populated from the purchase order. Before submitting the voucher, departments must manually input the sales tax amount for taxable items. For vouchers against purchase orders flagged as taxable, if the department submits the voucher without tax, the system will generate an alert message and automatically accrue sales/use tax for the difference. Refer to [Section 4.5.4 | Accruing Sales Tax or Use Tax Liabilities](#).

If the department enters a tax amount on the voucher that matches the underlying purchase order, the AP Module will charge both the item amount and tax amount to the specified expense account (e.g., 549510 Office Supplies).

If the sales/use tax rate on the invoice is higher than the calculated tax on the associated purchase order, the department should only input the correct tax amount on the voucher and pay the lower, correct amount.

For vouchers with discounted terms, the sales/use tax must be based on the discounted amount. For additional information, refer to [Sales Tax on Voucher with Discounted Payment Terms Job Aide in Section 8.1 | Accounts Payable](#).

#### 4.5.4 | Accruing Sales Tax or Use Tax Liabilities

The following Table shows the codes and descriptions related to sales and use tax accruals.

**TABLE 4-8. SALES/USE TAX ACCOUNT CODES TABLE**

	Code	Description
<b>Account</b>	204090	Sales/Use Tax Liability Account
<b>Fund</b>	28970	Tax Collector State Revenue Fund
<b>Department</b>	229222	CON Administration
<b>Authority</b>	10000	Operating Authority
<b>Project</b>	10026734	Gen City Operating Project Code
<b>Activity</b>	0001	Tax Liability

#### Vouchers Paid Through PeopleSoft Accounts Payable (AP) Module

If the department enters a sales tax rate less than the amount set up on the purchase order, the AP Module will automatically accrue the remaining, outstanding amount. When processing the payment, the system will still charge the item amount and entered tax amount to the Chartfields specified on the voucher. The outstanding tax amount will be automatically accrued to the tax liability account 204090.

Departments must verify that the proper amounts were accrued into the tax liability account 204090. If there are any discrepancies, departments are responsible for manually adding or adjusting the liability amount using the manual accrual process referenced below, regardless of dollar amount. The “materiality” test does not apply to sales or use tax accrual. Note that any manual reversal of erroneous system accruals should use the ChartFields from the original voucher, regardless of the timing on the Controller’s periodic sales tax sweep.

## ACCOUNTING POLICIES &amp; PROCEDURES

## Manual Accruals

If the department erroneously omits sales/use tax or there is a tax underpayment (e.g., erroneous tax rate on a purchase order), it is the department's responsibility to manually accrue the required sales/use tax in a timely manner. The journal entry will be recorded in the actuals ledger of the General Ledger Module. Because the payment in the AP Module did not include the correct tax amount, the department will need to record both the tax expense and the tax liability. A simplified entry would be as follows:

	Account	Fund	Department	Authority	Project	Activity	Amount
<b>Line 1 (Debit Expense)</b>	Same as voucher	Same as voucher	Same as voucher	Same as voucher	Same as voucher	Same as voucher	\$____.
<b>Line 2 (Credit Tax Liability)</b>	204090	28970	229222	10000	10026734	0001	- \$____.
<b>Line 3 (Debit Cash Balancing)</b>	100005	28970	229222	10000	10026734	0001	\$____.
<b>Line 4 (Credit Cash Balancing)</b>	100005	Same as voucher	Same as voucher	Same as voucher	Same as voucher	Same as voucher	- \$____.

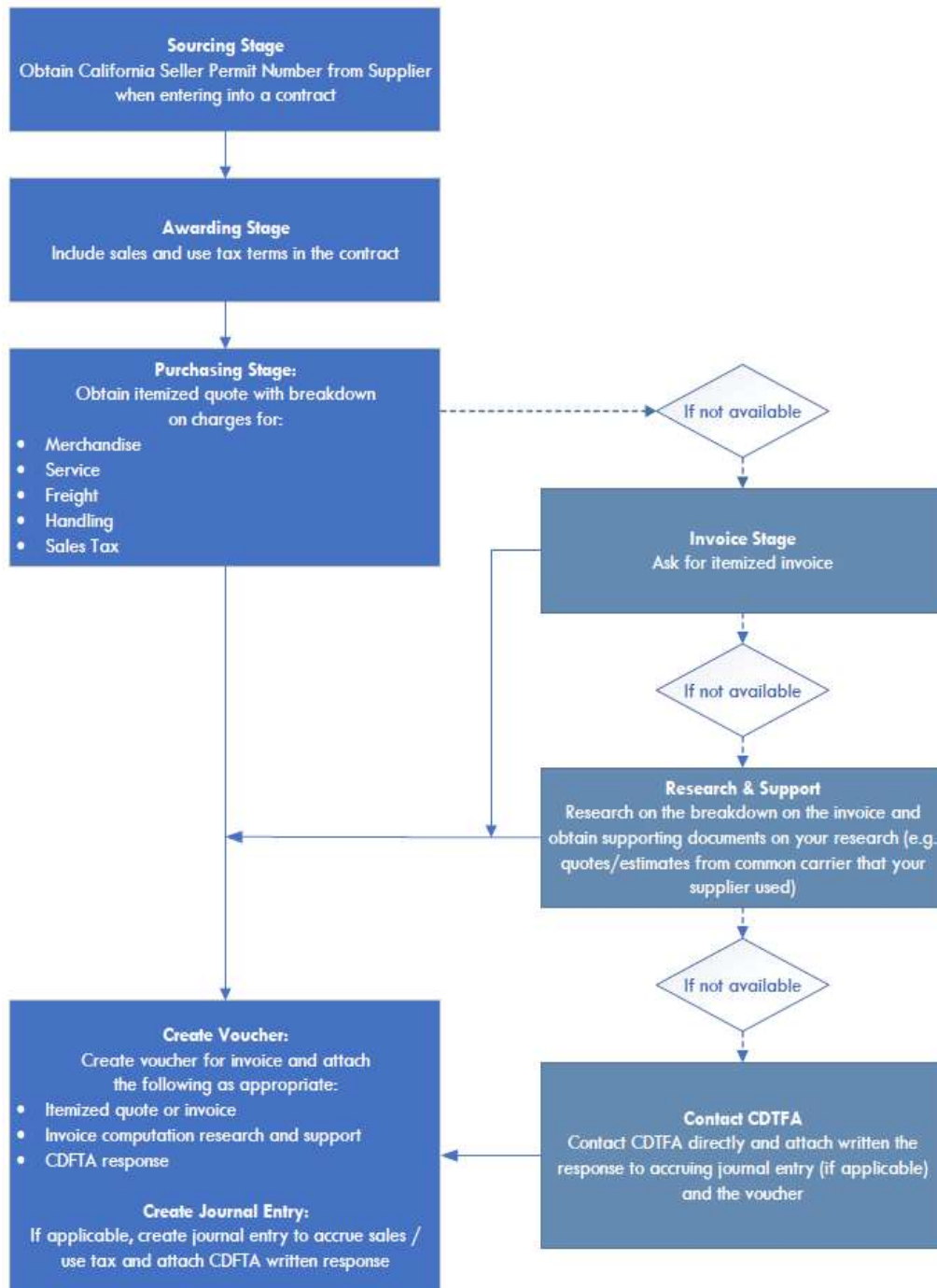
Departments should also attach supporting documentation for all their manual accrual entries. At a minimum, documentation should include a spreadsheet with associated voucher IDs, invoice numbers, Supplier ID, voucher merchandise amount, and the sales tax paid and/or systematically accrued. An example of the spreadsheet is shown below:

FIGURE 4-32. SALES/USE TAX MANUAL ACCRUAL SPREADSHEET

Sales Tax/Use Tax Accrual - Supporting Documentation						Dept:				
Voucher Number	Invoice Number	Purchase Order Number	Invoice Date	Supplier Number	Supplier Name	Voucher Merchandise Amount	Sales Tax	Use Tax	Invoice Gross Amount	Total Discount Taken
Example	2641	185000	6/28/2019	0000009642	THE PIRAS GROUP	\$5,000.00	\$424.90	\$0.10	\$5,425.00	\$0.00

A link to the Sales/Use Tax Manual Accrual Spreadsheet can be found at <https://sfcontroller.org/forms-templates>.

**FIGURE 4-33. DEPARTMENT SALES / USE TAX PROCESSING FLOWCHART**



### 4.5.5 | City as a Seller

In addition to remitting use tax on applicable items purchased to the CDTFA, the City, like suppliers, are required to remit sales tax to the state for the sale of tangible personal property or other taxable transactions.

#### 4.5.5.1 | SALES TAX RECORD KEEPING

Departments should maintain clear and detailed records on sales and the amount of sales tax charged to buyers. Departments are also responsible for filing their yearly sales tax return to the State and remit any tax due.

As a general practice, it is recommended for departments to itemize merchandise, services, freight, delivery, handling, and sales tax charges on invoices to buyers.

#### 4.5.5.2 | SELLER PERMITS

City departments that sell or are expected to sell tangible personal property (taxable or non-taxable) on a regular basis are required to have California seller permits for each type of sale. For informational details including how to obtain a seller permit, refer to the CDFTA website

(<https://www.cdtfa.ca.gov/taxes-and-fees/faqseller.htm>)

Current active seller permits by City department are as follows:

DEPARTMENT	PERMIT NUMBER	SALE ITEMS
ADM	019081340 (Purchaser of Supplies)	
ADM	019757077 (Dept Animal Care Control CCSF)	Animal Care Control sales
ART	102504085 (SF Arts Commission)	Artwork sales
DPH	100980965 (Adult Immunization and Travel Clinic)	Immunization services, products sales
DPH - HGH	098044410 (SF General Hospital)	Cafeteria sales, OTC pharmacy sales
DPH - LHH	019682661 (Laguna Honda Hospital)	Cafeteria sales
DPH - LHH	019166055 (Laguna Honda Home Patients Store)	Store/gift shop sales

DEPARTMENT	PERMIT NUMBER	SALE ITEMS
HHP	028098293 (CCSF)	Hetch Hetchy tour sales
MTA	019705243 (SFMTA)	Map sales
PRT	100938411 (Port of SF)	Port merchandise sales
PRT/ OCII	019160907 (SF Redevelopment)	South Beach Harbor sales
REC	028016974 (Temporary revoke)	Camp Mather meals

#### 4.5.5.3 | OCCASIONAL SALES AND SCRAP SALES

City departments should generally avoid sales of tangible personal property (TPP), including scrap sales, to persons or entities who intend to resell the purchased goods. Scrap sales include any disposals of TPP or obsolete inventory for which proceeds are received by the City. If departments conduct sales to resellers, the department must verify the reseller has a valid California's seller permit before engaging in the transaction.

Sales to resellers implicates City departments to be a retailer and therefore responsible for sales and use tax collection and reporting to the state. City departments that have seller's permits should verify with the CDFTA on the reporting and remittance of sales tax from occasional and / or scrap sales with their regular filing with the state. Departments without a seller's permit that conduct or expect to conduct occasional and / or scrap sales should contact their fund accountant for further instructions.

## 4.6 | IRS 1099 Miscellaneous (MISC) Reporting Rules

The Controller's Office files IRS 1099 forms in three categories: 1099-G, 1099-INT, and 1099-MISC. The Controller's Office must file Form 1099-MISC (Miscellaneous Income) for each person, non-employee and individual contractor or sole proprietor, to whom we have paid during the tax year:

- At least \$10 in royalties or broker payments in lieu of dividends or tax-exempt interest
- At least \$600 in rents, services (including parts and materials), prizes and awards, other income payments, medical and health care payments
- Gross proceeds to an attorney

Payments to a corporation are generally not 1099-reportable, with the exception of medical and legal services.

Departments should refer to the IRS for guidelines on what is and is not 1099-reportable. Related links are listed below:

- 1099 General Instructions: <http://www.irs.gov/pub/irs-pdf/i1099gi.pdf>
- Instructions for Form 1099-MISC: <http://www.irs.gov/pub/irs-pdf/i1099misc.pdf>
- Instructions for Form 1099-INT: <http://www.irs.gov/pub/irs-pdf/i1099int.pdf>
- Instructions for Form 1099-G: <http://www.irs.gov/instructions/i1099g/ar01.html>

**The IRS regularly changes its rules and regulations regarding 1099 reporting and filing requirements. It is the department's responsibility to ensure that it has checked the IRS website in order to be compliant**

#### **4.6.1 | Requirement of Encumbrances, Supplier IDs, Account Codes & Withholding Classes\***

Miscellaneous payments to individuals still require that City departments encumber funds, establish a regular Supplier ID in the financial system, and enter accounting transactions using appropriate Account Code with corresponding withholding classes in the financial system.

##### **4.6.1.1 | ENCUMBRANCES**

Encumbrances are the recognition of commitments that will subsequently become expenditures when goods and services are received. Encumbrances are posted for documents such as purchase estimates, purchase orders, and contracts. Encumber funds whenever possible and do not use a one-time document.

##### **4.6.1.2 | SUPPLIER ID'S**

The Controller's Office is responsible for issuing IRS 1099 forms for the following three categories:

- 1099-G for the Public Utilities Commission's "GoSolarSF" program, to participants who were reimbursed for any eligible expenses.
- 1099-INT to anyone who received interest income
- 1099-MISC to anyone who received reportable income greater than \$600, or for certain other types of payments

Because the \$600 threshold is critical to properly issuing Form 1099, departments must ensure that they receive an IRS Form W-9 prior to paying any supplier that will receive cumulative payments greater than \$600 (excluding refunds) during a calendar year.

Having correct information on the W-9 is essential; for example, the W-9 data specifies the entity's federal tax classification and address. Departments must review the W-9 to ensure that the information is complete and looks correct.

Departments must submit completed W-9 forms providing tax identification information to the Supplier Management Team (SMT) in order to set up a regular Supplier ID in the financial system. SMT will flag the supplier for withholding by selecting withholding checkbox on the Identifying Information tab and will set up Withholding Type and default Withholding Class on the Location tab

#### 4.6.1.3 | SUPPLIER PROFILE WITHHOLDING

Suppliers are marked on their Supplier Profile as to whether they are subject to 1099 withholding. If the indicator is checked, the user will be able to adjust 1099 withholding when processing purchase orders and vouchers to this supplier.

The screenshot shows the 'Supplier Profile' form for 'SKYTECH SOLAR'. The 'Withholding' checkbox is checked. Other fields include Supplier ID (0000010129), Supplier Short Name (SKYTECHSOL), Classification (Outside Party), HCM Class, Persistence (Regular), Supplier Status (Approved), and SAM Status (Exempt). There are buttons for 'Check for Duplicate', 'Expand All', and 'Collapse All'. Links for 'Approval History', 'Attachments (0)', 'Profile Questions', and 'Categorization' are at the bottom right.

The 1099 withholding details are defined at the **Supplier Location** level. Different locations may have different 1099 withholding details.

The screenshot shows the 'Withholding Options' table. It has tabs for 'Main Information', 'Overrides', and 'Remit'. The table has columns: Withholding Entity, Withholding Type, Withholding Jurisdiction, Default Jurisdiction, Default Withholding Class, Withhold Status, and Description. The first row shows IRS, 1099G, FED, a checked box, 06, RPT, and Reporting Only.

Withholding Entity	Withholding Type	Withholding Jurisdiction	Default Jurisdiction	Default Withholding Class	Withhold Status	Description
IRS	1099G	FED	<input checked="" type="checkbox"/>	06	RPT	Reporting Only

Note that each location's underlying withholding information is only accessible by the Supplier Management Team. While departments choose supplier location on their purchase orders and vouchers, they will be unable to edit each location's withholding details.



#### 4.6.1.4 | ACCOUNT CODE, WITHHOLDING TYPE & WITHHOLDING CLASSES

Departments are responsible for maintaining and applying appropriate accounting procedures to ensure accurate 1099 reporting to the IRS. When making payments to recipients that are considered taxable income, departments must be sure to use a correct Account Code **and** the correct Supplier Location with corresponding Withholding Type and Withholding Class in PeopleSoft.

Certain account codes have been classified as 1099 reportable. When constructing the 1099 report, the Controller's Office will remove all payment lines using non-1099 account codes, regardless of whether payment was made to a 1099 supplier. For a full crosswalk of 1099 reportable account codes, please contact the Disbursement Unit directly at [con.disbursement@sfgov.org](mailto:con.disbursement@sfgov.org).

Departments should work directly with the Supplier Management Team (SMT) to have the Location created/updated. Upon department request, SMT can do one or all of the following:

- Add a Location with the proper Withholding Type and Withholding Class
- Flag an existing Location with the proper Withholding Type and Withholding Class
- Update the Withholding Type and/or Withholding Class for a Location that is already flagged as 1099 reportable

The following section provides more information on 1099-reportable payments and their posting in the financial system.

#### 4.6.2 | 1099 Reportable Payments

The following Table lists examples of what is and is not 1099-reportable.

**TABLE 4-9. 1099-REPORTABLE AND NON-REPORTABLE PAYMENTS**

<b>1099-REPORTABLE</b>	<b>1099 NON-REPORTABLE</b>
Payments to individuals	Payments to corporations (with exceptions—medical and healthcare providers, and attorneys may receive 1099 reportable income)
Cell phone (fair market value) if it is given as an incentive or award	Cell phone if it is given for business use
Office of Labor Standards Enforcement (OLSE) back wages from San Francisco employers/contractors violating Minimum Compensation Ordinance (MCO) and Health Care Accountability Ordinance (HCAO) who have not withheld payroll taxes	OLSE back wages from San Francisco employers/contractors violating MCO and HCAO who have withheld payroll taxes
Payments for professional services	Payments for materials and supplies

The following table lists the 1099 withholding classes and the 1099-reportable expenditures for each class.

**TABLE 4-10. 1099 POSTING IN PEOPLESOFT**

<b>TYPE OF PAYMENT</b>	<b>DESCRIPTION</b>	<b>1099 BOX #</b>	<b>PEOPLESOFT 1099 WITH-HOLDING CLASS</b>	<b>ACCOUNT CODE</b>
Not 1099 Reportable	<ul style="list-style-type: none"> <li>Payments to corporations (with exceptions)</li> <li>Payments for materials and supplies</li> </ul>	N/A	00	546990– Food 549210 – Data Processing Supplies 549310 – Forms
Rents	<ul style="list-style-type: none"> <li>Office space</li> <li>Parking lot space</li> <li>Welfare rental assistance (to landlords)</li> <li>Equipment</li> </ul>	1	01	530110– Property Rent 531210 – Vehicle Rental 536520 – Rent Assistance on Behalf of Clients
Other income	<ul style="list-style-type: none"> <li>Prizes and awards that are not for services performed</li> </ul>	3	03	523040 – Flex Reimbursements/Settlements

## ACCOUNTING POLICIES &amp; PROCEDURES

	<ul style="list-style-type: none"> <li>• Various damage payments that are not considered wages</li> <li>• Excess mileage reimbursement over 14 cents per mile for volunteer drivers</li> <li>• Compensation to residents for moving out of their home for redevelopment</li> </ul>			553140 – Judgements - Penalty
Medical & health care payment	<ul style="list-style-type: none"> <li>• Report payments made to individuals, partnerships, and corporations</li> <li>• Medical payments include doctor fees, drug testing, lab fees, and physical therapy</li> <li>• Some medical corporations (governments, non-profits) are exempted</li> </ul>	6	06	527810 – Physicians 527870 – Registry - Nurses 527890 – Other Medical Services
Non-employee compensation	<ul style="list-style-type: none"> <li>• Payment for services of an individual who is not a City employee. The service can include advertising, auto repair, construction, custodian, maintenance, landscaping, photographers, printing service, and professional service (consulting, accounting)</li> <li>• Attorney fees to individuals, partnerships, and corporations</li> <li>• Payments reported in this 1099 box is subject to self-employment tax</li> </ul>	7	07	527010 – Architectural Services 527020 – Engineering Services 527990 – Other Professional Services
Gross proceeds paid to an attorney	<ul style="list-style-type: none"> <li>• Gross proceeds are the payments made to an attorney as part of a legal settlement or court order. If the attorney fees cannot be determined, report all of gross proceeds in box 14</li> <li>• Gross proceeds may be issued in the names of the attorney and the client</li> </ul>	14	11	553120 – Judgements - Legal Fees

### 4.6.3 | Entering Purchase Orders with 1099 withholding

Purchase Orders should be set up to properly capture 1099 reportable items. 1099 reportable and non-reportable items should be separated. The withholding field can be found under *Item Information* (see below).

Maintain Purchase Order

**Purchase Order**

Business Unit SFGOV  
 PO ID NEXT  
 Copy From [dropdown]

▼ **Header** ?

\*PO Date 01/31/2018 [calendar icon] Supplier Search  
 \*Supplier SKYTECHSOL-001 [magnifying glass icon] Supplier Details  
 \*Supplier ID 0000010129 [magnifying glass icon] SKYTECH SOLAR  
 \*Buyer [text field]  
 PO Reference [text field]

Expand All Collapse All

▼ **Item Information**

Supplier's Catalog [text field] ☐ Stockless Item  
 Supplier Item ID [text field] ☐ Device Tracking  
 Manufacturer ID [text field] [magnifying glass icon]  
 Description [text field] [magnifying glass icon]  
 Manufacturer's Item ID [text field] [magnifying glass icon]  
 GTIN [text field]  
 Replenish Code [text field]

☒ Withholding  
 Withholding Code [text field] [magnifying glass icon]

▼ **Attributes**

**Lines** ?

Details Ship To/From Date Statuses Item Information Attributes RFQ Cont

Line	Item	Description	PO C
1	[magnifying glass icon]	[magnifying glass icon]	[magnifying glass icon]

View Printable Version  
 View Approvals

Close Short All Lines

When a supplier is marked as 1099 withholding in their supplier profile, the withholding box will **automatically** be checked when the PO is created. If the box is not checked, then the chosen supplier is not marked as a 1099 supplier.

Is "Withholding" automatically checked when creating the PO?	Is the purchase line item 1099 reportable?	Action
Yes	Yes	OK to Proceed
Yes	No	Uncheck "Withholding"

No	Yes	Contact SMT*
No	No	OK to Proceed

\*Note that the system allows users to manually check the Withholding box. However, even if the withholding box is manually checked, the user will still run into an error at the voucher stage. If the item is indeed 1099 reportable, please contact the Supplier Management Team **before** processing the purchase order to update the supplier profile.

#### 4.6.4 | Entering 1099 Withholding Vouchers

When a voucher is created from a purchase order, the lines will also automatically inherit the 1099 information from the underlying purchase order. The withholding details are drawn from the supplier location chosen for the PO and voucher.

If the withholding lines or amounts are incorrect (e.g. PO was setup incorrectly), the user may still adjust the voucher, given that the supplier is marked for 1099 withholding on its supplier profile. Note that withholding information is defined at the supplier location level. If certain 1099 options are not available (e.g. 1099 class codes), try changing the supplier location under the “payment” tab (see below). If the correct 1099 option is still not available, contact the Supplier Management Team to update the supplier’s profile.

##### Voucher – Payment Tab

The following are examples of common scenarios for vouchers that are 1099 reportable.

##### Voucher Example 1: All invoice lines are 1099 Reportable

Verify that the Withholding Applicable ① and Applicable ② fields are checked and the correct Class ③ is selected on all invoice lines.

- No amounts need to be entered as they will be system generated from the invoice line amount

Invoice Line Withhold Information

Line 1 Description Item 1

Withholding Code [ ]

① Withholding Applicable

Withholding Details

*Entity	*Type	*Jurisdiction	*Class	Withholding Basis Amt Override	Contract Reference	Rule Override	Apply Withholding	Applicable
1 IRS	1099	FED	07				Withhold at Payment	②

Line 2 Description Item 2

Withholding Code [ ]

① Withholding Applicable

Withholding Details

*Entity	*Type	*Jurisdiction	*Class	Withholding Basis Amt Override	Contract Reference	Rule Override	Apply Withholding	Applicable
1 IRS	1099	FED	07				Withhold at Payment	②

### Voucher Example 2: Contains multiple invoice lines, both reportable and non-reportable

For the reportable invoice line, verify that the Withholding Applicable and Applicable fields are checked and the correct Class is selected on all invoice lines.

For the non-reportable invoice line, verify that the Withholding Applicable and Applicable fields are not checked.

### Voucher Example 3: Contains invoice line amounts different than the reportable amount

For the reportable invoice line, verify that the Withholding Applicable and Applicable fields are checked and the correct Class is selected on the invoice line.

Enter *only* the 1099 reportable amount in the Withholding Basis Amt Override ④ field.

Invoice Line Withhold Information

Line 1 Description Item 1

Withholding Code [ ]

Withholding Applicable

Withholding Details

*Entity	*Type	*Jurisdiction	*Class	Withholding Basis Amt Override	Contract Reference	Rule Override	Apply Withholding	Applicable
1 IRS	1099	FED	07	2500			Withhold at Payment	

### **Changing 1099 Withholding Classes**

A reportable class can also be selected on the *Withholding Information* page.

If the appropriate class is not available, please contact Controller's Office Supplier Management Team to add the 1099 Class on the supplier record. After the supplier record has been updated, the search results will display the requested class.

The screenshot shows a software interface for 'Withholding Information'. At the top, it displays 'Business Unit: SFGOV', 'Invoice Number: 1099 WITH', 'Voucher ID: 00007977', 'Supplier: 0000000001 Mitens Company and Bros', 'VAT Entry', and 'Invoice Date: 06/03/2017'. Below this, there's a 'Withholding Option' section with 'Postpone Withholding' and 'Apply' buttons. A 'Look Up Class' dialog box is open in the center, showing a table of fields: Supplier SetID (SHARE), Supplier ID (0000000001), Supplier Location (LOC1), Withholding Entity (IRS), Withholding Jurisdiction (FED), Withholding Type (1099), and Withholding Class (begins with). Below the dialog, a 'Search Results' section shows a table with two rows: '03 Prizes, Awards, etc.' and '07 Non-Employee Compensation'. The background interface also shows 'Invoice Line Withhold Information' with 'Line: 1' and 'Description: last', and a 'Withholding Details' table with columns 'Entity', 'Type', 'Jurisdiction', and 'Class'.

#### 4.6.5 | No 1099 Payments to City Employees

As a general rule:

**No active City employee should serve the City as an independent contractor without prior approval**

An active City employee who provides service to the City should do so under an arrangement other than independent contracting. Departments should pay employees for all employment services and fringe benefits through the City's payroll system. Employees should not be compensated through supplier payments; rather, all pay to an active employee should be part of taxable employment compensation. Examples include:

- Any employee taxable fringe benefits, including assignment allowance
- Professional services from workers employed by other departments (e.g., interpreter services). Arrange a work order with the appointing department to pay the employee through payroll

An active City employee must have all City income reported on IRS Form W-2, never on an IRS Form 1099. Departments should ensure that all income paid to City employees are taxed and reported to the IRS by paying all compensation to employees through the payroll process.

Outside contracts with an employee may be a violation of the Department's Statement of Incompatible Activities, particularly if the service relates to the employee's work duties. Departments also need to obtain secondary employment authorization from the Department of Human Resources before obtaining these types of services.

Some exceptions to the rule may apply. For example, if an employee is hired to be an expert on a legal case, but those duties are distinctly different than the duties they perform for the City, this would be outside their capacity as a CCSF employee and compensation may be 1099 reportable. Note that this situation differs from receiving professional services from other City departments. The services provided is within the employee's regular work duties and the payment should be part of their payroll and be reported on W-2. The department receiving the services shall compensate the performing department through work orders.

**TABLE 4-11. EXAMPLES OF WHEN A CITY EMPLOYEE MAY BE ISSUED A 1099**

TYPE OF PAYMENT/PURPOSE/PROJECT/PROGRAM	REASON
Reimbursement to the beneficiary of deceased employee	Reimbursement does not exclude City Employee
Court Reporter Services	Court reporters are Court Employees but are not City Employees even though they appear on PPSD list. Court Personnel do not have budget in the Annual Salary Ordinance (ASO)
SFPUC Residential high efficiency clothes washer rebate program	Reimbursement does not exclude City Employee
GoSolarSF Reimbursement	Reimbursement does not exclude City Employee
Property Tax Interest Payment	Reimbursement does not exclude City Employee
Victim Services: District Attorney offices process payments for victim service	Reimbursement does not exclude City Employee
SF Water Rebate program	Reimbursement does not exclude City Employee
Relocation Claims/Reimbursements	Reimbursement does not exclude City Employee
Commercial Washer Rebate Program	Reimbursement does not exclude City Employee
Rental assistance program paying rental payments to the landlord	Case by case/Fund Accountant Approval
Expert Witnesses	If the City Employee's responsibilities are distinct and separate from the expert witness responsibilities, then the City Employee can be set



	up as an expert witness Supplier and receive 1099-reportable payments
--	---

If a department needs to hire an active City employee for additional employment or services, it should contact the assigned Controller's Fund Accountant for approval **prior** to hiring to ensure that the City complies with the relevant IRS regulations on payroll tax withholding and reporting.

If a department is in doubt about whether payments to employees should be included in wages, it should consult with the City Attorney's Office Tax Team. For accounting-related questions, refer to the Controller's Fund Accountant assigned to your departments.

## 4.7 | Payments-Related Frequently Asked Questions

**Q:** Are partial payments allowed on an invoice?

**A:** In general, partial payments are not allowed. If a portion of the invoice is correct but another portion of the invoice is in dispute, the supplier must resubmit the invoice for only the undisputed portion. This way, the undisputed portion will be paid timely while questions regarding the other amount can be resolved.

- For invoices inputted in PeopleSoft eSettlement by suppliers, voucher approvers can "Deny" the voucher to stop processing. The City will then need to inform the supplier and have the supplier resubmit the invoice for only the undisputed portion in eSettlement using a new invoice number
- For invoices submitted to the City offline, send the invoice back to the supplier and ask the supplier to resubmit the invoice for only the undisputed portion

If a supplier submits an invoice for 12 months of service but only requires payment for the first six (6) months to begin service and expects to receive the second installment payment without sending another invoice, the process described above also applies.

**Q:** What if the amount shown on the invoice is described as "estimates" or "quotes"?

**A:** Request the supplier to resubmit the invoice and clearly state that the amount invoiced is for the actual good(s) or service(s) received.

**Q:** What is considered a "disputed invoice"?

**A:** Anything on an invoice with which the department doesn't agree results in a disputed invoice. It can be the amount due, item(s) delivered, or wrong address. In any case involving a disputed invoice, departments are highly recommended to "Pushback" or "Reject" the voucher and document the return. Refer to [Section 4.4.1.2 | Prompt Payment Implementation Guidelines](#) for more details.

**Q:** What date do we enter in the financial system as the "invoice receipt date"?

**A:** This is the date the invoice is received by the City. Refer to [Section 4.4.1.1 - | Prompt Payment](#) Definitions for the definition of the invoice receipt date. For a disputed invoice, the invoice receipt date is the date when the corrected invoice is received by the City.

**Q:** Can the City make ACH payments to foreign suppliers?

**A:** City can only make ACH payments to U.S. domestic bank accounts. If the foreign supplier has bank accounts in the U.S., the City can make ACH payments to the supplier. Otherwise, only paper checks can be issued to the foreign supplier.

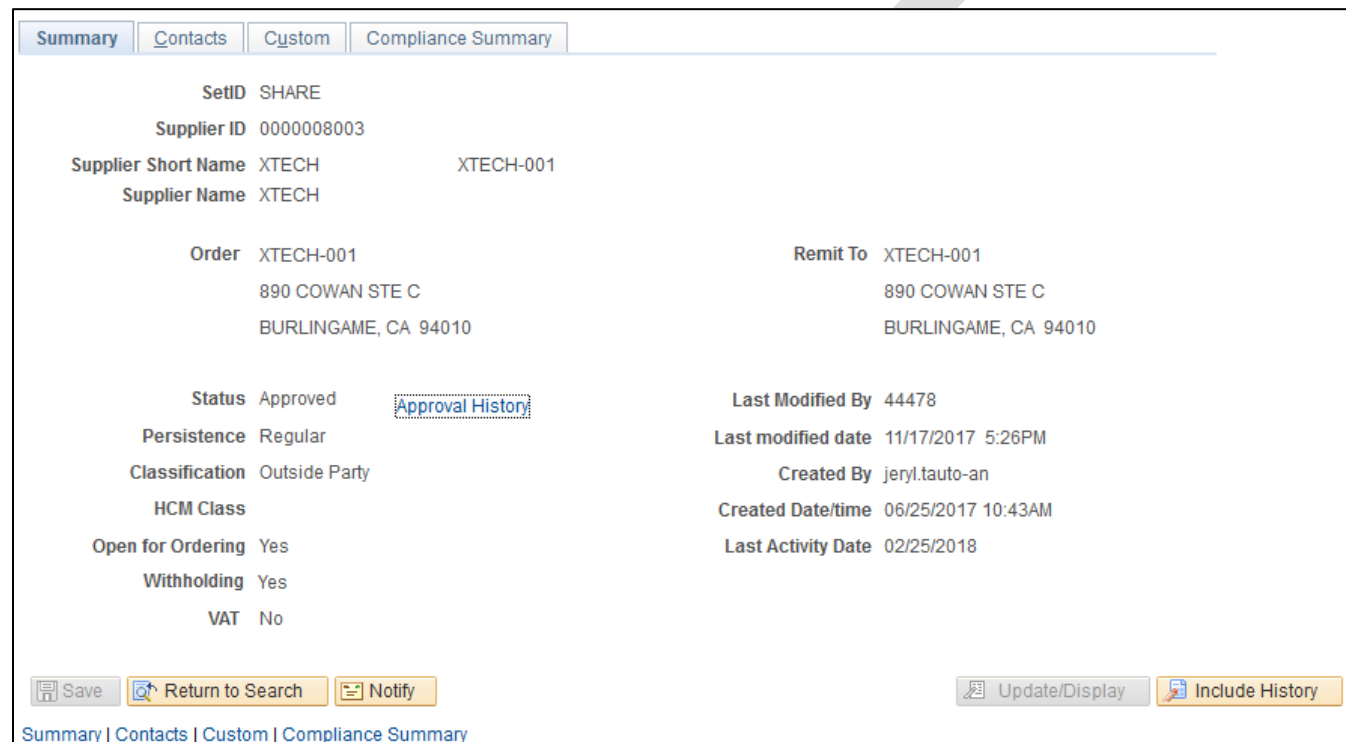
**Q:** Should a one-time supplier submit a W-9 form?

**A:** If the allowed one-time payment is non-1099 reportable, a W-9 form is not required. However, Single Payment in PeopleSoft must not be used for 1099-reportable expenditures. All 1099-reportable payments must be paid through an established Supplier ID in PeopleSoft, and W-9 is a required document for Supplier ID setup.

## ACCOUNTING POLICIES &amp; PROCEDURES

**Q:** How do I know if the supplier is a 1099 supplier?

**A:** Suppliers are reflected as 1099 under the “Withholding” field on their Supplier Summary page (see screenshot below). Those marked with a “yes” are considered 1099. This page is accessible to all employees with the Supplier Viewer role, but only editable by the Supplier Management Team. If a department requires additional information or needs to change the 1099 status, they may contact the Supplier Management Team directly.



Summary		Contacts	Custom	Compliance Summary
SetID	SHARE			
Supplier ID	000008003			
Supplier Short Name	XTECH	XTECH-001		
Supplier Name	XTECH			
Order	XTECH-001		Remit To XTECH-001	
	890 COWAN STE C		890 COWAN STE C	
	BURLINGAME, CA 94010		BURLINGAME, CA 94010	
Status	Approved	<a href="#">Approval History</a>		Last Modified By 44478
Persistence	Regular			Last modified date 11/17/2017 5:26PM
Classification	Outside Party			Created By jeryl.tauto-an
HCM Class				Created Date/time 06/25/2017 10:43AM
Open for Ordering	Yes			Last Activity Date 02/25/2018
Withholding	Yes			
VAT	No			

[Save](#)
[Return to Search](#)
[Notify](#)
[Update/Display](#)
[Include History](#)

[Summary](#) | [Contacts](#) | [Custom](#) | [Compliance Summary](#)

## 4.8 | Employee Travel & Business Expenses

### 4.8.1 | Business Travel Reimbursement Guidelines

This section sets forth the policies and procedures that dictate how City officers and employees will plan, conduct, and seek reimbursement for travel expenses incurred while conducting official business. Departments may promulgate travel reimbursement policies and procedures specific for their own needs that are more stringent than the Controller's. Department-specific travel reimbursement policies and procedures must be submitted to the Controller for review and approval.

#### 4.8.1.1 | REGULATIONS & DEFINITIONS FOR TRAVEL REIMBURSEMENT

The United States Internal Revenue Service (IRS) *Publication 463, Publication 15-B* (Employer's Guide to Fringe Benefits) and 1099 publications describes employer's travel allowance and reimbursement guidelines and practices that are permissible by law. In addition to IRS regulations, employee travel reimbursement policies are determined by:

- Memorandum of Understanding (MOU) language between the City and various bargaining units. The Controller's Office Accounting Policies & Procedures is the governing document for tuition reimbursement and travel reimbursement unless otherwise stated in MOU
- Grant, special projects, and bond-related projects—funding source restrictions will determine what is allowable in terms of reimbursement. Reimbursements must comply with grant agreements and bond covenants

City officers and employees should understand that they are conducting official business and representing the public interest while traveling. City officers and employees will only incur travel costs that are reasonable and necessary. To that end, employees will use the least expensive mode of travel whenever and wherever possible.

To constitute "official business of City & County of San Francisco", the activities of an officer or employee of the City & County of San Francisco must clearly demonstrate that there is a valid City & County interest to be served or gained through the travel; and there is:

- Relevance to City & County operations or the individual's role in such operations; and/or
- The promotion or development of City & County programs, methods or administration; and/or
- Compliance with instructions or authorization of the Mayor or Board of Supervisors.

City officers and employees are expected to incur and report their own employee reimbursement expenses. Exceptions may be granted on a case by case basis and must be approved by both the Department Head or Authorized Travel Signatory and the Controller's Office.



For more information, please refer to [Section 4.8.3 | Travel Reimbursement Frequently Asked Questions](#).

**Admin Code Chapter 12X: Prohibiting City Travel and Contracting in States that Allow Discrimination**

On October 14, 2016, the Board of Supervisors enacted Chapter 12X of the Administrative Code (Ordinance No. 189-16, file No. 160425), which prohibits city-funded travel and City contracts involving states with certain anti-LGBT laws. On August 9, 2019, the Board of Supervisors enacted an ordinance amending Chapter 12X (Ordinance No. 200-19, file No. 190658). The ordinance moved the existing provisions concerning states with anti-LGBT laws into Article I and created a new Article II, which prohibits city-funded travel and City contracts involving states with laws that prohibit abortion prior to the viability of the fetus.

The Controller's Office issued a memorandum on February 22, 2017, providing instructions as follows:

**FIGURE 4-34. LGBT ORDINANCE GUIDANCE FROM THE OFFICE OF THE CONTROLLER**

	<b>CITY AND COUNTY OF SAN FRANCISCO</b>	<b>Ben Rosenfield</b>
	<b>OFFICE OF THE CONTROLLER</b>	<b>Controller</b>
		<b>Todd Rydstrom</b>
		<b>Deputy Controller</b>
 <b>M E M O R A N D U M</b> 		
To:	Department Heads City Finance Officers	
From:	Ben Rosenfield, Controller 	
CC:	Naomi Kelly, City Administrator Jaci Fong, Purchaser Jocelyn Quintos, Director of Accounting	
Date:	February 22, 2017	
Subject:	City-Funded Travel States with Anti-LGBT Laws	

---

On October 14, 2016, the Board of Supervisors passed Ordinance file No. 160425 which places a ban on city-funded travel to and City contracts involving States with anti-LGBT laws. Per the Office of the City Administrator, travel to Kansas, Mississippi, North Carolina, and Tennessee is currently restricted under the terms of the ordinance.

Under the Ordinance, the Office of the City Administrator will maintain the Covered State list and communicate any additions or removals of States. The Office of Contract Administration will review all new bids applying for contracts to ensure they comply with Section 12X.5.

For travel, Section 12X.4 states that the City shall not require any employees or officers to travel to the states on the Covered State List or approve a request for City-funded travel to a state on the Covered State List. Exceptions are provided for travel that is:



- Necessary for the enforcement of any state or City law;
- Necessary for the defense of any legal claim against the City;
- Required by law;
- Required to meet contractual obligations incurred by the City;
- Necessary for the protection of public health, welfare, or safety.

The Office of the Controller will consider approval of travel to these states by Department Heads as implicit notice that such approval meets the above exceptions. Further, the Controller's Office recommends that Departments document travel covered under these exceptions and report them to the City Administrator on a regular basis. If you have any questions or require further clarification on City-Funded travel, please contact your Controller's Office fund accountant.

415-554-7500	City Hall • 1 Dr. Carlton B. Goodlett Place • Room 316 • San Francisco CA 94102-4694	FAX 415-554-7466
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The Office of the City Administrator issued a memorandum on October 16, 2019, providing instructions as follows:

FIGURE 4-35. LGBT ORDINANCE GUIDANCE FROM THE OFFICE OF THE CITY ADMINISTRATOR




OFFICE OF THE  
CITY ADMINISTRATOR

London N. Breed, Mayor  
Naomi M. Kelly, City Administrator

MEMORANDUM

TO: Department Heads  
City Financial Officers  
Contracting Officers

FROM: Naomi M. Kelly, City Administrator 

CC: Alaric Degrafinried, Purchaser and Director of Office of Contract Administration  
Dr. Emily Murase, Director, Department on the Status of Women  
Clair Farley, Executive Director, Office of Transgender Initiatives

SUBJECT: Ban on City Contracts and Travel to States with Certain Laws -  
Addition of States with Abortion-Restrictive Laws

DATE: October 16, 2019

This memorandum addresses recent legislative changes to Chapter 12X of the Administrative Code concerning prohibitions on City-funded travel and contracting in certain states, and updates the list of states falling within the scope of Chapter 12X's prohibitions.

On October 14, 2016, the Board of Supervisors enacted Chapter 12X of the Administrative Code (Ordinance No. 189-16, file No. 160425), which prohibits city-funded travel and City contracts involving states with certain anti-LGBT laws. Administrative Code Section 12X.3 requires the City Administrator to create and maintain a list of states with laws meeting the definition of a "Covered State."

On August 9, 2019, the Board of Supervisors enacted an ordinance amending Chapter 12X (Ordinance No. 200-19, [file No. 190658](#)). The ordinance moved the existing provisions concerning states with anti-LGBT laws into Article I and created a new Article II, which prohibits city-funded travel and City contracts involving states with laws that prohibit abortion prior to the viability of the fetus. Administrative Code Section 12X.13 requires the Department on the Status of Women to submit a recommendation to the City Administrator concerning which states have enacted abortion prohibitions meeting the definition of a Covered State under Article II, and requires the City Administrator to create and maintain the Covered State List based on the recommendation.

On October 8, 2019, the Department on the Status of Women submitted its recommendation of states meeting the definition of a Covered State under Article II. That recommendation is attached, and the City Administrator concurs in the recommendation.



**Generally:**

Subject to certain exceptions, Chapter 12X prohibits the City from funding travel to states on the Covered State List under Article I or under Article II. Chapter 12X provides that the City shall not enter into any Contract with a Contractor that has its United States headquarters in a state or where any or all of the work on the Contract will be performed in a state on the Covered State List under Article I or Article II. Unless otherwise exempted, this contracting ban applies to all contracts entered into by the City. (See Administrative Code Sec. 12X.5(b) and 12X.15(b) for specific circumstances where the contracting prohibition is not applicable, exempted, or eligible for a waiver). However, please note that the contracting ban only applies to the prime contractor and does not extend to lower tier subcontractors, suppliers, or vendors.

**Update to the Covered State List:**

Under Chapter 12X, Article II, the following states are added to the Covered State List. Under Section 12X.15(d), the addition of these states applies only to contracts that were first advertised, solicited, or initiated on or after January 1, 2020, and does not apply to amendments to pre-existing contracts:

- Arkansas
- Florida
- Georgia
- Indiana
- Louisiana
- Massachusetts
- Nebraska
- Nevada
- North Dakota
- Ohio
- Pennsylvania
- West Virginia
- Wisconsin

The list below indicates the states currently on the Covered State List. States with an asterisk have anti-LGBT laws meeting the definition of a Covered State under Article I of Chapter 12X and also have anti-abortion laws meeting the definition of a Covered State under Article II of Chapter 12X.

- Alabama (effective 6/30/2017)\*
- Iowa (effective 10/4/2019) \*
- Kansas (effective 2/11/2017)\*
- Kentucky (effective 6/30/2017)\*
- Mississippi (effective 2/11/2017)\*
- North Carolina (effective 2/11/2017)
- Oklahoma (effective 11/1/2018)\*
- South Carolina (effective 04/15/2019)\*
- South Dakota (effective 3/14/2017)\*
- Tennessee (effective 2/ 11/2017)
- Texas (effective 9/1/2017)\*



The Covered State List is reviewed on a semiannual basis. When a state is removed or added the Office of the City Administrator will make that information public and post the updated list on its website, available at <http://sfgsa.org/chapter-12x-anti-lgbt-state-ban-list>.

If you have questions or require further clarification on City-funded travel, please contact your Financial Officer or accountant representative.

For additional information, including the most updated guidance and list of banned states, please refer to the Office of the City Administrator website at <http://sfgsa.org/chapter-12x-anti-lgbt-state-ban-list>.

For additional reporting on travel and expenses potentially falling under the Chapter 12X criteria, Departments may refer to the 12X Employee Travel & Expenses in Banned States Dashboard on SF Reports & Analytics. The applicable knowledge center article can be found at <https://sfemployeeportalsupport.sfgov.org/support/solutions/articles/11000044582-12x-employee-travel-expenses-in-banned-states-dashboard-and-policy>).

## **4.8.2 | Automated Travel or Expense Processing**

### **Overview**

Travel and other employee reimbursements will be processed in the PeopleSoft Expenses Module. Employee reimbursements will be paid through People and Pay on a weekly basis. Reimbursements will be processed and deposited into employee's account each Tuesday. If the preceding Monday is a legal holiday, the reimbursements will be deposited on Wednesday instead. Cash advances and reimbursements requests must be fully approved in PeopleSoft by 5pm on the preceding Friday in order to receive payments on the Tuesday.

PeopleSoft will automate requests and processing of:

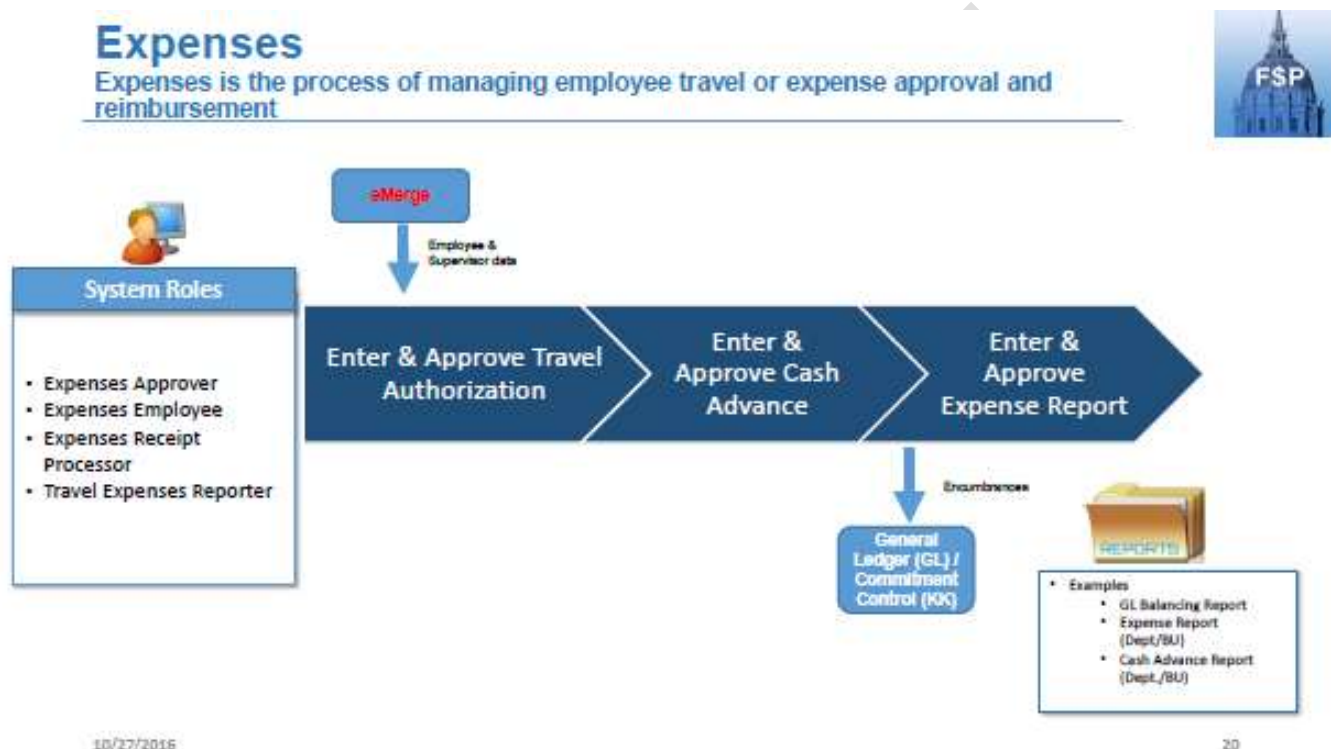
- Employee cash advance requests
- Travel or expense authorizations and modifications
- Expense report submissions and approvals

In the financial system:

- Supporting travel and expense documentation can be attached electronically
- Travel or expense authorization will be forwarded to correct approvers
- Travel or expense authorization will be approved online

- The system will automatically total travel/expense request amounts
- Employees will be reimbursed through payroll

**FIGURE 4-36. TRAVEL EXPENSE APPROVAL & REIMBURSEMENT OVERVIEW**



#### 4.8.2.1 | PRE-APPROVAL

All requests for business travel require approval in advance by the Department Head or an Authorized Travel Signatory. The Figures below provide overviews of how pre-approvals must be obtained before travel occurs. Please note that international travel must be pre-approved by the department's authorized international travel approvers.

Employee reimbursement pre-authorization may include items that will be paid by the City (e.g., airfare to City travel suppliers, registration fee to conferences, etc.). If departments choose to include these items in their PeopleSoft Travel Authorization, departments must process Travel Authorization, Expense Report and Vouchers properly to:

1. Liquidate encumbrance generated by Travel Authorization
2. Avoid duplicate expenditure recording for the City paid portion

**ACCOUNTING POLICIES & PROCEDURES**

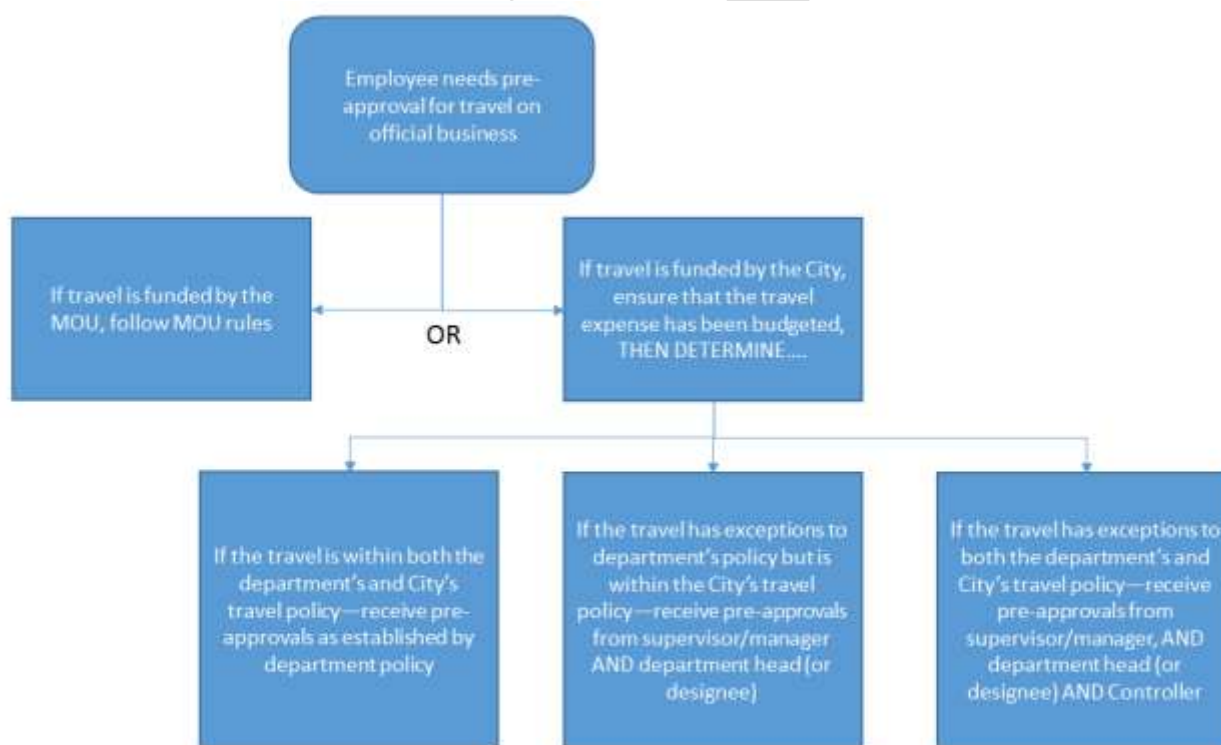
Although all employee reimbursements must be pre-approved, departments are **not** required to submit Travel Authorizations through PeopleSoft. As an alternative, employees may upload their approved, signed pre-authorization when entering the actual Expense Report.

Note that if your department uses Travel Authorization in PeopleSoft Financials and Procurement, and have included items directly paid by the City (e.g. registration fees, airfare, etc.) in the Travel Authorization, when making voucher payments to the suppliers, you must be sure to input 100102 (Prepaid Expense) in the Account field in the voucher. Failure to do so will create duplicate expenditures for the city-paid portion.

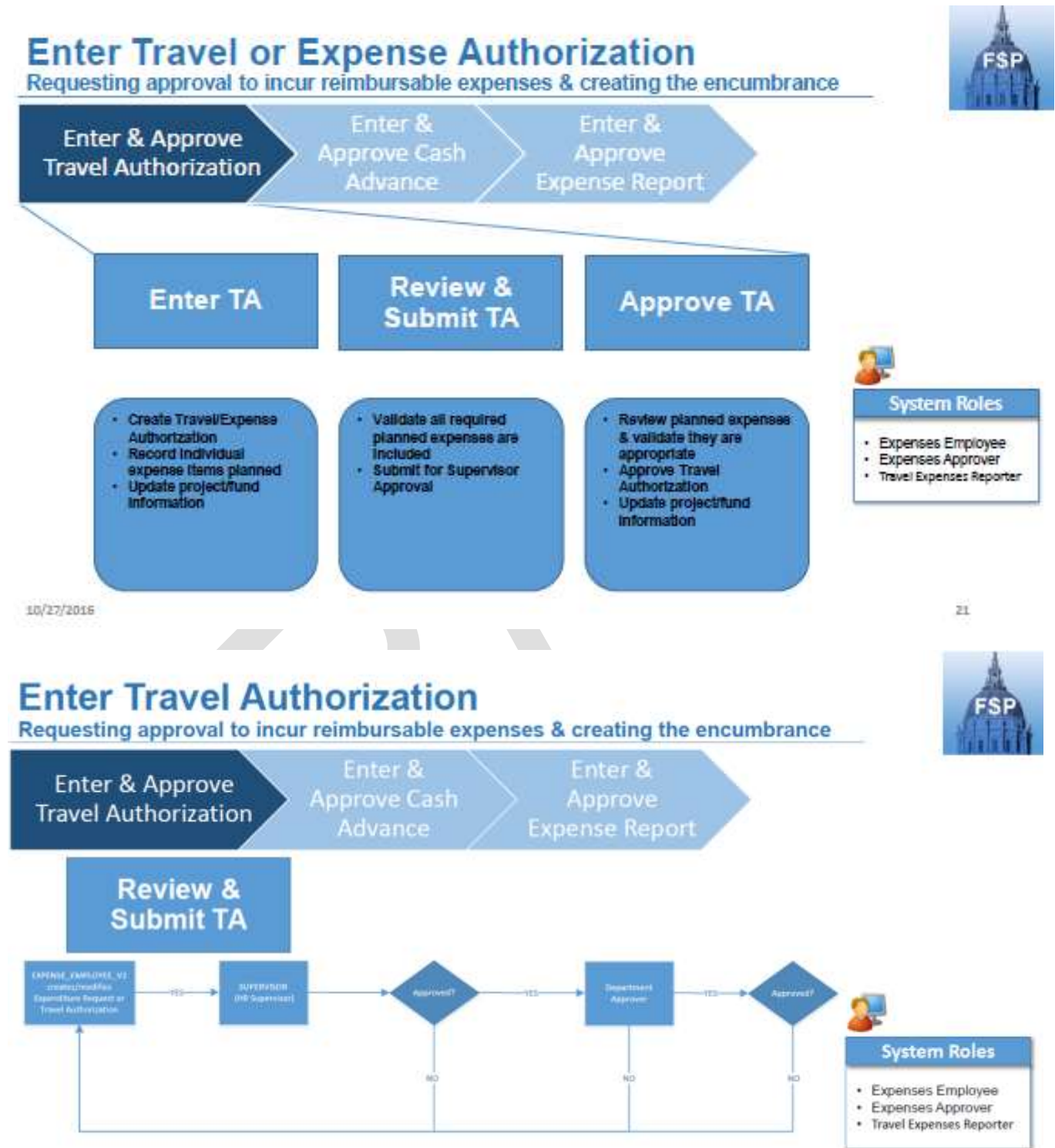
For additional information on how to process travel authorizations, including pre-paid expenses, refer to [18.6 | Employee Reimbursement](#).

For employee reimbursements funded by the unions, refer to [Section 4.8.6 | Reimbursements Provided via MOUs\\*](#)

**FIGURE 4-37. AUTHORIZED TRAVEL SIGNATORIES FOR TRAVEL PRE-APPROVAL**



**FIGURE 4-38. TRAVEL AUTHORIZATION PROCESS OVERVIEW**

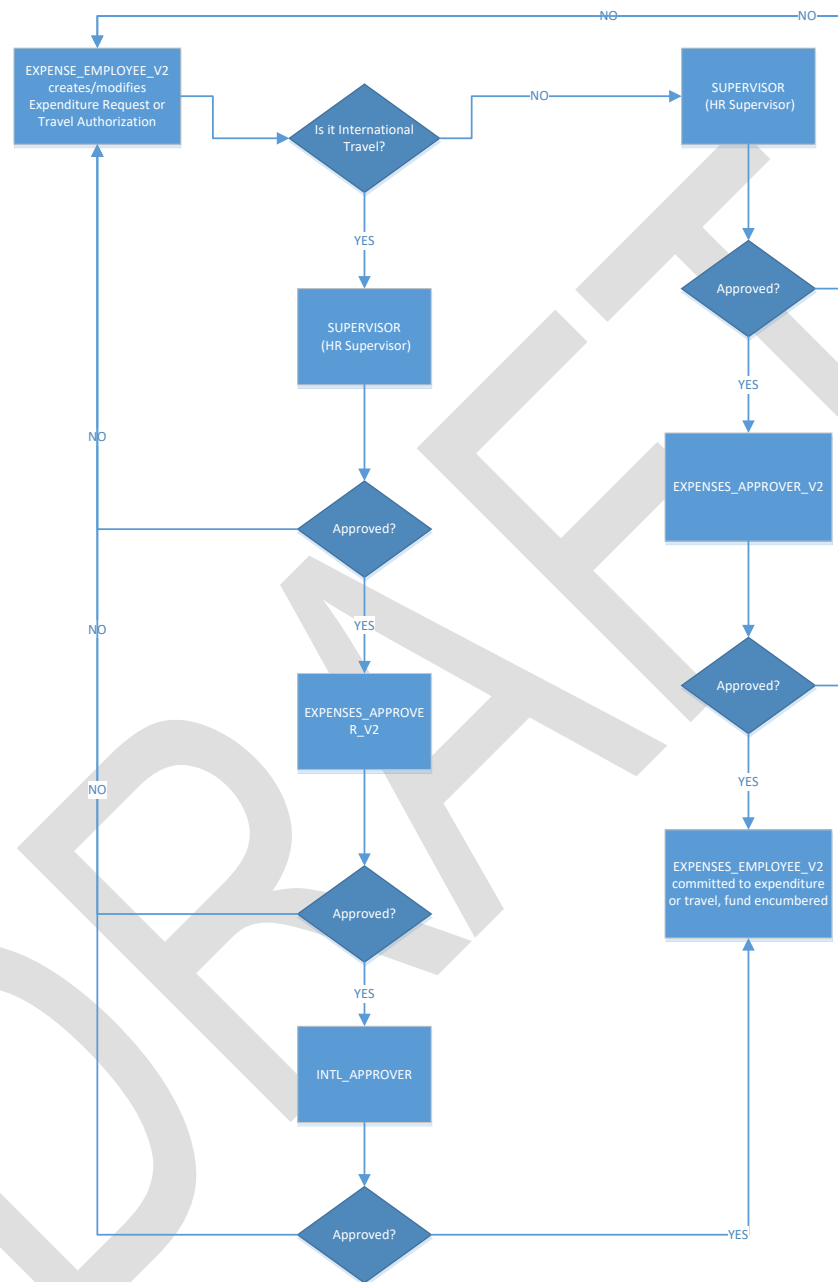


Note that an HR Supervisor is an employee's "report to" supervisor defined through the PeopleSoft HCM eMerge system.

International travel must be pre-approved by the department's authorized international travel approvers. Written approval must be uploaded in PeopleSoft for the pre-authorization to be completed.

DRAFT

**FIGURE 4-39. INTERNATIONAL TRAVEL PRE-APPROVAL WORKFLOW**



**[PAPER FORMS: KEEP THE CURRENT PROCESS. WILL REVISIT THIS ISSUE AFTER GO LIVE]**

For any travel funded by the City, the department should only allow travel that is clearly anticipated in the approved budget. Employees and officials are responsible for cancellation of lodging and transportation if travel is cancelled or postponed, to ensure that the City will not be liable for any

unnecessary costs. If the travel has been properly budgeted, the traveler must receive the pre-approval(s) from the Authorized Travel Signatory, as follows:

- If the travel fully complies with both the department's and Controller's travel policy, the traveler must receive **written** pre-approval only from the Authorized Travel Signatory specified in the department policy
- If the travel has exceptions to the department's travel policy but complies with the Controller's policy, the traveler must receive **written** pre-approval from both the direct supervisor/manager and the Department Head (or designee)
- If the travel has exceptions to both the departments' and Controller's travel policy, the traveler must receive **written** pre-approval from: 1) the direct supervisor/manager; 2) the Department Head (or designee); and 3) the Controller or his/her designee

A *Travel Authorization Form* must be completed and signed by the employee and approved by the Department Head or Travel Signatory. Information required on the authorization form include:

- Date(s) of travel and location
- Business purpose of travel/training/conference
- Estimated expenses including registration fee, cost of air ticket, other transportation costs (e.g., taxi, shuttle, or car rental), and lodging. Itemized detail in accordance with the guidelines in this document must be provided for estimated expenses

If an expense that is not listed on the *Travel Authorization Form* is incurred, it will only be reimbursed if the following conditions are met:

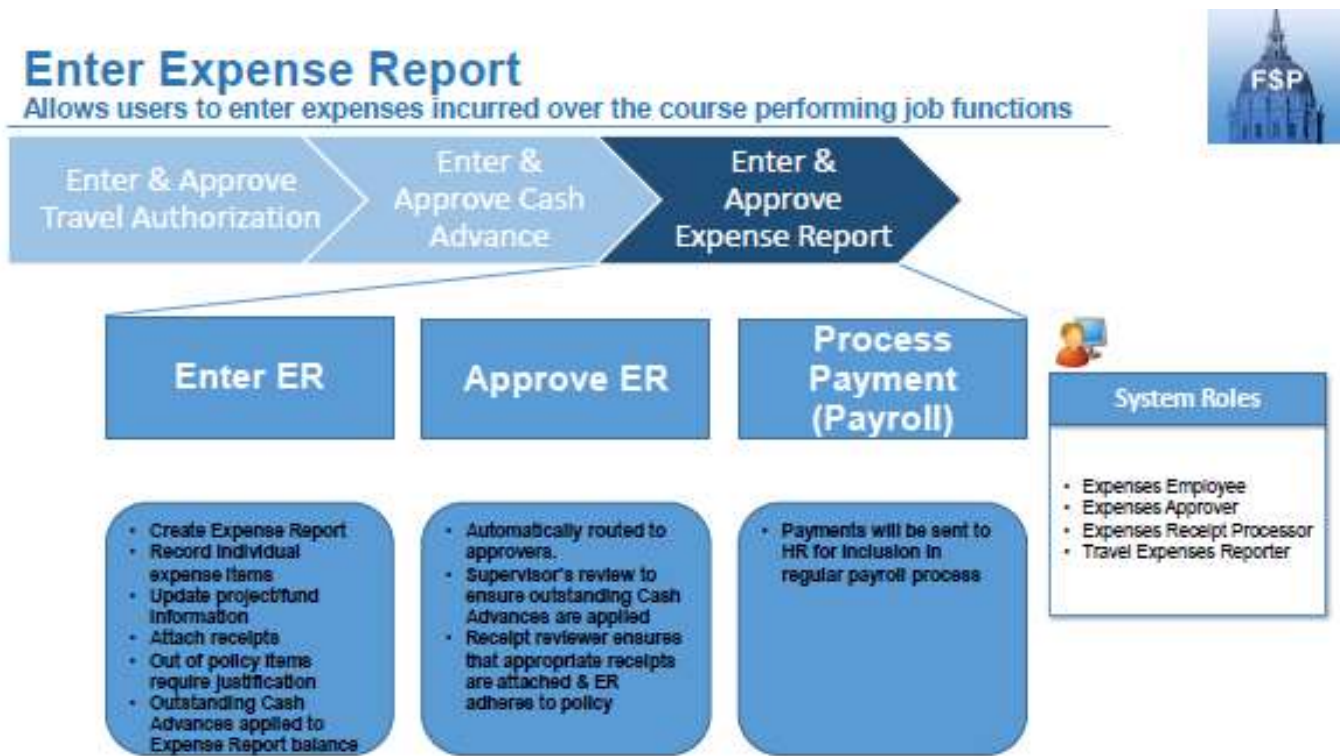
- The expense was reasonable
- A written justification is provided
- The business need can be identified
- Approval for the exception has been obtained from the Department Head or Authorized Travel Signatory

#### 4.8.2.2 | GUIDELINES FOR SUBMISSION AND REVIEW OF TRAVEL REIMBURSEMENTS

The Figure below provides an overview of how expense reports are entered and approved in PeopleSoft.



**FIGURE 4-40. STEPS TO ENTER & APPROVE EXPENSE REPORTS IN PEOPLESOFT**



10/27/2016

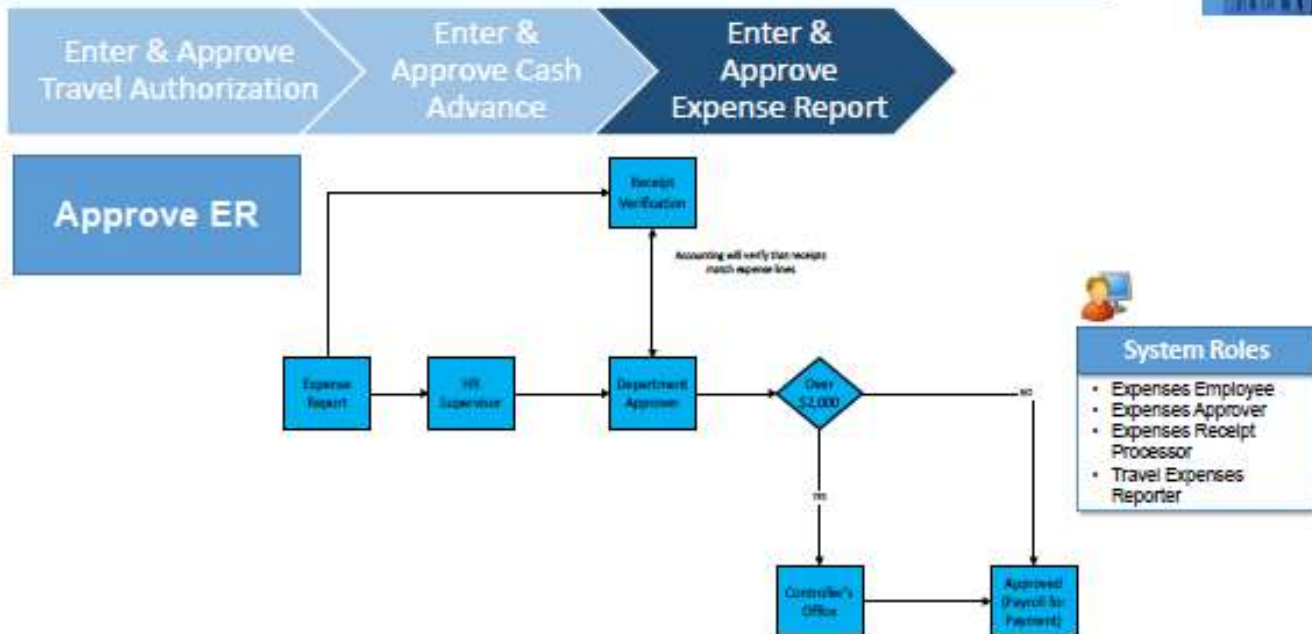
29





## Enter Expense Report

Allows users to enter expenses incurred over the course performing job functions



10/27/2016

30

Completed expense reimbursement requests must be fully supported by receipts and forwarded to the department's Accounting/Finance Division no more than 30 days after expenditure. Reimbursements with incomplete or insufficient documentation will be denied. Reimbursement requests must be processed in the City's financial system no more than 90 days after the date of occurrence. Best practice is that travel reimbursement occurs in the same fiscal year in which the expense was incurred.

### Employee Responsibilities When Filing a Reimbursement

When filing an employee reimbursement, the employee is:

- Responsible for forwarding completed forms to the department Accounting/Finance Division no more than 30 days from return of travel, or within 10 days if an advance was issued
- Required to specify the business purpose or need of the expense to be made by the employee instead of through the normal purchasing process. The business purpose should be descriptive enough to clearly answer any questions regarding the necessity of the expense
- Required to submit all supporting documentation including, but not limited to, approved *Travel Expense Voucher*; air, or other itinerary, conference/meeting/workshop schedule and agenda;

original itemized receipts and proof of payment; and any necessary pre-approvals and/or justifications

An employee's proof of payment may include, but not be limited to, a cancelled check, bank statement, credit card statement, or original receipt that shows distinct information that the payment was received. However, compliance departments can enforce a more stringent proof of payment policy.

Note that payments using gift cards are not reimbursable.

### **Department Accounting/Finance Division Responsibilities When Reviewing a Reimbursement**

When reviewing employee reimbursements, a department's Accounting/Finance Division is responsible for:

- Ensuring expenditures are reasonable, necessary, and for official business purpose
- Reviewing and auditing for compliance with Controller's and Purchasing policies
- Requesting additional documentation, information, justification from employee as needed
- Deducting unallowable expenses
- For project or grant funded business expenses; reviewing to ensure the request is in compliance with project/grant requirements
- Verifying authorized approver
- Ensuring all appropriate/required supporting documentation submitted and maintained in department files
- Approving/denying and processing reimbursements in a timely manner. Reimbursement must be completed and posted in the City's financial system within 90 days
- Departments must verify receipts before approving an expense report in PeopleSoft

Expense reports, in addition to pre-approval travel authorizations, require approval by the Department Head or an Authorized Travel Signatory.

### **Expense User Delegation**

The Controller's Office may grant users a Peoplesoft role authorizing certain employees to reassign and delegate expense transactions on behalf of other employees. Departments must establish pertinent policy to ensure internal control over delegated submissions. The policy must include documentation reflecting the relationship between the assigned delegate and subject employee, such as an Organizational Chart. The policy must also be approved by the Department's CFO and their fund accountant before the role is

**ACCOUNTING POLICIES & PROCEDURES**

granted. In general, the role is reserved for a limited number of employees in large departments. Smaller departments may work directly with their fund accountants to delegate submissions as necessary.

**Account Codes**

When choosing an “expense type” for a travel authorization or expense report, Peoplesoft will automatically populate the “Account Code” Chartfield with one of two codes: 521030 (Air Travel – Employees) or 521010 (Travel Costs Paid to Employees). Note that these preset account codes may **not** be accurate; it is the Departments responsibility to update the code to match the nature of the requested expense.

The screenshot shows the 'Projected Expenses' form. At the top, there are tabs for 'Expand All', 'Collapse All', 'Add', and 'Quick-Fill'. The 'Totals (1 Line)' are shown as 0.00. The form includes fields for \*Date, \*Expense Type (set to 'Airfare'), \*Description, \*Payment Type, \*Amount (0.00), \*Billing Type (Bilable), and Ticket Number. Below these is the 'Accounting Details' section, which includes a 'Chartfields' button and a table with columns: Amount, \*GL Unit, Account, Fund, Dept, Authority, Agency Use, PC Bus Unit, Project, and Activity. The 'Account' field is highlighted with a blue box and contains the value '521030'. The 'Fund' field contains 'SF00V/C' and the 'Dept' field contains '229227'.

Amount	*GL Unit	Account	Fund	Dept	Authority	Agency Use	PC Bus Unit	Project	Activity
	SF00V/C	521030		229227					

Below is a list of commonly used account codes for employee reimbursements. For a full list of expense account codes, please refer to the Accounts Code crosswalk on the Knowledge Center.

PS CODE	DESCRIPTION	USES
521030*	AIR TRAVEL - EMPLOYEES	Reimbursement for airfare paid by employees**
521040*	AIR TRAVEL - NON-EMPLOYEES	Airfare paid by the City**
521050	NON-AIR TRAVEL - EMPLOYEES	Reimbursement for lodging, ground transportation, per diem, etc. during out-of-town business trips paid by employees.
521060	NON-AIR TRAVEL - NON-EMPLOYEES	Lodging, etc. paid by the City
522010	TRAINING COSTS PAID TO EMPLOYEES	Reimbursement for training and conference registration paid by employees, regardless if the training/conference is local or out of town.
522020	TRAINING COSTS PAID TO VENDORS	Training and conference registration fee paid by the City
523010	AUTO MILEAGE	Auto mileage incurred during local (within 9 counties of the SF Bay Area) business trip.
523020	LOCAL FIELD EXP	Local business expenses including parking, toll, bus fare, etc.

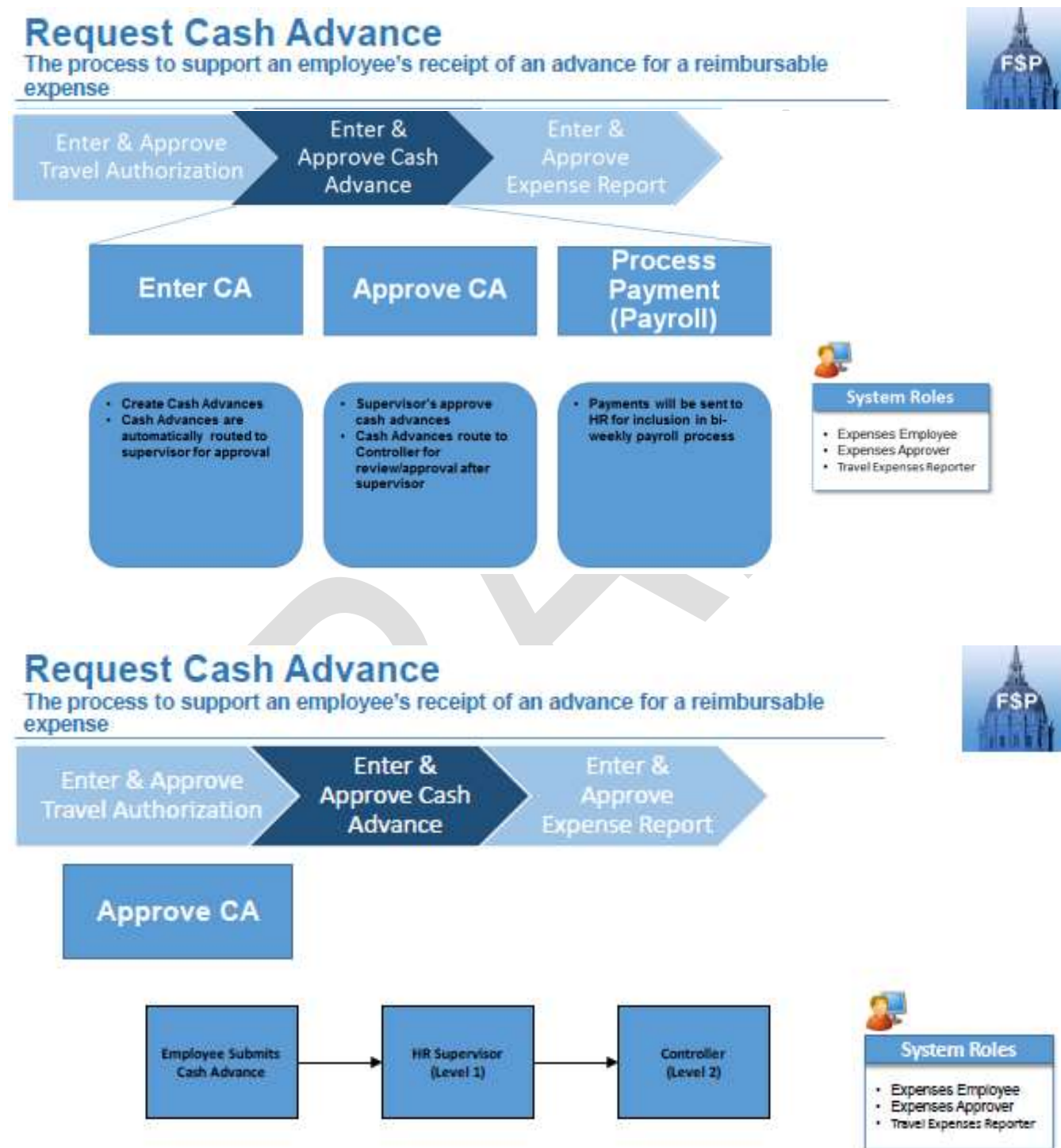
\*These accounts are used for the quarterly Carbon Offset allocation.

\*\*Fees for luggage, agency administration fees, etc. should be charged to the "Non-Air Travel" account code, even when purchased with the actual airfare. This will avoid incorrect charges to the Carbon Offset allocation.

#### 4.8.2.3 | CASH ADVANCES

The following diagrams provide an overview of the cash advance process.

**FIGURE 4-41. REQUESTING CASH ADVANCES IN PEOPLESFT**



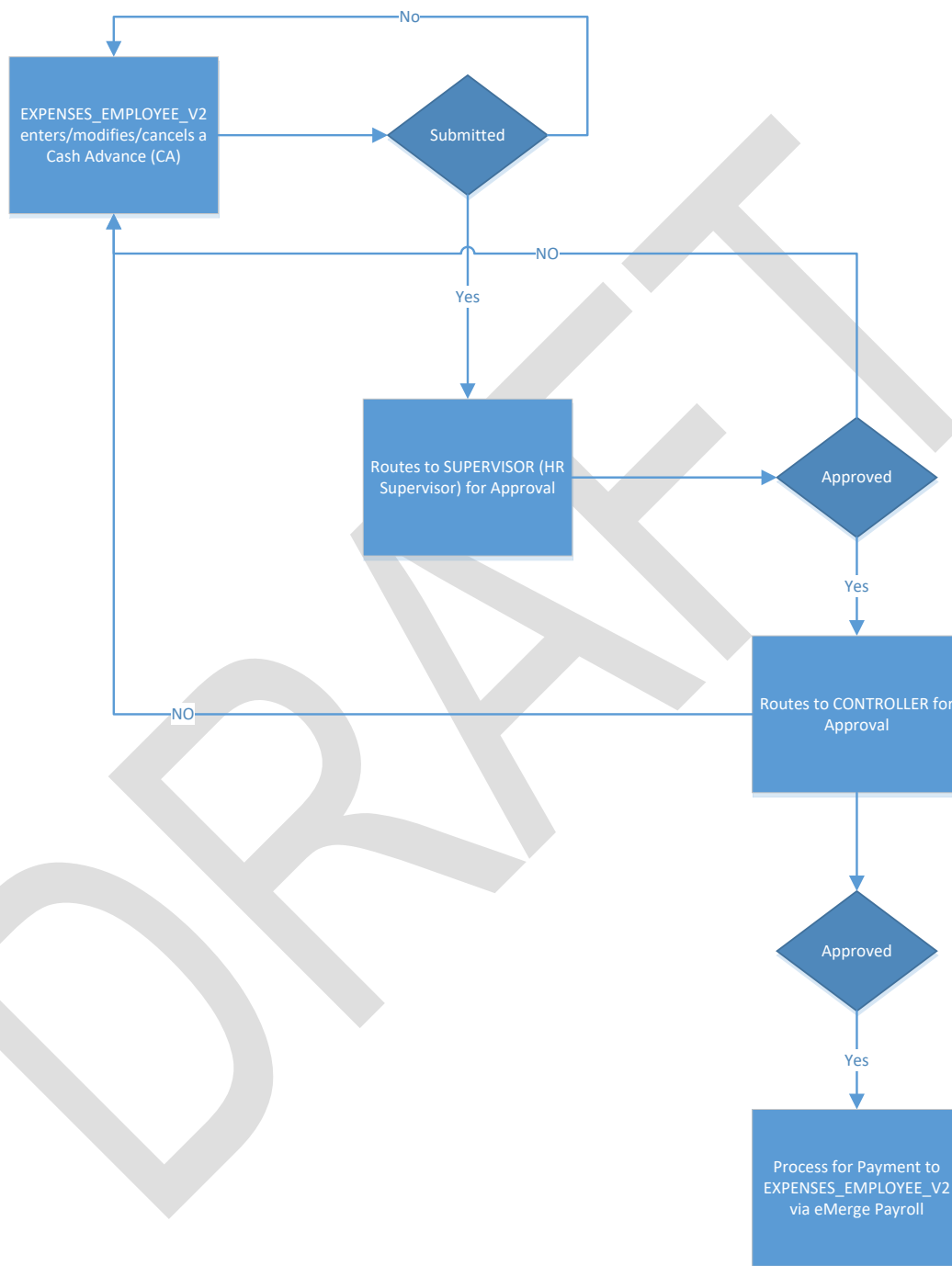
If permitted by department travel procedures, an officer or employee who must travel on City business may request a cash advance to cover the direct costs of travel.

Cash advances can be requested after an employee's *Travel Authorization Form* is fully approved. When cash advances are issued:

- The minimum advance amount is \$1,000
- Advances can be issued for lodging, conference registration fees, and transportation expenses. Cash advances are not allowed for airfare as employees can purchase air tickets through a City-approved vendor
- Cash advances will be issued through the bi-weekly payroll process. Employees should request the cash advance and the appropriate supervisor should review and approve it in the financial system to allow sufficient time for processing. Cash advance requests should be submitted in PeopleSoft within 30 calendar days from the scheduled travel/training date
- Advances must be cleared in the City's financial system within ten (10) business days of return from a travel
- If an advance is not liquidated timely, the employee will have a payroll offset and will not be eligible for cash advances for a minimum of two (2) years from the date of the offset
- Employees with an outstanding advance cannot receive another cash advance
- Departments that have more than one payroll offset in a six (6) month period or do not demonstrate due diligence in the process will have their ability to issue cash advances frozen

The following diagram shows how the financial system will be processing cash advances.

**FIGURE 4-42. CASH ADVANCE PROCESSING IN THE FINANCIAL SYSTEM**



## **Non-Travel Cash Advances**

Departments requesting cash advances *not* related to travel must have a departmental policy defining the criteria and approval procedures for such advances. The policy must be reviewed and approved by the Controller's Office prior to any advances being issued. In general, non-travel cash advances should only be requested for departmental programs and are restricted to amounts below \$500.

### **4.8.2.4 | CASH ADVANCE AND OFFSET PROCESSING**

This section describes the process of requesting and liquidating cash advances as well as implementing offsets against employees for failure to liquidate said cash advances.

The *Budget and Appropriation Ordinance - Section 15. Travel Reimbursement and Cell Phone Stipends* states:

**The Controller may advance the sums necessary for traveling expenses, but proper account and return must be made of said sums so advanced by the person receiving the same within ten (10) days after said person returns to duty in the City and County of San Francisco, and failure on the part of the person involved to make such accounting shall be sufficient cause for the Controller to withhold from such person's pay check or checks in a sum equivalent to the amount to be accounted**

An offset is a procedure used by the Controller's Office to recover monies owed to the City & County of San Francisco. Offsets are governed by the *San Francisco Administrative Code*, Section 10.27, *et. seq.* It states, in part, that "The Controller may, in his or her discretion, offset any amount owed to the City and County of San Francisco by a person or entity against any amount owed by the City and County to such person or entity...."

## **Requesting and Liquidating Cash Advances**

Within ten (10) days after returning to work duty, the employee must submit reimbursement request in PeopleSoft Cash Advance Report.

1. If the actual expense is greater than or equal to the cash advance, the cash advance will be automatically closed in the *Cash Advance Report*. Amount exceeding the cash advance will be reimbursed to the employee through payroll after the *Expense Report* is completely approved in PeopleSoft.
2. If the actual expense is less than the cash advance, the employee must write a check to the City for the difference. Departments need to



**ACCOUNTING POLICIES & PROCEDURES**

- a. Deposit the check in the bank
- b. Record the deposit as a cash receipt in the PeopleSoft Accounts Receivable Module
- c. Close the cash advance in the PeopleSoft *Cash Advance Report* by changing the amount to “0”. Refer to the screenshot below

**FIGURE 4-43. CASH ADVANCE REPORT**

Travel & Expenses - Cash Advance Report  
Reconcile Cash Advance Report  
Kenneth Schumacher      Advance ID 0000000009

**General Information**

Description: Trip to New York      Notes

Business Purpose: Customer Visit

Status: Paid      Reference

\*Accounting Date: 11/17/2016      Post State: Close In Process

Accounting Template: STANDARD      Updated on: 04/10/2012 9:36:22AM      By: SAMPLE

**Associated Expense Reports**      Personalize | Find | View All | First | 1 of 1 | Last

Report ID	Creation Date	Report Status	Amount Applied	Currency
0000000071	11/04/2003	On Hold, with Auditor	178.00	USD

**Payments**      Personalize | Find | First | 1 of 1 | Last

*Date	*Number	*Amount	Currency
11/17/2016		0.00	USD

**Totals**

		Advance Amount	Report Balance
	Applied To Expense Reports	200.00 USD	
	Payments Received	178.00 USD	
		0.00 USD	Due Company 22.00 USD

Save for Later      Reconcile

Return to Search

**Additional Guidance on Cash Advances**

[AOSD User Flash #299](#) specifies date field entry criteria on Expense Reports and details the required chartfields for deposits of cash advance refunds received from employees.

This User Flash also serves as a reminder to avoid duplicating expenditures in the AP Module for City-Paid items recorded as prepaid on the travel authorization. Be aware of entering the prepaid expenditure chartfields generated with the travel authorization when processing vouchers to the supplier.

### **Offset Process Against Employees for Failure to Liquidate Cash Advances**

Departments may request offsets through the Office of the Controller against employees' payroll if cash advances are not liquidated after sixty (60) calendar days (must be greater than \$50). Refer to instructions provided on the Controller's guidelines: "Employee Claims and Offsets" at:

<https://sfemployeeportalsupport.sfgov.org/support/solutions/articles/11000022647>.

Cash advance privilege will be removed from employees with payroll offsets for a minimum of two years from the date of offset and can only be reinstated with Controller's approval.

Payroll offset for failure to liquidate a cash advance is always in the form of a lump sum deduction from the employee's pay warrant once the offset has been declared unless there is some sort of financial hardship.

Department's authorized staff initiates the request to apply an offset against the employee by submitting the form shown in the following Figure.

**[PAPER FORMS: KEEP THE CURRENT PROCESS. WILL REVISIT THIS ISSUE AFTER GO LIVE]**

## ACCOUNTING POLICIES &amp; PROCEDURES

FIGURE 4-44. REQUEST FOR EMPLOYEE OFFSET

Controller's Office	<b>REQUEST FOR EMPLOYEE OFFSET</b>		City and County of San Francisco
<b>EMPLOYEE INFORMATION</b>			
1. First	2. Middle	3. Last	
4. Address	5. City/State	6. Zip	
7. Social Security Number/Employee Number			
8. Payroll Information: <input type="checkbox"/> City and County of San Francisco (PPSD) / <input type="checkbox"/> City Department OR San Francisco Unified School District (SFUSD)			
<b>OFFSET INFORMATION</b>			
9. Offset Amount		10. Bi-weekly Deduction (up to 25% of gross earnings) -	
11. Basis of Offset - state in detail reason for offset request. Attach additional pages if necessary.			
12. WCAB (workers' compensation) Case No. [if any]:			
13. The Employee named above will repay the City the Total Amount stated above (#9) by means of bi-weekly payroll deductions as follows, or as a one-time deduction of the amount in full:			
bi-weekly installments of \$ _____ each =		\$ _____	
Plus one final installment of \$ _____ =		\$ _____	
Total (must equal Total Offset Amount/see #9): _____ =		\$ _____	
<b>REQUESTING DEPARTMENT / ORGANIZATION INFORMATION</b>			
14. Name of Individual Requesting Offset		15. Date	
16. Requester's Department/Organization/Email Contact Info:		17. Requester's Phone Number	
18. Make check payable to:		19. Mailing address for check:	
Please send completed form to #9 CON, Controller's Office, 1 Dr. Carlton B. Goodlett Place, City Hall, Room 316, San Francisco, CA 94102, Attn: Offsets Coordinator			
Please Note: Offsets are governed under Section 10.27 through 10.27-7 of the San Francisco Administrative Code. Form must be completed in its entirety in order to be processed. Incomplete forms will be returned to the requesting department unprocessed. Requesting department should attach any document that substantiates request for offset. Questions concerning this form or the offset process should be directed to the Controller's Office at 415-354-7500.		<b>FOR CONTROLLER'S OFFICE USE</b>	

Complete a *Request for Employee Offset* (Figure 4-42) with all the required information.

Next, the employee and the offset requestor must sign the *CCSF Payroll Request for Employee Offset Repayment Agreement*, which is shown in the Figure below.

**FIGURE 4-45. PAYROLL REQUEST FOR EMPLOYEE OFFSET REPAYMENT AGREEMENT**

**CCSF PAYROLL REQUEST FOR EMPLOYEE OFFSET  
REPAYMENT AGREEMENT**

This Repayment Agreement ("Agreement") is made between \_\_\_\_\_  
("Employee") and the City and County of San Francisco ("City").

**RECITALS**

- A. Employee has received wage payments from the City in excess of those to which Employee was entitled under the applicable City ordinances and Memoranda of Understanding.
- B. The overpayments were made in error, without knowledge, fraud, or misrepresentation on the part of either party.
- C. The parties to this Agreement wish to resolve this matter without recourse to litigation.

**NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:**

1. Amount of Payment. Employee will pay the City the total amount stated in Attachment A to this Agreement.
2. Method of Payment. Employee will pay the total amount stated in Attachment A through deductions from Employee's wages, in accordance with the schedule of repayments set forth in Attachment A to this Agreement. Employee will execute all necessary forms and other documents for withholding the stipulated amount from his/her wages. If the total amount is not repaid by the time of Employee's separation from employment, the unpaid balance shall become due and payable immediately. The City reserves the right to deduct the unpaid balance from any final payments of salary, vacation, or other vested benefit (excluding retirement benefits) due to Employee under any City ordinance or Memorandum of Understanding.
3. Waiver of Litigation. The City agrees not to institute litigation against Employee for the recovery of any excess payment explicitly referenced in Attachment A, provided that Employee complies with the terms of the Agreement and the schedule of repayments set forth in Attachment A. Employee, for him/herself and his/her heirs, executors, administrators, assigns and successors, fully and forever releases, discharges, and covenants not to sue or otherwise institute or in any way actively participate in or voluntarily assist in the prosecution of any legal or administrative proceedings against the City with respect to any matter arising out of, connected with or related in any way to the overpayment set forth in the recitals.
4. Entire Agreement. The parties acknowledge that this Agreement constitutes the sole agreement in this matter, that it supersedes any prior oral or written agreements, and that any modifications may only be affected by a writing signed by all parties to this Agreement.
5. If any provision of this Release is found to be unenforceable, then the remaining provisions shall remain valid and enforceable.
6. Employee acknowledges that he/she has read and understands this Agreement and that he/she affixes his/her signature hereto voluntarily and without coercion.

**ACCOUNTING POLICIES & PROCEDURES**

**FOR THE EMPLOYEE:**

\_\_\_\_\_  
Employee Signature

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Date

OR:

☐ Employee refused to sign

☐ Employee unavailable

**FOR THE CITY AND COUNTY OF  
SAN FRANCISCO:**

\_\_\_\_\_  
Offset Requester


\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Title/Department

\_\_\_\_\_  
Date

The original request for offset and the payroll request forms are submitted to the Controller's Executive Office while a copy is sent to the employee along with a *Declaration of Offset Due to an Unliquidated Cash advance* letter (shown in the Figure below) informing the employee of the reason and the effective payroll date of the offset. Copies are also sent to the department's accounting unit and Controller's Payroll Division.

**FIGURE 4-46. DECLARATION OF OFFSET DUE TO AN UNLIQUIDATED CASH ADVANCE LETTER**

	<b>CITY AND COUNTY OF SAN FRANCISCO</b>	<b>OFFICE OF THE CONTROLLER</b>
		Ben Rosenfield Controller
		Todd Rydstrom Deputy Controller
 [Date]		
Name		
Home Address		
City, State, Zip Code		
Re: Declaration of Offset - CCSF		
Dear Mr. XXXX:		
<p>This letter concerns the request for an offset that has been made by the San Francisco Human Services Agency in the amount of \$XXX.XX against any monies that may become due to you from the City and County of San Francisco.</p>		
<p>Under Section 10.27, et seq., of the San Francisco Administrative Code, I do hereby declare an offset in the amount of \$XXXXXX. The amount of \$XXXXX will be deducted from your bi-weekly salary warrants until the offset is satisfied.</p>		
<p>Pursuant to Administrative Code Section 10.27, et seq., you are entitled to a hearing on the Controller's action to assert an offset against your salary warrants. A copy of Section 10.27 has been enclosed with this letter for your reference. If you wish to request a hearing, please contact Controller's Executive Office at 415-554-7500.</p>		
Sincerely,		
Ben Rosenfield Controller		
cc: [Employee's Department CFO] Christine Beetz, Controller's PPSD Tinhha Luong, Controller's PPSD Sandie Yeh, Controller's PPSD Wendy Sar, Controller's PPSD Shallen Yuen, Controller's PPSD [AOSD Fund Accountant], Controller's AOSD Caryn Bortnick, Retirement System Jeffrey Smejkal, TTX/BDR		
Reference: DSW# XXXXXXX		

Offsets are processed by the Controller's Office immediately upon request. The person being offset is generally given a limited amount of time to respond to the request for offset in order to reach some sort of agreement for repayment or settlement. If, at the end of this period, no agreement has been reached,

the Controller may declare an offset and determine the method for repayment. Under the provisions of *S.F. Administrative Code, Sec.10.27-7*, a person being offset is entitled to a hearing at his/her request.

- Employee's and/or department's response must be submitted in a timely manner to allow cancellation of the payroll offset if warranted and Payroll has not implemented it yet
- If the employee fully settles the cash advance after the payroll offset has taken effect and the liquidation has been reviewed and approved, the City will issue a check to the employee to replace the payroll offset

#### 4.8.2.5 | VEHICLE USE

Travelers on official business may request reimbursement for use of vehicles. "Vehicles" include:

- A City vehicle (refer to Section 17.XXX for Rules and Regulations Applicable to the Use of City Vehicles issued by SFMTA and City Administrator) [TO ADD THE MEMO TO SECTION 17 APPENDICES]
- An officer's or employee's privately-owned automobile
- A rental car

When multiple employees are attending the same business activity (e.g., out of town meeting, conference, etc.), employees are strongly encouraged to carpool. Employees are personally responsible for traffic citations incurred while on official business and will not be reimbursed for traffic violations or other penalties for infractions of any law.

In all instances, the most direct and cost-effective route must be taken. In order to obtain reimbursement for vehicle use, the following information is required to be included on the employee *Travel Expense Voucher*: [PAPER FORMS: KEEP THE CURRENT PROCESS. WILL REVISIT THIS ISSUE AFTER GO LIVE]

- Business purpose for use of vehicle
- Starting point (e.g., worksite or home, whichever is the closer of the two) and the destination.  
Note: If the employee travels during his or her scheduled day off, the home should be used as the starting point
- Vehicle make, model and license number. If using a City issued vehicle, provide vehicle number
- Odometer reading, beginning and ending; or a printout from an automated mapping program (example: Google Maps) showing the route and mileage



### **Use of Personal Vehicle**

In accordance with Section 10.28-1 of the *San Francisco Administrative Code*, the mileage rate for payments to officers and employees for use of privately owned automobiles in connection with any official duty or service shall be at the rate established by the Controller.

**The Controller's Office adopts the IRS standard mileage rate for business use of an automobile; refer to the IRS website for the most current reimbursement rate**

In addition, the Controller's travel reimbursement policy with regards to use of a personal vehicle is as follows:

- Mileage is reimbursed when using personal vehicle; fuel is not reimbursed
- Tolls are reimbursed when using a personal vehicle. To request reimbursement for tolls, provide a receipt or FastTrak statement showing the toll amount
- Parking is reimbursed when using a personal vehicle. To request reimbursement for garage parking, provide a receipt showing the parking fee paid
- Personal expenses such as private vehicle repair and maintenance are not reimbursable
- When using personal vehicle for official business, all passengers in the vehicle must be on official business of the City & County

### **Use of City Vehicle**

The Controller's travel reimbursement policy with regards to use of a City vehicle is as follows:

- When using a City vehicle, fuel should be obtained from Central Shops. When impractical to do so, fuel purchased at a commercial location is reimbursed with written justification and original receipt(s). Mileage is not reimbursed
- Tolls are reimbursed when using a City vehicle. To request reimbursement for tolls, provide a receipt or FastTrak statement showing the toll amount
- Parking is reimbursed when using a City vehicle. To request reimbursement for parking, provide a receipt showing the parking fee paid
- All passengers traveling in a City vehicle must be on official business of the City & County



## **Use of Rental Car**

The Controller's travel reimbursement policy with regards to use of a rental car is as follows:

- Cost of rental car used for official business is reimbursable if it was pre-approved by the Department Head or Authorized Travel Signatory. The pre-approval is required to be documented in writing, (e.g., department approval form, or e-mail approval) and must include:  
a) the car rental amount and estimate of other related expenses such as parking and fuel, and  
b) justification why other forms of transportation are not appropriate, why a rental car is necessary, and how a rental car is the most economical and efficient/practical
- All passengers traveling in a rental vehicle must be on official business of the City & County
- Car rental is limited to standard compact size vehicle. Midsize vehicle is reimbursable if use is for three people or more, justification provided, and pre-approved in writing by the Department Head or Authorized Travel Signatory
- Pre-paid fuel for re-filling the gas tank on the rental car is not reimbursable. Employees must submit fuel receipt for actual usage
- As the City is self-insured, auto insurance is not reimbursable

### **4.8.2.6 | TRANSPORTATION**

All requests for reimbursement for long-distance transportation must be well documented. A cost estimate from a City travel vendor serves as the maximum reimbursable amount for transportation, whether air or another mode of travel is used.

Departments will be expected to obtain the most reasonable and cost-effective mode of transportation required by the occasion. Departments may book their air or rail travel with travel agencies approved by Purchasing or on-line directly with the airline. Departments will be charged in financial system for the airfare if booking is made with the City's travel agencies. Alternatively, if employees make their own arrangements, they will have to pay first and request reimbursement.

## **Use of Air Travel**

The Controller's travel reimbursement policy with regards to air travel is as follows:

- Employees have the option of purchasing air tickets from a City approved vendor or on-line directly. If employees choose to purchase air travel on-line directly, they must document and demonstrate this option to be reasonable and cost effective by obtaining a minimum of three quotes from at least one travel fare aggregator website (e.g. Expedia, Hotwire, Kayak, etc.). If employees purchase air fare on-line directly, when submitting an Expense Report in PeopleSoft, employees must input Account Code 521030 Air Travel – Employees for the air fare portion of

the reimbursement request. This is for the Department of Environment to track City employee air travel cost and charge Carbon Tax to each department.

- Airfare should be booked for Economy/Coach Class only. Business or First Class is not reimbursable. Upgrades are not reimbursable
- Air ticket must be purchased in advance to take advantage of the most economical fares available. Same day or near travel day ticket purchases are not reimbursable unless approved by the Department Head and properly justified
- Air travel itinerary is required to be submitted with travel claim documentation
- If airline charges for checked luggage, reimburse the cost of first checked bag only. Additional baggage check-in costs will be reimbursed with justification explaining the business need for extra luggage
- Reimbursement requests for airfare purchased using a traveler's personal frequent flier program miles or gift cards are not allowed

#### **Flying vs. Long-Distance Driving**

In situations where employees would normally travel by air, but an employee chooses to drive instead, reimbursement will be the lower of the two options, driving or flying. At the time of the travel authorization, employee must obtain a quote from either an approved City vendor or from at least one travel fare aggregator website documenting the cost of air ticket for the travel dates. Maximum reimbursement will be up to the quoted cost of the air ticket.

**TABLE 4-12. FLYING VS. LONG-DISTANCE DRIVING EXAMPLE**

*To attend training in Los Angeles, CA, the employee drives instead of flying. In all cases, reimbursement will be the lower of the two options:*

<b>MODE OF TRANSPORTATION</b>	<b>EXPENSES REIMBURSED</b>
(a) Employee drives personal car	(a) Mileage, up to the cost of air ticket quote.
(b) Employee drives city vehicle	(b) Fuel expenses, up to cost of air ticket quote, when impractical to obtain fuel from Central Shops.
(c) Employee drives rental car	(c) Cost of car rental and gas expenses, up to the cost of air ticket quote.

If an alternative mode of transportation is selected, the allowable cost shall be the lower of the actual cost of alternative modes of transportation, or the lowest economy/coach class airfare available for the date and time selected, as identified by a City travel vendor.

### **Transportation between Work/Home and Bay Area Airport**

The Controller's travel reimbursement policy with regards to transportation between work/home site and a Bay Area regional airport is as follows:

- The Controller strongly recommends that employees travel to/from regional airports using public transportation or shuttle to the extent possible. Employees should utilize the most reasonable and cost-effective mode of transportation
- If using personal car:
  - a) Mileage is reimbursed up to \$15 each way, maximum \$30 total for the related travel. The only exception to mileage limit is for PUC Moccasin employees driving into local airports.
  - b) Parking is limited to long-term parking only, maximum of \$18 per day, as per the SFO long-term daily rate effective 5/1/2019. Maximum parking is up to \$120 total for the travel. Employee discount tickets that allow you to park in the short-term garages for \$13 per day, with a maximum stay of 30 days, are available at City Hall or at the Airport. More information is available at: [Fly SFO - Parking](#) and [SFO Connect](#).
- When using personal vehicle, employee will not be reimbursed for any damages that may occur

### **Transportation between Airport and Hotel/Conference Site**

The Controller's travel reimbursement policy with regards to transportation between an airport and a hotel/conference site is as follows:

- Recommended options are public transportation, shuttle, or taxi
- Car rental is reimbursable if the requirements stated in the Use of Vehicles section are met
- For overnight travel in which employee uses personal, City, or rental vehicle, maximum reimbursement for overnight hotel parking is limited to the lowest available rate

### **Combining Personal Travel with Official Business**

Employees may combine personal travel with business travel when pre-approved in writing by the Authorized Travel Signatory. The City & County is responsible only for the official business portion of the trip. When travel on business is extended for personal reasons before, in between, and/or after official business travel, no personal expenses can be included on the *Travel Expense Voucher* claim form. **[PAPER FORMS: KEEP THE CURRENT PROCESS. WILL REVISIT THIS ISSUE AFTER GO LIVE]**

Employees must obtain a quote from an approved City vendor showing the cost of the roundtrip ticket for most economical and direct travel to/from the business destination for the dates of official business. This quote will be used for comparison and reimbursement purposes. Employees must pay for the personal portion of the airfare expense. When combining personal travel with official business travel, there is no reimbursement for lodging, meal *per diem*, or any other expense incurred before/in between/after the conference/ official business starts /concludes.

#### 4.8.2.7 | MEALS & LODGING REIMBURSEMENT VIA PER DIEM

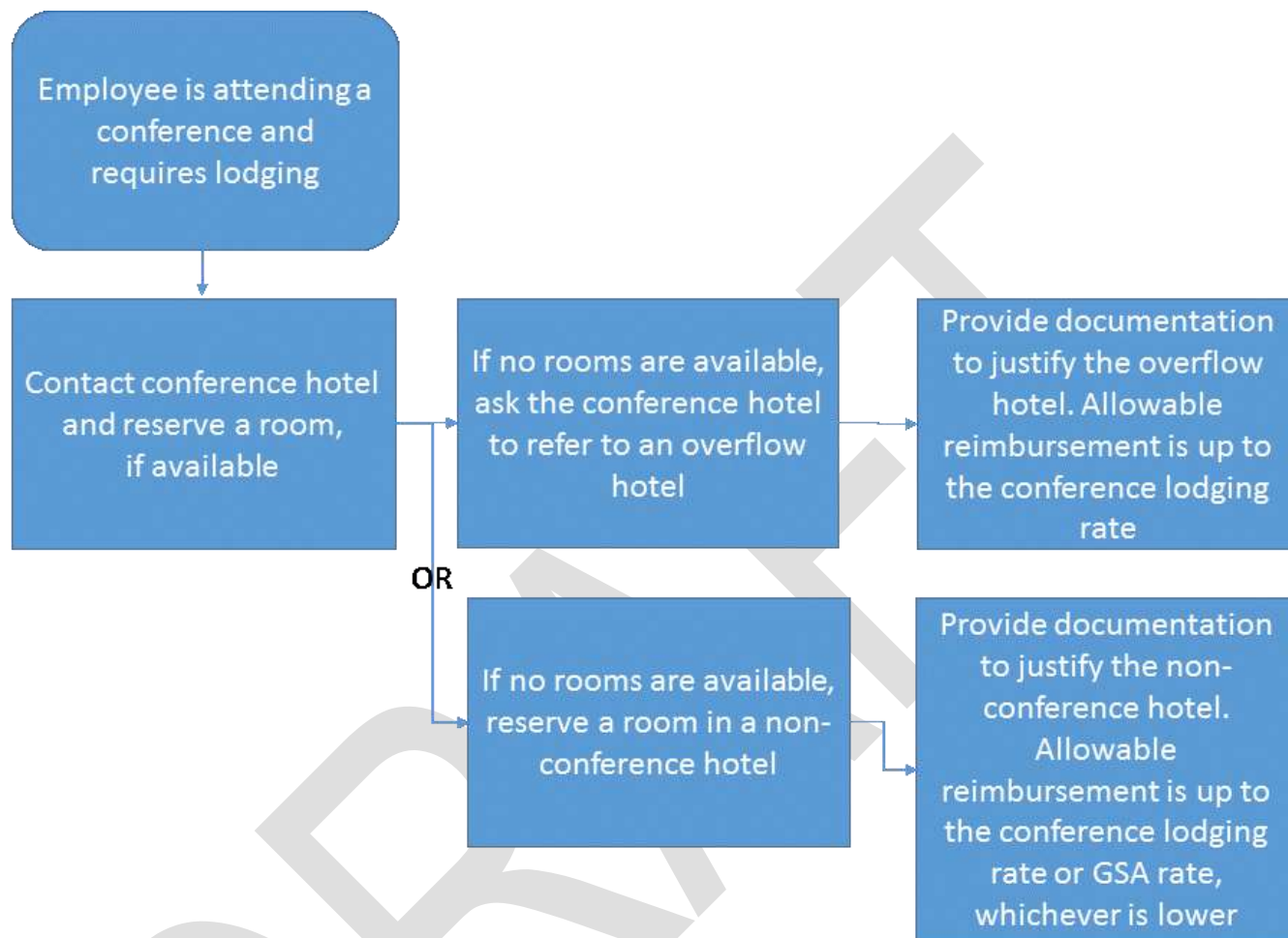
The most economical and practical accommodations available, considering the purpose of the meeting, and other relevant factors, will be reimbursed. For travel within the United States, the maximum reimbursement is the federal *per diem* GSA (General Services Administration) rate for lodging.

Federal domestic and foreign lodging, maximum travel *per diem* allowances, meals and incidental expense breakdown are available from the following website from the U.S. General Services Administration: <http://www.gsa.gov>

To stay within the maximum rates, conference discount rates and “government rates” should be used whenever possible.

As an example, the Figure below provides an overview of how employees can justify conference lodging expenses.

FIGURE 4-47. RESERVING ALLOWABLE CONFERENCE LODGING



If conference-lodging rates exceed the federal rate, actual expenses will be reimbursed when documentation of the conference lodging rate and a receipt are provided. In rare circumstances, with appropriate pre-approval and justification of business need, employees may be reimbursed beyond the federal *per diem* rate. An itemized hotel bill is always required for reimbursement to be made. Reimbursement should be for single room rate.

### Conference Hotel

The Controller's travel reimbursement policy with regards to lodging at the conference hotel is as follows:

- If conference hotel lodging rates exceed the federal rate, actual expenses will be reimbursed when documentation of the conference lodging rate and a receipt are provided

- Hotels recommended by the conference or overflow hotels with a conference rate will be reimbursed when documentation of the conference lodging rate and a receipt are provided
- If a hotel is listed as recommended/overflow hotel but does not have a documented conference rate, reimbursement will be for actual expenses, with a maximum reimbursement up to the conference hotel rate only. If there are multiple conference hotels with a range of rates, the maximum reimbursement for the overflow hotel is up to the highest rate among the published conference hotels. The employee must bear in mind the reasonableness of the overflow hotel rate when selecting accommodations
- For hotels not listed in the conference material, reimbursement will be for actual expenses, with maximum up to the conference hotel rate or the GSA rate, whichever is lower
- Required documentation of the conference lodging rate includes copy of conference registration information showing location, dates of conference, conference hotel(s), and single room rate. Documentation of the conference hotel rate must be provided

#### **Lodging in Excess of Federal *per diem* Rate**

In situations where an employee is unable to find lodging at GSA rate or business circumstances require an employee to stay in a hotel that exceeds the federal *per diem* rate (e.g., lodging during special events), reimbursement will be allowed if all of the following requirements are met.

- Written pre-approval by the Department Head or Authorized Travel Signatory, and the Controller's or his/her designee
- Justification of business need and demonstration of most economical and practical (e.g., the only lodging within federal *per diem* rate is located a long distance from the meeting site and would require a car rental or costly taxi ride, which in total exceeds the cost of the higher lodging rate)
- Itemized hotel bill must show employee obtained the "Government Rate" and rate is reasonable, not to exceed one and half times the federal *per diem* rate

If these requirements are not met, the employee will be reimbursed up to 1.5 times the federal *per diem* rate.

#### **Conference City not on the Continental U.S. *per diem* Listing**

If a city is not listed, check to ensure that the county within which it is located is also not listed. On the GSA website there is a link to the National Association of Counties' City-County Search (<http://explorer.naco.org/index.html?zipSearch>), which can help determine the county in which a destination is located.

- If the city is not listed, but the county is, then the *per diem* rate is the rate for that entire county

- If the city and the county are not listed, then that area is considered to be a Standard Continental U.S. (CONUS) location; refer to <http://www.gsa.gov/portal/content/104877> for the current CONUS rates for lodging and meals and incidental expenses

### Lodging for Travel within Local Commuting Area

For the City & County of San Francisco, the nine (9) Bay Area counties of Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano and Sonoma constitute the local commuting area.

Lodging for travel within the local commuting area requires written pre-approval by the Department Head or Authorized Travel Signatory. Department is required to maintain documentation of the pre-approval and the justification of business need with the employee travel claim document. **[PAPER FORMS: KEEP THE CURRENT PROCESS. WILL REVISIT THIS ISSUE AFTER GO LIVE]**

### Meals and Adoption of the federal Meal & Incidental Expenses (M&IE) Rate

Meals and incidentals are reimbursed according to the guidelines below if the travel is overnight and is pre-approved as an exception by the Department Head or is provided for in the employee's Memorandum of Understanding (MOU).

The federal rate for meal and incidental expenses (M&IE) will be paid without itemization of expenses or receipts. If an officer or employee chooses to request specific reimbursement for meals, original itemized receipts are required. For employee travel, the maximum meal reimbursement is up to the federal *per diem* rate.

Each city in the federal rate guide has a dollar value for the full day depending on the relative cost of meals in that jurisdiction. Once you obtain the total dollar value, you can refer to the following Table to determine the rates for each meal and incidentals.

**TABLE 4-13. FEDERAL DOMESTIC MEAL & INCIDENTAL EXPENSE (M&IE) RATES**

<b>M&amp;IE RATE (FULL DAY)</b>	<b>\$ 55</b>	<b>\$ 56</b>	<b>\$ 61</b>	<b>\$ 66</b>	<b>\$ 71</b>	<b>\$ 76</b>
Continental Breakfast/Breakfast	\$ 13	\$ 13	\$ 14	\$ 16	\$ 17	\$ 18
Lunch	\$ 14	\$ 15	\$ 16	\$ 17	\$ 18	\$ 19
Dinner	\$ 23	\$ 23	\$ 26	\$ 28	\$ 31	\$ 34
Incidentals	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5

Note: *Per diem* rates as of July 2019

The first and last day of both domestic and international travel *per diem* is reimbursed at 75% of the full-day regular GSA rate. The Table below lists the GSA's *per diem* amount employees receive on the dates of their departure (first travel day) and return (last travel day).

**TABLE 4-14. FEDERAL DEPARTURE AND RETURN DAY M&IE RATES**

<b>M&amp;IE RATE (FULL DAY) <i>per diem</i></b>	<b>FIRST &amp; LAST DAY OF TRAVEL <i>per diem</i></b>
\$55	\$41.25
\$56	\$42.00
\$61	\$45.75
\$66	\$49.50
\$71	\$53.25
\$76	\$57.00

Note: *Per diem* rates as of July 2019

For meals provided:

- For conferences, if one or more meals are included as part of a conference registration fee, only charge the remaining meals and incidental expense rate from the above chart. A copy of the conference schedule and any other conference information must be attached to the travel claim documentation. Receipts and other supporting documents must be uploaded in PeopleSoft Expense Report for the reimbursement to be processed
- For other events, you cannot claim *per diem* in lieu of the meals provided

Travel in the local commuting area does not qualify for the *per diem* reimbursement (e.g. attending conferences, meetings, trainings, etc.). The only exception for allowing meal *per diem* is when employee was pre-approved by Department Head or Authorized Travel Signatory for overnight travel/lodging within the nine Bay Area counties.

There is no meal *per diem* for day trips or same day travel (e.g., for conference, training, meeting, etc.).

#### 4.8.2.8 | OTHER EXPENSES REIMBURSED VIA ACTUAL COSTS

Other expenses associated with and incurred in the performance of City & County business while in travel status, deemed necessary and reasonable by the Controller, are reimbursable. These include ground transportation (to or between the officer or employee's work site and airport, bus station, train depot



and the meeting or lodging site and return), parking fees, bridge tolls, necessary business telephone charges, copying charges, business-related Internet access, and travel VISA expenses for international business travel. These expenses are to be reviewed by the department's Authorized Travel Signatory and only approved if deemed reasonable and proper.

Unless otherwise stated in the MOU, original receipts are required for all other travel and official expenses related to official City & County business. The only exceptions are BART, MUNI or other public transit, parking meter, and public telephone costs, which are reimbursable without receipts.

Reimbursements will not exceed the necessary and reasonable amount as determined by the Controller. If there is any question about these provisions, please obtain authorization from the Controller in advance of the travel to ensure that reimbursement above these rates will be allowed.

### **Travel Change or Cancellation Fee**

The Controller's travel reimbursement policy with regards to change or cancellation fees is as follows:

- Travel agencies or airlines charge up to \$200 for itinerary changes and cancellation fee when an employee changes or cancels a flight reservation. If this situation arises, the employee must submit written justification explaining the reason/business need for the itinerary change or cancellation, including approval from the department's Authorized Travel Signatory in order for change/cancellation fee to be reimbursed
- For a cancelled air ticket, the amount paid is credited to the employee's name.
  - a) If air ticket was booked through a City travel agency, the department is responsible for monitoring use of the credit and ensuring use for authorized official business travel only.
  - b) If booked on-line directly by employee, the City will reimburse for the cancellation fee if justified business reason for cancellation is provided and approved by the department's Authorized Travel Signatory. The City will not reimburse for the cancelled air ticket

### **Business Calls, FAX, and Internet**

The Controller's travel reimbursement policy with regards to miscellaneous communication-related expenses is as follows:

- Employees will be reimbursed for reasonable usage with original receipt
- Business purpose and justification of need required to be documented
- Identify all business Internet charges, business calls, faxes, etc. on the hotel bill

### **Exceptions**

These regulations shall apply to all expenditures in the performance of official City & County business except:

- Departments that have developed their own travel policies that have been approved by the Controller
- Cost of extradition of prisoners by sworn peace officers which are subject to regulations imposed by the state
- Travel costs incurred by judges and employees of Superior and Municipal Courts. However, such travel will be subject to rules and regulations adopted by the Courts and approved by the Controller
- Any travel or related expenses incurred that are subject to reimbursement from federal or state grants when such grants specifically provide for reimbursement under applicable federal and state regulation and is more restrictive than the City & County guidelines
- Any travel or related expenditures for a department, board or commission, or subunit thereof, which may be specifically exempted by action of the Board of Supervisors by ordinance
- Any particular travel expense or reimbursement rate for represented officers or employees that is specifically addressed in a ratified memorandum of understanding (MOU) agreement or arbitration award with a recognized employee organization
- P.O.S.T. (Peace Officers Standards & Training) reimbursement policy is applied for affected employees

#### 4.8.2.9 | NON-ALLOWABLE AND NON-REIMBURSABLE COSTS

The following items will not be reimbursed unless highly unusual circumstances have occurred and written pre-approval was obtained from the Department Head or Authorized Travel Signatory.

**TABLE 4-15. NON-ALLOWABLE & NON-REIMBURSABLE COSTS**

TYPE	EXAMPLES
Travel/Transportation	Unjustified car rental and/or upgrade from standard compact size vehicle
	Auto/flight/travel insurance
	Air travel ticket higher than coach/economy class
	Parking/moving violation tickets or other penalties for infractions of any law, repair of automobiles and towing charges
	Passport application fees

**ACCOUNTING POLICIES & PROCEDURES**

TYPE	EXAMPLES
	Unjustified cancelled travel tickets and change/cancellation costs
Lodging	Unjustified lodging in excess of federal <i>per diem</i> rate
	Lodging other than “standard” room rate. Upgrades are not reimbursable
	Payment for accommodation with friends/relatives
	Unjustified lodging during training/meetings within the nine Bay Area counties
	Hotel movies
	Unjustified Internet access
Meals	Reimbursement for meals unless travel is overnight and pre-approved as an exception by the Department Head or provided for in employee MOU
	Meal expenses in lieu of event provided meals
	Alcoholic beverages
Other Expenses	Boarding cost of pets and children during business travel
	Excessive phone calls from hotels when traveling
	Personal laundry/dry clean for trips less than 7 days*
	Significantly large tips
	Upgrades

\*Laundry/Dry Clean are allowable for trips 7 days or more with review for reasonableness by the Department

### 4.8.3 | Travel Reimbursement Frequently Asked Questions

**Q:** What is the policy regarding using City approved vendors vs employee booking air travel directly?

**A:** Employees have the option of purchasing air tickets from a City approved vendor or on-line directly. If employees choose to purchase air travel on-line directly, they must document and demonstrate this option to be reasonable and cost effective by obtaining a minimum of three quotes from at least one travel fare aggregator website (e.g. Expedia, Hotwire, Kayak, etc.).

**Q:** Can I book air travel for other than Coach/Economy Class?

**A:** No. Airfare should be Coach/Economy Class only. Business Class is not reimbursable. Upgrades are not reimbursable. Employees who desire an upgrade in order to enjoy greater legroom or for other reasons, must pay for the cost of the upgrade out-of-pocket.

**Q:** If an airline charges for checked luggage, what is the policy for reimbursing baggage check-in expenses? What documentation is required?

**A:** The City will reimburse the cost of first checked bag only. Additional baggage check-in costs will be reimbursed with justification explaining the business need for extra luggage. Original receipt required for reimbursement.

**Q:** What expenditures are reimbursed when I drive personal vehicle, city vehicle, or rental car?

**A:** Please refer to the Table below:

**TABLE 4-16. NON-ALLOWABLE & NON-REIMBURSABLE COSTS**

<b>MODE OF TRANSPORTATION</b>	<b>EXPENSES REIMBURSED</b>
Employee drives personal car	Mileage
Employee drives city vehicle	Fuel expenses (with justification why employee was unable to obtain fuel from Central Shops)
Employee drives rental car	Cost of car rental and gas expenses

**Q:** Does my lodging receipt need to be itemized?

**A:** Yes, hotel lodging receipt must be itemized listing all expenses (room, tax, phone calls, etc.) separately. The receipt must also have a zero-balance showing the payment was made. If a hotel bill with zero balance is not available, submit the itemized hotel bill along with a copy of credit card statement showing payment was made.

**ACCOUNTING POLICIES & PROCEDURES**

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**Q:** Are room upgrades reimbursable?

**A:** No. Lodging reimbursement is for “standard” rooms only.

**Q:** Is there a limit to the cost for overnight parking at a hotel?

**A:** No, but the parking should use the lowest cost available, such as self-parking instead of valet.

**Q:** If the conference hotel is not available (e.g., fully booked), can I stay at one of the conference’s provided list of recommended hotels or over flow hotels?

**A:** Yes, conference recommended hotels or overflow hotels with a conference rate will be reimbursed when documentation of the conference lodging rate and a receipt are provided. Reimbursement should be for a single room rate.

**Q:** For domestic travel, what if a city is not listed on the CONUS *per diem* website?

**A:** If a city is not listed, check to ensure that the county within which it is located is also not listed. On the GSA website there is a link to the National Association of Counties which can help determine the county a destination is located in. If the city is not listed, but the county is, then the *per diem* rate is the rate for that entire county. If the city and the county are not listed, then that area is considered to be a Standard CONUS location; refer to <http://www.gsa.gov/portal/content/104877> for the current CONUS rates for lodging and meals and incidental expenses.

**Q:** Can the City pay an employee’s family/friends for lodging or other expenses when employee stays with family/friend during business travel?

**A:** No.

**Q:** When employees stay with family/friends during business travel and therefore do not incur lodging expense to the City, can employees be reimbursed for buying family/friends “thank you” flowers, or meal etc.?

**A:** No.

**Q:** Can I claim meal *per diem* if allowed in my labor agreement MOU?

**A:** Yes, provided the meal *per diem* follows the MOU rules and regulations.

**Q:** Can I claim meal *per diem* if I found the event meals unhealthy or insufficient?

**A:** Generally, no; exceptions can be given if written justification is provided and approved by the Department Head/Authorized Travel Signatory and the Controller or his/her designee.

**Q:** Can I claim meal *per diem* if I was not available for the event provided meal?

**A:** Generally, no; exceptions can be given if written justification is provided and approved by the Department Head/Authorized Travel Signatory and the Controller or his/her designee.

**Q:** Can I claim meal *per diem* if the event only provided *hors d'oeuvres* /appetizers during a reception, and not a complete meal?

**A:** The *per diem* can be requested only if the employee certifies in writing that only drinks and *hors d'oeuvres* /appetizers were provided.

**Q:** When traveling between cities, and the employee has a meal during transit through an airport, what *per diem* rate should be used?

**A:** Use the destination city's *per diem* rate.

**Q:** Is alcohol and/or corkage expense reimbursable?

**A:** No, alcohol/corkage reimbursement is not allowed. As per Department of Human Resources *Employee Handbook*, employees may not manufacture, distribute, dispense, possess, or use alcohol or illegal drugs in workplace.

**Q:** Is meal *per diem* allowed for same day travel?

**A:** No, unless contained in the employee's MOU stipulated benefits.

**Q:** Can the employee be reimbursed for meals if the travel is for required training?

**A:** Yes, as long as the travel is overnight, and the Department Head has pre-approved the exception.

**Q:** Can the employee be reimbursed for meals if the travel is grant funded?

**A:** Per the federal grant guidelines (2CFR215) the City cannot disproportionately spend funds for the same activities that are reimbursed at a lesser rate for non-grant-funded activities. Therefore, grant funds may not be used to provide meal *per diem* unless provided for under the employee's MOU or has been pre-approved by the Department Head as an exception.

**Q:** If my travel is grant funded and the grant will reimburse for expenses (e.g., lodging expense beyond the maximum federal *per diem* rate), can I be reimbursed?

**A:** Yes, departments should certify that the grant will fully reimburse and maintain appropriate supporting documentation.

**Q:** What is the City's policy for reimbursing Internet, FAX, and phone calls for business?

**A:** Employees will be reimbursed for reasonable usage. Business purpose and justification of need must be documented, and original receipts provided. Identify all business calls, FAX, etc. on the hotel bill.

**[ORIGINAL RECEIPTS: KEEP THE CURRENT PROCESS. WILL REVISIT THIS ISSUE AFTER GO LIVE]**

**Q:** What does incidental expense *per diem* include?

**A:** It includes: transportation between places of lodging or business and places where meals are taken, if suitable meals cannot be obtained within walking distance of the conference/training site or hotel; fees and tips given to porters, baggage carriers, bellhops, hotel maids and stewards; and mailing costs associated with filing travel vouchers.

**Q:** Is the \$5 incidental *per diem* given on travel days?

**A:** Yes, incidental *per diem* is allowed for travel as long as the trip is overnight and pre-approved as an exception by the Department Head.

**Q:** What is the guideline for giving tips?

**A:** For tips not covered by the GSA incidentals *per diem*, the amount should generally be 15%.

**Q:** For international travel, what if a particular location in a foreign country is not listed for *per diem*?

**A:** Any location not listed for *per diem* under a country takes the "Other" rate GSA administers and publishes for that country. An unlisted suburb of a listed location takes the "Other" rate, not that of the location of which it is a suburb.

**Q:** When on foreign travel for official business, what does the M&IE incidental cover?

**A:** Separate amounts are established for lodging and meals plus incidental travel expenses (M&IE). The maximum lodging amount is intended to substantially cover the cost of lodging at adequate, suitable and moderately-priced facilities. The M&IE portion is intended to substantially cover the cost of meals and incidental travel expenses such as laundry and dry cleaning.

**Q:** For international business travel, are passports and visas reimbursable expenses?

**A:** Visas are reimbursed with original receipt. Passport expenses are not reimbursable.

**Q:** What documentation do I need to provide for currency conversion when foreign/ international travel for official business?

**A:** International travel expenses must be converted to U.S. dollars. Conversion rate should be calculated for the date the expense was incurred. Include proof of the currency exchange rate. Proof can be in the form of (1) receipts obtained by the employee during travel or (2) a copy of the employee's credit card statement showing the travel expense or (3) a print out from the OANDA.com website or other conversion website using the date shown on the receipt(s).

**Q:** What is the policy for expenditures incurred by persons who are not City employees?

**A:** In order for expenses (e.g., lodging, meals) to be allowable for persons other than the officer or employee, the Department Head must certify that such expenditures are for a public purpose and necessary for the conduct of City & County business. Expenses must conform to the guidelines and



conditions as established for City employees. If there is any confusion on the applicability of this, please obtain prior written approval of the Controller.

**Q:** If an employee pays for conference registration in advance, can he or she be reimbursed before the conference date?

**A:** No, all employee reimbursements should be approved after the conference has completed. If the department wishes to take advantage of available discounts, a check from the financial system should be issued.

**Q:** Am I required to provide printouts from an online map service such as Google Maps or Mapquest to be reimbursed for mileage?

**A:** No, you may provide either an odometer reading, indicating beginning and ending mileage, or a printout from an automated mapping program (e.g., Google Maps) showing the route and mileage.

**Q:** What is the pre-approval process for international travel?

**A:** International travel authorization will go through the same workflow as other employee reimbursements in the PeopleSoft Expense Module. However, departments must upload a written approval in PeopleSoft for international travel.

**Q:** If an employee pays for the expenses of other employees (i.e. paying a lump sum for a group rate), can he or she still be reimbursed for the entire amount?

**A:** Generally, no; employees should only incur and be reimbursed for their own expenses. In cases where a discounted rate may only be procured in this manner, an exception may be given if written justification is provided and approved by the Department Head/Authorized Travel Signatory and the Controller or his/her designee.

#### **4.8.4 | Non-Travel Expense Reimbursement Guidelines**

This section provides the City's rules to departments on what expenses will be allowed for employee reimbursements for expenditures other than travel and training. As a general rule:

**Officers or employees may be reimbursed for reasonable work-related costs, minor and non-recurring goods up to \$200 from any single vendor, with proper approval from Department Head or authorized designee. The only exceptions to the \$200 maximum are subscription, membership, license, and certification expenses**

##### **4.8.4.1 | PRE-AUTHORIZATION**

All requests for employee reimbursement require approval in advance by the Department Head or an authorized designee. An employee reimbursement authorization form must be completed by the employee and signed approved by the Department Head or authorized designee. Information required on the authorization form includes:

- Date(s) of expense
- Description of the expenditure
- Business purpose or need for purchase

Departments should develop detailed internal procedures for their employee reimbursement pre-approval process. For employee reimbursements funded by the unions, refer to [Section 4.8.6 | Reimbursements Provided via MOUs\\*](#)

##### **4.8.4.2 | CLARIFICATIONS/EXCEPTIONS**

#### **Subscriptions, Memberships, Licenses, and Certifications**

Pre-approval by a Department Head/Authorized Travel Signatory is required before an employee's purchase of subscriptions, memberships, licenses, and certifications can be reimbursed. These expenses may exceed the \$200 threshold as long as the pre-approval has been granted and the purchase does not violate any of the Unallowable Items criteria listed below in [Section 4.8.4.3 | Unallowable Items](#).

#### **Credit Card as the Only Accepted Payment Method**

In certain instances, a vendor may only accept a credit card for payment. Pre-approval by a Department Head/Authorized Travel Signatory is required before an employee can use his/her private credit card to purchase business expenses. Such a credit card purchase may exceed the \$200 threshold

as long as the pre-approval has been granted and the purchase does not violate any of the Unallowable Items criteria listed below in [Section 4.8.4.3 | Unallowable Items](#).

### **Local Field Expenses—Vehicles**

Local field expenses are expenditures for business conducted within the nine (9) Bay Area counties and is not related to travel or training. Vehicle use for employees on official business is reimbursable where public transportation is not practical or possible (e.g., parking, mileage, and bridge tolls for a meeting in Oakland).

The following information should be included on the employee reimbursement voucher:

- Business purpose for use of vehicle
- Starting point (e.g., worksite or home, whichever is the closer of the two) and the destination
- Vehicle make, model, and license number. If using City-issued vehicle, provide vehicle number
- Odometer reading, beginning and ending, or a printout from an automated mapping program (e.g., Google Maps) showing the route and mileage

### **Personal Vehicle**

In accordance with Section 10.28-1 of the *San Francisco Administrative Code*, the mileage rate for payments to officers and employees for use of privately owned automobiles in connection with any official duty or service shall be at the rate established by the Controller. The Controller adopts the IRS standard mileage rate for business use of an automobile; refer to the IRS's website to obtain the most updated rate.

- Mileage is reimbursed when using a personal vehicle; fuel is not reimbursed
- Personal expenses, such as private vehicle repair and maintenance, are not reimbursable
- Parking violations, moving violations, and towing charges are not reimbursable under any circumstances
- When using a personal vehicle for official business, all passengers in the vehicle must be on official business

### **City Vehicle**

When using a City vehicle, fuel should be obtained from Central Shops. When impractical to do so, fuel purchased at a commercial location is reimbursed with written justification and original receipt(s). Mileage is not reimbursed. All passengers traveling in a City vehicle must be on official business.

### **Parking & Other Incidentals**

- Parking within City limits will be reimbursed when a written explanation is provided of why public transportation could not be used
- Parking meters and pay phones will be reimbursed without receipt

### **Food**

Departments must maintain their own written policy regarding the purchase of food and refreshments. The Controller's Office must review and approve this policy before minor food and refreshment purchases by employees can be reimbursed. The written policy should cover all instances where food and drinks might be purchased by, and then reimbursed to, the employee. The department policy should at a minimum address the following areas related to food purchase:

- Business justification
- Pre-authorization requirements
- Allowable purchase amount
- Budget and encumbrance
- Definition of food vs. refreshment

#### **4.8.4.3 | UNALLOWABLE ITEMS**

The following expenses incurred by employees are not reimbursable by the City:

- Toll citations, parking violations, traffic fines, and other citations associated with vehicle use
- Equipment purchase, rentals, and/or maintenance
- Recurring, regularly used commodities and services
- Non-work-related expenses
- Purchasing of gifts cards
- Professional and/or general services provided by vendors
- Commodities or services that can and should be purchased through encumbrances
- Sugar-sweetened beverages (Refer to [Section 3.7 | Sugar-Sweetened Beverage Funding Ban](#))

- City-funded social events without business purposes (e.g., holiday parties, birthday parties, retirement parties)
- Bottled water (per [Executive Directive 07-05 Permanent Phase-Out of Bottled Water Purchases by San Francisco City and County Government](#). Departments may seek a waiver for the bottled water ban directly from the Department of the Environment (“DOE”). The DOE’s decision to grant a waiver shall be in writing and final. For additional details and updated definitions and policy pertaining to the Bottled Water ban, refer to Chapter 24 of the San Francisco Environment Code, available at the [SF Environment website](#).

#### 4.8.5 | Continuous Monitoring of Employee Reimbursement

To ensure compliance with the City’s travel and employee reimbursement policies, the Controller’s Office sends quarterly employee reimbursement reports to all City Department Heads for their review. The report includes travel, training, and miscellaneous employee reimbursements. Department Heads must review and sign to confirm that reimbursements are legitimate, required documentation is on file at the department, and expenditures are in accordance with the policies set forth in [Section 4.8 | Employee Travel & Business Expenses](#). The signatures must be from the Department Head and cannot be delegated. The Controller’s Office will also periodically request supporting documentation in order to audit selected transactions.

#### 4.8.6 | Reimbursements Provided via MOUs\*

Employees may utilize funds provided by their applicable MOUs every fiscal year for tuition, internal or external training programs, professional conferences, professional association memberships, and desired licenses relevant to the employee's current job classification. MOU reimbursements must follow Department of Human Resources (DHR) guidelines and be pre-approved through the DHR Online Tuition Reimbursement system at <http://sfdhr.org/online-tuition-reimbursement-process>. DHR will review the pre-approval request for MOU compliance. If approved, DHR will forward notification to the employee with the applicable chartfields. Employees must attach the DHR pre-approval in PeopleSoft and have the request approved in PeopleSoft Expense Authorization. When claiming for reimbursements, employees need to submit supporting documentation and request payments in PeopleSoft Expense Report. Department accounting staff must:

- Assume the Department Approval role in the workflow
  - If DHR Chartfields are used on the initial line of the authorization or expense report, then DHR will be assigned to the Department Approval role. In this case, DHR will work directly with the department to reroute the approval

- Verify the reimbursement requests follow the DHR and Controller's Office reimbursement guidelines
- Verify DHR pre-approved the expense. If the Department approves a PeopleSoft Expense Authorization without a DHR pre-approval request, the expense is not eligible for MOU reimbursement
- Verify the reimbursement amount is equal or less than the DHR pre-approved total
  - Department accounting staff cannot increase the amount. An example is below

**FIGURE 4-48. EMPLOYEE REIMBURSEMENT REQUEST VERIFICATION IN PEOPLESOFT**

**View Pre-Approval Request** [Summary](#) [History & Notes\(1\)](#)

Pre-Approval Request ID	1-22956
Name	Great Employee
Submission Date	Dec 29, 2016
Request Status	Approved
Date Range	May 21, 2017 - May 24, 2017
Description	GFOA Conference
Location	Denver
Registration Fee/Cost	\$380.00
Additional Costs	\$500.00 - Travel

Attachment(s) [Signed Pre-Approval Request Form and Course Brochure.pdf](#)

**Requested Amount** **\$880.00**

**Pre-Approval Request » History** [Summary](#) [History & Notes\(1\)](#)

Pre-Approval Request ID: 1-22956 [Add Note](#)

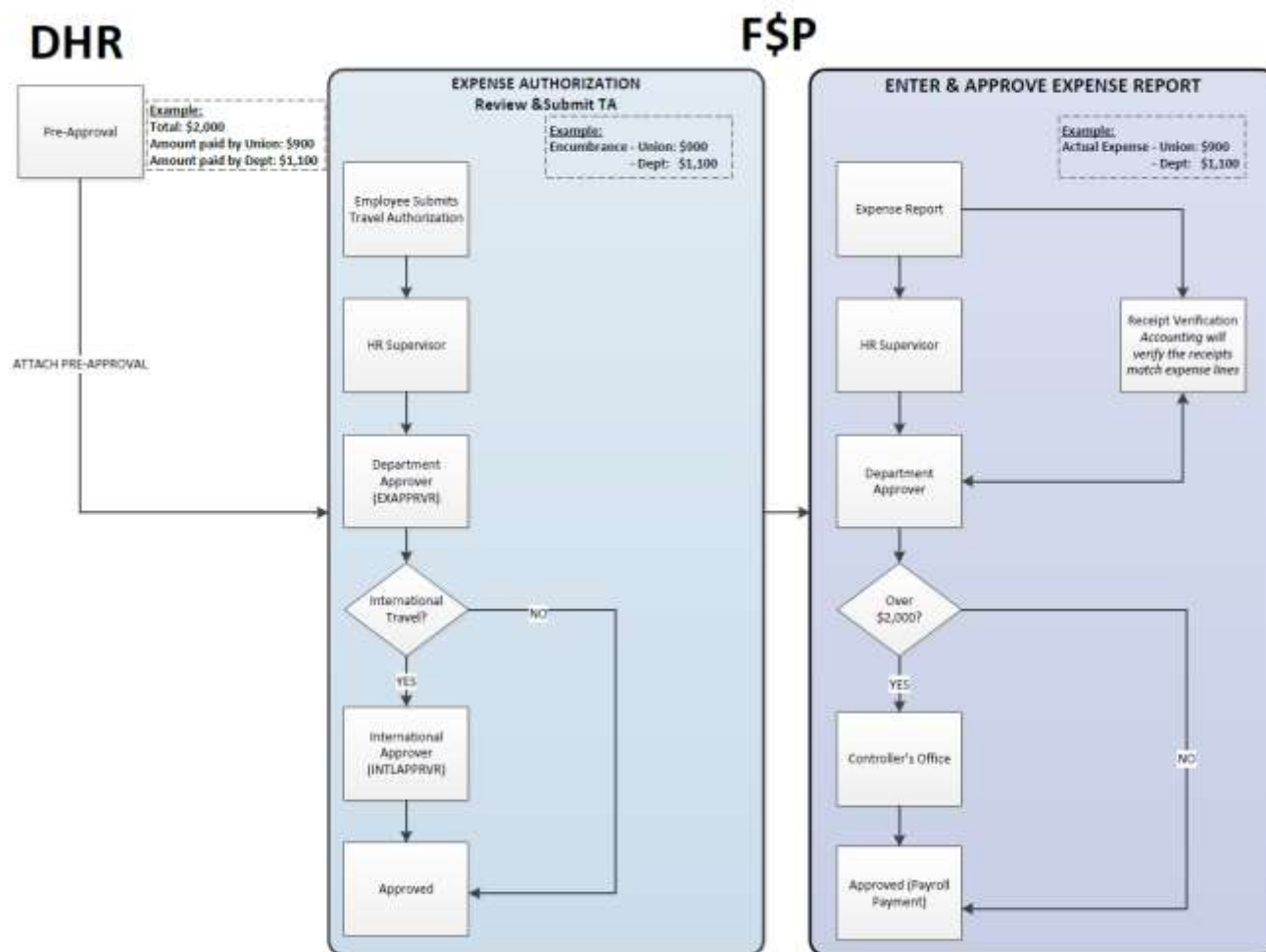
DATE	USER	ACTION	COMMENTS / NOTES
Dec 29, 2016	Approver: Department	Approved - \$880.00	DHR approves \$380 for GFOA conference registration, and up to \$500 for travel expenses, for a grand total of \$880.

- Verify the expense description matches the expense DHR pre-approved. The employee cannot substitute expenses
- Verify the invoice number is the pre-approval ID number (e.g., 1-27563)
- Verify the reimbursement requests are charged to the correct funding source, as provided in the DHR pre-approval

All DHR reimbursement transactions are subject to DHR and CON audits periodically.

Also refer to [Section 4.8.2 | Automated Travel or Expense Processing](#) for detailed PeopleSoft processing guidelines and procedures. The Figure below presents an example for an employee reimbursement funded by both the union and the City funds.

**FIGURE 4-49. EMPLOYEE REIMBURSEMENT FUNDED BY BOTH UNION AND CITY FUNDS**



#### 4.8.7 | Internal Control Matrix

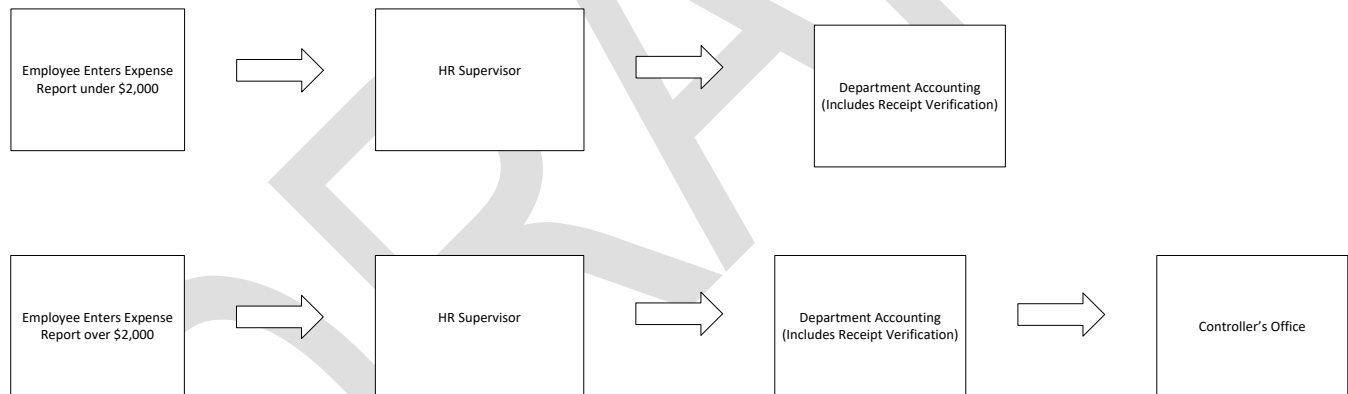
In accordance with the COSO Internal Control Integrated Framework, below is a matrix of control objectives and control activities. Some of these may not be relevant to every department. Departments may also have additional control objectives and control activities for their own unique processes, which should be included in departmental procedures.

Refer to XXX [LINK TO BE INSERTED HERE TO CONTROL MATRIX SPREADSHEET ONLINE] for the internal control matrix for employee reimbursements.

#### 4.8.8 | Guidelines for Submission and Review of Employee Reimbursements

Completed expense reimbursement requests must be fully supported by receipts and forwarded to the department's Accounting/Finance Division no more than 30 days after expenditure. Reimbursements with incomplete or insufficient documentation will be denied. Reimbursement requests must be processed in the City's financial system no more than 90 days after the date of occurrence. The following diagram provides an overview of the process.

**FIGURE 4-50. EMPLOYEE REIMBURSEMENT WORKFLOW**



##### **When Filing a Reimbursement, the Employee Is:**

- Responsible for forwarding completed forms to the department Accounting/Finance Division no more than 30 days after the expense
- Required to specify the business purpose or need of the expense to be made by the employee instead of through the normal purchasing process. The business purpose should be descriptive enough to clearly answer any questions regarding the necessity of the expense



- Required to submit all supporting documentation including, but not limited to, approved *Travel Expense Voucher*, air, or other itinerary, conference/meeting/workshop schedule and agenda; original itemized receipts and proof of payment; and any necessary pre-approvals and/or justifications

An employee's proof of payment may include, but not be limited to, a cancelled check, bank statement, credit card statement, or original receipt that shows distinct information that the payment was received. However, compliance departments can enforce a more stringent proof of payment policy.

Note that payments using gift cards are not reimbursable.

**When Reviewing Employee Reimbursements, Department Accounting/Finance Divisions Must:**

- Ensure expenditures are reasonable, necessary, and for official business purposes
- Review and audit the request for compliance with Controller's and Purchasing policies
- Request additional documentation, information, justification from employee(s) as needed
- Deduct unallowable expenses
- For project- or grant-funded business expenses; review to ensure the request is in compliance with project/grant requirements
- Verify authorized approver(s)
- Ensure all appropriate/required supporting documentation has been submitted and maintained in department files
- Approve/deny and process reimbursements in a timely manner. Reimbursement must be completed and posted in the City's financial system within 90 days

**Employee Separation**

Should an employee separate from the City with an outstanding expense report, they will still be reimbursed through People and Pay (payroll) if the expense report is fully approved within 30 days of their separation date.

If the expense report is **not** approved within 30 days of employee separation, it will remain in a "staged" status indefinitely. To resolve, the Department should:

1. Open a help desk ticket or contact their fund accountant to reclassify the expense report's status from "staged" to "approved".

2. Once the status is set as “approved”, the Department should close the expense report and cancel its corresponding travel authorization (if applicable).
3. Process a single payment directly to the separated employee.

Any exceptions to the procedure above require approval by the Department’s fund accountant before payment is issued.

### **Expense User Delegation**

Please refer to *Expense User Delegation* in Section 4.8.2.2 for information regarding the ability to reassign and delegate expense reports.

## **4.8.9 | Non-Uniform Employee Reimbursement Claims**

### **4.8.9.1 | UNIFORMED OFFICERS AND EMPLOYEE DEFINED**

Uniformed officers and employees are those members of the following listed departments, who are required by Charter, ordinance or rule of their department to possess a uniform in connection with their employment, whether or not such uniform was worn at the time of claimed damage:

- a. The Police Department;
- b. The Fire Department;
- c. The Sheriff’s Department; and
- d. The Municipal Railway

Non-uniformed officers and employees are members not listed in the preceding section.

### **4.8.9.2 | CONTROLLER’S AUTHORITY AND DEPARTMENTAL REGULATIONS**

The Controller has authority under Admin Code Section 10.25-7 to establish rules and regulations and devise such forms as deemed necessary to carry out the purposes of the Section. These rules and regulations are to be complied by department heads and all uniform and non-uniform officers and employees.

Department heads may establish departmental regulations, subject to approval by the Controller and the Board of Supervisors, for limitations on classifications of equipment, property, or prostheses that are reasonably necessary to the employee’s duties and set a maximum reimbursement limitation to not to exceed the actual value of repair or replacement of such classifications.

Department heads are to notify all uniformed and non-uniformed officers and employees through periodic information bulletins or similar means of these departmental regulations as specified in Admin Code Section 10.25-8 and Section 10.25-7.

#### 4.8.9.3 | CLAIMS FOR DAMAGED OR DESTROYED PROPERTY – NON-UNIFORM EMPLOYEES

Admin Code Section 10.25-8(a) allows for non-uniform employees to be reimbursed “part or all of the cost of replacing or repairing equipment, property or prostheses which have been damaged or destroyed in the line of duty and without fault of the officer or employee”.

##### **Claim Requirements**

Reimbursement claim payments may be processed in Peoplesoft as an expense report when the [Non-Uniform Employees Claim](#) Form has been completed and approved by the Controller’s office. All claims should abide by the following guidelines:

##### For Claims <\$1,000.00

1. A verified claim must be filed with the department head within 30 days after the date upon which the damage is alleged to have occurred.
2. Department head must certify to the Controller all the following:
  - The damage was occurred in the line of duty.
  - The amount certified for payment is fair and reasonable.
3. Funds must be available for the purpose.

##### For Claims >\$1,000.00

1. A verified claim must be filed with the department head within 30 days after the date upon which the damage is alleged to have occurred.
2. Department head must certify to the Controller all the following:
  - The damage was occurred in the line of duty.
  - The amount certified for payment is fair and reasonable.
  - The damage occurred without fault of the non-uniformed officer or employee due to unusual circumstances or the occurrence of an extraordinary event.
3. The Controller must agree with the department head’s certification.
4. The Board of Supervisors must approve of the claim.

5. Funds must be available for the purpose.

#### 4.8.9.4 | CLAIMS FOR STOLEN PROPERTY – NON-UNIFORM EMPLOYEES

Admin Code Section 10.25-9(a) allows for non-uniform employees to be reimbursed “part or all of the cost of replacing equipment, property or prostheses which have been stolen through no fault of the officer or employee while in the course of his or her duties”.

##### **Claim Requirements**

Reimbursement claim payments may be processed in Peoplesoft as an expense report when the [Non-Uniform Employees Claim](#) Form has been completed and approved by the Controller’s office. All claims should abide by the following guidelines:

##### For Claims <\$1,000.00

1. A verified claim must be filed with the department head within 30 days after the date upon which the damage is alleged to have occurred.
2. Department head must certify to the Controller all the following:
  - The property, equipment, or prostheses were necessary for performance of duties of the position
  - The theft occurred in the course of duty.
  - The amount certified for payment is fair and reasonable.
3. Funds must be available for the purpose.

##### For Claims >\$1,000.00

1. A verified claim must be filed with the department head within 30 days after the date upon which the damage is alleged to have occurred.
2. Department head must certify to the Controller all the following:
  - The property, equipment, or prostheses were necessary for performance of duties of the position
  - The theft occurred in the course of duty.
  - The amount certified for payment is fair and reasonable.
3. The Controller must agree with the department head’s certification.
4. The Board of Supervisors must approve of the claim.

5. Funds must be available for the purpose.

## 4.9 | Payment Mechanisms

### 4.9.1 | Revolving Funds

This section sets forth the legal authorities for the establishment and use of revolving funds, identifies mandated responsibilities and accountability of departments, and sets forth the general procedures to follow for administration and reimbursement of revolving funds.

#### 4.9.1.1 | AUTHORITY

These guidelines are issued according to the provisions of the *San Francisco Administrative Code*, Chapter 10, Article XV, Sections 10.125-10.169.

Revolving funds are established by ordinance of the Board of Supervisors to pay for minor, non-recurring, goods and services that are needed to immediately and cannot be conveniently paid by the issuance of a check. The *Administrative Code* further provides that:

Petty cash purchases and disbursements shall be for purposes and within funds available in the appropriations from which said revolving fund claims are to be reimbursed; and shall be in conformity with applicable rules prescribed by the Purchaser of Supplies and the Controller.

The *Administrative Code* entrusts the Controller's Office with the responsibility to administer, manage, and monitor use of cash revolving funds; and to audit the cash revolving funds, assessing the appropriateness of authorized amounts and recommending changes to authorized amounts of such funds. To perform its oversight function effectively, the Controller:

- Establishes rules and regulations, accounting requirements, and processing instructions, and
- Performs detailed reviews and audits to ensure that departments comply with legal provisions, policies, and procedures governing the cash revolving funds

#### 4.9.1.2 | PROCEDURES FOR ESTABLISHMENT & ADMINISTRATION OF REVOLVING FUNDS

These procedures provide proper guidance to departments on the requirements, mandated responsibilities, and accountability to follow for the establishment, use, reimbursement, and management of revolving funds. This section establishes the Controller's rules and regulations to ensure compliance with legal provisions for administration of revolving funds.

#### **Establishment of Revolving Fund**

The governing provision for establishing revolving fund is *Administrative Code*, Section 10.125, which states:

Cash revolving funds for departments are hereby continued, or established in such amounts as have been or may be specifically appropriated or made available to each to be used in connection with the operations for the respective departments for making cash change, for making petty cash purchases, and for disbursements which cannot be conveniently made by warrants drawn by the Controller upon the treasury of the City & County. Such petty cash purchases and disbursements shall be for purposes and within funds available in the appropriations from which said revolving funds claims are to be reimbursed; and shall be in conformity with applicable rules and regulations prescribed by the Purchaser of Supplies and the Controller.

To establish the revolving fund:

- Department submits request for revolving fund for review and approval of the Controller's Office Director of Accounting Operations
- Department obtains approval from Board of Supervisors through a board ordinance to add the revolving fund to the *Administrative Code*
- Department submits approved request to the Controller's Office Accounting Operations to establish the revolving fund in PeopleSoft. Include documentation of board resolution and ordinance that established the revolving fund, purpose of the fund, listing of fund custodians, procedures for security of warrants or cash, and fund replenishment
- Treasurer's Office coordinates with the Controller's Office and department to establish the revolving fund bank account. A petty cash account code will be set up in both the PeopleSoft General Ledger and Cash Management Modules. The department will be set up as an ACH Supplier, which will allow the department to receive initial funding and replenishments through direct deposits into the revolving fund bank account
- Department may then create a voucher in the Accounts Payable Module to pay the department as a supplier. This will create a debit balance in the petty cash account code. The initial funding will be direct-deposited to the department's revolving fund bank account

#### **Department's Management & Administration of Revolving Fund**

The governing provision for managing revolving fund is *Administrative Code*, Section 10.128 and 10.129, which states:

The Department Head, board, or commission, with concurrence of the Controller may authorize such subdivisions in any revolving funds as will affect the most efficient operation thereof; provided, however, that all amounts for other than cash change and petty cash purposes shall be maintained in banks or a bank designated by the Treasurer. Withdrawals from such banks shall be made by checks signed by a

## ACCOUNTING POLICIES & PROCEDURES

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representative or by representatives designated by the Department Head, board, or commission. A duplicate copy of the monthly statement shall be sent directly from the bank to the Treasurer (*Administrative Code, Section 10.128*).

The duly appointed and acting head of the respective department for which a revolving fund has been provided shall be responsible for the full amount of the revolving fund for his or her department (*Administrative Code, Section 10.129*).

### **Custodian, Safeguard & Control of the Revolving Fund**

The *Administrative Code* provides that “a Department Head, board, or commission, with concurrence of the Controller, may authorize such subdivisions in any revolving funds as will affect the most efficient operation thereof.” A listing of the subdivisions by location and custodians should be provided to the Controller’s Office Fund Accountants and Auditors.

Custodians should comply with the following procedures:

- ☐ Checkbooks should always be securely stored in a locked cabinet or safe
- ☐ The following functions related to disbursements of revolving fund money should be segregated among several different employees. At a minimum, (a) and (c) below must be assigned to separate individuals:
  - (a) Custodianship of revolving fund checks
  - (b) Signature authority
  - (c) Reconciliation (receipt of bank statements and cashed checks)
  - (d) Only the revolving fund custodian (and back-up) should have access to the revolving fund assets and cash

### **Bank Reconciliation & Outstanding Checks**

The following are record-keeping and reconciliation functions that are required for bank accounts and checks associated with revolving funds:

- ☐ Monthly bank reconciliation of revolving fund account is conducted by someone other than the fund custodian
- ☐ Revolving fund amount should agree with Imprest Cash Account balance in PeopleSoft and the amount authorized by the *Administrative Code*. Reimbursement will not be made by the Controller if reconciliations are in arrears
- ☐ Ensure up-to-date posting to checkbook register (stub). Checks issued and outstanding for six (6) months should be written off and the amount of the check should be deducted from the next replenishment to reconcile the revolving fund bank account and the department account

- ☐ Retain copies of paid checks, department approval forms, and invoices for at least three (3) fiscal years from the date of the expense
- ☐ Void checks should be marked as “VOID” and retained
- ☐ Bank statements and cancelled checks should be received and reviewed by someone other than the fund custodian

### **Disbursement of Funds**

In general, food for employees, gifts, travel and training expenses, subscriptions, membership fees, conference and registration fees, equipment purchase or rentals, maintenance, and regularly used commodities and services should not be paid through a revolving fund. Special circumstances or exceptions require pre-approval of the Controller.

Authorized revolving fund expenditures include but are not limited to:

- Small purchases of non-recurring goods and services of \$200 or less from any single supplier. Revolving funds should not be used for the routine purchase of goods and services
- Reimbursement to employees for minor out-of-pocket authorized expense less than \$50
- Other payments for items which cannot be conveniently made by checks issued by the Controller

Disbursement procedures are as follows:

- ☐ Receipts must be original. If the receipt is not original, it must be certified by the Department Head or designated personnel
- ☐ Receipts must have authorization signature of the Chief Financial Officer or designated personnel
- ☐ The custodian must be provided with the Account Code, Fund, Department, Project, and Activity and a short description of the purpose of the expense using appropriate reimbursement form
- ☐ The custodian should double check the amount before paying and require “received by” signature and date on the reimbursement form

All documents supporting the reimbursement must be kept in the safe until the next replenishment. The Department Head, board, or commission shall cause a full, true and correct account to be kept of all money received for or disbursed from each revolving fund (*Administrative Code*, Section 10.130).

The supporting vouchers for any disbursement that has been disapproved by the Controller as in his or her opinion not being authorized by law, or the rules and regulations as provided for this article, shall be returned to the Department Head involved with a demand, upon such Department Head, to repay to the related revolving fund, within 30 days of the demand aforesaid, the amount of the disapproved



disbursement. If the amount of the disapproved disbursement has not been repaid, the Controller shall withhold the amount thereof from any sums due and payable to the Department Head; and in writing notify the City Attorney of the full particulars of the case with a request that the City Attorney take such action as may be necessary (*Administrative Code*, Section 10.131).

### **Replenishment of Revolving Fund**

Revolving funds are generally set at the minimum amount necessary for departments. The standard established by the Controller's Office for the frequency of replenishment of revolving funds is four times a year, or every three months. The Controller's Office has not established any limit to the number of replenishments permitted for revolving funds. Generally, an indicator that replenishment is needed is when the revolving fund is reduced to a low cash level that could only be sustained for approximately ten (10) days.

The fund custodian must verify that department request forms are complete, properly approved, and appropriate supporting documentation is attached. The fund custodian should review all requests to ensure they meet City guidelines before disbursements, such as:

- Goods or services purchased are appropriate and authorized
- Authorized request forms are used, completed, approved, and supported by original invoices or receipts, or certified copies signed by Department Head or designated personnel
- PeopleSoft voucher request must match original document submitted to the Controller
- Unpaid sales tax, if applicable, is identified and properly accrued
- Funds are budgeted and available

Requests for replenishments are prepared by the department's revolving fund custodian, reviewed and signed by the department accountant, and periodically submitted to the Controller's Office. The department must first process a journal entry in the General Ledger (GL) Module to debit expenditures and credit the petty cash account code. If multiple Chartfields are used to record expenditures, each debit line must have a corresponding entry to credit the petty cash account code with the same Chartfield string. This is to prevent a mismatch between expenditures and cash.

Supporting documents along with the journal entry must be uploaded in PeopleSoft for approval. The department may then create a voucher in the Accounts Payable Module to pay the department as a supplier. The voucher payment should match all the Chartfields used in the General Ledger entry. This will offset the credit balance in the revolving fund account created by the journal entry processed in the General Ledger Module. Revolving fund expenditures are subject to audit and disallowance by the Controller.

Below is a list of existing revolving fund account codes with their corresponding FAMIS subsidiary ledgers. Corresponding revolving fund Supplier IDs will be set up in PeopleSoft immediately after system go-live.

**TABLE 4-17. REVOLVING FUND ACCOUNT CODES & SUPPLIER ID CROSSWALK**

PS SUPPLIER ID	PS ACCOUNT #	PS ACCOUNT TITLE	FAMIS GL	FAMIS SUBSIDIARY	FAMIS TITLE
0000011161	100230	100220AIR1427SFORevol vingFd	151	ACZ001	AIRPORT-REVOLVING FUND
	100240	100220AIRPettyCash- D&C-Engin	151	ACZ002	PETTY CASH- ENGINEERING (\$200)
	100241	100220AIRPettyCash-ITT	151	ACZ010	PETTY CASH-ITT (\$300)
	100242	100220AIRPettyCash- Ops&Secrty	151	ACZ011	PETTY CASH-OPERATIONS & SECURITY (\$300)
	100243	100220AIRPettyCash- Planning	151	ACZ012	PETTY CASH-PLANNING (\$300)
	100244	100220AIRPettyCash-Rev Develop	151	ACZ013	PETTY CASH-REVENUE DEVELOPMENT (\$300)
	100250	100220AIRPettyCash- FireDept	151	ACZ003	PETTY CASH-FIRE DEPT. (\$400)
	100260	100220AIRPettyCash- Accounting	151	ACZ004	PETTY CASH-ADM/ACCTG. (\$200)
	100270	100220AIRPettyCash- Museum	151	ACZ005	PETTY CASH-STOREKEEPER (\$400)
	100280	100220AIRPettyCash- PoliceDept	151	ACZ006	PETTY CASH-POLICE DEPT (\$200)
	100290	100220AIRPettyCash- Admin ITB	151	ACZ007	PETTY CASH-PERSONNEL (\$100)
	100300	100220AIRPettyCash- Facilities	151	ACZ008	PETTY CASH-FOM (\$400)

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PS SUPPLIER ID	PS ACCOUNT #	PS ACCOUNT TITLE	FAMIS GL	FAMIS SUBSIDIARY	FAMIS TITLE
	100310	100220AIRPettyCash-D&C-PM	151	ACZ009	PETTY CASH-BDC (\$100)
0000025370	100320	100220ANC1470 GSA AnimalCareRF	151	ANZ001	ANIMAL CARE & CONTROL
0000015376	100340	100220CME1470 GSA Med Ex RF	151	CMZ001	MEDICAL EXAMINER/CORONER
0000027552	100350	100220CONController-Ppsd	151	COZ001	CONTROLLER-PPSD
0000021914	100360	100220DATDaEnvironmen talProsec	151	DAZ001	DA ENVIRONMENTAL PROSECUTION
0000016656	100400	100220HLH1485LHH-Com HealthRF	151	HLA001	IMPREST CASH
0000011165	100390	100220DPH1481 SFGH RF	151	HGZ001	SFGH REVOLVING FUND
0000012743	100380	100220DPHPublicHealth-General	151	HCZ001	PUBLIC HEALTH-GENERAL
	100410	100220DPHVocRehabRev olvingFd-C	151	HMZ001	VOC REHAB REVOLVING FD-CMHS
	100420	100220DPHDmcf Revolving Fund	151	HMZ002	DMCF REVOLVING FUND
TBD	100430	100220DPHLHH-PatientTrustFund	151	ULZ002	LHH - PATIENT TRUST FUND
0000012724	100440	100220DPW1490 Public Works RF	151	PWZ001	GENERAL PUBLIC WORKS - REVOLVING FUND
0000020448	100450	100220ETHEthics Commission	151	ECZ001	ETHICS COMMISSION

PS SUPPLIER ID	PS ACCOUNT #	PS ACCOUNT TITLE	FAMIS GL	FAMIS SUBSIDIARY	FAMIS TITLE
0000020183	100460	100220FIR1431 Fire RF	151	FCZ001	FIRE DEPT
0000018625	100480	100220HSASocial svcs	151	SSZ003	SOCIAL SERVICES
0000018626	100490	100220HSADss- ImNeedOfChecks-We	151	SSZ004	DSS-IM NEED OF CHECKS- WELFARE
0000012742	100500	100220LIB1441Public Library RF	151	LBZ001	PUBLIC LIBRARY
0000014712	100520	100220MTA1468M MTA Muni RF	151	PTZ001	DPT - MUNI REVOLVING FUND
0000013037	100550	100220POL1438OffofCit CompRF	151	PCZ004	POLICE DEPT-O.C.C.
0000013012	100540	100220PRTGeneralRevolv ingFund	151	New_1	0000013012
	100560	100220PRT1439 Port RF	151	POZ001	IMPREST CASH
0000012721	100570	100220PUC1440 PUCCommission RF	151	UCZ001	PUC - REVOLVING FUND
0000012719	100580	100220PUC1440 Hetch Hetchy RF	151	UHZ001	HETCH-HETCHY- REVOLVING FUND
0000012718	100590	100220PUC1440 Water RF	151	UWZ001	WATER DEPT-REVOLVING FUND
0000012267	100620	100220RET1444 Retirement RF	151	RSZ001	RETIREMENT SYSTEM
	100630	100220SHF1406 Sheriff RF	151	SHZ001	SHERIFF

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PS SUPPLIER ID	PS ACCOUNT #	PS ACCOUNT TITLE	FAMIS GL	FAMIS SUBSIDIARY	FAMIS TITLE
0000011081	100640	100220SHFSheriffInmate WelfareF	151	SHZ002	SHERIFF INMATE WELFARE FUND
0000008489	100660	100220WAR1446 War Memorial RF	151	WMZ001	WAR MEMORIAL RF
0000012720	100670	100220PUC 1440 Consumer RF	151	New_2	

**TABLE 4-18 CHANGE FUND ACCOUNT CODES**

PS ACCOUNT #	PS ACCOUNT TITLE	FAMIS GL	FAMIS SUBSIDIARY	FAMIS TITLE
100370	100220DBIBuildingInspectionRev	151	BIZ001	BUILDING INSPECTION REVOLVING FUND
100470	100220GSAAdmin.svcs-CountyCler	151	ADZ001	ADMIN. SERVICES-COUNTY CLERK
100600	100220REC1442 Rec&Park RF	151	RPZ001	REC AND PARK REVOLVING FUND
100610	100220REC RF Acct Camp Mather	151	RPZ002	REC & PARK - CAMP MATHER
100510	100220MTAParking Garages	151	GRA001	PARKING GARAGES

Requests for replenishment require original receipts, authorization by appropriate personnel, and explanation of business purpose of incurred expenses. Replenishment procedures are as follows:

- ☐ Revolving fund custodian to reconcile the revolving fund, to ensure that cash on hand plus the total of all receipts add up to the revolving fund amount
- ☐ Prepare the *Revolving Fund Voucher*, shown below.

**FIGURE 4-51. REVOLVING FUND VOUCHER FORM & INSTRUCTIONS**

<b>Document No.</b> _____ <b>Date Posted</b> _____											
Reimbursement is requested for expenditure below during the month of _____ 19____ No. _____											
Organization _____											
Date	Check Number	To whom paid		For what	Amount						
Fund	Account Code	Dept.	Project	activity	Amount	Total of above items					
						Adjustments - Previous VO					
						Total this Voucher		Extensions			
						In Transit		Legality			
						Money in Bank		Signatures			
						Money on Hand					
						Total Fund					
						AUTH ADMIN CODE AMOUNT					
						Certification is hereby made that above expenditures are according to law. That articles or services were received in quantity stated and in quality according to specifications					

☐ Attach supporting documentation to the form, and obtain supervisor's approval signature

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- ☐ Submit to department accountant for input into the financial system. Submit physical documents (original voucher payment request with supporting receipts and reimbursement forms) to Controller's Office once the accounting entry has been processed and approved at the department level

### Controller's Office—Oversight, Review & Audit of Revolving Fund

The Controller's Office will:

- Administer, monitor use, and authorize exceptions to revolving funds
- Perform periodic audits of the revolving funds as part of its responsibility to monitor use of revolving funds
- Assess the necessity for revolving funds and recommend the elimination of those with insufficient activities during a fiscal year, and the reduction of the authorized amounts for underutilized revolving funds
- Establish requirements for management and reimbursement of revolving funds to ensure compliance with legal provisions and to identify mandated responsibilities and accountability of Department Heads and their employees
- Perform pre-audit of revolving fund replenishment requests to ensure compliance with City rules and regulations on proper use of revolving funds

Departments must submit a journal entry in the General Ledger Module to record revolving fund expenditures and then process a payment voucher in the AP Module for replenishment. When submitting the journal entry, departments must upload supporting documents in the system. The Controller's Fund Accountants will review the following:

- ☐ A. Approval of the Department Head or authorized representative – indicating the propriety, validity and legality of the expenditures from revolving funds:
  - 1) Propriety: Goods or services are appropriate for the department
  - 2) Validity: Expenses are incurred by authorized city employees within the period for which funds are budgeted
  - 3) Legality: Funds are budgeted and available
- ☐ B. The *Revolving Fund Voucher* attachment is complete:
  - 1) Payee: Department's Petty Cash account
  - 2) Required Approvals: See Item A above
  - 3) Purpose of requested payment: Replenishment of revolving fund for expenditures incurred for the period from \_\_\_\_\_ to \_\_\_\_\_
  - 4) The PeopleSoft accounting data elements indicating the accounts, department, project and

activity to be charged

5) Funds are available in department appropriations

☐ C. The *Revolving Fund Voucher* is supported by:

- 1) A completed *Controller's Revolving Fund Reimbursement Form*. This form is prepared and signed by the Custodian as a full, true and accurate accounting of the fund. Please see [Figure 4-49](#) for detailed instructions
- 2) A copy of the department authorization for the expenditure
- 3) The original invoice(s) which contains a description of the nature of every item of expenditure. A "cash register tape"-type of invoice or non-original invoice is acceptable only if the item is identified by the following:
  - a. By the employee making the purchase, and
  - b. Certified by the Department Head, and
  - c. Countersigned by designated personnel in the Controller's Office. The Controller waives the requirement for original invoices or receipts signed by clients of the Human Services Department. The Human Services Cash Revolving Fund "...provides funds for immediate need checks for welfare orders, and for the replacement of mutilated checks." (*Administrative Code*, Section 10.157). However, the Department Head must certify that following documents are on file with Human Services Cashier's Division
- 4) Non-original invoices are accepted only when certified as original by the Department Head or designated personnel
- 5) Original records signed by recipients who received cash
- 6) Approval of the department's officer authorizing payment

☐ D. The department's accountant will refer to the guidelines in [Section 4.5 | Sales & Use Taxes](#) and ensure that appropriate sales and/or use taxes are paid by:

- 1) Identifying use tax amounts not billed by out-of-state suppliers when goods were purchased
- 2) Preparing a journal entry to charge the department for the amount of sales or use tax and accrue the liability under an Agency Fund for payment to the state monthly by the Controller's Office. Refer to [Section 4.5 | Sales & Use Taxes](#) for details on tax liability accruals
- 3) Some departments remit use tax payments to the state monthly

☐ E. Authorized revolving fund expenditures include:

- 1) Purchases of emergency goods or services of \$200 or less from any one supplier
- 2) Reimbursing employees for minor out of pocket expenses when properly supported by documentation and department authorization
- 3) Other payments for items as authorized in the ordinance authorizing creation of the fund and which cannot be conveniently made by checks drawn by the Controller upon the treasury of the City & County



### Revolving Fund Overage or Shortage

Fund shortages are the responsibility of the Department Head who is personally liable for all shortages. Should the fund have an overage, the custodian issues a revolving fund check to the department that should be deposited as a credit to other non-operating revenue.

### Changes to the Revolving Fund Balance or Closing the Revolving Fund

Revolving funds, with the exception of change funds, are recommended to be closed by the Controller when replenishment is not needed every quarter, unless otherwise justified and approved by the Controller. It is the responsibility of the department to request *Administrative Code* changes to the revolving fund for Board approval and resolution. The revolving fund balance will be adjusted through entries made in PeopleSoft. To close a revolving fund, the department will write a check to the City and process the deposit in the Accounts Receivable Module. Make sure to input the revolving fund account code in the Account field when processing the deposit. This will credit the revolving fund account and bring the account balance to zero. Adjustments and closing must be made according to the related amendments to the *Administrative Code* by Board authorization. When closing a revolving fund, departments should ensure that bank accounts will also be closed through the Treasurer's Office.

## 4.9.2 | Wire Transfers

This section addresses the policy and procedures of paying financial obligations through electronic wire transfers and explains how out-going wire transfers should be recorded in the financial system. These guidelines are issued according to the applicable provisions of the *San Francisco City Charter*, *Administrative Code*, and *Annual Appropriation Ordinance*.

### 4.9.2.1 | OVERVIEW

Occasionally, City departments are required to pay financial obligations through electronic fund transfers (EFTs) such as federal wire or Automated Clearing House (ACH). These payments can be for various reasons to various entities such as suppliers, US Treasury, State Treasurer, escrow agents, and others. EFTs are authorized on a need basis only (e.g. requirement spelled out in the contract). Departments must obtain authorizations from Office of the Controller and the Treasurer.

Departments requesting EFTs of any amount should send the notification to the Treasurer's Office at least 72 hours before the wire is due. For large EFT payments that are over \$1 million, the department must provide the Treasurer's Office with sufficient lead time so that the Treasurer can ensure that funds are available on the wire's due date. Notify TTX's Investments Division @ [ttx.investment@sfgov.org](mailto:ttx.investment@sfgov.org).

4.9.2.2 | PROCEDURES FOR WIRE TRANSFERS & ACH

**Payment through EFTs**

EFT requests will be processed in PeopleSoft. Payment type relationships (e.g., wire transfer, ACH) are set up at the Supplier Location level. As such, the department should make sure the payee has a Supplier location populated with the following information:

**TABLE 4-19. TREASURER'S EFT REQUEST TEMPLATE**

REQUIRED INFORMATION	EXPLANATION OF REQUIRED INFORMATION
1) PAYMENT REQUEST TYPE*	
2) REQUESTING DEPARTMENT	Your department's name
3) DATE PAYMENT IS DUE (SETTLEMENT DATE)	Date PAYMENT is required to be in supplier's/beneficiary's account
4) FSP VOUCHER NO. & APPROVAL DATE	Document Number in People Soft showing payment request & Document Approval date
5) FSP SUPPLIER NAME & ID	Assigned Supplier Name in People Soft
6) PAYMENT AMOUNT	Dollar amount of this Payment requested
7) ACH OR FEDWIRE ABA ROUTING NUMBER	Beneficiary Bank ID: <b>ACH</b> ABA Routing No. for <b>ACH</b> , <b>FEDWIRE</b> ABA Routing No. for <b>Wire</b> or <b>SWIFT</b> Code for International Wire
8) BENEFICIARY BANK	Receiving bank where this payment is being sent
9) BENEFICIARY NAME	Payee or Account Holder's Name
10) BENEFICIARY'S FULL STREET ADDRESS	Full Address of the Payee or Account Holder ( <b>No P.O. Box</b> )
11) BENEFICIARY'S ACCOUNT NUMBER	Payee's Bank Account Number (or <b>IBAN</b> Number if International Wire)
12) FOR FURTHER CREDIT TO (optional)	Other account number to be credited, if applicable
13) PAYMENT DETAILS (ADDENDUM)	Reason For Payment Request (Include Invoice or Contract No. if applicable)

**Departments must be sure to choose the Supplier Location marked with the appropriate payment method (e.g., wire transfer, ACH, etc.).**

Each EFT payment transaction requires Controller's approval and the Comment field must provide an explanation or specify the purpose of payment (e.g., who, when, why, breakdown of need, and other relevant information). Once submitted and approved, the payment will be moved into the Financial Gateway for processing by the Treasurer's Office. However, the 3-day notice to the Treasurer's Office is still required. Please submit the wire form in advance by email to [ttx.bankingservices@sfgov.org](mailto:ttx.bankingservices@sfgov.org).

### Cancellation of Wire Transfers & ACH

Cancellation of a wire transfer or ACH is allowed only if the Treasurer's Office has not processed the transfer. In a situation where cancellation is still possible, the department must void the payment voucher in the Accounts Payable Module.

**FIGURE 4-52. CANCEL PAYMENT SCREEN IN PEOPLESOFT**

**Cancel Payment**

**Enter Cancel Payment**

Bank Set ID: SHARE	Creation Date: 11/24/2016
Bank: BOA Bank of America	Payment Date: 11/24/2016
Account: 0907 1496090080	Payment Amount: 142.00 USD
Reference ID: 03006_C2	Cancel Post Status: Not Applicable
Payment Method: Wire Transfer	Settle By: Pay Cycle
Remit Supplier: 0000000004 North American Bus Industries	Settlement Status: None

---

Date Cancelled: 12/28/2016

Payment Status: ☒ Void ☐ Stopped ☐ Undo Cancel

Cancel Action: ☒ Re-Open Voucher(s)/Re-Issue ☐ Re-Open Voucher(s)/Put on Hold ☐ Do Not Reissue/Close Liability

Hold Reason:

Cancel Reason:

Description:

Save Return to Search Previous in List Next in List Notify

### Other Requirements for EFT Payments

- Services being paid are supported by original invoice or properly certified copy thereof, completed within the period of the contract, and covered by up-to-date insurance
- Request for payment is authorized by responsible project managers after review and acceptance of completeness and condition of the services or work done
- Payment request is properly adjusted according to provisions in the contract such as retentions, liquidated damages, or liens

- Payment request subject to liens requires proper coordination with the Controller's Claims and Disbursement Unit
- Payment to a supplier other than the primary contractor is properly justified and/or covered by the provisions of the contract, or special agreements
- Payment requests must be within the total amount of the contract
- If final payment is determined to exceed the amount of the contract, the contract must be properly modified according to rules and regulations covering contract modifications. Failure to adjust the contract for the excess according to City policies and guidelines requires adequate justification and certification as to availability of funds and propriety and validity of the additional charges before such payment can be authorized
- Payments must be properly coded as partial or final to avoid subsequent need to re-encumber or request direct payment. [CAN PS WIRE PAYMENTS BE "LABELED" AS PARTIAL/FINAL? NEED SCREENSHOTS.] Payment under such situation must be properly justified
- Services funded by special funds such as grants must be in full compliance of and allowable under the grant's funding requirements
- Approval of the payment request is certification that it is proper, valid, and legal. Any officer who approves, or allows unauthorized or illegal obligations is liable to the City and subject to penalties

Questions can be directed to the Controller's Office fund accounting team assigned to the department or Treasurer's Banking Services Division at 554-4509 or 554-5205.

## 5 | PROCUREMENT CARD (P-CARD)

### 5.1 | Overview

The City Procurement Card (P-Card) is a charge card designed to enable designated City employees to make authorized purchases under two circumstances:

- During declared emergencies and natural disasters
- For employee reimbursement items.

Exceptions may be granted by the Controller's Office for other emergencies that do not fall into the criteria of the first circumstance above.

The P-Card can only be used for official City business and must be surrendered upon termination of employment for any reason or upon demand by City.

All P-Card participants are required to use the Access Online system provided by U.S. Bank in order to complete monthly billing statement reconciliation.

#### 5.1.1 | Program Definitions

**Access Online System** is the U.S. Bank online system for tracking, approving and reconciling credit card transactions.

**Approving Official** is the individual designated by the Department Head or CFO to request cards for staff, approve Cardholder purchases and verify that purchases are made for official City business.

**Billing Officials** are accounts payable staff in the departments who perform accounting entries and transactions for card payments to U.S. Bank.

**Cardholders** are current City employees with procurement authority to use the P-Card for business purchases.

**Department Coordinator** is designated by the Department Head or CFO and oversees the P-Card Program at the department level.

**P-Card Administrator** is the Controller, or his or her designee.

#### 5.1.2 | General Information

##### **Eligible Employees**

Application for use of P-Card must be approved by the Department Head or his/her designee. Termination of employment with a City department and/or abuse of the P-Card will result in cancellation of the P-Card. Submit card enrollment and cancellation online at <https://conforms.sfgov.org>. See [Section 5.4 | Form Automation](#) for more information.

### ***Bona fide Suppliers Only***

P-Card suppliers shall be established, reputable, reliable vendors with appropriate business licenses, certifications, permits, etc., and not those of a questionable status. Do not make P-Card purchases from sources including, but not limited to:

- eBay (auctions) ([www.ebay.com](http://www.ebay.com))
- Swap meet vendors
- Street market vendors
- Adult book stores
- Pawn shops
- Craigslist ([www.craigslist.org](http://www.craigslist.org))
- Your relatives, neighbors, friends, etc.

### **Ethical Use of Public Funds**

Since P-Card purchases represent public funds, Cardholders and their Approving Officials (e.g., Department Heads) must be continually reminded that their purchases reflect the City's interest and reputation for ethical and prudent dealings. Each transaction must be one that the Cardholder and Approving Official could easily explain or defend as a prudent use of public funds.

Written policies cannot be established to cover every event of P-Card use. All program participants must use their best judgment using a City P-Card. In those instances where a reasonable person might question the use of a P-Card, the Cardholder should refrain from making the purchase without first consulting the P-Card Administrator.

### **Use of the P-Card for Personal Purchases Strictly Prohibited**

Under no circumstances is a Cardholder permitted to use the P-Card for personal purchases, even if the Cardholder intends to subsequently reimburse the City. Using the P-Card for personal purchases may result in a disciplinary action. Cardholders are required to attend mandatory training and accept the *Cardholder Acknowledgement Disclosure* during the online card enrollment process prior to the issuance of the P-Card for City use.

FIGURE 5-1. CARDHOLDER ACKNOWLEDGEMENT DISCLOSURE

## PURCHASING CARD (P-CARD) CARDHOLDER ACKNOWLEDGEMENT DISCLOSURE FORM

The undersigned employee submits to this affidavit:

1. I received a copy of the City and County of San Francisco P-Card Policies and Procedures Manual and agree to abide by the provisions and requirements included in the manual when using the U.S. Bank Visa Purchasing Card.
2. I agree to abide by all City and County of San Francisco procurement and payment rules and regulations and will not split purchases or use the purchasing card in a manner that circumvents related City and County of San Francisco rules and regulations.
3. The card is issued in my name. I will not allow any other person to use the card. I am considered responsible for any and all charges against the card.
4. I received P-Card program training from my agency/department that covered the provisions and requirements included in the City and County of San Francisco P-Card Policies and Procedures Manual.
5. I understand that the U.S. Bank Visa Purchasing Card is for City official use only and must not be used for personal purchases. Intentional use of the card for other than official City purposes will result in immediate cancellation of my purchasing card, and possible referral to the District Attorney. I may be personally liable the City for the amount of the purchase.
6. If my authorization or employment is terminated, or I transfer to a new position within the City and County of San Francisco, I will return my card to my approving official immediately.
7. If the P-Card is lost or stolen, I will immediately notify U.S. Bank by telephone and confirm the telephone call to U.S. Bank by email to the Program Administrator at [pcard@sfgov.org](mailto:pcard@sfgov.org). I will also immediately notify my supervisor.
8. As the P-Card is City and County of San Francisco property, I understand that I may be periodically audited to comply with internal control procedures designed to protect City and County of San Francisco assets. This may include being asked to produce the card to validate its existence and account number. I may also be asked to produce receipts and statements to audit its use.

### Use of P-Card in Case of Declared Emergency and Natural Disaster

P-Cards have a default credit limit of \$1,000. When enrolling for an emergency P-Card, departments can propose the emergency credit limit. Upon approval of the P-Card Administrator, the emergency credit limit will be kept on file and activated only during a disaster. Refer to [Section 5.4 | Form Automation](#) for the detailed procedures.

Emergency P-Cards will not replace the City's existing *Emergency Purchasing Procedures* but supplement the procedures. In general, resources should be filled through existing inventory or the standard procurement process, when possible. For minor emergency purchases under \$200, cardholders must follow the guidelines provided in [Section 4.8 | Employee Travel & Business Expenses](#). For purchases above \$200, the Department should work directly with OCA (and their respective Emergency Operations Center Section Chief, when applicable) to determine the most appropriate procurement method. In

addition, departments should always be prepared and have emergency supplies in place and/or in regular procurement contracts. P-Card cannot be used to purchase professional services.

For additional information, please refer to:

1. *San Francisco Administrative Code*, Section 21.15 for Emergency Procurement Procedures
2. Section 6.60 for Emergency Repairs, Work and Contracts

#### **Use of P-Card for Non-Emergency Purchases**

With approval from the P-Card Administrator, departments may issue P-Cards to selected employees for purchase of travel, training, and other employee reimbursement items.

Refer to the Controller's Office policies and procedures for travel, training and employee reimbursement in [Section 4.8 | Employee Travel & Business Expenses](#).

A *Travel Expense Form* must be completed and submitted for use of the P-Card for travel, training, and other employee reimbursement items. Soft copies of the forms can be found at <http://sfcontroller.org/forms-templates>.



## ACCOUNTING POLICIES &amp; PROCEDURES

FIGURE 5-2. TRAVEL EXPENSE FORM

Form: 319.xls								
CITY AND COUNTY OF SAN FRANCISCO								
<b>TRAVEL EXPENSE FORM</b>								
TRANSMIT ORIGINAL COPY TO CONTROLLER (WITH REQUIRED RECEIPTS ATTACHED)								
DEPT:				DATE:				
DIVISION:				TRIP TO:				
PURPOSE:				TRIP DATE:				
DATE	RECEIPTS REQUIRED					PER DIEM	OTHERS	TOTAL
	DESCRIPTION	REGISTRATION FEE	HOTEL	AIRFARE/AUTO	MEALS			
								-
								-
								-
								-
								-
								-
								-
								-
								-
								-
								-
								-
								-
								-
								-
								-
								-
								-
								-
TOTALS		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
							AMOUNT	
DATE:	LAST 4 DIGIT OF P-CARD				VOUCHER ID	PAID BY P-CARD		
DATE:	ADVANCE ID:				VOUCHER ID	ADVANCED		
					REFUND [ ]	PAYMENT ID		
					AMOUNT DUE [ ]			\$ -
CERTIFICATION is hereby made that expenditures claimed hereon are true and correct, and were incurred according to law and in connection with official business of the City and County of San Francisco.								
DEPT. HEAD APPROVAL:				EMPLOYEE SIGNATURE:				
Print Dept. Head Name:				Print Employee Name:				
<b>COMPLETE SECTION BELOW FOR DEPARTMENT ACCOUNTING INFORMATION:</b>								
ACCOUNT CODE:	FUND:			PROJECT ACTIVITY:				
LEGALITY VERIFIED:	ORDINANCE NO.			RESOLUTION NO.				
APPROVED FOR PAYMENT:	BD. OR COMMISSION RES. NO.:			AUTHORITY:				

**FIGURE 5-3. FIELD EXPENSE FORM**

[illegible]

### **5.1.3 | City Program Administration**

The Office of the Controller administers the P-Card Program with U.S. Bank. In this capacity, Office of the Controller personnel serve as resources for all program users in the area of policy development and implementation, day-to-day administration, compliance, and training. The City P-Card Administrator is the Controller, or his or her designee. Responsibilities of the P-Card Administrator include:

- Develop the City's *P-Card Policies & Procedures Manual*.
- Review the policy and procedures at least annually to ensure that it keeps up with "best practices" in the purchasing card industry and that it allows participants in the program to utilize the P-Card to its utmost advantage in the procurement process within sufficient control guidelines.
- Serve as a central point of contact on all issues of policy and procedures. This position is the official liaison between the Bank and all P-Card participants.
- Communicate all P-Card Program policy and procedural changes to the users.
- Develop and maintain citywide P-Card forms including automated online forms.
- Set up department accounts and maintain account profile changes for Department Coordinators, Approving Officials, Cardholders and Billing Officials.
- Establish and make approved changes to dollar limits for all P-Cards.
- Review monthly and quarterly U.S. Bank reports for compliance and any discrepancies with policies and procedures.
- Facilitate training for all participants in the Program. Establish and maintain records for all training provided.
- Develop and maintain City training materials and handouts.
- Establish department and citywide reporting of the data and card usage, as well as determine trends in spending and suppliers used.
- Perform audit reviews of the program participants to ensure compliance with P-Card Policy and P-Card Procedures.
- Maintain records in accordance to the records retention schedule.

#### **Process Improvements and Audits**

The P-Card Administrator audits the Program through periodic reviews and the annual Post Audit, and reviews department P-Card procedures during the audits.

### **Training**

The P-Card Administrator will develop and deliver training on the P-Card Program to all Department Coordinators, Approving Officials, Billing Officials and Cardholders during the initial roll-out phase of the program. The P-Card Administrator will provide additional training as needed.

## **5.1.4 | Department Roles and Responsibilities\***

### **Enrollment Requirement**

The department can enroll employees in the P-Card program by using the automated form online at <https://conforms.sfgov.org>. The enrollment must be:

1. Initiated by the Department Coordinator or his/her designee
2. Approved by the Cardholder
3. Approved by the Department Head or the CFO.

### **Department Coordinator Responsibilities**

The Department Coordinator is appointed by the Department Head to administer the P-Card Program within their respective department. Contact information of the Department Coordinator must be submitted to the P-Card Administrator.

The responsibilities of the Department Coordinator include:

- Attend the mandatory training provided by the P-Card Administrator.
- Be proficient with the *P-Card Policies & Procedures Manual* and ensure compliance within the department.
- Develop department procedures including internal control measures to prevent and detect misuse or fraudulent use of the P-Card. These procedures cannot be less restrictive than the City *P-Card Policies & Procedures Manual*. Any deviations and/or exceptions made against the Citywide policy must be pre-approved by the Controller's Office.
- Immediately report any misuse by the P-Card participants to the P-Card Administrator.
- Submit online P-Card forms for new cards, replacements, account changes and card cancellations.

- Notify the P-Card Administrator within three (3) working days when an employee leaves the department's employment so that the card may be deactivated.
- Be proficient with the Access Online system and utilize the reports available for department P-Card use and performance.
- Ensure all P-Card participants attend the mandatory training provided by either the P-Card Administrator or the department.
- Ensure program compliance related to internal controls, City procurement policies, and records retention requirements.

### **Approving Official's Responsibilities**

Approving Officials approve Cardholder purchases and verify that purchases are made for official City business. Approving Officials must have a thorough knowledge of the job responsibilities of the Cardholder in order to determine if purchases are reasonable. Other responsibilities of Approving Officials include:

- Attend mandatory training provided by the P-Card Administrator or the department.
- Be proficient with the *P-Card Policies & Procedures Manual*.
- Maintain knowledge of the P-Card Program and department procedures on the use of P-Card issued by the Department Coordinator.
- Notify the Department Coordinator when the Cardholder resigns, transfers, or is terminated from employment.
- Ensure P-Cards under their authority are properly utilized.
- Immediately inform the Department Coordinator if Cardholder has misused the card for personal use. Collect the P-Card from the Cardholder and return it to the Department Coordinator.
- Ensure that reconciled statements, associated receipts, credit slips, and *Travel/Field Expense Forms* ([Figure 5-2](#) and [Figure 5-3](#)) are complete for each Cardholder account. Sign off on the reconciled statements and *Travel/Field Expense Forms*.
- Review and certify the reconciled *Cardholder Statements of Account* and ensure that receipts and documents are in order.
- Ensure that each *Cardholder Statement of Account* is accounted for and forward them to the Billing Official within seven (7) calendar days of statement date.

### **Cardholder Responsibilities**

All Cardholders are *de facto* purchasing agents for City. Accordingly, Cardholders must have a minimum understanding of the public purchasing rules and regulations.

Cardholders are appointed by their Approving Officials to make authorized purchases 1) under Declared Emergencies and Natural Disasters; and 2) for Employee Reimbursement items. Cardholder responsibilities include:

- Attend mandatory P-Card training provided by the P-Card Administrator or the department.
- Be proficient with the *P-Card Policies & Procedures Manual*.
- Maintain knowledge of the P-Card Program and department internal procedures on the use of P-Card issued by the Department Coordinator.
- Accept the *Cardholder Acknowledgement Disclosure* ([Figure 5-1](#)) during the online card enrollment process.
- Activate card following the procedures provided during the training.
- Maintain security of the account number and credit card, expiration date, and security code at all times.
- Know their respective Single Transaction and Cycle Credit Limit, or 30-Day Monthly Transaction Limit.
- Ensure all purchases are allowable purchases according to the City P-Card Program and department procedures.
- Obtain best value for the City when making purchases with the P-Card.
- Obtain an itemized receipt at the point of purchase and verify it for accuracy.
- Complete and sign the *Travel/Field Expense Form*.
- Reconcile all the transactions and forward them to the Approving Official for approval.
- Call Bank Customer Service to report lost or stolen cards and any fraud activities immediately and notify the Approving Official.
- If there are any disputed charges on the statement that could not be resolved with the merchant, contact the Bank within 60 calendar days of the transaction date.

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- Submit the reconciled statement, purchasing documentation, and all associated receipts to the Approving Official within three (3) calendar days from the statement date to ensure timely payment and recording of charges in the financial management system.
- Inform Department Coordinator of any account profile changes, like changes to last name, business address, or telephone number, *etc.*

Cardholder shall not do any of the following:

- Use the P-Card for personal use
- Allow family members to use the card
- Allow other staff members to use the card
- Make unauthorized purchases.

Upon transfer, resignation, or termination, the Cardholder shall return the P-Card to the Department Coordinator.

**Billing Official Responsibilities**

Upon receiving and reviewing an Account Statement, receipts, and reconciliation report, the Billing Official shall make the monthly P-Card payment to U.S. Bank using the department-specific Supplier ID and charge the expenditures to proper cost centers and account codes.

Below are the departmental Supplier ID's for each US Bank managing account. For an updated list, please contact the P-Card administrators directly.

**TABLE 5-1. SUPPLIER IDS FOR P-CARD DEPARTMENTS**

DEPARTMENT	SUPPLIER ID
ADM	0000029191
AIR	0000008864
CAT	0000008863
CON	0000008862
DAT	0000008861
DEM	0000008860
DPH	0000008859
DPH-LHH	0000008849
ECN	0000008858

FIR	0000008857
HOM	0000042353
HRD	0000043036
HSA	0000008856
LIB	0000008855
MTA	0000042102
MYR	0000008854
OCII	0000031237
PUC	0000008853
REC	0000008852
RET	0000008851
SHF	0000031238
TIS	0000008850
TTX	0000027991

Billing Official Responsibilities include:

- Attend the mandatory training provided by the P-Card Administrator or the department.
- Be proficient with the *P-Card Policies & Procedures Manual*.
- Maintain knowledge of the P-Card Program and department internal procedures on the use of P-Card issued by the Department Coordinator.
- Review the transactions reported by the Cardholders and approved by the Approving Officials. Such review includes, but is not limited to:
  - Ensure all itemized receipts are attached
  - Ensure the completed *Travel/Field Expense Form* ([Figure 5-2](#) and [Figure 5-3](#)) is attached
  - Check if usage of the P-Card was in compliance with the P-Card Policy and any applicable City policies (e.g., *Business Travel Reimbursement Guidelines*)
  - Review the P-Card monthly reconciliation prepared by the Cardholder and approved by the Approving Official.



- Make monthly P-Card payments to U.S. Bank at least two (2) business days before the due date on the statement. Note that payments will be sent to U.S. Bank through ACH, and it takes two (2) business days for ACH payments to clear.
- Make payments in PeopleSoft AP Module using the Supplier ID specific to the department. Post P-Card expenditures to proper cost centers and accounts.
- Reconcile account statement total with payments posted to the department's cost center, and conduct research to resolve any discrepancies.
- Determine whether proper sales tax has been paid and accrue any use tax. Refer to [Section 4.5 | Sales & Use Taxes](#) for more details.
- Provide assistance for any document request from the P-Card Administrator.
- Maintain records in compliance with records retention requirements.

## 5.2 | Use of the Card\*

This section defines the appropriate and inappropriate uses of the P-Card. All purchases made with the P-Card must be for official City business. Department policies governing use of the card can be more, but not less, restrictive than the City P-Card Policy.

Only the employee whose name appears on the face of the P-Card is authorized to initiate transactions with the card. Use of the P-Card by any other person is considered misuse of the card, even if the purchase is for legitimate City business.

### 5.2.1 | Allowable Purchases

There are two types of allowable P-Card purchase:

1. Emergency purchases during Declared Emergencies and Natural Disasters. Refer to *San Francisco Administrative Code*, Section 21.15 and Section 6.60 for emergency procurement procedures and who can declare emergencies.
2. Purchases related to travel, training, and other employee reimbursement items as allowed in the Controller's Office *Employee Reimbursement Guidelines* and/or other operational costs pre-approved by the Controller's Office. Any monthly transaction over the credit limit must have prior written approval from the P-Card Administrator, by updating the *P-Card Enrollment Form*. Note: Not limited to reimbursement purchases only. Can be used for emergency purchases during declared emergencies or disasters.

## **Declared Emergencies and Natural Disasters**

The P-Card Administrator has the authority to raise the Monthly Transaction Limit to an amount deemed necessary to mitigate any declared emergencies as defined in the *Administrative Code*, or natural disasters. The Purchaser grants authority to forego standard procurement requirements for needs arising from unforeseen causes. Refer to *San Francisco Administrative Code, Section 21.15* for Emergency Purchasing Procedures.

The physical Disaster/Emergency P-Cards must be safeguarded by the Cardholders. The Disaster/Emergency P-Cards will have a default credit limit of \$1,000. For emergency P-Cards, departments can propose the emergency credit limit. Upon approval of the P-Card Administrator, the emergency credit limit will be kept on file. When an emergency is declared, the department needs to contact the Program Administrator to have the approved emergency credit limit activated.

For disaster recovery from federal Emergency Management Agency (FEMA), please refer to FEMA Public Assistance information at <http://www.fema.gov/public-assistance-local-state-tribal-and-non-profit>.

## **Required Compliance for Allowable Purchases**

Use of P-Card must comply with applicable City policies and laws regarding the particular purchase.

Cardholders shall comply with policies and laws applicable to the type of purchase for which the P-Card is being used. For example, when using the P-Card for travel purposes, the use of the P-Card must comply with all applicable policies, including but not limited to the guidelines defined in [Section 4.8 | Employee Travel & Business Expenses](#). Travel-related purchases must be within federal reimbursement rates for hotels and meals and must be in compliance with Facilities and Fleet Car Rental Policies, etc. Note that misuse of P-Cards may lead to employee disciplinary actions.

## **Federal Grant-Related Purchases**

Use of P-Card for federally funded expenditures must comply with applicable federal regulations. Departments must follow the procurement rules defined in the Uniform Guidance for all federal grant-funded purchases.

*Title 2 of the Code of Federal Regulations (2 CFR) Section 200.320* states:

The non-Federal entity must use one of the following methods of procurement.

(a) Procurement by micro-purchases. Procurement by micro-purchase is the acquisition of supplies or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold (§200.67 Micro-purchase). To the extent practicable, the non-Federal entity must distribute micro-purchases equitably among qualified suppliers. Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable.

(b) Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources.

(c) Procurement by sealed bids (formal advertising). Bids are publicly solicited and a firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. The sealed bid method is the preferred method for procuring construction...

2 CFR Section 200.67 states:

Micro-purchase means a purchase of supplies or services using simplified acquisition procedures, the aggregate amount of which does not exceed the micro-purchase threshold. Micro-purchase procedures comprise a subset of a non-Federal entity's small purchase procedures. The non-Federal entity uses such procedures in order to expedite the completion of its lowest-dollar small purchase transactions and minimize the associated administrative burden and cost. The micro-purchase threshold is set by the Federal Acquisition Regulation at 48 CFR Subpart 2.1 (Definitions). It is \$3,000\* except as otherwise discussed in Subpart 2.1 of that regulation, but this threshold is periodically adjusted for inflation.

\*The micro-purchase threshold may change. Refer to 48 CFR Subpart 2.1 (Definitions) for the most updated micro-purchase threshold. The government code can be found online at <https://www.govinfo.gov/help/cfr>.

Refer to [Section 12.9.3 | Grant-related Procurement Procedures](#) for more information on grant-related purchases.

### 5.2.2 | Prohibited Purchases

Certain types of purchases are strictly prohibited by the P-Card policy. These purchases include, but are not limited to:

- Personal purchases of any kind (personal purchases are defined as purchases of goods or services intended for non-work-related use or use other than for official business)
- Donations or gifts to a charity, a gift to an entity, or a political contribution.
- Fuel for personal cars since the personal vehicle expenses will be compensated through mileage reimbursement
- Gift cards, stored value cards, calling cards, pre-paid cards or similar products
- Entertainment, including in-room movies

- Alcoholic beverages
- Tobacco products
- Weapons, and related accessories, side arms and bullets even if these are for training purposes
- FastTrak toll tags or transponders for employees' personal vehicle
- Bottled water for non-emergency situations (refer to Chapter 24 of the San Francisco Environment Code, available at the [SF Environment website](#), for additional information).
- Professional services
- Goods and services available on a current citywide contract
- Travel expense, lodging, or meals for persons providing services without compensation
- Fixed Asset Computers
- Fixed Asset equipment
- Hazardous Materials/ Removal of Hazardous Materials
- Chemicals
- Existing invoices for after-the-fact purchases
- Recurring purchases that should be obtained through a purchase order or requisition
- Purchases from online retailers (e.g. Amazon) unless previously approved in the Department's P-Card policy

#### **Late Payment Fee/Interest**

Untimely payment to U.S. Bank will result in late payment fees and interests. The payment is due within fourteen (14) calendar days from the statement date. Departments will be responsible for any late fees or interests incurred.

#### **Purchase Exceptions**

Any purchases that do not follow the previous guidelines must be approved and granted an exception by either the Controller or Accounting Operations and Supplier Division (AOSD) Director.

## 5.3 | Program Compliance

### Card Management

1. New Card
  - Department Coordinator enrolls cards online at <https://conforms.sfgov.org>. Refer to [Section 5.4 | Form Automation](#) for more details.
  - Upon complete approval of the card, P-Card Administrator sets up the cardholder account in Online Access and requests the physical card from U.S. Bank.
  - Card will be mailed to the P-Card Administrator. P-Card Administrator informs departments for card pick up. Cards are stored in a locked drawer or the safe before pick up.
2. Cardholder Employment Status Change
  - When a Cardholder transfers to a different City department or terminates his/her employment with the City, Department Coordinator notifies P-Card Administrator within three (3) business days by submitting the P-Card Modification Request online at <https://conforms.sfgov.org>. Refer to [Section 5.4 | Form Automation](#) for more details.
  - Upon complete approval of the request, P-Card Administrator deactivates Cardholder account in Access Online.
  - P-Card Administrator contacts U.S. Bank to confirm account deactivation.
3. Credit Limit Change
  - Department Coordinator submits the P-Card Modification Request online at <https://conforms.sfgov.org> with changed credit limit and reason for the change.
  - Department Coordinator submits any supporting documents to justify the credit limit change to P-Card Administrator.
  - P-Card Administrator reviews the request, and may submit the request to the Controller and OCA for further review.
  - Upon complete approval, P-Card Administrator changes the credit limit in Access Online.
4. Card Replacement
  - If a P-Card is lost or stolen, the Cardholder must call U.S. Bank and inform Department Coordinator immediately.

- The Cardholder should **not** request a replacement directly from U.S. Bank; the P-Card administrator will handle the replacement request.
- Department Coordinator submits the P-Card Modification Request online at <https://conforms.sfgov.org> with the reason of the card replacement.
- P-Card Administrator contacts U.S. Bank and requests the physical card to be mailed to the P-Card Administrator.
- P-Card Administrator informs departments for card pick up, and stores in a locked drawer or the safe before pick up.

### **Internal Controls**

Internal controls must include:

- Appropriate separation of duties between making transactions (Cardholders), review and approval transactions for payment (Approving Officials), and payment of the monthly billing statement (Billing Official). Any exceptions must be pre-approved by the P-Card Administrator.
- Review and approval of purchases by someone with supervisory authority over the Cardholder and/or with authority to question purchases if needed.
- Appropriate limits on the number of Cardholders assigned to a supervisor or Approving Official in order to ensure adequate review of business need and documentation.
- Provision for periodic audits and the annual Post Audit by the P-Card Administrator. Audits must address:
  - Adequacy of internal policies and procedures
  - Confirmation of card holders
  - Adequacy of card management process
  - Appropriateness of Cardholder spending limits
  - Adequacy of review, reconciliation, and payment procedures; and
  - Adequacy of documentation for transactions.

### **Card Issuance Requirements**

- Issuance is limited to one P-Card per Cardholder by department.

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- Cardholders must be full-time and part-time City employees. Cards will not be issued to temporary workers, or independent contractors.
- Cards will not be issued in the name of a department or work unit to be shared by multiple employees.
- All training requirements as described in the *P-Card Policies & Procedures Manual* must be met before an employee receives the P-Card for City use.

### Cardholder Spending Limits

Spending limits enable management to provide Cardholders with the purchasing power to accomplish the needs of the job without exposing the City to unnecessary risk. Spending limits should be based on job responsibilities of the Cardholder and the need to use a P-Card to accomplish his or her duties. Cardholder spending limits must be reviewed at least annually to determine that actual usage is consistent with spending limits.

Cycle Credit Limit, or Monthly Limit, is a mandatory spending limit that restricts the amount of purchases a Cardholder can make in one billing cycle (one month). The P-Card Administrator has the authority to raise the monthly limit to an amount deemed appropriate in order to improve business practices and/or when an emergency is declared.

### Payment of California Sales and Use Tax

The Billing Official must ensure the accrual of California sales and use tax if the merchant has not charged such tax on the invoice or receipt of a P-Card purchase. Refer to [Section 4.5 | Sales & Use Taxes](#) for more details on sales and use tax accrual.

### Records Retention Requirements

P-Card Program records shall be maintained according to the Controller's *Financial Records Retention and Destruction Policy & Schedule*. For more information see | Financial Reporting & Records Retention\*.

Note that disaster/cost recovery documentation is required to be kept onsite for at least three (3) years as defined by *Title 44 Code of Federal Regulations* and *Title 19 California Code of Regulations*.

## 5.3.1 | Contact Information

### For Cardholders

Contact your Department Coordinator for the following:

- New card enrollment

- Change of credit limit
- Change of employment status

Contact U.S. Bank for the following:

- Activation of P-Card [call 1-800-344-5696 (outside US call collect: 701-461-2010)]
- For initial online account setup, go to Access Online (<https://access.usbank.com>; call 1-800-344-5696 for technical support)

Contact U.S. Bank at 1-800-344-5696 (outside US call collect: 701-461-2010) and your Department Coordinator for the following:

- Lost/stolen card or fraud
- Transaction/billing dispute

Note: When contacting U.S. Bank, you will be asked for information such as your business telephone number, ZIP code, last four digits of your DSW number and 16-digit account number.

#### **For Department Coordinator**

Contact P-Card Administrator at 415-554-5218 or 415-554-7594 for the following:

- Questions regarding automated forms for card enrollment and modification (see [Section 5.4 | Form Automation](#) for more information on automated forms)
- Reporting lost/stolen card or fraud
- Obtain a log-in for Access Online.

## **5.4 | Form Automation**

The section provides an overview of the automated forms for P-Card enrollment and changes. For more details, refer to the training materials online at <http://sfcontroller.org/index.aspx?page=437#pcard>.

### **5.4.1 | General Guidelines and Internal Controls**

The following principles must be followed for any department using automated forms for P-Card enrollment and changes:

- There must be appropriate separation of duties between form initiation (Department Coordinators or designees), confirmation of form submission and details (Cardholders),



confirmation of authority (Department Head or CFO), and final approval of request (P-Card Administrators).

- Initiators (department coordinators) are pre-designated and approved by Department Heads to assure submittal of requests is monitored.
- Cardholders are required to review and accept *Cardholder Acknowledgement Disclosure* before workflow reaches subsequent approvers.
- Any requests over a pre-established threshold will require additional review and approval by the AOSD Director and/or Controller.
- Requests for new cardholders and/or modification requests to existing cardholders must first enter and complete the appropriate automated workflow before being submitted by the P-Card Administrators to US Bank for processing.
- Departments must review all requests conducted by P-Card Administrators to ensure compliance with Controller and department policies and procedures.
- Documentation and log of past and open requests will be generated periodically to ensure the integrity of the workflow and system.

#### 5.4.2 | To Request a New Card

This section provides a step-by-step overview of how a new P-Card is requested through form automation.

1. The initiator (Department Coordinator or his/her designee) logs into <https://conforms.sfgov.org/> using the City e-mail and password.
2. The initiator selects *P-Card Enrollment and Agreement Form Online* and will be requested to complete the form as shown in the screenshot below:

**FIGURE 5-4. ONLINE P-CARD ENROLLMENT & AGREEMENT FORM**

**New Enrollment Request**

**Search Employee** 44478 **Search**

**Employee Information**

**Card Holder Name** Jordan Cho

**Department** CONTROLLER **Department Code** CON

**Division** ASOD Division **Division Code** CON03

**DSW** 44478

**Job Title** IS BUSINESS ANALYST-PRIN. **Job Class No** 1054

**Work Contact Information**

**Address** Room 300, 1 Dr Carlton B Goodlett Pl

**City** San Francisco **State** CA **Zip Code** 94102

**Work Email** jordan.cho@sfgov.org **Work Phone** 415-554-7591

**Credit Limit (Default monthly limit for each card is \$1,000)**

**Requested Monthly Limit** 0 **Requested Emergency Limit**

**Note**

**Action** Save

**Comment**

**Create**

- Once submitted, the cardholder will receive an e-mail alert to approve the card enrollment online. The cardholder will be prompted by the automated form to accept the *P-Card Cardholder Acknowledgement Disclosure* as shown below:

FIGURE 5-5. P-CARD CARDHOLDER ACKNOWLEDGMENT DISCLOSURE

**P-CARD CARDHOLDER ACKNOWLEDGEMENT DISCLOSURE FORM**

The undersigned employee submits to this affidavit:

1. I received a copy of the City and County of San Francisco P-Card Policies and Procedures Manual and agree to abide by the provisions and requirements included in the manual when using the U.S. Bank Visa Purchasing Card.
2. I agree to abide by all City and County of San Francisco procurement and payment rules and regulations and will not split purchases or use the purchasing card in a manner that circumvents related City and County of San Francisco rules and regulations.
3. The card is issued in my name. I will not allow any other person to use the card. I am considered responsible for any and all charges against the card.
4. I received P-Card program training from my agency/department that covered the provisions and requirements included in the City and County of San Francisco P-Card Policies and Procedures Manual.
5. I understand that the U.S. Bank Visa Purchasing Card is for City official use only and must not be used for personal purchases. Intentional use of the card for other than official City purposes will result in immediate cancellation of my purchasing card, and possible referral to the District Attorney. I may be personally liable to the City for the amount of the purchase.
6. If my authorization or employment is terminated, or I transfer to a new position within the City and County of San Francisco, I will return my card to my approving official immediately.
7. If the P-Card is lost or stolen, I will immediately notify U.S. Bank by telephone and confirm the telephone call to U.S. Bank by email to the Program Administrator at [pcard@sfgov.org](mailto:pcard@sfgov.org). I will also immediately notify my supervisor.
8. As the P-Card is City and County of San Francisco property, I understand that I may be periodically audited to comply with internal control procedures designed to protect City and County of San Francisco assets. This may include being asked to produce the card to validate its existence and account number. I may also be asked to produce receipts and statements to audit its use.

4. The form will then be routed to the CFO for approval with an e-mail alert. If CFO is the cardholder, the Department Head will need to approve online instead.
5. The P-Card Administrator at the Controller's Office will then review the new card enrollment and approve or reject, as appropriate. If the card enrollment includes an emergency credit limit proposal, the request will be routed to the AOSD Director or the Controller for approval depending on the request amount.
6. Upon complete approval of the card enrollment, an e-mail confirmation will be sent to the initiator, the cardholder, and all approvers.

### **5.4.3 | To Modify, Replace, or Cancel a Card**

This section provides a step-by-step overview of how to modify, replace, or cancel a P-Card using form automation.

1. The initiator (Department Coordinator or his/her designee) logs into <https://conforms.sfgov.org/> using the City e-mail and password.
2. The initiator selects *P-Card Change/Cancellation Form Online* and will be requested to complete the form for change of credit limit or replacement/cancellation of the card.
3. Once submitted, the cardholder will receive an e-mail alert to approve the card enrollment online.
4. The form will then be routed to the CFO for approval with an e-mail alert. If CFO is the cardholder, the Department Head will need to approve online instead.
5. The P-Card Administrator at the Controller's Office will then review the modification or replacement/cancellation and approve or reject, as appropriate. If the modification includes an emergency credit limit proposal, the request will be routed to the AOSD Director or the Controller for approval depending on the request amount.
6. Upon complete approval of the card modification or cancellation, an e-mail confirmation will be sent to the initiator, the cardholder, and all approvers.

## 6 | INVENTORY\*

The following citywide inventory guidelines are issued according to the applicable provisions of the *San Francisco City Charter, Administrative Code, and Annual Appropriation Ordinance*.

In the government accounting environment, inventory consists of various materials and supplies that are used by the government itself. This may consist of the usual variety of general supplies and spare parts. There are two main types of inventories: “Inventories Held for Consumption” or “Use and Inventories Held for Resale”.

For the City & County of San Francisco, inventories recorded in the proprietary funds (Enterprise and Internal Service Funds) primarily consist of construction materials and maintenance supplies, as well as pharmaceutical supplies maintained by the hospitals. Generally, proprietary funds value inventory at cost or average cost and expense supply inventory as it is consumed. This is referred to as the consumption method of inventory accounting.

The governmental fund types use the purchase method to account for supply inventories, which are not material. This method records items as expenditures when they are acquired. Materials and supplies for governmental funds are usually not significant enough to be reported as inventory in the financial statements. However, the internal control procedures described in this policy still apply to the governmental fund departments that run storerooms for materials and supplies.

For fixed assets inventory, refer to [Section 10.14.3 | Inventory of Capital Assets](#). Note that fixed assets inventory refers to inventory control over property and equipment over a specified cost threshold and useful life. Inventory control of fixed assets is different from that of the inventory addressed in this section.

### 6.1 | Policy Guidelines

Departments must have adequate control over inventory purchases and management. Control areas include but are not limited to: inventory planning, purchasing, safeguarding, counting, dispensing, valuation and accounting recording, and financial reporting. Departments must establish their own inventory policies and procedures.

#### Segregation of Duties

Ensure the following duties are performed by different employees:

- Procurement of inventory; refer to [Section 3 | Contracts & Encumbrances](#) for more information.
- Physical custody of inventory, which may also include:
  - Receipt of inventory

- Issuance of inventory
- Recording inventory receipt, issuance, and adjustment transactions in the inventory management system
- Approval of the above transactions in the inventory management system

### **Purchase of Inventory**

Evaluate inventory usage to:

- Set periodic replenish values or minimum/maximum levels for all inventory items and implement them in the inventory ordering process.
- Monitor obsolete and slow-moving inventories to avoid purchasing too much inventory or inventory that is no longer needed.

Upon receipt of inventory, ensure that:

- Staff review, sign, and date packing slips immediately
- Promptly record receipt in the inventory management system
- Promptly record any returns in the inventory management system
- All items have the correct location and label in the inventory storage facilities

Pay (within 30 days of receipt of invoice) and record invoices in the accounting system promptly. For definition of invoice receipt date, refer to [Section 4.4.1.1 | Prompt Payment](#) Definitions. For guidelines on discounts, refer to [Section 4.3 | Approval of Invoices](#).

### **Safeguard of Inventory**

- Restrict access to the inventory management system to authorized employees. Ensure access rights are immediately terminated once the employees no longer need access.
- Restrict inventory storage facilities to authorized employees.
- Limit key distribution or install electronic keys to track employee entry to storage facilities.
- Periodically check to ensure the storage facilities are free of fire and other hazards.
- For inventories with expiration dates, issue/use the inventories on a first-in-first-out basis and use up the inventories before expiration date to the extent practical.

### **Consumption of Inventory**

- Issuance of inventory must be authorized by the operations staff and processed by the storage staff.
- Issuance of inventory must be promptly recorded in the inventory management system.
- Obsolescence must be properly managed and promptly recorded in the inventory management systems:
  - Definition of inventory obsolescence: The condition in which the actual value of inventory reflected on the balance sheet has deteriorated due to overstocking or lack of demand, rendering it unusable. Below are some examples of obsolete inventory for the City:
    - Fleet parts no longer in use
    - Expired batteries
    - Recalled/discontinued/expired pharmaceutical products
  - Obsolete or inactive inventory must be separated from operating inventory in storage.
  - Identifying and disposing of obsolete inventory must be conducted at least annually and be approved by both storage management and operations management.
  - Disposal of obsolete inventory must be communicated to accounting for reconciliation and accounting adjustment.
  - Obsolete inventory must be disposed of in a manner that will best serve the interests of the City. For details, refer to *San Francisco Administrative Code*, Section 21.03(i). For fixed assets disposal, refer to [Section 10 | Fixed Assets](#). Departments are highly recommended to source disposal through the Department of Environment's Virtual Warehouse. For more information, go to <http://warehouse.sfenvironment.org/>.

### **Physical Inventory Counts**

- Conduct a physical inventory at least annually to verify their existence and the quantity on hand.
  - Establish physical inventory schedule and cycle for storage visits
  - Establish specific inventory count procedures and instructions with inventory count sheet templates
  - Prepare and organize storage for inventory count. Make sure that only materials and supplies to which the City has title on the date of inventory is included in the count

- Inventory count staff must have adequate knowledge and experience and be independent from the storage staff. Counters should work in pairs and be monitored by supervisors.
- Full counts must be scheduled at least annually, accompanied with random sample counts or cycle counts
- Sample counts should include all high dollar items and randomly selected items
- A department may conduct a different method in its inventory count; however, its related department inventory policy must be approved by the Controller's Office.
- Ensure inventory management system records accurately reflect inventory on hand.
  - Inventory system records must be promptly adjusted for any discrepancies identified in the physical counts
  - Periodically review the inventory records for reasonableness and appropriateness of any changes to inventory unit cost, inventory valuation, and unit of measure
  - Periodically review the inventory for obsolescence and reasonableness of inventory classification
- Periodically analyze usage of inventories to determine the desired frequency of counts.
- Investigate significant discrepancies between the physical count, the inventory system records, and the accounting records; document the reasons for discrepancy and take corrective actions to reduce future discrepancies. Any related adjustments in the inventory system and the financial system must be reviewed and approved by management.
- For audit purposes, retain all documentation in the accounting office and at the location(s) of all physical inventories.
- For office supplies, conduct physical inventory counts only if the dollar amount of the inventory is significant.
- Establish performance measurement systems to hold appropriate personnel accountable for accomplishing a consistent, accurate physical count of inventory.

#### **Accounting & Financial Reporting of Inventories**

- Governmental funds use the purchase method to account for supply inventories, which are not material. This method records items as expenditures when they are acquired.
- Proprietary funds value inventory at cost or average cost and expense inventory as it is consumed.



## ACCOUNTING POLICIES & PROCEDURES

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- All Generally Accepted Accounting Principles (GAAP) costing methods are allowed as long as they are being consistently used throughout and between fiscal years. GAAP inventory costing methods include (see Accounting Guidelines section below for definitions of the costing methods):
  - First-in-first-out (FIFO)
  - Last-in-first-out (LIFO)
  - Average/Weighted Average
- Inventory valuation includes both the purchase price and the sales and use tax. For more information on related taxes, refer to [Section 4.5 | Sales & Use Taxes](#).
- The following adjustments must be approved by management and recorded in the financial system:
  - For discrepancies found in physical inventory count, adjust the General Ledger to reflect the actual cost of the inventories on hand.
  - Adjust inventory General Ledger for disposal of obsolete inventories.
  - Adjust inventory General Ledger in the financial system at least annually before the end of each fiscal year.
- For physical counts conducted at fiscal year-end, receipts and issuances around year end should be reconciled to include items in transit.

### Written Department Inventory Policies & Procedures

Establish department policies and procedures addressing at least the following areas:

- Segregation of duties
- Inventory planning
- Obsolete inventory monitoring
- Physical custody
- Physical count
- Inventory valuation
- Inventory recording
- Financial reporting

- Records retention.

## 6.2 | Accounting Guidelines

Governmental funds use the purchase method to account for supply inventories, which are not material. This method records items as expenditures when they are acquired. Proprietary funds (Enterprise and Internal Service Funds) value inventory at cost or average cost and expense supply inventory as it is consumed. Inventory valuation is calculated by each department.

As stated in the Policy Guidelines section above, all GAAP costing methods are allowed as long as they are consistently used throughout and between fiscal years. The definitions of the costing methods are as follows:

- FIFO: inventory usage is based upon the cost of material bought earliest in the period, while inventory on hand is based upon the cost of material bought later in the period. This results in inventory being valued close to current replacement cost.
- LIFO: inventory usage is based upon the cost of material bought towards the end of the period. The inventory on hand, however, is valued on the basis of the cost of materials bought earlier in the period. This results in inventory being valued close to historical cost.
- Average/Weighted Average: both inventory on hand and inventory usage are based upon the average cost of all units bought during the period.

There may be variations in accounting transactions for each department. For any questions, contact your Controller's Office Fund Accountant.

## 7 | INTERDEPARTMENTAL SERVICES

This section describes the policies and procedures for interdepartmental services provided by one department to another department on a cost reimbursement basis. Services of Other Departments (SOD) budgets must comply with the provisions of the *Budget and Appropriation Ordinance (Budget Ordinance) Section 9 (Interdepartmental Services)*:

The Controller is hereby authorized and directed to prescribe the method to be used in making payments for interdepartmental services in accordance with the provisions of Section 3.105 of the Charter, and to provide for the establishment of interdepartmental reserves which may be required to pay for future obligations which result from current performances. Whenever in the judgment of the Controller, the amounts which have been set aside for such purposes are no longer required or are in excess of the amount which is then currently estimated to be required, the Controller shall transfer the amount no longer required to the fund balance of the particular fund of which the reserve is a part. Provided further that no expenditure shall be made for personnel services, rent, equipment and capital outlay purposes from any interdepartmental reserve or work order fund without specific appropriation 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. The Controller, pursuant to the provisions of Charter Section 3.105, shall review and may adjust charges or fees for services that may be authorized by the Board of Supervisors for the administration of the Computer Store. Such fees are hereby appropriated for that purpose

### 7.1 | Overview

City departments may establish with each other memoranda of understanding (MOU) or interdepartmental service agreements (ISA) for Interdepartmental services (IDS) for the purpose of requesting and performing interdepartmental services. Although an MOU or ISA is not required if the IDS budget is established during the *Annual Appropriation Ordinance (AAO)* process, development of a written agreement is strongly encouraged as a best practice and, in some instances, may be a regulatory requirement.

There are two parties to an ISA or MOU:

- Performing Department – the department doing the service(s)
- Requesting Department – the department receiving the service(s)

There are three methods to process ISA or SOD transactions in in PeopleSoft:

1. Direct Charge

- Requesting Department assigns budget to the Performing Department from the Requesting Department's own Fund, Authority, and Project
- Performing Department posts actuals directly to the Requesting Department's Fund, Authority, and Project

2. Authority Transfer

- Requesting Department assigns budget to the Performing Department from the Requesting Department's own Fund, Authority, and Project
- Performing Department is authorized to reassign the budget within the Performing Department's own Projects and Activity Work Breakdown Structure (WBS)
- Performing Department still posts actuals to the Requesting Department's Fund and Authority

3. Internal Billing

- Both the Performing and Requesting Departments establish budgets for the work performed.
- Performing Department incurs costs in own Fund, Authority, and Project
- Performing Department submits a journal entry to recover the costs from the Requesting Department

**Performing Department's Activities**

Based on the MOU or ISA, the Performing Department does one of the following:

1. **Direct Charge**

Receives the assigned budget that originated in the Commitment Control module. Here, the Requesting Department reassigned the department and/or account Chartfield within the original Fund/Authority/Project & Activity

2. **Authority Transfer**

Receives the assigned budget that originated in the Commitment Control module. Here, the Requesting Department reassigned the department and/or account Chartfield within the original Fund/Authority/Project & Activity. Further, the Performing Department then reassigns the Project/Activity within the Commitment Control (KK) module into its own Project/Activity with the Chartfields Fund & Authority remaining the same

### **3. Internal Billing**

Sets up Recovery Revenue accounts in 4860 and 4870 groups along with associated expenditure accounts, while the Requesting Department sets up a Services of Other Department (SOD) expenditure accounts in the 5810 group. The Performing Department first performs the service (incurs the cost), then recovers the costs from the Requesting Department by submitting in the General Ledger Module a journal entry (internal billing) to bill the appropriate Project/Activity and Account. The billing charges the expenditures under “Services of Departments” of the Requesting Department and credits the “Recoveries – Dept.” account of the Performing Department

Most of all the budget, billing, and modification of IDS transactions will be initiated at the General Ledger Module, or Commitment Control (KK) Module. The department will utilize the Project Costing Module for tracking costs and management reporting. At fiscal year-end, the interdepartmental service appropriations for annual funds are closed if services are completed. If services are not complete, they are requested to be carried forward upon agreement by both parties. Outstanding IDS projects supported by continuing funds will be automatically carried forward to the new fiscal year.

#### **Requesting Department’s Activities**

The Requesting Department creates a memorandum of understanding (MOU) or interdepartmental service agreement (ISA) describing the scope of the interdepartmental services to be provided and the basis for the cost of services. These activities are described further in the following section.

#### **7.1.1 | Memorandum of Understanding (MOU) / Interdepartmental Service Agreement (ISA)**

The MOU or ISA describes the scope of services to be provided, the basis for the cost of services, and the level of detail for any documentation the Requesting Department requires from the Performing Department as proof that services were provided (such documentation shall be discussed with the Performing Department. The MOU or ISA must be signed by the Department Heads of both the Requesting and Performing Departments prior to the creation of the IDS project.

If the IDS is grant-funded, the Requesting Department must provide the pertinent grant funding requirements to the Performing Department and ensure the Performing Department adheres to grant provisions when it expends the grant funds. The Performing Department should only accept the IDS project if it can comply with the grant requirements. If it cannot, the Requesting Department has the right to cancel the IDS request.

If positions, rates, position designations, or line item budgeted amounts are changed subsequent to the initial MOU/ISA, then an amended MOU/ISA must be signed by the Department Heads or Designated Signatories of both the Requesting and Performing Departments, unless the original MOU/ISA contains a provision for such changes. (Note that Designated Signatories for MOUs/ISAs should be on file with the

Controller's Office.) If changes are minor or immaterial, then other forms of written communication such as e-mail may be used to document the changes and constitutes acknowledgement by both parties. Departments should confirm with their Fund Accountants for what qualifies as "minor" or "immaterial".

See the following Figure for a sample IDS project MOU template (other established templates may be used, with Controller's acceptance).

DRAFT

[illegible]

**MOU – Page 2**

**Method of Calculation of Charges:**

*Describe the calculation for each type of service in detail.*

**Billing Documentation Required from Performing Department Before Approval of Charges:**

*(Such as City personnel costs detailed, non-labor costs, other detailed documentation, etc.)*

**Billing Disputes:**

Disputes shall be resolved by the Performing Department's Finance Director and the Requesting Department's Finance Director as necessary.

**This MOU has been entered into on the dates below.**

\_\_\_\_\_  
Requesting Department Head  
Or Designee Signature

\_\_\_\_\_  
Print Name and Title

\_\_\_\_\_  
Date

\_\_\_\_\_  
Performing Department Head  
Or Designee Signature

\_\_\_\_\_  
Print Name and Title

\_\_\_\_\_  
Date



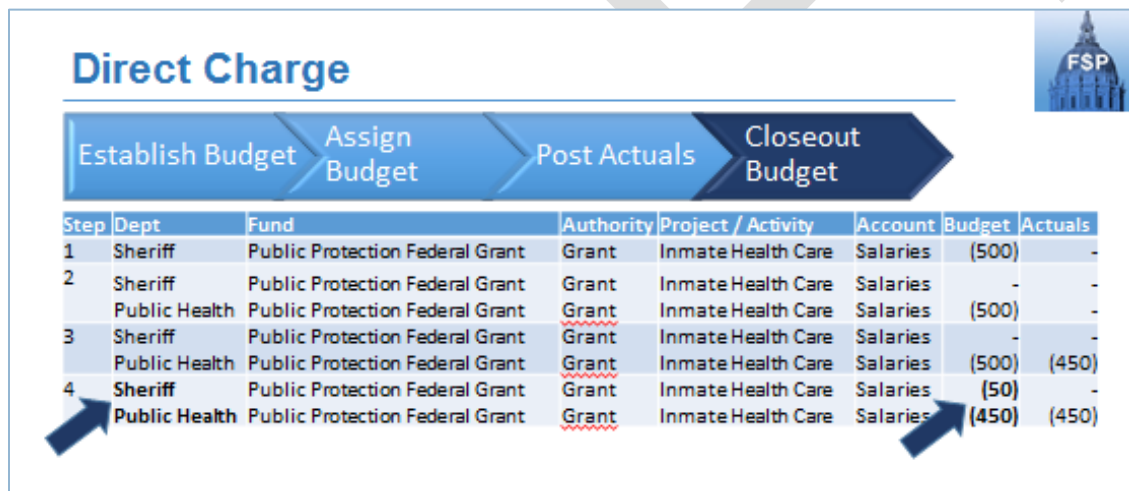
## 7.1.2 | Interdepartmental Services Billing Methods

### 7.1.2.1 DIRECT CHARGE

Direct Charge allows the Performing Department to post expenditures incurred directly to the Requesting Department's budget. The Requesting Department assigns budget for the Performing Department from its own fund and authority through a work authorization budget entry processed via the Commitment Control module. The Requesting Department records an expenditure to its own department code and Requesting Department's fund and authority code. For grant-funded interdepartmental services that involve specialized work or related to a capital project, Direct Charges should be used to post or allocate interdepartmental expenditures to the grant project.

The following illustrates the Direct Charge process.

**FIGURE 7-2. DIRECT CHARGE IN PEOPLESOFT**

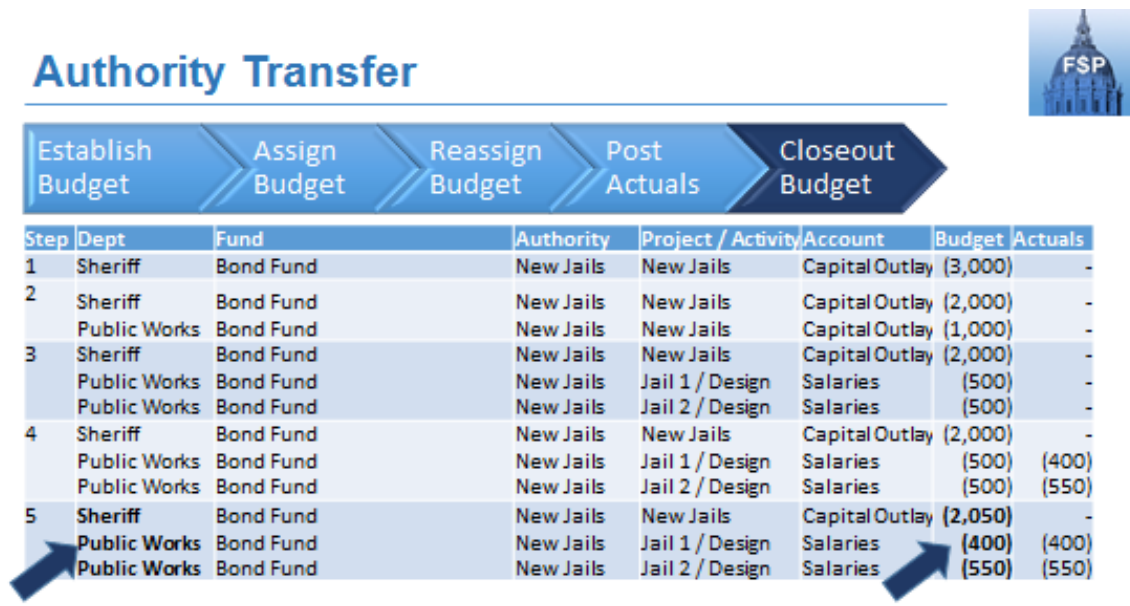


### 7.1.2.2 | AUTHORITY TRANSFER

Authority Transfer allows the Performing Department to post expenditures incurred to the Requesting Department's budget under its own project and activity work breakdown structure. This method is used when the Performing Department has a need to manage multiple interdepartmental services systematically. However, this method is not recommended for grant projects.

The following illustrates the Authority Transfer process:

**FIGURE 7-3. AUTHORITY TRANSFER IN PEOPLESOFT**

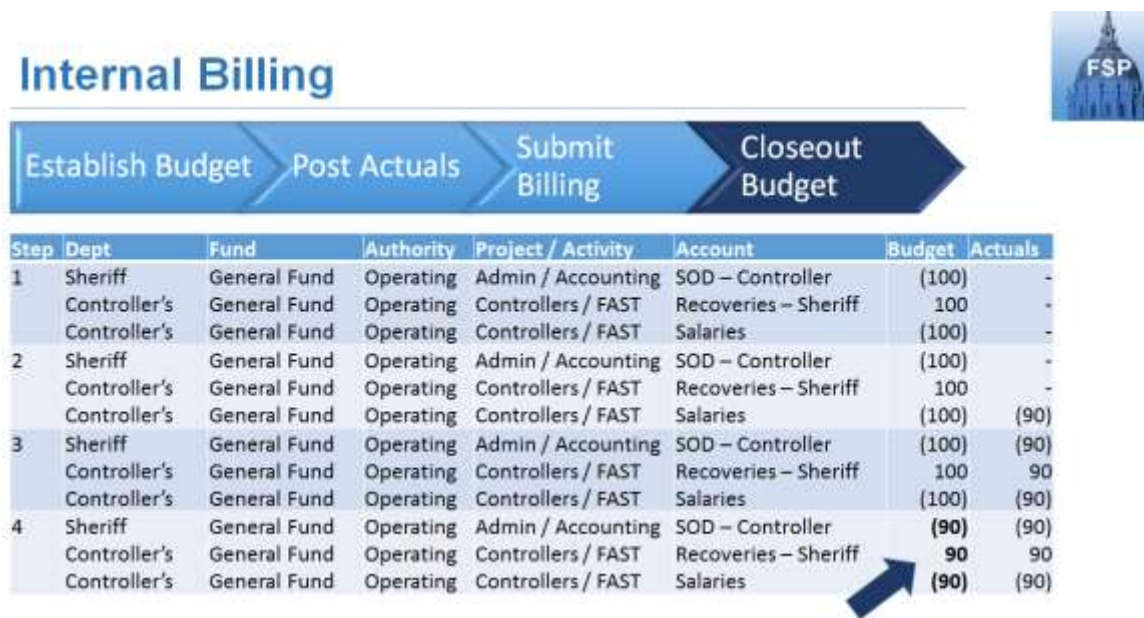


#### 7.1.2.3 | INTERNAL BILLING

Internal Billing allows the Performing Department to recover costs incurred in its own budget. This method is acceptable for grant projects when the services provided are deemed eligible expenditures under the terms of the grant and are consistent for similar services provided to other funding sources (e.g., reproduction and mail charges, telephone charges)

The following illustrates the Internal Billing process:

FIGURE 7-4. INTERNAL BILLING IN PEOPLESOFT



Citywide revenue recovery and expenditure accounts, budget, and actual billing should be balanced. In other words, recovery accounts in the 5810 group should balance with expenditure accounts in the 4860 and 4870 groups. Recovery of overhead charges should be done with the overhead allocation and charge to an overhead recovery account. Refer to the Controller's Allocation Policy.

Described below are more detailed procedures involving the technicalities of the Interdepartmental Services cycle:

1. Budgeting
2. Expenditure
3. Billing
4. Service to Outside Agencies
5. Adjustments
6. Liquidation / Carryforward
7. Year-End Process
8. Exceptions

## Budgeting

For *Direct Charge* billing through the City’s budget process and the AAO, the Requesting Department will establish the department’s own fund, authority and project. It will initiate the entry to assign budget in order to provide the authorization of delivery of services by the Performing Department.

For *Authority Transfer* billing through the City’s budget process and the AAO, the Requesting Department will establish the department’s own fund, authority and project. It will initiate the entry to assign budget in order to provide the authorization of delivery of services by the Performing Department. Additionally, the Performing Department may reassign the budget within its own project for project costing reasons.

For *Internal Billing* through the City’s budget process and the AAO, Service of Department (SOD) budgets, which provide the authorization of delivery of services by the Performing Department, are set up on the Requesting Department’s side. A corresponding revenue recovery account is set up on the Performing Department side that will be used to recover the cost of services provided when billing the incurred expenditures against the Requesting Department’s budget. Below is an illustration of controls.

**FIGURE 7-5. APPROPRIATION CONTROL & TRANSACTION POSTING**

Appropriation Control + Transaction Posting					
	Dept	Fund	Authority	Project /Activity	Account
Transactions	Lowest Level	Subfund	Authority	Lowest Level Activity	Subobject
<b>Appropriation Controls</b>					
Account Control (Operating Funds)	Department	Subfund	-	-	Character
Project Control (Grant Funds)	Department	Subfund	-	Project	-
Authority Control (Project Funds)	Department	Subfund	Authority	-	-
<ul style="list-style-type: none"> <li>• Six <u>ChartFields</u> required for all transactions</li> <li>• Appropriation Control driven by Fund entered</li> <li>• SOD <u>subobject-level</u> override</li> </ul>					

## Budget Set Up Through AAO

Internal Billing: An MOU or ISA is signed by both the Requesting and Performing Departments with the scope and cost of services to be performed for each item included in interdepartmental service budgets. The interdepartmental service budgets included in the annual budget process are appropriated as a function of posting the Budget Ordinance. These automated budget interface entries will process in July after the Board of Supervisors has adopted the budget.

## ACCOUNTING POLICIES &amp; PROCEDURES

- The Requesting Department submits the budget request in Budget Ordinance: fund, authority, project/activity, and account
- The Performing Department submits the request in Budget Ordinance under regular operating authority, project/activity, and account, and a corresponding recovery revenue budget under account groups 4860 or 4870 “Exp. Rec. Fr Dept” (“Dept” is the Requesting Department’s PeopleSoft title). Note: For Operating funds, the SOD budget is controlled at the Fund, Authority, Project, and Account levels to ensure that one IDS account does not tap into the budget of another IDS account.

FIGURE 7-6. INTERNAL BILLING IN PEOPLESOFT



**Direct Charges/Authority Transfer:** The interdepartmental service appropriations are budgeted directly by the Requesting Department’s fund, authority, project/activity and account. In this case, the Performing Department taps into the budget of the Requesting Department’s project/activity via budget assignment:

FIGURE 7-7. DIRECT CHARGE &amp; AUTHORITY TRANSFER IN PEOPLESOFT



### Manual Budget Set Up

For new and additional interdepartmental services not included in the budget process, Performing Departments are required to establish the budgets manually. For new interdepartmental services, a MOU or ISA is signed by both the Requesting and Performing Departments with the scope and cost of services to be performed. Refer to procedures described below for Requesting and Performing Departments.



**Requesting Department:** Approval path for budget adjustments from one Services of Other Department (SOD) account to another will go to CON AOSD to ensure that both Requesting, and Performing Departments authorize budget adjustment.

- Navigate to Commitment Control>Budget Journals>Enter Budget Transfer  
Requesting Department would establish budget journal, modify original budget, or request a Surplus Transfer depending on authority. Establish budget by reallocating the related Chartfields



**Performing Department:** For new or additional Services of Other Department (SOD) requests received or modifications to existing SOD requests after the budget process, the Performing Department submits a budget journal entry in Commitment Control to adjust the Performing Department's budget.

- Establish revenue recovery budget using revenue recovery accounts in the 4860 or 4870 groups, Account Description: "Exp Rec Fr Dept" (where "Dept" is used to identify the Requesting Department)



## Spending Controls

Spending controls are set up at the Requesting Department's fund, authority, project/activity, and account. Appropriation control for Internal Billing Services are driven by the account code in the 5810 group of accounts. For Direct Charges, appropriation control is driven by department (assigned), within the same fund, authority, project/activity/account. For Authorized Transfer, the appropriation control is driven by department (assigned) and project within the same fund and account. For Internal Billing, the approval path for budget adjustments from one Services of Other Department (SOD) account in the 5810 group to another will go to CON AOSD to ensure that both requesting and Performing

Departments authorize the budget adjustment. This also ensures that accounts within the 5810 groups cannot tap into the other accounts' appropriation.

### **Billing**

Internal billings submitted by Performing Departments require the approval of Requesting Departments. The Performing Department submits a journal entry for recovery of costs and the Requesting Department approves the journal entry.

Billings should be made at least quarterly, and preferably monthly. Supporting documentation should be uploaded as an attachment in the journal entry. Currently, Department of Technology uses an automated billing process due to the volume of transactions.

Internal billings record revenue recovery in Performing Department funds under the 4860 group of accounts, and record expenditures in Requesting Department funds under the 5810 group of accounts.

Note: No billings occur with Direct Charges; Authority Transfer expenditures are recorded directly into the Requesting Department's assigned budget.

### **Manual Internal Billing**

Performing Departments should bill quarterly, and preferably monthly, to be assured of revenue recovery and/or to avoid any last-minute rushes at year-end. The final billing at year-end should reflect any adjustments due to reconciliation or changes in actual numbers.

To minimize the time the internal billing documents are on the approval path, bill only one department on each document. Multiple affected departments' approvals on one document will prolong the approval process, especially if there are disputes on the billed amounts.

The Performing Department may utilize the PeopleSoft JE Spreadsheet Uploader to load multiple journal entries. Refer to the FAQs.

The Performing Department is expected to support billings to the Requesting Department by uploading as an attachment at the time of billing relevant supporting documentation. Documentation may include, but is not limited to: labor distribution reports (LDRs), copies of invoices, and itemized receipts. In cases where confidentiality laws apply, such as the City Attorney's client privilege, summary billing reports may suffice. Upon request, City Attorney's Office may provide, at its discretion, detailed back-up documentation on a case-by-case basis. Any questions or disputes regarding the amount, interdepartmental services, and documentation should be promptly resolved between the Performing and Requesting Departments.

### **Automated Interface Billing**

Department of Technology uses PeopleSoft's automated allocation systems for automatic billings.

For federal compliance reasons, the Airport cannot be billed through Direct Charge or Delegated Authority methods, and must be billed through the Internal Billing method unless otherwise specified in the MOU/ISA.

### **7.1.3 | Services to Outside Agencies\***

When services are requested by outside agencies—such as the SF Unified School District, City College, or Housing Authority—Performing Departments should establish expenditure budget using regular expenditure accounts and record regular revenue accounts in the appropriate fund.

### **7.1.4 | Adjustments**

Internal Service budget adjustments or modifications can be made during the fiscal year. Any adjustments or modifications require the approval of both Requesting and Performing Departments. Be sure to amend any MOU/ISA as necessary.

Internal Service budget adjustments such as increases, decreases, or cancellations, can be processed during the year, whereby the Performing Department initiates the budget transfer entry, which goes on to the Requesting Department's approval path for processing. It is important to adjust the appropriation accordingly. This means that when internal service budget recovery is to be reduced, the appropriation needs to be reduced as well by the same amount. Any modification to decrease the Requesting Department's SOD account requires a corresponding decrease to the Performing Department's appropriation and revenue recovery budget. There must be a corresponding amended MOU/ISA signed by both the Requesting and Performing Departments to reflect the changes.

#### **Direct Charge budget adjustments:**

#### **7.1.4.1 | MODIFYING WORK ORDERS**

Refer to the three methods in which Chartfields will be adjusted on the Requesting Department side.

The Performing Department initiates the entry to create the work order modification on the basis of an MOU/ISA signed by both the Requesting and Performing Departments.

#### **Interdepartmental Service (IDS) Budget Increase**

When an Interdepartmental Service (IDS) request is to be increased, the appropriation needs to be increased accordingly by both Requesting and Performing departments:

- Requesting Department needs to approve and increase IDS budget under group of accounts 5810, and to decrease appropriation of the funding source



- The Performing Department must also increase appropriation of the funding source and increase the revenue recovery budget

#### **Interdepartmental Service (IDS) Budget Decrease**

When an Interdepartmental Service (IDS) request is to be reduced or cancelled, the appropriation needs to be reduced accordingly:

- Performing Department initiates the entry to decrease appropriation of the funding source and decrease the revenue recovery budget
- Requesting Department decreases the appropriation of the funding source for the work order under group of accounts 5810

#### **7.1.4.2 | CLEARING ERRORS & ADJUSTMENTS**

##### **Billing Adjustments**

Billing adjustments are processed in the General Ledger Module as journal entries against group of accounts 5810 and 48600/48700.

##### **ADD SECTION:**

##### **Project Costing and IDS**

**Using Project Costing to track costs by agreement for Internal Billing.**

- **Factors for Project and Activities Structure**
  - **Management of IDS agreements**

#### **7.1.4.3 | COMMUNICATION BETWEEN PERFORMING & REQUESTING DEPARTMENTS**

The Performing Department should periodically advise the Requesting Department of progress and possible over-billing. When budget over-runs are certain, the budget needs to be adjusted accordingly; otherwise, billing triggers posting errors of "appropriation exceeded." Additionally, budget overruns may require that interdepartmental MOUs be amended.

#### **7.1.5 | Liquidation / Carryforward**

Once the work has been completed and fully billed, the balance in the IDS account, if any, will close at the end of the year. Departments may request manual appropriation carryforward for open Interdepartmental Service Accounts with justification submitted to Controller's Office. Requesting and

Performing Departments are expected to reach consensus and submit their corresponding Interdepartmental Service budget carryforward requests with justification.

### **7.1.6 | Year-End Processes**

Once the work has been completed and fully billed, the balance in the IDS account, if any, will close at the end of the year. At fiscal year-end, the Department/Controller's Office will generate a list of outstanding IDS accounts to be reviewed. Both the Requesting and Performing Departments review this list and reach a consensus in determining the manual appropriation carryforward. The request for carryforward will be included in the Requesting Department's form.

### **7.1.7 | Exceptions**

Requests for exceptions to the interdepartmental service agreement guidelines in the Controller's Office's *Accounting Policies & Procedures* must be submitted to the Controller's Office for prior approval. To request an approved exception, submit your department's written IDS policies and procedures for review.

### **7.1.8 | Project Costing Recommended Structure**

Refer to [Section 1.6 | Projects & Project Costing](#).

### **7.1.9 | Overhead Allocation \***

Recovery Revenue accounts in 4860 and 4870 groups should only be used to record interdepartmental activities and not intradepartmental activities (division charging to other divisions within same department). Please refer to the Overhead Allocation Section for further details.

- Example: Intradepartmental allocation previously posted to FAMIS work order recovery Sub-objects (e.g., 08799 or other Sub-objects in 086 character) should be handled as journal entry allocation in PS (TO DISCUSS)
- New account – Contra 020 OH account will be the recommended new account to record such credit allocations (i.e., Dept. Overhead, Divisional charges)

### **7.1.10 | Frequently Asked Questions\***

**[THIS SECTION IS UNDER CONSTRUCTION]**

Matrix of Chartfields for the 3 billing methods:

**ACCOUNTING POLICIES & PROCEDURES****TABLE 7-1. CHARTFIELD MATRIX FOR BILLING METHODS**

<b>CHARTFIELD</b>	<b>DIRECT CHARGE</b>	<b>DELEGATED AUTHORITY</b>	<b>INTERNAL BILLING</b>
Department	Performing	Performing	Requesting and Performing
Fund	Requesting	Requesting	Requesting and Performing
Authority	Requesting	Requesting	Requesting and Performing
Project/ Activity	Requesting	Performing	Requesting and Performing
Account	Expenditure accounts (except group 5810)	Expenditure accounts (except group 5810)	Requesting: recovery Revenue accounts in 4860 and 4870 groups;  Performing: expenditure accounts in group 5810
Notation:		Link to Performing Department's original project via the ChartField 'Authority' for budget check and reporting?	

2) Which methodology should I use?

TBD

3) What are the recommended Project Structures?

One Project per Department with activity representing agreements:

#### 4) Example of Using Spreadsheet Uploader for Billing:

Sys ID	Journal ID	Line #	Unit	Ledger	Account	Fund	Department	Authority	Agency Use	Proj Unit	Project	Project Active Analysis	Arrearage	Journal Line
1811	NEXT	1	SFGOV	ACTUALS	581012	16000	100231	22729		SFGOV	10125489	0001	GLE	174.00
1811	NEXT	2	SFGOV	ACTUALS	581013	16000	377152	47894		SFGOV	10125489	0001	GLE	146.00
1811	NEXT	3	SFGOV	ACTUALS	581014	48833	440632	30180		SFGOV	10125489	0001	GLE	28.00
1811	NEXT	4	SFGOV	ACTUALS	581051	35483	401811	42419		SFGOV	10125489	0001	GLE	483.00
1811	NEXT	5	SFGOV	ACTUALS	581061	37630	316458	23776		SFGOV	10125489	0001	GLE	346.00
1811	NEXT	6	SFGOV	ACTUALS	581062	18148	328721	43732		SFGOV	10125489	0001	GLE	298.00
1811	NEXT	7	SFGOV	ACTUALS	581063	48539	258746	36999		SFGOV	10125489	0001	GLE	484.00
1811	NEXT	8	SFGOV	ACTUALS	581064	43525	352760	39545		SFGOV	10125489	0001	GLE	368.00
1811	NEXT	9	SFGOV	ACTUALS	581065	48866	337655	42981		SFGOV	10125489	0001	GLE	326.00
1811	NEXT	10	SFGOV	ACTUALS	581066	11283	103953	26344		SFGOV	10125489	0001	GLE	268.00
1811	NEXT	11	SFGOV	ACTUALS	581067	36985	306332	27246		SFGOV	10125489	0001	GLE	353.00
1811	NEXT	12	SFGOV	ACTUALS	486040	19009	279836	27289		SFGOV	10125489	0001	GLE	(3,274.00)

#### 5) Can I charge a department a non-IDS account but recover using my IDS revenue recovery?

NO

#### 6) Examples of variances in IDS – 5810 and 4860 transactions?

[PENDING]

## 8 | CASH RECEIPTS & REVENUE

The purpose of this section is to instruct City departments on how to properly process cash receipts, and timely and correctly post the revenue into the financial system.

### 8.1 | Cash Receipts

This section provides guidelines to departments for receiving cash receipts. These guidelines are issued under the authority granted to the Controller's Office in *City Charter*, Article I, Section 3.105. The *Administrative Code* also confers authority to certain departments to realize specific types of revenue.

For the purposes of this document, "cash" is any device that stores value and can be transferred between parties through a mutually agreed medium of exchange. In day-to-day business operations performed by City departments, "cash" is received in the forms of:

- Coins and bills (US currency)
- Credit cards
- Debit cards
- Checks (personal checks, cashier's checks, money orders)
- Electronic funds transfer (EFT) in the forms of wire, automated clearing house (ACH), etc.

"Cash" can be received by City departments through:

- In-person, over-the-counter, or point-of-sale transactions
- Online, electronic, or interactive voice response (IVR) phone system transactions
- Mailed remittances

Departments must abide by the following cash deposit and recording guidelines:

- All cash received by any officer or employee of the City for, or in connection with the business of, the City, shall be deposited with the Treasurer or a City bank account no later than the next business day after its receipt
- Departments must immediately endorse upon receipt checks, money orders, and other negotiable instruments that are being physically deposited, to prevent them from being negotiated or endorsed by someone other than the department

- Cash receipt transactions should be recorded in the City's financial system on or about the same time the money is deposited. With pre-approval from AOSD Fund Accountants, exceptions to this timeframe may be granted, but cash receipts must be recorded in the financial system in time to reconcile your book to bank immediately after month end

Departments whose operations cannot meet the above requirements must contact their Controller's Office Fund Accountant to make other arrangements. The following sections set forth the requirements for City departments responsible for cash receipts.

## **8.2 | Properly Handling Cash**

It is the responsibility of City departments to have effective controls in place to accurately collect and safeguard cash, properly and timely deposit all cash due to the City, monitor cash balances, and record the correct amount and type of cash collected and deposited in the City's financial system. Different departments receive various types of revenues, and each department requires specific revenue and cash management procedures.

### **8.2.1 | Department Documentation**

Departments must develop detailed, periodically updated, written policies and procedures that will guide staff on safeguarding cash, processing transactions, handling, reconciling, and recording collections. There should be adequate separation of duties and good internal controls in all phases of cash handling. Department policies and procedures for cash handling processes and controls should include, but not necessarily be limited to, the following areas:

- Segregation of duties
- Security
- Tracking of cash
- Payment collection and depositing of cash receipts
- Inventory control over cash receipt books
- Data security over credit and debit transactions
- Reconciliation of daily collections
- Training of cash handling staff

#### 8.2.1.1 | WRITTEN CASH HANDLING PROCEDURES

Departments must develop cash handling policies and procedures for their specific operations. Procedures must reduce the risk of errors and irregularities and should incorporate good internal controls, including segregation of duties. Procedures must be documented and communicated to staff. Management should monitor compliance with these procedures and update them as needed to reflect changes in conditions. A copy must be provided to the department's Fund Accountant at the Controller's Office. Any exceptions to City cash handling policy must be documented and approved by the Controller's Office.

Departments' cash handling documentation should include the following as applicable:

- General information as to sources of cash received, bank accounts, and/or investments held with trustees
- Cash receipts processes describing methods of receiving customer payments and how customer deposits are processed
  - Cash, checks, debit and credit card payments
  - Wire transfers (*i.e.*, federal and state receipts) and ACH payments, or Automatic Bill Pay, *etc.*
  - Payments by mail
  - Interactive Voice Response System (IVR)
  - Online payments
  - Cash and checks received directly by Accounting
  - Lock box deposits
- Reconciliation of deposits
- Research processing
  - Unidentified payments received
  - Returned checks from bank
- Accounting procedures for recording collections and deposits
- Analytical review by staff that do not handle cash to monitor daily cash balances and trends or variances

- Inventory control over receipt books

Role-specific desk procedures should be formalized for staff who are tasked with safeguarding cash, processing transactions, and handling collections. These desk procedures should be updated periodically, and staff appropriately trained in the handling of cash, based on their duties.

Departments must document and maintain a list of names and titles of all staff who collect cash; record cash receipts; deposit cash; reconcile cash; have access to safes, vaults, etc.; prepare accounting entries for financial system(s); or manage revolving funds.

### **8.2.2 | Cash Handling Segregation of Duties**

Segregation of duties is an essential component of a department's internal controls (refer to [Section 1.7 - Internal Controls](#) for a full discussion of internal controls).

**Segregation of duties requires that different staff have responsibility for different steps in the process. Receiving revenue, making deposits, and reconciling collections and deposits should not be done by the same staff person. The extent of controls put into any cash handling process should reflect the associated risks for misappropriation**

Departments shall develop a plan of organization that provides segregation of duties appropriate for proper safeguarding of the City's assets. Key duties such as receiving cash, making deposits, and reviewing or auditing shall be assigned to separate individuals to minimize the risk for loss. A satisfactory internal control system depends largely on the elimination of opportunities to perpetrate and then conceal errors or irregularities. This in turn depends on the assignment of work in such a fashion that no one individual controls all phases of an activity or transaction.

Segregation of duties for each part of the cash handling process also requires that all transactions and supporting documents are accurately and properly recorded in department documents and systems. Departments must enforce dual custody and segregation of duties for handling and managing cash by ensuring the proper safeguards are in place; for example:

- The supervisor should observe and verify each cashier's cash count for end-of-day balancing
- Cash counts certified by two employees should occur for all deposits prepared for armored courier pickup
- Cash acceptance certified by two employees should occur for armored courier shipments



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- Individuals present during cash counts and acceptances should sign directly on the cash count forms
- Signatures are required on reconciliation documents indicating their presence for the cash deposit reconciliation and that totals agree
- Employees responsible for collecting cash are prohibited from preparing bank deposits
- Back-up staff are identified in case of absence of key employees
- Only employees who need the combination to the safe should have access to the safe
- At least two staff should be present to open a safe
- Staff who prepares deposit should not be responsible for processing non-sufficient fund (NSF) checks

The following Table provides some general guidelines for basic internal controls and methods for segregating duties for various types of cash receipts.

**TABLE 8-1. CASH HANDLING INTERNAL CONTROL EXAMPLES**

METHOD OF PAYMENT	BASIC INTERNAL CONTROLS
Online payment receipts (e.g., ACH, automatic bill pay) and IVR receipts	Segregation of duties between processing and reconciliation
Over the counter (OTC) <u>with</u> point of sale system (POS) (e.g., cash, checks, debit card, credit card payments)	<ul style="list-style-type: none"> <li>• System-generated receipt issued for each transaction</li> <li>• Cashier performs end-of-day blind count on his/her drawer to reconcile cash to system</li> <li>• Count is verified by supervisor</li> <li>• Cash drawers are locked when not in use</li> <li>• Segregation of duties between collection, depositing, recording, NSF processing and receipts reconciling</li> </ul>
OTC <u>without</u> POS (e.g., cash and check only)	<ul style="list-style-type: none"> <li>• Clerk issues pre-numbered receipt for each transaction and endorses checks</li> <li>• Cash and checks reconciled against receipts in dual custody</li> <li>• Safeguard proceeds securely until deposit</li> </ul>

METHOD OF PAYMENT	BASIC INTERNAL CONTROLS
	<ul style="list-style-type: none"> <li>Segregation of duties between collection, depositing, recording, and reconciling receipts</li> </ul>
Mailed payments <u>without</u> POS (e.g., check)	<ul style="list-style-type: none"> <li>Clerk prepares list/spreadsheet (preferably in dual custody) of payments and endorses checks</li> <li>Maintain proceeds securely until deposit</li> <li>Segregation of duties between collection, depositing, recording, and reconciling receipts</li> </ul>
Lockbox payment receipts (e.g., check)	Segregation of duties between processing in the financial system and reconciliation

#### 8.2.2.1 | TRAIN CASH HANDLING STAFF

Departments must ensure employees are well trained in important cash handling functions and maintain adequate segregation of duties by:

- Implementing a detailed annual training program of cash-handling procedures
- Ensuring back-up staff's ability to perform each segregated set of cash-handling functions
- Documenting all training that is provided
- Exploring ways to train staff involved in collections to increase their ability to detect counterfeit currency, such as using a counterfeit pen or counterfeit detector

#### 8.2.3 | Security for Cash Receipts

Departments need to ensure security cash receipts by:

- Securing buildings, facilities, and conveyances for incoming cash receipts
- Securing the custody of cash receipts
- Timely depositing cash
- Maintaining controls
- Performing reconciliations

#### 8.2.3.1 | PHYSICAL SECURITY

Departments must analyze the security needs of each cash collection point and strengthen security controls whenever necessary. This might include installing security cameras that can monitor all areas where cash is collected and handled, providing additional security guards, and securing the safe and cash registers or drawers. In addition:

- Cashier areas must be restricted to cashier personnel and other authorized persons. Access doors to area should be locked at all times
- During business hours, all active cash drawers should be secured in a locked drawer at the cashier window, including lunches and breaks
- The key to the cash drawer should remain in the sole custody of the cashier and should never be given to anyone else or left in the drawer when the cashier is away from the window
- Unused cash drawers must remain in the vault storage during the day
- Department cashiering staff must avoid counting cash in view of the public during hours of operation. To prevent this process from being observed, windows should be covered or counts should occur in locations beyond the public's view

Departments should arrange armored car pickup for transporting large amounts of cash and checks, or if not feasible, contact the Treasurer's Office. This procedure will minimize risk to staff's personal safety and decrease the risk of cash being unprotected.

Point of Sale (POS) systems used by departments should regularly prompt users to change their password. Industry standards indicate passwords should be changed every 60 to 90 days and users should not be allowed to reuse old passwords. Frequently changed passwords have the benefit of preventing predictability and provide greater protection of confidential customer information.

In the event that an emergency requires that the section staff evacuate from the area, all negotiable instruments must be locked and secured immediately. The key to the cash drawers will remain in the possession of the assigned cashier. All checks and any unopened mail must be placed in a secure location. After all items are locked up, the building must be evacuated immediately until further instructions from authorized personnel.

#### 8.2.3.2 | TRACKING OF CASH

Departments need to ensure that cash is tracked from the point it enters into the department's custody until the cash is deposited, as follows:

- Perform and document beginning counts of the cash placed in each drawer

- Implement a cash management system that allows each cashier to have their own cash drawer and can then be held responsible for any cash shortages and overages
- Ensure that cash registers allow individual users to input a unique log-in code when they conduct a transaction. This will help track any shortages or overages, or misappropriation of cash so they can be properly investigated and resolved
- Remind employees to log out of the Point of Sale (POS) system

#### 8.2.3.3 | INVENTORY CONTROL OVER CASH RECEIPT BOOKS & CASH REGISTER RECEIPTS

Departments must develop an inventory control system for receipt books. Such a system would use the range of numbers preprinted on receipts in the books currently in stock to record books used and returned. When reorders are necessary, departments should request the printer place sequential numbers on the face of the books so that an inventory control system can be maintained using those numbers. In addition, departments should ensure that copies of these sequentially numbered receipts are compared to cash collected.

Departments must implement policies and procedures related to customer receipt issuance at the location to systematically account for sales transactions. In particular:

- Install a cash register that generates sequenced receipts that contain transaction amount, date, time, quantity, and description
- Place a sign at each transaction location that receipts are required to be provided to customers
- Maintain copies of issued receipts generated for accounting, balancing, verification, and auditing purposes

Finally, departments must establish and monitor a records retention policy for all cash receipts documentation.

#### 8.2.3.4 | TTX'S PAYMENT CARD ACCEPTANCE AND PROCESSING POLICY\*

Below is the Office of the Treasurer & Tax Collector's (TTX) *Payment Card Acceptance and Processing Policy* for policies on credit and debit card payments.

##### **Definitions**

For purposes of this policy:

- *Accepted Payment Cards*: For POS (over the counter) transactions, Accepted Payment Cards are those that have been approved by the City & County of San Francisco ("CCSF") as payment cards that carry a logo of Visa, MasterCard and Discover. American Express is expected to be

available soon. For web and interactive voice recognition (IVR) transactions, Accepted Payment Cards are those that have been approved by CCSF as payment cards that carry a logo of Visa, MasterCard, American Express and Discover

- *Cardholder Data* is any personally identifiable data associated with a cardholder. This includes cardholder's primary account number (PAN), expiration date, name, address, social security number, PINs/PIN blocks, Card Validation Code CVC2 (MasterCard), Card Validation Value CVV2 (Visa), or Cardmember ID (Discover) (e.g., three- or four- digit value printed on the front or back of a Payment Card)
- *Merchant* is a department or a location of CCSF that accepts Payment Cards from cardholders
- *Merchant Account* is an account established by CCSF's Merchant Processor for the purpose of collecting revenue from sale of goods and services
- *Merchant Processor* is a financial institution of CCSF or a company with which CCSF is contracted to issue Merchant Accounts and process Payment Card transactions for various CCSF departments and locations. As of the date of this policy, Bank of America is CCSF's Merchant Processor for over-the-counter transactions. Paymentech is a Merchant Processor for web and IVR applications supported by FIS
- "Payment Card" or "Payment Cards" refers to a range of different cards that can be presented by a cardholder to make a payment. This includes, but is not limited to, debit cards and credit cards bearing a credit card company logo
- *Payment Card Acceptance and Processing* is defined as the use of mechanisms such as point-of-sale terminals (also, commonly referred to as "over-the-counter", "face-to-face", "cardholder present" methods of acceptance), interactive voice response system (IVR) or a web site to accept payment cards for payment of goods or services sold by any department of the CCSF, or for payment of taxes, fines and fees owed to the CCSF and/or the Courts
- *PCI Standard* stands for Payment Card Industry Standard developed by the four major credit card brands (Visa, MasterCard, American Express and Discover) with a single approach to safeguarding Cardholder Data. The PCI Standard defines a series of mandatory practices for handling, transmitting and storing Cardholder Data
- *PCI DSS* stands for Payment Card Industry Data Security Standard which is a set of requirements established by the four major credit card brands (Visa, MasterCard, American Express and Discover) to protect Cardholder Data

## **Purpose**

The purpose of this policy is to establish guidelines for Payment Card Acceptance and Processing, gathering, transmitting and handling Cardholder Data in compliance with PCI Standard and industry's best practices. This policy is effective August 1, 2010, and applies to all CCSF departments. CCSF views Payment Card Acceptance as a convenient and advantageous way to handle business transactions and as such, is widely used throughout CCSF.

The Treasurer's Office recognizes that some departments have unique methods of accepting Payment Cards and due to that, departments may modify this policy to suit their internal business processes and procedures. However, departments must make sure that any such modifications shall be in compliance with the PCI Standard and PCI DSS.

## **Establishing a New Over-the-Counter Merchant Account**

For over-the-counter Payment Card acceptance, requests to open a new Merchant Account must be made by a department in writing or via e-mail explaining the reason for the request. The request must be sent to Treasurer's Office Banking staff. Upon review of the request, the staff will prepare and submit all documentation to the Merchant Processor, facilitate ordering of equipment, and notify the department of the assigned Merchant and bank account numbers. It is each Merchant's responsibility to ensure Payment Card acceptance is limited to the Accepted Payment Cards.

Departments are responsible for reviewing their merchant statements on a monthly basis to ensure billed fees are accurate and to be able to promptly inform Treasurer's Office Banking staff of any incorrect or improper charges.

## **Establishing a New Web or IVR Merchant Account**

For web or IVR Payment Card acceptance, requests must be made by a department in writing or via e-mail explaining the reason for the request. The request must be sent to Treasurer's Banking Staff who will work with the vendor in setting up the Merchant Account. It is each Merchant's responsibility to ensure Payment Card acceptance is limited to the Accepted Payment Cards.

## **Security & Confidentiality of Credit & Debit Card Data**

Cardholder Data obtained in the course of a business transaction must be handled as confidential. Storing of sensitive authentication Cardholder Data, such as magnetic strip data, PINs/PIN blocks, CVV2 (Visa), CVC 2 (MasterCard), or Cardmember ID (Discover) in any form is prohibited as it violates PCI Standard and PCI DSS and will result in penalties and fines issued to CCSF.

Receiving Payment Card information via fax machine is discouraged. However, if fax communication is the only possible way to perform CCSF's business, the faxed document must be stored in a secured location (i.e. locked cabinet), or shredded. Sending Payment Card information containing Cardholder

Data to third parties via fax is prohibited. In cases where daily settlement receipts are requested by and sent to Merchant Processor via fax, they should have no visible Cardholder Data.

The Cardholder Primary Account Number (PAN) must be masked on all copies of receipts including those kept by the Merchant or issued to the customer (the first six and last four digits are the maximum number of digits to be displayed). If a department must store hard copies of receipts containing a full PAN, they must adhere to the strict requirement of PCI DSS and store such information in a secured location (i.e., locked cabinet).

However, if the PAN is stored electronically (including data on portable digital media, backup media, in logs), it must be rendered unreadable anywhere it is stored by using any of the following approaches:

- One-way hashes based on strong cryptography
- Truncation
- Index tokens and pads (pads must be securely stored)
- Strong cryptography with associated key-management processes and procedures

A detailed description of any of the above methods can be found in *PCI DSS: Understanding the Intent of the Requirements* issued by PCI Security Standard Council LLC.

Departments must keep Cardholder Data storage to a minimum and develop data retention and disposal policies in accordance with the department's operations and businesses processes. Storage and retention time should be limited to that which is required for business, legal, and/or regulatory purposes as documented in the data retention and disposal policy of the department.

Departments are required to limit access to system components and Cardholder Data to only those individuals whose job demands such access. Access limitations include, but are not limited to the following:

- Restriction of access rights to privileged users that are required to perform job responsibilities
- Assignment of privileges based on individual personnel's job classification and function
- Requirement for an authorization form signed by management that specifies required privileges
- Implementation of access control (i.e. dual approval)
- Assignment to users of a unique ID to access Cardholder Data or system components
- Utilization of a unique password created by users, or a two-factor authentication system (i.e., tokens, smart cards, site keys) for all in-house and remote users

- Render all passwords unreadable during transmission and storage on all system components using strong cryptography

When creating passwords or user ID's, it is recommended that these guidelines be followed:

- Do not use group, shared, or generic accounts and passwords
- Change passwords at least every 90 days
- Require a minimum password length of at least seven characters
- Use passwords containing both numeric and alphabetic characters
- Require a password change that is different from the user's last four passwords
- Limit repeated access attempts by locking out user ID after not more than six attempts
- Set lockout duration to a minimum of 30 minutes or until administrator enables the user ID.
- If a session has been idle for more than 15 minutes, require the user to re-enter the password to re-activate the session
- Verify user identity before performing password resets
- Control addition, deletion, and modification of user ID's
- Create unique first-time passwords and require a change at the time of the first log in
- Immediately revoke access for any terminated users
- Remove/disable inactive users every 90 days
- Enable third-party user access only during the time period needed (*i.e.*, maintenance, reporting, etc.)
- Inform department staff of password procedures and policies

Departments must ensure that any physical access to Cardholder Data or any systems that store the data is appropriately restricted. Detailed instructions on how to restrict physical access can be found in Chapter 9 of the *Navigating PCI DSS* guide.

No department employee, contractor or agent who obtains access to Cardholder Data in the course of conducting business with CCSF may use Cardholder Data for personal reasons, sell, purchase, provide, or exchange said data in any form, but not limited to, sales receipts, mailing lists, tapes, electronic and other media obtained by reason of a card transaction to any third party. The Cardholder Data can be



provided in the course of business to the Merchant Processor, Visa, MasterCard or other credit card company accepted by CCSF, or upon a request by a law enforcement agency. All requests to provide information to any party with the exception of Merchant Processor must be coordinated with the Office of the Treasurer's Banking Services unit.

### **Compliance Responsibility**

Departments shall be responsible for its compliance with PCI Standards, PCI DSS and requirements of this policy. They shall develop and implement a process for tracking and monitoring all access to network resources and Cardholder Data, and regularly test security systems and processes. These requirements are covered in detail in Chapters 10 and 11 of the *Navigating PCI DSS* guide.

Departments shall build and maintain secure networks, including, but not limited to the following:

- Establishing firewalls and router configuration systems
- Restricting connections between untrusted networks and any system components in the Cardholder Data environment
- Prohibiting direct public access between the Internet and any system in the Cardholder Data environment

It is strongly recommended that departments install personal firewall software on any mobile and/or employee-owned computers with direct connectivity to the Internet which are used to access CCSF's network.

Departments shall not use vendor-supplied defaults when installing a system on the network (i.e., passwords, simple network management protocol (SNMP) community strings, etc.).

Upon Request of the Office of the Treasurer, departments shall complete an annual PCI-DSS Self-Assessment Questionnaire (SAQ) and any other security scans or reviews deemed necessary by the Office of the Treasurer.

Each department's ability to accept Payment Cards is conditioned on its compliance with the requirements of this section. If a department fails compliance, it shall be responsible for correcting deficiencies and such instances should be reported to the Office of the Treasurer, stating the reason for the deficiencies and the final results of the department's attempt to bring it into compliance.

The PCI DSS requires that service providers accessing Cardholder Data comply with the PCI DSS. Departments must contractually require all third parties with access to Cardholder Data to adhere to PCI Standards and PCI DSS requirements. At a minimum, the agreement with third parties should address:

- That the third party is responsible for security of Cardholder Data in its possession

- The right to the Cardholder Data acquired in the process of conducting CCSF's business belongs to CCSF. CCSF may share the Cardholder Data with the Payment Card brand, Merchant Processor or a law enforcement agency as allowed by law. The third party should acknowledge that such data can only be used for assisting these parties in completing a transaction, supporting a loyalty program, providing fraud control services, or for uses specifically required by law
- Business continuity in the event of a major disruption, disaster, or failure
- Termination provision that ensures the third party will continue to treat Cardholder Data as confidential

As part of its Cardholder Data retention and disposal policy, each department should develop and maintain a security breach plan in the event Cardholder Data is compromised.

If a department suspects a security breach, it must immediately contact the Office of the Treasurer's Banking Services unit. The Banking Services unit will investigate the incident and assist the compromised department in limiting the exposure of data.

In addition, departments shall adhere to Visa's *What to Do if Compromised* guidelines:

- Immediately contain and limit the exposure. Prevent further losses of data by conducting a thorough investigation of the suspected or confirmed compromise
- To preserve evidence, do not access or alter compromised systems (i.e., do not log on at all to the machine, turn it off, unplug cable). Instead, isolate compromised systems
- Keep logs and electronic evidence and log additional actions taken
- If using a wireless network, change SSID on the AP and other machines that may be using this connection with the exception of any system believed to be compromised
- Be on "high" alert and monitor all systems with Cardholder Data

### **Settlement of Transactions**

Departments must develop an internal process for daily settlement of Payment Card transactions. As of the date of this policy, Visa allows seven (7) days and MasterCard allows 30 days for settling the transactions. Failure to settle within the specified period of time will require a second authorization from the cardholder. If the second cardholder's authorization is not obtained, the transaction will result in lost revenue to the department. Each department must train its employees on operating the credit card equipment. Training sessions can be arranged with the Merchant Processor by contact Treasurer's Office Banking Services staff.

## **Chargebacks**

Departments will receive chargeback notifications from the Merchant Processor for over-the-counter transactions and from the vendor for web and IVR transactions. Departments must respond directly to the Merchant Processor within the “respond by” date provided in the chargeback notification and provide the requested information and appropriate documentation to demonstrate legitimacy and accurate processing of the original transaction. The Merchant Processor or vendor has sole authority to determine if the chargeback will be reversed and a credit will be issued to the department.

## **Refunds**

Departments shall develop and implement a refund policy that describes circumstances under which a customer can be issued a refund. General guidelines should include the following:

- Request methods and department’s contact
- Information needed to issue a refund
- Approval level required
- Turnaround time

Refunds should be processed only to the Payment Card that was used in the original transaction; never in cash or checks.

## **Sanctions**

Non-compliance with this policy, PCI Standards, and PCI DSS could lead to exposure of sensitive Cardholder Data. A security breach of this nature could have serious consequences for CCSF including substantial fines, legal costs, auditing costs, damage to reputation, and loss of ability to accept Payment Cards.

Violation of the PCI Standards and PCI DSS requirements may result in fines as high as \$100,000 per month for an individual Merchant.

In addition, failure to comply with this policy may result in revocation of the department’s ability to accept Payment Cards.

## **Sources of Additional Information**

- Payment Card Industry (PCI) DSS Navigating PCI DSS – Understanding the Intent of the Requirements - [https://www.pcisecuritystandards.org/pdfs/pci\\_dss\\_saq\\_navigating\\_dss.pdf](https://www.pcisecuritystandards.org/pdfs/pci_dss_saq_navigating_dss.pdf)
- Payment Card Industry (PCI) Data Security Standard – Self-Assessment Questionnaire Instructions and Guidelines - [https://www.pcisecuritystandards.org/pdfs/instructions\\_guidelines\\_v1-1.pdf](https://www.pcisecuritystandards.org/pdfs/instructions_guidelines_v1-1.pdf)

- Payment Card Industry Data Security Standards – <http://www.pcisecuritystandards.org>
- Visa USA Cardholder Information Security Program (CISP) – [www.visa.com/cisp](http://www.visa.com/cisp)
- MasterCard Site Data Protection Program (SDP) - [www.mastercard.com/sdp/](http://www.mastercard.com/sdp/)
- Discover Information Security and Compliance Program (DISC) - <http://www.discovernetwork.com/fraudsecurity/disc.html>

For any questions regarding this policy, Payment Card processing, equipment, merchant products or services, please contact Treasurer’s Office Banking Staff as follows:

Primary Contact:

- TTX Banking Unit – [ttx.bankingservices@sfgov.org](mailto:ttx.bankingservices@sfgov.org)

### **Additional Payment Card Guidelines**

In addition, departments should ensure that:

- Customers always sign the merchant’s copy of the credit card receipt if more than \$25.00
- Customer credit cards are returned promptly upon completion of a transaction. No department should take possession of a customer’s credit card at any time
- Employees do not initiate the processing of transactions that may cause them to exceed the day’s closing time. They should complete all transactions before closing at the end of their shifts

#### **8.2.3.5 | RECONCILE COLLECTIONS DAILY**

Departments must ensure that:

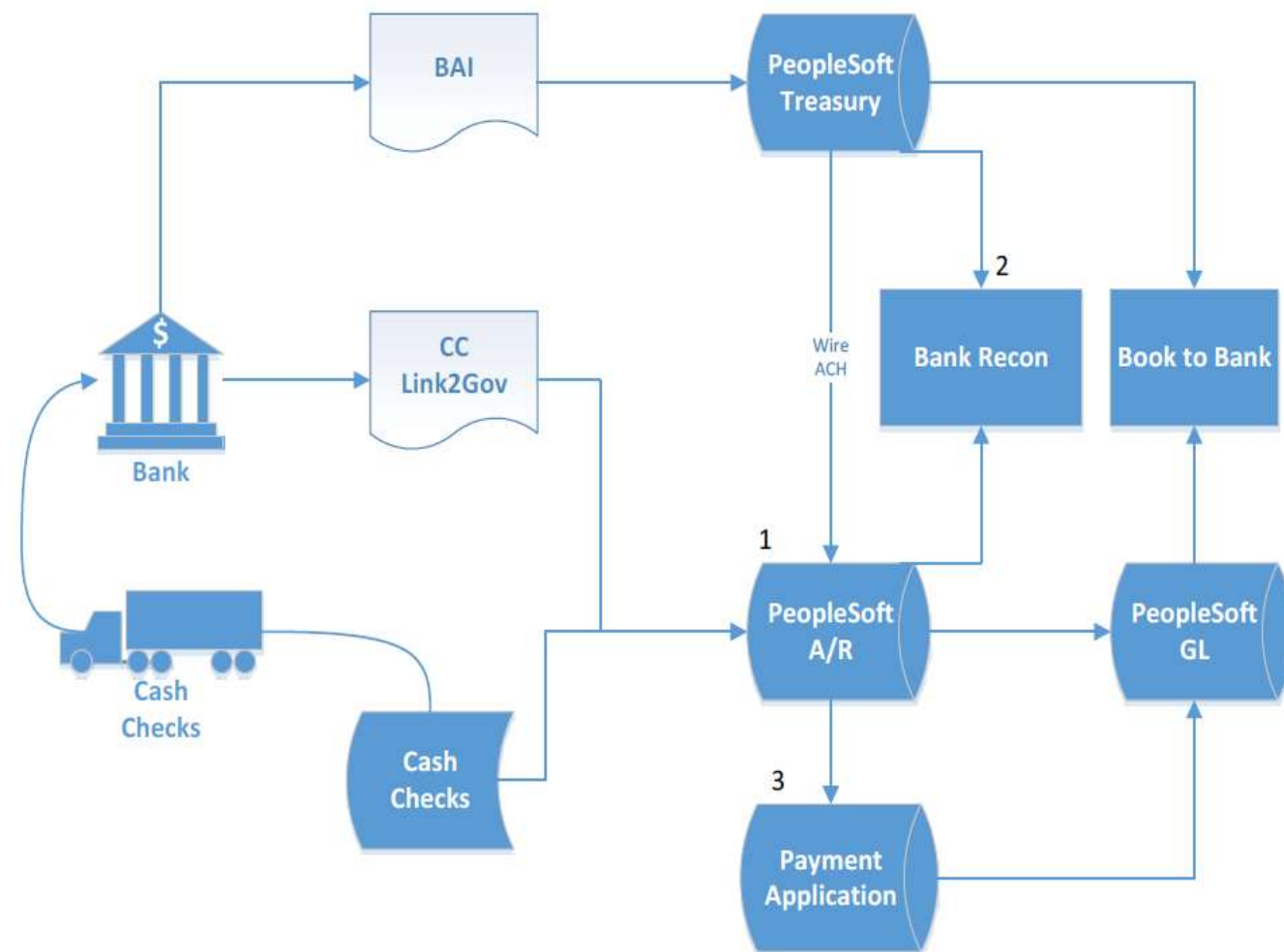
- Cash, checks, and credit/debit card collections on cashier’s balance sheet at the end of the day match the cashier’s recap. Note any discrepancies on the cashier’s recap
- A supervisor reviews and approves any adjustments to financial reports, and verifies that adjustments are appropriate and discrepancies are adequately explained in the report
- Cash reports should be forwarded to staff with responsibilities for daily reconciliation:
  - Cashier Workstation Summary
  - Cashier Recap
  - Deposit Summary

- Cash Summary
- Check Summary
- Credit Card Summary
- Credit Card Detail
- Phone Payments
- Electronic Payments

### Reconciling the Department's Bank General Ledger Account

The diagram below highlights the typical process for reconciling bank statements.

FIGURE 8-1. RECONCILING BANK ACCOUNT DAILY & MONTHLY



PeopleSoft enables users to reconcile transactions **daily** using a variety of reconciliation processes. After reconciling bank statement transactions, users can view reconciled and unreconciled transactions using various inquiry pages and resolve reconciliation exceptions.

If the department receives the bank statement file electronically, reconciliation can be processed using Automatic Reconciliation process. If not, reconciliation can only be processed by manually or by entering the bank statement information online on the Bank Balance Entry page and then using automated or semi-manual reconciliation. Most bank statements will be received electronically with some exceptions, such as revolving fund accounts.

When automatic bank statement reconciliation runs, there may be exceptions, which are transactions that did not match. The user will need to resolve the exceptions so that the transactions have a reconciliation cycle status of “Complete”. Depending on the reconciliation method used, exceptions can be resolved in a number of ways:

- Bank statement accounting functionality searches to reconcile exceptions that match predefined criteria. For example, credit card bank accounts with monthly fees will be set up to automatically generate a transaction to record the fee expense
- Semi-manual reconciliation also allows bank statement accounting functionality, or the user can opt to manually enter journal entries to resolve differences

It is important that transactions be reconciled daily, so that the monthly book-to-bank reconciliation can be easily done at the end of the month. Month-end reconciliations are due by the fifth business day of the following month.

### **Recommended Reconciliation Process**

The following are the recommended steps for reconciling bank statements in PeopleSoft:

1. Process the automatic reconciliation exceptions from the Automatic Reconciliation Exceptions page  
Use this step to reconcile one system transaction to one bank statement transaction (one-to-one). This step requires caution as system transactions are displayed with similar bank transactions in pairs. A system transaction may be paired more than once with different bank transactions.
2. Use the forced reconciliation method for unpaired bank transactions (credit card fees only)  
This is also performed from the Automatic Reconciliation Exceptions page and creates a system transaction matching the unpaired bank transaction. Departments with credit card bank accounts can use this process to force a bank fee journal entry (in place of the previous manual journal entry to record credit card fees). Departments without credit card accounts will not use this process and can move on to Step 3.
3. Reconcile the remaining transactions from the Semi Manual Reconciliation page  
This method allows reconciliation of the remaining exceptions, including one bank-statement

transaction to more than one system transaction (one-to-many), more than one bank-statement transactions to one system transaction (many-to-one), and more than one system transaction to more than one bank-statement transaction (many-to-many).

## Reconciling Statements Using Automatic Reconciliation

Automatic Reconciliation will run on a batch schedule, so it is not necessary for a department to initiate this process. Auto Reconciliation matches source transactions in Accounts Receivable with those received in a bank file and searches for a one-to-one match. It uses the Bank Deposit ID (from the daily bank statement), date, and amount to match and reconcile. If the department did not enter the Bank Deposit ID when recording its deposits in the Accounts Receivable Module, the system will not automatically reconcile these deposits. In these instances, the department will just need to reconcile its deposit using the Semi-Manual Reconciliation process.

**FIGURE 8-2. AUTOMATIC RECONCILIATION SCREEN**

Automatic Reconciliation

Search Criteria

Bank ID: 026009593 Account #: 1499808306

\*Date (Statement As Of Date) From: 12/13/2016 Thru: 12/14/2016

Search

Select	Bank ID	Account #	IBAN	Statement ID	As Of Date	Trans	Reconciled	Cycle Status	Exceptions
<input checked="" type="checkbox"/>	026009593	1499808306		25	12/09/2016	2	0	Selected	
<input type="checkbox"/>	026009593	1499808306		18	11/16/2016	10	0	Ready	
<input type="checkbox"/>	026009593	1499808306		16	11/17/2016	22	0	Ready	
<input type="checkbox"/>	026009593	1499808306		13	11/18/2016	9	0	Ready	Exceptions

Select All Clear All Process Monitor

Run Recon Refresh Reports Register Run Report Report Manager

After Automatic Reconciliations runs, it results in Exceptions (see [Figure 8-2](#)), which departments may review and clear if necessary. To review exceptions, navigate to:

Banking > Analyze Exceptions > Auto Reconciliation Exceptions

Populate the search criteria:

- Bank ID: Almost always Bank of America
- Account #: The bank account number
- Date: Use the From and To dates to select a range (usually one day)

Click on Search. Transactions with exceptions are displayed on the page. Review the exceptions and determine if exceptions can be overridden, or “forced” (i.e., the exceptions are credit card fees and you need a system transaction to match these fees). Click the checkbox if the exception can be overridden.

Click the Reconcile icon to complete the process. A cycle status of Complete indicates that all transactions were successfully matched.

The type of exception that a department will override/force transactions will only be the following:

- Credit card (merchant) fees on your credit card (depository) bank statement

If your department does not have a credit card bank account, it is not necessary for you to review Automatic Reconciliation exceptions and you may move on to Semi-Manual Reconciliation.

For other exceptions, such as differences between deposits because of an error (the AR deposit was recorded incorrectly and it doesn't match the bank amount), correct the error on the AR side and then reconcile.

If there is an error on the bank side (i.e., the bank shows the wrong check amount) contact the Controller's Office AOSD Cash Reconciliation Unit ([cash.reconciliation@sfgov.org](mailto:cash.reconciliation@sfgov.org)) and it will contact Bank of America on your behalf.

### **Reconciling Statements Using Semi-Manual Reconciliation**

Use the Semi-Manual Reconciliation page to reconcile the remaining exceptions. For example, there may not be a one-to-one match between the bank and system transactions that departments will need to research. Navigate as follows:

Banking > Reconcile Statements > Semi-Manual Reconciliation

Enter the search criteria (bank account) for the transactions needing to be reconciled and click "Search". The search will return data based on the specified criteria and display the results for both bank transactions and system transactions. Transactions can be reconciled by matching:

- One bank transaction to one system transaction (one-to-one)
- One bank transaction to many system transactions (one-to-many)
- More than one bank transaction to one system transaction (many-to-one)
- More than one bank transaction to more than one system transaction (many-to-many)



**FIGURE 8-3. SEMI-MANUAL RECONCILIATION SCREEN**

**Semi Manual Reconciliation**

Search Criteria

Bank ID: 026009593 Account #: 140000000 Statement ID: %  
 From Date: 12/13/2016 Thru Date: 12/14/2016  
 From Amount: To Amount: Currency Code: USD

Reconciliation Status: Unreconciled

Search

Advanced Search

Bank Transactions					System Transactions					
Select	Reference	Bank Date	Tran Amt	Type	Select	Reference	Tran Date	Tran Amt	Type	Source
	2030	11/23/2016	-15,000.00	CHK		00008_C2	11/04/2016	-142.00	WR	Payables
	1	11/22/2016	-1,000.00	WR		00000004	11/23/2016	-14,780.00	CHK	Payables
	2	11/21/2016	-1,000.00	ACH		00002030	11/22/2016	-15,000.00	MAN	Payables
						00000001	11/22/2016	-1,000.00	WR	Payables
						00000002	11/21/2016	-1,000.00	ACH	Payables
						00000001	11/20/2016	-13,000.00	CHK	Payables

Amount: 0.00 Difference: 0.00

Reconcile Refresh

**Note:** The sum of the bank statement transactions must be equal to the sum of the system transactions. No reconciliation tolerances are allowed under these circumstances.

Select the transactions on each side that need to be reconciled and click “Reconcile”. The system issues a warning if:

- The bank and the system dates do not match
- The bank and the system transaction types do not match
- Click the refresh button to see that it was removed from the list.
- If the reference number that is sent by the bank matches a reference number in the system, but the amounts do not match, you may need to make an adjustment entry on the system side and then use the Semi Manual Reconciliation page to reconcile the transactions.

You can select Reconciled status if you want to undo the reconciliation for a transaction. Select the transactions to un-reconcile, and click “Unreconcile”. **Note:** Do not un-reconcile a transaction that has already been sent to the General Ledger.

### Performing Monthly Book-to-Bank Reconciliation

Book-to-bank reconciliation compares bank-reported balances in the bank statement against the system's General Ledger bank balance for a specified fiscal period. The Book-to-bank Reconciliation process (TR\_BTBCALC) is normally performed as part of the periodic PeopleSoft General Ledger Close process after the bank reconciliation has been run and all subsystem transactions have been posted. Discrepancies between the bank balance and ledger balance are due to the following factors:

- Time difference items that affect the bank statement, such as deposits in transit or unreconciled checks. These are transactions that are booked in the system but not yet acknowledged by the bank
- Items noted on the bank statement but not yet booked into the system

The book-to-bank reconciliation functionality integrates with General Ledger, Payables, Expenses, Receivables, and Treasury applications. The Book-to-Bank Reconciliation Application Engine program identifies whether a posted journal line transaction has been reconciled. If a transaction has not been reconciled or has not been posted to the General Ledger, then this information appears in the Reconciliation Data group box on the Book-to-Bank Reconciliation Details page, categorized by type. Unreconciled transactions (such as bank adjustments or un-booked transactions) appear on the Ledger Balance side, while unreconciled transactions (such as payments in transit, General Ledger adjustments, or deposits in transit) appear on the Bank Statement Balance side.

The Book-to-Bank Reconciliation process leverages the period end close functionality of PeopleSoft General Ledger, which prevents posting of journal entries to a closed fiscal period. This means that transactions that are posted to a prior General Ledger period are not available to the Book-to-Bank Reconciliation process. In addition, the system does not include transactions that are posted to adjustment periods in the Book-to-Bank Reconciliation process. If adjustment period entries need to be created, access PeopleSoft General Ledger.

The Book-to-Bank Reconciliation process is used only with banks that are configured for the Automatic or Semi-Manual Reconciliation process (i.e., it is not used for revolving fund accounts).

The Book-to-Bank Reconciliation process consists of these steps:

1. Access the “Select Book-to-bank Statements” component
  - a. Search for and select the daily bank statements for a specified fiscal month that need book-to-bank reconciliation
  - b. Click the “Select and Calculate” button to run the Book-to-Bank Reconciliation Application Engine program for the selected bank statements. Access the Process Monitor to follow this processing and review any messages concerning the processing
2. Access the Book-to-Bank Reconciliation component
  - a. Search for the bank statements for which the Book-to Bank Reconciliation Application Engine were run in the previous step
  - b. Review the status of each bank statement, which can be:
    - “New”: This status indicates that the statement is new, and no balances or adjustments have been saved

- “Awaiting Confirmation”: This status indicates that some balance and adjustment work has been saved, but the statement has not been confirmed
  - “Calculating”: This status indicates that the TR\_BTBCALC process is running to extract the adjustment data and recalculate the balances
  - “Confirmed”: This status indicates the statement has been finalized as confirmed
- c. Click the “Details” icon to access the Book-to-Bank Reconciliation Details page, where the Book-to-Bank Reconciliation Bank Statement and Ledger Balances can be viewed, and view and edit any adjustments
  - d. If the Book-to-Bank Reconciliation is in balance (book-to-bank balance difference is zero) and there is nothing outstanding, click the “Confirm” button, which changes the status of the statement to “Confirmed”
  - e. Click the Save button and then the Return to Previous Page link. Click the Process Monitor link and click Refresh until the Run Status is Success and the Distribution Status is Posted. Click Save
  - f. If discrepancies exist, after researching them and making possible adjustments, return to the Book-to-Bank Reconciliation page and select the “Recalculate” link to run the Book-to-Bank Reconciliation Application Engine program again for the selected statement
  - g. Review the Book-to-Bank Reconciliation Details page each time the Book to Balance Application Engine program runs to check that the bank statement and General Ledger are balanced. Click the “Confirm” button once the total adjusted bank balance and the total adjusted ledger balance are in balance. Once the Book-to-Bank Reconciliation statement is confirmed, continue with the General Ledger Closing process  
Important! Select the “Recalculate” link any time after the original Book-to-Bank Reconciliation Application Engine program has been run as long as the statement’s status is “New” or “Awaiting Confirmation”
  - h. Click the “Report” button to generate the Book-to-Bank Reconciliation report for the specific bank statement
  - i. Select the “Event Log” link to view event tracking, which identifies the user and date and time that the original Book-to-Bank Application Engine program was run, the user and date and time that the book-to-bank reconciliation was confirmed, and the user and date and time that the confirmed book-to-bank reconciliation was overridden
3. It may be necessary to override a book-to-bank reconciliation that has a status of “Calculating” or “Confirmed”. To change either of these statuses for a bank statement to the status “Awaiting Confirmation”, access the “Override Book-to-Bank Status” component. Select the value “Awaiting Confirmation” in the “New Status” drop-down menu and save the page. The book-to-bank

reconciliation Status for that bank statement is changed to “Awaiting Confirmation”. This enables a user to make any necessary changes to the data; then click the “Recalculate” link on the Book-to-Bank Reconciliation page to run the Book-to-Bank Reconciliation Application Engine program again. Each time a “Calculating” or “Confirmed” book-to-bank reconciliation is overridden, it is also tracked in the Event Log. Possible reasons for overriding the reconciliation include:

- The bank sent a corrective statement
- It is necessary to book an entry in the General Ledger


**FIGURE 8-4. BOOK-TO-BANK RECONCILIATION SCREEN**

**Book to Bank Reconciliation**

Search Parameters

*External Bank ID 121000358	*Bank Account # 05567-07140	Bank Currency USD	Business Unit US001	Base Currency USD
Primary Ledger LOCAL	Fiscal Year <input type="text"/>	Accounting Period <input type="text"/>	<input type="button" value="Search"/>	

Available Accounting Periods

Fiscal Year	Accounting Period	*Statement ID	Statement Date	Status	User ID	DateTime	Recalculate	Details
2007	12	2	12/31/2007	Awaiting Confirmation	VP1	12/19/2012 9:29AM	<a href="#">Recalculate</a>	

[Process Monitor](#)











FIGURE 8-5. BOOK-TO-BANK RECONCILIATION DETAILS

## Book to Bank Reconciliation Details

## Reconciliation Parameters

External Bank ID	Bank Account #	Bank Currency	Business Unit	Base Currency
121000358	05567-07140	USD	US001	USD
Statement ID	Statement Date	Begin Date	End Date	
2	12/31/2007	12/01/2007	12/31/2007	
Primary Ledger	Fiscal Year	Accounting Period		
LOCAL	2007	12		

## Reconciliation Data

Bank Statement Balance	81,565.29		Ledger Balance	85,325.50	
Payments in Transit	-22,534.71		Unbooked Fees and Interest	0.00	
Deposits in Transit	7,860.21		Unbooked Payments	-28,434.71	
GL Adjustments	10,000.00		Unbooked Deposits	20,000.00	
			Bank Adjustments	0.00	
Bank Adjustments Subtotal	-4,674.50		GL Adjustments Subtotal	-8,434.71	
Total Adjusted Bank Balance	76,890.79		Total Adjusted Ledger Balance	76,890.79	
Book to Bank Difference	0.00		<input type="button" value="Confirm"/> <input type="button" value="Report"/> <a href="#">Report Manager</a>		

## Book To Bank Status

Status Awaiting Confirmation

User ID VP1

DateTime 12/19/2012 9:19AM

[Event Log](#)[Return to previous page](#)

## Reconciliation Data

- Bank Statement Balance**  
 Displays the closing balance on the bank statement that occurs within the displayed fiscal year and accounting period. Click the Bank Statement Balance icon to access the Bank
- Balance Entry page**  
 This page displays the details concerning the statement bank balance and the funds available based on the balance. You can select the Bank Transaction Entry tab to display a list of the transactions that comprise the bank statement balance, along with transaction information, reconciliation information, and addenda information details
- Payments in Transit**  
 Displays the total of all disbursements that are not yet reconciled (outstanding transactions not yet presented to the bank but recorded in the system). It also includes manual accounting entries

(created in Treasury) that have been finalized and posted to a ledger. This amount reduces the bank statement balance, which appears in the Bank Adjustments Subtotal field. Click the Payments in Transit icon to access the Payments in Transit page, where you can review the transaction details of each of the payments in transit, and specify which payment transactions in transit to include in the bank adjustment subtotal amount. The transactions are automatically selected. Remove the check mark from the Select check box associated with a transaction and exclude the transaction from the Bank Adjustments Subtotal amount on the Book-to-Bank Reconciliation Details page, and from the book-to-bank reconciliation calculations

- **Deposits in Transit**

Displays the total of all the deposits that are booked into the system but not yet acknowledged by the bank. This amount increases the bank statement balance, which appears in the Bank Adjustments Subtotal field. Click the Deposits in Transit icon to access the Deposits in Transit page, where you can review transaction details for each of the deposits in transit, and specify which deposit transactions in transit to include in the bank adjustment subtotal amount. The transactions are automatically selected. Remove the check mark from the Select check box associated with a transaction to exclude the transaction from the Bank Adjustments Subtotal amount on the Book to Bank Reconciliation Details page, and from the book to bank reconciliation calculations.

- **GL Adjustments**

Displays the total of all posted General Ledger transactions that have transaction dates that occur before or on the General Ledger period end date. Click the GL Adjustments icon to access the GL Adjustments page, where you can review transaction details for each adjustment, and specify which General Ledger adjustments to include in the bank adjustment subtotal amount. The transactions are automatically selected. Remove the check mark from the Select check box associated with a transaction to exclude the transaction from the Bank Adjustments Subtotal amount on the Book-to-Bank Reconciliation Details page, and from the book-to-bank reconciliation calculations

- **Bank Adjustments Subtotal**

Displays the total of all unposted bank transactions that exist in the bank statement but not in the system, and which have transaction dates that occur before or on the General Ledger period end date.

- **Total Adjusted Bank Balance**

Displays the sum of the values in the Bank Statement Balance and the Bank Adjusted Subtotal fields

- **Ledger Balance**

Displays the system side ledger balance for the bank account. The balance as-of date is determined by the ledger's period end date. Click the Ledger Balance icon to access the Ledger

Balance page, where you can review the ChartField distribution amounts that comprise the total ledger balance

- **Unbooked Fees and Interest**

Displays the total of all bank transactions not yet booked in the system and that have transaction dates that are on or before the bank statement date. Click the Unbooked Fees and Interest icon to access the Unbooked Fees and Interest page, where you can review transaction details and specify which unbooked fees and interest transactions to include in the General Ledger subtotal amount. The transactions are automatically selected. Remove the check mark from the Select check box associated with a transaction to exclude the transaction from the GL Adjustments Subtotal amount on the Book-to-Bank Reconciliation Details page, and from the book-to-bank reconciliation calculations

- **Unbooked Payments**

Displays the total of all unposted disbursements that exist in the bank statement but are not in the system, and which have transaction dates that are on or before the bank statement date. Click the Unbooked Payments icon to access the Unbooked Payments page, where you can review transaction details, and specify which unbooked payment transactions to include in the General Ledger subtotal amount. The transactions are automatically selected. Remove the check mark from the Select check box associated with a transaction to exclude the transaction from the GL Adjustments Subtotal amount on the Book to Bank Reconciliation Details page, and from the book to bank reconciliation calculations

- **Unbooked Deposits**

Displays the total of all unposted deposits that exist in the bank statement but are not in the system, and that have transaction dates that are on or before the bank statement date. Click the Unbooked Deposits icon to access the Unbooked Deposits page, where you can review transaction details, and specify which unbooked deposit transactions to include in the General Ledger subtotal amount. The transactions are automatically selected. Remove the check mark from the Select check box associated with a transaction to exclude the transaction from the GL Adjustments Subtotal amount on the Book-to-Bank Reconciliation Details page, and from the book-to-bank reconciliation calculations

- **Bank Adjustments**

Displays the total of the values in the Payments in Transit, Deposits in Transit, and GL Adjustments fields. The displayed total includes:

- Any unreconciled bank statement transaction that has a Bank Adjustment (BA) reconciliation transaction code
- Any unreconciled bank statement transaction that is not categorized in the Unbooked Fees and Interest, Unbooked Payments, or Unbooked Deposits totals

Click the Bank Adjustments icon to access the Bank Adjustments page, where you can review transaction details, and specify which bank adjustments to include in the General Ledger subtotal amount. The transactions are automatically selected. Remove the check mark from the Select check box associated with a transaction to exclude the transaction from the GL Adjustments Subtotal amount on the Book to Bank Reconciliation Details page, and from the book to bank reconciliation calculations

- **GL Adjustments Subtotal**

Displays the total of the values in the Unbooked Fees and Interest, Unbooked Payments, Unbooked Deposits, and Bank Adjustments fields

- **Total Adjusted Ledger Balance**

Displays the sum of the values in the Ledger Balance and GL adjustments Subtotal fields

- **Book-to-Bank Difference**

Displays the sum of the values in the Total Adjusted Bank Balance and Total Adjusted Ledger Balance fields. Click the Book to Bank Notes icon to access the Book to Bank Notes page, where you can add comments

- **Confirm**

Click to confirm that the Book to Bank Reconciliation process for this specific bank statement and fiscal period is complete. Then save the page. The Status field (in both the Book to Bank Status group box on the Book to Bank Reconciliation Details page and in the Available Accounting Period grid on the Book to Bank Reconciliation page) changes to Confirmed. This prevents other users from editing this particular reconciled statement

Note: You should carefully analyze your book-to-bank reconciliation results before confirming a statement.

- **Report**

Click this button to generate the Book-to-bank Reconciliation report. Use the Book-to-bank Reconciliation report page to generate a report of your book-to-bank reconciliation activities for a bank statement

- **Return to previous page**

Click to access the Book-to-bank Reconcile page

- **Event Log**

Click this link to access the Event Log page, which is used to track the original book-to-bank reconciliation process, confirmation of the book-to-bank reconciliation process, and any overrides of a calculating or confirmed book-to-bank reconciliation.



## 8.3 | Properly Recording Revenue

This section provides guidelines to departments for properly and consistently recording revenue. Cash receipts should be recorded in the City's financial system on or about the same time the money is deposited, and in time to reconcile your book-to-bank immediately after month-end. With pre-approval from AOSD Fund Accountants, exceptions to this timeframe may be granted, but cash receipts must be recorded in the financial system in time to reconcile your book to bank immediately after month-end.

[Figure 8-6](#) provides a high-level perspective on how cash receipts are to be processed and recorded into the financial system.

Departments process numerous revenue category types, including but not limited to:

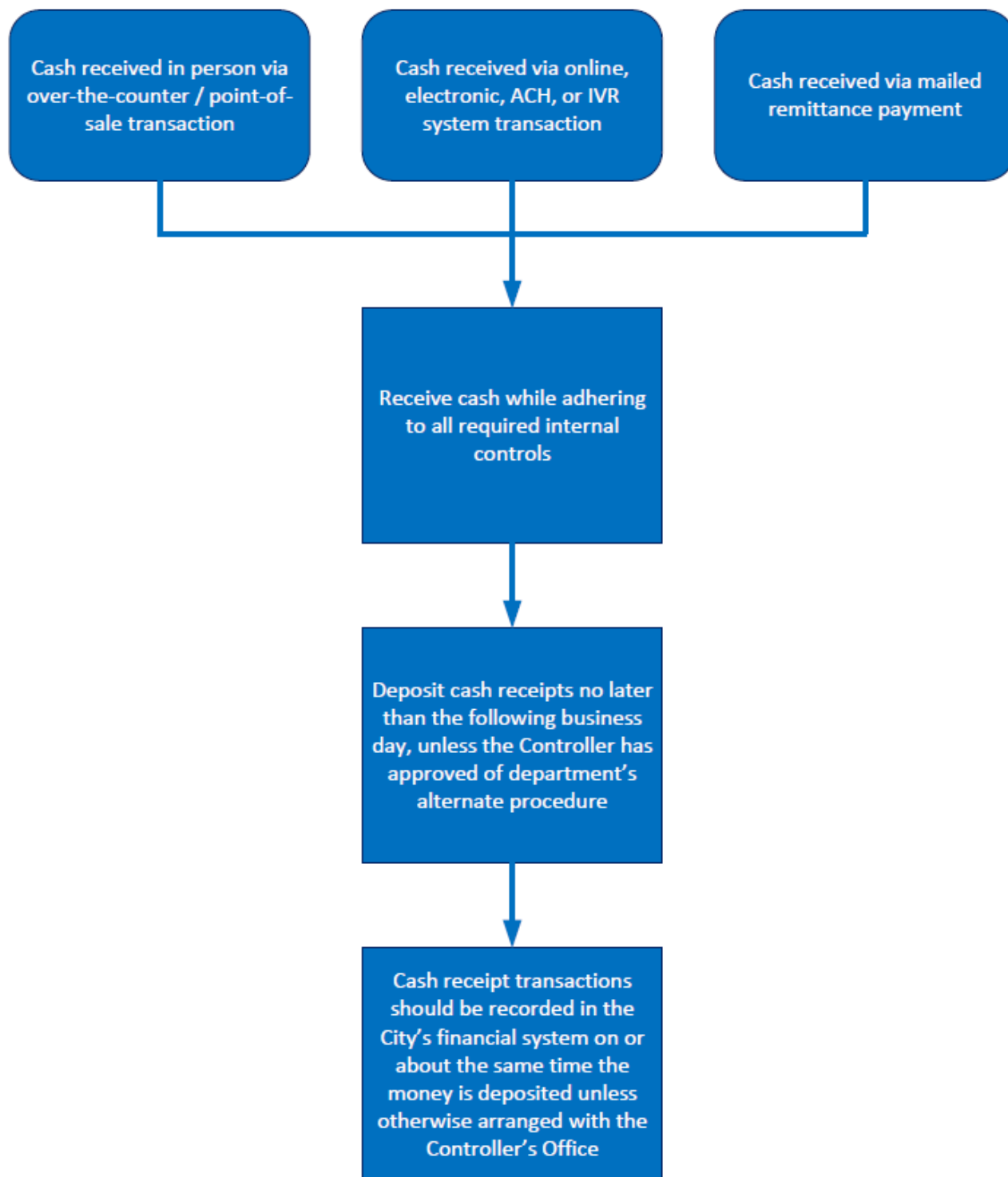
- Licenses
  - Dog licenses (Dept. of Animal Care & Control)
  - Marriage licenses (Treasurer & Tax Collector)
  - Business licenses (Treasurer & Tax Collector)
- Permits
  - Building permits (Dept. of Building Inspection)
  - Landing permits (Airport)
- Fines, forfeitures, & penalties
- Rents & leases
- Concessions
- Charges for services & sales
  - Admissions fees (Recreation & Parks Dept.)
  - Class registration fees (Recreation & Parks Dept.)
  - Greens fees (Recreation & Parks Dept.)
  - Rental fees (Recreation & Parks Dept.)
  - Merchandise sales
- Gifts & donations

- Dividends & other revenues

The following Figure summarizes how departments should handle and record cash receipts.

DRAFT

FIGURE 8-6. CASH HANDLING RECEIPT AND RECORDING



### 8.3.1 | Cash Receipts

In PeopleSoft Receivables, a deposit consists of all payments that a department or that the bank processes. A payment can be applied to multiple items for a single customer or to multiple items for different customers, even across departments. Payments can be applied to either customers, open items, or as direct journals to the General Ledger. Note that accounts receivable open items (payments that are owed to you and that you have billed/invoiced) will only include grants and certain departmental receipts (e.g., Library facility rentals, Port leases, and MTA miscellaneous billing receipts until further notice). Payments enter PeopleSoft Receivables using methods described in this section.

- Regular Deposit  
Regular deposit is the standard method for PeopleSoft receipt entry. Most departments will use this method.
- Excel Spreadsheet (Deposit Uploader)  
Cash and remittance information can be entered into a pre-formatted Microsoft Excel spreadsheet and loaded into PeopleSoft Accounts Receivables
- Deposit Interface (TTX, MTA, ASR Only)
- Bank Statement (Wire Account Only—TTX)  
Bank statement deposits are a source of payments through the entry of reconciled deposits to the receivables system. These wire deposits include unidentified wires which departments will be responsible to record. See [Section 8.3.1.8 | Unidentified Receipts](#).

Depending on the department, one or more of these methods can be used. The method of payment entry used does not limit cash application options. After payments are entered, they can be applied to items by using a payment worksheet (A/R open items/specific departments only). After payments are applied, the Receivable Update process runs to post the payments, create accounting entries, and update the customers' balances.

Otherwise, most departments will journal cash to the General Ledger by using direct journaling.

Direct journaling bypasses payment application and sends cash directly to the General Ledger—a method suited to payments that do not pay the accounts receivable items mentioned above (e.g., grants and certain department receipts).

#### 8.3.1.1 PAYMENT STATUS

A payment's status changes as the payment moves through PeopleSoft. The status determines which payment information can be changed and which menu options are available to work with the payment. The following Table lists payment status and provides a description for each status.

TABLE 8-2. PAYMENT STATUS DESCRIPTIONS

PAYMENT STATUS	DESCRIPTION
Identified	Payment reference information or a customer identifier was provided upon entry. This occurs for regular deposits on the “Regular Deposit – Payments” page or on the “Worksheet Selection” page.  If a worksheet is deleted, the payment status reverts to Identified
Directly Journalled	The payment was entered in a regular deposit and marked for direct journaling. The status changes when accounting entries are marked complete after entering the user-defined line on the “Accounting Entries” page
Worksheet	The payment has a saved worksheet that is not set to post. If any payment in a deposit has this status, any deposit information, payment amounts, dates, or IDs cannot be changed. If accounting entries have not been created, identifying information for the payment can be changed
Applied	The payment has been applied, and either accounting entries were created online or the payment is set to post on the “Worksheet Action” page. If any payment in a deposit has this status, its deposit or payment information cannot be changed
Complete	The Receivable Update process has successfully posted the payment. After a payment has been marked Complete, a user can only inquire on it. To change it, a user must un-post the payment group

#### 8.3.1.2 ENTERING REGULAR DEPOSITS

Use a regular deposit in most cases. After the deposit is created, apply the payments using the **payment worksheet method** (ONLY specific departments/receipts) or the **Direct Journal method**.

Deposit information can be changed until one of these events occurs:

- A payment in the deposit is applied or has a saved worksheet
- Accounting entries for directly journalled payments have been completed

#### 8.3.1.3 ENTERING REGULAR DEPOSIT PAYMENT INFORMATION

Use the “Regular Deposit – Payments” page to enter details about each payment in a regular deposit. Navigate as follows:

Accounts Receivable > Payments > Online Payments > Regular Deposit

Select the Add a New Value tab. Enter Deposit Unit (normally SFGOV) and Deposit ID (“next” sequential number or your own number) and click Add.

Enter the following on the Totals page:

- **Bank Deposit ID**  
Every bank deposit has an ID. This is what the system will “auto reconcile” from the bank account information. If you have this number from your deposit slip receipt or daily bank statement, enter it here. Otherwise, enter your own tracking number as this field is required.
- **Accounting Date**  
The date that the deposit was made to the bank
- **Bank Code**  
This is normally BOA (Bank of America)
- **Bank Account**  
Select from the list the bank account into which the receipts were deposited
- **Control Currency**  
Always USD
- **Received Date**  
The date you received the checks
- **Entered Date**  
The date you are entering the deposits
- **Deposit type**  
Displays the default deposit type for the bank account. Override if needed

Under Control Totals, enter information for the Control Total Amount and Control Count (deposit items).

**If you are entering returned amounts, you must enter them as negative payments.**

Select the Payments tab and under Payment Information enter the following:

- **Payment ID**  
Enter the check number or other identifier
- **Amount**  
Enter the amount of the payment
- **Payment Method** Defaults to check

- **Dept ID**

Select your department

Mark the check box for Journal Directly to apply the payment using direct journal payment. **If you have A/R open items, you will NOT check this box because you will use a Payment Worksheet to apply your payment instead.**

Under Customer Information, enter a Customer ID and Business Unit. To add additional customers to a single payment, click the “+” sign to add another row and enter another Customer ID and Business Unit. If you have A/R open items, this information will appear on your payment worksheet. (OPTIONAL for direct journal payments)

If you have A/R Open items (e.g., Library, Port, MTA), under Reference Information, enter the receivable information to which the payment will be applied. To add additional item references to a single payment, click the plus (+) button to add another row and repeat. (This option is unavailable for direct journal payments)

To attach an item to a payment, click the Attachments hyperlink. Click the Add Attachments button and upload the appropriate supporting documentation. Click OK, and save the deposit.

Select the blue plus (+) button under Payment Information to add another payment row and repeat steps beginning with “Select the Payments tab” above.

Click Save to save your deposit

The Figure below illustrates the fields and controls on the “Regular Deposit – Totals” page and “Regular Deposit – Payments” page.

**FIGURE 8-7. “REGULAR DEPOSIT—TOTALS” PAGE**

The screenshot displays the 'Regular Deposit' page with the following details:

- Unit:** SFGOV, **Deposit ID:** 4, **Bank Deposit ID:** 12345
- Accounting Date:** 04/24/2017
- Bank Code:** BOA, **Bank Account:** 1427900227, **Deposit Type:** 2 (Check)
- Control Currency:** USD, **Format Currency:** USD, **Rate Type:** CRRNT, **Exchange Rate:** 1.00000000

Control Totals		Control Data	
Control Total Amount	8,900.00	*Count	1
Entered Total Amount	8,900.00	Count	1
Difference Amount	0.00	Count	0
Posted Total Amount	0.00	Count	0
Journalled Total Amount	0.00	Count	0

**Control Data:**

- \*Received:** 04/24/2017
- \*Entered:** 04/24/2017
- Posted:**
- Assigned:** 51907
- User:** 51907

Buttons: Save, Notify, Refresh, Add, Update/Display

**FIGURE 8-8. “REGULAR DEPOSIT—PAYMENTS” PAGE**

The screenshot displays the 'Regular Deposit' page with the following details:

- Unit:** SFGOV, **Deposit ID:** 4, **Date:** 04/24/2017, **Balance:** Balanced
- Payment Information:**
  - Payment Seq:** 1, **Amount:** 8,900.00, **Rate Type:** CRRNT, **Payment Method:** Check
  - \*Payment ID:** ARTS0001A, **Currency:** USD, **Exchange Rate:** 1.00000000
  - \*Accounting Date:** 04/24/2017, **\*Department ID:** 229227
- Customer Information:**
  - Customer ID:**, **Business Unit:**, **Remit From Name:**, **Corporate SubCost1:**, **MICR ID:**
  - Remit SetID:**, **Corporate SetID:**, **SubCost2:**, **Link MICR:**
- Reference Information:**
  - Detail References:** 1 | C0N000000000
  - Add Conversation:**

Buttons: Save, Notify, Refresh, Add, Update/Display



#### 8.3.1.4 APPLYING PAYMENTS

PeopleSoft Receivables provides a few options to apply payments:

- Payment worksheet provides a method that enables departments to manually apply payments to items and make partial payments. Only departments with A/R open items (Library, Port and MTA) will use this method
- Most departments will journal directly to the General Ledger [skip [Section 8.3.1.5 Creating a Payment Worksheet \(Library, Port and MTA only\)](#) and see [Section 8.3.1.6 Processing a Direct Journal Payment \(Departments without Open A/R items\)](#)]

A payment worksheet is a cash application tool. Payment worksheets use information about customers and items to apply payments. Selected departments can match items with payments and make any necessary adjustment. The system creates one worksheet for each payment, not one for each total deposit.

Working with a payment worksheet consists of these high-level steps:

1. Use the Worksheet Selection page to select the items that you want to work with and build the worksheet. If you add items to an existing worksheet, the system adds the new items that you selected and does not delete any items that are already on the worksheet.
2. Use the Worksheet Application page to apply the payment to items.
3. Use the Worksheet Action page to select a posting action for the worksheet or to create accounting entries online. You can copy selected or unselected items on a payment worksheet. You can delete the worksheet, or you can save your work and complete the worksheet later.

#### 8.3.1.5 CREATING A PAYMENT WORKSHEET (FOR DEPARTMENTS WHICH APPLY PAYMENTS AGAINST A/R OPEN ITEMS)

Navigate to:

Accounts Receivable > Payments > Apply Payments > Create Worksheets

Enter the Deposit Unit and Deposit ID (from the Regular Deposit process). Click the Search button. Select a Payment ID from the search results.

Verify that the Customer Criteria and Reference Criteria (Item ID, or invoice) are displayed on the page. The reference fields are carried over from the payment and can be changed here if needed. Click Build.

On the Payment Worksheet Application page, under the Item Action section, select the Entry Type (Pay an Item).

To apply an exact payment to a receivable, verify/select the item ID referenced in the Deposit (Invoice #) is checked and has an open item amount equal to the payment amount. Click the Save button.

To finalize the payment worksheet, click the Worksheet Action link and click the Create/Review Entries button to review the accounting entries. Also select “Batch Standard” under Posting Action to ensure the payment transaction is posted to the General Ledger. Click the Return to Previous Panel button to display the Worksheet Action Page. Click Save.

When the Receivables Update process runs, the payment transaction will be posted to the customer’s account.

**FIGURE 8-9. “PAYMENT WORKSHEET SELECTION” PAGE**

### Payment Worksheet Selection

Deposit Unit US001	Payment ID 1000-WRKSHEET	<input type="checkbox"/> Payment Predictor
Deposit ID 14	Payment Amount 1,000.00 USD	
Deposit Status Partially Applied	Payment Status Worksheet	

Customer Criteria

Customer Criteria

Customer Items

Customer Reference

Customer ID CWB2001

Name Alliance Directional Services

Remit SetID SHARE

Corporate SetID SHARE

MICR ID

Find | View All

First 1 of 1 Last

Business Unit US001

Remit From ID CWB101

Corporate ID CWB101

Link MICR

Reference Criteria

Reference Criteria

None

Restrict to

All Customers

Match Rule

Exact Match

Detail Reference

Item Status

Item Reference

Personalize | Find | View All |

First 1 of 1 Last

Qual Code	Reference	To Reference	Event

Item Inclusion Options

☒ All Items

☐ Deduction Items Only

☐ Items in Dispute Only

☐ Exclude Deduction Items

☐ Exclude Collection Items

☐ Exclude Dispute Items

Worksheet Action

Build

Clear

Created at 04/09/2009 5:23PM

Items 4

Worksheet Selection

Worksheet Application

Worksheet Action

FIGURE 8-10. "PAYMENT WORKSHEET APPLICATION" PAGE

Payment Worksheet Application

Deposit Unit: US001    Deposit ID: 14    Payment ID: 1000-WORKSHEET    Payment Accounting Date: 04/10/2008    Payment Sequence: 1    Payment Currency: USD

Item Action: Entry Type: Pay to Item    Reason:    Item Selection: Choice: Select Range of Items    Range:    Go    Item Sorting: Sort All By: Rate    Go

View Detail	Item Seq	Pay Ref	Cur	Item ID	Item Line	Unit	Customer	Type	Reason	Event	Disc	Disc Amt	Service Purchase ID	Tax Status
	1	1,000.00	USD	APR2008		US001	CWB2008				<input checked="" type="checkbox"/>	20.00		Not Applicable
	2	1,000.00	USD	DEC2008		US001	CWB2008	PV			<input checked="" type="checkbox"/>	20.00		Not Applicable
	3	1,000.00	USD	JAN2008		US001	CWB2008				<input checked="" type="checkbox"/>	20.00		Not Applicable
	4	1,000.00	USD	JUL2008		US001	CWB2008				<input checked="" type="checkbox"/>	20.00		Not Applicable

Summary:

Amount	1,000.00	Remaining	257.81	Unearned	0.00
Selected	757.00	Discount	14.84	Earned	14.84
Adjusted	0.00	Write Off	0.00		

Worksheet Selection    Worksheet Application    Worksheet Action    Attachments (0)    View Audit Logs

#### 8.3.1.6 PROCESSING A DIRECT JOURNAL PAYMENT (DEPARTMENTS WITHOUT OPEN A/R ITEMS)

To process a direct journal payment, a department must first have entered a regular deposit. See [Section 8.3.1.2 Entering Regular Deposits](#). **Don't forget to mark the checkbox for "Journal Directly".**

Navigate to:

Accounts Receivable > Payments > Direct Journal Payments > Create Accounting Entries

Enter Deposit Unit and Deposit ID. Click Search to show all transactions for the Deposit ID.

Enter Line Amount, Account, Fund Code, Department, Agency Use, Authority, Project, and Activity. If payment is split into multiple accounting entry lines, the total amount of the multiple accounting entry lines must equal the deposit payment amount.

Enter the Analysis Type for the distribution lines: REV for revenue account used, EXP for expense account used, and BAL for other accounts used.

Click on the Currency Details tab under the Distribution Lines box. Enter a Description in the Line Description field.

(If additional distribution lines needed, click on the plus (+) button and enter Line Amount, etc., as above.)

Click the Create button (lightning bolt) and verify that the debits equal the credits.

Check the Complete box above the Distribution Lines box, and click the Save button.

**FIGURE 8-11. “ACCOUNTING ENTRIES” PAGE**

Accounting Entries
Payment Misc Wrk
Deposit Control

Unit US001
Deposit ID 19
Payment DJCSHCRLIU101
Seq 1

Amount
5,000.00 USD

☐ Complete
Entry Event

Distribution Lines
Personalize | Find | View 2 | First 1-4 of 4 Last

ChartFields
Currency Details
Journal Reference Information

Distribution Sequence	*GL Unit	Speed Type	Line Amount	Currency	*Account	Alt Acct	Oper Unit	Fund	Dept
1	US005	Speed Type	-1,010.00	USD	400000				
2	US003	Speed Type	1,010.00	USD	100003				
3	US003	Speed Type	-1,010.00	USD	200200				
4	US005	Speed Type	1,010.00	USD	100100				

Total

Lines	4	Total Debits	2,020.00	Currency	USD	Total Credits	2,020.00	Currency	USD	Net	0.00
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### 8.3.1.7 CORRECTING ERRORS MADE WHEN RECORDING DEPOSITS

#### Dollar Amount Errors

Sometimes, a department may make an error when recording its deposit (e.g. it recorded a deposit of \$101 when the actual deposit was \$100). In this situation, the individual who daily reconciles the department’s bank account will contact the person who recorded the deposit to let that person know that the deposit must be corrected for it to be reconciled. The department must correct the initial deposit in order for the reconciler to be able to correctly reconcile the receipt against the bank deposit.

#### Chart of Account Errors

In the situation wherein a deposit was applied to incorrect chartfields, a zero dollar deposit must be recorded to reverse the initial deposit and re-deposit the same amount to the correct chartfields.

On the Totals tab, key in the Bank Deposit ID, Accounting Date, Bank Code, Bank Account, Deposit Type, and Control Currency the same as the original deposit. If the accounting period of the accounting date is closed, use the first day of the open accounting period for the correction.

Refer to [Job Aid – Accounts Receivable: Correcting COA on Posted Payment](#) for step-by-step details.

When the entries have been posted, email the Controller’s Cash Disbursement team ([con.disbursement@sfgov.org](mailto:con.disbursement@sfgov.org)) with the correction Deposit ID to manually reconcile the entries.

## 8.3.1.8 UNIDENTIFIED RECEIPTS

As described earlier, wires-in (TTX wire account) automatically become deposits in the Accounts Receivable Module. However, those deposits must still be applied and posted to the General Ledger. As it does today, TTX will assign the deposits to the appropriate department for recording. It is the department's responsibility to search for its unidentified deposits or to run a PeopleSoft query to discover its own wire deposits. Departments will no longer receive a notification from TTX regarding its unidentified receipts.

As noted in the Figure below, to find all its deposits, which will not only include wires but all its known deposits as well, a department may search under its department number using the navigation:

Accounts Receivable > Payments > Direct Journal Payments > Create Accounting Entries

A query is also available.

**FIGURE 8-12. FINDING ALL A DEPARTMENT'S DEPOSITS**

**Create Accounting Entries**  
Enter any information you have and click Search. Leave fields blank for a list of all values.

Find an Existing Value

Search Criteria

Deposit Unit: SFGOV

Deposit ID: begins with

Payment Sequence: =

Department: begins with 102644

Payment ID: begins with

User ID: begins with

Assigned Operator ID: begins with

☐ Case Sensitive

Search Clear Basic Search Save Search Criteria

Search Results

Deposit Unit	Deposit ID	Payment Sequence	Department	Payment ID	User ID	Assigned Operator ID	Non Customer Dist	Balanced	Entered Date
SFGOV	104	1	102644	CRPT17001888	EXT_AGENCY_AR_PAYMENT_PRC	EXT_AGENCY_AR_PAYMENT_PRC	(blank)		03/09/2017
SFGOV	109	1	102644	ALVIN1	EXT_AGENCY_AR_PAYMENT_PRC	EXT_AGENCY_AR_PAYMENT_PRC	(blank)		03/23/2017
SFGOV	109	2	102644	ALVIN2	EXT_AGENCY_AR_PAYMENT_PRC	EXT_AGENCY_AR_PAYMENT_PRC	(blank)		03/23/2017
SFGOV	110	1	102644	ALVIN3	EXT_AGENCY_AR_PAYMENT_PRC	EXT_AGENCY_AR_PAYMENT_PRC	(blank)		03/23/2017

Note the Deposit IDs of the receipts that you have not yet processed, then proceed to apply/post the deposit to the appropriate revenue using a payment worksheet OR direct journal as required for your

department. If a Deposit ID on the search results does not belong to your department, notify the Treasurer's Office immediately.

### **8.3.2 | Cash Difference / Overage**

This section provides information about how departments should respond to cash differences and overages in department revenue collections. *Administrative Code, Section 10.82* (amended September 6, 2011) makes the Controller responsible for monitoring cash differences and overages for all departments and requires that all revenue-collecting departments record their cash differences and overages using account code – 478905 (OVER/SHORT CASH REPORT TO BOARD OF SUPVS). *Administrative Code, Section 10.82* authorizes the Controller to establish a Cash Difference and Overage fund for any department requiring one, and authorizes the Controller to manage the fund and to increase, reduce, or discontinue it. It requires any county officer, Department Head or judicial officer to report cash differences and overages to the Controller as directed, rather than daily. It also requires the Controller to issue regulations for the administration of the fund and to report annually to the Board of Supervisors.

#### **8.3.2.1 | REVENUE PROCESSING OVERVIEW**

A cash difference or overage occurs when a department's actual daily collection proceeds do not match the proceeds recorded on the department's point of sale system. This may occur due to cashier error or undetected counterfeit bills. In these instances, a department must record the cash difference or overage as a reduction or increase in revenue as part of the department's daily recording of its cash receipts transactions in the City's financial system. A department's revenue recorded in the financial system should reflect its point of sale (cashiering) system.

Cash differences and overages will be recorded in PeopleSoft using account code 478905 Cash Difference and Overage-Reporting. Departments should record the cash difference or overage in the appropriate chart string where the cash difference occurred, and must use the account code 478905 - Cash Difference and Overage-Reporting, in addition to the revenue account code, to record the overage/shortage.

As in the past, departments must still complete a *Cash Difference and Overage Report* explaining the reason for each occurrence of a cash difference or overage. These cash difference and overage reports must be maintained at the department for audit purposes for a minimum of three years. A sample *Cash Difference and Overage Report* is shown below; departments can customize the layout of the report but the required elements must be incorporated.

**FIGURE 8-13. SAMPLE CASH DIFFERENCE / OVERAGE REPORT**



#### 8.3.2.2 | CASH DIFFERENCE OR OVERAGE PROCESSING DETAILS

When a department discovers that its daily collection proceeds are less than (cash shortage) or more than (cash overage) its recorded proceeds on its point of sale (POS or cash recording) system, it must:

- ☐ Complete a *Cash Difference and Overage Report* for each occurrence (i.e., each employee) contributing to the cash difference or overage. Each report must explain the reason for the difference, must be signed by the affected employee, and reviewed/signed by the employee's supervisor. The Department Head or designee must also approve and sign the form. If the shortage or overage is \$100 or more, the form must be signed by the Department Head. Departments must maintain a file with these completed reports at their offices.
- ☐ Ensure that its *Cash Difference and Overage Report* file is complete and ready for review by the Controller's Office on a periodic basis.
- ☐ Record the revenue transaction in PeopleSoft using one of the following methods:

##### **Recording a Cash Shortage (Direct Journal Method)**

Since they are not using PeopleSoft's Accounts Receivable functionality, most departments record regular deposits and journal these directly to the General Ledger. In this case, a department should record the shorted deposit amount received and then process two accounting lines for the direct journal that net to the deposit.

For example: if the daily cash collection and deposit was only \$90, but the cashiering system's reports show that collections should have totaled \$100, record a \$90 regular deposit and then process two accounting lines for the direct journal. Line 1 will be \$100 to the department's revenue account, and Line 2 will be (\$10) to the over/short account 478905.

##### **Recording a Cash Overage (Direct Journal Method)**

To record a cash overage, a department should record the larger deposit amount received and then process two accounting lines for the direct journal that net to the deposit.

For example: if the daily cash collection and deposit was \$110, but the cashiering system's reports show that collections should have totaled \$100, record a \$110 regular deposit and then process two accounting lines for the direct journal. Line 1 will be \$100 to the department's revenue account and Line 2 will be \$10 to the over/short account 478905.

##### **Recording a Cash Shortage (A/R Payment Worksheet Method)**

For those departments that use PeopleSoft's A/R functionality (Library, Port, MTA), the department will apply the payment to the customer's (payee's) account, so there are a few options. To record a cash shortage, the department may:

- Treat the entire amount as a partial payment against an item, and change the amount for the item to the amount of the payment



- Until you know why the customer underpaid, place the entire amount on account without referencing any items by creating a new item and entering a negative amount for the amount of the payment. Do not use the same ID for the on-account item as an existing item. If you want the on-account item to be associated with an existing item, either add a prefix or suffix to the ID, or use the same item ID with a different line number

#### **Recording a Cash Overage (A/R Payment Worksheet Method)**

To record a cash overage, a department may:

- Pay off the item and create a new on account, adjustment, or prepay item with the remainder by creating a new item and entering a negative amount for the overpayment amount (see “Creating a Payment Worksheet” under [Section 8.3.1 - | Cash Receipts](#))
- Pay off one or more items entirely and treat the remainder as a partial payment on another item by changing the amount for the item to the remaining amount of the prepayment
- Until you know the reason for the overpayment, place the entire amount on account (without referencing any items) by creating a new item and entering a negative amount for the amount of the payment
- Pay off one or more items and write off the remaining balance by creating a new item and entering a negative amount for the overpayment amount

#### **Reminders**

Departments should not dismiss cash differences and overages as unimportant. Repeated instances of cash differences and overages by the same employees should be dealt with accordingly. For example, a department may:

- Provide in-depth cash handling training to employees with a certain number of cash differences and overages in one year
- Include cash handling performance measures in employees’ annual Performance Plans
- Consult with the Department of Human Resources for further instruction as necessary

Departments are being required to report their cash differences and overages in this manner to avoid having to “make up” or complete their deposits from a cash fund, which raises other internal control and security issues. Therefore, departments should not have cash funds that they are using as their own cash difference and overage fund.

### **8.3.3 | Non-Sufficient Funds (NSF) Checks**

Bank charges for NSF checks are not on department bank statements. The fees associated with NSF checks are part of the general bank fees (maintenance fees, fraud prevention service fees, transaction fees, etc.) that TTX compiles from the banks' Account Analysis Statements. PeopleSoft distributes those charges to departments through an automated journal entry on a monthly basis. Prior to FY 14, those bank fees were netted against the department's interest earnings; but now, those actual fees are directly charged to departments as expenditures.

#### **8.3.3.1 | DEPARTMENT PROCESSING OF NSF CHECKS**

*San Francisco Administrative Code*, Section 10.13-1 authorizes departments to levy a \$50 fee for an NSF check. Departments should collect this amount and are responsible for documenting how they will implement the assessment of this fee. Although the actual NSF bank fee is lower than \$50, the additional amount is meant to recover the department's cost of processing the returned check and collection efforts associated with replacing the returned check. This is considered revenue to the department and may be recorded in whichever revenue is appropriate for the department when it collects the fee.

**Even if the amount of the written check was for a small amount such as \$5, \$10, or anything less than \$50, the department should still collect the \$50 NSF fee from the customer.**

It is the department's responsibility to establish its own policy on the waiting period for the replacement check. It can be as short as five (5) days or ten (10) days. What is important is for the department to demand that the customer pay for the total amount either by cash, credit or debit card, (replacement) check, money order, or cashier's check. However, due to limited City resources it may be difficult to determine if the replacement check, money order or cashier's check is valid. Departments should include in their policy whether they are willing to accept checks from customers who previously bounced a check.

The following sample letter can be used by departments for their NSF checks.

FIGURE 8-14. SAMPLE NSF CHECK COLLECTION LETTER

(Department's Letterhead)

(Dear Taxpayer)

**NOTICE OF DISHONORED CHECK**

You are hereby notified that your check was dishonored by your financial institution due to (specify actual reason for return). As a result, an administrative charge of \$50.00 is automatically imposed on your account pursuant to the San Francisco Administrative Code, Section 10.13-1.

Furthermore, BY VIRTUE OF THE CALIFORNIA CIVIL CODE, SECTION 1719, AS A RESULT OF YOUR FAILURE TO PAY THE AMOUNT OF THE DISHONORED CHECK AND ABSENT A GOOD FAITH DISPUTE, YOU MAY BE LIABLE FOR THE AMOUNT OF THE CHECK and ADDITIONAL DAMAGES NOT LESS THAN \$100.00 UP TO A MAXIMUM OF \$1500.00 PLUS COST.

By this letter, you are advised to pay in person using cash, debit or credit card, guaranteed funds (i.e. money order or cashier's check), or sending electronic funds transfer to replace the check amount plus \$50.00, within ten (10) days of the date of this letter.

Please send your remittance to the address below or contact this office as soon as possible.

(Department's Mailing Address)  
(Department's Contact info)

Respectfully yours,

(Department Representative)



#### 8.3.3.2 | PROCESSING NSF FOR DEPARTMENTS WITH THEIR OWN DEPOSITORY ACCOUNT

##### **NSF with Open/Applied Accounts Receivable Transaction**

If the NSF check is tied to a previously open account receivable transaction where the check deposit has been applied and the Receivable Update process to post the payment has already run, then a department may unpost the payment group to reverse the payment (and reinstate the receivable).

To unpost a payment, view the control information on the Payment Control page and select an unpost reason on the Option page. Then, select Batch Priority or Batch Standard in the Action field on the Action page and click OK.

When the replacement check is received, apply the deposit using the normal process (payment worksheet for departments with open receivables) and apply to the original open receivable. See [Section 8.3.1.2 Entering Regular Deposits](#). If a department requires and receives a \$50.00 NSF fee, it may record this fee as revenue in whichever fund is appropriate, using the direct journal process outlined above.

##### **NSF without Accounts Receivable Transaction**

If the NSF is not tied to an account receivable transaction, the department may record a negative deposit and post the negative revenue to the original ChartField string. When the replacement check is received, it should record a regular deposit to the original ChartField string). If a department requires and receives a \$50 NSF fee, it may record this fee as revenue in whichever fund is appropriate, using the direct journal process outlined above.

#### 8.3.3.3 | PROCESSING NSF FOR DEPARTMENTS USING CITY'S MAIN DEPOSITORY ACCOUNT

##### **When the Check is Returned**

The Treasurer's Office will advise departments that use the City's main depository account when they have NSF checks that need to be recorded. It is then the department's responsibility to record a negative deposit under the original ChartField string of the first payment.

##### **When the Replacement Check is Collected**

When the department receives the replacement check, it will record a regular deposit to the original ChartField string of the first payment. If it also receives a \$50 NSF fee, it may record a regular deposit and apply to an appropriate revenue ChartField string.

#### 8.3.3.4 | INSTRUCTIONS & RECOMMENDED CONTROLS FOR PROCESSING RETURNED ITEMS

A staff person designated to process the department's deposits should not be the same person to process returned deposited items. Returned deposited items are items that cannot be charged against the check originator's account for reasons such as NSF, closed account, stop payment, questionable or missing signature, etc. In addition, staff making the deposits should not be the same person performing bank

reconciliations. This is recommended to promote segregation of duties and implement checks and balances in the system.

At least two (2) employees from each department should have online access to the bank's returned deposited items report. This is recommended so that another staff has the ability to access the online reports for monitoring and back-up purposes.

Departments must process their returned items in a timely manner as established by each department. This is to mitigate various complaints that a customer may have such as missing the payment deadline and incurring a penalty for late payment due to the department's late notification.

Departments may keep a subsidiary record of their returned deposited items for use in making decisions whether to take future check payments, especially from customers who previously bounced a check.

Departments with their own depository bank accounts will be retrieving images and process their own items.

### 8.3.4 | Interest Allocation\*

Pursuant to the City's Administrative Code, the interest allocation can be generalized into three types:

1. *The interests earned by the funds credited to the funds themselves*
  - The following funds shall be credited interest to the funds themselves: General Fund, General Obligation Funds, Treasure Island Development Authority (TIDA), and SFCTA.
2. *The interests earned by the funds credited to the funds themselves with exception*
  - Capital Project, Enterprise, and Fiduciary Funds shall be credited interests to the funds themselves, except for Moscone Center Fund, the two hospitals, and Agency Funds. The interests of Moscone Center Fund, General Hospital, and Agency Funds are credited to General Fund. The interests earned by the operating funds of Laguna Hospital are credited to General Fund, while the interests of its remaining funds are credited to the corresponding remaining funds.
3. *The interest earned by the funds credited to General Fund with exception*
  - Other Debt Service Funds, Internal Service Funds, and Special Revenue Funds shall be credited interests to General Fund, except for Finance Corp and grant-related special revenue funds that are credited interests to the funds themselves. Many funds under Special Revenue Funds are defined as Special Funds in the City's Administrative Code, SEC. 10.100-1. ADMINISTRATIVE OF SPECIAL FUNDS, stating, "Any interest earned on the principal in fund categories three, four, seven, and eight shall be credited to the fund, provided that the balance in said fund exceeds \$50,000." Please refer to the Administrative Code and Interest Allocation Policy when filling out the Interest Allocation Mapping Form:

Allocation Type	Fund with Cash Balance	Fund Credited Interest	
		Generality	Exception
Type 1	General Fund	General Fund	
Type 1	GOB Funds	GOB Funds	
Type 1	TIDA	TIDA	
Type 1	SFCTA	SFCTA	
Type 2	Capital Project Funds	Capital Project Funds	General Fund (Moscone Center)
Type 2	Enterprise Funds	Enterprise Funds	ZSFG & LHH go to GF
Type 2	Fiduciary Funds	Fiduciary Funds	General Fund (Agency Funds)
Type 3	Other Debt Service Funds	General Fund	
Type 3	Internal Service Funds	General Fund	Finance Corp
Type 3	Special Revenue Funds	General Fund	Special Revenue Funds - Grant with advance and Administrative Code, etc.

### Accounting Policy (excerpt from CAFR)

Income from pooled investments is allocated at month-end to each participant based on the participant's average daily cash balance (ADB) in relation to the total pooled investments. City management has determined that the investment income related to certain funds should be allocated to the General Fund. On a budget basis, the interest income is recorded in the City's General Fund. On a GAAP basis **and at year-end<sup>1</sup>**, the income is reported in the fund where the related investments reside. A transfer is then recorded to transfer an amount equal to the interest earnings to the General Fund. This is the case for certain other governmental funds, Internal Service, Investment Trust and Agency Funds.

It is the City's policy to charge interest at month-end to those funds that have a negative average daily cash balance. In certain instances, City management has determined that the interest expense related to the fund should be allocated to the City's General Fund. On a budget basis, the interest expense is recorded in the General Fund. On a GAAP basis **and at year-end<sup>1</sup>**, the interest expense is recorded in the fund and then a transfer from the General Fund for an amount equal to the interest expense is made to the fund. This is the case for certain other funds and the Internal Service Funds.

Investments are carried at fair value, except for certain non-negotiable investments that are reported at cost because they are not transferable and have terms that are not affected by changes in market interest rates, such as collateralized certificates of deposit and public time deposits. The fair value of investments is determined monthly and is based on current market prices. The fair value of participants' position in the pool approximates the value of the pool shares. The method used to determine the value of participants' equity is based on the book value of the participants' percentage participation. **Fair value adjustments are booked only once at year end<sup>1</sup>**. In the event that a certain fund overdraws its share

<sup>1</sup> Emphasis added

of pooled cash, the overdraft is covered by the General Fund and a payable to the General Fund is established in the City's basic financial statements.

### Allocation and Distribution Processes

Interest Distribution Process allows an entity to distribute interest income on pooled investments to each participant.

In Peoplesoft (PS) under current configuration, participant is defined as a combination of fund and project chartfields.

The systems need to know where the interest should go after interest earning is calculated. This is referred as the From To table, or interest distribution mapping. In PS, interest distribution mapping is defined on the Participant Information page.

The screenshot displays the 'Participant Information' page in Peoplesoft. The 'General Information' section shows 'SetID: SHARE', 'Fund: 12960', and 'Status: Active'. The 'Account Information' section shows 'Business Unit: SFGOV', 'Pool ID: IP001', 'Project ID: 10034210', and 'Description: HS CH CC Wage Subs CRET FY20 F'. The 'Account Details' section shows a table of chartfields mapping 'From' and 'To' values.

**From "Fund"** (points to Fund: 12960)

**"From" Project** (points to Project ID: 10034210)

**"To" Chartfields** (points to the 'To' column in the Account Details table)

*Account Type	Transfer Template ID	*Account	Fund	Dept	Authority	Agency Use	Project	Activity	Attrib
Deposit		114900	12960	189544	10001		10034210	9995	
Income		430150	12960	189544	10001		10034210	9995	

Buttons at the bottom: Save, Return to Search, Notify, Add, Update/Display, Include History, Correct History.

A default for each fund where the interest distributed to is set up to facilitate the process as the systems will pick up any new projects created after the last interest distribution and automatically populate new projects with Pooled Cash balance for the interest calculation to the default project. For the interest mapping, we refer this as multiple to one relationship on the From To table.

Fund Default Chartfields

SetID: SHARE

Fund: 12960 SRI Human Welfare-Grants Fed

Default ChartFields

*Account Type	*Account	*Fund Code	*Department	*Authority	Agency Use	*Project	Activity
Deposit	114900	10000	230018	10000		10026734	9995
Income	430150	10000	230018	10000		10026734	9995

OK Cancel

Please contact the Cash Team if the interest distribution does not go to the default of the fund, i.e. one to one relationship. Samples of exception:

- If a grantor gives the cash advance for a grant program, usually the grant agreement requires interest earned on the cash to be accounted for.
- Certain participants are required to have interest earned distributed to themselves by Administrative Code.

The systems cannot handle one to multiple relationship on the interest mapping (From To table).

The City records and distributes interest earnings on accrual basis. The interest earnings are distributed to all the participants based on their average daily cash balances at the end of each month. The interest receipts are distributed on the interest earnings at the end of each month.

The monthly interest distribution process consists of three major steps:

1. Calculating the average daily balances on each participant.
2. Calculating the interest earnings on each participant.
3. Distributing the cash receipts based on interest earnings (receivable) balance among all participants.

## **Interest Mapping – New and Making Changes**

### New Fund Setup

Submit the fund code setup request to [ChartField.Administrator@sfgov.org](mailto:ChartField.Administrator@sfgov.org). Provide the Chartfield Administrator the Interest Allocation Mapping Form in the email.



**FIGURE 8-15. INTERREALLOCATION MAPPING FORM**

**Interest Allocation Mapping Form**  
 Please indicate interest mapping on the new fund. All fields must be completed unless labeled as optional.

The Interest Allocation Table below includes "FROM" and "TO" sections:

The "FROM" section is the fund where the pooled cash is sitting and earning interest.

The "TO" section is the fund that is receiving the interest earning and provides the accounting information to post the interest allocation transaction.

\*If there is 100% pooled cash in the new fund yet and the project code is pending creation, please provide a placeholder for all required ChartFields. Notify the Cash Reconciliation Unit as soon as the information is available before the first interest calculation on the new fund is run.

If you need assistance completing this form, please contact the following staff at the Cash Reconciliation Unit:  
 Junete Hoang (415) 354-7417    Junete.Hoang@sfgov.org  
 Tessie Chow (415) 354-7392    Tessie.Chow@sfgov.org

FROM				TO					
Fund	Fund Descr	Project	Project Descr	Fund	Dept	Authority	Agency Use <small>[Optional]</small>	Project*	Activity <small>(9995 Default)</small>
10350	SR Business Tax Settlement	10023229	Business Tax Settlement	10350	232362	10000		10023229	9995
12789	SR Gas Tax Annual Authority	10034422	PW Operating	12789	207956	20680		10034422	9995
12789	SR Road Annual Authority	10034422	PW Operating	12789	207956	20679		10034422	9995

### Changes to Existing Mapping

Contact the Cash Team to make any changes to the existing interest allocation mappings.

**Note:** Do not post any entries to the interest allocation related accounts: **100008, 105280, and 430150**. If you need to make any interest allocation adjustments, contact Cash Team at [cash.reconciliation@sfgov.org](mailto:cash.reconciliation@sfgov.org).

### **8.3.5 | Chargebacks & Merchant Activity Reconciliation\***

This section is from the Frequently Asked Questions of the Banking Changes Year-End Workshop Jointly Presented by the Offices of the Controller and Treasurer (July 24 & 29, 2014).

A “chargeback” (also known as a reversal) represents the amount of the original transaction that the credit card network debited from your merchant statement based on an item that was successfully disputed by the customer on his or her credit card statement. This section describes the merchant activity reconciliation that departments must perform when they provide sales and transactions with the public through credit card transactions.

#### 8.3.5.1 | PROCESSING CHARGEBACKS

##### **Recognizing a Chargeback Claim & Addressing Chargeback Items**

If you are a department that processes credit and debit card transactions, you have been assigned a Merchant Identification Number (MID) that has been set up in Bank of America Merchant Services (BAMS) ClientLine portal. You can access your MID and set up notification alerts so that it is not necessary for you to access ClientLine on a daily basis if you are monitoring your chargeback items. The notification alert setting will prompt you to look at an incoming chargeback item so that you can process it timely.

You only have 20 calendar days to respond to BAMS' retrieval request and/or provide the required documentation for a disputed charge. It is critical that you stay current on all your chargeback items. If you do not provide the required documentation within this timeframe, you will lose the claim. In very rare cases where you can foresee that you will not be able to submit everything within 20 days, make sure you contact BAMS to ask for a special extension. There is no guarantee that BAMS will provide an extension, but it is important to communicate with them.

You can manage your chargeback items and send the required documentation electronically through the Dispute Manager task bar within BAMS' ClientLine portal. You can also write your notes about the claim on the Notepad.

If, after your research, you agree that the charge is in error and would like to accept the claim, instead of ignoring it or letting the 20 days expire, you should also access the specific item within the Dispute Manager and accept it. This is important so that the chargeback reports will only highlight the outstanding claims.

Before recording your department's receipts in PeopleSoft, you want to ensure that your receipts will reflect the correct amount of revenues that were collected through debit or credit cards. In doing so, you should access ClientLine and look for your MID's total transactions that were processed for the day and compare the totals with your settlement or depository account's Previous Day Report (PDR). This PDR can be retrieved through CashPro online.

If there are discrepancies in the amounts, look at ClientLine's merchant transaction detail and look for any possible errors in any of the transactions or for chargebacks or fees that were debited from your merchant account. If, after further research, you cannot determine the difference, call BAMS' help desk and ask for assistance.

##### **Immediately Record the Chargeback**

If the department sees a chargeback or reversal in its merchant statement, the department will have to record it accordingly by reducing its revenue.

Even though the department, as the merchant, is given some time to retrieve the documentation related to the charge, BAMS will debit its merchant account right away upon the receipt of the disputed charge

from the credit card network. If the claim turns out to be in the department's favor, a credit will appear in its merchant statement and, at that time, the department can record the revenue again.

### No Fees for Chargeback

Although a department can charge a fee to customers for NSF's, it cannot charge a fee for a chargeback. A chargeback fee cannot be imposed by a merchant upon a customer or cardholder. Even though the customer loses the claim, the credit card network does not allow fees to be imposed upon a customer for disputing a charge that appeared on his or her credit card statement.

### 8.3.6 | Revenues in Outreach Advertising Fund for Official Advertising

As defined in Admin Code Section 2.81, City departments must pay 10% of the total advertising cost (10% Set Aside) to the City's Outreach Advertising Fund. This was previously processed through OA documents in FAMIS. In Peoplesoft, departments should:

1. Set up contracts and/or purchase orders (PO) for 90% of the total advertising costs with a Clearinghouse Supplier (e.g. Daily Journal) or Official Advertising Supplier
2. Process vouchers and make payments for 90% of the total Official Advertising invoice amount (see Item 1 in the example below). This invoice has been paid in PeopleSoft through Voucher ID 00011716. You may look it up in PeopleSoft as a reference.

Type	Order No.	Description	
Invoice	B3028000	<p>ADVERTISING SERVICE</p> <p>NOTICE OF HEARINGS JULY 27, 2017</p> <p>*HRG NOTICE OF HEARING</p> <p>62206 SAN FRANCISCO EXAMINER 10%</p> <p>07/26/2017</p> <p>\$ 3.75 * 1 Cols * 358 Lines * 1 Inserts</p> <p>10% set aside</p>	<p>① 208.25</p> <p>1,342.50</p> <p>② -134.25</p>

3. Process a journal entry to record the 10% Set Aside (Item 2 in the example above) as a revenue to the Outreach Advertising Fund and an additional expenditure to the department.
  - a. Credit the following Chartfields to record the revenue in Outreach Advertising Fund:
 

**Account:** 460199

**Fund:** 12600

**Dept:** same as on the voucher

**Authority:** 10000

**Project/Activity:** same as on the voucher or department designation

- b. Debit the following Chartfields to record the department expenditure:

**Account:** same as on the voucher (should be 535810 Advertising)

**Fund:** same as on the voucher

**Dept:** same as on the voucher

**Authority:** same as on the voucher

**Project/Activity:** same as on the voucher

Below are the journal lines (Journal ID 0000001502) which recorded the 10% Set Aside in the example above.

Line	Account	Fund	Dept	Authority	Project	Activity	Amount	Reference	PC Bus Unit	An Type	Affiliate	Fund Affil
1	535810	10000	229236	10000	10001645	0001	134.25	00011716	SFGOV	GLE		
2	460199	12600	229236	10000	10009473	0001	-134.25	00011716	SFGOV	GLR		
3	100005	10000	229236	10000	10001645	0001	-134.25	00011716	SFGOV	BAL	SFGOV	12600
4	100005	12600	229236	10000	10009473	0001	134.25	00011716	SFGOV	BAL	SFGOV	10000

## 8.4 | Cash Handling and Revenue Recording FAQs

**Q:** What happens if the department is paid with an NSF check for a large amount? Is there a process to escalate to a collection agency?

**A:** The Treasurer's Bureau of Delinquent Revenue (BDR) can assist with department collections, but there must be an MOU with BDR before services will be provided. BDR charges departments according to a predetermined work order, or a 25 percent commission on collected amounts. Please contact Margarita Rodriguez at BDR for more information at [margarita.rodriguez@sfgov.org](mailto:margarita.rodriguez@sfgov.org) or (415) 554-4413.

**Q:** If a department receives bounced checks from a customer, could the department refuse to provide services until the customer satisfies his obligation?

**A:** Yes, the department can refuse to provide services due to nonpayment if that is the policy of the department. Note that the department does not have to limit its payments to checks; it may also choose to collect payments through debit or credit cards. Please contact the Treasurer's Office at [ttx.bankingservices@sfgov.org](mailto:ttx.bankingservices@sfgov.org) for more information on accepting debit and/or credit cards.

**Q:** What happens when a customer over-pays? For example, at the Department of Building Inspection customers are required to pay with a cashier's check and often the amount on the cashier's check is more than the amount that is required for the permit.

## ACCOUNTING POLICIES & PROCEDURES

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**A:** If the amount of over-payment is \$10 or less, the department can keep the difference. If the over-payment amount is more than \$10 and the customer says the department can keep the difference, have the customer sign on the Cash Difference/Overage Form (see [Section 8.3.2 | Cash Difference / Overage](#)) as the acknowledgement. If the customer wants the department to issue an over-payment check, the department should first receive written confirmation from the customer for a current mailing address. When the department receives the address information, then an over-payment check can be mailed. This reduces the number of checks returned to the City.

**Q:** We received an ACH/wire payment but don't know what it's for—how do we figure out the correct recipient of the payment and the reason for the payment?

**A:** Incoming wire transfers or ACH especially those from State and Federal typically provide very little information regarding the purpose of the payment and the intended recipient department. Go to the State website at [http://www.sco.ca.gov/ard\\_local\\_apportionments.html](http://www.sco.ca.gov/ard_local_apportionments.html) or federal website at <https://www.fiscal.treasury.gov/> to research information on the receipt. If your department relies on the Treasurer-Tax Collector's Office (TTX) to process incoming wire transfers, notify TTX with an e-mail that an incoming receipt is expected; that way, the money will not sit in the TTX incoming wire account.

**Q:** We received a lump sum payment from TTX with no detail on what the cash was for. How do we get this information?

**A:** See above answer.

**Q:** What happens if the department is paid in counterfeit currency?

**A:** If a department discovers the counterfeit currency before deposit, send the money to Bank of America for investigation. If Bank of America contacts the department to let it know about the counterfeit currency, it will keep the department informed of its investigation. Departments should record cash shortage since the bank does not give credit for the counterfeit deposit. It is the department's responsibility to review currency to ensure it is not counterfeit.

**Q:** My department does not receive a large amount in cash receipts so we do not make a daily bank deposit. Is this acceptable?

**A:** City policy is to deposit all cash receipts daily; however, if your department seeks an exemption from this policy it should document its cash handling policy and procedures and provide a detailed description

of internal controls on its cash receipts. Submit your department's cash handling policy and procedures to the Controller's Office for review and approval.

**Q:** My department uses Link2Gov for online payments but there are lots of duplicate payment transactions and other errors. Who is responsible for clearing these errors—the department accounting office or the Link2Gov service provider?

**A:** Link2Gov (FIS) is the City's contracted vendor for online and phone payments. For online or web transactions support, please call 1-877-513-5465 or [clientsupport@fisgov.com](mailto:clientsupport@fisgov.com)

**Q:** When and how can the department write-down or write-off NSF checks?

**A:** Please note the section in Receipts and Revenue on accounting for NSF checks. If an NSF check becomes uncollectible, the department may choose to send it to the Treasurer's Bureau of Delinquent Revenue (see earlier question on uncollectible accounts) or it may follow its own policy to write it off.

**Q:** My department has already submitted the Internal Control Questionnaire (ICQ) to the Controller's Office. The ICQ covers our cash handling process. Do we still need to have a separate policy and procedure for cash handling?

**A:** Yes, your department must have a written cash handling policy and procedure that is appropriate to the types and amount of cash receipts processed by the department. Forward a copy of your department's cash handling policy and procedures to your Fund Accountant.

**Q:** What kind of City training is available for employees who handle cash?

**A:** The Treasurer's Office will continue to provide this training periodically. In the meantime, certain department employees were trained in September 2016 to conduct this training to their department staff. Also, departments can send staff to outside training.

**Q:** My department needs a more secure way to move cash from our sites to the bank. Who do I contact for armored truck service?

**A:** Contact the Treasurer's Office at [ttx.bankingservices@sfgov.org](mailto:ttx.bankingservices@sfgov.org); that office owns the contract for these services.

**Q:** We have contractors that manage a site (e.g., parking lot). How often do they need to deposit cash receipts with the department?

**A:** Contractors need to wire funds to the City or deposit these receipts to a City owned bank account daily. If there is an exception to this policy in the contract between the department and the contractor, provide a copy to the Controller's Office and the Treasurer's Office.

**Q:** Will my department be able to accept payments using electronic methods, such as Google Wallet, iCash, ApplePay?

**A:** No, not at this time.

## **8.5 | Revenue Transfer [TO BE UPDATED]\***

### **[PROCEDURES ON ROCESSING REVENUE TRANSFER IN PEOPLESOFT TO BE UPDATED]**

The purpose of this section is to provide guidance to City departments on when and how to process revenue transfers, revenue allocations, and other revenue adjustments. These guidelines are issued by the Controller's authority under *San Francisco Charter, Article III, Section 3.105 – Controller's Responsibilities*.

### **8.5.1 | Definition of Revenue Transfers / Other Allocations**

"Revenue transfers" are the allocation of revenue from one fund (or project) to another fund (or project), or revenue adjustments between cost centers within the department or across departments and/or fiscal entities using FAMIS Document Type RA (RIMS) or RT (Non-RIMS). The revenue transfers, as described in this section, are non-grant revenue allocations for revenue budget and actual adjustments involving General Ledger accounts 401 to 408 and 411 to 413. Grant-related revenue transactions are processed separately through GE (Non-RIMS) or GR (RIMS) Document Types. Refer to [Section 1.2 | Grants & Gifts](#) for more information.

"Other allocations" involve collection of revenues offset by an expenditure account within or across department fiscal entities and cost centers, or to and from other city departments, or allocations from the General Fund.

### **8.5.2 | Common Revenue Transfers & Other Allocations**

Listed below are some common examples of revenue transfers and other allocations:

- Application of revenue for an unidentified receipt
- Adjusting revenues for a Non-Sufficient Funds (NSF) check
- Accruing revenues and recording receivables
- Adjustment of deferred revenues
- Adjustment of revenues to proper accounts within the department or to other city departments
- Adjustment of actual and budget proceeds from sale of bonds within or across department bond and/or construction funds
- Transfer revenue to other departments for rental of facilities or for fees, licenses, and permits
- Collection of revenue offset by expenditures account within or across department fiscal entities and cost centers, or to and from other city departments
- Hotel tax allocations from the General Fund
- Revenue transfers and budget allocations between different funds – Operating Transfers In / Operating Transfer Out (OTI/OTO)
- Revenue transfers and budget allocations between different sub-funds – Intra-fund Transfer In / Intra-fund Transfer Out (ITI/ITO)
- Revenue transfers and budget allocations between and within projects

### **8.5.3 | Review and Approval Path**

Input and approval access to this document type is defined by security access assigned to the initiating department's document initiators and approvers and to other designated approvers outside of the initiating department.

- First level review and approval by assigned levels within the department
- Final approval by Accounting Operations either at level 795 or 800 according to dollar amount limit or other approvers with access to approval department CON and approval level equal or greater than 795 or 800

The document details must be carefully reviewed for accuracy of input codes to ensure that the appropriate accounting transactions are processed.



#### **8.5.4 | Compliance with City Policies, Guidelines & Regulations**

Departments must comply with the following criteria regarding revenue transfers processing:

- Proper notification to and/or approval from responsible managers of the cost centers, projects, or departments are obtained before revenue adjustments are made
- Redistribution of revenue accounts, especially unidentified receipts, must be processed accurately within 15 calendar days of the receipts. Revenues must be recorded within the same fiscal year when the receipts are recorded
- Revenues requested for redistribution must be reviewed in detail to ensure that adjustments or reallocations are being made to the correct accounts, cost centers, projects, or departments, and that funds are actually received and available
- Revenue adjustments must be properly and completely documented and supported
- Revenues collected for other departments or agencies must be properly accounted for and transferred according to the agreements or provisions of the laws or ordinances covering such allocations
- Transfer-in and -out appropriations and billings must be for appropriate purposes supported and authorized between transferring entities and departments
- Revenues collected for specific purposes may only be appropriated for such use as allowed under applicable City ordinances, or State or Federal programs
- Approval of the revenue adjustment entry is certification that it is proper, valid, and legal. Any officer who approves or allows unauthorized or illegal obligations is liable to the City and subject to penalties

## 9 | INVESTMENTS HELD WITH TRUSTEES\*

### 9.1.1 | Fiscal Agents

IN PROGRESS

DRAFT

## 10 | FIXED ASSETS

This section provides guidelines for capitalizing fixed asset purchases and completed capital projects at year-end.

### 10.1 | Overview of Fixed Assets

#### 10.1.1 | Generally Accepted Accounting Principles

City departments must adhere to the pertinent guidelines promulgated by the Financial Accounting Standards Board (FASB), Governmental Accounting Standards Board (GASB), the Government Finance Officers Association (GFOA), and the American Institute of Certified Public Accountants (AICPA). The guidelines that have been promulgated by FASB and GASB constitute generally accepted accounting principles (GAAP); the following GASB & FASB standards represent authoritative literature for fixed assets accounting:

- **GASB 33** – Accounting & Financial Reporting for Non-exchange Transactions
- **GASB 34** – Basic Financial Statements and Management's Discussion and Analysis
- **GASB 42** – Accounting & Reporting for Impairment of Capital Assets and Insurance Recoveries
- **GASB 49** – Accounting & Financial Reporting for Pollution Remediation Obligations
- **GASB 51** – Accounting & Financial Reporting for Intangible Assets
- **GASB 60** – Accounting & Financial Reporting for Service Concession Agreements
- **GASB 62** – Codification of Accounting and Financial Reporting Guidance
- **GASB 72** – Fair Value Measurement and Application
- **FASB 34** – Capitalization of Interest Costs
- **FASB 62** – Capitalization of Interest Cost Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants

Accounting for capital assets is based on underlying accounting concepts such as recognition of expenses under accrual basis accounting, the matching principle, and cost accounting principles.

The most recent *Government Accounting, Auditing, and Financial Reporting* (GAAFR)—also known as *The Blue Book*, published in 2012 by the Government Finance Officers Association (GFOA)—provides standards and best practices for state and local governments applying generally accepted accounting

principles (GAAP). This policy reflects concepts published in GAAFR, particularly *Chapter 25, Capital Assets*.

### **10.1.2 | Regulations & Contractual Arrangements**

In many cases the City & County of San Francisco must meet additional compliance requirements, whether it is due to funding agreements (e.g., debt arrangements and grant awards) or regulatory requirements (e.g., Federal Aviation Administration, *Administrative Code*).

- **Financial Terms & Economic Substance** – Each funding agreement, regulation, local law, and contract has different financial terms. In all cases, GAAP is to be applied to determine the proper accounting treatment based on the financial terms and economic substance
- **Compliance** – Each funding agreement, regulation, local law, or contract will likely have compliance requirements that may or may not be required by GAAP and in those instances other systems or offline schedules may need to be maintained by the department

#### **City & County of San Francisco *Administrative Code***

Local law or *Administrative Code* determines contracting, acquisition, encumbrance policies and procedures for capital asset related costs, and various other issues (e.g., accept and expend authority for grants that fund capital) that impact capital assets.

- *Chapter 6* governs public works or improvement contracting policies and procedures, including the procurement of professional design, consulting, and construction management services for public works projects
- *Chapter 21* governs the acquisition of commodities and services. *Chapter 21* shall not apply to contracts for public works or improvements or to contracts for the purchase, sale, or lease of any interest in real property. "Commodity" shall mean products, including materials, equipment and supplies, purchased by the City

#### **Contractual Arrangements**

There are many contractual arrangements with government agencies, investors, developers, and third parties (e.g., debt issues, grant awards, donations with restrictions) that help to fund capital assets. Those contractual relationships may require costs tracking and reporting, which is in addition to GAAP requirements. It is the department's responsibility to ensure all compliance requirements are met.

### 10.1.3 | Capital Asset Definitions, Thresholds, Valuations & Useful Lives

#### 10.1.3.1 | DEFINITIONS

Capital assets as stated in the *Governmental Accounting, Auditing, and Financial Reporting* (GAAFR), published in 2012, includes furnishings and equipment, land, buildings, improvements other than buildings, infrastructure, construction/development in progress, and other capital assets. Accounting for these classes of assets is the scope of this policy.

Fixed assets are defined as assets that are:

1. Used in operations AND
2. Have an initial useful life in excess of one year  
(see most recent GAAFR (published 2012), *Chapter 25 Capital Assets*, for complete definitions)

This definition includes both tangible assets (e.g., furnishings and equipment, land, buildings, building improvements, vehicles, machinery, land improvements) and intangible assets (e.g., software, water rights, easements). The following Table summarizes the Asset Types used in PeopleSoft, their definitions, examples, dollar thresholds for capitalization, and related useful lives:

**TABLE 10-1. CAPITAL ASSET TYPES**

ASSET TYPE	DEFINITION	ASSET SUBTYPE EXAMPLES	PROFILE ID *	THRESH- OLD	USEFUL LIFE
Equipment	Equipment is defined as tangible property (other than land, buildings, or vehicles) used in the operations of a business. Typically this includes devices, machines, and/or tools	Generators, Cameras, Compressors, Firearms, Pumps, Shredders, Hospital Beds, Toxicity Monitoring, Polygraph Equipment	BLD_GEN, EQUIP, EQUIP_HEAV, EQUIP_HS05, EQUIP_HS10, EQUIP_HS15, EQUIP_HS20, LEASE_EQP	\$5,000	5 - 20
Fleet	Fleet assets are typically pieces of equipment that are used to transport people or items	Boats, Helicopters, Lawn Mowers, Fire Engine, Cable Car, Bus, Patrol Cars, Forklift, Van	BUSES, BUSES_30, BUSES_40, BUSES_60, EQUIP, EQUIP_HEAV, PARATRANS, RAIL_LT, TRAILER, TROLLEYS, VEHICLE_HD, VEHICLE_LT	\$5,000	5 - 25

ASSET TYPE	DEFINITION	ASSET SUBTYPE EXAMPLES	PROFILE ID *	THRESH- OLD	USEFUL LIFE
Furniture	Furniture is typically moveable fixtures that have no permanent connection to the structure of the building or utilities	Cabinets, Hardcopy Filing System, Office Furniture	FURNITURE	\$5,000	5
Facility	Facilities are typically structures designed, built or installed to serve a specific function or activity. These may be more permanent or temporary in nature (such as temporary modular offices)	Power Plant, Treatment Plants, Sampling Stations, Parking Garages, Fencing, HVAC	BLD_GEN, BLD_IMPRV, BLD_TRANS, EQUIP_HEAV, LAND, LAND_IMPRV, PASS_STAT	\$100,000	5 - 50
Property	<p>The Property Asset Type in the PeopleSoft environment is specific to either Land or Building assets, and includes Land Improvements as well as Leasehold or Building Improvements. Within the City &amp; County of San Francisco, Property is typically acquired by the Real Estate Division on behalf of the department</p> <p>All Property assets should have an APN number assigned by the Assessor's office. That number should be included as the serial # within PeopleSoft</p>	Land, Land Improvements, Building, Building Improvements	BLD_GEN, BLD_IMPRV, LAND, LAND_IMPRV	\$100,000 (except Land, which is always capitalized)	15 - indefinite
Infrastructure	<p>Long lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets</p> <p>GASB 34 further breaks down infrastructure assets into networks and sub-systems:</p> <ul style="list-style-type: none"> <li>A network of assets is a group of assets that provide a particular type of service for a government. An example of a network of infrastructure assets would be a dam composed of a concrete dam, a concrete spillway, and a series of locks</li> <li>A subsystem of a network of assets is composed of all assets that make up a similar portion or segment of a network of assets. Interstate highways, state highways, and rural roads would each be considered a subsystem of the network of all of the roads of a government</li> </ul>	Bridges, Dams, Tunnels, Railway, Overhead Lines & Poles, Meters, Hydrants, Signage, Pipelines, Lighting, Streets, Sidewalks	BLD_GEN, BLD_IMPRV, EASEMENTND, EQUIP, EQUIP_HEAV, INFRAST_20, INFRAST_40, INFRAST_75, LAND, LAND_IMPRV, ROADWAY	\$100,000	5 - indefinite

## ACCOUNTING POLICIES &amp; PROCEDURES

ASSET TYPE	DEFINITION	ASSET SUBTYPE EXAMPLES	PROFILE ID *	THRESH- OLD	USEFUL LIFE
IT Hardware	IT Hardware assets are tangible items typically related to technology. The purchase and installation of these items may be handled by the department of Technology or a department's operations team (for printers/copiers or other smaller items).	Laptops, Network Equipment, 911 System Equipment, Printer/Copiers, Servers, Workstations	ITHRD	\$5,000	5
IT Software	<p>IT Software - Computer software is a common type of intangible asset that is often internally generated or modified using more than minimal effort. Commercially available software that is purchased or licensed by the government and modified using more than minimal incremental effort before being put into operation also should be considered internally generated. For example, licensed financial accounting software that the government modifies to add special reporting capabilities would be considered internally generated</p> <p>Internally generated computer software, or modifications of computer software, is broken down into three stages under GASB 51:</p> <ul style="list-style-type: none"> <li>• Preliminary Project Stage – includes the conceptual formulation and evaluation of alternatives, the determination of the existence of needed technology, and selection of alternatives for software development</li> <li>• Application Development Stage – includes design of the chosen path, including software configuration and software interfaces, coding, installation to hardware, and testing</li> <li>• Post-Implementation/Operation Stage – includes application training and software maintenance</li> </ul> <p>Typically, activities in the Preliminary Project Stage as well as the Post-Implementation/Operation Stage are expensed, while Application Development Stage costs are capitalized</p>	Computer Software Custom/ Purchased	COMP_SFTW	\$100,000	5 - 25
Intangible	GASB 34 provided some guidance for intangible assets. <i>GASB 51, Accounting and Financial Reporting for Intangible Assets</i> , established additional requirements for intangible assets to reduce inconsistencies and enhance comparability with other local governments	Easements, Water Rights, Patents	BLD_IMPRV, EASEMENT, EASEMENTND, INTANG_ND, PATENTS, WTR_RIGHT	\$100,000	10 - indefinite

ASSET TYPE	DEFINITION	ASSET SUBTYPE EXAMPLES	PROFILE ID *	THRESH- OLD	USEFUL LIFE
	<p>An intangible asset is an asset that possesses all of the following characteristics:</p> <ul style="list-style-type: none"> <li>Lacks physical substance - An asset that may be contained IN or ON an item with physical substance, such as a right-of-way easement on top of land</li> <li>Non-financial in nature - Cannot be receivables or prepayment of goods, an asset that is not in monetary form or represents neither a claim nor right to</li> <li>Initial useful life that extends beyond a single reporting period</li> </ul>				
Other	The Other Asset Type in the PeopleSoft system includes animals such as horses used by SFPD in operations. The Other Asset Type may also be used for assets converted from FAACS to PeopleSoft Asset Management	Animals, Converted Assets	AMCNV, ANIMAL, EQUIP	\$5,000 if used in operations.	5 - 10

\* Asset profiles have been set up in PeopleSoft Asset Management. These Profile IDs define the useful life for any asset when it is placed in service

Works of art, historical treasures, library books, and zoological animals are held for public exhibition, education, or research in furtherance of public service, rather than financial gain, and are not capitalized. These items are protected, kept unencumbered, cared for, and preserved by the City. It is the City's policy to utilize proceeds from the sale of these items for the acquisition of other items for collection and display.

### Repairs & Maintenance

Within the PeopleSoft Project Costing Module, there is a specific "Maintenance" Project Type available for use. The definition of a Maintenance Project is shown below.



TABLE 10-2. MAINTENANCE PROJECT TYPE DEFINITION

PROJECT TYPE	DEFINITION	CHARACTERISTICS	EXAMPLES
Maintenance	Projects that will bring an asset(s) back to an earlier condition or will keep the asset(s) operating at the present condition	Your project is likely maintenance IF: <ul style="list-style-type: none"> <li>• Trade services only are required</li> <li>• Expenditures are not significantly greater (or may be less than) capitalization threshold</li> <li>• No value is added to the existing asset</li> </ul>	Pothole repair, Painting, Plumbing services, Adding, removing and/or moving walls relating to renovation projects, Cleaning or pest extermination, Interior decorations such as draperies, blinds, curtain rods, wallpaper, Exterior decoration such as detachable awnings or uncovered porches, Carpet replacement, etc.

On a quarterly basis, departments should review projects set up as Maintenance Projects to verify that projects and the related expenditures are, in fact, not capital in nature (i.e., they do not add value to an asset, or extend the useful life of an existing asset). If it is determined that a project is no longer a Maintenance Project, the department should work with the Controller's Office to update the Project Type (refer to the Project Costing section of this handbook at 16), and determine which costs are eligible for capitalization at the end of the period.

## 10.2 | PeopleSoft Asset Management Roles & Responsibilities

The following Table summarizes the parties involved in performing asset management responsibilities using PeopleSoft.

TABLE 10-3. PEOPLESOFT ASSET MANAGEMENT ROLES &amp; RESPONSIBILITIES

ROLE NAME	ROLE DESCRIPTION	ROLE RESPONSIBILITIES	ROLE NAME(S) COMMONLY ASSOCIATED TO ROLE	CHANGE IMPACTS	TYPE OF SECURITY ACCESS
City Asset Depreciation Maintainer	The City Asset Depreciation Maintainer will be responsible for reviewing and validating the depreciation calculations for their Department. This includes the ability to change the depreciation attributes as needed	<ul style="list-style-type: none"> <li>• Update Depreciation Attributes</li> <li>• View Depreciation Schedules</li> <li>• Edit Depreciation Schedules</li> </ul>	Asset Depreciation Processor	Assign to both departments and AOSD	<ul style="list-style-type: none"> <li>• Clerk</li> <li>• Manager</li> </ul>

ROLE NAME	ROLE DESCRIPTION	ROLE RESPONSIBILITIES	ROLE NAME(S) COMMONLY ASSOCIATED TO ROLE	CHANGE IMPACTS	TYPE OF SECURITY ACCESS
City Asset Management Processor	The City Asset Management Processor is responsible for processing assets from the Subsystems or entering assets/leases directly into Asset Management. This role would review assets that originated from Purchasing, Accounts Payable and/or Project Costing in the interface tables, resolving errors. Additionally, the users in this role would update the profile in the interface tables	<ul style="list-style-type: none"> <li>• Validate asset information in the INTFC tables and Consolidate/Unitize assets</li> <li>• Validate asset information that has been processed into Asset Management</li> <li>• Enter assets directly into Asset Management as needed (Donated, P-Card, etc.)</li> </ul>	Asset Protector	Assign at the department level to those that have the ability to manage and maintain their assets. Airport would maintain their individual assets, changing the profile on the less than threshold assets to allow these to be loaded to the asset tables.	<ul style="list-style-type: none"> <li>• Clerk</li> <li>• Manager</li> </ul>
City Asset Maintainer	<p>The City Asset Maintainer will be responsible for managing the physical information associated with assets under their control. This includes updating and managing the Tag Number, Serial Number, Custodian, Location, and Area ID</p> <p>This role would not be responsible for any financial activities associated with the asset</p>	<ul style="list-style-type: none"> <li>• Manage Asset Physical Information</li> <li>• Manage Asset Physical Inventory</li> </ul>	Asset Maintainer	Assign to both departments and AOSD	Clerk
City Asset Management Disposer Processor	The City Asset Management Disposer Processor is responsible for disposing/retiring assets from the Asset Management system	Retire/Dispose Assets	Asset Disposer	Assign to both departments and AOSD	<ul style="list-style-type: none"> <li>• Clerk</li> <li>• Manager</li> </ul>

**ACCOUNTING POLICIES & PROCEDURES**

ROLE NAME	ROLE DESCRIPTION	ROLE RESPONSIBILITIES	ROLE NAME(S) COMMONLY ASSOCIATED TO ROLE	CHANGE IMPACTS	TYPE OF SECURITY ACCESS
Assets Viewer & Asset Reporter	The Assets Viewer will have the ability to view both financial and physical information associated with an asset. This role will not have the ability to update/change data.	<ul style="list-style-type: none"> <li>• View Asset Physical Information</li> <li>• View Asset Financial Information</li> <li>• View Owned Assets</li> <li>• View Transferred Assets</li> <li>• View Retired Assets</li> <li>• View Reinstated Assets</li> <li>• View Depreciation Information</li> <li>• Run Asset Reports</li> </ul>	Assets Viewer	Assign to both departments and AOSD	Viewer
CON Asset Month End Processor	The Asset Month-End Processor will be responsible for processing and validating month-end processes for assets. This includes executing the depreciation close and creating accounting entries, reviewing and validating the entries that are created and sent to the General Ledger, and closing the accounting period. The role will also process the reporting table and NBV loads and run depreciation	<ul style="list-style-type: none"> <li>• Process month-end close entries related to Asset Management</li> <li>• Execute depreciation close</li> <li>• Review/validate journal entries</li> </ul>	Asset Month End Processor	Assign to AOSD	<ul style="list-style-type: none"> <li>• Clerk</li> <li>• Manager</li> </ul>
CON Asset Configuration Maintainer	City Asset Configuration Maintainer will be responsible for updating and maintaining Asset Management configuration values.	Update/maintain asset management configuration	Asset Configuration Maintainer	Assign to AOSD	Superuser/Admin

## **10.3 | Construction-in-Progress: Fixed Asset Acquisitions through Project Costing**

### **10.3.1 | Definition of CIP**

Construction/development-in-progress (CIP) costs are costs for tangible and intangible capital assets that are in progress, but have not been placed in service, as of the fiscal year-end. Generally, CIP involves larger capital projects with construction/development occurring over a period of time. When the project is placed in service, the related CIP is capitalized as a capital asset and then depreciated. Costs to include in CIP are those that directly contribute to the capital asset, including the following.

- Direct labor
- Soft costs (e.g., design documents, etc.)
- Professional services and construction contracts
- Installation fees
- Overhead costs
- Interest on borrowings or capitalized interest
- Costs to prepare the asset for its intended use

Environmental impact and feasibility studies are considered capital in nature if they will lead to the creation of an asset. Since it may not be possible to know if an asset will ultimately be created after the studies are performed, capitalization of these costs should be considered on a situational basis.

### **10.3.2 | CIP in PeopleSoft**

Any capital project that involves construction- (or development-) in-progress starts in the PeopleSoft Project Costing Module as a project. Within the Project Costing Module, projects available to the departments will be distinguished by type, as shown below.

TABLE 10-4. PROJECT TYPES AVAILABLE IN PROJECT COSTING MODULE

PROJECT TYPE	DEFINITION	CHARACTERISTICS	EXAMPLES
Capital	Projects that will create or improve property expected to generate value over a period greater than one year, the costs of which also exceeds the minimum capitalization limit	Your project is likely capital IF: <ul style="list-style-type: none"> <li>• It requires technical architectural or engineering knowledge</li> <li>• It is extending the useful life of an existing asset (for greater than 1 year)</li> <li>• Expenditures are significantly greater than the capitalization limit</li> </ul>	HVAC Replacement, Paving Projects that require Engineering services, Buildings or Infrastructure Projects
Technology	Projects with a specific technology scope of work, and a project budget greater than \$100K.	Your project is likely technology IF: <ul style="list-style-type: none"> <li>• The project is capital and related to software that is either internally generated or requires significant customization</li> <li>• The project is capital and related to a network of hardware/software components</li> </ul>	eMerge, PeopleSoft, or the City-wide WI-FI Project

Capital and Technology project types may both relate to capital (CIP) projects, depending on the nature of the project and the delivered asset.

### New Projects

In the PeopleSoft system, CIP costs from the beginning to the end of construction/development will be captured within a project in the Project Costing Module. Departments will set up a new project for any capital-related projects that begin after PeopleSoft implementation. Refer to 16 for additional information.


At the same time a Capital or Technology Project is set up, a CIP asset must also be created to capture ongoing capital costs.

Within the Project Costing module, the user will create a new CIP asset by leaving the default “NEXT” in the Asset Identification box in the Define Assets screen.


During set-up of the new CIP asset, a department must be assigned to the asset. The assigned department and function must be the department and function that will ultimately own the delivered asset.


**FIGURE 10-1. CREATE NEW CIP ASSET**

Favorites ▾ Main Menu ▾ > Project Costing ▾ > Assets ▾ > Define Assets


 City and County of  
**SAN FRANCISCO**

### Define Assets

AM Business Unit  

Asset Identification  

Favorites ▾ Main Menu ▾ > Project Costing ▾ > Assets ▾ > Define Assets

 City and County of  
**SAN FRANCISCO**












Welc

### Define Assets

Asset Business Unit SFGOV Description SAN FRANCISCO CITY COUNTY

Asset Identification NEXT

#### Asset Detail

*Profile <input type="text" value="CIPCNV"/> 	Description <input type="text"/>
Quantity <input type="text" value="1.0000"/>	Short Description <input type="text"/>
Transaction Date <input type="text" value="09/30/2017"/> 	Department <input type="text"/> 
Accounting Date <input type="text" value="09/30/2017"/> 	Cost Type <input type="text"/> 
In Service Date <input type="text" value="01/26/2018"/> 	Category <input type="text" value="CIP"/> 
<input type="checkbox"/> Parent Asset	Location <input type="text"/> 
Parent <input type="text"/> 	Model <input type="text"/>
Group <input type="text"/> 	Manufacturer <input type="text"/> 
Tag Number <input type="text"/>	Load Type Financial & Physical Add
Serial ID <input type="text"/>	
<input type="checkbox"/> Enable Book Processing	

Once the CIP asset is set up, it must be related to a project/activity combination. This will allow charges from that project/activity combination to be assigned to the asset and pushed into Asset Management through a manual interface process.

**FIGURE 10-2. RELATE CIP ASSET TO PROJECT**

**Relate by Asset**

Asset Business Unit: SFGOV      Description: SAN FRANCISCO CITY COUNTY

Asset ID: 000000062422      Description: Masonic Streetscape CIP\_Test

Profile ID: CIPCNV

Summarization Type: Summarize by Asset

Project/Activity		
*Project Business Unit	*Project	*Activity
SFGOV	10002361	0013

Return to Define Assets

On a regular basis, but at least during year-end, Departments will assign transactions within the project to the CIP asset, and interface amounts into Asset Management. The Controller's Office team will run the interface journal entries to book the amounts to the appropriate General Ledger accounts within the CAFR\_FULL ledger.

### Converted Projects

Projects that were in-process as of 6/30/17 will be converted from FAMIS to PeopleSoft, and will be assigned a new Project ID.

Converted project balances will be available in the General Ledger module as well as in the Asset Management Module under the CIP Asset Type; however, no transaction details will be converted. No balances will be converted in the Project Costing Module. The converted project can be tagged to the converted CIP assets so that transactions can be pushed to the appropriate CIP asset on an ongoing basis. Upon conversion however, Project Costing does not recognize assets sitting in Asset Management, and as such the assets will need to be defined in the Define Assets screen. Under the Add a New Value tab, the user must add the existing asset as a New Value.

**FIGURE 10-3. DEFINE PREVIOUSLY EXISTING ASSET**

The screenshot shows the 'Define Assets' page in the City and County of San Francisco system. The breadcrumb trail at the top reads: Favorites > Main Menu > Project Costing > Assets > Define Assets. The page title is 'Define Assets'. Below the title are two buttons: 'Find an Existing Value' and 'Add a New Value'. The 'Find an Existing Value' button is active. Below these buttons are two input fields: 'AM Business Unit' with the value 'SFGOV' and 'Asset Identification' with the value '000000014372'. Both fields have search icons to their right. Below the input fields is an 'Add' button. At the bottom of the page, there are links for 'Find an Existing Value' and 'Add a New Value'.

After the user saves the defined asset, a link to “Relate by Asset” will appear at the bottom of the screen. Click the link in order to tag the asset to the project.

**FIGURE 10-4. RELATE ASSET TO PROJECT**

The screenshot shows the 'Relate by Asset' page in the City and County of San Francisco system. The breadcrumb trail at the top reads: Favorites > Main Menu > Project Costing > Assets > Define Assets. The page title is 'Relate by Asset'. Below the title are four fields: 'Asset Business Unit' with the value 'SFGOV', 'Description' with the value 'SAN FRANCISCO CITY COUNTY', 'Asset ID' with the value '000000014372', and 'Description' with the value 'VAN NESS BUS RAPID TRANSIT-CON'. Below these fields are two more fields: 'Profile ID' with the value 'CPCNV' and 'Summarization Type' with a dropdown menu showing 'Summarize by Asset'. Below the 'Summarization Type' field is a table with the following structure:

Project/Activity		
*Project Business Unit	*Project	*Activity
SFGOV	10010149	0005

Below the table are three buttons: 'Save', 'Return to Search', and 'Notify'. At the bottom of the page, there is a link for 'Return to Define Assets'.



## ACCOUNTING POLICIES &amp; PROCEDURES

Additionally, going forward, transactions will be assigned to the project from various other modules similar to the process for new projects described above. On a regular basis, but at least during year-end, transactions that have accumulated in Project Costing related to a converted CIP asset should be sent to Asset Management.

**FIGURE 10-5. ASSIGN PROJECT COSTING TRANSACTIONS TO CIP ASSETS**

Project 10002361 Description PW Masonic Ave Infra Impr

Assign Type Asset

**Asset List** Personalize Find View All First 1 of 1 Last

Asset Business Unit	Asset ID	Description	Book Processing
SFGOV	000000014193		

Return to Relate by Asset

Save Return to Search Notify

Project 10002361 Description PW Masonic Ave Infra Impr

**Assignment Parameters** Find View All First 1 of 1 Last

Assign Type: Asset

Asset Business Unit: SFGOV Asset ID: 000000014193 Description: 68K103 MASONIC AVE STREETSCAPE

Criteria ID: HEX1

**Define Filter Criteria**

Activity: Max Rows: 200 Include Type: All Included Rows

**Search**

**Transactions** Personalize Find View All First 1 of 1 Last

Action	Activity	Asset Business Unit	Profile ID	Asset ID	Analysis Type	Source Type	Category	Subcategory	Quantity	Amount
None										

Total Amount: \$0.000

Assign Transactions Clear Assignments

Return to Assign Transactions to Assets

Assign Transactions

Project: 10002301 Description: PW Masonic Ave Intra Insp

Assignment Parameters

Assign Type: Asset

Asset Business Unit: SFGOV Asset ID: 00000014193 Description: 50K103 MASONIC AVE STREETSCAPE

Criteria ID: NEXT

Define Filter Criteria

Activity: Max Rows: 200 1 to 26 of 26

Include Type: All Included Rows

Search

Transactions

Action	Activity	Asset Business Unit	Profile ID	Asset ID	Analysis Type	Source Type	Category	Subcategory	Quantity	Amount
Name: 0005					ACT				0.07	\$241,570.41
Name: 0005					ACT				0.09	\$65,936.02
Name: 0005					ACT				0.60	\$434,260.33
Name: 0013					ACT				0.14	\$104,619.54
Name: 0013					ACT				0.94	\$1,042,951.72
Name: 0013					ACT				0.93	\$537,534.49
Name: 0013					ACT				0.94	\$844,029.58

Assign Transactions

Project: 10002301 Description: PW Masonic Ave Intra Insp

Assignment Parameters

Assign Type: Asset

Asset Business Unit: SFGOV Asset ID: 00000014193 Description: 50K103 MASONIC AVE STREETSCAPE

Criteria ID: NEXT

Define Filter Criteria

Activity: Max Rows: 200

Search

Transactions

Name: 0005

Total Amount: \$4,298,704.48 USD

Assign Transactions Clear Assignments

Message

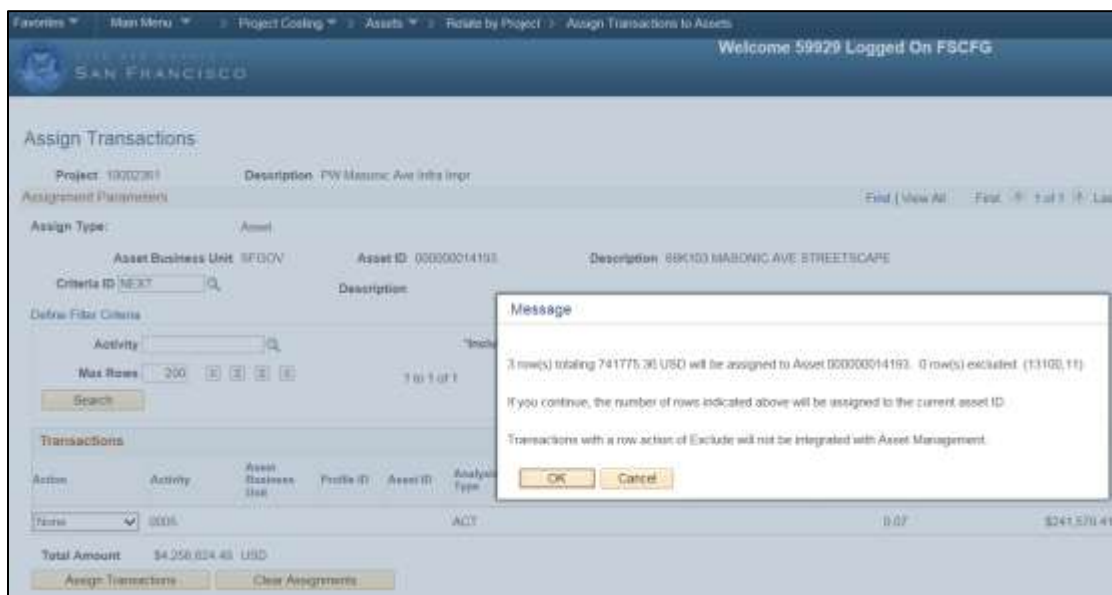
00000014193 is not related to Activity 0013 (10100,26)

You are about to assign a profile or asset to resources in an activity which has not been "related" to an asset definition. The activity listed is the first one found, but there may be other activities with no corresponding definition as well.

Without a corresponding definition for the activity, the PC to AM integration process will not include resources in that activity.

To relate activities to profiles and assets, use the Relate by Project or the Relate by Asset pages.

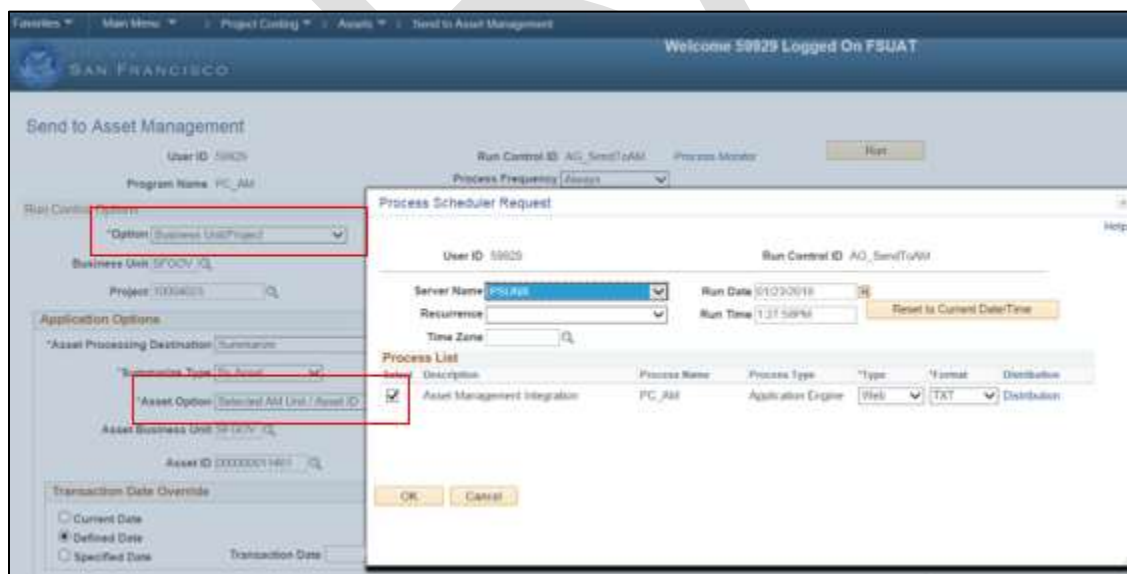
OK



Although the system allows for the exclusion of certain transactions at this point, given the volume of transactions to analyze, the Controller's office recommendation is to push in all transactions from an associated Project/Activity combination and to adjust the asset for any non-capitalizable costs within Asset Management.

Once transactions have been assigned to the asset from the project, users must begin the interface process via the Send to Asset Management Screen.

**FIGURE 10-6. SEND COSTS TO ASSET MANAGEMENT**



Under Project Options, users should choose Business Unit/Project and under Asset Option, users should choose Selected AM Unit/Asset ID. Those options will ensure that the process runs for this particular Project and Asset combination only, and does not pick up any other users' interfaces.

Review the Asset, amounts, and project/activity combination for final approval/rejection of transactions in the Review Assets screen and to send to Asset Management. Check the “select” box and click the Apply Status to Selected Rows to approve or not. Once the approved status is applied, click Process Selected Approvals in the Send to Asset Management box:

**FIGURE 10-7. ASSET APPROVAL / REJECTION SCREEN**

The screenshot displays the 'Review Assets' interface. At the top, there's a navigation bar with 'Favorites', 'Main Menu', 'Project Costing', 'Assets', and 'Review Assets'. A welcome message 'Welcome 59929 Logged On FSUAT' is shown in the top right. Below the navigation bar, there are tabs for 'Review Assets', 'Integration Summary', and 'Integration Detail'. The 'Review Assets' tab is active, showing 'Selection Parameters' for Project Business Unit (SFGOV), Project (10004023), Activity, Asset Business Unit, Asset ID, and Status (Pending). There are checkboxes for 'My Projects' and 'Book Processing Assets'. Below this is the 'Approve Assets' section with a table of assets. The table has columns: Select, Asset Review Status, Asset Business Unit, Asset ID, Project Business Unit, Project, Activity, Projects Business Unit Amount, and Currency. A single row is visible with a 'New' status and a value of 10,070.00 USD. Below the table are buttons for 'Select All' and 'Clear All'. At the bottom, there are three main sections: 'Modify Review Status' with a dropdown set to 'Approved' and an 'Apply Status to Selected Rows' button; 'Send to Asset Management' with a dropdown set to 'Run Interface' and buttons for 'Process Selected Approvals' and 'Process Monitor'; and 'Reject Asset Transactions' with a 'Process Selected Rejections' button.

Select	Asset Review Status	Asset Business Unit	Asset ID	Project Business Unit	Project	Activity	Projects Business Unit Amount	Currency
<input type="checkbox"/>	New	SFGOV	000000011461	SFGOV	10004023	0004	10,070.00	USD

The Interface Tables (as pictured below) are where assets are staged when interfacing them into the Asset Management module. This includes assets coming from conversion, AP/PO, and projects.

In the screenshot below we can see assets created and the load status of pending. This means that the assets are ready to load into Asset Management.

Each line is an individual row of funding for the asset. The link provides a detailed view of the asset for an extra review process.

FIGURE 10-8. ASSET INTERFACE TABLE PREVIEW

Favorites ▾ Main Menu ▾ Asset Management ▾ Send/Receive Information ▾ Approve Financial Information ▾ Review ▾

Welcome 59929 Logged On FSC

### Load Preview - Financial

Enter any information you have and click Search. Leave fields blank for a list of all values.

Find an Existing Value

**Search Criteria**

Interface ID =   
 Interface Line Number =   
 Business Unit =   
 Trans Load Type =   
 System Source =   
 Mass Change Definition begins with   
 Physical Inventory ID begins with   
 Auto Approval Status ☐  
 Load Status =   
 Asset Identification begins with

☐ Case Sensitive

Search Clear Basic Search Save Search Criteria

### Search Results

View All

Interface ID	Interface Line Number	Business Unit	Trans Load Type	System Source	Mass Change Definition	Physical Inventory ID	Auto Approval Status	Load Status	Asset Identification
5031	1	SFGOV	Convert 1	Conversion	(blank)	(blank)	Y	Loaded	000000011461
10007465	1	SFGOV	Adjustment	PC Batch	BPC	(blank)	Y	Pending	000000011461

To load the transactions into Asset Management, run the AMINF1000 Process (Load Transactions into AM). This step loads the specified interface IDs that are set to pending (see Asset Interface Table Preview screen above). Input the Interface ID from the preview table (see [Figure 10-8](#) above) in the "Interface ID" and "To Interface ID" fields in the Load Transactions into AM screen. If the Interface ID and To Interface ID fields are left blank, all pending Interface IDs will be loaded to Asset Management.

**FIGURE 10-9. ASSET MANAGEMENT INTERFACE – LOAD TRANSACTIONS TO AM**

Load Transactions into AM

Run Control ID: **Acct\_Entries** | Report Manager | Process Monitor | **Run**

Run Control Parameters: Find | View All | First | 1 of 1 | Last

\*Request ID:  Process Frequency: **Always**  
 Interface ID:  To Interface ID:   
 AM Business Unit:  System Source:

Find Trans Load ID (optional):  
 System Source:  Load Type:   
 AM Business Unit:  Load Status:   
☒ Financial Record ☐ Physical Records **Search**

Interface Information: Personalize | Find |  |  | First | 1 of 1 | Last

Interface ID	System Source	Load Type	AM Business Unit	Load Description	Load Status	Total Items in Query

Save | Return to Search | Previous in List | Next in List | Notify | Add | Update/Display

Once the assets are loaded into Asset Management, it is best practice to do a final review of the assets within the AM module to validate that all information (cost, profile ID, asset category, etc.) interfaced correctly.

The Basic Add screen will allow the user to see initial acquisition information. However, for any subsequent adjustments, users should utilize the Review Cost Screen.

**FIGURE 10-10. REVIEW COST SCREEN**

Review Cost

Cost History List | Cost History Detail | Non Cap History List | Non Cap History Detail

Unit: SFGOV | Asset ID: 000000011461 | 10511-ACCESS CONTROL SYSTEM ST | Tag: WIP

Book:  Find | View All | First | 1 of 1 | Last

Book Name: CAFR | CAFR Reporting Book | Currency: USD  
 Total Cost: 5,090,200.01

Asset Cost Information: Personalize | Find |  |  | First | 1 of 2 | Last

Acctg Date	Trans Type	In/Out	Quantity	Total Cost	Detail
1/06/2017	ADD		1.0000	5,070,330.01	<a href="#">Detail</a>
2/06/2017	ADJ		1.0000	19,870.00	<a href="#">Detail</a>

#### 10.3.2.1 | OWNERSHIP & MULTIPLE FUNDING

For significant capital projects, sometimes multiple and complex funding agreements (e.g., debt agreement, grant agreement, tax measures) help to finance capital project costs resulting in multiple assets with different owners (or shared ownership). For instance, DPW, MTA and PUC all work on a large construction project that will result in new streets owned by DPW, public railways owned by MTA, and new sewers lines owned by PUC. The expenditures are to be recorded on the department funds (PeopleSoft Authority) that own the construction-in-progress or capital asset at fiscal year-end. There will likely be multiple combinations of fund codes. During the initial project set-up, the underlying funding and budget of estimated revenues and appropriations are to be recorded and allocated on the departments' books that own the assets.

Note that asset ownership should generally be based on asset maintenance. This means that whichever department budgets for the maintenance of the asset on an ongoing basis is also the department that is considered the owner of that asset.

In PeopleSoft, when costs are pushed from Project Costing to Asset Management, the related ChartField strings are pushed into the asset. Since the department in those ChartField strings may not be the department that officially owns the asset (for example, when DPW is performing the work on behalf of another department), the asset may need to be transferred to the appropriate department after being placed in service.

#### 10.3.2.2 | PROJECT COMPLETION

If a capital asset is substantially complete—that is, all required certificates of completion/inspection (e.g., building inspection, safety inspection) are obtained, it is placed in service for its intended use, and the costs should be capitalized as a capital asset.

At the time of capitalization, all costs should be captured in the project, and should already be assigned to the CIP asset.

Search for the CIP Asset under Cost Adjust/Transfer Asset menu, select “Recategorize” under Action, and click the “GO!” button. Adjust the Category in the Cost Information tab that comes up.



**FIGURE 10-11. PLACE A CIP ASSET INTO SERVICE**

The figure consists of two screenshots from the San Francisco Financial Transactions system, showing the process of placing a CIP asset into service.

**Top Screenshot: Main Transaction**

The top screenshot shows the "Main Transaction" form. The breadcrumb trail is: Favorites > Main Menu > Asset Management > Asset Transactions > Financial Transactions > Cost Adjust/Transfer Asset. The user is logged in as 59929 on FSCFG. The form displays the following information:

- Unit: SFGOV
- Asset ID: 00000011481
- 10511-ACCESS CONTROL SYSTEM ST
- Tag: WIP

The "Main Transaction" section includes the following fields:

- Transaction Date: 9/30/17
- Accounting Date: 9/30/17
- Transaction Code: (empty)
- Rate Type: CRRNT

The "Copy to Other Books Options" section includes the following fields:

- Copy Changes to Other Books: ☒
- Transfer Other Books By: Amount
- Adjust Other Books By: Amount
- Include Convention: Exclude Convention

The "Action" dropdown is set to "Recategorize". The "GO!" button is visible.

**Bottom Screenshot: Cost Information**

The bottom screenshot shows the "Cost Information" form. The breadcrumb trail is: Favorites > Main Menu > Asset Management > Asset Transactions > Financial Transactions > Cost Adjust/Transfer Asset. The user is logged in as 59929 on FSCFG. The form displays the following information:

- Unit: SFGOV
- Asset ID: 00000011481
- 10511-ACCESS CONTROL SYSTEM ST
- Tag: WIP

The "Book" section includes the following fields:

- Book Name: CAFR
- CAFR Reporting Book
- Base Currency: USD
- Convention: (Invalid Value)

The "Edit Cost Information" section includes the following fields:

- Quantity: 1.0000
- Cost: 5,070,330.01
- Salvage: 0.00
- Category: CIP
- Cost Type: (empty)
- Unit: SFGOV

The "Chartfields" section includes the following fields:

- Fund: 19350
- Dept: 109722
- Authority: 10000
- Agency Use: (empty)
- Project: 10004023
- TBID: (empty)
- Open Unit: (empty)
- Budget Ref: (empty)

After an asset has been recategorized, the asset will appear in the appropriate category for financial reporting. However, in order for the asset to depreciate correctly, the user will need to additionally process a book adjustment to assign the asset a useful life and reclassify the asset as “depreciable”.



## ACCOUNTING POLICIES & PROCEDURES

City and County of  
SAN FRANCISCO

Welcome 59929 Logged On FSUAT

Book - Depreciation Book - Tax Request Work0 Asset Book Work1 Request Work1 Request Work2 Joint Venture Work

Unit: SFGOV Asset ID: 00000011461 10511-ACCESS CONTROL SYSTEM ST Tag: WIP Profile ID: CIPCNV

Trans Date: 9/30/17 Accounting Date: 9/30/17

Depreciation Attributes

Book Name: CAFR CAFR Reporting Book

Status: **Non Depreciable**

Base Currency: USD Total Cost: 5,070,330.01

In Service Date: 06/28/2017 ☐ Depreciate When In Service

Begin Depr Date:

Convention:

Retire Conv:

Adjust Conv: (Invalid Value)

Retire Option: Calculate Gain/Loss

Method: Straight Line Calculation Type: Remaining Value

Percent:

Limit Pct:

Useful Life:

Schedule:

UOP ID:

End Date:

Low Limit: ☐ Monthly

DB Pct: ☐ Low Value

Method ID:

Avg Option: No Averaging

Future Depr Yrs:

☐ Special Depreciation

Special Terms

City and County of  
SAN FRANCISCO

Welcome 59929 Logged On FSUAT

Book - Depreciation Book - Tax Request Work0 Asset Book Work1 Request Work1 Request Work2 Joint Venture Work

Unit: SFGOV Asset ID: 00000011461 10511-ACCESS CONTROL SYSTEM ST Tag: WIP Profile ID: CIPCNV

Trans Date: 9/30/17 Accounting Date: 9/30/17

Depreciation Attributes

Book Name: CAFR CAFR Reporting Book

Status: **Depreciable**

Base Currency: USD Total Cost: 5,070,330.01

In Service Date: 06/28/2017 ☐ Depreciate When In Service

Begin Depr Date:

Convention:

Retire Conv:

Adjust Conv: (Invalid Value)

Retire Option: Calculate Gain/Loss

Method: Straight Line Calculation Type: Remaining Value

Percent:

Limit Pct:

Useful Life: 240 x

Schedule:

UOP ID:

End Date:

Low Limit: ☐ Monthly

DB Pct: ☐ Low Value

Method ID:

Avg Option: No Averaging

Future Depr Yrs:

☐ Special Depreciation

Special Terms

Note, the user is also able to update the in-service date and depreciation convention at this step. Useful life is denoted in months.

## Capitalization of Multiple Assets

For projects that result in multiple assets, when the assets are not readily identifiable at the time of project inception, departments should create a single CIP Asset to house the capital costs. When the assets are placed into service, follow the steps above to create a single beginning asset (likely the largest of the assets to be created).

After recategorizing the asset from CIP to the appropriate in-service category, use the Cost Adjust/Transfer Asset Menu and adjust the cost to be the cost of the first asset.

**FIGURE 10-12. ADJUST THE COST OF AN ASSET**

The figure consists of two screenshots of the San Francisco Financial Transactions system interface, specifically the 'Cost Adjust/Transfer Asset' screen.

**Top Screenshot: Main Transaction Tab**

- Unit:** SFGOV
- Asset ID:** 000000011461
- Asset Description:** 10511-ACCESS CONTROL SYSTEM ST
- Tag:** WIP
- Transaction Date:** 09/30/2017
- Accounting Date:** 09/30/2017
- Transaction Code:** (empty)
- Rate Type:** CRRNT
- Action:** Adjustment
- Buttons:** Save, Return to Search, Notify, Update/Display, Include History

**Bottom Screenshot: Cost Information Tab**

- Book Name:** CAFR
- CAF Reporting Book:** (empty)
- Base Currency:** USD
- Convention:** (Invalid Value)
- Table:**

Quantity	Cost	Salvage	Category	Cost Type	Unit
1.0000	4,570,335.01	0.00	ROAD		SFGOV
- Chartfields:**

Fund	Dept	Authority	Agency Use	Project	TBID	Open Unit	Budget Ref
19350	109722	10000		10004023			
- Adjust Current Row By:** -1,000,000.00 USD
- Buttons:** Save, Return to Search, Notify, Update/Display, Include History

Once the first asset is in the correct category at the correct amount, create a copy of that asset and recategorize into the appropriate category for the second asset. Adjust the amounts accordingly for the second asset as well. Creating a copy of the asset will maintain the Chartfield audit trail.

**FIGURE 10-13. CREATE A COPY OF AN ASSET**

Quantity	Cost	Currency	Salvage Value	Currency	Category	Cost Type
1.0000	2,279,644.31	USD	0.00	USD	INFRA	

Repeat the process of creating new assets, recategorizing, and adjusting until all assets have been created.

### 10.3.2.3 | ASSET VALUATION

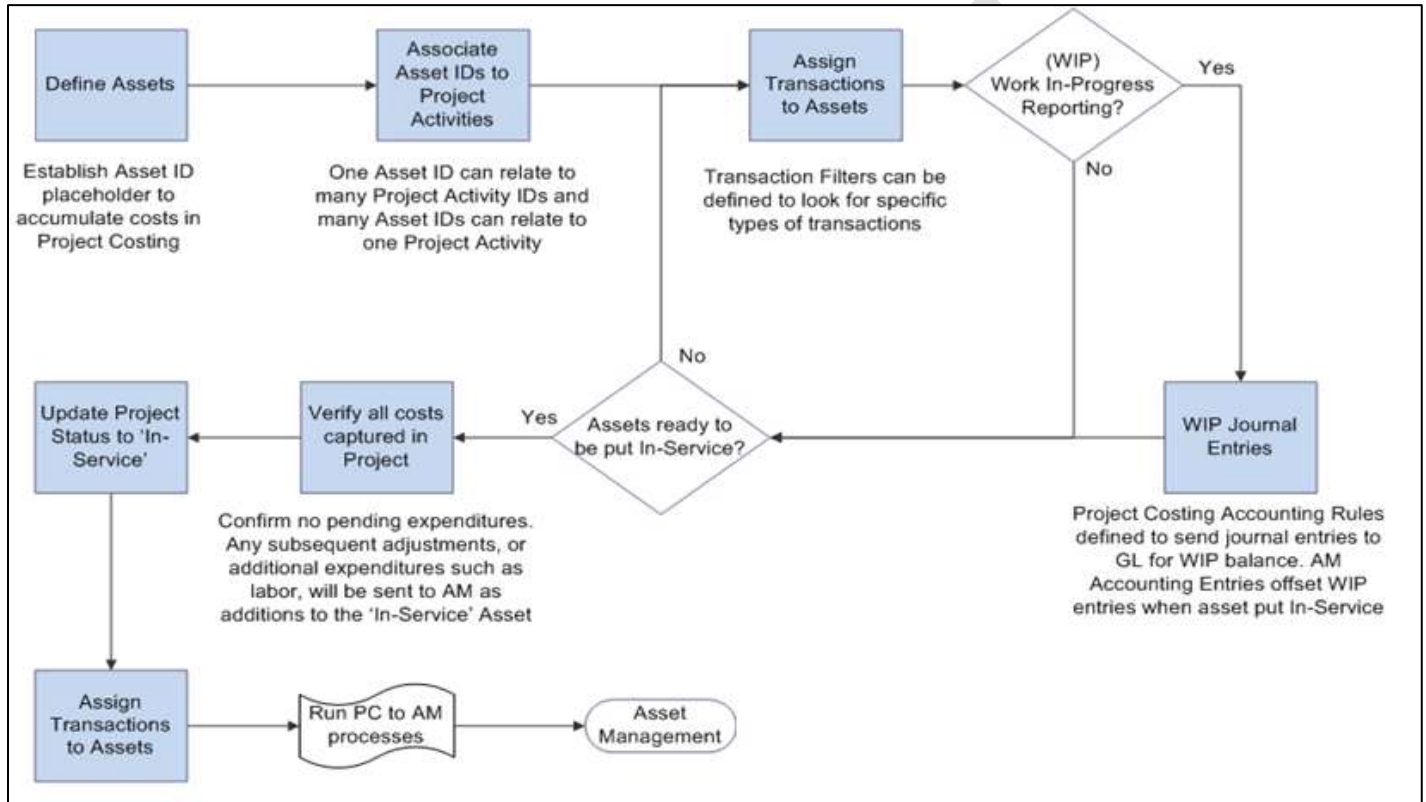
#### **Asset Cost (Historical Cost) or Fair Market Value**

Similar to assets acquired through the Procurement Module, fixed assets created through capital and technology projects are valued by the City & County of San Francisco based on historical cost plus any other charges associated with placing the asset into service.

For purposes of determining whether the value of a potential asset exceeds the above capitalization thresholds, consider all costs incurred to place the asset in service. Costs that are specifically noted as non-capitalizable related to capital projects include pollution remediation (“hazmat” costs) under GASB 49, as well as demolition costs that do not add any value or additional functionality to the completed asset. All non-capitalizable expenditures should be expensed as incurred, per GASB 34, paragraph 16.

If something other than cash is used to pay for the asset, then the fair-market value of the non-cash payment or consideration determines the asset's cost or acquisition value. When the value of the consideration paid can't be determined, the asset's fair-market value determines its cost.

**FIGURE 10-14. ASSET CAPITALIZATION PROCESS**



## 10.4 | Fixed Asset Acquisitions through Procurement

### 10.4.1 | Asset Acquisition

The majority of equipment, fleet, and furniture fixed assets will be acquired through the Procurement Module in PeopleSoft. Refer to the relevant policies & procedures sections for information related to budgeting and encumbrances, **Sections 2 and 3**, respectively. When a Purchase Order is set-up in PeopleSoft, the related National Institute of Governmental Purchasing (NIGP) code must be included to denote the type of commodity/service that is being procured.

Upon procurement, departments must request an equipment number from the Budget & Analysis Division (BAD). When the equipment is placed into service, the corresponding equipment number must be included

The NIGP codes related to fixed assets are automatically assigned to Profile IDs within PeopleSoft. The Profile ID contains information related to Asset Category and Useful Life (refer to Asset Types for various Profile IDs and definitions). When the invoice is received and processed by Accounts Payable, the information automatically is pushed into a Pre-Interface table within the Accounts Payable module for review. The Controller's office will query the information in that table on a periodic basis and will send the information to departments for review.

**FIGURE 10-15. ASSET INPUT FORM EXAMPLE**

[illegible]

- Capital Asset – asset will be capitalized in Asset Management and depreciated over its useful life
- Non-Capital Asset – item is an asset, but not capital. Item will be pushed into Asset Management for tracking purposes (grant funded items)
- Expense – item is not an asset and does not need to be tracked accordingly

Other information, including serial numbers, VIN numbers, license plate numbers, and other identifying characteristics of an asset must be input by the Department after the interface process.

Other charges such as sales tax or freight charges, which are typically capitalized along with asset purchases, will not be included in the amount pushed into Asset Management from AP as those charges are not specifically identified as being associated with a Profile ID. The Asset Input Form (Figure 10-15,

above) includes columns for sales tax, use tax, freight, and any other miscellaneous charges (columns not pictured above) that may have been excluded from the initial, interfaced amount. After the initial interface, assets must be manually adjusted to account for these additional, capital costs.

**FIGURE 10-16. PEOPLESOFT ASSET BASIC INFORMATION SCREEN**

When assets are acquired through procurement, but are not ready to be placed into service (for example, a vehicle arrives at central shops and needs to be outfitted to become a police cruiser, but is not ready for service by year-end), the asset will be classified as CIP. Once the asset is placed in service, the owning department will recategorize the asset into the appropriate asset category.

The Asset Acquisition Detail tab also provides information on how the asset was pushed into the Asset Management module:



**FIGURE 10-17. ASSET ACQUISITION DETAIL TAB**

The screenshot displays the 'Asset Acquisition Detail' tab within a software interface. At the top, there are several tabs: 'General Information', 'Operation/Maintenance', 'Asset Acquisition Detail' (which is selected and highlighted with a red box), 'Location/Comments/Attributes', 'Manufacture/License/Custodian', and 'Asset Supplemental Data'. Below these tabs, the following information is displayed: Unit: 50100, Asset ID: 00000000232, DFM - Vehicles, Tag, and In Service. The 'Acquisition Details' section contains a form with the following fields: Description (Car), System Source (AP Online Entry Page), Incentive ID, Quantity (1.0000), Amount (\$5,000.00), Sales Tax (0.00), Use Tax (0.00), Freight (0.00), Misc Charge (0.00), and Total Amount (\$55,000.00). To the right of these fields, there are additional fields: Base Currency (USD), Currency (USD), Category (VEHCL), and Cost Type. A button labeled 'Interfaces Info...' is located below the 'Cost Type' field. The bottom of the form shows a dropdown menu for '\*Capitalize' with the option 'Already Capitalized' selected.

#### 10.4.1.1 | ASSET VALUATION

##### **Asset Cost (Historical Cost) or Fair Market Value**

The City & County of San Francisco values fixed assets based on historical cost plus any other charges associated with placing the asset into service.

For purposes of determining whether the value of a potential asset exceeds the above capitalization thresholds, costs should include the necessary costs incurred to place the asset in service. Per GASB 34, paragraph 18, costs include the invoice price plus incidental costs directly attributable to asset acquisition (i.e., insurance during transit, freight, capitalized interest, duties, title search, registration fees, and installation costs). Exceptions to this rule include moving and/or storage costs, interest expenses associated with deferred payments and real estate taxes paid, if any, in the acquisition of property.

If something other than cash is used to pay for the asset, then the fair-market value of the non-cash payment or consideration determines the asset's cost or acquisition value. When the value of the consideration paid can't be determined, the asset's fair-market value determines its cost.

## 10.5 | Fixed Asset Acquisitions through Donations

### 10.5.1 | Developer Agreements

California Government Code, [Sections 65864-65869.5](#) and [Chapter 56](#) of the San Francisco City & County Administrative Code set forth the procedures by which a development agreement is processed and

approved. Oftentimes, these agreements include a provision whereby the developer will donate an asset (building or land) upon completion of the overall project.

Through the development agreement, the developer is responsible for the negotiated community benefits including public improvements/infrastructure, easements, buildings, public art, and monetary payments. The Department of Public Works exercises permitting jurisdiction for all public improvements and easements. Upon completion of each public improvement in accordance with the development agreement, the developer dedicates and the City accepts the public improvement through a formal Board of Supervisors Accept & Expend Resolution. Once the Resolution to accept is approved, the donated asset is recorded at acquisition value in the Asset Management Module in PeopleSoft.

The donated asset information is recorded directly to the Asset Management Module, and from there the information will interface directly with the appropriate General Ledger Fixed Asset accounts. Note, do not input a custom Asset ID when inputting the donated asset information. The system will automatically assign the “NEXT” asset ID. For city-wide audit purposes, it is important that departments not deviate from the system assigned sequence.

**FIGURE 10-18. PEOPLESFT ASSET BASIC INFORMATION SCREEN**

The screenshot displays the 'Asset Information' tab in the PeopleSoft Asset Management Module. The top navigation bar includes tabs for General Information, Operation/Maintenance, Asset Information, Asset Acquisition Detail, Location/Comments/Attributes, and Manufacture/License/Custodian. The main header shows Unit US001, Asset ID 000000000089, High Speed Copier, Tag, and In Service. The 'Asset Information' section contains the following fields:

- Description: High Speed Copier
- CAP #: [Empty]
- Taggable Asset: ☒
- Asset Class: [Empty]
- Asset Type: Equipment
- Asset Subtype: [Empty]
- \*Asset Status: In Service
- Acquisition Date: 09/09/2003
- Placement Date: [Empty]
- Collateral Asset: [Empty]
- \*Acquisition Code: Purchased (highlighted with a red box)
- FERC Code: [Empty]
- Financing Code: [Empty]
- Fair Value: 0.000
- Replacement Cost: [Empty]
- Index Name: [Empty]
- Subindex Name: [Empty]
- Parent/Child: None
- Profile ID: OFFICE EQT
- Composite Asset: ☐
- Short Desc: High Speed
- Seq #: [Empty]
- Tag Number: [Empty]
- Auction Status: Sold in Auction
- Capitalized Asset: ☐
- New Asset: ☒
- Available For Use: ☐
- In Physical Use: ☐
- Appraisal Date: [Empty]
- Last Update: [Empty]
- Parent ID: [Empty]
- Region Code: [Empty]
- Composite Asset ID: [Empty]

At the bottom left, there are links for Book Page, Asset Warehouse Mapping, and Fair Value Details. At the bottom right, there are links for Set R and D Info and Attachments (0).



When performing the “Basic Add” function in Asset Management, select “Donated” under Acquisition Code to indicate that the acquired asset was donated.

**Example 1: Land Purchase for \$1**

The City & County of San Francisco (the City) entered into an option agreement with the Housing Authority of the City & County of San Francisco (SFHA) for the option to pay \$100 for the exclusive right to purchase real property for a sale price of \$1.

In order to value the property appropriately, an appraisal was performed prior to sale and it was determined that the actual value of the property was approximately \$960,000. The City exercised its option and the property was purchased for a \$1 consideration (as well as \$3,481 in closing costs).

Although there is \$1 in consideration given by the City as part of the transaction, per GASB 33, paragraph 57: “In a non-exchange transaction, one party transfers value (benefit) to another party (or receives value from another party) without receiving (giving) equal value in exchange.” As the value received by the City is not equivalent to the value received by SFHA, the transaction appears to be a voluntary non-exchange transaction, or a donation.

Per GASB 72, donated capital assets are accounted for at acquisition value, or the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date. Based on the appraisal performed, it appears that \$960,000 was an appropriate acquisition (entry) price, and as such the City recorded the land received at that value.

**Example 2: Developer Contribution Voluntary**

A developer (provider) completes construction of an industrial park and turns over the water, sewer, and power lines to the City utility (recipient), in accordance with an agreement made the previous year. Under the agreement, the City utility is not required to assume responsibility for the power lines until the industrial park is completed; the developer is responsible until completion.

This example illustrates the characteristics of voluntary non-exchange transaction under GASB 33. (The developer is not required to enter into the agreement.) There is one eligibility requirement: completion of the industrial park. The City utility should recognize capital assets and revenues for the water, sewer, and power lines when the industrial park is completed.

**Acquisition Value**

GASB 72 was issued in February 2015 and is effective for reporting periods beginning after June 15, 2015. Once GASB 72 was adopted, certain capital assets that were previously reported at fair market value would be measured instead on a go-forward basis at acquisition value.

Acquisition value is not the same as fair value. Fair value is an exit price notion, whereas acquisition value is an entry price notion. Acquisition value is the price that would be paid to acquire an asset with equivalent service capacity in an orderly market transaction at the acquisition date. The use of

acquisition value should be applied prospectively to transactions occurring after GASB 72 is effective; organizations do not have to re-state these types of capital assets to acquisition value upon implementation.

The following assets should be measured at acquisition value:

- Donated capital assets, as provided in paragraph 18 of GASB 34, as amended
- Donated works of art, historical treasures, and similar assets as provided in paragraph 27 of GASB 34
- Capital assets that a government receives in a service concession arrangement as provided in paragraph 9 of GASB 60.

### **10.5.2 | In-Lieu of Donations**

In certain arrangements, capital assets will be donated to the City in exchange for other goods and services. In such cases, the goods or services exchanged must be of approximately equal value; otherwise, the transaction may reflect a true donated asset.

#### **Example: Developer Contributes Infrastructure**

The City (recipient) gives land valued at \$10 million to a developer (provider) to construct an industrial park. In return, the developer assumes the cost of installing the roads, power lines, water and sewer lines, and other infrastructure on the site. When the industrial park is completed, the developer is to give the infrastructure (excluding the land), which has a total cost of approximately \$9.5 million, to the City.

This is an exchange-like transaction (land for constructed infrastructure, of approximately equal values) and should be accounted for as an exchange transaction—assets and revenues should be recognized when the exchange occurs. GASB 33 does not apply.

## **10.6 | San Francisco Finance Corporation**

The San Francisco Finance Corporation (SFFC) is a nonprofit public benefit corporation created to provide a means to finance, through lease financing, acquisition, construction, and installation of facilities, equipment and other tangible real and personal property for the City's general government.

Operationally the SFFC is considered a fiscal agent of the City & County of San Francisco (the City) but is not part of the City and as such maintains separate books and records. Although the SFFC is a legally separate entity from the City, it is considered a blended component unit for financial reporting purposes.

SFFC may issue lease revenue bonds to finance the acquisition or construction of property and equipment that are in turn leased to the City under various lease agreements. The department may also have already purchased an asset and can be reimbursed by the SFFC.

### **10.6.1 | Fixed Assets Purchased through SFFC**

All assets purchased through SFFC will be capitalized in PeopleSoft, regardless of the \$5,000 threshold amount. However, since SFFC does not purchase assets through PeopleSoft, the assets will not automatically interface to PeopleSoft Asset Management through either the Accounts Payable module or through Project Costing.

Rather, departments must work with the Office of Public Finance to determine the assets, and corresponding costs, that must be accounted for. Departments may also obtain bank statements from the Controller's Office—Accounting Operations & Supplier Division for further information. Once the asset information is gathered, departments will enter the asset information directly into Asset Management in PeopleSoft. From the Asset Management module, the accounting entries (see example journal entries below) will automatically interface back to the General Ledger.

#### Example Journal Entries:

6/30/20XX – Interface Entry

Dr. Equipment               XXX

Cr. Expenditures           XXX

## **10.7 | Vehicle Leasing Program**

Fleet Management administers an internal Vehicle Leasing Program for general-purpose sedans and light-duty pickup trucks/vans (up to 10,000 lbs. gross vehicle weight rating). Enterprise departments whose light duty vehicles are not maintained by Central Shops are not covered by this program, nor are emergency response vehicles. Fleet Management acquires vehicles, and then charges departments annually for them on a pay-as-you-go basis. Lease rates cover maintenance and normal repair.

A portion of newly purchased vehicles are designated straight into the Vehicle Leasing Program. However, due to age and expensive repairs, departments will eventually turn-in their owned vehicles to Central Shops. At times, Central Shops can re-purpose these vehicles and add them to the Vehicle Leasing Program, subsequently assigning the vehicle to departments in need.

### **10.7.1 | Fixed Assets – GSA Accounting**

When new vehicles enter Central Shops for the Vehicle Leasing Program (VLP), Central Shops will inform General Services Agency (GSA) Accounting of the newly acquired vehicles and for the vehicles to be recorded in the Central Shops' VLP list, which is reflected in the General Ledger. This process should be similarly repeated for vehicles that are turned-in to Central Shops by departments. If deemed usable by Central Shops and repurposed for the VLP, the vehicle will need to be communicated to GSA Accounting so it can also be added to the list reflected in the General Ledger. If vehicles are considered a total loss (i.e., due to expensive repairs) and are sent to auction or to be scrapped, Central Shops will need to inform GSA Accounting so that the vehicle can be removed from the Central Shops VLP list. See below for example journal entries.

### **10.7.2 | Departments Recording VLP Transactions**

Because the Vehicle Leasing Program is funded by the Internal Service Funds and vehicles are paid for by an annual lease rate by the department, the departments will not record the vehicles into their books. Instead, departments will record the annual lease rate paid to Central Shops for the vehicles, and their details, that are in their possession. See below for fixed asset related journal entries:

#### **For vehicles designated straight into the VLP**

##### Central Shops:

6/30/20XX – Interface Entry (as vehicles are typically interfaced into Asset Management from the Accounts Payable module – see Fixed Asset Acquisitions through Procurement, Section 10.4– no manual JE is needed to record the asset)

Dr. Equipment                      XXX

Cr. Expenditures                XXX

##### Department:

As vehicles are not owned by department utilizing the asset, no journal entry is needed to record the equipment.

#### **For vehicles repurposed into the VLP**

##### Department disposes the vehicle in Asset Management

6/30/20XX – Interface Entry

Dr. Accumulated Depreciation                XXX

Cr. Equipment                                      XXX

Central Shops adds the vehicle in Asset Management:

6/30/20XX – Interface Entry

Dr. Equipment XXX

Dr. Accumulated Depreciation XXX

\*\* Note: The above disposal & acquisition may also be accomplished through a coordinated asset transfer within the Asset Management module.

## 10.8 | General Obligation Bonds

General obligation (GO) bonds are typically used to finance the acquisition, improvement, and/or construction of real property. Such facilities include but are not limited to, libraries, hospitals, parks, public safety facilities, cultural, and educational facilities.

Pursuant to the State Constitution, the California *Government Code* and the City's *Administrative Code*, the Board of Supervisors shall hold a minimum of two public hearings prior to placing a GO bond measure on the ballot. In accordance with the State Constitution, GO bonds must be approved by two-thirds vote of the City electorate voting on the measure. Prior to any issuance of any new money, the Board of Supervisors shall approve, by majority vote, a resolution authorizing such issuance.

### 10.8.1 | GO Bond Fixed Assets

As GO bonds typically fund large capital projects, the majority of related expenditures will be included in construction-in-progress for the duration of the project (e.g., planning, design and construction). Although the bonds are issued for the purpose of constructing an asset, it should be noted that not all costs may be capitalizable under Generally Accepted Accounting Principles (GAAP). For example, pollution remediation costs, and certain demolition costs, may not be capital regardless of their funding source. Refer to Construction in Progress: Fixed Asset Acquisitions through Project Costing at Section 10.3 for additional information.

## 10.9 | Certificates of Participation

Certificates of Participation (COP) will be used for acquisition or improvement of existing facilities and/or construction of new facilities that result in immediate or future savings in payments currently made or to be made by the City's General Fund. For example, COPs may be used to provide funds to execute a lease-purchase option for a facility whereby future savings accrue to the General Fund during the period for which the COPs and the lease would be outstanding. COPs also are appropriate for projects

that will be matched with grant and other additional moneys, reduce operating costs to the City, address critical and urgent seismic and other public safety hazards for which no other sources are practically available, or provide for the delivery of services mandated by law.

In accordance with Article IX of the *City Charter*, COPs may consist of lease financing agreements between the City and a for-profit lessor. All COP issuances are authorized by resolution or ordinance of the Board of Supervisors by majority vote and then, if necessary, validated by the Superior Court of San Francisco. COPs are not required to be approved by the electorate.

### **10.9.1 | COP Fixed Assets**

As noted above, COPs may be used to fund a variety of activities, not only capital projects. As such, it is imperative that the department understand the purpose of the funds, by reviewing the related ordinance or resolution, prior to capitalizing any costs. Even in cases where COPs are issued for the purpose of ultimately constructing an asset, it should be noted that not all costs may be capitalizable under GAAP. For example, pollution remediation costs, and certain demolition costs, may not be capital regardless of their funding source. Refer to Construction in Progress: Fixed Asset Acquisitions through Project Costing at Section 10.3 for additional information.

## **10.10 | Commercial Paper**

The City established its tax-exempt and taxable lease revenue commercial paper certificates of participation program (“Commercial Paper Program”) for the purpose of providing funds to finance the acquisition, construction, and rehabilitation of capital improvements and the financing of vehicles and equipment. The Commercial Paper Program will be utilized and commercial paper notes will be issued from time to time to provide financing for projects, subject to the conditions that the projects and project financing will have prior approval from the Board of Supervisors and Mayor. The Director of Public Finance shall provide a written report to the Board of Supervisors twelve months following the initial issuance of commercial paper notes and annually thereafter through the final maturity of the last commercial paper note outstanding describing the notes issued since commencement of the Commercial Paper Program and since the date of the last report; summarizing the current status of projects financed with commercial paper; and identifying any certificates of participation and other long term obligation refunding commercial paper notes.

### **10.10.1 | Commercial Paper Fixed Assets**

As noted above, Commercial Paper is typically (although not always) issued to provide interim financing for a project that may need immediate financing prior to bond or COP issuance, or that may need additional funding if a project has gone over budget. However, similar to the COP program, Commercial Paper may be used to fund a variety of activities, and as such it is important that the

department understand the purpose of the funds. Similar to the long-term obligations noted above, even in cases where COPs are issued for the purpose of ultimately constructing an asset, it should be noted that not all costs may be capitalizable under GAAP. For example, pollution remediation costs, and certain demolition costs, may not be capital regardless of their funding source. Refer to Construction in Progress: Fixed Asset Acquisitions through Project Costing at Section 10.3 for additional information.

## 10.11 | Fixed Asset Valuation & Methodology

The following Table summarizes methods of recording acquisition and fixed asset valuations in PeopleSoft.

**FIGURE 10-19. PEOPLESFT ACQUISITION CODES AND ASSET VALUATION METHODOLOGY**

METHOD OF ACQUISITION	RELEVANT PEOPLESFT ACQUISITION CODES	ASSET VALUATION
Construction or Development in Progress	Constructed	<p>Similar to assets acquired through the procurement module, the City &amp; County of San Francisco values fixed assets created through capital and technology projects based on historical cost plus any other charges associated with placing the asset into service.</p> <p>For purposes of determining whether the value of a potential asset exceeds the above capitalization thresholds, costs should include the necessary costs incurred to place the asset in service. Costs that are specifically noted as non-capitalizable related to capital projects include pollution remediation (hazmat costs) under GASB 49, as well as demolition costs which do not add any value or additional functionality to the completed asset. All non-capitalizable expenditures should be expensed as incurred, per GASB 34, paragraph 16.</p> <p>If something other than cash is used to pay for the asset, then the fair-market value of the non-cash payment or consideration determines the asset's cost or acquisition value. When the value of the consideration paid can't be determined, the asset's fair-market value determines its cost.</p>
Procurement/Purchasing	Purchased	<p>The City &amp; County of San Francisco values fixed assets based on historical cost plus any other charges associated with placing the asset into service.</p> <p>For purposes of determining whether the value of a potential asset exceeds the above capitalization thresholds, costs should include the necessary costs incurred to place the asset in service. Per GASB 34, paragraph 18, costs include the invoice price plus incidental costs directly attributable to asset acquisition (i.e., insurance during transit, freight, capitalized interest, duties, title search, registration fees, and installation costs). Exceptions to this rule include moving and/or storage costs, interest expenses associated with deferred payments and real estate taxes paid, if any, in the acquisition of property.</p> <p>If something other than cash is used to pay for the asset, then the fair-market value of the non-cash payment or consideration determines the asset's cost or</p>

METHOD OF ACQUISITION	RELEVANT PEOPLESFT ACQUISITION CODES	ASSET VALUATION
		acquisition value. When the value of the consideration paid can't be determined, the asset's fair-market value determines its cost.
Donation	Donated	<p>Donated assets should be valued at acquisition value, per GASB 72. Acquisition value is not the same as fair value. Fair value is an exit price notion, whereas acquisition value is an entry price notion. Acquisition value is the price that would be paid to acquire an asset with equivalent service capacity in an orderly market transaction at the acquisition date.</p> <p>The following assets should be measured at acquisition value:</p> <ul style="list-style-type: none"> <li>• Donated capital assets, as provided in paragraph 18 of GASB 34, as amended</li> <li>• Donated works of art, historical treasures, and similar assets as provided in paragraph 27 of GASB 34</li> <li>• Capital assets that a government receives in a service concession arrangement as provided in paragraph 9 of GASB 60.</li> </ul>

PeopleSoft additionally provides Acquisition Codes for other specific transactions such as Leased Assets, Like Exchanges, Trade-in, and Transfers.

## 10.12 | Depreciation & Amortization

Capital assets are depreciated or amortized over their useful lives when they are placed in service, unless the asset is inexhaustible (e.g., land). Therefore, the costs of an asset are recognized as depreciation or amortization expense over the useful life of the asset. The straight-line method is used to depreciate and amortize assets. Inexhaustible assets are not depreciated.

### 10.12.1 | Straight-Line Depreciation Method

Under the straight-line depreciation method, the basis of the asset is written off evenly over the useful life of the asset. The same amount of depreciation or amortization is taken each year. In general, the amount of annual depreciation/amortization is determined by dividing an asset's depreciable cost by its estimated useful life.

### 10.12.2 | Depreciation Conventions

Assets that are placed in service during the fiscal period are depreciated using the following month convention (i.e., beginning the month after the in-service date). For example, an asset that is placed into service in January would begin to depreciate in February.



Large capital projects that are placed in service during the fiscal period are depreciated using the half-year convention (i.e., depreciated for six months during the year placed in service). For example, an asset that is placed into service at any time during 2020 will have six months of depreciation expense associated with that asset during 2020.

In the PeopleSoft system, the depreciable useful life of the asset is determined by the Profile ID assigned during the acquisition phases described above.

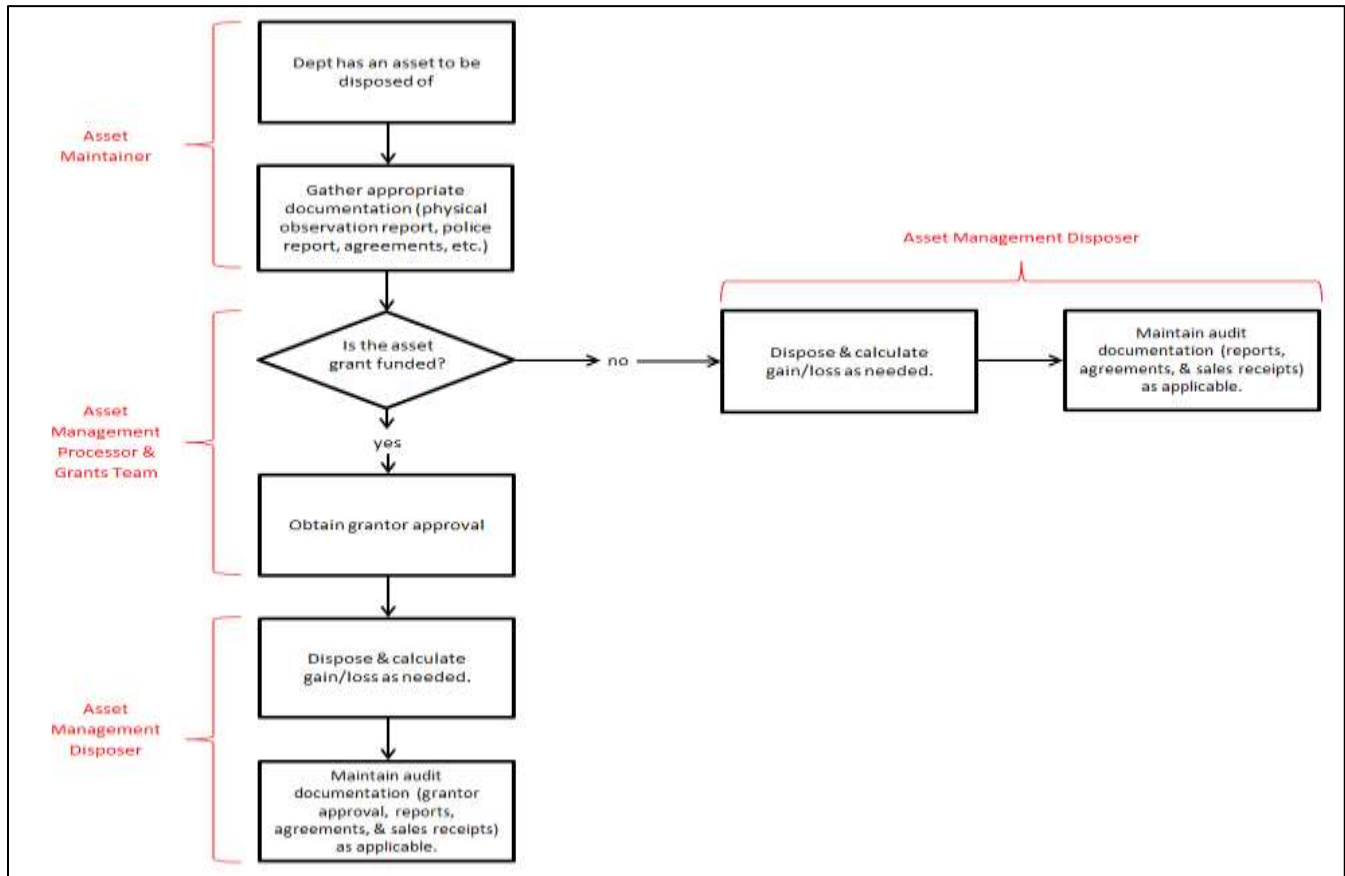
Departments may utilize a different useful life or depreciation convention other than those defaulted in the system given an appropriate business case.

## **10.13 | Fixed Asset Disposals**

### **10.13.1 | Disposal of Fixed Assets**

On an ongoing basis, departments should identify any assets that need to be disposed. After the items are identified, the department should follow this process:

**FIGURE 10-20. FIXED ASSET DISPOSAL PROCESS**



Any item that is sold, traded-in, scrapped, abandoned, or otherwise removed from service during any given reporting period is classified as a disposal. PeopleSoft shall be updated on a regular basis to reflect all asset disposals that occurred. Various methods of disposal in PeopleSoft include the following:

**TABLE 10-5. FIXED ASSET DISPOSAL METHODS IN PEOPLESOFT**

DISPOSAL TYPE	DEFINITION	REQUIRED DOCUMENTATION
Abandonment	Select when the asset has no resale value and it is left behind, such as leasehold improvements	<ul style="list-style-type: none"> <li>Documentation of lease or building abandonment (termination agreement)</li> <li>Department head or designee approval of abandonment</li> </ul>
Auto-Retire Fully Depreciated Assets **	May be used when the asset is fully depreciated	<ul style="list-style-type: none"> <li>Asset custodian confirmation of asset retirement</li> <li>Department head or designee approval of asset retirement</li> </ul>
Cannibalize for Other Assets	Parts of an asset to be disposed are used in rehabilitating another capital asset	<ul style="list-style-type: none"> <li>Asset custodian confirmation of asset retirement</li> <li>Documentation for assets which will receive cannibalized parts</li> <li>Department head or designee approval</li> </ul>

**ACCOUNTING POLICIES & PROCEDURES**

DISPOSAL TYPE	DEFINITION	REQUIRED DOCUMENTATION
Casualty Loss	When an asset is unintentionally destroyed. If the asset cannot be sold, there may be additional removal costs when disposing	<ul style="list-style-type: none"> <li>Documentation of destruction (for example, police report)</li> <li>Documentation of removal costs, such as invoices</li> <li>Department head or designee approval of casualty loss</li> </ul>
Disappeared Assets	When an asset cannot be located and you are not sure whether the asset was abandoned or stolen. Disappeared assets have no proceeds or removal costs	<ul style="list-style-type: none"> <li>Documentation of inventory observation &amp; reconciliation</li> <li>Department Head or designee approval</li> </ul>
Disposal Due to Theft	Select when an asset has been stolen	<ul style="list-style-type: none"> <li>Documentation of theft (for example, police report)</li> <li>Asset custodian confirmation of theft</li> <li>Department head or designee approval</li> </ul>
Donated to External Group	Where an item is donated usually to charity (this is typically performed by the purchasing department)	<ul style="list-style-type: none"> <li>Receipt from charitable organization</li> <li>Asset custodian confirmation of donation</li> <li>Department head or designee approval</li> </ul>
Expensed	When an asset was capitalized through an interface process, but does not meet the capitalization threshold	<ul style="list-style-type: none"> <li>Department head or designee approval</li> <li>Listing of such assets, including asset type and related threshold</li> </ul>
Missing Asset	Select when an asset is missing. Missing assets have no proceeds and no removal costs	<ul style="list-style-type: none"> <li>Documentation of inventory observation &amp; reconciliation</li> <li>Department head or designee approval</li> </ul>
Retirement by Sale	Use if you sell an asset. The department can use the interface with PeopleSoft Billing to generate the bill	<ul style="list-style-type: none"> <li>Sales receipt or PeopleSoft billing (if used)</li> <li>Asset custodian confirmation of sale</li> <li>Department head or designee approval</li> </ul>
Returned to Inventory	When the asset is returned to a common internal pool where it is available for others to use (such as a vehicle returned to Central Shops)	<ul style="list-style-type: none"> <li>Asset custodian confirmation of return</li> <li>Receiving department confirmation</li> <li>Department head or designee approval</li> </ul>
Scrapped Assets	Select when the asset is no longer useful and has no resale value	<ul style="list-style-type: none"> <li>Confirmation of receipt by recycling center</li> <li>Asset custodian confirmation of disposal</li> <li>Department head or designee approval</li> </ul>
Traded in for another Asset	Where an asset is exchanged for a different asset with a manufacturer. This usually occurs during the return period	<ul style="list-style-type: none"> <li>Trade in credit receipt and/or new asset documentation</li> <li>Asset custodian confirmation of exchange</li> <li>Department head or designee approval</li> </ul>

**\*\* Note:** Although the Auto-Retire Fully Depreciated assets option is available in PeopleSoft, it is not recommended that this option be utilized. Assets should only be disposed of when the asset is physically no longer in use, not simply because they have finished depreciating.

Typically, items disposed of within the City would be either Retirement by Sale if the item was sold, or Scrapped, if the item was turned in to the virtual warehouse or otherwise no longer in use. All assets that are retired/disposed of in any way require a *PeopleSoft Retired/ Disposed Assets Form* that provides justification of the change indicated (e.g., sold, donated, stolen, lost, destroyed/damaged, traded in, or written off). Approval from a Department Head or their designee is required.

**FIGURE 10-21. PEOPLESOFT RETIRED/DISPOSED ASSETS FORM**

<b>City &amp; County of San Francisco</b>								
<b>Retired/Disposed Assets Form</b>								
Date:								
Fiscal Year:								
Department:								
Prepared by:								
Preparer Tel. No.:								

<b>Property ID</b>	<b>Asset Description</b>	<b>Transaction Date</b>	<b>Accounting Date</b>	<b>Disposal Code</b>	<b>Proceeds from Sale (if applicable)</b>	<b>City Number - Vehicles Only</b>	<b>Asset's Current Location</b>	<b>Comments / Add'l Information</b>

Reviewer:	
Final Approver:	

In cases where assets are disposed of prior to full depreciation, departments should work with the Controller's Office fixed asset team to recognize any corresponding gain/loss accordingly.

## Disposing Federal/Grant-Funded Assets

For all dispositions involving federally funded assets, it must be determined if there are specific grant requirements surrounding capital asset disposition. Typically, in the event that an asset to be disposed of has a fair market value in excess of \$5,000, the department must report the disposal to the federal agency that provided the initial funding.

In some instances, departments may be required to remit some or all of the cash proceeds received from the disposition of assets acquired with federal funding to the federal agency involved. Refer to the individual grant agreement for specific guidance on federal requirements governing the disposition of federally funded assets.

### 10.13.2 | Transferring Fixed Assets

Transfers are defined as the physical relocation of a capital asset, either by account, department, building, floor, or room. A transfer may be a complete or a partial transfer of an item. This is particularly useful for those pieces of equipment that have multiple parts, such as computers, where only certain pieces are changed frequently.

Desktop computer equipment shall be treated as a single unit (e.g., monitor, keyboard, tower, and any other peripheral equipment such as external disk drives). As such, the mere act of exchanging one

keyboard for another does not constitute a transfer of an asset. Only in those cases in which the complete desktop computer (meeting the equipment threshold definition) is physically relocated, shall an *Asset Transfer Form* be completed, and an entry made in the Asset Management Module.

### Intra-Department Transfer

An intra-department transfer is a change in physical location of an asset while remaining within the same department. (An example of an intra-department transfer would be moving a bus from one MUNI facility to another.) Individual City departments are responsible for tracking capital assets and ensuring that the PeopleSoft location codes accurately reflect the physical location of each asset. All transfers of capital assets are required to be documented.

### Inter-Department Transfer

An inter-department transfer is the movement of an asset between departments. Transferring an asset between departments requires that both the location and department code be updated in PeopleSoft. All inter-department transfers must be documented using the *PeopleSoft Input Form* with a complete explanation of the transfer. The form must be approved by Department Heads or their designees for both the transferring and receiving departments and delivered to the Controller's Office. These transfers will result in a transfer-in and transfer-out on the City-wide *Comprehensive Annual Financial Report*.

**FIGURE 10-22. PEOPLESFT ASSET TRANSACTION SCREEN—TRANSFER**

The screenshot displays the PeopleSoft Asset Transaction Screen for a transfer. At the top, the 'Main Transaction' tab is selected. Fields include 'Unit: SFGOV', 'Asset ID: 00000000010', 'Cubicle System', 'Tag: MF004', and 'In Service'. Below these, the 'Main Transaction' section contains 'Transaction Date' (12/05/2016), 'Accounting Date' (12/05/2016), 'Transaction Code', and 'Rate Type' (CRRNT). A red box highlights the 'Action' dropdown menu, which is set to 'Transfer'. To the right, there are checkboxes for 'Copy Changes to Other Books' and 'Copy to Other Books Options', followed by dropdowns for 'Transfer Other Books by', 'Adjust Other Books By', and 'Include Convention'. At the bottom, there are buttons for 'Save', 'Return to Search', 'Previous in List', 'Next in List', 'Notify', 'Update/Display', and 'Include History'.

The screenshot displays the PeopleSoft Asset Management Processor interface. At the top, the 'Book' section shows 'Book Name: CAFR', 'CAFR Reporting Book', 'Base Currency: USD', and 'Convention: Following Month'. Below this is the 'Cost History' section. The main area shows two rows of asset data. The first row has a quantity of 1.0000, cost of 4,000.00, and salvage of 0.00. The second row has a quantity of 1.0000, cost of 2,000.00, and salvage of 0.00. Both rows have a category of EQFRN and unit of SFGOV. The 'Chartfields' section for both rows shows Fund 10070 and Dept 103768. The 'Adjust Current Row By' field is set to USD. The interface includes buttons for Save, Return to Search, Previous in List, Next in List, Notify, Update/Display, and Include History.

## 10.14 | Department Monitoring Procedures

### 10.14.1 | Asset Additions & Disposals

On a quarterly basis, the PeopleSoft Asset Management Processor will run a quarterly (three-month) and year-to-date fixed asset roll-forward report and verify completeness and accuracy of additions and disposals. The Asset Management Processor will further agree the beginning and ending balances of the roll-forward to the General Ledger and reconcile any differences that may arise.

On an annual basis, the Controller's Office will request from each department one quarter's roll-forward and corresponding workpapers.

[PLACEHOLDER PEOPLESFT ROLLFORWARD BI EXAMPLE]

### 10.14.2 | Depreciation Review

On a monthly basis, the Controller's Asset Month-End Processor role will execute the depreciation close and create the related accounting entries. The City Asset Depreciation Maintainer role is responsible for reviewing their department's respective depreciation entries for accuracy and reasonableness on at least a quarterly basis. Note: monthly review is recommended to ensure timely resolution of any issues.

## ACCOUNTING POLICIES &amp; PROCEDURES

Significant fluctuations in depreciation expense from period to period should be investigated to ascertain their nature and determine the reasonableness of the amount recorded. If changes have to be made to the capital asset variables (such as life of the asset or acquisition costs), the *City Asset Depreciation Maintainer* role is responsible for updating Asset Management on a timely basis to reflect these changes and maintaining supporting documentation for those changes. If the changes are significant, a copy of the support and effects of the changes should be provided to the Controller's Office.

If the adjustments are detected subsequent to the year of acquisition, documentation of the change should be provided to the Controller's Office because the impact of the adjustment on depreciation expense recognized in previous years should be manually computed and a journal entry should be recorded to reflect the appropriate amount of accumulated depreciation.

Asset Management Module users have the ability to view depreciation history on an individual asset basis, either annually or by monthly period.

**FIGURE 10-23. FIXED ASSET DEPRECIATION HISTORY BY MONTH**

Asset Depreciation Period Depreciation

Unit SFGOV Asset ID 00000000009 2015 Toyota Prius Status In Service

Book

Find | View All First 1 of 1 Last

Book Name CAFR CAFR Reporting Book Currency USD

Get Period Depreciation

☒ Expense ☒ Accum Year 2017 Get Period Depr

Depr. Accum Adjustment

Period Depreciation

Personalize | Find | First 1-16 of 16 Last

Chartfields

Year	Period	Trans Type	Depreciation Amount	Fund	Dept	Program	Agency Use	Authority	PC Business Unit	Project	A
2017	5	DPR	306.25	10080	109692			10063		00000101	
2017	5	DPR	40.83	10090	138707			10221		00000101	
2017	6	DPR	306.25	10080	109692			10063		00000101	
2017	6	DPR	40.83	10090	138707			10221		00000101	
2017	7	DPR	306.25	10080	109692			10063		00000101	
2017	7	DPR	40.83	10090	138707			10221		00000101	
2017	8	DPR	306.25	10080	109692			10063		00000101	
2017	8	DPR	40.83	10090	138707			10221		00000101	
2017	9	DPR	306.25	10080	109692			10063		00000101	
2017	9	DPR	40.83	10090	138707			10221		00000101	
2017	10	DPR	306.25	10080	109692			10063		00000101	
2017	10	DPR	40.83	10090	138707			10221		00000101	
2017	11	DPR	306.25	10080	109692			10063		00000101	
2017	11	DPR	40.83	10090	138707			10221		00000101	
2017	12	DPR	306.25	10080	109692			10063		00000101	

### **10.14.3 | Inventory of Capital Assets**

Each department shall designate a *City Asset Maintainer* who will be responsible for the department's system of control over its capital assets and the physical location code of each asset in PeopleSoft.

#### **10.14.3.1 | FIXED ASSETS INVENTORY GUIDELINES**

##### **Inventory Control over Federally Funded Equipment**

A physical inventory of equipment acquired with federal funding shall be taken and reconciled to the equipment records at least once every two years in accordance with Office of Management & Budget (OMB) CFR Title 2 § 200.313.

All fixed assets listed in the PeopleSoft system should be physically observed at least once a year and reconciled to the Asset Management Module. If performing physical inventory observations annually is deemed excessive based on the size of the department, or based on the number of fixed assets to be observed, a department may document separate procedures to perform a rolling inventory count (for example, a department may complete a full inventory observation within a rolling three-year period).

#### **10.14.3.2 | CONDUCTING PHYSICAL INVENTORY**

##### **Background**

In accordance with City policy governing capital assets, departments are to conduct periodic inspections of all property and equipment within their areas of responsibility, and reconcile those inventories with property and equipment records.

##### **“Sheet to Floor” Observation**

Annually, each department should generate a list of fixed assets owned by the department from the PeopleSoft Asset Management module, which will serve as the master list of assets to be observed.

Note: departments should assign, at a minimum, three separate individuals to participate in this process: The individual who fulfills the *City Asset Maintainer* role in PeopleSoft should be different from the individual performing the inventory observation, who in turn should be different from the individual who may add or dispose of fixed assets within the PeopleSoft system.

When the physical observation is conducted, the observer should make note of items observed, and any items that are included in the PeopleSoft list but not observable (i.e. missing). Similarly, any assets observed in the field that were not included on the PeopleSoft list should be noted for investigation and reconciliation as well.



## **10.15 | Financial Reporting**

The City & County of San Francisco values fixed assets based on historical cost plus any other charges associated with placing the asset into service. Donated fixed assets are recorded at estimated acquisition value at the date of donation. The City's fixed assets are recorded in the PeopleSoft Asset Management module.

Fixed assets are reported in the City's *Comprehensive Annual Financial Report* (CAFR) by Asset Type such as Land, Construction-in-Progress, Facilities & Improvements, Machinery & Equipment, Easements & Infrastructure. The Controller's Office is responsible for preparing the CAFR and verifying all contents included in this report. The City's CAFR reports can be found at the following link:

<https://sfcontroller.org/comprehensive-annual-financial-report-cafr>.

### **10.15.1 | Government-wide Financial Statements & Accrual Basis Accounting**

The following are characteristics of accrual-based government financial statements:

- Depreciation expense is included in expenses on the Statement of Activities, but not on a separate line item
- Capital assets that were depreciated are reported net of accumulated depreciation on the Statement of Net Position
- Land and other inexhaustible assets are included with Construction in Progress as Capital Assets not being depreciated as a separate line item on the Statement of Net Position
- Ending Net Position is decreased by depreciation expense and increased by capital assets
- Unspent debt proceeds from capital assets related debt should be reported in the Net Position section of the Statement of Net Position as "Restricted for capital projects"

### **10.15.2 | Governmental Fund Financial Statements & Modified Accrual Basis Accounting**

When capital assets that are to be used in government activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds (*i.e.*, public protection; public works, transportation and commerce, etc.) and a decrease in cash. As a result, fund balance decreases by the amount of financial resources expended.

### 10.15.3 | Capital Assets Footnote

Within the Comprehensive Annual Financial Report (CAFR), there is a footnote specific to capital assets activities during the year, split between Governmental Activities and Business-Type Activities. This is the footnote disclosure for capital assets activity for Governmental Activities during Fiscal Year 2016:

**FIGURE 10-24. 2016 CAFR CAPITAL ASSETS FOOTNOTE**

<b>Primary Government</b>				
Capital asset activity of the primary government for the year ended June 30, 2016 was as follows:				
	Balance July 1, 2015	Increases *	Decreases *	Balance June 30, 2016
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land.....	\$ 299,911	\$ 34,350	\$ -	\$ 334,261
Intangible assets.....	8,716	28,468	(6,014)	31,170
Construction in progress.....	1,245,064	321,030	(1,110,001)	456,093
Total capital assets, not being depreciated.....	1,553,691	383,848	(1,116,015)	821,524
Capital assets, being depreciated:				
Facilities and improvements.....	3,534,003	905,660	-	4,439,663
Machinery and equipment.....	430,807	151,214	(11,073)	570,948
Infrastructure.....	799,764	57,439	-	857,203
Intangible assets.....	48,411	5,850	-	54,261
Total capital assets, being depreciated.....	4,812,985	1,120,163	(11,073)	5,922,075
Less accumulated depreciation for:				
Facilities and improvements.....	989,887	77,593	-	1,067,480
Machinery and equipment.....	354,605	25,995	(10,985)	369,615
Infrastructure.....	140,262	30,576	-	170,838
Intangible assets.....	7,212	3,102	-	10,314
Total accumulated depreciation.....	1,491,966	137,266	(10,985)	1,618,247
Total capital assets, being depreciated, net.....	3,321,019	982,897	(88)	4,303,828
Governmental activities capital assets, net.....	\$ 4,874,710	\$ 1,366,745	\$ (1,116,103)	\$ 5,125,352

### 10.15.4 | Capital Leases

*GASB 62, Codification of Accounting and Financial Reporting Guidance* establishes the following guidance for capital leases. GASB codification bases its criteria for capital leases largely on *FASB Statement 13*.

If, at its inception, a lease meets one or more of the following four criteria, the lease should be classified as a capital lease by the lessee; otherwise, it should be classified as an operating lease:

- **Transfer of Ownership**

The lease transfers ownership of the property to the lessee by the end of the lease term

- **Bargain Purchase Option**

The lease contains a bargain purchase option

- **Lease Term 75% or more of estimated useful life**

The lease term is equal to 75% or more of the estimated economic life of the leased property. However, if the beginning of the lease term falls within the last 25% of the total estimated economic life of the leased property, including earlier years of use, this criterion should not be used for purposes of classifying the lease

- **PV of Minimum Lease Payments is 90% of Fair Value**

The present value at the beginning of the lease term of the minimum lease payments, excluding that portion of the payments representing executory costs such as insurance and maintenance to be paid by the lessor, including any gain thereon, equals or exceeds 90% of the excess of the fair value of the leased property to the lessor at the inception of the lease over any related investment tax credit retained by and expected to be realized by the lessor. However, if the beginning of the lease term falls within the last 25% of the total estimated economic life of the leased property, including earlier years of use, this criterion should not be used for purposes of classifying the lease. A lessor should compute the present value of the minimum lease payments using the interest rate implicit in the lease

### **10.15.5 | Interest Capitalization**

Refer to the [Section 11 | Debt\\*](#) for related policies and procedures.

### **10.15.6 | Capital Asset Impairment**

Authoritative accounting standards define an asset impairment as “a significant and unexpected decline in the service utility of a capital asset.”

Prominent events or changes in circumstances affecting capital assets include evidence of physical damage, enactment or approval of laws or regulations or other changes in environmental factors, technological changes or evidence of obsolescence, changes in the manner or duration of use of a capital asset, and construction stoppage.

#### **Authoritative Literature**

- **GASB 42**

*Accounting & Reporting for Impairment of Capital Assets and Insurance Recoveries* provides guidance on quantifying losses against the capital asset and how to record the related loss and partial/whole asset write-off

- **Insurance Recovery**

An insurance recovery associated with events or changes in circumstances resulting in impairment of a capital asset should be netted with the impairment loss. Restoration or replacement of the capital asset using the insurance recovery should be reported as a separate transaction. Insurance recoveries should be disclosed if not apparent from the face of the financial statements

- **GASB 34**

*Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* (paragraphs 41 through 46, 55, 56, 101, and 102) provides guidance for the reporting of impairments. Also, refer to paragraphs 19 through 24 of *Accounting Principles Board Opinion No. 30, Reporting the Results of Operations—Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions*. If not otherwise apparent from the face of the financial statements, the description, amount, and financial statement classification of impairment losses should be disclosed in the notes to the financial statements. If evidence is available to demonstrate that the impairment will be temporary, the capital asset should not be written down. Impaired capital assets that are idle should be disclosed, regardless of whether the impairment is considered permanent or temporary

## 10.16 | Fixed Assets Frequently Asked Questions

### Ownership of Asset & Funding

**Q:** How should asset ownership be determined when there are multiple departments involved in, and funding a project?

**A:** Ultimately, the department that has ownership over the asset should be the department that maintains and is responsible for the asset on an ongoing basis. This means that the department that has the budget for repairs and overall maintenance of the asset is the department that owns the asset.

**Q:** When bonds are issued for capital projects, can the department still use those funds for non-capitalizable costs such as demolition, hazmat, or equipment purchases below the capitalization threshold?

**A:** When bonds are issued for capital projects, there is typically language included in the bond offering documents specifically designating the funds for capital expenditures. However, the definition of a capital expenditures in a bond official statement (OS) is not necessarily the same as under Generally Accepted Accounting Principles (GAAP). It is recommended that project managers familiarize themselves with the Bond OS to ensure that funds are spent on eligible items.

**Q:** What are the rules for using different funding sources for capital projects (1G, 2S, etc.)?

**A:** There are many nuances between the various funding sources. As a general rule, funds should be spent on the items or projects for which they were budgeted. It is recommended that the *City Asset Management Processor* be aware of funding sources s/he intends to use to pay for capital assets and the way the funds have been allocated in the budget.

**Q:** What if the funding for a project has not been approved, yet charges have already been incurred?

**A:** Charging capital costs against the operating budget or to another project is not authorized by the Annual Appropriation Ordinance.

### **Capitalize or Expense**

**Q:** If a commission resolution, ordinance, or statute states that a percentage of staff time is to be charged as overhead to a capital project, but it is unclear if the costs directly relate to the project, can I charge staff time as capital project overhead?

**A:** GAAP and other accounting literature determines what costs can be included in CIP and eventually capitalized as a capital asset. All overhead costs should directly contribute to the capital project itself and must be supported with clear documentation.

**Q:** Do I capitalize an inventory item as a capital asset if it meets the capitalization threshold?

**A:** No, inventory items are held for sale (i.e., not used in operations) and are typically held for less than one year. As such, inventory does not meet the definition of a fixed asset and should not be capitalized, regardless of the dollar value.

**Q:** Can training costs be capitalized?

**A:** As stated in *GAAFR Chapter 25*, published 2012, the costs of a capital asset should include ancillary charges necessary to place the asset into its intended location and condition for use. The focus is on readiness of the capital asset itself, not its user(s). Accordingly, training on how to use a capital asset is not itself a capitalizable cost.

**Q:** Can I take advantage of bond proceeds issued for capital improvements and charge maintenance and repair costs against the capital budget?

**A:** Normal maintenance and repair costs are not to be charged to the capital budget and are to be expensed rather than capitalized.

**Q:** We have installed a heating/ventilation/air conditioning (HVAC) system as part of the construction of a building. Should the estimated useful life of the HVAC system follow the building's useful life, or a shorter useful life reflecting the estimated life of the HVAC system?

**A:** Record shorter-lived component pieces as a separate capital asset. For instance, discrete portions such as a HVAC system will have substantially shorter estimated useful life than the building itself.

**Q:** Can I include employee travel for out-of-the-country sewer site visits to another sewer plant in preparation for the upcoming Sewer Capital Improvement Plan?

**A:** Generally not, as there needs to be written documentation and tangible evidence justifying how such a trip directly contributed to the capital asset(s) itself. There may be exceptions for unique situations.

**Q:** I was not charged sales tax as part of an invoice for equipment, can I still capitalize the accrued Use Tax?

**A:** Yes! When capitalizing equipment, and other stand-alone items that would typically require sales tax to be paid, ensure that required taxes are included in the capitalized amount. Refer to [Section 4.5 | Sales & Use Taxes](#) for additional information on Sales & Use tax.

### **Capital Asset Additions**

**Q:** What is considered an addition to an existing capital asset?

**A:** For accounting purposes, an addition is an issue of capitalizing significant costs incurred subsequent to the original placed-in-service date. The accounting issue is the matching principle and to determine if the costs should be recognized through depreciation. If additional costs are spent on extending the useful life of an asset already placed in service, the costs are to be capitalized if the expense increases the life of the asset by greater than one year. Costs are also capitalized if the expenditures increase the value of the asset (such as creating greater functionality).

Departments can further define capital additions to address their specific needs. For instance, the Department of Public Works may further define a street addition as one that requires not only hard construction costs, but also significant design and planning.

**Q:** Are there special considerations for grant-funded capital assets?

**A:** It depends, but typically yes. Each grant agreement is unique and will generally have specific requirements or considerations for capital assets. Refer to your specific grant agreement for considerations.

**Q:** How should departments account for donated or *in lieu* capital assets, such as federal surplus equipment?

**A:** Donated or *in lieu* capital assets must be entered directly into the PeopleSoft Asset Management module, and will interface directly to the GL. Under GASB 72, donated capital assets must be accounted for at acquisition value. See [Section 10.5 | Fixed Asset Acquisitions through Donations](#) for additional details.

**Q:** When equipment or vehicles requires significant modification, when is the asset capitalized and what costs are capitalized?

**A:** When equipment or vehicles require modification before being placed into service (e.g., SFPD patrol vehicles that require outrigging) the vehicle should not be capitalized until the modification is complete and the vehicle is actually used for its intended purpose in operations. The modification costs specific to the vehicle should be added to the asset and capitalized (and depreciated) together as one, single asset. When a vehicle or equipment is purchased, but modification is not completed at year-end, the asset should be placed into CIP for financial statement reporting purposes.

**Q:** In the cases of large capital projects, what assets may be capitalized together as one asset, and what assets must be broken out separately?

**A:** For operational purposes, asset capitalization may remain at a summary level, but must be granular enough to take into account different ownership, different asset types, and different useful lives of each asset. The PeopleSoft Asset Type/Asset Subtype listing may be a useful starting point for determining which assets should be capitalized separately.

**Example 1:** When a building is placed into service, several specific assets may be broken out from the building itself to ensure appropriate depreciation on those assets, including HVAC, roofing, plumbing system (if significant), elevators (if significant), and the building itself.

**Example 2:** In certain developer agreements, the developer will donate a parcel back to the City. These parcels may be made up of several different asset types, including (but not limited to) building, land, sidewalks, landscaping, and conduits. As each of these items have separate useful lives and may be different Asset Types, each item should be capitalized separately.

**Q:** How do departments account for furniture or fixtures that are permanently affixed to land or a building?

**A:** If an asset that is typically moveable is attached to land or a building asset, and becomes immovable, then the asset should be included as part of the capitalizable costs of the land or building. For example, stained glass windows that would typically be considered art on a stand-alone basis are capitalized as part of the building, since they are permanently affixed.

### **Damaged Capital Assets**

**Q:** If a capital asset has been damaged significantly and it appears it will not last as long as originally expected, do I change the estimated useful life?

**A:** Refer to GASB 42 - *Accounting & Reporting for Impairment of Capital Assets and Insurance Recoveries*. This appears to be loss impairment, in which case there will be a write-down of the asset value and a loss recorded.

### **Network of Assets**

**Q:** How is a network of assets different from a stand-alone capital asset?

**A:** GASB 34 introduced the concept of a network of assets: A network of assets is composed of all assets that provide a particular type of service for a government. A network of infrastructure assets may be only one infrastructure asset that is composed of many components. Examples of network of infrastructure assets include a dam (rather than capitalizing the dam structure, locks, and spillways separately), a city-wide WI-FI system (rather than capitalizing the routers, software, etc., separately) or a sewer system made of pipelines, manholes, etc.

**Q:** Is any group of assets considered a network of assets?



**A:** No. For a group of assets to be considered a network, it must rely on the other assets in order to function as a whole. For example, a computer network cannot function without the individual components (monitors, CPUs, routers, etc.), and may be capitalized as a network. Items that are able to function on a stand-alone basis, however, should be capitalized individually; for example, furniture should be capitalized on a per unit basis.

### **Appraisals for Real Property**

**Q:** When we purchase or exchange real property, is an appraisal required?

**A:** Yes. Appraisals are required to ensure the land is being recorded at “fair market value”.

### **Capital Projects Tracked in PeopleSoft**

**Q:** How are capital projects with construction costs accumulated and tracked in PeopleSoft? As a project manager, how can I review these costs?

**A:** Construction projects are identified in PeopleSoft as Capital Projects. Expenditures that originate from the General Ledger Module, Procurement/Payables module, Time & Labor modules, etc., are interfaced into Project Costing on a regular basis. Project Managers should review costs charged to a project on at least a monthly basis to ensure that the charges are appropriate and capital in nature. They should monitor the actual costs for their projects against budgets to control project costs by phase and gauge the progress of the project against set timelines.

Project Managers are typically aware of a project’s completion status and prepare a project status report that lists projects and the estimated start and completion dates of each project phase. A copy of the project status report is provided to the accounting/finance personnel so that they may summarize the total costs to each project. See “Placing Constructed Assets in Service” below for completed projects.

**Q:** My department has a new capital or technology project. How do I know how to set up my project (WBS)?

**A:** Although each department will have unique needs that they should consider when setting up the WBS in Project Costing for either Capital or Technology projects, the following templates are provided for consideration:

**FIGURE 10-25. SUGGESTED CAPITAL PROJECT WORK BREAKDOWN STRUCTURE [PLACEHOLDER]**

**[WBS BEING FINALIZED]**

WBS	Activity Name	Activity #
<b>1</b>	<b>Planning</b>	001
1.1	Planning Project Management	002
1.2	Planning Public Affairs	003
1.3	Planning Reporting & Improvement	004
1.4	Permitting	005
1.5	Regulatory	006
1.6	Contract Procurement & Management	007
1.6.1	Procure Contracts	008
1.6.2	Legal Services	009
1.6.3	Advertising	010
1.6	Project Development	011
1.6.1	Needs/Condition Assessment	012
1.6.2	Facility Space Program	013
1.7	Planning Work	014
1.7.1	Planning Work- General	015
1.7.2	Alternative Assessment/Selection	016
1.7.3	Concept Design/Engineering	017
1.7.4	Schematic Design	018
1.7.5	Site Remediation/Prep	019
1.7.6	Produce Plans/Specs	020
1.8	Environmental Review	021
<b>2</b>	<b>Design</b>	022
2.1	Design Project Management	023
2.2	Design Public Affairs	024
2.3	Design Reporting & Improvement	025
2.4	Permitting	026
2.5	Regulatory	027
2.6	Contract Procurement & Management	028
2.6.1	Procure Contracts	029
2.6.2	Legal Services	030
2.6.3	Advertising	031
2.7	Design Work	032
2.7.1	Curb Ramps	033
2.7.2	Streetscape	034
2.7.3	Signal Design	035
2.7.4	Traffic Counts	036
2.7.5	Traffic Routing	037
2.7.6	AWSS	038
2.7.7	Geotechnical	039
2.8	Infrastructure Design	040
2.9	Building Design Development	041
2.10	Building Construction Docs	042
2.11	Surveying	043
2.12	Site Remediation/Prep	044
2.13	Produce Plans/Specs	045

Continued next page

**ACCOUNTING POLICIES & PROCEDURES**

Continued from prior page

WBS	Activity Name	Activity #
<b>3</b>	<b>Construction</b>	046
3.1	Construction Project Management	047
3.2	Construction Public Affairs	048
3.3	Construction Reporting & Improvement	049
3.4	Permitting	050
3.5	Regulatory	051
3.6	Construction Contract Procurement	052
3.6.1	Procure Contracts	053
3.6.2	Legal Services	054
3.6.3	Advertising	055
3.6	Construction Work	056
3.7	Construction Admin Support	057
3.8	Construction Management	058
3.9	Surveying	059
3.10	Close Out	060
3.10.1	Close Construction Contracts	061
3.10.2	Financial Close Out	062
3.11	Post Construction Activities	063
3.11.1	Commissioning & Warranty	064
3.11.2	Planting Establishment Period	065
3.12	Inspection	066
3.12.1	1st	067
3.12.2	2nd	068
3.12.3	Final	069
<b>4</b>	<b>Reserves</b>	070
4.1	Project Reserve	071
4.2	Construction Reserve	072
4.3	Project Control Reserve	073
<b>5</b>	<b>Public Art</b>	074

**FIGURE 10-26. SUGGESTED TECHNOLOGY PROJECT WORK BREAKDOWN STRUCTURE**

WBS	Activity Name	Activity #
<b>1</b>	<b>Preliminary</b>	001
1.1	Preliminary Project Management Work	002
1.2	Public Affairs Work	003
1.3	Project Reporting & Improvement Work	004
1.4	Project Development	005
1.4.1	Needs Assessment	006
1.4.2	Alternatives Assessment	007
1.5	Procure Contract	008
<b>2</b>	<b>Application Development</b>	009
2.1	Development Project Management Work	010
2.2	Public Affairs Work	011
2.3	Project Reporting & Improvement Work	012
2.4	Development Work	013
2.4.1	Milestone 1	014
2.4.2	Milestone 2	015
2.4.3	Milestone 3	016
2.4.4	Milestone 4	017
2.5	Data Conversion	018
2.6	Training	019
2.6.1	Development of Training Materials	020
<b>3</b>	<b>Post-Implementation/Operation</b>	021
3.1	End user System Training	022
3.2	Log Issues	023
3.3	Software Maintenance	024
3.3.1	Software Patches	025
3.3.2	Software Upgrades	026
3.4	Project Close Out	027
3.4.1	Final Documentation	028
3.4.2	Warranty	029
3.4.3	Financial Close Out	030

### Finance Corporation Funded Assets

**Q:** How are vendors paid using Finance Corporation capital projects?

**A:** If the CIP project is financed by the Finance Corporation, the bank pays the vendor separately for the Finance Corporation. Therefore, the Office of Finance, on behalf of the Finance Corporation, provides the payment information to the Controller's Office to book the CIP entry into Asset Management. A separate funding source and index code are used for the Finance Corporation. In some cases, the department may have purchased the asset and was reimbursed by the Finance Corporation. The corresponding voucher that purchased the asset should not be posted by the department into Asset Management.

### **Department Capital Asset Policies**

**Q:** Should departments develop specific policies and procedures to ensure an asset is placed in service before capitalizing an asset?

**A:** Yes. Departments should develop policies to address their specific needs within the framework of the Controller's Capital Asset Policy. For instance, constructing a water or power utility plant falls under specific federal, state, or local jurisdictions and requires specific safety inspections and certificates of completion that construction of an airport terminal would not.

### **Development Agreements**

**Q.** What is an acceptable method for determining acquisition value for infrastructure built and donated by developers?

**A.** The developer's cost to build the donated infrastructure is an acceptable method for determining acquisition value, but other approaches—such as one made by the City's Public Works Department—would also be acceptable.

**Q.** Streets that have been constructed by a developer and donated to a government comprise both the infrastructure and a right-of-way easement on the land upon which the infrastructure sits. The infrastructure should be reported at its acquisition value, which is determined as of the date of donation. Should a separate asset be reported for the right-of-way easement associated with the donated infrastructure? If so, how should the value of that asset be measured?

**A.** Yes. A separate asset for the right-of-way easement should be reported at acquisition value in accordance with paragraph 79 of *Statement 72*. The acquisition value of an asset is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction. In the case of right-of-way easements for roads, however, generally the only willing buyer is the government. Therefore, the outlay the government would have incurred to acquire the easement in an exchange transaction can be used to determine its acquisition value. In most cases, a right-of-way easement for a road is, in substance, equivalent to ownership of the land because the grantor of the easement retains virtually no right of use. Accordingly, the acquisition value of the associated land could be used to approximate the outlay that would have been incurred by the government had it acquired the donated right-of-way easement through an exchange transaction and, therefore, could be used as a basis to determine the acquisition value of the right-of-way easement. There also may be other reasonable methodologies for appraising the acquisition value of a donated right-of-way easement. However,

forgoing the determination of the acquisition value of a donated right-of-way easement and instead arbitrarily assigning the easement a nominal value would be inappropriate.

**Q.** What process should City departments follow to determine which authoritative literature or government accounting standard applies to a particular development agreement?

**A.** Each development agreement contains dozens and, in some cases, hundreds of requirements for the City and developers. Therefore, application of the appropriate accounting and financial reporting standard(s) to be used requires analysis of the substance of each requirement, rather than attention only to its label. The decision flow chart below provides an analysis of development agreements involving exchange vs. non-exchange transactions, and the applicable accounting treatment.

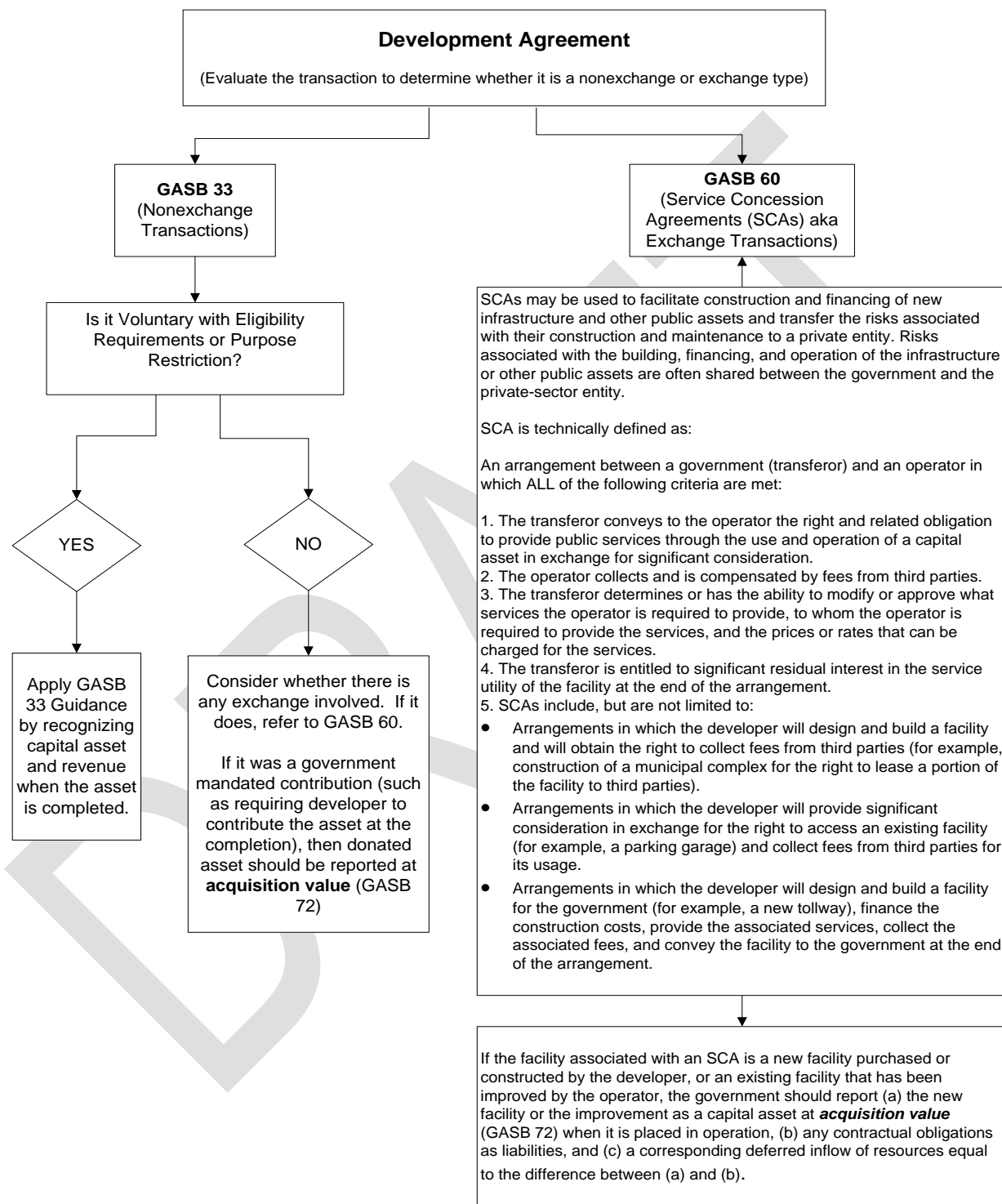
**Q:** How do I know if I have a Service Concession Agreement (SCA)?

**A:** SCAs are types of public-private or public-public partnership. An SCA may provide the government with the ability to leverage existing infrastructure and other public assets to generate additional available resources for the right to operate such assets. SCAs are technically defined as an arrangement between a government (transferor) and an operator (a company or another government) in which all of the following criteria are met:

- The transferor conveys to the operator the right and related obligation to provide public services through the use and operation of a capital asset in exchange for significant consideration, such as up-front payment, installment payments, a new facility, or improvements to an existing facility
- The operator collects and is compensated by fees from third parties
- The transferor determines or has the ability to modify or approve what services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates to be charged for services
- The transferor is entitled to significant residual interest in the service utility of the facility at the end of the agreement

GASB 60 provides guidance on whether the transferor or the operator should report the capital asset in its financial statements, when to recognize up-front payments from an operator as revenue, and how to record any obligations of the transferor to the operator. The requirements of GASB 60 are effective for financial statements for periods beginning after December 15, 2011. The provisions of GASB 60 generally are required to be applied retroactively for all periods presented. Also, refer to the flowchart below:

FIGURE 10-27. DONATION OR SERVICE CONCESSION AGREEMENT / EXCHANGE TRANSACTION FLOW CHART



## **Other**

**Q:** How do I know if I have a transaction that should be accounted for considering substance over form?

**A:** In all cases, the nature of the transaction should be considered when determining the appropriate accounting treatment. For example, the City entered into an option agreement for \$100 for the option to purchase land at the purchase price of \$1. Although on the surface this does not appear to be a donation, since some consideration was exchanged, the land was appraised for approximately \$950,000 and so the consideration was not of approximately equal value under GASB 33. As such, in this case, the transaction should be accounted for as a donation.

**Q:** Our department has placed a capital asset into service, but needed to abate funds to a different funding source. Are there any fixed asset impacts?

**A:** If the charges are related to the same fixed asset, then no action is needed to adjust the asset. However, if the charges are being abated to a different project and related to a different asset, then both assets must be adjusted as well.

**Q:** Our department has performed a physical inventory observation, but has found several discrepancies between PeopleSoft and what is physically on site. What are the reconciliation procedures to ensure that the appropriate fixed assets are accounted for?

**A:** In order to ensure objective reporting and reconciliation of inventory items, physical inventories should be performed by personnel having no direct responsibility (custody and receipt/issue authority) for assets subject to the inventory count.

During a physical inventory, discrepancies might arise as a result of the physical inventory. Reconciliation is the process of identifying, explaining and correcting the differences occurring between the physical count and the inventory records. At a minimum, the reconciliation process should include the following steps:

- A search of the inventory lists should be made to determine whether inventory listed as unrecorded is not listed on another portion of the inventory
- Unrecorded inventory should be recorded into the inventory system as soon as possible. If a significant number of unrecorded assets are discovered, the inventory officer should determine why this problem is occurring
- For assets not located, a search should be conducted in an effort to locate missing assets. The search should include research on transfers to other divisions, scrapping, etc. When the asset is



deemed lost, it shall be removed from the inventory and accounting records. In addition, records of this loss shall be maintained in accordance with record retention rules

After the inventory is reconciled, the inventory officer or CFO is to certify the reconciliation with a statement and signature indicating his inventory is complete.

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## 11 DEBT\*

### 11.1 | Debt Policy

This section provides the Debt Policy of the City and County of San Francisco, issued by the Controller's Office of Public Finance on June 2013.

#### Acronyms

- BANs – Bond Anticipation Notes
- CAFR – Comprehensive Annual Financial Report
- CGOBOC – Citizens' General Obligation Bond Oversight Committee
- COPs – Certificates of Participation
- CPC – Capital Planning Committee / Program
- FA – Financial Advisor(s)
- GO – General Obligation Bond
- IAs – Investment Agreements
- IFD – Infrastructure Financing District
- MSRB – Municipal Securities Rulemaking Board
- OPF – Office of Public Finance, Office of the Controller
- NRSRO – Nationally Recognized Statistical Rating Organization
- RFP – Request for Proposal / Qualifications
- SIFMA – Securities Industry and Financial Markets Association
- TIC – True Interest Cost

#### 11.1.1 | Scope and Application

This Debt Policy ("Policy") establishes policies and procedures for financings under the jurisdiction of the Controller's Office of Public Finance ("OPF") and the Finance Corporation of the City and County of San

Francisco (“Finance Corporation”), and pertains to obligations payable from the General Fund of the City and County of San Francisco (“City”). The purpose of the Policy is to identify debt policy objectives, improve the quality of decision making processes, provide a basis for the determination of the appropriate debt structures and to demonstrate a commitment to best practices in municipal debt management planning and execution.

This Policy is intended to guide the OPF in the issuance and management of bonds and other obligations. The Policy does not apply to other departments or enterprises of the City, including the Airport Commission, the Mayor’s Office of Housing, the Municipal Transportation Authority, the Port Commission, or the Public Utilities Commission.

**This Policy shall govern the issuance and management of all bonds and other forms of indebtedness of the City, together with any credit, liquidity or other security instruments and agreements that may be executed in connection with the issuance of bonds and other forms of indebtedness (“Bonds”). The Board of Supervisors may, in its sole discretion, approve Bonds that deviate from this policy, upon the recommendation of the Director of Public Finance. The failure of the City to comply with any provision of this Policy shall not affect the authorization or the validity or enforceability of any Bonds or other forms of indebtedness that is otherwise issued in accordance with law**

This Policy and any subsequent amendments shall be filed with OPF, and shall be accessible from the City’s website. Copies of the Policy have been distributed to the City Treasurer, the City Controller, the Mayor’s Budget Director, Clerk of the Board of Supervisors, the Chair of the Budget and Finance Committee of the Board of Supervisors and the Budget and Legislative Analyst to the Board of Supervisors.

### **11.1.2 | Mission of the Office of Public Finance**

To structure and manage on behalf of the City debt financing of capital projects, capital improvements and capital equipment that produce social and economic benefit to the City and its residents at the lowest costs of capital while mitigating market and credit risk with appropriate internal controls.

#### **Debt Management Objectives**

- Maintain cost-effective access to capital markets through prudent debt management policies and practices

- Maintain moderate debt and debt service levels with effective long-term planning and coordination with City departments
- Meet significant capital acquisitions or improvements through debt financing and, if cost effective, alternate financing mechanisms such as public/private partnerships
- Structure long term financings to minimize transaction specific risk and total debt portfolio risk to the City
- Maintain the highest practical credit ratings to ensure efficient access to capital markets
- Maintain good investor relationships through the timely dissemination of material financial information
- Maintain user friendly and publicly accessible electronic portal for the timely dissemination of material information concerning the financial condition of the City

### **11.1.3 | Disclosure Practices Working Group**

In order to carry out certain policy objectives relating to financial disclosure, OPF shall ensure that written disclosure policies and procedures are adopted and implemented. Such policies and procedures shall be carried out by a Disclosure Practices Working Group, consisting of the Controller, the Director of Public Finance, the Controller's Director of Budget, the Treasurer, and one or more Deputy City Attorney specializing in municipal finance transactions. **The City's Disclosure Policies and Procedures are attached hereto as Appendix A.**

**[NEED TO OBTAIN THE DISCLOSURE POLICIES & PROCEDURES AND INSERT HERE]**

### **11.1.4 | Types and Purposes of Debt**

#### **11.1.4.1 | LONG TERM DEBT**

Long-term debt with a term to maturity of five years or more is issued to finance the acquisition and/or construction of long-lived capital improvements. Long-term debt financing shall not be used to fund operating costs or operating deficits of the City. The principal types of municipal debt instruments employed by the City to finance long-term capital projects are general obligation ("GO") bonds, lease revenue bonds, certificates of participation ("COPs") and capital leases. Such instruments may be refunded by the issuance of refunding obligations for economic savings and/or restructuring considerations.

- **General Obligation Bonds**  
GO Bonds will be used to finance the acquisition, improvement, and/or construction of real

property. Such facilities include but are not limited to, libraries, hospitals, parks, public safety facilities, cultural, and educational facilities

- **Lease Revenue Bonds**

Lease revenue bonds will be used to finance the acquisition, improvement, and/or construction of real property; acquisition of capital equipment; and other capital projects that either (1) have an identified budgetary stream for repayment (e.g., specified fees, tax receipts, etc.); (2) generate project revenue but rely on a broader pledge of General Fund revenues to reduce borrowing costs (e.g., parking garages); or (3) finance the acquisition and installation of equipment for the City's general governmental purposes

- **Certificates of Participation**

COPs will be used for acquisition or improvement of existing facilities and/or construction of new facilities that result in immediate or future savings in payments currently made or to be made by the City's General Fund. For example, COPs may be used to provide funds to execute a lease purchase option for a facility whereby future savings accrue to the General Fund during the period for which the COPs and the lease would be outstanding. COPs also are appropriate for projects which will be matched with grant and other additional moneys, reduce operating costs to the City, address critical and urgent seismic and other public safety hazards for which no other sources are practically available, or provide for the delivery of services mandated by law

- **Capital Leases**

Capital equipment and personal property of a City department may be eligible for capital lease financing. Eligible equipment must have per unit cost of at least \$100,000 unless it is an integral part of a system (such as a computer network) then the aggregate of the various components must be at least \$100,000. The useful life of the item will be in excess of three years and at least 120% of the financing and refinancing term

- **Refunding Obligations**

Refunding Bonds will be issued typically to achieve debt service savings for the City, although other non-economic factors may support the issuance of such obligations. Pursuant to section 43.8.4(b) of the City's *Administrative Code*, the Board of Supervisors will establish by resolution the minimum savings to be generated by the issuance of such refunding.

Absent any significant non-economic factors, it is the policy of the City that a refunding should produce minimum net debt service savings (net of reserve fund earnings and other offsets) of at least 3% of the par value of the refunded bonds on a net present value basis, using the refunding issue's True Interest Cost ("TIC")<sup>1</sup> as the discount rate

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<sup>1</sup> A measure of the interest cost of an issue that accounts for the time value of money. The TIC is the annual discount rate (yield) which, when used to discount all debt service payments to the date of issuance, results in the aggregate present value of such debt service payments being equal to the original purchase price of the issue

- **Special Limited Obligations**

Special limited obligations are issued by the City, or by a joint powers authority on behalf of the City, to make proceeds available to finance the acquisition, construction and/or improvement of eligible facilities. The obligations represent special limited obligations of the City.

- Mello-Roos special tax and special assessment districts (“Districts”) provide methods to assist in the financing of public infrastructure and community facilities. The creation of the Districts may facilitate improvements to tangible or real property providing substantial general public benefits
- Infrastructure financing districts (“IFD”) are formed for the purpose of financing public improvements to any real or other tangible property of communitywide significance

OPF will comply with goals and policies established by the Board of Supervisors concerning the issuance of special limited obligations

#### 11.1.4.2 | SHORT TERM DEBT

Short-term debt with a term to maturity of less than five years is issued to either 1) provide funds to finance operating cash flow deficits within a single fiscal year or 2) to provide financing for the acquisition and/or construction of long-lived capital projects to be refunded by long-term debt financing described above.

- **Tax and Revenue Anticipation Notes**

Tax and Revenue Anticipation Notes (“TRANS”) may be used to fund operating cash flow deficits in a fiscal year. TRANS proceeds may be used and expended for any purpose, including current operating expenses, capital expenditure, repayment of indebtedness and investment and reinvestment. TRANS proceeds will be invested in accordance with federal tax law to minimize net interest costs

- **Commercial Paper**

The City established its tax-exempt and taxable lease revenue commercial paper certificates of participation program (“Commercial Paper Program”) for the purpose of providing funds to finance the acquisition, construction, and rehabilitation of capital improvements and the financing of vehicles and equipment. The Commercial Paper Program will be utilized and commercial paper notes will be issued from time to time to provide financing for projects, subject to the conditions that the projects and project financing will have prior approval from the Board of Supervisors and Mayor.

The Director of Public Finance shall provide a written report to the Board of Supervisors twelve months following the initial issuance of commercial paper notes and annually thereafter through the final maturity of the last commercial paper note outstanding describing the notes issued since commencement of the Commercial Paper Program and since the date of the last report;

summarizing the current status of projects financed with commercial paper; and identifying any certificates of participation and other long term obligation refunding commercial paper notes

- **Bond Anticipation Notes**

Pursuant to *Chapter 43, Article XI* of the City's *Administrative Code*, the City may issue short-term indebtedness ("BANs") in anticipation of the issuance of general obligation bonds which have been approved by the voters for the purposes for which the general obligation bonds were approved by the voters. The BANs will have a final maturity within a period not to exceed five years of its issuance date, may be sold at a discount not to exceed 5%, and any renewal or refunding of BANs will be payable solely from the proceeds of the sale of general obligation bonds. In addition, OPF may consider the issuance of other forms of bond anticipation notes, to the extent the Director of Public Finance determines such issuance is economic and permitted by law

#### 11.1.4.3 | CONDUIT FINANCINGS

Conduit financings are issued by the City to make proceeds available to a non-City conduit borrower in furtherance of a public purpose. Financing proceeds may be loaned to the conduit borrower pursuant to a loan agreement between the City and the conduit borrower. The conduit borrower is responsible for the repayment obligations and the conduit obligations represent non-recourse obligations of the City.

- **Affordable Housing Nonprofits**

The Mayor's Office of Housing, on behalf of the City, will serve as a conduit issuer and administrator for affordable housing nonprofits given the City's significant interest in maintaining affordable housing in the City, and given that the Mayor's Office of Housing has the requisite resources and oversight ability to manage and administer the conduit financings

- **Other Private Parties Conduit Financings**

The City, through OPF, will not generally serve as a conduit issuer for private parties given the lack of resources, lack of authority to oversee such transactions, and availability to private parties of State and other conduit issuers

#### 11.1.4.4 | OTHER OBLIGATIONS

There may be special circumstances when other forms of financing are appropriately utilized by the City. OPF will evaluate such proposed transactions on a case-by-case basis. Such other forms include, but are not limited to, pension obligation bonds, Teeter (Property Tax) financings, long-term concession agreements, non-enterprise revenue bonds, grant anticipation notes and judgment or settlement obligation bonds.

## **11.1.5 | Debt Approval Procedures**

### **11.1.5.1 | APPROVAL BY CAPITAL PLANNING COMMITTEE**

Pursuant to the City's *Administrative Code*, Section 3.20 et. seq., all long-term financing for proposed capital improvements shall be reviewed and approved by the City's Capital Planning Committee ("CPC") prior to being presented to the Board for approval. For purposes of this paragraph, the term "long-term financing" means any financing that creates a repayment obligation beyond one fiscal year.

The CPC consists of the City Administrator as chair, the President of the Board, the Mayor's Finance Director, the Controller, the City Planning Director, the Director of Public Works, the Airport Director, the Executive Director of the Municipal Transportation Agency, the General Manager of the Public Utilities System, the General Manager of the Recreation and Parks Department, and the Executive Director of the Port of San Francisco. Proposed long-term financings are subject to the following:

- **Board of Supervisors**

The Board of Supervisors shall not place on the ballot or authorize the issuance of any long-term financing until the CPC completes its review of the proposed project and project financing and submits its recommendation to the Board of Supervisors

- **Form of Proposal**

Each proposal shall be in form and substance satisfactory to the CPC, and shall be accompanied by descriptive financial, architectural, and/or engineering data, and all other pertinent material in sufficiently complete detail to permit the CPC to review all aspects of the proposal

- **Capital Expenditure Plan**

The CPC shall submit a written report to the Mayor and the Board of Supervisors analyzing the feasibility, cost, and priority of each proposal relative to the City's capital expenditure plan

### **11.1.5.2 | APPROVAL BY THE BOARD OF SUPERVISORS**

All long-term financing transactions shall be approved by resolution or ordinance of the Board of Supervisors and approved by the Mayor. Bonds with prior approval for issuance by the voters will not be issued until the plan of finance has been reviewed by CPC, and approved by the Board of Supervisors.

- **General Obligation Bonds**

Pursuant to the State Constitution, the California Government Code and the City's Administrative Code, the Board of Supervisors shall hold a minimum of two public hearings prior to placing a GO bond measure on the ballot. In accordance with the State constitution, GO bonds must be approved by two-thirds (2/3) vote of the City electorate voting on the measure. Prior to any issuance of any new money, refunding general obligation bonds, or general obligation BANs, the Board of Supervisors shall approve by majority vote, a resolution authorizing such issuance



- **Lease Revenue Bonds**

The Board of Supervisors shall hold a minimum of one public hearing to place the lease revenue bond measure on the ballot. In accordance with the City Charter, lease revenue bonds must be approved by majority vote. Subsequent to successful passage and prior to any issuance of new money, refunding lease revenue bonds, or commercial paper notes refinanced with lease revenue bonds, the Board of Supervisors shall approve by majority vote, a resolution authorizing such issuance

- **Certificates of Participation**

In accordance with *Article IX* of the *City Charter*, COPs may consist of lease financing agreements between the City and a for-profit lessor. All issuances of COPs shall be authorized by resolution or ordinance of the Board of Supervisors by majority vote and then, if necessary, validated by the Superior Court of San Francisco as described in “Validation” below. COPs are not required to be approved by the electorate

- **Capital Leases**

Pursuant to *Section 9.118* of the *City Charter*, all capital leases financing capital equipment with a term exceeding 10 years and requiring anticipated expenditures by the City exceeding \$10,000,000 shall be authorized by resolution or ordinance of the Board of Supervisors by majority vote

- **Refunding Obligations**

Pursuant to *Section 9.109* of the *Charter*, the Board of Supervisors is authorized to provide for the issuance of Bonds for the purpose of refunding any GO bond, lease revenue bond or COPs. No voter approval is required for the authorization, issuance and sale of refunding obligations which result in net present value savings to the City

- **Special Limited Obligations**

All issuances of special limited obligations shall be authorized by resolution of the Board of Supervisors by majority vote and then, if necessary, validated by the Superior Court of San Francisco as described in “Validation” below. Mello-Roos special tax and special assessment debt require two-thirds approval by the electorate comprising the District

#### 11.1.5.3 | VALIDATION

From time to time proposed financing structures may require a validation action by the Superior Court of San Francisco.

- A validation action is a procedure under California law (*Civil Code 860 et seq.*) that allows an issuer to have the legality of a bond financing approved, including any issue regarding constitutionality of the bond issue, and accelerates any statute of limitations. Notice of the lawsuit is given by publication in the newspaper and by posting public notices. If no interested person

comes forward and challenges the financing, a default judgment is given, binding all parties who may desire to challenge the financing. Once the court issues a judgment, and the 30-day appeal period expires, the financing cannot later be challenged in court

- It is the policy of the City that no offering statement related to any validated financing will be circulated prior to the conclusion of the 30-day appeal period

## **11.1.6 | Bond Oversight**

### **11.1.6.1 | GENERAL OBLIGATION BONDS**

- **Citizens' General Obligation Bond Oversight Committee**  
Pursuant to the City's Administrative Code Chapter 5, Article IV and this Policy, the Citizens' General Obligation Bond Oversight Committee ("CGOBOC") shall convene to provide oversight ensuring that general obligation bond proceeds are expended in accordance with the applicable ballot measure and / or authorizing legislation. CGOBOC shall ensure that such proceeds are not used for any administrative salaries or other operating expenses
- **Bond Accountability Reports**  
Pursuant to *Administrative Code Chapter 2 Article VIII (Section 2.70 et seq.)*, each department requesting sale of a series of voter- approved GO bonds shall file a *Bond Accountability Report* 60 days prior to the approval by the Board of Supervisors of the sale of the bonds. The Report shall detail original and current budget expenditure information for each project line item identified in any previous report. The Bond Accountability Report shall be filed with the Clerk of the Board of Supervisors, City Controller, City Treasurer, Director of the Office of Public Finance, Budget and Legislative Analyst of the Board of Supervisors with a copy to the Chair of the Citizens' General Obligation Bond Oversight Committee. The obligation to file such report is the responsibility of the requesting department

## **11.1.7 | Debt Limitations**

The Director of Public Finance shall determine whether proposed debt transactions comply with the debt limitations prescribed by the Policy. Proposed debt transactions that meet the limitations of the Policy will be subject to approval by resolution or ordinance of the Board of Supervisors and by the Mayor as prescribed by State law, the *City Charter* and the *City Administrative Code*.

In the event the Director of Public Finance and the Controller determine any proposed debt transaction exceeds the limits imposed by this Policy, the Board of Supervisors may approve such transaction by a two-thirds (2/3) majority vote, subject to the *City Charter* and the *City Administrative Code*.

#### 11.1.7.1 | GENERAL OBLIGATION BONDS

Pursuant to Section 9.106 of the *City Charter*, outstanding general obligation bonded indebtedness cannot exceed three percent (3%) of the assessed valuation of taxable property within the boundaries of the City.

- **Forward Debt Capacity**

OPF shall maintain a 10-year forward debt capacity schedule which incorporates assumptions of growth in assessed valuation and reasonable estimates of new debt issuance and retirement. Such schedule shall be available to any interested parties in connection with the review of any GO bond measure or issuance of new GO bonds

- **Priority Capital Projects**

A minimum of 0.3% in debt capacity shall be reserved for capital projects deemed by the City's Mayor or Board of Supervisors to be of the highest priority or urgency

#### 11.1.7.2 | CERTIFICATES OF PARTICIPATION AND OTHER LONG TERM OBLIGATIONS

It is the policy of the City to identify specific revenue sources within the General Fund (e.g., transient occupancy taxes, tobacco settlement receipts, etc.) as internal repayment sources for COPs, and to ensure that prudent repayment schedules are placed on the General Fund.

It is the policy of the City that it maintains the percentage of the General Fund spent on General Fund secured debt service at or below 3.25% of General Fund discretionary revenues. Stated differently, COPs and other lease financing debt will only be used as funding sources for capital projects when existing debt are retired and/or the City's aggregate General Fund discretionary revenues grow.

#### 11.1.7.3 | CAPITAL EQUIPMENT

It is the policy of the City that the outstanding aggregate principal amount of lease revenue bonds financing capital equipment may not exceed \$20.0 million, such amount increasing by five percent each fiscal year starting fiscal year 1991. OPF will monitor lease revenue bonds outstanding financing capital equipment to ensure sufficient borrowing capacity.

### 11.1.8 | Methods of Sale

#### 11.1.8.1 | COMPETITIVE SALE

Except as provided below, it is the policy of the City that all new money and refunding bonds will be issued by competitive sale in accordance with the City's competitive bid policies and State law (*Government Code Section 53506 et seq.*).

The City may take bids in person or by electronic means.

- **Marketing**

Bond sales will be advertised as broadly as possible, including advertising in an industry newspaper. The financial advisors for each transaction shall undertake to market the bonds to prospective bidders and investors as relevant and in accordance with law

- **Amendments**

Terms of the bonds shall be amendable as late as possible and at least until 1:00 p.m. Pacific Time the day prior to the day bids are to be received

- **Cancellation**

Bond sales will be cancelable at any time prior to the time bids are to be received

- **Award**

The Bonds shall be awarded to the bidder whose conforming bid represents the lowest true interest cost to the City ("TIC"). The City may then restructure the bonds in accordance with the Official Notice of Sale

- The City shall reserve the unfettered right to reject all bids or waive bid irregularities
- The Treasurer or his/her designee shall make the award of general obligation bonds
- An officer of the Finance Corporation of the City and County of San Francisco shall award lease revenue bonds issued by the Finance Corporation
- The Controller or his/her designee shall make the award of certificates of participation

#### 11.1.8.2 | NEGOTIATED SALE

OPF may determine to issue new money and refunding Bonds on a negotiated basis if:

- There is significant deterioration in the City's overall credit rating or outlook
- There are credit issues specific to a transaction that are outside of the City's customary credit profile including (a) market issues such as threat of war, market disruptions, proposed changes in taxation or sector risks, or (b) transactions involving public/private partnerships, or
- The transaction is for variable rate debt, or commercial paper or other non- traditional debt structure

Further, all variable rate bonds, which may include variable rate demand notes, commercial paper, etc., would be expected to be issued by negotiated sale. The City shall retain a minimum of two (2) broker/dealers or remarketing agents for each issuance of variable rate indebtedness exceeding \$20 million. The broker/dealers or remarketing agents shall be retained for a period co-terminus with the

final maturity of any variable rate bonds provided that the City may replace a broker/dealer or remarketing agent with notice at any time for any reason in its sole discretion.

#### 11.1.8.3 | PRIVATE PLACEMENT

All City obligations that lack an active and liquid secondary market and / or obligations with complex and / or unusual credit characteristics would be expected to be issued through a private placement pursuant to a bond purchase contract and placed with an accredited investor as defined in *Rule 501(a) of Regulation D*, subject to the Director of Public Finance finding that such a sale method would will result in a lower overall cost than would be achieved by selling bonds at a public sale.

### 11.1.9 | Debt Structuring Practices

#### 11.1.9.1 | STANDARD TERMS

The following terms shall be applied to the City's transactions as appropriate. Individual terms may change as dictated by the marketplace of the unique qualities of the transaction.

**TABLE 11-1. STANDARD TERMS FOR GENERAL OBLIGATION BONDS**

GENERAL OBLIGATION BONDS	
Term	20-30 years – useful life of asset
Maximum Interest Rate	Not to exceed 12%
Maximum Premium	Case by case determination
Maximum Discount	Not less than par
Payment Dates - Fixed	June 15 (principal redemption and interest) and December 15 (interest only); the first payment may be extended by up to 18 months to ensure that a payment is not placed on the tax roll until AFTER the bonds are issued
Coupons	Fixed or variable
Call Provisions	All debt will be callable at the earliest possible optional call date consistent with optimal pricing and provide for not more than 30 days call notice
Structure of Debt	Level debt service
Project Fund	Gross funded

<b>GENERAL OBLIGATION BONDS</b>	
Debt Service Reserve	None
Capitalized Interest	None
Reimbursement Resolution	As required
Good Faith Deposit	Lesser of 125% of cost of issuance or 1% of par amount
Budgeting Debt Service	Debt service shall be included in the tax levy

**TABLE 11-2. STANDARD TERMS FOR LEASE REVENUE BONDS/CERTIFICATES OF PARTICIPATION**

<b>LEASE REVENUE BONDS / CERTIFICATES OF PARTICIPATION</b>	
Term	25 years is standard, but up to 35 years depending on cash flow assumptions, construction timeline and remaining useful life of the asset being financed
Maximum Interest Rate	Not to exceed 12%
Maximum Premium	Case by case as recommended by FA
Maximum Discount	Case by case as recommended by FA
Payment Dates - Fixed	April 1 and October 1; equipment lease revenue bonds pay principal in both April and October
Coupons	Fixed rate or variable
Call Provisions	Shortest possible optional call date consistent with optimal pricing; no more than 30 days notice
Structure of Debt	Level debt service - unless otherwise dictated by underlying remaining useful lives
Debt Service Reserve	Lesser of 10% principal amount, 125% average annual debt service, 100% maximum annual debt service or surety bond; prior to the issuance of any Bonds, the Director of Public Finance may recommend to the Board of Supervisors a lower debt service reserve requirement provided it is economic to do so

**ACCOUNTING POLICIES & PROCEDURES**

<b>LEASE REVENUE BONDS / CERTIFICATES OF PARTICIPATION</b>	
Capitalized Interest	Sized through substantial completion plus a minimum of six (6) months unless other assets are available; liquidated damages of construction contract must include amount of daily debt service
Net Funding	The project and capitalized interest funds may be net funded if investments are secured upon issuance of bonds
Reimbursement Resolution	Adopted by relevant commission or the Board of Supervisors in absence of a commission
Good Faith Deposit	Lesser of 125% of cost of issuance or 1% of par amount
Budgeting Debt Service	Budget shall be for gross debt service

The City may elect to issue any bonds as variable rate bonds, which bonds may bear interest at daily, weekly, monthly, semi-annual or commercial paper segment rates.

**TABLE 11-3. STANDARD TERMS FOR VARIABLE RATE BONDS**

<b>VARIABLE RATE BONDS</b>	
Purpose	Reduce net borrowing costs; match of assets and liabilities
Maximum Portfolio Allocation	No more than 20% of the City's outstanding debt portfolio shall be in unhedged, variable rate short-term paper
Term	Consistent with policies for underlying debt types
Maximum Interest Rate	12%
Monitoring	OPF shall monitor all variable rate bonds on a monthly basis and shall determine, from time to time, whether to change modes, alter hedging strategies and/or replace a broker- dealer or remarketing agent
Budgeting	OPF will recommend annually budgeted debt service on any variable rate bonds at 1.5 times the rolling 3- year average of the SIFMA index, or another relevant index of comparable time frame, as well as ongoing fees associated with variable rate bonds
Remarketing Provisions	Remarketing agent agreements shall contain a provision requiring the remarketing agent(s), in the event of a failed remarketing, to

<b>VARIABLE RATE BONDS</b>	
	purchase the City's bonds, at prevailing interest rates, for up to 30 days; the purpose of such provision is to allow the City ample time to convert illiquid bonds to an alternative, marketable mode before incurring liquidity rates, if market conditions allow.
Call/Conversion Provisions	On any date without penalty; no more than ten (10) days notice
Liquidity	A liquidity facility shall be obtained, either externally or internally, for all short-term indebtedness containing a put feature. Liquidity providers shall maintain the highest short-term ratings and long-term ratings at least equivalent to the City's ratings
Disclosure	The City shall covenant to provide continuing disclosure in accordance with its customary practices for any short-term debt with a final, stated maturity exceeding three (3) years
Mode	All bonds issued as variable rate bonds shall be issued as "multi-modal" bonds

#### **11.1.10 | Derivatives Policy**

Properly used, interest rate swaps, and related financial instruments such as swap options, can be beneficial interest rate management tools that can assist the City as part of its overall debt and investment management program. Interest rate swaps are appropriate for use when they are designed to achieve specific financial objective(s) consistent with the City's overall financial policy and strategy. However, these products also carry with them certain risks not faced in standard debt instruments which are often difficult to quantify. If there is a compelling risk management reason to utilize derivative products, OPF will review a proposed transaction and, where appropriate, provide analysis and recommend approval by the Board of Supervisors. Prior to making such recommendation, OPF will submit to the Board for discussion a Derivatives Policy designed to ensure that adequate internal controls are in place to manage such instruments.

#### **11.1.11 | Permitted Investments**

All investments of bond proceeds shall adhere to the City's Investment Policy approved periodically by the County Treasury Oversight Committee. With the exception of investment agreements, investments shall not allow security types or credit standards less than those of the Treasurer's Investment Policy. Investment agreements shall be selected as provided below.



**TABLE 11-4. PERMITTED INVESTMENTS: INVESTMENT AGREEMENTS**

<b>INVESTMENT AGREEMENTS</b>	
Purpose	a) maximize interest earnings thereby reducing net borrowing cost b) match of assets and liabilities, and/or c) hedging
Counterparty	Minimum rating of “AA” from at least one major nationally recognized statistical rating organization (“NRSRO”, Fitch Ratings, Moody’s Investors Service, and Standard and Poor’s);
Mandatory Termination	Limited to credit-related events and non-payment
Cure Provisions	Timelines on City’s obligations to cure must provide for appropriate legislative action
City’s Priority of Payment	Termination Payments – subordinate to related debt payments
Procurement/Award	Award based on best bid as defined in bid form after limited negotiation of terms
Term	Not in excess of the term of the bonds

### 11.1.12 | External Consultants

#### Bond, Tax and Disclosure Counsel

The City Attorney’s Office shall select bond, tax and /or disclosure counsel (“Bond Counsel”) for each transaction. The City Attorney’s Office shall periodically discuss the performance of Bond Counsel with OPF in terms of quality and timeliness of legal services.

#### Financial Advisors

OPF may determine to utilize the services of independent financial advisor(s) and feasibility consultant(s) (“FA”) on debt financing when prudent. OPF shall utilize a request for qualifications and/or request for proposals (“RFP”) selected pool of such financial advisors to mitigate time constraints and reduce overhead costs of the City in procuring such services. Services shall be documented by contract and compensation shall be capped. All financial advisors shall be registered with the Municipal Securities Rulemaking Board (“MSRB”). No financial advisor shall serve as an underwriter on a transaction.

### **Rebate Consultant**

Rebate consultant shall be selected by RFP for all tax- exempt long-term obligations for a set term with one-year extensions. Rebate analyses will be performed annually at fiscal year-end by the rebate consultant and on every fifth anniversary of the bond issue until proceeds are fully expended.

## **11.1.13 | Counterparty and Fiduciary Relationships**

### **Auction Agents**

Auction agents are selected for each relevant transaction by RFP issued by OPF or its agent and subject to negotiation of terms.

### **Broker-Dealers and Remarketing Agents**

For all variable rate bonds, OPF shall select by RFP broker-dealers or remarketing agents for each transaction and monitor performance on a monthly basis. The City may replace a remarketing agent or broker-dealer with notice at any time.

### **Investment Agreement Counterparties**

Investment agreement counterparties are selected by RFP in accordance with relevant bond documents and the City's Investment Policies.

- In general, uncollateralized Investment Agreements shall be executed with counterparties rated at least "AAA" with collateral required upon downgrade below "AAA"
- Repurchase Agreements or Forward Delivery Agreements shall be executed with counterparties rated at least "AA" (by at least one of the major NRSRO) with downgrade provisions requiring assignment or collateral should the rating fall below "A-" by or "A3" by Standard & Poor's and Moody's Investor Services respectively

### **Credit and Liquidity Facility Providers**

- **Bond Insurance**  
All or any portion of an issue of Bonds may be secured by bond insurance provided by municipal bond insurers ("Bond Insurers") if it is economically advantageous to do so, or if it is otherwise deemed necessary or desirable in connection with a particular issue of Bonds. The relative cost or benefit of bond insurance may be determined by comparing the amount of the bond insurance premium to the present value of the estimated interest savings to be derived as a result of the insurance. The Director of Public Finance shall take into consideration the ability and / or likelihood of the Bond Insurer maintaining its ratings over the term of the bond insurance

- **Credit and Liquidity Facilities**

The issuance of certain types of Bonds requires a letter of credit or line of credit (“Credit Facility”) from a qualified financial institution to provide liquidity and / or credit support. The types of Bonds where a Credit Facility may be necessary include commercial paper, variable rate bonds with a tender option, and Bonds that could not receive an investment grade credit rating in the absence of such Credit Facility.

The Director of Public Finance shall take into consideration, in advance of the issuance of the applicable Bonds, the likely remedial strategies in the event of a material decline in the Credit Facility provider’s credit quality.

The criteria for selection of a Credit Facility provider shall include the following:

- Long-term ratings from at least two NRSRO equal to or better than those of the City
- Short-term ratings from at least two NRSRO of at least P-1 / A-1+ / or equivalent
- Experience providing such facilities to state and local government issuers
- Fees, including without limitation initial and ongoing costs of the Credit Facility; draw, transfer, and related fees; counsel fees; termination fees and any trading differential
- Willingness and ability to agree to the terms and conditions required by the City

- **Selection**

Credit and liquidity facility providers will be selected by RFP issued by OPF or its agent and subject to negotiation of terms

- **Replacement**

In the event that a credit or liquidity facility provider experiences financial or other distress, such as a material credit rating downgrade below the threshold, the Director of Public Finance, to the extent necessary or desirable, shall seek to replace the related provider subject to any required approvals by the Board of Supervisors. The Director of Public Finance shall take into consideration:

- The impact on the City’s own credit rating
- The remaining value of the existing Credit Facility
- The financial impact of any replacement
- Any other material financial or other consideration

- **Trustees**

Selected for each issue by RFP. The Trustee shall have a combined capital and surplus of at least \$50,000,000 and be subject to supervision or examination by federal or state authority

- **Underwriters**

OPF may determine to retain underwriters for negotiated and private placement bond transactions. OPF will utilize an RFP-selected pool of such underwriters advisors to mitigate time constraints and reduce overhead costs of the City in procuring such services. Services shall be documented by contract and compensation shall be capped. Underwriters may be required to execute confidentiality agreements with the City prior to the commencement of work

### **11.1.14 | Post Issuance Debt Administration and Covenant Compliance**

#### **Secondary Market Disclosure**

OPF shall comply with all federal securities disclosure laws and strive to maintain good investor relations through the timely dissemination of pertinent and material financial information.

#### **Annual Report**

The City will covenant to provide annual disclosure in accordance with SEC Rule 15c2-12. The City will also covenant to provide its annual disclosure report (the “Annual Report”) no later than 270 days following the end of the fiscal year, but the City will strive to issue the Annual Report as soon as practical following the issuance of the City’s annual Comprehensive Annual Financial Report (“CAFR”). The Annual Report, in addition to being posted in accordance with law, will also be posted at the Main Library and be on file with the Clerk of the Board of Supervisors. The Annual Report shall include CUSIPs, trustee and City contacts, and applicable project status as required, for all transactions subject to annual reporting.

#### **Material Event Notices**

The City will disseminate timely event notices in accordance with the provisions of SEC Rule 15c2-12. Prior to the dissemination of any event notice, OPF may convene a meeting of DPWG to discuss the materiality of any event and the process for equal, timely and appropriate disclosure to the marketplace.

#### **Voluntary Event Disclosure**

The City shall submit its 3-month Budget Report, 6-month Budget Report, 9-month Budget Report, 3-year Budget projections (“Joint Report”), 5-year Financial Plan, Annual Proposed Budget, Annual Appropriation Ordinances, and CAFR to the MSRB as soon as practical.

#### **Insurance Certifications**

The City (through its Risk Manager) shall provide annual insurance certification to the Trustee and Bond Insurer on lease revenue bonds and COP financings as long as the bonds are outstanding.

### **Annual Budgetary Certifications**

The City shall covenant to provide annual budgetary certifications to interested parties, if any, no less than 60 days following the adoption of the City's budget. Pursuant to the City Charter, the Board must adopt the annual budget by each July 31st and the Mayor must sign it 10 days thereafter.

### **Ratings**

OPF will secure underlying ratings on all newly issued obligations from the three major nationally recognized statistical rating organizations, provided it is economic to do so.

### **Annual Meeting**

OPF shall offer to meet with each rating agency at least annually.

### **Citywide Ratings Notification**

OPF shall promptly provide notice of any changes in City ratings or outlook to the Mayor, the Mayor's Finance (or Budget) Director and Press Secretary, City Controller, City Treasurer, Chief Investment Officer, President of the Board of Supervisors, Chair of the Finance Committee of the Board of Supervisors, Budget Analyst to the Board of Supervisors and the DPWG.

### **Training**

City officials or employees shall attend disclosure training sessions as provided in the City's Disclosure Controls and Procedures.

### **Relationship with Other City Entities**

The Director of Public Finance shall maintain communications with the City's related issuers of long-term obligations, including through periodic meetings, conference calls and status reports, and may consult with such issuers regarding the proposed issuance of Bonds, the use of derivatives, credit and rating strategies, and other related matters.

### **Review of Policy**

OPF shall conduct an annual review and evaluation of the Policy. As appropriate, OPF shall amend the Policy to be consistent with changes in the federal and state securities laws, pronouncements of the Securities and Exchange Commission and such other matters as the Director of Public Finance deems necessary or desirable.

### **11.1.15 | Post Issuance Arbitrage Rebate Tax Compliance**

The Office of Public Finance, through the Office of the Controller, will bear primary responsibility for all ongoing tax compliance matters relating to the obligations (the “Bonds”) issued by the City and subject to the terms of this Debt Policy. The person(s) who hold the following title(s) shall be responsible for monitoring ongoing tax compliance matters relating to the Bonds, including compliance with the arbitrage rebate requirements of Section 148 of the **Administrative** Code, as set forth in these Procedures, which are intended to satisfy Section 7.2.3.4.4 of the *Internal Revenue Manual: Director of Public Finance of the City and County of San Francisco*.

#### **11.1.15.1 | EXTERNAL ADVISORS / DOCUMENTATION**

The Director of Public Finance, to the extent necessary, will consult with bond counsel and other legal counsel and advisors following issuance of the bonds to ensure that all applicable post-issuance requirements in fact are met. Such consultation will include, without limitation, questions about future contracts with respect to the use of bond- financed or refinanced assets.

The Director of Public Finance, will from time to time engage expert advisors (each a “Rebate Service Provider”) to assist in the calculation of arbitrage rebate payable in respect of the investment of bond proceeds as required under the Code.

The Director of Public Finance shall prepare (or cause to be prepared) regular, periodic statements regarding the investments and transactions involving bond proceeds and such statements shall be delivered to the Rebate Service Provider if it so requests.

#### **11.1.15.2 | ARBITRAGE REBATE AND YIELD**

In connection with Bonds subject to this Debt Policy, the Director of Public Finance shall be responsible for:

- Engaging the services of a Rebate Service Provider and, prior to each rebate calculation date, causing the trustee or other account holder to deliver periodic statements concerning the investment of Bond proceeds to the Rebate Service Provider
- Providing to the Rebate Service Provider additional documents and information reasonably requested by the Rebate Service Provider
- Monitoring efforts of the Rebate Service Provider
- Assuring payment of required rebate amounts, if any, no later than 60 days after each 5-year anniversary of the issue date of the bonds, and no later than 60 days after the last Bond of each issue is redeemed

- During the construction period of each capital project financed in whole or in part by Bonds, monitoring the investment and expenditure of Bond proceeds and consult with the Rebate Service Provider to determine compliance with any applicable exceptions from the arbitrage rebate requirements during each six-month spending period up to six months, 18 months or 24 months, as applicable, following the issue date of the bonds
- Retaining copies of all arbitrage reports and account statements as described below under “Record Keeping Requirements” and, upon request, providing such copies to the Issuer

#### 11.1.15.3 | USE OF BOND PROCEEDS AND BOND-FINANCED OR REFINANCED ASSETS

The Director of Public Finance, together with the Controller’s Office and applicable City departments, shall be responsible for:

- Monitoring the use of Bond proceeds and the use of Bond-financed or refinanced assets (e.g., facilities, furnishings or equipment) throughout the term of the Bonds to ensure compliance with covenants and restrictions set forth in any tax agreement relating to the bonds
- Maintaining records identifying the assets or portion of assets that are financed or refinanced with proceeds of each issue of bonds, including a final allocation of bond proceeds as described below under “Record Keeping Requirements”
- Consulting with bond counsel and other legal counsel and advisers in the review of any contracts or arrangements involving use of bond-financed or refinanced assets to ensure compliance with all covenants and restrictions set forth in the Tax Agreement relating to the bonds
- Maintaining records for any contracts or arrangements involving the use of bond-financed or refinanced assets as described below under “Record Keeping Requirements”
- Conferring at least annually with personnel responsible for bond-financed or refinanced assets to identify and discussing any existing or planned use of bond-financed or refinanced assets, to ensure that those uses are consistent with all covenants and restrictions set forth in the Tax Agreement relating to the bonds
- To the extent that the Borrower discovers that any applicable tax restrictions regarding use of bond proceeds and bond-financed or refinanced assets will or may be violated, consulting promptly with bond counsel and other legal counsel and advisers to determine a course of action to remediate all nonqualified bonds, if such counsel advises that a remedial action is necessary

#### 11.1.15.4 | RECORD KEEPING

The Director of Public Finance, through the Controller's Office or other applicable City department, shall be responsible for maintaining the following documents for the term of each issue of Bonds (including refunding Bonds, if any) plus at least three years:

- A copy of the bond closing transcript(s) and other relevant documentation delivered to the City at or in connection with closing of the issue of Bonds, including any elections made by the City in connection therewith
- A copy of all material documents relating to capital expenditures financed or refinanced by bond proceeds, including (without limitation) construction contracts, purchase orders, invoices, trustee requisitions and payment records, draw requests for Bond proceeds and evidence as to the amount and date for each draw down of bond proceeds, as well as documents relating to costs paid or reimbursed with bond proceeds and records identifying the assets or portion of assets that are financed or refinanced with bond proceeds, including a final allocation of bond proceeds
- A copy of all contracts and arrangements involving the use of bond-financed or refinanced asset
- A copy of all records of investments, investment agreements, arbitrage reports and underlying documents, including trustee statements, in connection with any investment agreements, and copies of all bidding documents, if any

## 11.2 | Reserves

## 11.3 | General Obligation Fund Reporting

## 11.4 | General Obligation Bond Debt Accounting Procedures [UPDATED 6/2017]

This section provides the Long-term Debt Accounting Policy of the City & County of San Francisco, issued by the Controller's Office of Public Finance and Accounting Operations & Supplier Division (AOSD) Division.

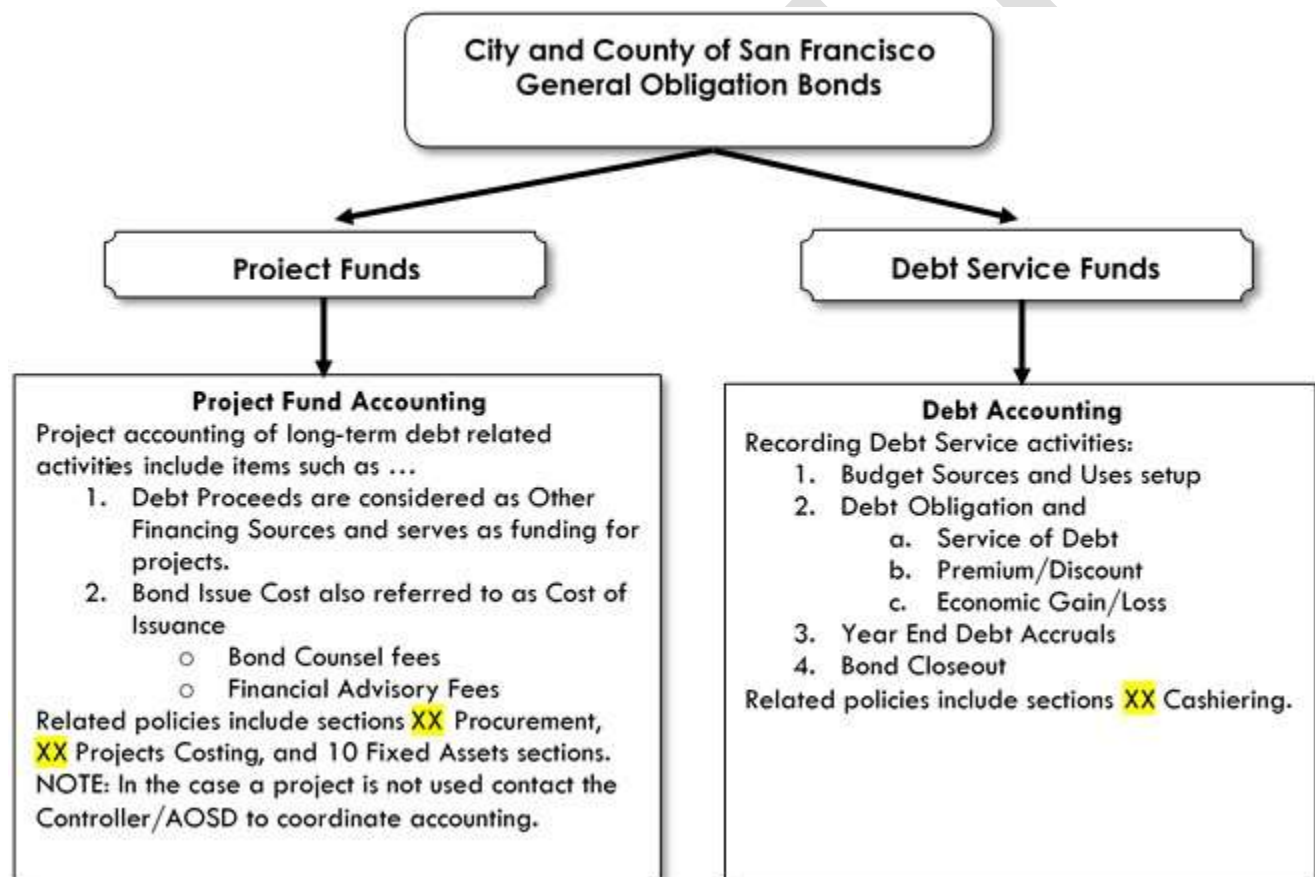
Current debt accounting procedures will change with the implementation of PeopleSoft Financials. While this policy addresses current practices, it also focuses on procedures to be followed after the PeopleSoft Financials implementation.



### 11.4.1 | Overview of General Obligation Debt Accounting

A general obligation (GO) bond is a municipal bond, backed by the credit and taxing power of the issuing jurisdiction. This section describes the basic steps to account for GO bonds. Each debt issue may be slightly different and, therefore, accounting will vary for each issue. As shown below, bond proceeds or sources and uses are recorded in a “Project Fund” and the accounting of the debt is recorded in a “Debt Service Fund”. The project’s cost accounting is recorded in the Project Fund and the debt accounting is recorded in the Debt Service Fund.

FIGURE 11-1. OBLIGATION BOND ACCOUNTING FLOW CHART



### 11.4.2 | Roles & Responsibilities

Departments that issue long-term debt are to develop and maintain long-term debt accounting policies. New long-term debt policies are to be submitted to the Controller’s Office for review and approval. Roles and responsibilities for parties involved in issuing long-term debt are as follows:

- **Office of Public Finance (OPF), Controller's Office**  
Issues and structures debt instruments. Performs debt compliance such as arbitrage calculations, annual disclosures, and debt covenants
- **City Treasurer & Tax Collector**  
Receives incoming bond proceeds and reviews significant cash outflows such as debt service payments
- **Budget Analysis Division (BAD), Controller's Office**  
Initiates budget setup of new debt issues and adjustments to budget
- **Accounting Operations & Supplier Division (AOSD), Controller's Office**  
Performs the accounting for debt originated by the Office of Public Finance
- **Citizen's General Obligation Bond Oversight Committee (CGOBOC)**  
Convenes to provide oversight ensuring that bond proceeds are expended in accordance with the applicable ballot measure. Ensures bond proceeds are not used for any administrative salaries or other operating expenses

### 11.4.3 | Overview of PeopleSoft Trees, Funds & Accounts for GO Bonds

Below is the fund roll-up structure for GO Bonds with sample crosswalks for funds and accounts that will be used to capture debt accounting transactions.

**FIGURE 11-2. FUND ROLL-UP**

Governmental Funds
General Fund
Special Revenue Funds
Capital Projects Funds
Debt Service Funds
Certificates of Participation Funds
General Obligation Bond Fund
17620 DSGOB GENERAL OBLIGATION BOND
17630 DSGOB SB1128 REV FOR LHH GOB
17640 DSGOB TSR FOR LHH GOB
Other Bond Funds

**ACCOUNTING POLICIES & PROCEDURES****FIGURE 11-3. FUNDS CROSSWALK**

FAMIS FUNDS	FAMIS FUNDS	PS FUND CODE	PS FUND TITLE	PS NODE LEVEL 1	PS NODE LEVEL 2	PS NODE LEVEL 3
4DGOBGOB	GENERAL OBLIGATION BOND FUND	17620	DSGOB GENERAL OBLIGATION BOND	Governmental Funds	Debt Service Funds	General Obligation Bond Fund
4DGOBLH1	SB1128 LHH REVENUE FOR DEBT SVC	17630	DSGOB SB1128 REV FOR LHH GOB	Governmental Funds	Debt Service Funds	General Obligation Bond Fund
4DGOBTSR	TOBACCO SETTLMNT REVENUE FOR DEBT SVC	17640	DSGOB TSR FOR LHH GOB	Governmental Funds	Debt Service Funds	General Obligation Bond Fund
98100100	CCSF GEN LONG-TERM DEBT	31800	CCSF Gen Long-term Debt	Government-wide Funds	Primary Government	General City Fixed Assets

**FIGURE 11-4. ACCOUNTS CROSSWALK**

FAMIS Code	FAMIS Code	PeopleSoft Account Code	PeopleSoft Account Description
801	PROCEED FROM LONG-TERM DEBTS	48010	Proceed From Long-Term Debts
80111	PROCEEDS FROM SALE OF BONDS-FACE AMOUNT	480111	Proceeds From Sale Of Bond-Face Amt
80121	PROCEEDS FROM REFUNDING OF BONDS	480121	Proceeds From Refunding Of Bond
07311	Bond Issuance Cost-Unamortized	573110	Bond Issuance Cost-Unamortized
07322	Bond Discount-Amortized	573220	Bond Discount-Amortized
07332	Bond Premium-Amortized	573320	Bond Premium-Amortized
07411	BOND INTEREST-EXPENSE	574110	Bond Interest-Expense
07121	LOAN PRINCIPAL REPAYMENT	571210	Loan Principal Repayment
07611	BOND ISSUANCE COST-EXPENSE	576110	Bond Issuance Cost-Expense

**11.4.4 | Steps for New Issuance – GO Bond**

The following are steps for issuing a new GO bond:

1. Receive notification/e-mail from the Office of Public Finance regarding upcoming new bond issuance.

2. Obtain and review a copy of the relevant *Appropriation Ordinance* (see Figure below), *Preliminary Official Statements*, and *Closing Memorandum* from the Office of Public Finance prior to bond issuance. The date of issuance is the closing or delivery date of the bonds indicated in the *Official Statement*, not the date of the *Official Statements* or the *Closing Memorandum*. Local legislation can be found at <http://sfbos.org/ordinances> or <http://sfbos.org/resolutions>.

Below is an example of a GO bond Appropriation Ordinance.

**FIGURE 11-5. APPROPRIATION ORDINANCE [UNDER REVISION]**

[Appropriating \$136,000,000 of General Obligation Bonds for the San Francisco General Hospital and Trauma Center for the Department of Public Health for Fiscal Year 2008-2009.]

**Ordinance appropriating \$136,000,000 of General Obligation Bond Proceeds approved by voters under Proposition A in the November 2008 election authorizing the issuance of general obligation bonds for the building or rebuilding and earthquake safety improvement of the San Francisco General Hospital and Trauma Center in the Department of Public Health for Fiscal Year 2008-2009.**

Section 1. The sources of funding outlined below are herein appropriated to reflect the funding available for Fiscal Year 2008-2009.

**SOURCES Appropriation**

Fund	Index/Project Code	Subobject	Description	Amount
3C XCF XXX	XXXXXXX	80111	General Obligation	\$136,000,000
SFGH & Trauma Center Rebuild & Improvement Fund	CHGREB00		Bond Proceeds	
<b>Total SOURCES Appropriation</b>				<b>\$136,000,000</b>

\*Please note the above image refers to FAMIS codes and not PeopleSoft Chartfields.

**ACCOUNTING POLICIES & PROCEDURES****USES Appropriation**

Fund	Index Code / Project Code	Subobject	Description	Amount
3C XCF XXX	XXXXXXX	06700 Buildings,	San Francisco General	\$133,622,557
SFGH & Trauma	CHGREB00	Structures, and	Hospital and Trauma	
Center Rebuild &		Improvement	Center Building,	
Improvement Fund		Project-Budget	Rebuilding & Earthquake	
			Safety Improvements	
3C XCF XXX	XXXXXXX	07311	Cost of Issuance	\$654,667
SFGH & Trauma	CHGREB00	Bond Issuance		
Center Rebuild &		Cost		
Improvement Fund				
3C XCF XXX	XXXXXXX	07311	Underwriter's Discount	\$1,321,100
SFGH & Trauma	CHGREB00	Bond Issuance		
Center Rebuild &		Cost		
Improvement Fund				

\*Please note the above image refers to FAMIS codes and not PeopleSoft Chartfields. \*

- If new funds are needed, AOSD staff will establish them in PeopleSoft. The naming convention for the PeopleSoft fund description includes the year of voters' authorization, the name of the bond per the Preliminary/Official Statements, the year of issuance, and how many issuances have been made under the authorization; for example: "3C-XCF-14A - 2014 EARTHQK SFTY&EMER RESP-IST S14D". The process to establish new funds in PeopleSoft is as follows:

AOSD staff informs departmental finance staff that new fund(s) have been set up in PeopleSoft. Enterprise departments' debt issuances (e.g., revenue bonds) can generally be recorded in the department's own Project and Activities Codes, while other departments' Project and Activities Codes will be established by their fund accountant(s). In both cases a new Authority Code needs to be set-up as well.

- Contact AOSD Systems Team to request a new account in PeopleSoft.
- Obtain copies of the Official Statements, a soft copy on-line and a hard copy from the Office of Public Finance, for the file.
- AOSD informs Budget and Analysis Division (BAD) of the new Authority, Project and Activities Codes. BAD will record in PeopleSoft the budget and appropriation of the GO bond per the appropriation ordinance.

7. Alert the Treasurer's Office of the amounts and the timing of the receipt of good faith deposit. The Treasurer's Office records these bank wire transfers as Unidentified Receipts. The day after the receipt of bank wire for the good faith deposit, reclassify the Unidentified receipt into the PeopleSoft fund using the Bonds Authority, Project and Activities Codes. Validate the amount of the good faith deposit per the wiring instruction. Record the good faith deposit in the Bonds Capital Projects Fund.
8. Check PeopleSoft GL/Commitment Control to see if the budget has been set up.
9. Create a new bond reconciliation worksheet ("Reconciliation of Sources and Uses of Bond Proceeds") and verify all computations of the sources and uses on the Wiring Instructions and the Official Statement.
10. Alert the Treasurer's Office of the amounts and the timing of the receipt of bond proceeds. The day after the receipt of the bond proceeds, reclassify the Unidentified Receipt into the PeopleSoft fund using the Bonds Authority, Project and Activities Codes. Validate the amount of bond proceeds with the bank deposits per the Wiring Instruction. Record the total bond proceeds in the Bonds Capital Projects Fund. Debt proceeds will be allocated to the department financially responsible for the project. As an example, the SF Fire Department would receive proceeds for a public safety bond supporting firehouse improvements.
11. Prepare a journal entry in PeopleSoft Commitment Control to:
  - a) Transfer the net bid premium per the Official Statements/Wiring Instruction from the Capital Project Fund where it was originally recorded, to the Debt Service Fund where it will be used for debt service (PeopleSoft to Account Code 591280, OTO To 4D/Gob-Gen Oblig BndFd; from Account Code group 49300)
  - b) Align the budget and uses of bond funds based on the Wiring Instructions and Official Statements against the budget and appropriation line items per relevant Ordinance
  - c) Set up the GO bonds payable, unamortized bond premium, and unamortized bond discount in PeopleSoft's General Long-term Debt Fund.
12. Inform the Fixed Assets Accounting Team of the bond issuance, so that it is aware of the new PeopleSoft fund set-up and can monitor project activities related to the new bond issuance.
13. Inform the Interest Allocation Group that the PeopleSoft Fund Project Code for the new bonds (both for project funds and premium-in Debt Service Funds) should receive interest allocation in the respective PeopleSoft funds.
14. Inform the Central Finance Unit, Administration Division, and the CSA that new GO bond issuance has been recorded in FAMIS/PeopleSoft and that the related Controller's Audit and GOBOC fees are available for encumbrance in FAMIS/PeopleSoft.
15. Prepare the debt service payment schedule spreadsheet in Excel for the new GO bond.

16. AOSD prepares an invoice, signed by the AOSD Manager, to bill for Controller's administrative and accounting services in support of the bond issuance. The invoice is sent to the Office of Public Finance for abatement from the bond's Capital Project Fund's Cost of Issuance.

### **Example Journal Entries**

In FAMIS, BR (Budget Supplemental), CR (Cash Receipts), JE (Journal Entries), PR (Direct Payment Requests (NON-RIMS), CK (online check writer), WL (Wire Transfer Liquidation), and YE (Year End processing) document types are generally used to submit entries.

In PeopleSoft, entries will be submitted and recorded to the budget, commitment control, actuals, modified accrual, and full accrual ledgers, and the following modules will process debt related transactions:

- **Budget/Commitment Control**  
Budget journal line entries and upload functionality can be used to submit commercial paper debt entries
- **AR-Cashiering & Cash Management**  
Incoming cash receipts will be initiated using these modules
- **Accounts Payable & Cash Management**  
Outgoing cash payments are to be initiated from these modules
- **General Ledger**  
Bond payable and year end adjusting entries will be recorded from these modules
- **Project Costing & Purchasing**  
Tracking of project costs to be expensed or capitalized

The following are sample debt entries and are for illustrative purposes only. They are not intended to be all-inclusive; for instance, they do not include costs of issuance, abatements to other departments, or transferring money from Capital Projects Fund to Debt Service Fund. The below sample entries are subject to change and are to be tested prior to the PeopleSoft implementation.

**FIGURE 11-6. PEOPLESOFT ENTRIES & ENTRY POINTS**

PS Ledger			Accounting Entries	Debit	Credit	PeopleSoft Entry Point	Workflow Begins with ...
<u>Bond Budget Journal Entries</u>							
1	BUDGET	Estimated Other Financing Sources - GO Bond		137,147,209		Budget Journal Line screen	BAD Appropriaiton
		Appropriation - Capital Project Outlay			128,470,780		
		Appropriation - Dep into 4D to for future DS Interest Payment			6,641,980		
		Appropriation - Underwriter's Discount			1,147,209		
		Appropriation - Bond Issue Costs or Cost of Issuance legal/FA fees			500,668		
		Appropriation - GOBOC and CSA fees			386,572		
		To: Budget Sources and Uses of GO Bond Issue. The offset to the debit and credit could be a Budget Clearing Account. Note the above entries may need to be adjusted once cash proceeds are received.					
2	BUDGET	Estimated Other Financing Sources - GO Bond		xxx		Budget Journal	AOSD - CAFR Debt
		Appropriation - Capital Project Outlay			xxx		
		Appropriation - Dep into 4D for future DS Interest Payment			xxx		
		Appropriation - Underwriter's Discount			xxx		
		Appropriation - Bond Issue Costs or Cost of Issuance legal/FA fees			xxx		
		Appropriation - GOBOC and CSA			xxx		
		To: Adjustment to initial budget entry to align budget Source and Uses per actual GO Bond Issue This includes offsetting the underwriter's discount if it was netted from the bond proceeds received.					
<u>Bond Issue Actual Basis Entries</u>							
3	ACTUAL	Cash (City Treasury)		1,300,000		AR or Cash Mgt	TTX cash receipt
		Other Financing Sources - Debt Issue Bond Proceeds			1,300,000		
		To: Include in notes this is a Good Faith Deposit and attach support. Budgetary Estimated receipts are posted. Revenues to reverse as cash reverse upon posting of cash receipt.					
4	ACTUAL	Cash (City Treasury)		137,144,771		AR or Cash Mgt	TTX cash receipt
		Other Financing Sources- Orig Issue Premium			5,494,771		
		Other Financing Sources - Debt Issue Bond Proceeds			131,650,000		
		To: Record Proceeds from the GO Bond sale. Above is a combining entry. Premium may be recorded later as an adjusting entry by AOSD or OFF Budgetary Estimated reverse upon posting of cash receipt.					
						GL Module	
5	ACTUAL	Expenditure - Bond Counsel legal fees		21,000		AP Module	Initiated by CON-ADM
		Cash			21,000		
		To: Pay bond counsel for debt issue related expenses. Note these were budgeted and PO's encumber funds. Upon					
<u>Bond Issue Full Accrual Basis Entries</u>							
6	FULL-ACCRUAL	Other Financing Sources - Debt Issue Bond Proceeds		131,650,000		GL Module	AOSD- CAFR Debt
		Other Financing Sources- Orig Issue Premium		5,494,771			
		Premium on GO Bond			5,494,771		
		GO Bond Payable (Par Value of bond)			131,650,000		
		To: Record Original Bond Obligation and Premium					
<u>Debt Service Payment &amp; Amortization of Premium</u>							
7	ACTUAL	Expenditure - Debt Service, principal		7,630,000		AP or Cash Mgt	AOSD Debt Acctg -
		Expenditure - Debt Service, interest		28,117,178			
		Cash ( City Treasury)			35,747,178		
8	FULL ACCRUAL	GO Bond Payable (Par Value of bond)		35,747,178.27		GL or AP	AOSD Debt Acctg -
		Expenditure - Debt Service, principal			7,630,000.00		
		Expenditure - Debt Service, interest			28,117,178.27		
9	FULL ACCRUAL	Premium on GO Bond		3,041,146		GL Module	AOSD Debt Acctg -
		Amortization Expense of Bond Premium			3,041,146		
		To: Record amortization of premium. Note, <u>offline amortization schedules are to be kept outside of PeopleSoft</u>					
<u>Year End Adjusting Entries</u>							
10	FULL ACCRUAL	GO Bond Payable - Long Term		117,686,160		GL Module	AOSD Debt Acctg -
		GO Bond Payable - Short Term or Current Bonds payable.			117,686,160		
		To: Reclass from long-term debt to short term for amount due within 12 months					
11	FULL ACCRUAL	Expenditure - Bond Interest Expenditure		10,377,976		GL Module	AOSD Debt Acctg -
		Bond payable - interest accrual			10,377,976		
		To: Record year end- Bond Interest expense accrual					



### **Sample GO Bond Accounting Entries**

Below is an illustration of some sample GO Bond accounting entries for FAMIS and PeopleSoft. They are not inclusive of all entries, but rather an illustration of GO Bond accounting. These have not been tested in PeopleSoft and are subject to change.

DRAFT

**FIGURE 11-7. SAMPLE GO BOND ACCOUNTING ENTRIES**

Sample of debt accounting for GOB, for illustrative purposes only. It does not include all accounting and entries may be combined.  
Many budgetary, encumbrance, modified accrual, full accrual entries are excluded, particularly as it relates to fund balance/net position.

**FAMIS**

**F\$P**

FAMIS									
T/C	SUB- OBJECT	GL	FAMIS GL Code Description	Debit	Credit	PS Ledger	Accounting Entries	Debit	Credit
Set-up of Supplemental Appropriation									
Budget Entry						Bond Budget Journal Entries			
031	80111	402	SOURCES-SUPP. BUDGET (BD RESOLUTION) -	130,505,229.12		1	KK Estimated Other Financing Sources - GO Bond	136,000,000	
		498	BUDGETARY CLEARING-OTHER		130,505,229.12		FB Budget Sources or Sources Budget Control		136,000,000
031	80599	402	PREMIUM ON ISSUANCE OF DEBTS	5,494,770.88			FB Budget Uses or Appropriation Budget Control	136,000,000	
		498	BUDGETARY CLEARING-OTHER		5,494,770.88		Appropriation - Capital Project Outlay		128,470,780
042		498	BUDGETARY CLEARING-OTHER	128,470,780.07			Appropriation - Dep into 4D for future DS Interest Payment		6,641,980
	06700	422	USES-SUPPLEMENTAL APPN (RO#)		128,470,780.07		Appropriation - Bond Issue Costs or Cost of Issuance legal/FA fees		500,668
042		498	BUDGETARY CLEARING-OTHER	500,668.23			Appropriation - GOBOC and CSA fees		386,572
	07311	422	USES-SUPPLEMENTAL APPN (RO#)		500,668.23		To: Budget Sources and Uses of GO Bond Issue. The offset of the debit and credit could be a Budget Clearing Account. Note the above entries may need to be adjusted once cash proceeds are received.		
042		498	BUDGETARY CLEARING-OTHER	128,857.35					
	081C4	422	USES-SUPPLEMENTAL APPN (RO#)		128,857.35				
042		498	BUDGETARY CLEARING-OTHER	257,714.70					
	081C4	422	USES-SUPPLEMENTAL APPN (RO#)		257,714.70				
046		498	BUDGETARY CLEARING-OTHER	6,641,980					
	0934G	422	USES-SUPPLEMENTAL APPN (RO#)		6,641,980				
033	9303X	402	SOURCES-SUPP. BUDGET (BD RESOLUTION)	6,641,980					
		498	BUDGETARY CLEARING-OTHER		6,641,980				
042	07411	498	BUDGETARY CLEARING-OTHER	6,641,980					
		422	USES-SUPPLEMENTAL APPN (RO#)		6,641,980				
703	00003		Treasury bank account entry	1,300,000		2	Bond Issue Actual Basis Entries		
	199999		Treasury bank account entry		1,300,000		ACTUAL Cash (City Treasury)	1,300,000	
			To: FAMIS banking transaction				Other Financing Sources - Debt Issue Bond Proceeds		1,300,000
718	101		CASH - CITY TREASURY-POOLED FUNDS	1,300,000			To: Include in notepad this is a Good Faith Deposit and attach support. Budgetary Estimated receipts are posted.		
	80111	411	ACTUAL SOURCES - Bond Proceeds		1,300,000				
Receipt of Bond Proceeds						Receipt of Bond Proceeds			
703	00003		Cash Receipts through the Treasurer	135,844,771		3	ACTUAL Cash (City Treasury)	135,844,771	
	199999				135,844,771		Other Financing Sources- Orig Issue Premium		5,494,771
718	101		EQUITY IN CITY TREASURY-POOLED FUNDS	135,844,771			Other Financing Sources - Debt Issue Bond Proceeds		130,350,000
	80111	411	ACTUAL SOURCES - Bond Proceeds		135,844,771		To: Record Proceeds from the GO Bond sale. Above is a combining entry. Premium may be recorded later as an adjusting entry by AOSD.		
408	101		CASH	5,494,770.88					
	80599	411	ACTUAL SOURCES		5,494,770.88				
			To: Record Premium Received						

City & County of San Francisco – Office of the Controller

## ACCOUNTING POLICIES & PROCEDURES

Sample of debt accounting for GOB, for illustrative purposes only. It does not include all accounting and entries may be combined.  
Many budgetary, encumbrance, modified accrual, full accrual entries are excluded, particularly as it relates to fund balance/net position.

### FAMIS

T/C	SUB- OBJECT	GL	FAMIS GL Code Description	Debit	Credit
<b>Payment to vendors (cost of issuance)</b>					
210	07311	431	ACTUAL USES	21,000.00	
		201	VOUCHERS PAYABLE		21,000.00
260	07311	201	VOUCHERS PAYABLE	21,000.00	
		101	EQUITY IN CITY TREASURY-POOLED FUNDS		21,000.00
<b>Record of Bond Issuance</b>					
538		A03	OFFSET WITH BELOW	1,147,209	
	80599	411	ACTUAL SOURCES		1,147,209
<b>To Record Underwriter's Discount</b>					
495	07311	433	ACTUAL USES-GAAP ONLY	1,147,209	
		A03	OFFSET WITH ABOVE		1,147,209
<b>To Record Underwriter's Discount</b>					
<b>Bond Issue Full Accrual Basis Entries</b>					
407	80111	411	ACTUAL SOURCES - Bond Proceeds	5,494,770.88	
		101	CASH		5,494,770.88
<b>To: Record Premium Received</b>					
	80599	413	ACTUAL SOURCES-GAAP ONLY	5,494,770.88	
		A03	FUND EQUITY-SUSPENSE ACCT-(S/B ZERO)		5,494,770.88
497		A03	FUND EQUITY-SUSPENSE ACCT-(S/B ZERO)	5,494,770.88	
		281	UNAMORTIZED BOND PREMIUM		5,494,770.88
	80111	413	ACTUAL SOURCES-GAAP ONLY	131,650,000.00	
		A03	FUND EQUITY-SUSPENSE ACCT-(S/B ZERO)		131,650,000.00
		A03	FUND EQUITY-SUSPENSE ACCT-(S/B ZERO)	131,650,000.00	
		282	BONDS PAYABLE-L/T - G.O. & REVENUE BONDS		131,650,000.00
415	0934G	431	ACTUAL USES	5,494,770.88	
		101	CASH		5,494,770.88
<b>To: DEPOSIT IN 3C AND TRANSFER TO 4D (DEBT SERVICE FUND FOR FUTURE DEBT SERVICE INTEREST PAYMENT OF THE BONDS)</b>					
418		101	CASH	5,494,770.88	
	9303X	411	ACTUAL SOURCES		5,494,770.88
<b>To: DEPOSIT IN 3C AND TRANSFER TO 4D (DEBT SERVICE FUND FOR FUTURE DEBT SERVICE INTEREST PAYMENT OF THE BONDS)</b>					
496	07311	A03	FUND EQUITY-SUSPENSE ACCT-(S/B ZERO)	1,147,208.77	
		433	ACTUAL USES-GAAP ONLY		1,147,208.77
553		166	UNAMORTIZED BOND ISSUE COST	1,147,208.77	
					1,147,208.77

### FSP

PS Ledger	Accounting Entries	Debit	Credit
<b>Payment to vendors (cost of issuance)</b>			
4	ACTUAL Expenditure - Debt service - bond issuance cost - Bond Counsel legal fees	21,000	
	Cash		21,000
<b>To: Pay bond counsel for debt issue related expenses.</b>			
<b>Bond Issue Full Accrual Basis Entries</b>			
5	FULL ACCRUAL Other Financing Sources - Debt Issue Bond Proceeds	131,650,000	
	Other Financing Sources- Orig Issue Premium		5,494,771
	Premium on GO Bond		5,494,771
	GO Bond Payable (Par Value of bond)		131,650,000
<b>To: Record Original Bond Obligation and Premium</b>			
	ACTUAL Interfund Transfer Out - CP fund	5,494,770.88	
	Cash		5,494,771
	To: Transfer Out of Premium from CPF to DSF		
	Cash	5,494,770.88	
	Interfund Transfer In - DSF		5,494,771
	To: Transfer In of Premium from CPF to DSF		

Sample of debt accounting for GOB, for illustrative purposes only. It does not include all accounting and entries may be combined.  
Many budgetary, encumbrance, modified accrual, full accrual entries are excluded, particularly as it relates to fund balance/net position.

**FAMIS**

T/C	SUB- OBJECT	GL	FAMIS GL Code Description	Debit	Credit
<u>Debt Service Payment</u>					
245	07111	431	ACTUAL USES	7,630,000.00	
		201	VOUCHERS PAYABLE		7,630,000.00
262	07111	201	VOUCHERS PAYABLE	7,630,000.00	
		101	EQUITY IN CITY TREASURY-POOLED FUNDS		7,630,000.00
245	07411	431	ACTUAL USES	28,117,178.27	
		201	VOUCHERS PAYABLE		28,117,178.27
262	07411	201	VOUCHERS PAYABLE	28,117,178.27	
		101	EQUITY IN CITY TREASURY-POOLED FUNDS		28,117,178.27
<u>Liquidation of FAMIS PR Documents - payment of principle will be part of PeopleSoft purchasing module</u>					
586	07111	282	BONDS PAYABLE-L/T - G.O. & REVENUE BONDS	7,630,000.00	
		433	ACTUAL USES-GAAP ONLY		7,630,000.00
<u>Year-end Adjustments</u>					
586	07332	281	UNAMORTIZED BOND PREMIUM	3,041,146.00	
		433	ACTUAL USES-GAAP ONLY		3,041,146.00
586	07332	281	UNAMORTIZED BOND PREMIUM	50,274.75	
		433	ACTUAL USES-GAAP ONLY		50,274.75
586	07332	281	UNAMORTIZED BOND PREMIUM	64,572.00	
		433	ACTUAL USES-GAAP ONLY		64,572.00
657		282	BONDS PAYABLE-L/T - G.O. & REVENUE BONDS	117,686,160.00	
		A03	FUND EQUITY-SUSPENSE ACCT-(S/B ZERO)		117,686,160.00
658		A03	FUND EQUITY-SUSPENSE ACCT-(S/B ZERO)	117,686,160.00	
		252	CURRENT BONDS PAYABLE		117,686,160.00
685	07411	433	ACTUAL USES-GAAP ONLY	10,377,976.00	
		251	ACCRUED INTEREST PAYABLE		10,377,976.00

**F\$P**

PS Ledger	Accounting Entries	Debit	Credit
<u>Debt Service Payment &amp; Amortization of Premium</u>			
6	ACTUAL Expenditure - Debt Service, principal	7,630,000	
	Expenditure - Debt Service, interest	28,117,178	
	Cash ( City Treasury)		35,747,178
	To: Pay for debt service payments		
<u>Liquidation of FAMIS PR Documents - payment of principle will be part of PeopleSoft purchasing module</u>			
<u>Year-end Adjustments</u>			
7	FULL ACCRUAL GO Bond Payable (Par Value of bond)	7,630,000	
	Expenditure - Debt Service, principal		7,630,000
	To: Reduce outstanding GOB long term debt by principal payment		
8	FULL ACCRUAL Premium on GO Bond	3,041,146	
	Amortization Expense of Bond Premium		3,041,146
	To: Record amortization of premium. Note, <u>offline amortization schedules are to be kept outside of PeopleSoft</u>		
9	FULL ACCRUAL GO Bond Payable - Long Term	117,686,160	
	GO Bond Payable - Short Term or Current Bonds payable		117,686,160
	To: Reclass from long-term debt to short term for amount due within 12 months		
10	FULL ACCRUAL Expenditure - Debt Service, interest	10,377,976	
	Accrued Interest Payable		10,377,976
	To: Record year end Bond Interest expense accrual		

## 11.4.5 | Reporting

### 11.4.5.1 | COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

AO SD produces the *Comprehensive Annual Financial Report*, which includes a variety of debt schedules, such as those shown in the following Figures.

**FIGURE 11-8. LONG-TERM OBLIGATIONS--GOVERNMENTAL ACTIVITIES**

Type Of Obligation and Purpose	Final Maturity Date	Remaining Interest Rates	Amount
<b>GENERAL OBLIGATION BONDS <sup>(a)</sup>:</b>			
Earthquake safety and emergency response.....	2035	2.25% - 5.00%	\$ 469,540
Parks and playgrounds .....	2035	2.00% - 6.26%	175,050
Road repaving and street safety .....	2035	2.00% - 5.00%	176,250
San Francisco General Hospital.....	2033	3.25% - 6.26%	573,085
Seismic safety loan program .....	2035	1.037% - 5.83%*	46,767
Transportation and road improvement .....	2035	2.75% - 5.00%	47,005
Refunding .....	2030	4.00% - 5.00%	523,360
General obligation bonds .....			<u>2,011,057</u>
<b>LEASE REVENUE BONDS:</b>			
San Francisco Finance Corporation <sup>(b), (e) &amp; (f)</sup> .....	2034	0.425% - 5.75% **	196,055
<b>CERTIFICATES OF PARTICIPATION:</b>			
Certificates of participation <sup>(c) &amp; (d)</sup> .....	2045	1.096% - 5.00%	589,580
<b>OTHER LONG TERM OBLIGATIONS:</b>			
Loans <sup>(d) &amp; (f)</sup> .....	2045	2.00% - 5.74%	28,395
Revolving credit agreement loan - Transportation Authority <sup>(c)</sup> ..	2018	0.62% ***	114,664
Governmental activities total long-term obligations.....			<u>\$ 2,939,751</u>

\* Includes the 1992 Seismic Safety Loan Program GOB Series 2015A which bears variable interest rate that resets monthly. The rate for GOB Series 2015A at June 30, 2016 was 1.037%.

\*\* Includes the Moscone Center West Expansion Project Refunding Bonds Series 2008 - 1 & 2, both of which were financed with variable rate bonds that reset weekly. The rate at June 30, 2016 for Series 2008 - 1 & 2 averaged to 0.425%.

\*\*\* The Revolving credit agreement loan interest rate equals to the sum of 70% of 1-month LIBOR plus 30%.

The Figure below shows GO bond debt service principal and interest.

**FIGURE 11-9. CHANGES IN LONG-TERM OBLIGATIONS**

Fiscal Year Ending June 30	Governmental Activities <sup>(1)</sup>							
	General Obligation Bonds		Lease Revenue Bonds		Other Long-Term Obligations		Total	
	Principal	Interest <sup>(2)</sup>	Principal	Interest <sup>(3)</sup>	Principal	Interest <sup>(4)</sup>	Principal	Interest
2017.....	\$ 120,004	\$ 89,914	\$ 14,025	\$ 4,973	\$ 39,878	\$ 26,768	\$ 173,907	\$ 121,655
2018.....	117,298	83,995	10,880	4,578	155,681	25,315	283,859	113,888
2019.....	117,396	78,362	12,595	4,287	30,905	22,974	160,896	105,623
2020.....	116,436	72,607	6,110	3,999	22,721	21,757	145,267	98,363
2021.....	114,695	66,943	12,740	3,728	23,256	20,747	150,691	91,418
2022-2026..	618,208	249,785	70,275	13,692	114,440	88,624	802,923	352,101
2027-2031..	603,745	108,004	62,795	5,254	125,813	62,235	792,353	175,493
2032-2036..	203,275	14,189	6,635	777	114,866	33,231	324,776	48,197
2037-2041..	-	-	-	-	71,594	15,044	71,594	15,044
2042-2045..	-	-	-	-	33,485	3,494	33,485	3,494
Total.....	<u>\$ 2,011,057</u>	<u>\$ 763,799</u>	<u>\$ 196,055</u>	<u>\$ 41,288</u>	<u>\$ 732,639</u>	<u>\$ 320,189</u>	<u>\$ 2,939,751</u>	<u>\$ 1,125,276</u>

**FIGURE 11-10. NET AUTHORIZED & UNISSUED GOVERNMENTAL ACTIVITIES GO BONDS FOR THE FY**

Governmental Activities - General Obligation Bonds	
Authorized and unissued as of June 30, 2015.....	\$ 1,285,100
Increases in authorization this fiscal year:	
Affordable Housing .....	310,000
Public Health and Safety .....	350,000
Bonds issued:	
Series 2015B Transportation and Road Improvements .....	(67,005)
Series 2015A Seismic Safety Loan Program .....	(24,000)
Series 2016A Clean and Safe Neighborhood Parks .....	(8,695)
Series 2016B Clean and Safe Neighborhood Parks .....	(43,220)
Series 2016C Earthquake Safety and Emergency Response .....	(25,215)
Series 2016D Earthquake Safety and Emergency Response .....	(109,595)
Series 2016E Road Repaving and Street Safety.....	(44,145)
Net authorized and unissued as of June 30, 2016.....	<u>\$ 1,623,225</u>

#### 11.4.5.2 | REPORTING FOR OVERSIGHT COMMITTEES

AOSD periodically generates reports for the Citizens' General Obligation Bond Oversight Committee (CGOBOC). Below are examples of reports generated by AOSD's Debt Accounting team to comply with oversight requirements.

**FIGURE 11-11. REPORTS FOR BOND OVERSIGHT COMMITTEE**

Electorate Authorized Date	Authorized Amount	Issued Date	Series	Unissued Amount
11/03/92	350,000,000	03/01/94	1994A	
			207A -	
		03/13/07	2,000,000 1st draw	
			207A -	
		10/09/07	3,802,000 2nd draw	
			207A -	
		01/18/08	3,893,228 3rd draw	
			207A -	
		11/25/08	1,300,000 4th draw	
			207A -	
		11/12/10	15,000,000 5th draw	
			207A -	
		11/09/11	700,000 6th draw	
			207A -	
		12/16/11	3,620,222 7th draw	
		08/31/15	24,000,000 2015A	

Bond Project/ Sub-fund		Char	Bond Proceeds and Interest Revenue (Budget and Actual)			Total Available	Project Expenditures (Appropriation and Actual)		Breakdown of Balance
(A)	Description	Budget (B)	Actual (C)	Variance (D)=(C-B)	(E) =(C) or CH 300,800 + (B) for other CH	Appropriation (F)	Actual Expenditures (G)	Balance H= (F-G) (See Breakdown)	Reserved Encumbered Unencumbered
		<b>1) PBE001/ PBE010/ PCA002/ PCAB01/ PCAE01/ PSD001</b>							
2S-NDF-SSL	Bond Proceeds	35,000,000	35,000,000	-	35,000,000				
2S-NDF-42B	Bond Proceeds	35,000,000	30,315,450	(4,684,550)	30,315,450				
2S-NDF-42C	Bond Proceeds	24,000,000	24,000,000		24,000,000				
	Total proceeds	94,000,000	89,315,450	(4,684,550)	89,315,450				
	Interest Inv Inc	18,274,120	18,303,887	29,767	18,303,887				
	Total	112,274,120	107,619,337	(4,654,783)	107,619,337	111,748,686	83,019,715	28,728,971	4,684,550
									23,947,487

89,315,450  
 260,684,550

### 11.4.5.3 | TRACK BOND PROCEEDS & SPENDING

Generally, bond proceeds are budgeted, encumbered, accounted for, and tracked by fund and project. **FAMIS Fund Summary and Project screens can be used to view budget, encumbrance, and actuals accounting.** Departments receiving debt funding are to track PeopleSoft project sources and uses against actuals by fund and by project in PeopleSoft, or offline.

**FIGURE 11-12. FAMIS FUND SUMMARY SCREEN**

FAML6750 V5.1	CITY AND COUNTY OF SAN FRANCISCO--NFAMIS	01/05/2017			
LINK TO:	FUND SUMMARY INQUIRY	4:39 PM			
BALANCE (Y,M,Q,A) : A	CURR/PRIOR PRD :	CURRENCY CODE :			
FISCAL MO/YEAR : 04 2015 OCT 2014					
FUND TYPE : 3C	CAPITAL PROJECTS FUNDS				
FUND : SIF	STREET IMPROVEMENT FUND				
SUBFUND : 11A	2011 ROAD REPV&ST SAFETY BOND-1ST S2012C				
CHARACTER : X					
OBJECT CODE :					
PROJECT : CSTR11	ROAD REPAVING AND STREET SAFETY BOND				
GRANT :					
-----					
S CHAR	DESCRIPTION	BUDGET	ACTUAL	PREENC/ENC	BALANCE
300	INTEREST & I	849,177	871,999		22,822
800	OTHER FINANC	77,788,846	77,788,846		
	REVENUE TOT	78,638,023	78,660,845		22,822
001	SALARIES	9,172,201	9,380,368		-208,167
013	MANDATORY FR	3,769,745	3,859,260		-89,515
020	OVERHEAD	10,398,162	10,653,137		-254,975
021	NON PERSONNE	38,321,733	36,192,109	2,581,822	-452,198
040	MATERIALS &	2,584,138	2,569,049	46,547	31,459
060	CAPITAL OUTL	176,675	9,992		166,683
069	PROJECT CARR	4,338,532			4,338,532
070	DEBT SERVICE	157,748	157,748		
081	SERVICES OF	247,445	176,930	70,415	101
091	OPERATING TR	8,622,469	8,622,469		
	EXPEND TOTAL	77,788,846	71,621,060	2,698,785	3,469,002



## 11.4.6 | Compliance – GO Bond

Bond compliance—such as arbitrage rebate calculations, annual disclosures, and debt covenants—is managed by the Office of Public Finance (OPF). See [Sections 11.1.14 | Post Issuance Debt Administration and Covenant Compliance](#), [11.1.15 | Post Issuance Arbitrage Rebate Tax Compliance](#), and [11.1.9 | Debt Structuring Practices](#).

## 11.4.7 | GO Bond Frequently Asked Questions

**Q.** What are eligibility requirements for GO bond spending?

**A.** GO bond proceeds shall be expended in accordance with the State Constitution, applicable ballot measure, Official Statement, Bond Accountability Reports, IRS requirements (e.g., tax exempt status, arbitrage) and authorizing legislation. GO bond program scope and budget plan are reviewed and approved by the Capital Planning Committee (“CPC”) prior to being presented to the Board for approval.

**Q.** What are eligibility requirements for pre-bond fund reimbursement (e.g., planning and other soft costs)?

**A.** Pre-bond fund eligibility costs are pre-determined, and reviewed and approved by CPC. Detailed original and current budget expenditure information for each project line item is identified in *Bond Accountability Reports*. Pre-bond fund eligibility requirements are subject to the IRS Code and regulations.

**Q.** What is the process for pre-bond fund reimbursement (e.g., abatement of pre-bond cost to bond fund)?

**A.** GO bond sale proceeds will be appropriated for reimbursement based on determined eligibility and on approval by CPC and authorizing legislation.

**Q.** Can departments do funding swaps among debt instruments, other City funds, and grants?

**A.** Generally no. Funding swaps are not allowed among debt instruments, other City funds and grants.

**Q.** Can departments use debt instruments as matching funds for grants?

**A. Yes, contingent on three things:**

- 1) the project has legislative approval to appropriate the matching proceeds and apply for the grant
- 2) the grantor allows the use of debt proceeds as an eligible source of matching funds
- 3) the use of the grant and matching proceeds is deemed an eligible use per the authorizing legislation/grantor regulations.

## **11.4.8 | Refunding – GO Bond**

Debt instruments can be refunded to reduce financing costs, eliminate covenants, alter maturities, and manage cash outflow.

### **11.4.8.1 | STEPS FOR REFUNDING ISSUANCE – GENERAL OBLIGATION BOND**

The following are steps for completing a debt refunding.

1. Receive advance information from the Office of Public Finance of the Refunding by e-mail accompanied by a Memo from the Refunding Advisor's that includes the following calculations:
  - 1) refunding bonds payment schedules
  - 2) list of old bonds to be refunded
  - 3) call dates for old bonds for refunding
  - 4) escrow cash flows activities
  - 5) computation of the refunding economic benefits.
2. Verify the amounts to be refunded and the amounts outstanding per the refunding advisor's memorandum against the debt service schedule/*Official Statement* on file.
3. Receive a Payment Schedule for the old bonds from the Refunding Advisor. This memorandum includes the *Summary of Refunded Maturities, Original Debt Service and Remaining Debt Service-Post Refunding & Escrow Agent Payments to Treasurer's Office, Debt Service and the Summary of Escrow Fund Cash Flow*.
4. Coordinate with the Treasurer's Office and Office of Public Finance on the accounting codes (Index Code/Account Code, Department Code, etc.) to be used to record the good faith deposit. The Wiring Instructions received from the bond Refunding Advisor can provide information if the set-up of new Accounting Codes is necessary.
5. GO bond refunding activities are normally recorded in Sub-fund 4D-GOB-GOB (General Obligation Debt Service Fund). If the proceeds usually come in and out simultaneously, the good faith deposit shall be recorded in 4D-GOB-GOB without project control (Index Code 970005, Sub-object 80121).

6. When using **Index Code 970005 and Sub-object 80121**, include in the Transaction Description and the Notepad the bond series and all other information that identifies each refunding. This is useful especially if more than one refunding takes place in the same fiscal year.
7. If the money will go out together with the remaining bond proceeds at closing, the funds may stay with the City for about two weeks. A project account may be set up in **FAMIS**/PeopleSoft to record the activities of the refunding that may include a number of transactions over a long period of time. In such cases, modification set up of 4D-GOB-GOB in **FAMIS**/PeopleSoft may be necessary to be able to record transactions at the project level.
8. Set up the appropriation for the good faith deposit, cost of issuance, and the escrow payment based on the Wiring Instructions.
9. On the receipt of the Escrow Agent's good faith deposit by the Treasurer's Office, the Treasurer's Office will prepare a CR document and a copy of the document will be provided to Controller's Office. The bank will wire the deposit, less the amount placed in the Cost of Issuance Fund.
10. Prepare a Direct Payment document using RIM shell DGOBRDG to record the bank wire and inform the Treasurer's Office of the document number of the PR by e-mail.
11. Prior to the call date of the refunded bonds, the Treasurer's Office shall provide a *List of Call Redemption of Principal* and *List of Call Redemption of Interest by Issue*. Check these lists against the *Debt Payment Schedules for Refunded Bonds* from the Refunding Advisor and the debt payment schedule on file. Submit the two lists to the Office of Public Finance for review and approval.
12. On the call date of the refunded bonds, the Escrow Agent shall wire to the Treasurer's Office the call amount to liquidate the refunded bonds. Verify the call amount and call date against the *Schedule of Payments for Refunded Bonds* and from the *List of Call Redemption of Principal* and *List of Call Redemption for Interest*. Confirm with the Treasurer's Office that the correct amount has been received.
13. Prepare a PR document using the RIM shell DGOBRDG1 to record the bank wire and inform the Treasurer's Office of the PR number.
14. Upon year end, update the amortization schedule for bond refunding. For current refunding and advance refunding resulting in defeasance of debts, the difference between the reacquisition price and the net carrying amounts of the old debts should be deferred and amortized in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

### Example Journal Entries

In FAMIS, BR (Budget Supplemental), CR (Cash Receipts), JE (Journal Entries), PR (Direct Payment Requests (NON-RIMS)), CK (online check writer), WL (Wire Transfer Liquidation), and YE (Year End processing) document types are generally used to submit entries.

In PeopleSoft, entries will be submitted and recorded to the budget, commitment control, actuals, modified accrual, and full accrual ledgers and the following modules will process debt related transactions:

- **Budget/Commitment Control**  
Budget journal line entries and upload functionality can be used to submit commercial paper debt entries
- **AR-Cashiering & Cash Management**  
Incoming cash receipts will be initiated using these modules
- **Accounts Payable & Cash Management**  
Outgoing cash payments are to be initiated from these modules
- **General Ledger**  
Bond payable and year end adjusting entries will be recorded from these modules
- **Project Costing & Purchasing**  
Tracking of project costs to be expensed or capitalized

The following section provides sample debt entries that are for illustrative purposes only. They are not intended to be all-inclusive; for instance, they do not include costs of issuance, abatements to other departments, or transferring money from the Capital Projects Fund to the Debt Service Fund. The below sample entries are subject to change and are to be tested prior to the PeopleSoft implementation.

### **GO Bond Refunding Accounting Entries**

Below is an illustration of some sample GO bond refunding accounting entries for FAMIS and PeopleSoft. They are not inclusive of all entries, but rather an illustration of GO bond refunding accounting. These have not been tested in PeopleSoft and are subject to change.

**FIGURE 11-13. EXAMPLE GO BOND REFUNDING ACCOUNTING ENTRIES**

Sample of debt accounting for GOB Refunding for illustrative purposes only. It does not include all accounting and entries may be combined.

Many budgetary, encumbrance, modified accrual, full accrual entries are excluded, particularly as it relates to fund balance/net position.

FAMIS						FSP			
T/C	SUB- OBJECT	FAMIS GL	FAMIS GL Code Description	Debit	Credit	PS Ledger	Accounting Entries	Debit	Credit
<u>Set up of budget / appropriation for good faith deposit, cost of issuance and payment to escrow</u>						<u>Set up of budget / appropriation for good faith deposit, cost of issuance and payment to escrow</u>			
061	80121	403	SOURCES-OTHER TRANSFERS & ALLOCATIONS	2,500,000.00		KK LEDGER	Estimated other Financing Sources - good faith deposit	2,500,000.00	
		498	BUDGETARY CLEARING-OTHER		2,500,000.00		Appropriation-Bond issue cost		737,475.00
072	07311	498	BUDGETARY CLEARING-OTHER	737,475.30			Appropriation- payment to escrow agent		1,762,525.00
		423	USES-OTHER TRANSFERS & ALLOCATIONS		737,475.30		Re: Set up of budget for good faith deposit and appropriation for cost of issuance		
072	07RESC	498	BUDGETARY CLEARING-OTHER	1,762,524.70			and payment to escrow agent		
		423	USES-OTHER TRANSFERS & ALLOCATIONS		1,762,524.70				
<u>Receipt of Good Faith Deposit</u>						<u>To receipts and payment of funds to escrow agent</u>			
712		101	EQUITY IN CITY TREASURY-POOLED FUNDS	2,500,000.00		ACTUAL	Cash (City Treasury)	2,500,000.00	
		248	UNIDENTIFIED RECEIPTS		2,500,000.00		Credit liability to the Refunding Escrow Agent		2,500,000.00
<u>Redclass of good faith deposit from Unidentified Receipt</u>						Re: Receipts of good faith deposit from escrow agent. Originally recorded by TTX as "Unidentified Receipt" and redclassed by CON to appropriate account			
401		248	UNIDENTIFIED RECEIPTS	2,500,000.00					
		101	EQUITY IN CITY TREASURY-POOLED FUNDS		2,500,000.00				
414		101	EQUITY IN CITY TREASURY-POOLED FUNDS	2,500,000.00					
		240	LIABILITIES-OTHER		2,500,000.00				
<u>City and escrow agent contribution for principal and interest payment</u>						<u>City and escrow agent contribution for principal and interest payment</u>			
245	07411	431	ACTUAL USES	3,083,529.18		ACTUAL [FULL ACCRUAL]	Expenditure - Debt Service, interest due	3,083,529.18	
		201	VOUCHERS PAYABLE		3,083,529.18		Expenditure - Debt Service, interest	575,530.28	
245	07411	431	ACTUAL USES	575,530.28					
		201	VOUCHERS PAYABLE		575,530.28				
245	07111	431	ACTUAL USES	12,586,465.72					
		201	VOUCHERS PAYABLE		12,586,465.72				
247		240	LIABILITIES-OTHER	1,762,524.70					
		201	VOUCHERS PAYABLE		1,762,524.70				
247		240	LIABILITIES-OTHER	57,026,009.58		ACTUAL [FULL ACCRUAL]	Cash (City Treasury)	57,026,009.58	
		201	VOUCHERS PAYABLE		57,026,009.58		Other Financing Sources - Pmt of refunded bond escrow agent		57,026,009.58
<u>Liquidation of FAMIS PR Documents</u>						Re: Receipts of funds from escrow agent. Originally recorded by TTX as "Unidentified Receipt" and redclassed by CON to appropriate account			
262	07411	201	VOUCHERS PAYABLE	3,083,529.18		FULL ACCRUAL	Other Financing Uses - Pmt of refunded bond escrow agent	1,762,524.70	
		101	EQUITY IN CITY TREASURY-POOLED FUNDS		3,083,529.18		Credit liability to the Refunding Escrow Agent	57,026,009.58	
262	07411	201	VOUCHERS PAYABLE	575,530.28					
		101	EQUITY IN CITY TREASURY-POOLED FUNDS		575,530.28				
262	07111	201	VOUCHERS PAYABLE	12,586,465.72					
		101	EQUITY IN CITY TREASURY-POOLED FUNDS		12,586,465.72				
262		201	VOUCHERS PAYABLE	12,586,465.72					
		101	EQUITY IN CITY TREASURY-POOLED FUNDS		12,586,465.72				
262		201	VOUCHERS PAYABLE	1,762,524.70					
		101	EQUITY IN CITY TREASURY-POOLED FUNDS		1,762,524.70				

City & County of San Francisco – Office of the Controller  
**ACCOUNTING POLICIES & PROCEDURES**

Sample of debt accounting for GOB Refunding for illustrative purposes only. It does not include all accounting and entries may be combined.  
Many budgetary, encumbrance, modified accrual, full accrual entries are excluded, particularly as it relates to fund balance/net position.

**FAMIS**

T/C	SUB- OBJECT	FAMIS GL	FAMIS GL Code Description	Debit	Credit
<b>Record of GOB Refunding Bond Issuance</b>					
538	80121	240	LIABILITIES-OTHER	2,500,000.00	
		411	ACTUAL SOURCES		2,500,000.00
498	80121	A03	FUND EQUITY-SUSPENSE ACCT-(S/B ZERO)	291,410,000.00	
		413	ACTUAL SOURCES-GAAP ONLY		291,410,000.00
498	80599	A03	FUND EQUITY-SUSPENSE ACCT-(S/B ZERO)	54,366,430.35	
		413	ACTUAL SOURCES-GAAP ONLY		54,366,430.35
495	07RESC	433	ACTUAL USES-GAAP ONLY	344,876,190.48	
		A03	FUND EQUITY-SUSPENSE ACCT-(S/B ZERO)		344,876,190.48
495	07311	433	ACTUAL USES-GAAP ONLY	900,239.87	
		A03	FUND EQUITY-SUSPENSE ACCT-(S/B ZERO)		900,239.87
497	80121	413	ACTUAL SOURCES-GAAP ONLY	293,910,000.00	
		A03	FUND EQUITY-SUSPENSE ACCT-(S/B ZERO)		293,910,000.00
554		A03	FUND EQUITY-SUSPENSE ACCT-(S/B ZERO)	293,910,000.00	
		282	BONDS PAYABLE-L/T - G.O. & REVENUE BONDS		293,910,000.00
497	80599	413	ACTUAL SOURCES-GAAP ONLY	54,366,430.00	
		A03	FUND EQUITY-SUSPENSE ACCT-(S/B ZERO)		54,366,430.00
554		A03	FUND EQUITY-SUSPENSE ACCT-(S/B ZERO)	54,366,430.00	
		281	UNAMORTIZED BOND PREMIUM		54,366,430.00
554		A03	FUND EQUITY-SUSPENSE ACCT-(S/B ZERO)	2,669,086.00	
		291	UNAMORTIZED GAIN ON BOND REFUNDING		2,669,086.00
553		281	UNAMORTIZED BOND PREMIUM	8,662,801.00	
		A03	FUND EQUITY-SUSPENSE ACCT-(S/B ZERO)		8,662,801.00
554		A03	FUND EQUITY-SUSPENSE ACCT-(S/B ZERO)	2,078,311.00	
		168	UNAMORTIZED LOSS ON BOND REFUNDING		2,078,311.00
496		A03	FUND EQUITY-SUSPENSE ACCT-(S/B ZERO)	3,915,404.00	
	07RESC	433	ACTUAL USES-GAAP ONLY		3,915,404.00
553		282	BONDS PAYABLE-L/T - G.O. & REVENUE BONDS	45,725,000.00	
		A03	FUND EQUITY-SUSPENSE ACCT-(S/B ZERO)		45,725,000.00
553		282	BONDS PAYABLE-L/T - G.O. & REVENUE BONDS	25,650,000.00	
		A03	FUND EQUITY-SUSPENSE ACCT-(S/B ZERO)		25,650,000.00
553		282	BONDS PAYABLE-L/T - G.O. & REVENUE BONDS	22,875,000.00	
		A03	FUND EQUITY-SUSPENSE ACCT-(S/B ZERO)		22,875,000.00
553		282	BONDS PAYABLE-L/T - G.O. & REVENUE BONDS	31,645,000.00	
		A03	FUND EQUITY-SUSPENSE ACCT-(S/B ZERO)		31,645,000.00
553		282	BONDS PAYABLE-L/T - G.O. & REVENUE BONDS	118,130,000.00	
		A03	FUND EQUITY-SUSPENSE ACCT-(S/B ZERO)		118,130,000.00
553		282	BONDS PAYABLE-L/T - G.O. & REVENUE BONDS	73,940,000.00	
		A03	FUND EQUITY-SUSPENSE ACCT-(S/B ZERO)		73,940,000.00
553		282	BONDS PAYABLE-L/T - G.O. & REVENUE BONDS	22,680,000.00	
		A03	FUND EQUITY-SUSPENSE ACCT-(S/B ZERO)		22,680,000.00
496		A03	FUND EQUITY-SUSPENSE ACCT-(S/B ZERO)	340,645,000.00	
	07RESC	433	ACTUAL USES-GAAP ONLY		340,645,000.00
061	80121	403	FUND EQUITY-SUSPENSE ACCT-(S/B ZERO)	2,500,000.00	
		498	BUDGETARY CLEARING-OTHER		2,500,000.00
072		498	BUDGETARY CLEARING-OTHER	737,475.30	
	07311	423	USES-OTHER TRANSFERS & ALLOCATIONS		737,475.30
072		498	BUDGETARY CLEARING-OTHER	1,762,524.70	
	07RESC	423	USES-OTHER TRANSFERS & ALLOCATIONS		1,762,524.70
414		101	EQUITY IN CITY TREASURY-POOLED FUNDS	1,762,524.70	
		240	LIABILITIES-OTHER		1,762,524.70
405	07RESC	431	ACTUAL USES	1,762,524.70	
		101	EQUITY IN CITY TREASURY-POOLED FUNDS		1,762,524.70

**FSP**

PS Ledger	Accounting Entries	Debit	Credit
<b>To record GOB Refunding Issuance and close out refunded bonds related balances.</b>			
ACTUAL	Credit liability to the Refunding Escrow Agent	2,500,000.00	
	Other Financing Sources - Debt Issue Bond Proceeds		2,500,000.00
	Re: Redclass of good faith deposit as bond proceeds		
MODIFIED (FULL ACCRUAL)	Other Financing Uses - Pmt of refunded bond escrow agent	344,876,190.48	
	Underwriter discount as cost of issuance	900,239.87	
	Other Financing Sources-bond Premium		54,366,430.35
	Other Financing Sources-proceeds from refunding of bonds		291,410,000.00
	Re: To record bond proceeds and bond premium		
FULL ACCRUAL	Unamortized bond premium (from refunded bonds)	8,662,801.00	
	Other Financing Sources-Bond Premium		54,366,430.00
	Other Financing Sources-Bond Par Amount		293,910,000.00
	GOB Bonds payable		293,910,000.00
	Unamortized bond premium		54,366,430.00
	Unamortized gain on bond refunding		2,669,086.00
	Unamortized loss on bond refunding (refunded GOBs)		2,078,311.00
	Other Financing Uses - Pmt of refunded bond escrow agent		3,915,404.00
	Re: To record bond refunding transactions		
FULL ACCRUAL	GOB Bonds payable	340,645,000.00	
	Other Financing Uses - Pmt of refunded bond escrow agent		340,645,000.00
	Re: To close out principal balance of refunded bonds		

## **11.5 | Commercial Paper Debt Accounting Procedures**

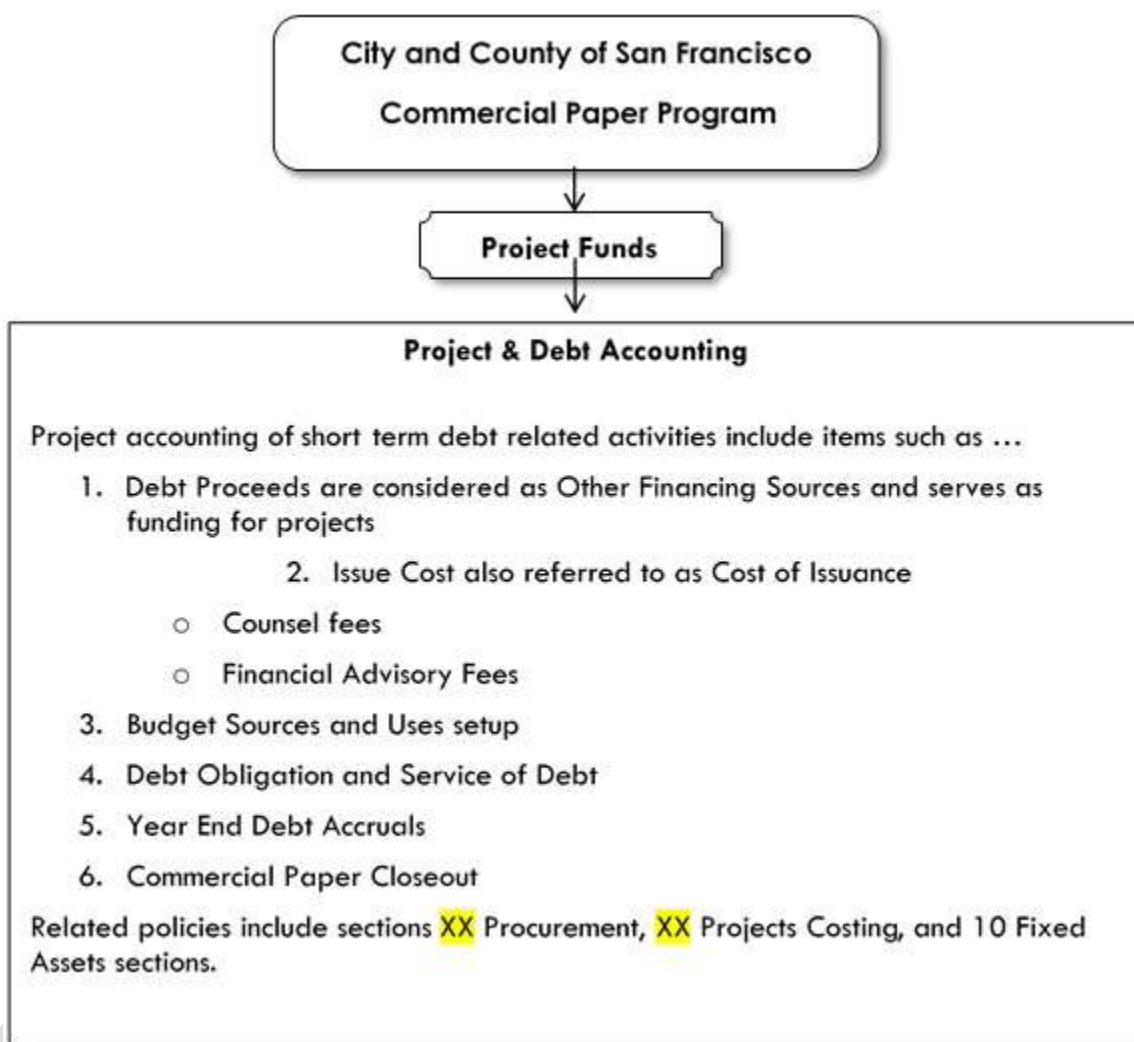
This section provides the City & County of San Francisco's Commercial Paper (CP) Debt Accounting Procedures, issued by the Controller's Office – Office of Public Finance (OPF).

Current debt accounting procedures will change with the implementation of PeopleSoft Financials. While this policy addresses current practices, it focuses on procedures after the implementation of PeopleSoft Financials. These procedures assume debt-related cash is held at the fiscal agent/trustee.

### **11.5.1 | Overview of Commercial Paper Debt Accounting**

The City established its tax-exempt and taxable lease revenue commercial paper certificates of participation program ("Commercial Paper Program") for the purposes of providing funds to finance the acquisition, construction, and rehabilitation of capital improvements and the financing of vehicles and equipment. The Commercial Paper Program will be utilized and commercial paper notes will be issued from time to time to provide financing for projects, subject to prior approval from the Board of Supervisors and Mayor on the project and project financing conditions. The OPF will submit annual reports describing the notes issued and the status of projects financed through the final maturity of the last commercial paper not outstanding.

**FIGURE 11-14. COMMERCIAL PAPER DEBT ACCOUNTING PROCESS OVERVIEW**



In March 2009, the Mayor and Board of Supervisors approved *Resolution No. 85-09* authorizing \$150 million in aggregate principal amount of tax-exempt or taxable CP notes to provide interim financing for the acquisition, construction, and rehabilitation of capital improvements within or owned by the City; financing of vehicles and equipment; and funding interest, certain fees and initial costs of issuance of the Commercial Paper Notes. As a result, the Mayor and Board of Supervisors approved resolutions to issue Commercial Paper Notes S1, 1T, 2, and 2T, which were issued from June 2010 through present to support the following programs:

- Moscone Center Improvement Project (refunded by COP)
- Department of Public Works Vehicles, IT Equipment (paid down by Department Fund)



- Street Improvement Project (refunded by COP)
- Hope SF
- War Memorial Veterans Building Seismic Retrofit (taxable and tax-exempt) (refunded by COP)
- Mayor's Office on Disability (GSA)-Board of Supervisors Access (refunded by COP)
- Various Port Commission Projects (taxable and tax-exempt) (refunded by COP)
- Moscone Expansion District

In July 2013, the Mayor and Board of Supervisors approved *Resolution No. 247-13* authorizing the execution and delivery from time to time of Tax-Exempt (S3 and S4) and Taxable Lease Revenue Commercial Paper Certificates of Participation (S3-T and S4-T), in an aggregate principal amount not to exceed \$100 million, to provide interim financing for certain City capital projects; as well as funding interest, certain fees and initial costs of issuance of the Commercial Paper Notes. From August 2014 through present, Commercial Paper Notes S3 & 3T were issued to support the following programs:

- Moscone Expansion District
- 900 Innes Avenue (Paid down by Department Fund)
- War Memorial Veterans Building Seismic Retrofit (refunded by COP)
- San Francisco General Hospital and Trauma FFE Project

### 11.5.2 | Roles & Responsibilities

These are the roles and responsibilities of parties involved with the Commercial Paper Program:

- **Participating Department**  
The department participating in the City's Commercial Paper Program will provide a spend-down schedule to OPF requesting an appropriation release. The participating department is responsible for providing information such as budget projections, budget versus actual reporting, project invoices, and department funding summaries to OPF, Accounting Operations & Supplier Division (AOSD), and Budget & Analysis Division (BAD) to meet commercial paper debt service requirements. Departments prepare all project expenditure/expense accrual journal entries
- **Office of Public Finance**  
OPF requests BAD to release the appropriation reserve if the City's Commercial Paper Program has an existing letter of credit and sufficient available capacity to issue. OPF provides

Commercial Paper memoranda and Commercial Paper Model files by issuance/roll-over date to AOSD to reconcile with the Commercial Paper's monthly bank statements

- **Budget & Analysis Division (BAD)**

BAD establishes budget appropriation

- **Accounting Operations & Supplier Division (AOSD)**

AOSD establishes FAMIS/PeopleSoft codes (e.g., funds, Index Code, User Code, Project Code, and Subsidiary Code) for the new commercial paper issuance; and initiates/prepares journal entries to reflect the activities associated with the Commercial Paper sale and the monthly bank statement transactions. Entries will be approved by associated departments; AOSD will be the final approver

Note: Enterprise departments that participate in the City's Commercial Paper Program (i.e., SF General Hospital) will record their own journal entries. AOSD will provide the CP Spreadsheet and bank statements to these departments.

### **11.5.3 | Overview of PeopleSoft Trees, Funds & Accounts for Commercial Paper**

Below is the fund roll-up structure and crosswalks for commercial paper-related funds and accounts.

**FIGURE 11-15. PEOPLESOFT COMMERCIAL PAPER TREE STRUCTURE**

Governmental Funds
General Fund
Special Revenue Funds
Community / Neighborhood Development Fund
10620 SR Hope SF CP Taxable
Capital Projects Funds
City Facilities Improvement Fund
15640 CPXCF WMVB COMMERCIAL PAPER
Moscone Convention Center Fund
16420 CPF Moscone Ctr Expansion

**ACCOUNTING POLICIES & PROCEDURES****FIGURE 11-16. COMMERCIAL PAPER FUNDS CROSSWALK**

<b>FAMIS FUNDS</b>	<b>FAMIS FUND TITLES</b>	<b>PS FUND CODE</b>	<b>PS FUND TITLE</b>	<b>PS NODE LEVEL 1</b>	<b>PS NODE LEVEL 2</b>	<b>PS NODE LEVEL 3</b>
2SNDFCA1	HOPE SF COMMERCIAL PAPER TAXABLE FUND	10620	SR Hope SF CP Taxable	Governmental Funds	Special Revenue Funds	Community / Neighborhood Development Fund
3CXCFCA2	WMVB COMMERCIAL PAPER FUND	15640	CPXCF WMVB COMMERCIAL PAPER	Governmental Funds	Capital Projects Funds	City Facilities Improvement Fund
3CMCFCP2	MOSCONE EXPANSION PROJ COP/CP 2013	16400	CPMCF COP MOS EXP PROJ 2013	Governmental Funds	Capital Projects Funds	Moscone Convention Center Fund

**FIGURE 11-17. COMMERCIAL PAPER ACCOUNTS CROSSWALK**

<b>FAMIS CODE</b>	<b>FAMIS TITLE</b>	<b>PEOPLESFT ACCOUNT CODE</b>	<b>PEOPLESFT ACCOUNT DESCRIPTION</b>
101	EQUITY IN CITY TREASURY-POOLED FUNDS	100000	Equity in City Treasury-Pooled
153	CASH WITH FISCAL AGENT	100740	Cash With Fiscal Agent
202	ACCOUNTS PAYABLE	200002	Accounts Payable
255	COMMERCIAL PAPER	206760	Commercial Paper
379	RESERVE FOR APPROPRIATION (NET OF ENC)	300460	Reserve For Appn (Net Of Enc)
381	UNREALIZED ESTIMATED SOURCES	300510	Unrealized Estimated Sources
399	UNRESERVED-AVAILABLE FOR APPROPRIATION	300590	Unreserved-Available For Appn
79996	FISCAL AGENT Reimb. CLEARING	479996	Fiscal Agent Reimb Clearing
80141	PROCEEDS FROM CERT OF PARTICIPATION	480141	Proceeds FromCertOfParticipatn
80399	PROCEEDS FROM OTHER S/T DEBTS	480399	Proceeds From Other S/T Debts

FAMIS CODE	FAMIS TITLE	PEOPLESFT ACCOUNT CODE	PEOPLESFT ACCOUNT DESCRIPTION
02704	CONSTRUCTION CONTRACTS	527040	Construction Contracts
02724	COST OF ISSUANCE-OTHER SHORT TERM DEBT	527240	COI - Other Short Term Debt
06C00	CAPITAL PROJECTS BUDGET - CFWD ONLY	585030	Capital Proj Budget -Cfwd Only
07141	COMMERCIAL PAPER PRINCIPAL REPAYMENT	571410	Comm Paper Principal Repaymnt
07499	DEBT SVC-ADMIN AND FISCAL CHARGES	574990	Debt Svc-Admin And Fiscal Chrg
30120	INTEREST EARNED-FISCAL AGENT ACCOUNT	430120	Interest Earned-FisclAgentAcct

#### **11.5.4 | Steps for Issuance - Commercial Paper**

The following are the steps involved with issuing commercial paper:

1. When there is a new commercial paper issuance or renewal of a CP roll, the Office of Public Finance (OPF) will generate a commercial paper memorandum with information such as following:
  - a) participating project description
  - b) commercial paper roll information
  - c) sources and uses of commercial paper proceeds in total and by program
  - d) delivery request to paying agent
2. Obtain and review a copy of the relevant *Appropriation Ordinance*, *Preliminary Official Statements*, and *Closing Memorandum* from the Office of Public Finance prior to bond issuance.

Local legislation can be found at <http://sfbos.org/ordinances> or <http://sfbos.org/resolutions>

**ACCOUNTING POLICIES & PROCEDURES**

**FIGURE 11-18. APPROVED RESOLUTION FOR COMMERCIAL PAPER**

Amendment of the Whole - 3/4/09

FILE NO. 090197                      RESOLUTION NO. 85-09

1 [Tax Exempt and Taxable Revenue Certificates of Participation]

2

3 Resolution of the City and County of San Francisco authorizing the execution and

4 delivery from time to time of its Tax-Exempt and Taxable Lease Revenue Commercial

5 Paper Certificates of Participation in an amount not to exceed \$150,000,000 in order to

6 provide short-term financing to pay for certain capital improvements, and approving

7 and authorizing execution of a trust agreement and certain financing documents and

8 authorizing other related actions.

**FIGURE 11-19. APPROPRIATION ORDINANCE FOR COMMERCIAL PAPER**

FILE NO. 101158                      ORDINANCE NO. 266-10

[Taxable and/or Tax Exempt Certificates of Participation (HOPE SF) - Not to Exceed \$38,000,000]

Ordinance authorizing the execution and delivery of Taxable and/or Tax Exempt Certificates of Participation (HOPE SF) in an aggregate principal amount not to exceed \$38,000,000 to finance certain capital improvement projects; approving the form of a Trust Agreement between the City and County of San Francisco and the trustee

3. To record the initial issuance of the commercial paper note for any new CP program, the following needs to be set up: a new commercial paper sub-fund, **Index Code, User Code, Transfer Index Codes, Project Code, and Subsidiary Code** for cash with the fiscal agent. AOSD refers to the adopted Board resolution or ordinance for the program/project and contacts the managing department about the appropriate sub-fund/PeopleSoft fund and Project Code setup. Upon AOSD Manager approval, AOSD staff will set up the new sub-fund/PeopleSoft fund Project Code and Subsidiary Code/PeopleSoft Account Code.

4. Journal entries are prepared for each CP program's fiscal agent activities. Each CP program's commercial paper liability balance would also be recorded.
5. AOSD prepares commercial paper reconciliations with numerous documents, including fiscal agent monthly bank statements, CP memoranda from OPF, requisition back-up related to all disbursements in cost of issuance, project expenditures, capitalized interest, and capitalized fee from OPF. When a COP is issued to refund any of the CP programs, additional analysis between COP proceeds and the refunded CP liability balance is performed.
6. Departments shall track their commercial paper spending by each project independently from AOSD.

### **Example Journal Entries**

In FAMIS, BR (Budget Supplemental), CR (Cash Receipts), JE (Journal Entries), PR (Direct Payment Requests (NON-RIMS)), YE (Year End processing) and other FAMIS document types are generally used to submit entries.

In PeopleSoft, entries will be submitted and recorded to the budget/commitment control, actuals, modified accrual, and full accrual ledgers and the following modules will process debt-related transactions:

- **Budget/Commitment Control**  
Budget journal line entries and upload functionality can be used to submit commercial paper debt entries
- **AR-Cashiering & Cash Management**  
Incoming cash receipts will be initiated using these modules
- **Accounts Payable & Cash Management**  
Outgoing cash payments are to be initiated from these modules
- **General Ledger**  
Bond payable and year-end adjusting entries will be recorded from these modules
- **Project Costing & Purchasing**  
Tracking of project costs to be expensed or capitalized

The following represents some commercial paper accounting examples (additional sample commercial paper entries are shown in [Figure 11-20. Sample Commercial Paper Accounting Example](#)). The below entries are for illustrative purposes only and not intended to include all commercial paper entries. The below entries have not been tested in PeopleSoft and are subject to change.

## ACCOUNTING POLICIES &amp; PROCEDURES

FIGURE 11-20. SAMPLE COMMERCIAL PAPER ACCOUNTING EXAMPLE

PS Ledger or Basis of Accounting		Entries *	Debit *	Credit *
<b>Project Cost - Budget Sources and Uses entries</b>				
1	Commit Control Ledger Group and related ledgers (e.g. Budget Rev Estimates)	Estimated Source - Proceeds from Comm Paper	\$ 507,880,000	
		Fund Balance - Sources		507,880,000
	Commit Control Ledger Group and related ledgers (e.g. Budget )	Fund Balance - Appropriations	430,374,815	
		Appropriations / Uses - Capital project		430,374,815
		To: Record Sources and Uses of project costs.		
2	Commit Control Ledger Group and related ledgers (e.g. Rev Estimates)	Fund Balances - Sources	77,505,185	
		Fund Bal Reserve - for Other Financing Uses		77,505,185
		To: \$77.5 million FB not yet appropriated, but on reserve pending receipt of funds/further action		
<b>Debt Service - Actuals Cash Receipt of source \$ to pay debt Service in current fiscal year.</b>				
3	ACTUALS	Cash with Fiscal Agent	637	
		Cash with Fiscal Agent	91,298,774	
		Other Financing Sources - Interest Income		637
		Other Financing Sources - ST Commercial Paper		91,298,774
		To: Cash Receipt of comm paper proceeds to pay debt service. This activity is at fiscal agent.		
<b>Debt Service - Budget relieved as cash is received (source) to pay debt service in current fiscal year.</b>				
4	Commit Control Ledger Group and related ledgers (e.g Collected Ledger and Recognized Ledger?)	Fund Balances - Sources	91,298,774	
		Estimated Source - Proceeds from Commercial Paper		91,298,774
		To: Reverse Estimated Source - Proceeds for CP when cash is received.		
<b>Bond Payable - Full Accrual (and Modi-Accrual or Actuals) reverse out accrual</b>				
5	MODIFIED ACCRUAL and FULL ACCRUAL LEDGERS	Other Financing Sources - ST Commercial Paper	91,298,774	
		Commercial Paper - Short Term Payable		91,298,774
		To: Record bond payable on Governmental Funds (modi accrual) and Gov't wide (full-accrual)		
<b>Project Costs Encumbrance</b>				
6	ENCUMBRANCE	Encumbrance	95,086,337	
		FB Reserve for Encumbrance		95,086,337
		To: Through posting of a PO encumbrances wil increase. Alternatively the above can be entered. Note. Pre-Encumbrances are not illustated.		
<b>Project Costs Expenditures</b>				
7	ACTUALS	Expenditure - COI	613,602	
		Expenditure - Cap Fee	741,940	
		Expenditure - Interest	48,705	
		Due to - Department reimbursement	7,589,552	
		Expenditure - Construction	75,983,291	
		Cash with Fiscal Agent		84,977,089
		To: Record payment of project cost expenditures.		
<b>Project Costs - Liquidation of Encumbrance</b>				
8	ENCUMBRANCE LEDGER	FB Reserve for Encumbrance	84,977,089	
		Encumbrance		84,977,089
		To: Illustrates reversal of encumbrance or utilization of the encumbrance		

### **Sample Commercial Paper Accounting Entries**

Below are some sample commercial paper accounting entries for FAMIS and PeopleSoft. They are not inclusive of all entries, but rather illustrations of commercial paper accounting. These have not been tested in PeopleSoft and are subject to change.

DRAFT



**FIGURE 11-21. SAMPLE COMMERCIAL PAPER ACCOUNTING ENTRIES**

Sample of debt accounting for CP's with fiscal agent, for illustrative purposes only. It does not include all accounting and entries may be combined. Many budgetary, encumbrance, modified accrual, full accrual entries are excluded, particularly as it relates to fund balance/net position.

FAMIS							FSP						
Stages	T/C	Transaction Description	SUB-OBJECT	FAMIS GL	FAMIS GL Code Description	Debit	Credit	PS #	No.	PS Ledger or Basis of Accounting	Entries	Debit	Credit
Budget - Project Costs													
Initial JE	031	Set up Rev. Appr. (COP)	80141	402	SOURCES-SUPP. BUDGET (BD RESOLUTION)	507,880,000		1					
				381	UNREALIZED ESTIMATED SOURCES	507,880,000							
				498	BUDGETARY CLEARING-OTHER		(507,880,000)						
				399	UNRESERVED-AVAILABLE FOR APPROPRIATION		(507,880,000)						
	072	Set up Exp. Appr. (COP)		498	BUDGETARY CLEARING-OTHER	430,374,815		1					
				399	UNRESERVED-AVAILABLE FOR APPROPRIATION	430,374,815							
			06C00	423	USES-OTHER TRANSFERS & ALLOCATIONS		(430,374,815)						
				379	RESERVE FOR APPROPRIATION (NET OF ENC)		(430,374,815)						
	088	Clear to Fund Balance		498	BUDGETARY CLEARING-OTHER	77,505,185		2					
				407	SOURCES-OTHER USE OF UNDESIGN. FUND BAL		(77,505,185)						
Rev. Appr. to match Actual per CP	061	Set up Rev. Appr. (CP)	30120	403	SOURCES-OTHER TRANSFERS & ALLOCATIONS	637		5					
				381	UNREALIZED ESTIMATED SOURCES	637							
				498	BUDGETARY CLEARING-OTHER		(637)						
				399	UNRESERVED-AVAILABLE FOR APPROPRIATION		(637)						
	061	Set up Rev. Appr. (CP)	80399	403	SOURCES-OTHER TRANSFERS & ALLOCATIONS	91,298,774		4					
				381	UNREALIZED ESTIMATED SOURCES	91,298,774							
				498	BUDGETARY CLEARING-OTHER		(91,298,774)						
				399	UNRESERVED-AVAILABLE FOR APPROPRIATION		(91,298,774)						
	062	Decrease COP Rev. Appr.		498	BUDGETARY CLEARING-OTHER	91,299,411		4					
				399	UNRESERVED-AVAILABLE FOR APPROPRIATION	91,299,411							
Record proceeds from CP			80141	403	SOURCES-OTHER TRANSFERS & ALLOCATIONS		(91,299,411)						
				381	UNREALIZED ESTIMATED SOURCES		(91,299,411)						
	538	Record Interest Income		153	CASH WITH FISCAL AGENT	637		3					
				30120	411	ACTUAL SOURCES							
							(637)						
		Record CP Proceeds											
	538		80399	153	CASH WITH FISCAL AGENT	91,298,774		3					
				411	ACTUAL SOURCES		(91,298,774)						
	497	Record CP Payable	80399	413	ACTUAL SOURCES-GAAP ONLY	91,298,774		7					
				A03	FUND EQUITY-SUSPENSE ACCT-(S/B ZERO)		(91,298,774)						
552	Record CP Payable		A03	FUND EQUITY-SUSPENSE ACCT-(S/B ZERO)	91,298,774		7						
			255	COMMERCIAL PAPER		(91,298,774)							
Project Cost - Budget Sources and Uses entries													
	1	Commit Control Ledger Group and related ledgers (e.g. Budget Rev Estimates)		Estimated Source - Proceeds from Certificate of Participation (COP)		\$ 507,880,000							
				Fund Balance - Sources								507,880,000	
	1	Commit Control Ledger Group and related ledgers (e.g. Budget )		Fund Balance - Appropriations		430,374,815							
				Appropriations / Uses - Capital project									430,374,815
				To: Record Sources and Uses of project costs.									
	2	Commit Control Ledger Group and related ledgers (e.g. Rev Estimates)		Fund Balances - Sources		77,505,185							
				Fund Bal Reserve - for Other Financing Uses									77,505,185
				To: \$77.5 million FB not yet appropriated, but on reserve pending receipt of funds/further action									
Debt Service - Actuals: Cash Receipt of source \$ to pay debt Service in current fiscal year.													
	3	ACTUALS		Cash with Fiscal Agent		637							
				Cash with Fiscal Agent		91,298,774							
	4			Interest Income									637
				Other Financing Sources - ST Commercial Paper									91,298,774
				To: Cash Receipt of comm paper proceeds to pay project cost. This activity is at fiscal agent.									
Debt Service - Reclass Estimated Source from COP to CP													
	4	Commit Control Ledger Group and related ledgers (e.g. Collected Ledger and Recognized Ledger)		Estimated Source - Proceeds from Commercial Paper		91,298,774							
				Fund Balance - Sources									91,298,774
				Fund Balances - Sources		91,298,774							
				Estimated Source - Proceeds from COP									91,298,774
				To: Redass Estimated Source - Proceeds for CP when cash is received.									
Interest income -Budget Interest Income received, after receipt estimated sources are													
	5	Commit Control Ledger Group and related ledgers (e.g. Collected Ledger and Recognized Ledger)		Estimated Sources - Interest Income from ST Comm Paper		637							
				Fund Balance - Sources									637
Interest Income - Budget shows records cash received for interest income.													
	6	Commit Control Ledger Group and related ledgers (e.g. Collected Ledger and Recognized Ledger)		Fund Balance - Appropriation/Budgetary Control		637							
				Appropriations / Uses - Capital project									637
				To: Subsequent to cash receipt of interest income, the budget sources can be appropriated, if they were not already appropriated.									
Bond Payable - (Modified Accrual or Actuals) reverse out OFS													
	7	MODIFIED ACCRUAL		Other Financing Sources - ST Commercial Paper		91,298,774							
				Commercial Paper - Short Term Payable									91,298,774
				To: A Modified and/or Full accrual accounting entry. Record on Both Modified and/or Full-Accrual Ledger									

City & County of San Francisco – Office of the Controller  
**ACCOUNTING POLICIES & PROCEDURES**

Sample of debt accounting for CP's with fiscal agent, for illustrative purposes only. It does not include all accounting and entries may be combined.  
Many budgetary, encumbrance, modified accrual, full accrual entries are excluded, particularly as it relates to fund balance/net position.

**FAMIS**

Stages	T/C	Transaction Description	SUB-OBJECT	FAMIS GL	FAMIS GL Code Description	Debit	Credit
Exp. Appr. to match Actual per CP Reconciliation	<b>Annual Budget for Project Cost Expenditures (annual)</b>						
	072	Set up Exp. Appr. (CP)		498	BUDGETARY CLEARING-OTHER	84,667,532	
			02704	399	UNRESERVED-AVAILABLE FOR APPROPRIATION	84,667,532	
				423	USES-OTHER TRANSFERS & ALLOCATIONS		(84,667,532)
				379	RESERVE FOR APPROPRIATION (NET OF ENC)		(84,667,532)
	072	Set up Exp. Appr. (CP)		498	BUDGETARY CLEARING-OTHER	617,218	
			02724	399	UNRESERVED-AVAILABLE FOR APPROPRIATION	617,218	
				423	USES-OTHER TRANSFERS & ALLOCATIONS		(617,218)
				379	RESERVE FOR APPROPRIATION (NET OF ENC)		(617,218)
	072	Set up Exp. Appr. (CP)		498	BUDGETARY CLEARING-OTHER	952,187	
			07499	399	UNRESERVED-AVAILABLE FOR APPROPRIATION	952,187	
				423	USES-OTHER TRANSFERS & ALLOCATIONS		(952,187)
Recorded by Dept.	<b>ACTUALS Project Cost Expenditures (annual) -</b>						
	718	Dept. Reimb. Request		101	Cash	7,589,552	
			79996	411	ACTUAL SOURCES		(7,589,552)
		TBD which FSP module to record the cash paid from fiscal agent reimbursement received by the performing department					
	554	CAP FEE, INT, & COI Fee PMT		A03	FUND EQUITY-SUSPENSE ACCT-(S/B ZERO)	1,404,246	
				153	CASH WITH FISCAL AGENT		(1,404,246)
	535	COI Fee Payment	02724	431	ACTUAL USES	613,602	
				A03	FUND EQUITY-SUSPENSE ACCT-(S/B ZERO)		(613,602)
	535	Cap Fee Payment	07499	431	ACTUAL USES	741,940	
				A03	FUND EQUITY-SUSPENSE ACCT-(S/B ZERO)		(741,940)
	535	Interest payment	07499	431	ACTUAL USES	48,705	
				A03	FUND EQUITY-SUSPENSE ACCT-(S/B ZERO)		(48,705)
Expenditure accrual per	554	Project Payment		A03	FUND EQUITY-SUSPENSE ACCT-(S/B ZERO)	83,572,843	
				153	CASH WITH FISCAL AGENT		(83,572,843)
	517	Reimb. to City Dept.	79996	411	ACTUAL SOURCES	7,589,552	
				A03	FUND EQUITY-SUSPENSE ACCT-(S/B ZERO)		(7,589,552)
		TBD which FSP module to record the cash paid from fiscal agent reimbursement received by the performing department					
	535	Payment to vendors	02704	431	ACTUAL USES	75,983,291	
				A03	FUND EQUITY-SUSPENSE ACCT-(S/B ZERO)		(75,983,291)
	665	Project Payment	02704	431	ACTUAL USES	8,684,241	
		Accrual		202	Accounts Payable		(8,684,241)
	665	Cap Fee Payment	07499	431	ACTUAL USES	114,355	
		Accrual ( Bank , Facility charged)		202	Accounts Payable		(114,355)
	665	COI Fee Payment	02724	431	ACTUAL USES	3,616	
		Accrual		202	Accounts Payable		(3,616)
	665	Interest Payment	07499	431	ACTUAL USES	47,187	
		Accrual		202	Accounts Payable		(47,187)
Auto reverse by FAMIS in the next fiscal month due to the Transaction code used.							

**FSP**

PS Ledger or Basis of					
No.	Accounting	Entries	Debit	Credit	
Project Costs Encumbrance					
8	Commit Control Ledger Group and related ledgers (e.g. Budget )	Appropriations / Uses - Capital project	86,236,937		
		Fund Balance - Appropriations		86,236,937	
		Fund Balance - Appropriations	86,236,937		
		Appropriations / Uses - Construction Contracts		84,667,532	
		Appropriations / Uses - Cost of Issuance		617,218	
		Appropriations / Uses - Debt Svc-Admin and Fiscal Charges		952,187	
		To: Redass appropriation from Capital project to specific project cost subobject			
9	ACTUALS	Encumbrance	84,977,089		
		FB Reserve for Encumbrance		84,977,089	
		To: Through posting of a PO encumbrances will increase. Alternatively the above can be entered. Note: Pre-Encumbrances are not illustrated. (Recorded by the performing department)			
Project Costs Expenditures					
10	ACTUALS	Expenditure - CP COI	613,602		
		Debt Service Expenditure - Cap Fee	741,940		
		Debt Service Expenditure - Interest	48,705		
		Due to - Department reimbursement	7,589,552		
		Expenditure - Construction	75,983,291		
		Cash with Fiscal Agent		84,977,089	
		To: Record payment of project cost expenditures.			
Project Costs - Liquidation of Encumbrance					
11	ENCUMBRANCE LEDGEIFB	Reserve for Encumbrance	84,977,089		
		Encumbrance		84,977,089	
		To: illustrates reversal of encumbrance or utilization of the encumbrance (recorded by the performing department)			
Expenditure Accrual at Year end					
12	ACTUALS	Expenditure Accrual - Project	8,684,241		
		Expenditure Accrual - CP COI	114,355		
		Debt Service Expenditure Accrual - Cap Fee	3,616		
		Debt Service Expenditure Accrual - Interest	47,187		
		Vouchers payable		8,849,400	
		To: Accrue expenditures occurred in current fiscal year but paid in next fiscal year (TBD on system automatic reversal)			

City & County of San Francisco – Office of the Controller

## ACCOUNTING POLICIES & PROCEDURES

Sample of debt accounting for CP's with fiscal agent, for illustrative purposes only. It does not include all accounting and entries may be combined. Many budgetary, encumbrance, modified accrual, full accrual entries are excluded, particularly as it relates to fund balance/net position.

### FAMIS

Stages	T/C	Transaction Description	SUB-OBJECT	FAMIS GL	FAMIS GL Code Description	Debit	Credit
Paydown revenue/Exp. Appr. set up	<b>DEBT SERVICE ENTRIES - BUDGET - on principal</b>						
		Set up Rev. Appr. for Paydown					
	061		80399	403	SOURCES-OTHER TRANSFERS & ALLOCATIONS	91,298,774	
				381	UNREALIZED ESTIMATED SOURCES	91,298,774	
				498	BUDGETARY CLEARING-OTHER		(91,298,774)
				399	UNRESERVED-AVAILABLE FOR APPROPRIATION		(91,298,774)
	072	Set up Exp. Appr. for paydown		498	BUDGETARY CLEARING-OTHER	91,298,774	
				399	UNRESERVED-AVAILABLE FOR APPROPRIATION	91,298,774	
			07141	423	USES-OTHER TRANSFERS & ALLOCATIONS		(91,298,774)
				379	RESERVE FOR APPROPRIATION (NET OF ENC)		(91,298,774)
Paydown	538	Record proceeds		153	CASH WITH FISCAL AGENT	91,298,774	
			80399	411	ACTUAL SOURCES		(91,298,774)
	<b>DEBT SERVICE ENTRIES - ACTUAL - on principal</b>						
	551	Paydown from COP		255	COMMERCIAL PAPER	50,000,000	
				A03	FUND EQUITY-SUSPENSE ACCT-(S/B ZERO)		(50,000,000)
	596	Paydown from COP		A03	FUND EQUITY-SUSPENSE ACCT-(S/B ZERO)	50,000,000	
			07141	433	ACTUAL USES-GAAP ONLY		(50,000,000)
	545	Paydown from COP		07141	431	ACTUAL USES	50,000,000
				153	CASH WITH FISCAL AGENT		(50,000,000)
	551	Paydown from Dept.		255	COMMERCIAL PAPER	41,298,774	
				A03	FUND EQUITY-SUSPENSE ACCT-(S/B ZERO)		(41,298,774)
	596	Paydown from Dept.		A03	FUND EQUITY-SUSPENSE ACCT-(S/B ZERO)	41,298,774	
			07141	433	ACTUAL USES-GAAP ONLY		(41,298,774)
	545	Paydown from Dept.		07141	431	ACTUAL USES	41,298,774
				153	CASH WITH FISCAL AGENT		(41,298,774)

### FSP

PS Ledger or Basis of					
No.	Accounting	Entries	Debit	Credit	
<b>Debt Service - Budget Sources and Uses for CP paydown- (sources are DPW operating fund, COP issuance, approp - use for DS)</b>					
13	Commit Control Ledger Group and related ledgers (e.g. Rev Estimates)	Estimated Source - Transfer in (from performing department)			
		Estimated Source - Transfer in (COP issuance)	41,298,774		
				50,000,000	
		Fund Balance - Sources			91,298,774
		Fund Balance - Uses	91,298,774		
		Appropriation -Transfer Out debt service payments from CO		91,298,774	
		To: Record Budgeted Estimated Rev/Sources & Appropriation			
<b>Debt Service cash receipt (funding the payout)</b>					
14	ACTUALS	Cash with Fiscal Agent	91,298,774		
		OTI - Transfer in (from performing department)		41,298,774	
		OTI - Transfer in COP issuance		50,000,000	
		To: Record cash deposited to fiscal agent account for CP paydown			
<b>Debt Service Principal payment - cash payout</b>					
15	ACTUALS	Debt Service Expenditure - Principal	91,298,774		
		Cash with Fiscal Agent		91,298,774	
<b>Bond Payable - triggered by payment</b>					
16	MODIFIED ACCRUAL	Commercial Paper payable	91,298,774		
		Debt Service Expenditure - Principal		91,298,774	
		To: Reduce Payable after debt service is paid			

#### 11.5.4.1 | PEOPLESFT GENERAL LEDGER & BUDGET JOURNALS

The following PeopleSoft screens can be used to enter some debt accounting entries.

**FIGURE 11-22. GENERAL LEDGER HEADER**

Header Lines Totals Errors Approval

Unit: US001 Journal ID: NEXT Date: 10/12/2009

Long Description:

\*Ledger Group: RECORDING Adjusting Entry: Non-Adjusting Entry

Ledger:  Fiscal Year: 2009

\*Source: ONL Period: 10

Reference Number:  ADB Date: 10/12/2009

SJE Type:

Journal Class:

Transaction Code: GENERAL

Agency Location Code:

☐ Auto Generate Lines

☐ Save Journal Incomplete Status

☐ Autobalance on 0 Amount Line

Currency Defaults: USD / CRRNT / 1

Attachments (0) Commitment Control

Reversal: Do Not Generate Reversal

**FIGURE 11-23. GENERAL LEDGER JOURNAL LINE ENTRIES**

Header Lines Totals Errors Approval

Unit: US001 Journal ID: 0000000156 Date: 07/08/2003 \*Process: Edit Journal Process

Template List Search Criteria Change Values View Audit Logs InterIntraUnit ☐ Errors Only Line: 10

Lines

Select	Line	*Unit	*Ledger	Account	Oper Unit	Dept	Product	PC Bus Unit	Project	Activity	An Type
<input type="checkbox"/>	1	US00	LOCAL	640000							
<input type="checkbox"/>	2	US00	LOCAL	212000							

Lines to add: 1

Totals

Unit	Total Lines	Total Debits	Total Credits	Journal Status
US001	2	1,000.00	1,000.00	N

## ACCOUNTING POLICIES &amp; PROCEDURES

FIGURE 11-24. BUDGET HEADER

Budget Header Budget Lines Budget Errors

Unit: US005 Journal ID: CC Date: 01/31/2011

\*Ledger Group: CC\_ORG Fiscal Year: 2011 Period:

Control ChartField: Department \*Currency: USD

Budget Header Status: None Rate Type: CRRNT

\*Budget Entry Type: Original Exchange Rate: 1.00000000

Cur Effdt: 01/31/2011

Budget Type: Expense

Parent Budget Options

☐ Generate Parent Budget(s)

☐ Use Default Entry Event

Parent Budget Entry Type:

Long Description:

FIGURE 11-25. BUDGET JOURNAL ENTRY LINES

Budget Header Budget Lines Budget Errors

Unit: US005 Journal ID: CC Date: 01/31/2011 Budget Header Status: None

\*Process: Post Journal

Lines

Chartfields and Amounts Base Currency Details

Delete	Line	Ledger	Budget Period	SpeedType	Account	Dept	Set Options	Entry Event	Currency	Amount
<input type="checkbox"/>	1	CC_ORG_BUD	2011		610000	10000	Set Options		USD	100,000.00

Lines to add: 1

From Line: To: Generate Budget Period Lines

Totals

Total Lines:	1	Total Debits:	0.00	Total Credits:	100,000.00
--------------	---	---------------	------	----------------	------------

## 11.5.5 | Reporting

### 11.5.5.1 | COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

AOSD produces the *Comprehensive Annual Financial Report*, which includes a variety of debt schedules such as *Changes in Short-Term Obligations*.

**FIGURE 11-26. CAFR CHANGES IN SHORT-TERM OBLIGATIONS DEBT SCHEDULE**

The changes in short-term obligations for governmental and business-type activities for the year ended June 30, 2016, are as follows:

Type of Obligation	July 1, 2015	Additional Obligation	Current Maturities	June 30, 2016
Governmental activities:				
Commercial paper				
Multiple Capital Projects.....	\$ 157,766	\$ 684,861	\$ (739,849)	\$ 102,778
Governmental activities short-term obligations.....	<u>\$ 157,766</u>	<u>\$ 684,861</u>	<u>\$ (739,849)</u>	<u>\$ 102,778</u>
Business-type activities:				
Commercial paper				
San Francisco General Hospital.....	\$ 3,761	\$ 28,572	\$ (3,761)	\$ 28,572
San Francisco International Airport.....	40,000	304,100	(1,050)	343,050
San Francisco Water Enterprise.....	186,000	236,000	(186,000)	236,000
San Francisco Wastewater Enterprise.....	100,000	61,000	(100,000)	61,000
Business-type activities short-term obligations.....	<u>\$ 329,761</u>	<u>\$ 629,672</u>	<u>\$ (290,811)</u>	<u>\$ 668,622</u>

### 11.5.5.2 | TRACK COMMERCIAL PAPER PROCEEDS & SPENDING

Generally, commercial paper proceeds are budgeted, encumbered, and accounted for by fund and project. **FAMIS** Fund Summary and Project screens can be used to view budget, encumbrance, and actuals accounting. Departments receiving commercial paper funding should track against proceeds and expenditures/expenses against budget sources and uses by fund and by project.

## ACCOUNTING POLICIES &amp; PROCEDURES

FIGURE 11-27. FAMIS FUND SUMMARY &amp; PROJECT SCREENS TO VIEW CP ACCOUNTING

FAML6750 V5.1 CITY AND COUNTY OF SAN FRANCISCO--NFAMIS  
 01/18/2017  
 LINK TO: FUND SUMMARY INQUIRY 11:10  
 AM

BALANCE (Y,M,Q,A) : A CURR/PRIOR PRD : CURRENCY CODE :  
 FISCAL MO/YEAR : 01 2017 JULY 2016  
 FUND TYPE : 2S SPECIAL REVENUE FUNDS  
 FUND : NDF NEIGHBORHOOD DEVELOPMENT SPEC REV FD  
 SUBFUND : CA1 HOPE SF COMMERCIAL PAPER TAXABLE FUND  
 CHARACTER :  
 OBJECT CODE :  
 PROJECT : PMOPHR 00 MOH PHR FUND- POOL COM.PAPER-CA  
 GRANT :

---

S	SUBOBJ	DESCRIPTION	BUDGET	ACTUAL	PREENC/ENC
BALANCE					
	30120	INTEREST EAR	135	135	
	80399	PROCEEDS FRO	11,479,000	11,478,286	-714
		REVENUE TOT	11,479,135	11,478,421	-
714					
	0952N	ITO TO 2S/ND	6,808,091	6,808,091	
		EXPEND TOTAL	6,808,091	6,808,091	

FAML6420 V5.1 CITY AND COUNTY OF SAN FRANCISCO--NFAMIS  
 01/20/2017  
 LINK TO: PROJECT TRIAL BALANCE INQUIRY 8:39  
 AM

FISCAL MO/YEAR : 01 2017 CURRENCY CODE :  
 PROJECT : PMOPHR MOH PUBLIC HOUSING REBUILD FUND  
 PROJECT DETAIL : 00 MOH PHR FUND- POOL COM.PAPER-CA  
 FUND TYPE : 2S SPECIAL REVENUE FUNDS  
 FUND : NDF NEIGHBORHOOD DEVELOPMENT SPEC REV FD  
 SUBFUND : CA1 HOPE SF COMMERCIAL PAPER TAXABLE FUND  
 GRANT :  
 GRANT DETAIL :

---

S	ACCT	DESCRIPTION	JULY 2016
BALANCE			
	153	CASH WITH FISCAL AGENT	0.00
	4,670,331.29		
	255	COMMERCIAL PAPER	0.00 -
	11,479,000.01		
	339	UNRESERVED-GAAP ONLY-N/A FOR	0.00
	11,479,000.01		
	359	RESERVED FOR ASSETS N/A FOR	0.00 -
	4,670,331.29		
	381	UNREALIZED ESTIMATED SOURCES	0.00
	714.37		
	399	UNRESERVED-AVAILABLE FOR APP	0.00 -
	714.37		

Below is an example of tracking commercial paper sources and uses by fund and project.

**FIGURE 11-28. TRACKING COMMERCIAL PAPER SOURCES & USES BY FUND & PROJECT**

	Beginning Balance	Current Year Activities							Ending Balance
		July	August	September	October	November	December		
Hope SF (Taxable) S/F 25NDFCA1; index code MYRMOHOPECA; Project Code PMOPHR00; GL153 CPCA04									
Sources:									
Project Funds	10,482,580.40	1,500,000.00	-	-	-	4,743,644.37	-	16,726,224.77	
Cost of Issuance Funds	167,547.40	6,026.88	-	-	-	-	-	173,574.28	
Capitalized fee Funds	787,319.96	4,903.23	-	23,763.26	-	100,099.74	-	916,086.19	
Interest on Comm Paper Funds	41,552.25	5,069.89	-	14,236.74	-	15,900.26	2,000.00	78,759.14	
Sources Subtotal	11,479,000.01	1,516,000.00	-	38,000.00	-	4,859,644.37	2,000.00	17,894,644.38	
Actual Uses:									
Project Expenditures	(5,949,099.61)	(1,538,945.18)	-	-	-	(4,957,705.15)	-	(12,445,749.94)	
Cost of issuance Expenditures	(136,900.80)	(602.75)	-	-	-	(15,671.50)	-	(153,175.05)	
Capitalized Fee Expenditures	(681,267.18)	(23,008.81)	(8,197.00)	-	(64,055.16)	(20,982.63)	-	(797,510.78)	
Capitalized Interest Expenditures	(41,552.25)	(5,069.89)	-	(14,236.74)	-	(15,900.26)	(1,444.44)	(78,203.58)	
Uses Subtotal	(6,808,819.84)	(1,567,626.63)	(8,197.00)	(14,236.74)	(64,055.16)	(5,010,259.54)	(1,444.44)	(13,474,639.35)	
Allocated interest income	136.92	27.25	25.26	23.60	22.91	23.49	16.70	276.13	
Cash Adjustment	14.20							14.20	
Funds with Fiscal Agent	4,670,331.29	(51,599.38)	(8,171.74)	23,786.86	(64,032.25)	(150,591.68)	572.26	4,420,295.36	
Net of Sources and Uses:									
Project	4,533,480.79							4,280,474.83	
Cost of Issuance	30,646.60							20,399.23	
Capitalized Fee	106,052.78							118,575.41	
Capitalized Interest	-							555.56	
Sources and Uses Subtotal	4,670,180.17							4,420,005.03	
CP Adjustments									
CP Payable balance	11,479,000.01	1,516,000.00	-	38,000.00	-	4,859,644.37	2,000.00	17,894,644.38	



### **11.5.6 | Commercial Paper Frequently Asked Questions**

**Q.** What is the procedure for commercial paper payment/reimbursement by the fiscal agent?

**A.** Please refer to the *Introduction to Commercial Paper Financing & Administration Instructions* below. As a reminder, these are not policy documents; they are simply administrative instructions for Project Managers and may change from time to time.

DRAFT

**FIGURE 11-29. INTRODUCTION TO COMMERCIAL PAPER FINANCING & ADMINISTRATION INSTRUCTIONS**

**INTRODUCTION TO COMMERCIAL PAPER FINANCING &  
ADMINISTRATION INSTRUCTIONS**

**I. COMMERCIAL PAPER OVERVIEW:**

Commercial paper ("CP") is an alternative form of short-term (or interim) financing for capital projects that permits the City to pay project costs as projected expenditures are incurred. The CP notes are issued and short-term debt is incurred only when needed to pay project costs as they are incurred. The CP has a fixed maturity date from one to 270 days and generally matures in 270 days.

The City established its tax-exempt and taxable lease revenue commercial paper certificates of participation program ("Commercial Paper Program") for the purpose of providing funds to finance the acquisition, construction, and rehabilitation of capital improvements and the financing of vehicles and equipment. The Commercial Paper Program issues commercial paper from time to time to provide financing for projects, subject to the conditions that the projects and project financing will have prior approval from the Board of Supervisors and Mayor. The City, through the Office of Public Finance (OPF), typically sells CP notes with 30-, 60-, or 90- day maturities, and can sell CP notes as frequently as once a month to pay for incoming invoices.

The authorization to use commercial paper for interim financing is included and granted with the project's authorizing legislation and appropriation authority to incur debt or execute Certificates of Participation (COPs) for long-term financing. The City, through the Office of Public Finance, has authority to sell commercial paper through a pre-approved line of credit authorized by the Board of Supervisors. With appropriation approval for long-term financing or other repayment sources, a project can utilize commercial paper as an interim source of funds up to its appropriated levels to finance pre-development, planning, and construction costs, insofar as such costs are consistent with authorized uses and capitalizable expenses.

If an approved project has a repayment source is not a long-term debt financing source, the sponsoring department must work directly with the Office of Public Finance to confirm the expenditure schedule, final outstanding balance of commercial paper including interest accrued and fees incurred, as well as the final debt service payment schedule, to ensure the City's commercial paper program is repaid over time.

**II. COMMERCIAL PAPER ADMINISTRATION:**

Please see the **red sections** for needed action items from the sponsoring City department.

**Items Needed for Setting Up Commercial Paper Payments**

- (1) Signature Card – Please indicate who will be signing-off on Disbursement Request(s). In addition to the review of the Director of the Office of Public Finance and the Controller, the Project Manager as well as Department Director must review and sign each Disbursement Request memo.
  - Please send the completed card to Angela Whittaker in our office ([Angela.Whittaker@sfgov.org](mailto:Angela.Whittaker@sfgov.org)).
- (2) Disbursement Request memo on Department Letterhead – Cover memo that will be submitted with all invoices. (See attached template)
  - **Project Description:** Please complete a high-level description of the project expenses. This description should not change significantly with each invoice. To the extent it helps identify specific invoices and vendor payments, please add more detail.

March 2017

## ACCOUNTING POLICIES & PROCEDURES

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### Process for Invoicing/Payment:

(1) Invoices: With each payment request, please include the following:

- Complete Disbursement Request memo:
  - **Request #:** Please insert the Request Number to keep track of the number of payment requests.
  - **Wiring Instructions:** Please indicate whether the payment should be wired directly to the vendor (insert: vendor wiring instructions), or whether the department will be paying invoices directly and submitting for reimbursement (insert: Department reimbursement wiring instructions).

Please note: For reimbursements, it is internal policy that OPF does not approve Disbursement Requests for reimbursement for invoices paid longer than 60-days prior to the dated Disbursement Request. Please submit payment requests that seek reimbursement in a timely manner.

- **Payment total**
- **Department Signatures / Sign-off (\*Must match the Signature Card)**
- Disbursement Request Summary: Please include a confirmed tracking list of all project Disbursement Requests (as numbered) to track the Project's commercial paper borrowing balance. This will help both the department and OPF track the project's commercial paper balance, and insure it is not overdrawing on the authorized Project Fund amount. (See sample attached)
- Source documents: Copies of invoices and sign-off materials that support the payment total on the Disbursement Request.
- Summary of Payment (as needed): If the payment request total is to pay several invoices, please include a summary of the invoices attached that clearly totals the amount requested for payment.

(2) Timing:

- Email notification: When you route the Disbursement Request packet for internal review and signatures, please send an email directly to Jamie Querubin at the Office of Public Finance ([Jamie.Querubin@sfgov.org](mailto:Jamie.Querubin@sfgov.org)), so staff can confirm commercial paper proceeds are ready and available for payment.
- Confirmation: After the payment has been sent to the Trustee for processing, Angela Whittaker ([Angela.Whittaker@sfgov.org](mailto:Angela.Whittaker@sfgov.org)) can provide a PDF copy of the Disbursement Request packet and supporting documents, if requested.
- Commercial Paper Memo: Shortly after each commercial paper sale, our office distributes a Commercial Paper Memo that summarized the details of the commercial paper sale, interest rates achieved, and ongoing commercial paper balance for each project receiving interim financing from the City's Commercial Paper Program.

### Ongoing Items Needed for Commercial Paper Issuance:

- (1) Spend-down schedule: To help OPF plan our commercial paper sales accordingly, OPF will need an updated spend-down schedule for project costs in anticipation of future invoices. Please send updated spend-down schedules each quarter to Jamie Querubin ([Jamie.Querubin@sfgov.org](mailto:Jamie.Querubin@sfgov.org)), or as frequent as necessary depending on project timelines.

### QUESTIONS?

If you have any questions regarding the City's Commercial Paper program, please see contact Jamie Querubin at ([Jamie.Querubin@sfgov.org](mailto:Jamie.Querubin@sfgov.org)) or at 415-554-6902.

March 2017

## **11.6 | Certificates of Participation Debt Accounting Procedures**

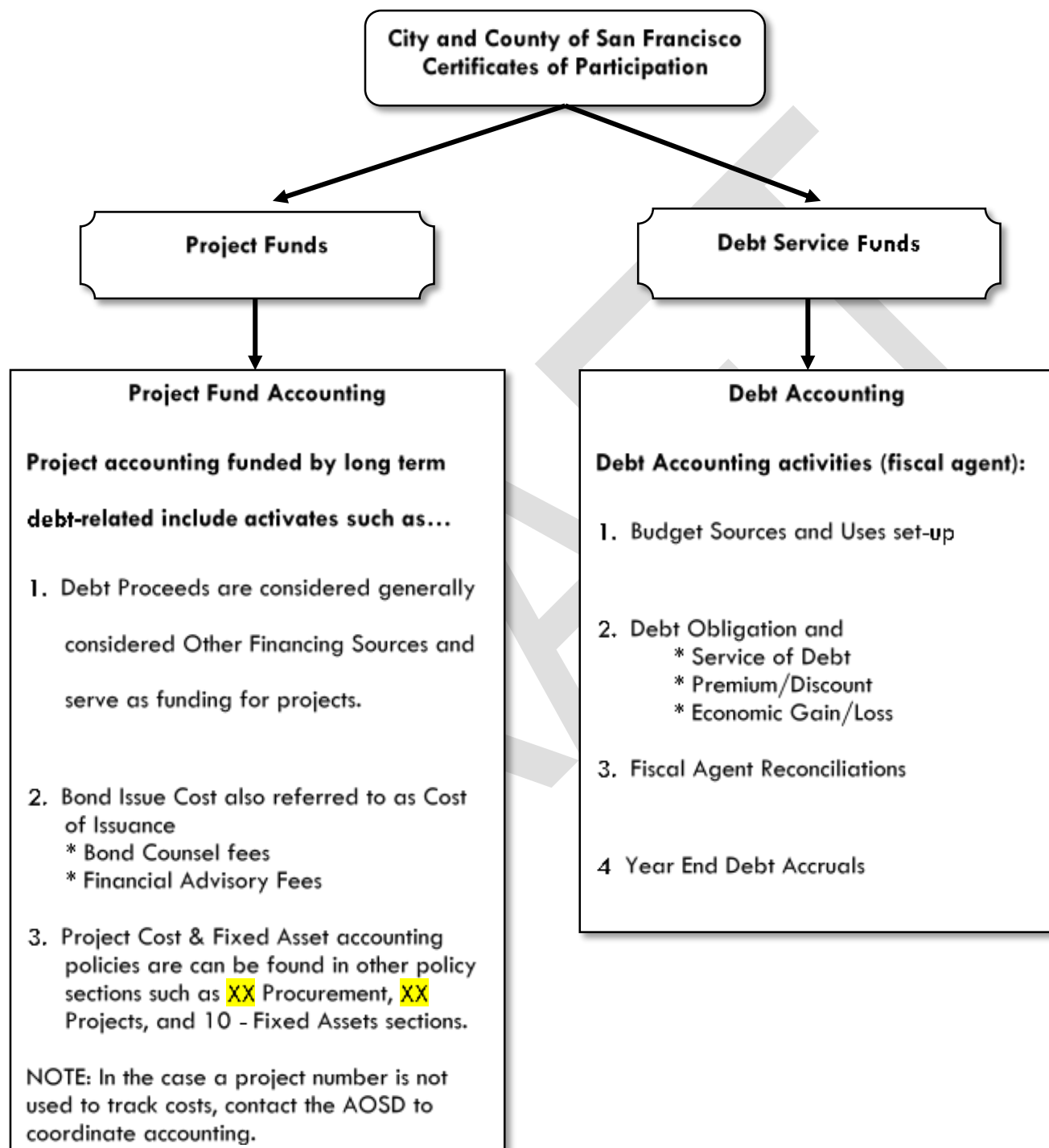
This section provides the City & County of San Francisco's Certificates of Participation (COP) Debt Accounting Procedures, issued by the Controller's Office – Office of Public Finance (OPF).

Current debt accounting procedures will change with the implementation of PeopleSoft Financials. While this policy addresses current practices, it focuses on procedures after the implementation of PeopleSoft Financials.

### **11.6.1 | Overview of Certificates of Participation (COP) Debt Accounting**

COPs are used for acquisition or improvement of existing facilities and/or construction of new facilities that result in immediate or future savings in payments currently made or to be made by the City's General Fund. For example, COPs may be used to provide funds to execute a lease-purchase option for a facility, whereby future savings accrue to the General Fund during the period for which the COPs and the lease would be outstanding. COPs are also appropriate for projects that will be matched with grants or other additional moneys; reduce operating costs to the City; address critical and urgent seismic and other public safety hazards for which no other sources are practically available; or provide for the delivery of services mandated by law. Each debt issue may be slightly different and, therefore, accounting will vary. As shown below, bond proceeds or sources and uses are recorded in a Project Fund and the accounting of the debt is recorded in a Debt Service Fund. The project cost accounting is recorded in the Project Fund and the debt accounting is recorded in the Debt Service Fund.

**FIGURE 11-30. CERTIFICATES OF PARTICIPATION DEBT ACCOUNTING PROCESS OVERVIEW**



### **11.6.2 | Roles & Responsibilities**

Departments that issue long-term debt are to develop and maintain long-term debt accounting policies. New debt policies are to be submitted to the Controller's Office for review and approval. The parties involved in certificates of participation are listed below.

- **Office of Public Finance**  
OPF issues and structures debt instruments. Debt compliance—including annual disclosures, debt covenants, and arbitrage rebate calculations—are also managed by OPF. OPF instructs the fiscal agent to make payments out of the bank funds as appropriate
- **Fiscal Agent**  
The fiscal agent/trustee receives incoming bond proceeds, base rental payments, or investment earnings, and disburses funds for debt service. In coordination with the City, the fiscal agent establishes bank accounts in accordance with debt agreement and provides the Controller's Office – AOSD with monthly bank statements
- **Budget Analysis Division (BAD)**  
BAD initiates budget set-up of new debt issues
- **Accounting Operations & Supplier Division (AOSD)**  
AOSD performs the debt accounting for debt originated by OPF

### **11.6.3 | Overview of PeopleSoft Trees, Funds & Accounts for Certificates of Participation**

Below are some of the fund roll-ups for COPs and crosswalks for funds and accounts used to capture their debt accounting transactions.

## ACCOUNTING POLICIES &amp; PROCEDURES

FIGURE 11-31. CERTIFICATES OF PARTICIPATION FUND ROLLUP--DEBT SERVICE FUNDS

<b>Governmental Funds</b>
+ General Fund
+ Special Revenue Funds
+ Capital Projects Funds
+ Debt Service Funds
Certificates of Participation Funds
17360 DSCOP STREET IMPROVMT S2009B
17370 DSCOP STREET IMPROVMT S2012A
17380 DSCOP HOUSING TRUST FUND
17390 DSCOP MOSCONE CENTER S2013A
17400 DSCOP MOSCONE EXPANSION
17410 1660 MISSION BLDG
17420 DSCOP COURTHOUSE CONSTRUCTION
17430 DSCOP 30 VAN NESS ACQUISITION
17440 DSCOP JUVENILE HALL S2003
17450 DSCOP CITY OFFICE BLDG S2007AB
17460 DSCOP REFUNDING S2010A
17470 DSCOP REFDG (MOS S/N) S2011A/B
17480 DSCOP REFDG(SF CRTHSE)S2014-R1
17490 DSCOP REFDG(JUVE HALL)S2014-R2
17500 DSCOP WAR MEML VTR BLDG S15AB
17510 DSCOP REFDG(OFF BLDG)S2015-R1
17520 COP Animal Care & Contrl Proj
17525 COP War Memorial Vtrns S16A
+ General Obligation Bond Fund
+ Other Bond Funds
+ Permanent Fund
+ Proprietary Funds
+ Fiduciary Funds
+ Government-wide Funds
+ Other

FIGURE 11-32. CERTIFICATES OF PARTICIPATION FUNDS CROSSWALK

FAMIS Funds	FAMIS Funds	PS Fund Code	PS Fund Title	PS Node Level 1	PS Node Level 2	PS Node Level 3
3CMCFCP1	MOSCONE CENTER IMPR PROJ COP S2013A	16390	CPMCF COP MOS CTR PROJ S2013A	Governmental Funds	Capital Projects Funds	Moscone Convention Center Fund
4DCOPMC1	MOSCONE CENTER IMPR PROJ COP S2013A	17390	DSCOP MOSCONE CENTER S2013A	Governmental Funds	Debt Service Funds	Certificates of Participation Funds
98100100	CCSF GEN LONG TERM DEBT	31800	CCSF Gen Long Term Debt	Government-wide Funds	Primary Government	Long-Term Debt

**FIGURE 11-33. CERTIFICATES OF PARTICIPATION ACCOUNT CROSSWALK**

FAMIS Code	FAMIS Code	PeopleSoft Account Code	PeopleSoft Account Description
80141	PROCEEDS FROM CERT OF PARTICIPATION	480141	Proceeds FromCertOfParticipatn
80599	PREMIUM ON ISSUANCE OF DEBTS	480599	Premium On Issuance Of Debts
0934C	OTO TO 4D/COP-CERT OF PARTICIPAT BONDFD	591270	OToto4D/Cop-CertOfPrtcptnBndfd
30120	INTEREST EARNED-FISCAL AGENT ACCOUNT	430120	Interest Earned-FiscalAgentAcct
07361	COST OF ISSUANCE-CERT OF PARTICIPATION	573610	COI - Cert Of Participation
06711	BLDGS STRUCT IMPRV-DIRECT PURCHASE	567110	Bldg Struct Imprv-Direct Purch
07321	BOND DISCOUNT-UNAMORTIZED(SEE 07DISC)	573320	Bond Premium-Amortized
07499	DEBT SVC-ADMIN AND FISCAL CHARGES	574990	Debt Svc-Admin And Fiscal Chrg
07411	BOND INTEREST-EXPENSE	574110	Bond Interest-Expense
07111	BOND REDEMPTION	571110	Bond Redemption

#### 11.6.4 | Steps for New Issuance – COP

The following are steps involved in issuing a new certificate of participation.

1. Receive notification from the Office of Public Finance regarding upcoming new COP issuance.
2. Obtain and review a copy of the relevant *Appropriation Ordinance*, *Preliminary/Official Statements*, and *Closing Memorandum* from the Office of Public Finance prior to bond issuance. The date of issuance is the closing or delivery date of the bonds indicated in the *Official Statement*, not the date of the *Official Statements* or the *Closing Memorandum*.

Legislation can be found at <http://sfbos.org/ordinances> or <http://sfbos.org/resolutions>



FIGURE 11-34. APPROPRIATION ORDINANCE FOR COP

[Appropriating \$45,000,000 of COP Revenue for the Moscone Center Improvement Project in the Office of the City Administrator for Fiscal Year 2008-2009.]

**Ordinance appropriating \$45,000,000 of San Francisco Certificates of Participation (COPs) Series 2009B to fund the Moscone Center Improvement Project in the General Services Agency - Office of the City Administrator for Fiscal Year 2008-2009 and placing these funds on Controller's Reserve pending issuance of the COPs.**

Section 1. The sources of funding outlined below are herein appropriated to reflect the funding available for Fiscal Year 2008-2009.

#### SOURCES Appropriation

Fund	Index Code / Project Code	Subobject	Description	Amount
3C MCF xxx	TBD	80141	Proceeds from	\$43,376,570
Moscone Center			Certificates of	
Improvement Project			Participation	
3C MCF xxx	TBD	80599	Premium on	\$1,623,430
Moscone Center			Issuance of Debts	
Improvement Project				
<b>Total SOURCES Appropriation</b>				<b>\$45,000,000</b>

**USES Appropriation**

<b>Fund</b>	<b>Index Code / Project Code</b>	<b>Subobject</b>	<b>Description</b>	<b>Amount</b>
3C MCF xxx Moscone Center Improvement Project	TBD	06700 Buildings, Structures, and Improvement Project- Budget	Capital Improvements at the Moscone Convention Center	\$37,996,761
3C MCF xxx Moscone Center Improvement Project	TBD	07311 Bond Issuance Cost – Unamortized	Cost of Bond Issuance	\$525,000
3C MCF xxx Moscone Center Improvement Project	TBD	07DISC Discount on Issuance of Debts	Underwriter's Discount	\$137,775
3C MCF xxx Moscone Center Improvement Project	TBD	081C4 GF-CON - Internal Audits	City Services Auditor Internal Audit	\$76,146
4D COP xxx Moscone Center COP Fund	TBD	07000 Debt Service – Budget	Debt Service Reserve Fund	\$4,028,500
4D COP xxx Moscone Center COP Fund	TBD	07000 Debt Service – Budget	Capitalized Interest	\$2,235,818
<b>Total Uses Appropriation</b>				<b>\$45,000,000</b>

\*Please note the above image refers to FAMIS account code and not PeopleSoft ChartFields. \*

3. Create new Capital Project Fund and Debt Service Fund for the new COP in **FAMIS**/PeopleSoft. The sub-fund title shall include the COP title and series per the *Preliminary/Official Statements*, such as 3C-MCF-CP1 - MOSCONE CENTER IMPR PROJ COPS S2013A (Fund 16390 - CPMCF COP MOS CTR PROJ S2013A in PeopleSoft) and 4D-COP-MC1 - MOSCONE CTR IMPR PROJ S2013A (Fund 17390 - DSCOP MOSCONE CENTER S2013A in PeopleSoft).
4. AOSD staff informs department finance staff that new fund(s) have been set up in **FAMIS**/PeopleSoft.

## ACCOUNTING POLICIES & PROCEDURES

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5. AOSD informs Budget and Analysis Division (BAD) of the new Index and/or Project Codes. BAD will record in FAMIS/PeopleSoft the budget and appropriation of the COPs per the *Appropriation Ordinance*.
6. Obtain soft and hard copies of the *Official Statement* on-line and from the Office of Public Finance for the file.
7. Create a bond reconciliation worksheet, the “Reconciliation of Sources and Uses of Bond Proceeds”, and verify all computations of the sources and uses on the *Wiring Instructions* and the *Official Statement*.
8. Draft a new FAMIS subsidiary account in GL 283. Notify the CAFR Manager and submit a request to the AOSD Systems Team to set it up in FAMIS. In PeopleSoft, request a new account.
9. Prepare a journal entry in FAMIS or PeopleSoft GL/Commitment Control to record the bond proceeds and to align the budget sources and uses of bond funds based on the *Wiring Instructions* and *Official Statements* against the budget and appropriation line items per the relevant ordinance. The journal entry will also set up the COP payable, unamortized bond premium, or unamortized bond discount in sub-fund 98-100-100 or in PeopleSoft’s CCSF General Long-Term Debt Fund 31800. The entry will update the fiscal agent cash for the Project and Debt Service Funds per the bank statement’s fund balances.
10. AOSD prepares an invoice, signed by the AOSD Manager, to bill for the Controller’s administrative and accounting services in support of the bond issuance. The invoice is sent to the Office of Public Finance to the fiscal agent for payment.
11. Inform the Fixed Assets Accounting Team of the bond issuance, so that it is aware of the new sub-fund set-up and can monitor the project activities related to the new bond issuance.
12. Inform the Central Finance Unit, Administration Division, and the City Services Auditor that the new COP issuance has been recorded in FAMIS/PeopleSoft.
13. Prepare the debt service payment schedule spreadsheet in Excel for the new COP.

### Example Journal Entries

In FAMIS, BR (Budget Supplemental), JE (Journal Entries), and YE (Year End processing) document types are generally used to submit entries. In PeopleSoft, entries will be submitted and recorded to the Budget, Actuals, Modified Accrual, and Full Accrual ledgers and the following modules will process debt related transactions:

- **Budget/Commitment Control**  
Budget journal line screens and upload functionality can be used to submit debt entries

- **General Ledger**

As the fiscal agent, rather than the City Treasurer, provides many services, most entries will be recorded to the Budget, Actuals, Modified Accrual and Full Accrual ledgers as journal line entries

- **Project Costing & Purchasing**

Tracking of project costs to be expensed or capitalized

The below sample COP debt accounting entries are for illustrative purposes only. They do not include many budget, encumbrance, actual, modified accrual, and full-accrual entries. The below entries are still subject to testing in the PeopleSoft financial system.

## ACCOUNTING POLICIES &amp; PROCEDURES

FIGURE 11-35. PEOPLESOFT COP LEDGERS &amp; ENTRIES

PeopleSoft Ledger	Accounting Entry	Debit	Credit
<i>Sample of debt accounting for COP's with fiscal agent, for illustrative purposes only. It does not include all accounting and entries may be combined.</i> <i>Many budgetary, encumbrance, modified accrual, full accrual entries are excluded, particularly as it relates to fund balance/net position.</i>			
<b>COP Proceeds (Budget) -Sources and Uses budgeted</b>			
1 BUDGET	Estimated Revenue- OFS COP proceeds	43,376,570	
in COP Cap	Estimated Revenue- OFS COP premium proceeds	1,623,430	
Proj Fund	Fund Balance - Reserved Sources - COP 20XX proceeds		45,000,000
	To: Current year Est. Revenues and Reserve Fund Balance		
	Fund Balance - Appropriation Uses COP 20XX	45,000,000	
	Appropriation - Project Uses		37,996,761
	Appropriation - Cost of Issuance (current year		662,775
	Appropriation - Internal Audit Fee		76,146
	Appropriation - Current Year Debt Service		6,264,318
	To: Current year appropriations and Appropriate Fund Balance		
<b>Debt Service Payment (Budget) - Sources and Uses budgeted</b>			
2 BUDGET	Estimated Revenue- [identify source]	6,264,318	
in COP Debt	Fund Balance - Reserve Sources - [identify source]		6,264,318
Service Fund	Fund Balance - Appropriation Uses for Debt Service Payment	6,264,318	
	Appropriation - Debt Service		6,264,318
<b>COP Proceeds (Actuals) - cash receipt</b>			
3 ACTUALS	Cash	39,061,819	
in COP Cap	OFS- COP Proceeds		39,061,819
Proj Fund	To: Cash Basis entry on Actuals ledger and OFS for Modified Accrual Accounting.		
<b>COP Proceeds (Full Accrual)- cash receipt</b>			
4 FULL-ACCRUAL	OFS- COP Proceeds	39,061,819	
Gen Gov't	COP - Premium		3,486,819
LT Debt Account	LT COPs Debt Payable		35,575,000
Group	To: Reflect COP payable and Premium on Full Accrual Balance sheet and elimination of OFS		
<b>Funding from Special Revenue Fund to Capital Projects (Actuals)</b>			
5 ACTUALS	Interfund -Transfer Out	2,770,000	
in Special Rev	Cash - Treasury Pool		2,770,000
Fund	NOTE: Budgetary, Actual Fund Balance, Modified, Full-Accrual entries are not shown		
6 ACTUALS	Cash - Treasury Pool	2,770,000	
in COP Cap Proj	Interfund - Transfer In from Spec Revenue Fund		2,770,000
Fund	To: Transfer in from Special Revenue Fund, which will be sent to Fiscal Agent/Trustee to make Base Rental Payment		
7 ACTUALS	Cash at Fiscal Agent	2,770,000	
in COP Cap Proj	Cash - Treasury Pool		2,770,000
Fund	To record cash sent to fiscal agent		

**Transfers to meet reserve requirements (Actuals)**

<b>8</b>	<b>ACTUALS in COP Cap Proj Fund</b>	Interfund -Transfer Out	3,557,500	
		Cash with Fiscal Agent/Trustee		3,557,500
		To: Transfer Out from Cap Proj Fund (3C) to Debt Service Fund (4D) Reserve Account at Fiscal Agent/Trustee to meet to meet reserve requirements.		
<b>9</b>	<b>ACTUALS in COP Debt Service Fund</b>	Cash with Fiscal Agent/Trustee	3,557,500	
		Interfund - Transfer In		3,557,500
		To: Transfer In from Cap Proj Fund (3C) to Debt Service Fund (4D) Reserve Account at Fiscal Agent/Trustee to meet to meet reserve requirements.		
<b>10</b>	<b>ACTUALS in Debt Service Fund</b>	Cash with Fiscal Agent	39	
		Interest Income		39
		To: record interest income in at fiscal agent		

**COP proceeds used to pay Commercial Paper (Actuals)**

<b>11</b>	<b>ACTUALS in Cap Proj Fund</b>	Transfer Out to from COP CPF (to Comm Paper CPF, intrafund)	37,607,384	
		Cash with Fiscal Agent		37,607,384
		To: Transfer Out -from COPs CPF to Comm Paper Fund to make CP payment (Interfund transfer from 3CMCFCP1 to 3CMCFCA1)		

**Debt Service Payment - COP (Actuals & Full-Accrual)**

<b>12</b>	<b>ACTUALS in COP Debt Service Fund</b>	OFU - Debt service payment	6,735,000	
		Cash with Fiscal Agent		6,735,000
		To: Record payment of debt service		
<b>13</b>	<b>FULL-ACCRUAL Gen Gov't - LT Debt Account Group</b>	COP Long Term Payable	6,735,000	
		OFU - Debt Service payment		6,735,000
		To: Reduce Long Term Payable.		

## Sample COP Accounting Entries

Below are sample Certificates of Participation (COP) accounting entries for FAMIS and PeopleSoft. They are not inclusive of all entries, but rather an illustration of COP accounting. These have not been tested in PeopleSoft and are subject to change.

**FIGURE 11-36. SAMPLE COP ACCOUNTING ENTRIES IN FAMIS & PEOPLESOF**

Sample of debt accounting for COP's with fiscal agent, for illustrative purposes only. It does not include all accounting and entries may be combined.

Many budgetary, encumbrance, modified accrual, full accrual entries are excluded, particularly as it relates to fund balance/net position.

**FAMIS**

SUB- T/C	OBJECT	FAMIS GL	FAMIS GL Code Description	Debit	Credit
<b>Set up Supplemental Appropriation</b>					
031	80141	402	SOURCES-SUPP. BUDGET (BD RESOLUTION	43,376,570.00	
		498	BUDGETARY CLEARING-OTHER		43,376,570.00
031	80599	402	SOURCES-SUPP. BUDGET (BD RESOLUTION	1,623,430.00	
		498	BUDGETARY CLEARING-OTHER		1,623,430.00
042	06700	498	BUDGETARY CLEARING-OTHER	37,996,761.00	
		422	USES-SUPPLEMENTAL APPN (RO#)		37,996,761.00
042	07361	498	BUDGETARY CLEARING-OTHER	662,775.00	
		422	USES-SUPPLEMENTAL APPN (RO#)		662,775.00
042	081C4	498	BUDGETARY CLEARING-OTHER	76,146.00	
		422	USES-SUPPLEMENTAL APPN (RO#)		76,146.00
046	0934C	498	BUDGETARY CLEARING-OTHER	6,264,318.00	
		422	USES-SUPPLEMENTAL APPN (RO#)		6,264,318.00
033	9303M	402	SOURCES-SUPP. BUDGET (BD RESOLUTION	6,264,318.00	
		498	BUDGETARY CLEARING-OTHER		6,264,318.00
042	07000	498	BUDGETARY CLEARING-OTHER	4,028,500.00	
		422	USES-SUPPLEMENTAL APPN (RO#)		4,028,500.00
042	07000	498	BUDGETARY CLEARING-OTHER	2,235,818.00	
		422	USES-SUPPLEMENTAL APPN (RO#)		2,235,818.00
092	06700	459	APPROPRIATION CONTROL-CONTRA ACCOUNTS	37,996,761.00	
		451	APPROPRIATIONS-RESERVED		37,996,761.00
092	07361	459	APPROPRIATION CONTROL-CONTRA ACCOUNTS	662,775.00	
		451	APPROPRIATIONS-RESERVED		662,775.00
092	081C4	459	APPROPRIATION CONTROL-CONTRA ACCOUNTS	76,146.00	
		451	APPROPRIATIONS-RESERVED		76,146.00
092	07000	459	APPROPRIATION CONTROL-CONTRA ACCOUNTS	4,028,500.00	
		451	APPROPRIATIONS-RESERVED		4,028,500.00
092	07000	459	APPROPRIATION CONTROL-CONTRA ACCOUNTS	2,235,818.00	
		451	APPROPRIATIONS-RESERVED		2,235,818.00
To: set up budget for project cost, cost of issuance, internal audit fees and debt service payments-principal and interest					
<b>Record Bond Issuance</b>					
Note: the original appropriation was increased to \$53,107,172 due to Commercial paper transactions and has to be reduced with the actual COP sale					
072	07000	498	BUDGETARY CLEARING-OTHER	4,028,500.00	
		423	USES-OTHER TRANSFERS & ALLOCATIONS		4,028,500.00
072	07000	498	BUDGETARY CLEARING-OTHER	2,235,818.00	
		423	USES-OTHER TRANSFERS & ALLOCATIONS		2,235,818.00

**F\$P**

PS Ledger	Accounting Entries	Debit	Credit
<b>COP Proceeds (Budget) - Sources and Uses budget</b>			
1 BUDGET	Estimated Revenue- OFS COP proceeds	43,376,570.00	
	Estimated Revenue- OFS COP premium proceeds	1,623,430.00	
	Fund Balance - Reserved Sources - COP 20XX proceeds		45,000,000.00
To: Current year Est. Revenues and Reserve Fund Balance			
	Fund Balance - Appropriation Uses COP 20XX	45,000,000.00	
	Appropriation - Project Uses		37,996,761.00
	Appropriation - Cost of Issuance (current year)		662,775.00
	Appropriation - Internal Audit Fee		76,146.00
	Appropriation - Current Year Debt Service		6,264,318.00
To: Current year appropriations and Appropriate Fund Balance			
<b>Debt Service Payment (Budget) - Sources and Uses budgeted</b>			
1 BUDGET	Estimated Revenue- [identify source]	6,264,318.00	
	Fund Balance - Reserve Sources - [identify source]		6,264,318.00
	Fund Balance - Appropriation Uses for Debt Service Payment	6,264,318.00	
	Appropriation - Debt Service		6,264,318.00
NOTE: The above may not include various Fund balance or Budgetary control accounts.			
<b>COP Proceeds (Actuals) - cash receipt</b>			
2 ACTUALS	Cash with Fiscal Agent	39,061,818.70	
	OFS- COP Proceeds		39,061,818.70
To: Cash Basis entry on Actuals ledger and OFS for Modified Accrual Accounting.			

City & County of San Francisco – Office of the Controller  
**ACCOUNTING POLICIES & PROCEDURES**

Sample of debt accounting for COP's with fiscal agent, for illustrative purposes only. It does not include all accounting and entries may be combined.  
Many budgetary, encumbrance, modified accrual, full accrual entries are excluded, particularly as it relates to fund balance/net position.

**FAMIS**

SUB-		FAMIS GL	FAMIS GL Code Description	Debit	Credit
T/C	OBJECT				
072	0934C	498	BUDGETARY CLEARING-OTHER	2,706,818.00	
		423	USES-OTHER TRANSFERS & ALLOCATIONS		2,706,818.00
088		498	BUDGETARY CLEARING-OTHER	2,706,818.00	
		407	SOURCES-OTHER USE OF UNDESIGN. FUND BAL		2,706,818.00
064	9303M	498	BUDGETARY CLEARING-OTHER	2,706,818.00	
		403	SOURCES-OTHER TRANSFERS & ALLOCATIONS		2,706,818.00
073	07000	423	USES-OTHER TRANSFERS & ALLOCATIONS	2,706,818.00	
		498	BUDGETARY CLEARING-OTHER		2,706,818.00
061	80141	403	SOURCES-OTHER TRANSFERS & ALLOCATIONS	28,284,817.27	
		498	BUDGETARY CLEARING-OTHER		28,284,817.27
061	80599	403	SOURCES-OTHER TRANSFERS & ALLOCATIONS	3,486,818.70	
		498	BUDGETARY CLEARING-OTHER		3,486,818.70
072	07361	498	BUDGETARY CLEARING-OTHER	596,934.74	
		423	USES-OTHER TRANSFERS & ALLOCATIONS		596,934.74
088		498	BUDGETARY CLEARING-OTHER	41,259,414.23	
		407	SOURCES-OTHER USE OF UNDESIGN. FUND BAL		41,259,414.23
<b>To: Adjust budget to match with actual proceeds</b>					
538	80599	153APP	CASH WITH FISCAL AGENT-APPROPRIATED	3,486,818.70	
		411	ACTUAL SOURCES		3,486,818.70
538	80141	153APP	CASH WITH FISCAL AGENT-APPROPRIATED	35,575,000.00	
		411	ACTUAL SOURCES		35,575,000.00
<b>To: Record Bond Proceeds</b>					
406	03041	101	EQUITY IN CITY TREASURY-POOLED FUNDS	2,770,000.00	
		431	ACTUAL USES		2,770,000.00
073	03041	423	USES-OTHER TRANSFERS & ALLOCATIONS	2,770,000.00	
		498	BUDGETARY CLEARING-OTHER		2,770,000.00
076	0933M	498	BUDGETARY CLEARING-OTHER	2,770,000.00	
		423	USES-OTHER TRANSFERS & ALLOCATIONS		2,770,000.00
415	0933M	431	ACTUAL USES	2,770,000.00	
		101	EQUITY IN CITY TREASURY-POOLED FUNDS		2,770,000.00
063	9302C	403	SOURCES-OTHER TRANSFERS & ALLOCATIONS	2,770,000.00	
		498	BUDGETARY CLEARING-OTHER		2,770,000.00
418	9302C	101	EQUITY IN CITY TREASURY-POOLED FUNDS	2,770,000.00	
		411	ACTUAL SOURCES		2,770,000.00
413		153	CASH WITH FISCAL AGENT	2,770,000.00	
		101	EQUITY IN CITY TREASURY-POOLED FUNDS		2,770,000.00
553		153APP	CASH WITH FISCAL AGENT-APPROPRIATED	2,770,000.00	
		A03	FUND EQUITY-SUSPENSE ACCT-(S/B ZERO)		2,770,000.00
554		A03	FUND EQUITY-SUSPENSE ACCT-(S/B ZERO)	2,770,000.00	
		153	CASH WITH FISCAL AGENT		2,770,000.00
538	30120	153APP	CASH WITH FISCAL AGENT-APPROPRIATED	2,770,000.00	
		411	ACTUAL SOURCES		2,770,000.00
588	9303M	A03	FUND EQUITY-SUSPENSE ACCT-(S/B ZERO)	3,557,500.00	
		411	ACTUAL SOURCES		3,557,500.00
553		153	CASH WITH FISCAL AGENT	3,557,500.00	
		A03	FUND EQUITY-SUSPENSE ACCT-(S/B ZERO)		3,557,500.00
587	0934C	431	ACTUAL USES	3,557,500.00	
		A03	FUND EQUITY-SUSPENSE ACCT-(S/B ZERO)		3,557,500.00
554		A03	FUND EQUITY-SUSPENSE ACCT-(S/B ZERO)	3,557,500.00	
		153APP	CASH WITH FISCAL AGENT-APPROPRIATED		3,557,500.00
558	30120	153	CASH WITH FISCAL AGENT	39.04	
		413	ACTUAL SOURCES-GAAP ONLY		39.04
545	07361	431	ACTUAL USES	254,869.94	
		153APP	CASH WITH FISCAL AGENT-APPROPRIATED		254,869.94
076	0953M	498	BUDGETARY CLEARING-OTHER	37,607,383.96	
		423	USES-OTHER TRANSFERS & ALLOCATIONS		37,607,383.96

**F\$P**

PS Ledger		Accounting Entries		Debit	Credit
1		<b><u>COP Proceeds (Full Accrual)- cash receipt</u></b>			
2	FULL-ACCRUAL/OFS- COP Proceeds			39,061,818.70	
		COP - Premium			3,486,818.70
1		LT COPs Debt Payable			35,575,000.00
		To: Reflect COP payable and Premium on Full Accrual Balance sheet and elimination of OFS			
1		NOTE: The above may not include various Fund balance or Budgetary control accounts on the various Actual, Modified Accrual, Full-Accrual, and Budget ledgers.			
1		<b><u>Funding from Department Fund to Debt Service Fund</u></b>			
3	ACTUALS	Interfund -Transfer Out		2,770,000.00	
1		Cash - Treasury Pool			2,770,000.00
1		NOTE: Budgetary, Actual Fund Balance, Modified, Full-Accrual entries are not shown.			
3	ACTUALS	Cash - Treasury Pool		2,770,000.00	
		Interfund - Transfer In from Spec Revenue Fund			2,770,000.00
2		To: Transfer in from Special Revenue Fund, which will be sent to Fiscal Agent/Trustee to make Base Rental Payment.			
2					
3	ACTUALS	Cash with Fiscal Agent		2,770,000.00	
		Cash - Treasury Pool			2,770,000.00
3		To: Record cash sent to fiscal agent by department.			
3		<b><u>Bond Proceeds (Actuals)-funding from Capital Fund to Debt Service Fund to meet reserve requirements</u></b>			
4	ACTUALS	Interfund -Transfer Out		3,557,500.00	
3		Cash with Fiscal Agent/Trustee			3,557,500.00
3		To: Transfer Out from Cap Proj Fund (3C) to Debt Service Fund (4D) Reserve Account at Fiscal Agent/Trustee to meet reserve requirements.			
3					
4	ACTUALS	Cash with Fiscal Agent/Trustee		3,557,500.00	
3		Interfund - Transfer In			3,557,500.00
3		To: Transfer In from Cap Proj Fund (3C) to Debt Service Fund (4D) Reserve Account at Fiscal Agent/Trustee to meet reserve requirements.			
3		NOTE: Budgetary, Actual Fund Balance, Modified, Full-Accrual entries are not shown.			
3					
5	ACTUALS	Cash with Fiscal Agent		39.04	
3		Interest Income			39.04
4		To: Record interest income at fiscal agent			
6	ACTUALS	Debt service - Cost of Issuance - COP		254,870.94	
4		Cash with Fiscal Agent			254,869.94
4		To: Record payment of cost of issuance			
4					
4		<b><u>COP proceeds used to pay Commercial Paper liability</u></b>			
4	ACTUALS	Transfer Out to from COP CPF (to Comm Paper CPF, Intrafund	37,607,383.96		
		Cash with Fiscal Agent			37,607,383.96
5		To: Transfer Out -from COPs CPF to Comm Paper Fund to make CP payment			
6		(Intrafund transfer from 3CMCFCP1 to 3CMCFCA1)			
7		<b><u>Accrual of cost of issuance and amortization of COP premium</u></b>			
8	ACTUALS	Debt service - Cost of Issuance - COP		40,000.00	
		Interfund receivable-Moscone			40,000.00



City & County of San Francisco – Office of the Controller

ACCOUNTING POLICIES & PROCEDURES

Sample of debt accounting for COP's with fiscal agent, for illustrative purposes only. It does not include all accounting and entries may be combined.  
Many budgetary, encumbrance, modified accrual, full accrual entries are excluded, particularly as it relates to fund balance/net position.

FAMIS

SUB-		FAMIS GL	FAMIS GL Code Description	Debit		Credit	
T/C	OBJECT						
089		407	SOURCES-OTHER USE OF UNDESIGN. FUND BAL	37,607,383.96			
		498	BUDGETARY CLEARING-OTHER		37,607,383.96		
063	9503M	403	SOURCES-OTHER TRANSFERS & ALLOCATIONS	37,607,383.96			
		498	BUDGETARY CLEARING-OTHER		37,607,383.96		
072	07121	498	BUDGETARY CLEARING-OTHER	37,607,383.96			
		423	USES-OTHER TRANSFERS & ALLOCATIONS		37,607,383.96		
587	0953M	431	ACTUAL USES	37,607,383.96			
		A03	FUND EQUITY-SUSPENSE ACCT-(S/B ZERO)		37,607,383.96		
554		A03	FUND EQUITY-SUSPENSE ACCT-(S/B ZERO)	37,607,383.96			
		153APP	CASH WITH FISCAL AGENT-APPROPRIATED		37,607,383.96		
089		407	SOURCES-OTHER USE OF UNDESIGN. FUND BAL	6,264,318.00			
		498	BUDGETARY CLEARING-OTHER		6,264,318.00		
088		498	BUDGETARY CLEARING-OTHER	2,770,000.00			
		407	SOURCES-OTHER USE OF UNDESIGN. FUND BAL		2,770,000.00		
073	06C00	423	USES-OTHER TRANSFERS & ALLOCATIONS	10,078,567.00			
		498	BUDGETARY CLEARING-OTHER		10,078,567.00		
073	081C4	423	USES-OTHER TRANSFERS & ALLOCATIONS	6,146.00			
		498	BUDGETARY CLEARING-OTHER		6,146.00		
			BUDGETARY CLEARING-OTHER				
667R	08799	131	INTERFUND RECEIVABLES	(40,000.00)			
		431	ACTUAL USES		(40,000.00)		
667	07361	431	ACTUAL USES	40,000.00			
		231	INTERFUND PAYABLES		40,000.00		
665	07361	431	ACTUAL USES	262,767.82			
		202	ACCOUNTS PAYABLE		262,767.82		
<b>Record Fiscal agent interest, transfer to debt service and payment of debt service</b>							
538	30120	153APP	CASH WITH FISCAL AGENT-APPROPRIATED	15.91			
		411	ACTUAL SOURCES		15.91		
558	30120	153	CASH WITH FISCAL AGENT	198.29			
		413	ACTUAL SOURCES-GAAP ONLY		198.29		
406	03041	101	EQUITY IN CITY TREASURY-POOLED FUNDS	6,582,124.94			
		431	ACTUAL USES		6,582,124.94		
073	03041	423	USES-OTHER TRANSFERS & ALLOCATIONS	6,582,124.94			
		498	BUDGETARY CLEARING-OTHER		6,582,124.94		
076	0934C	498	BUDGETARY CLEARING-OTHER	6,582,124.94			
		423	USES-OTHER TRANSFERS & ALLOCATIONS		6,582,124.94		
415	0934C	431	ACTUAL USES	6,582,124.94			
		101	EQUITY IN CITY TREASURY-POOLED FUNDS		6,582,124.94		
063	9302C	403	SOURCES-OTHER TRANSFERS & ALLOCATIONS	6,582,124.94			
		498	BUDGETARY CLEARING-OTHER		6,582,124.94		
088		498	BUDGETARY CLEARING-OTHER	6,582,124.94			
		407	SOURCES-OTHER USE OF UNDESIGN. FUND BAL		6,582,124.94		
418	9302C	101	EQUITY IN CITY TREASURY-POOLED FUNDS	6,582,124.94			
		411	ACTUAL SOURCES		6,582,124.94		
413		153	CASH WITH FISCAL AGENT	6,582,124.94			
		101	EQUITY IN CITY TREASURY-POOLED FUNDS		6,582,124.94		
585	07111	433	ACTUAL USES-GAAP ONLY	6,735,000.00			
		153	CASH WITH FISCAL AGENT		6,735,000.00		
586	07111	283	LONG-TERM DEBTS PAYABLE-COP, LOANS, ETC.	6,735,000.00			
		433	ACTUAL USES-GAAP ONLY		6,735,000.00		
585	07411	433	ACTUAL USES-GAAP ONLY	520,710.83			
		153	CASH WITH FISCAL AGENT		520,710.83		
545	07361	431	ACTUAL USES	302,767.82			
		153APP	CASH WITH FISCAL AGENT-APPROPRIATED		302,767.82		

F\$P

PS Ledger		Accounting Entries		Debit	Credit
7		Expenditure Recovery		40,000.00	
		Interfund payable-City Atty's Office		40,000.00	
7		To: Accrue cost of issuance from City Attorney's Office			
7	FULL ACCRUAL	Premium on COP	121,694.95		
		Amortization Expense of Bond Premium		121,694.95	
7		To: Amortize Bond Premium			
9	ACTUALS	Debt service - Cost of Issuance - COP	262,767.82		
		Accounts payable-vendor		262,767.82	
1		To: Accrue cost of issuance from outside vendor			
8					
8					
9					
10					
10					
10	ACTUALS	Cash with Fiscal Agent	214.20		
11		Interest Income		214.20	
		To: Record interest income at fiscal agent			
11	ACTUALS	Interfund -Transfer Out	6,582,124.94		
		Cash with Fiscal Agent/Trustee		6,582,124.94	
11		To: Transfer Out from Special Revenue Fund (25) to Debt Service Fund (4D)			
		Account at Fiscal Agent/Trustee to pay debt service			
11	ACTUALS	Cash with Fiscal Agent/Trustee	6,582,124.94		
		Interfund - Transfer In		6,582,124.94	
11		To: Transfer Out from Special Revenue Fund (25) to Debt Service Fund (4D)			
		Account at Fiscal Agent/Trustee to pay debt service			
11	12 ACTUALS	Debt service - Bond Redemption - Principal	6,735,000.00		
		Debt service - Interest Payment	520,710.83		
12		Cash with Fiscal Agent		7,255,710.83	
		To: Record payment of debt service			
12	FULL-ACCRUAL	COP Long Term Payable	6,735,000.00		
		Debt service - Bond Redemption - principal		6,735,000.00	
12		To: Reduce Long Term Payable.			
13					
13	ACTUALS	Debt service - Cost of Issuance - COP	302,767.82		
		Cash with Fiscal Agent		302,767.82	
		To: Payment of cost of issuance which was accrued last fiscal year			

## 11.6.5 | Reporting

### 11.6.5.1 | COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

AOSD produces the *Comprehensive Annual Financial Report*, which includes required disclosures about COPs such as the two examples below.

**FIGURE 11-37. CERTIFICATES OF PARTICIPATION LONG-TERM OBLIGATIONS – GOVERNMENTAL ACTIVITIES**

Type Of Obligation and Purpose	Final Maturity Date	Remaining Interest Rates	Amount
GENERAL OBLIGATION BONDS <sup>(a)</sup> :			
Earthquake safety and emergency response.....	2035	2.25% - 5.00%	\$ 469,540
Parks and playgrounds .....	2035	2.00% - 6.26%	175,050
Road repaving and street safety .....	2035	2.00% - 5.00%	176,250
San Francisco General Hospital.....	2033	3.25% - 6.26%	573,085
Seismic safety loan program .....	2035	1.037% - 5.83%*	46,767
Transportation and road improvement .....	2035	2.75% - 5.00%	47,005
Refunding .....	2030	4.00% - 5.00%	523,360
General obligation bonds .....			<u>2,011,057</u>
LEASE REVENUE BONDS:			
San Francisco Finance Corporation <sup>(b), (e) &amp; (f)</sup> .....	2034	0.425% - 5.75% **	196,055
CERTIFICATES OF PARTICIPATION:			
Certificates of participation <sup>(c) &amp; (d)</sup> .....	2045	1.096% - 5.00%	589,580
OTHER LONG TERM OBLIGATIONS:			
Loans <sup>(d) &amp; (f)</sup> .....	2045	2.00% - 5.74%	28,395
Revolving credit agreement loan - Transportation Authority <sup>(c)</sup> ..	2018	0.62% ***	114,664
Governmental activities total long-term obligations.....			<u>\$ 2,939,751</u>

\* Includes the 1992 Seismic Safety Loan Program GOB Series 2015A which bears variable interest rate that resets monthly. The rate for GOB Series 2015A at June 30, 2016 was 1.037%.

\*\* Includes the Moscone Center West Expansion Project Refunding Bonds Series 2008 - 1 & 2, both of which were financed with variable rate bonds that reset weekly. The rate at June 30, 2016 for Series 2008 - 1 & 2 averaged to 0.425%.

\*\*\* The Revolving credit agreement loan interest rate equals to the sum of 70% of 1-month LIBOR plus 30%.

## ACCOUNTING POLICIES &amp; PROCEDURES

FIGURE 11-38. CHANGES IN LONG-TERM OBLIGATIONS – INCLUDING COP DEBT SERVICE PRINCIPAL &amp; INTEREST

Fiscal Year Ending June 30	Governmental Activities <sup>(1)</sup>							
	General Obligation Bonds		Lease Revenue Bonds		Other Long-Term Obligations		Total	
	Principal	Interest <sup>(2)</sup>	Principal	Interest <sup>(3)</sup>	Principal	Interest <sup>(4)</sup>	Principal	Interest
2017.....	\$ 120,004	\$ 89,914	\$ 14,025	\$ 4,973	\$ 39,878	\$ 26,768	\$ 173,907	\$ 121,655
2018.....	117,298	83,995	10,880	4,578	155,681	25,315	283,859	113,888
2019.....	117,396	78,362	12,595	4,287	30,905	22,974	160,896	105,623
2020.....	116,436	72,607	6,110	3,999	22,721	21,757	145,267	98,363
2021.....	114,695	66,943	12,740	3,728	23,256	20,747	150,691	91,418
2022-2026....	618,208	249,785	70,275	13,692	114,440	88,624	802,923	352,101
2027-2031...	603,745	108,004	62,795	5,254	125,813	62,235	792,353	175,493
2032-2036...	203,275	14,189	6,635	777	114,866	33,231	324,776	48,197
2037-2041...	-	-	-	-	71,594	15,044	71,594	15,044
2042-2045...	-	-	-	-	33,485	3,494	33,485	3,494
Total.....	\$ 2,011,057	\$ 763,799	\$ 196,055	\$ 41,288	\$ 732,639	\$ 320,189	\$ 2,939,751	\$ 1,125,276

## 11.6.5.2 | TRACK BOND PROCEEDS &amp; SPENDING

Generally, bond proceeds are budgeted, encumbered, and accounted for by fund and project. FAMIS Fund Summary and Project screens can be used to view budget, encumbrance, and actuals accounting. Departments are to track project revenues, expenditures, and encumbrances against budget.

**FIGURE 11-39. FAMIS FUND SUMMARY & PROJECT SCREENS TO VIEW COP ACCOUNTING**

```

FAML6750 V5.1          CITY AND COUNTY OF SAN FRANCISCO--NFAMIS
01/23/2017
LINK TO:                FUND SUMMARY INQUIRY                1:39
PM

BALANCE (Y,M,Q,A) : A          CURR/PRIOR PRD :          CURRENCY CODE :
FISCAL MO/YEAR    : 12 2013 JUNE 2013
FUND TYPE         : 3C          CAPITAL PROJECTS FUNDS
FUND              : MCF          MOSCONE CONVENTION CENTER FUND
SUBFUND           : CP1          MOSCONE CENTER IMPR PROJ COP S2013A
CHARACTER         :
OBJECT CODE       :
PROJECT           : CCF800       MOSCONE CTR IMPR PROJ S2009
GRANT             :
-----
-
S SUBOBJ DESCRIPTION      BUDGET      ACTUAL      PREENC/ENC
BALANCE
30120 INTEREST EAR              160
160
80141 PROCEEDS FRO      35,575,000    35,575,000
80599 PREMIUM ON I       3,486,819    3,486,819
9302C OTI FR 2S/CF       2,770,000    2,770,000
9503M ITI FR 3C/MC      37,578,382    37,578,382
      REVENUE TOT      79,410,200    79,410,360
160
00101 MISC-REGULAR      293,644      329,507              -
35,863
00102 MISC-SICK PA           425           425
00105 MISC-OTHER T       1,689       1,689
00501 TEMP-REGULAR       6,874       7,228              -
354
00901 PREMIUM PAY        176         176              -
1
01105 OVERTIME - T        397         397
01301 RETIRE CITY      20,916     27,413              -
6,498
01371 RETIREMENT P         9           9
01401 SOCIAL SECUR     73,679     74,969              -
1,289
01402 SOCIAL SECUR       1,647       2,161              -
515
01501 HEALTH SERVI       6,677     10,898              -
4,222
01502 RETIREE HEAL        98         101              -
4
01571 DEPENDENT CO      8,702     8,863              -
161
01601 DENTAL COVER       1,658       2,162              -
504
01701 UNEMPLOYMENT       318         406              -
89
01911 FLEXIBLE BEN              371              -
371
01912 LONG TERM DI        584         622              -
38
02019 DEPARTMENT O      99,957    103,364              -
3,407
02029 DIVISION OVE     139,708    142,683              -
2,975
02099 OTHER OVERHE       74,207       76,011              -
1,805
02701 ARCHITECTURA     41,947     41,447              500
  
```

### 11.6.6 | Compliance – COPs

Bond compliance for annual disclosures, arbitrage rebate calculations, and debt covenants are managed by the Office of Public Finance. See [Sections 11.1.14 | Post Issuance Debt Administration and Covenant Compliance](#), [11.1.15 | Post Issuance Arbitrage Rebate Tax Compliance](#), and [11.1.9 | Debt Structuring Practices](#)

### 11.6.7 | COP Frequently Asked Questions

**Q.** What is the procedure for CP payment/reimbursement by the fiscal agent?

**A.** Please refer to the following *Introduction to Certificates of Participation & Administration Instructions*. As a reminder, these are not policy documents; they are simply administrative instructions for project managers and may change from time to time.

**FIGURE 11-40. INTRODUCTION TO CERTIFICATES OF PARTICIPATION & ADMINISTRATION INSTRUCTIONS**

**INTRODUCTION TO CERTIFICATES OF PARTICIPATION &  
ADMINISTRATION INSTRUCTIONS**

**I. CERTIFICATES OF PARTICIPATION OVERVIEW:**

Certificates of Participation ("COPs") is a type of long-term debt financing that is often used for acquisition or improvement of existing facilities and/or construction of new facilities that result in immediate or future savings in payments currently made or to be made by the City's General Fund. For example, COPs may be used to provide funds to execute a lease purchase option for a facility whereby future savings accrue to the General Fund during the period for which the COPs and the lease would be outstanding. COPs also are appropriate for projects which will be matched with grant and other additional moneys, reduce operating costs to the City, address critical and urgent seismic and other public safety hazards for which no other sources are practically available, or provide for the delivery of services mandated by law.

Pursuant to the authorizing legislation, COPs are governed by their accompanied financing documents, including a Trust Agreement, Property Lease, and Project Lease. Pursuant to the Property Lease, the City leases a City-owned property to a third-party trustee. Pursuant to the Project Lease, the City leases back the leased property, together with the improvements financed with proceeds of the Certificates, from the third-party trustee. The City makes annual base rental payments to the third-party trustee in amounts required to repay the Certificates. When the Certificates are finally paid, the property lease and the project lease terminate. The City's General Fund secures the repayment of the Certificates and debt service payments to repay the COPs are appropriated in the annual AAO.

In November 2011, the Board of Supervisors unanimously adopted additional financial policies limiting the future approval of Certificates of Participation and other long-term obligations to 3.25% of discretionary revenue, and specifying that selected nonrecurring revenues may only be spent on nonrecurring expenditures.

**II. COPs ADMINISTRATION:**

Please see the **red sections** for needed action items from the sponsoring City department.

**Items Needed for Setting Up COP payment administration:**

- (1) Signature Card – Please indicate who will be signing-off on Disbursement Request(s). In addition to the review of the Director of the Office of Public Finance and the Controller, the Project Manager as well as Department Director must review and sign each Disbursement Request memo.
  - Please send the completed card to Angela Whittaker in our office ([Angela.Whittaker@sfgov.org](mailto:Angela.Whittaker@sfgov.org)).
- (2) Disbursement Request memo on Department Letterhead –Cover memo that will be submitted with all invoices. (See attached template)
  - Project Description: Please complete a high-level description of the project expenses. This description should not change significantly with each invoice. To the extent it helps identify specific invoices and vendor payments, please add more detail.

March 2017

## ACCOUNTING POLICIES & PROCEDURES

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### Process for Invoicing/Payment:

(1) Invoices: With each payment request, please include the following:

- Disbursement Request memo:
  - **Request #:** Please insert the Request Number to keep track of the number of payment requests.
  - **Wiring Instructions:** Please indicate whether the payment should be wired directly to the vendor (insert: vendor wiring instructions), or whether the department will be paying invoices directly and submitting for reimbursement (insert: Department reimbursement wiring instructions).

Please note: For reimbursements, it is internal policy that OPF does not approve Disbursement Requests for reimbursement for invoices paid longer than 60-days prior to the dated Disbursement Request. Please submit payment requests that seek reimbursement in a timely manner.

- **Payment total**
- **Department Signatures / Sign-off (\*Must match the Signature Card)**
- Disbursement Request Summary: Please include a confirmed tracking list of all project Disbursement Requests (as numbered) to track the Project Fund's balance of expenditures to date. This will help both the department and OPF track the project's available balance in COPS proceeds and insure it is not overdrawing on the authorized Project Fund amount. (See sample attached)
- Source documents: Copies of invoices and sign-off materials that support the payment total on the Disbursement Request.
- Summary of Payment (as needed): If the payment request total is to pay several invoices, please include a summary of the invoices attached that clearly totals the amount requested for payment. (See sample attached)

(2) Timing:

- Email notification: When you route the Disbursement Request packet for internal review and signatures, please cc or send an email directly to Jamie Querubin at the Office of Public Finance ([Jamie.Querubin@sfgov.org](mailto:Jamie.Querubin@sfgov.org)), so staff can confirm COP proceeds are ready and available for payment.
- Confirmation: After the payment has been sent to the Trustee for processing, Angela Whittaker ([Angela.Whittaker@sfgov.org](mailto:Angela.Whittaker@sfgov.org)) can provide a PDF copy of the Disbursement Request packet and supporting documents, if requested.

### Ongoing Items Needed for COP administration:

- (1) Spend-down schedule: To monitor project spending, OPF will need an updated spend-down schedule for project costs in anticipation of future invoices. Please send updated spend-down schedules each quarter to Jamie Querubin ([Jamie.Querubin@sfgov.org](mailto:Jamie.Querubin@sfgov.org)), or as frequent as necessary depending on project timelines.

### QUESTIONS?

If you have any questions regarding management of Certificates of Participation, please see contact Jamie Querubin at ([Jamie.Querubin@sfgov.org](mailto:Jamie.Querubin@sfgov.org)) or at 415-554-6902.

March 2017

## **11.7 | Revenue Bonds Debt Accounting Procedures**

This section provides the Revenue Bonds Debt Accounting Policy of the City & County of San Francisco, applicable to Enterprise Fund Departments that are managed in the manner of a business, such as entities having both operating revenues and expenses.

Current debt accounting procedures will change with the implementation of PeopleSoft Financials. While this policy addresses current practices, it also focuses on procedures to be followed after the PeopleSoft Financials implementation.

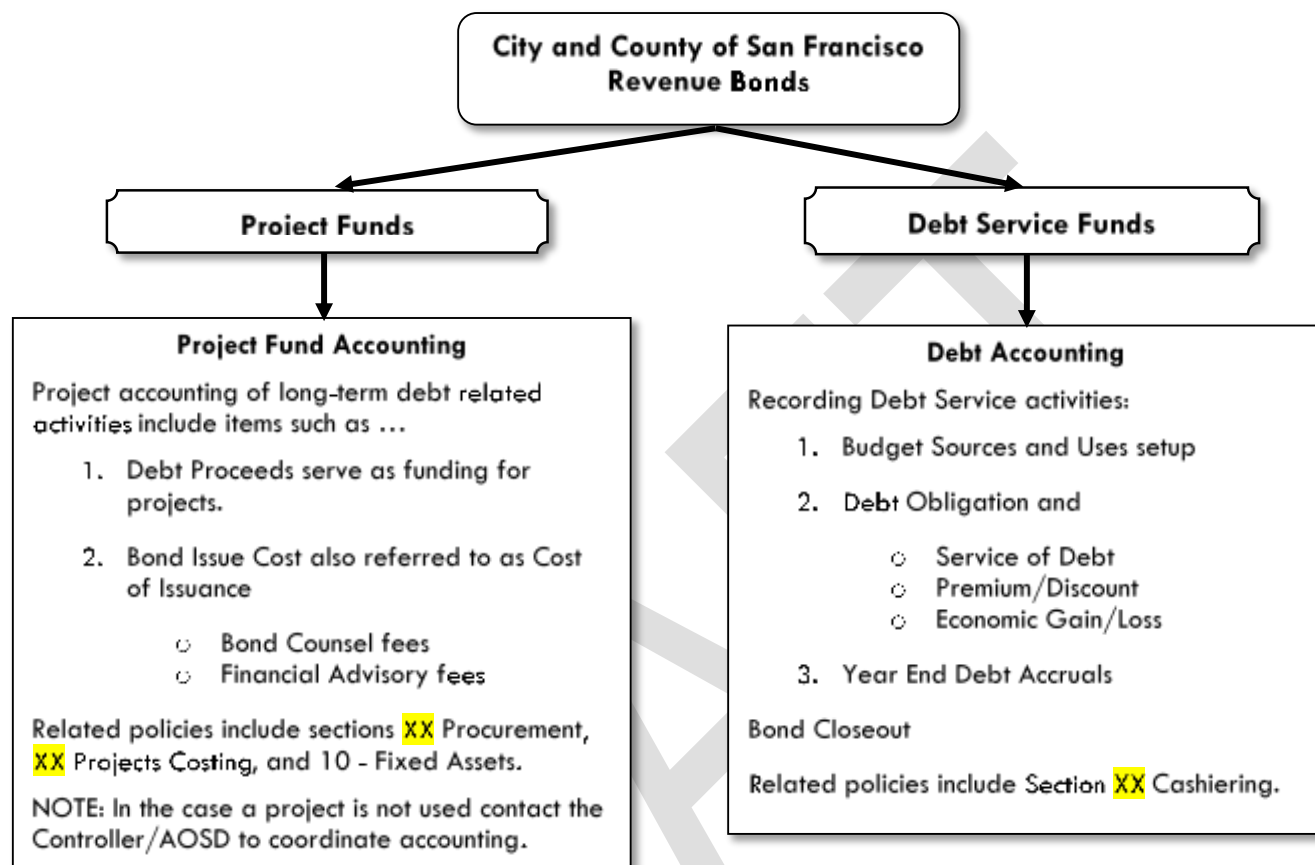
### **11.7.1 | Overview of Revenue Bonds Debt Accounting**

A revenue bond is a municipal bond supported by the revenue from a specific project, such as water system improvement, transportation improvement, or rehabilitation and improvement to facilities. Revenue bonds are municipal bonds that finance income-producing projects and are secured by a specified revenue source.

The Figure below describes the basic steps to account for revenue bonds. Each debt issue may be slightly different and, therefore, accounting for them will vary. As shown below, bond proceeds or sources and uses are recorded in a Project Fund and the accounting of the debt is recorded in a Debt Service Fund. The project's cost accounting is recorded in the Project Fund and the debt accounting is recorded in the Debt Service Fund.



FIGURE 11-41. REVENUE BONDS ACCOUNTING FLOW CHART



### 11.7.2 | Roles & Responsibilities

Departments that issue revenue bonds are to develop and maintain revenue bonds accounting policies. New revenue bond policies are to be submitted to the Controller's Office for review and approval. Roles and responsibilities for parties involved in issuing revenue bonds are as follows:

- **Issuing Department**  
Issues and structures debt instruments. Responsible for both debt accounting and debt compliance such as arbitrage calculations, annual disclosures, and debt covenants; and monitoring, tracking and reporting bond expenditure to ensure expenditures are appropriate and in accordance with the restrictions of the bond proceeds
- **City Treasurer & Tax Collector or Fiscal Agent**  
Receives incoming bond proceeds, if any, and reviews significant cash outflows such as debt service payments

- **Budget Analysis Division (BAD), Controller's Office and/or the Department's Budget Unit**  
Initiates budget set-up of new revenue bond issues and adjustments to budget
- **Accounting Operations & Supplier Division (AOSD), Controller's Office**  
Establishes Sub-fund Code in FAMIS/PeopleSoft for new revenue bond issuance. Reviews and serves as the final approver for revenue bonds-related journal entries in FAMIS
- **Oversight Committee**  
An entity (e.g., Revenue Bond Oversight Committee, Commission, Board) that convenes to ensure that bond proceeds are expended in accordance with the applicable authorizing legislation

### **11.7.3 | Overview of PeopleSoft Trees, Funds & Accounts for Revenue Bonds**

Below is the fund roll-up structure for revenue bonds with sample crosswalks for funds and accounts that will be used to capture debt accounting transactions.

## ACCOUNTING POLICIES &amp; PROCEDURES

FIGURE 11-42. REVENUE BONDS FUND ROLL-UP

<b>Governmental Funds</b>
<b>Proprietary Funds</b>
<b>Enterprise Funds</b>
Municipal Transportation Agency
<b>Street Management</b>
22940 MTA SM CAP REVBD 2012B
<b>Sustainable Streets</b>
23440 MTA SM OPR DEBT SERVICE 12B
Port of San Francisco
<b>Port- Debt Service</b>
24220 PRT-DS Debt Service
<b>Port-Capital</b>
24030 PRT-CP REV BD 13A - TAX EX
San Francisco International Airport
<b>SFIA-Capital Projects Fund</b>
18600 AIR CAP 1990E REV BD 90E
<b>SFIA-Debt Service Fund</b>
19730 AIR CONTINGENCY FUND XFD
San Francisco Wastewater Enterprise
<b>CWP-Capital Projects Fund</b>
20490 WWE CPF 2013B Revenue Bd TaxEx
<b>CWP-Debt Service Fund</b>
20840 WWE DSF 2013B Revenue Bd TaxEx
San Francisco Water Enterprise
<b>SFWD-Capital Projects Fund</b>
26360 WTR CPF 2012A WSIP Rev Bd
<b>SFWD-Debt Service Fund</b>
26890 WTR DSF 2012A WSIP

FIGURE 11-43. REVENUE BONDS FUNDS CROSSWALK

FAMIS Fund Code	FAMIS Fund Title	PS Fund Code	PS Fund Title	PS Node Level 1	PS Node Level 2	PS Node Level 3
5ACPF05A	2005 SFIA ISSUE 31F REVENUE BONDS	18450	AIR CAP 2005 31F BD NAMT 05A	Proprietary Funds	Enterprise Funds	San Francisco International Airport
5CCPF13B	13B-2013B REVENUE	20490	WWE CPF 2013B	Proprietary Funds	Enterprise Funds	San Francisco Wastewater Enterprise

FAMIS Fund Code	FAMIS Fund Title	PS Fund Code	PS Fund Title	PS Node Level 1	PS Node Level 2	PS Node Level 3
	BOND (TAX EXEMPT)		Revenue Bd TaxEx			
5MCPF12B	MTA 2012 REVENUE BOND S2012B-TRANSIT	22360	MTA TS CAP REVBD 2012B	Proprietary Funds	Enterprise Funds	Municipal Transportation Agency
5NCPF12B	MTA 2012 REVENUE BOND S2012BP-GARAGE	22940	MTA SM CAP REVBD 2012B	Proprietary Funds	Enterprise Funds	Municipal Transportation Agency
5PCPF09A	REV BONDS 2009-SERIES 2010A - TAX EXEMPT	23970	PRT-CP REV BD 09-S 10A-TAX EX	Proprietary Funds	Enterprise Funds	Port of San Francisco

**FIGURE 11-44. REVENUE BONDS ACCOUNTS CROSSWALK**

FAMIS Code	FAMIS Code	PeopleSoft Account Code	PeopleSoft Account Description
801	PROCEED FROM LONG-TERM DEBTS	48010	Proceed From Long-Term Debts
80111	PROCEEDS FROM SALE OF BONDS-FACE AMOUNT	480111	Proceeds From Sale Of Bond-Face Amt
80121	PROCEEDS FROM REFUNDING OF BONDS	480121	Proceeds From Refunding Of Bond

**ACCOUNTING POLICIES & PROCEDURES**

<b>FAMIS Code</b>	<b>FAMIS Code</b>	<b>PeopleSoft Account Code</b>	<b>PeopleSoft Account Description</b>
07311	Bond Issuance Cost-Unamortized	573110	Bond Issuance Cost-Unamortized
07322	Bond Discount-Amortized	573220	Bond Discount-Amortized
07332	Bond Premium-Amortized	573320	Bond Premium-Amortized
07411	BOND INTEREST-EXPENSE	574110	Bond Interest-Expense
07121	LOAN PRINCIPAL REPAYMENT	571210	Loan Principal Repayment
07611	BOND ISSUANCE COST-EXPENSE	576110	Bond Issuance Cost-Expense

**11.7.4 | Steps for New Issuance – Revenue Bonds**

The following are steps involved in issuing a new revenue bond.

1. Receive notification/e-mail regarding upcoming new revenue bonds issuance
2. Obtain and review a copy of the relevant *Appropriation Ordinance* (see Figure below), *Preliminary Official Statements*, and *Closing Memorandum* prior to bond issuance. The date of issuance is the closing or delivery date of the bonds indicated in the *Official Statement*, not the date of the *Official Statement* or the *Closing Memorandum*. Local legislation can be found at <http://sfbos.org/ordinances> or <http://sfbos.org/resolutions>

**FIGURE 11-45. EXAMPLE REVENUE BOND APPROPRIATION ORDINANCE**

[Appropriation - Water Revenue Bonds for the Public Utilities Commission Calaveras Dam Project - \$55,064,799; and Re-Appropriation - Water System Improvement Projects - \$77,271,24 - FY2012-2013]

**Ordinance appropriating \$55,064,799 of proceeds from San Francisco Public Utilities Commission (SFPUC) Water Revenue Bonds to fund the Water System Improvement Program (WSIP) Calaveras Dam Project and re-appropriating \$77,271,241 of WSIP Project appropriations to various WSIP Projects consistent with the revised April 2013 WSIP program budget adopted by the SFPUC.**

Section 1. The sources of funding outline below are herein appropriated to reflect the funding available for the WSIP Calaveras Dam Project.

**Sources Appropriation**

Fund	Index Code / Project Code	Subobject	Description	Amount
5W CPF 02E	*WTR5WCPF02E /	80111	Proceeds from Sale	\$55,064,799
2002 Prop E Bond Fund	CUW3000100		of Revenue Bonds	
	WSIP Bond Expense			
<b>Total SOURCES Appropriation</b>				<b>\$55,064,799</b>

\*Please note the above image refers to FAMIS account code and not PeopleSoft ChartFields. \*

**ACCOUNTING POLICIES & PROCEDURES**

Section 2. The uses of funding outlined below are herein appropriated in Subobject 06700 (Buildings, Structures, and Improvement Project-Budget), 081C4 Internal Audits and 06B00 Revenue Bond Oversight Committee and reflects the projected use of funding to support the WSIP Calaveras Dam Project.

**Uses Appropriation**

Fund	Index Code / Project Code	Subobject	Description	Amount
5W CPF 02E	*WTR5WCPF02E	06C00 Capital	Calaveras Dam	\$54,927,412
2002 Prop E Bond	CUW3740100	Projects Budget	Project	
Fund				
5W CPF 02E	*WTR5WCPF02E /	081C4	City Service	\$109,855
2002 Prop E Bond	CUW3000100	Internal Audits	Auditor	
Fund				
5W CPF 02E	*WTR5WCPF02E /	06B00	Revenue Bond	\$27,532
2002 Prop E Bond	CUW3000100	Programmatic	Oversight	
Fund		Projects	Committee	
<b>Total USES Appropriation</b>				<b>\$55,064,799</b>

\*Please note the above image refers to FAMIS account code and not PeopleSoft ChartFields. \*

- If new funds are needed, AOSD staff will establish them in PeopleSoft. The naming convention for the PeopleSoft fund description includes the year of authorization, the name of the bond, the year of issuance, and how many issuances have been made under the authorization; for example: "5CCPF13B - 13B- WWE CPF 2013B Revenue Bd TaxEx". The process to establish new funds in PeopleSoft is as follows:
  - The issuing department contacts AOSD staff to establish new fund(s), providing copies of *Official Statements*, legislation, and related documents
  - AOSD staff informs department finance staff that new fund(s) have been set up in PeopleSoft

- Enterprise departments' revenue bond issuances can generally be recorded in the department's own Project and Activities Codes. Authority Code needs to be set-up as well
4. Contact AOSD Systems Team to request a new account in PeopleSoft.
  5. Inform Budget and Analysis Division (BAD) of the new Authority, Project and Activities Codes. BAD or issuing departments will record in PeopleSoft the budget and appropriation of the revenue bonds per the *Appropriation Ordinance*.
  6. If there is a good faith deposit that wires-in to the Treasurer's Office, alert the Treasurer's Office of the amounts and the timing of the receipt. The Treasurer's Office records these bank wire transfers as Unidentified Receipts. The day after the receipt of bank wire for the good faith deposit, reclassify the Unidentified Receipt into the PeopleSoft fund using the bond's Authority, Project, and Activities Codes. Validate the amount of the good faith deposit per the Wiring Instructions. Record the good faith deposit in the Bonds Capital Projects Fund.
  7. Check PeopleSoft GL/Commitment Control to see if the budget has been set up.
  8. Alert the Treasurer's Office of the amounts and the timing of the receipt of bond proceeds. The day after the receipt of the bond proceeds, reclassify the Unidentified Receipt into the PeopleSoft fund using the bond's Authority, Project, and Activities Codes. Validate the amount of bond proceeds with the bank deposits per the Wiring Instructions. Record the total bond proceeds in the Bonds Capital Projects Fund.
  9. Prepare a journal entry in PeopleSoft Commitment Control to
    - a) align the budget and uses of bond fund based on the Wiring Instructions and Official Statements against the budget and appropriation line items per relevant Ordinance
    - b) set up the revenue bonds payable, unamortized bond premium, and unamortized bond discount in PeopleSoft's General Ledger Module.
  10. Inform the Interest Allocation Group at AOSD that the PeopleSoft fund project code for the new bonds (both for project funds and premium-in debt service funds) should receive interest allocation in the respective PeopleSoft funds.
  11. Prepare an off-line amortization schedule for the new revenue bond's premiums or discounts for year-end tracking and reporting purposes.

### **Example Journal Entries**

In FAMIS, BR (Budget Supplemental), CR (Cash Receipts), JE (Journal Entries), PR (Direct Payment Requests (NON-RIMS), CK (online check writer), WL (Wire Transfer Liquidation), and YE (Year End processing) document types are generally used to submit entries.



In PeopleSoft, entries will be submitted and recorded to the budget, commitment control, actuals, modified accrual, and full accrual ledgers, and the following modules will process debt related transactions:

- **Budget/Commitment Control**  
Budget journal line entries and upload functionality can be used to submit revenue bond debt entries
- **AR-Cashiering & Cash Management**  
Incoming cash receipts will be initiated using these modules
- **Accounts Payable & Cash Management**  
Outgoing cash payments are to be initiated from these modules
- **General Ledger**  
Bond payable and year-end adjusting entries will be recorded from these modules
- **Project Costing & Purchasing**  
Tracks project costs to be expensed or capitalized

The following are sample revenue bond entries for illustrative purposes only. They are not intended to be all-inclusive; for instance, they do not include costs of issuance, abatements to other departments, or transferring money from Capital Projects Fund to Debt Service Fund. The below sample entries are subject to change and are to be tested prior to the PeopleSoft implementation.

The following is a sample of debt accounting for revenue bonds for illustration only. It does not include all accounting entries and entries may be combined. Many budgetary, encumbrance, modified accrual, and full accrual entries are excluded, particularly as they relate to fund balance/net position.

**FIGURE 11-46. PEOPLESOFT REVENUE BOND ENTRIES & ENTRY POINTS**

	PS Ledger	Accounting Entries	Debit	Credit
<b>Revenue Bonds Budget Journal Entries</b>				
1	Budget	Estimated Sources-Revenues Bond	xxx	
		Appropriation - Capital Project Outlay		xxx
		Appropriation - Underwriter's Discount		xxx
		Appropriation - Bond Issue Costs or Cost of Issuance Legal/FA fees		xxx
		Appropriation - Dep into debt service fund for future debt service payment (Reserve fund requirement per OS)		xxx
		Appropriation - CSA fees		xxx
		To: Budget sources and uses of Revenue Bonds issuance		
		Note the above entries may need to be adjusted once cash proceeds are received		
2	Budget	Estimated Sources-Revenue Bonds	xxx	
		Estimated Sources-Revenue Bonds Premium	xxx	
		Appropriation - Capital Project Outlay		xxx
		Appropriation - Underwriter's Discount		xxx
		Appropriation - Bond Issue Costs or Cost of Issuance Legal/FA fees		xxx
		Appropriation - Dep into debt service fund for future debt service payment (Reserve fund requirement per OS)		xxx
		Appropriation - CSA fees		xxx
		To: Adjustment to initial budget entry to align budget source and used per actual Revenues Bond issuance		

**ACCOUNTING POLICIES & PROCEDURES**

<u>Revenue Bonds Issuance Actual Basis Journal Entries</u>				
3	Actual	Cash (City Treasury)	xxx	
		Sources - Revenue Bonds Proceeds		xxx
		To: Record receipts of Good Faith Deposit		
4	Actual	Cash (City Treasury)	xxx	
		Cash (Fiscal Agent) - Reserve fund requirement per OS	xxx	
		Sources - Revenue Bonds Proceeds		xxx
		Sources - Revenue Bonds Premium		xxx
		To: Record proceeds from Revenue Bonds sale		
5	Actual	Expenses - Bond Issue Costs or Cost of Issuance Legal/FA fees	xxx	
		Cash (City Treasury)		xxx
		To: Record bond issuance cost		
6	Actual	Cash (Fiscal Agent) - Reserve fund requirement per OS	xxx	
		Interest Income		xxx
		To: Record interest earned from Reserve fund in Fiscal Agent		
<u>Revenue Bonds Issuance Full Accrual Basis Journal Entries</u>				
7	Full Accrual	Sources - Revenue Bonds Proceeds	xxx	
		Sources - Revenue Bonds Premium	xxx	
		Revenue Bonds Payable		xxx
		Unamortized Revenue Bonds Premium		xxx
		To: Record Revenue Bond Obligation and Premium		
<u>Debt Service Payment &amp; Amortization of Premium</u>				
8	Actual	Expenses - Debt Service, Principal	xxx	
		Expenses - Debt Service, Interest	xxx	
		Cash (City Treasurer)		xxx
9	Full Accrual	Revenue Bonds Payable	xxx	
		Expense - Debt Service, Principal		xxx
10	Full Accrual	Unamortized Revenues Bond Premium	xxx	
		Amortization Expense of Bond Premium		xxx
		To: Record debt service payment and premium amortization		

<u>Year End Adjusting Journal Entries</u>				
11	Full Accrual	Revenue Bonds Payable - Long Term	xxx	
		Revenue Bonds Payable - Short Term		xxx
		To: Re-class long-term debt to short-term debt for amount due within 12 months		
12	Full Accrual	Expenses - Debt Service, Interest	xxx	
		Interest Payable		xxx
		To: Record year end interest expense accrual		
13	Full Accrual	Interest receivable - Fiscal Agent	xxx	
		Interest Income		xxx

## 11.7.5 | Reporting

### 11.7.5.1 | COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

AOSD produces the *Comprehensive Annual Financial Report*, which includes a variety of debt schedules, such as the following:

## ACCOUNTING POLICIES &amp; PROCEDURES

FIGURE 11-47. LONG-TERM OBLIGATIONS – BUSINESS-TYPE ACTIVITIES

**CITY AND COUNTY OF SAN FRANCISCO**  
**Notes to Basic Financial Statements (Continued)**  
June 30, 2016  
(Dollars in Thousands)

## BUSINESS-TYPE ACTIVITIES

Entity and Type of Obligation	Final Maturity Date	Remaining Interest Rates	Amount
San Francisco International Airport:			
Revenue bonds *	2044	2.00% - 6.00%*	\$ 4,234,725
San Francisco Water Enterprise:			
Revenue bonds	2051	1.80% - 6.95%	4,075,890
Certificates of participation	2042	2.00% - 6.49%	111,405
Accreted interest	2019	-	5,860
Hetch Hetchy Water and Power:			
Energy and revenue bonds	2046	0.00% - 5.00%	55,599
Certificates of participation	2042	2.00% - 6.49%	15,167
Municipal Transportation Agency:			
Revenue bonds	2044	3.00% - 5.00%	185,835
Loans	2019	2.86%	76
San Francisco General Hospital Medical Center:			
Certificates of participation	2026	5.55%	17,082
Capital leases	2017	2.41% - 2.66%	258
San Francisco Wastewater Enterprise:			
Revenue bonds	2047	1.00% - 5.82%	978,135
Certificates of participation	2042	2.00% - 6.49%	29,458
Port of San Francisco:			
Revenue bonds	2044	1.60% - 7.408%	54,125
Certificates of participation	2038	4.00% - 5.25%	33,335
Loans	2029	4.50%	2,244
Laguna Honda Hospital:			
Certificates of participation	2031	4.30% - 5.25%	131,710
Capital leases	2017	4.00%	8
Business-type activities total long-term obligations			<u>\$ 9,930,912</u>

\* Includes Second Series Revenue Bonds Issue 36 A, B & C, 37C and 2010A, which were issued as variable rate bonds in a weekly mode. For the fiscal year ended June 30, 2016, the average interest rates on Issue 36A, 36B, 36C and 37C were 0.12%, 0.11%, 0.12%, & 0.11%, respectively; for Issue 2010A-1, 2010A-2 and 2010A-3 rates were 0.12%, 0.12% and 0.12%, respectively.

**FIGURE 11-48. CHANGES IN LONG-TERM OBLIGATIONS (INCLUDING REVENUE BONDS DEBT SERVICE PRINCIPAL)**

	July 1, 2015	Additional Obligations, and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2016	Amounts Due Within One Year
<b>Total Business-type Activities:</b>					
Bonds payable:					
Revenue bonds .....	\$ 9,551,350	\$ 540,475	\$ (563,115)	\$ 9,528,710	\$ 265,515
Clean renewable energy bonds .....	55,445	4,100	(3,946)	55,599	1,692
Certificates of participation .....	349,465	-	(11,308)	338,157	11,849
Subtotal .....	9,956,260	544,575	(578,369)	9,922,466	279,056
Issuance premiums / discounts:					
Add: unamortized premiums .....	440,114	103,525	(43,471)	500,168	-
Less: unamortized discounts .....	(601)	-	31	(570)	-
Total bonds payable, net .....	10,395,773	648,100	(621,809)	10,422,064	279,056
Accreted interest payable .....	5,471	389	-	5,860	-
Notes, loans, and other payables .....	2,369	97	(146)	2,320	163
Capital leases .....	1,174	-	(908)	266	266
Accrued vacation and sick leave pay .....	104,662	56,756	(52,805)	108,613	64,822
Accrued workers' compensation .....	171,890	57,863	(40,150)	189,603	31,867
Estimated claims payable .....	107,170	37,837	(27,939)	117,068	52,808
Long-term obligations .....	\$10,788,509	\$ 801,042	\$ (743,757)	\$10,845,794	\$ 428,982

#### 11.7.5.2 | REPORTING FOR OVERSIGHT COMMITTEES

The issuing department periodically generates reports for the Oversight Committee.

#### 11.7.6 | Track Bond Proceeds & Spending

Generally, revenue bond proceeds are budgeted, encumbered, accounted for, and tracked by fund and project. **FAMIS** fund summary and project screens can be used to view budget, encumbrance, and actuals accounting. Departments receiving debt funding are to track, in PeopleSoft or off-line, project sources and uses against actuals by fund and by project.

## ACCOUNTING POLICIES &amp; PROCEDURES

FIGURE 11-49. FAMIS FUND SUMMARY SCREEN—REVENUE BONDS

FAML6750 V5.1		CITY AND COUNTY OF SAN FRANCISCO--NFAMIS		04/05/2017	
LINK TO:		FUND SUMMARY INQUIRY		2:10 PM	
BALANCE (Y,M,Q,A) : A		CURR/PRIOR PRD :		CURRENCY CODE :	
FISCAL MO/YEAR : 10 2017 APR 2017					
FUND TYPE : 5M		MTA-MUNICIPAL RAILWAY FUNDS			
FUND : CPF		MUNI-CAPITAL PROJECTS FUND			
SUBFUND : 14A		MTA 2014 REVENUE BOND S2014A - TRANSIT			
CHARACTER :					
OBJECT CODE :					
PROJECT : CPT432		ISLAIS CREEK-WOODS ANNEX			
GRANT :					
-----					
S SUBOBJ	DESCRIPTION	BUDGET	ACTUAL	PREENC/ENC	BALANCE
80111	PROCEEDS FRO	6,137,000	6,137,000		
	REVENUE TOT	6,137,000	6,137,000		
02704	CONSTRUCTION	6,350,000	5,795,238	105,562	449,200
06700	BLDGS,STRUCT	-213,000			-213,000
	EXPEND TOTAL	6,137,000	5,795,238	105,562	236,200
	REV LESS EX		341,762	-105,562	236,200

FAML6750 V5.1		CITY AND COUNTY OF SAN FRANCISCO--NFAMIS		04/05/2017	
LINK TO:		FUND SUMMARY INQUIRY		2:11 PM	
BALANCE (Y,M,Q,A) : A		CURR/PRIOR PRD :		CURRENCY CODE :	
FISCAL MO/YEAR : 10 2017 APR 2017					
FUND TYPE : 5M		MTA-MUNICIPAL RAILWAY FUNDS			
FUND : CPF		MUNI-CAPITAL PROJECTS FUND			
SUBFUND : 14A		MTA 2014 REVENUE BOND S2014A - TRANSIT			
CHARACTER :					
OBJECT CODE :					
PROJECT : CPT982		MTA S2014 REV BOND COI - TRANSIT			
GRANT :					
-----					
S SUBOBJ	DESCRIPTION	BUDGET	ACTUAL	PREENC/ENC	BALANCE
30120	INTEREST EAR	3	3		
80599	PREMIUM ON I	353,596	353,596		
	REVENUE TOT	353,598	353,598		
07611	BOND ISSUANC	273,742	273,742		
081C4	GF-CON-INTER	60,000			60,000
0955M	ITO TO 5M-PT	19,856	19,856		
	EXPEND TOTAL	353,598	293,598		60,000

## 11.7.7 | Compliance – Revenue Bonds

Revenue bond compliance—such as arbitrage rebate calculations, annual disclosures, and debt covenants—is managed by the issuing department.

## 12 | GRANTS & GIFTS

This section describes the policies and procedures to account for grants and gifts, as well as other related resources received by the City.

### 12.1 | Financial System Structure of Grants & Gifts

Grants and gifts, as well as types of resources received by the City further discussed in [Section 12.1.3 | Awards Types, Revenue Accounts & Recommended Structure](#), are represented in PeopleSoft by awards, contracts, and associated projects and activities.

#### Award

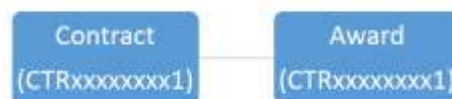
An award in PeopleSoft has a profile that tracks non-financial information for reporting (e.g., Single Audit) and milestones tracking purposes, including:

- Sponsor and Pass-through Agency
- Catalog of Federal Domestic Assistance (CFDA) Number (for federal grants)
- Project Manager (PI) and Award Administrator
- City Authorizations (Annual Appropriation Ordinance, Accept & Expend, Prop K, Delegated Authority, etc.)
- Grant Management Milestones (e.g., Billing, Report Submissions)
- Sponsor Terms and Conditions

#### Contract

A grant customer contract in PeopleSoft is not to be confused with a procurement contract. The grant customer contract holds sponsor (customer) addresses, letter of credit, billing limit, and other billing-related information that facilitates billing and revenue recognition for costs booked to associated projects and activities.

A PeopleSoft contract is set up in conjunction with a PeopleSoft award. It has a one-to-one relationship with the award. The award and the contract share the same 12-digit ID.





## ACCOUNTING POLICIES &amp; PROCEDURES

**Note:** The Billing Limit set-up of the grant customer contract is a system control against over-billing the grant award.

## Projects & Activities

Financial data of an award/contract are recorded in delivery projects and activities associated with the award/contract. Financial transactions from different PeopleSoft source modules (Time and Labor, Procurement, Expenses, Accounts Payable, General Ledger, Commitment Control, Accounts Receivable) are captured in award-associated project and activities through the Project Costing Module.

**FIGURE 12-1. PROJECT COSTING MODULE AWARD TAB**

**Award ID** CTR00000147

**Reference Award Number**  **Federal Award Identification Number**

**Title** Farebox Rehab (PTSB11)

**Long Description**  254 characters remaining

**Award PI**  **Reporting Role**

**Sponsor** CA Dept of Transportation (CALTRANS)

**Post Award Administrator**

**Purpose** PWTC

**Status** Accepted

**Award Type** Grant

**Proposal ID**

**Version ID**

**Start Date** 07/15/2009

**End Date** 09/30/2022

[View Contract](#) [View Proposal](#) [Additional Information](#) [Grant Administrator](#) [Sponsor Website](#) [CFDA](#)

**Primary Project PI**

PC Business Unit	Project	Description
SFGOV	00026882	Farebox Rehab (CPT613)
SFGOV	00026883	Neoplan Lifecycle Reh (CPT650)
SFGOV	00026909	Operator-Restroom (CPT303)

**Associated Project** [Personalize](#) [Find](#) [First](#) [1-3 of 3](#) [Last](#)

**Go To:** [Sponsor](#) [Protocols](#) [Attributes](#) [Department Credit](#) [Notepad](#) [Award Modifications](#) [Supplemental Data](#)

The default set-up of a grant project comes with one activity to hold the financial data of that project. Multiple “activities” with multiple levels can be set up after the grant project is established to track different expenditures within the same grant project. Departments should establish these “activities” only for justifiable reporting needs.

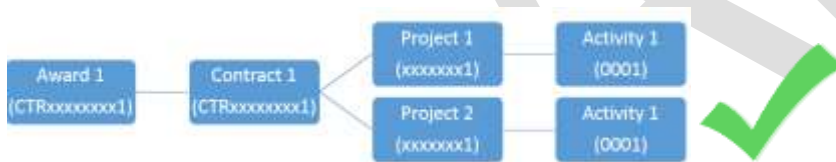
Correctly setting up the initial grant project/activity structure in the financial system associated to a grant award/contract is very important to ensure accurate recording and efficient monitoring of the grant. After-the-fact restructuring due to incorrect grant set-up would require extensive analysis and could be extremely labor-intensive and time-consuming.

As a general rule, the grant project/activity structure should be set up to ensure that grant award expenditure and budget do not commingle with those of another grant award or other funding source. Commingling of budgets and expenditures of multiple grants, or a grant with other funding sources, would expose the City to the risk of over-spending the grant award, lead to difficulty in providing necessary documentation for audits, and risk potential audit findings as a consequence.

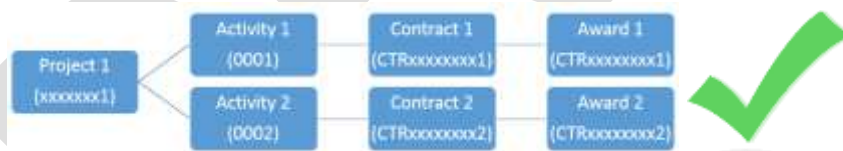
### **Associating Projects & Activities with Customer Contracts**

There are certain system restrictions in regards to associating project activities with customer contracts.

1. A contract can have activities associated from multiple projects:



2. Different activities within a project can be associated with different contracts:



3. An activity can only be associated to one contract, not multiple contracts:



To determine the right project/activity structure to associate to a grant award, one should first understand the budget definition set-up for grant transactions in PeopleSoft. The project/activity

structure, aligned with the system budget definition set-up, should match the specific requirements of the grant award to achieve the desired budget control and reporting flexibility.

### 12.1.1 | Grant Fund & Budget Definition (Department/Fund/Project)

Grant transactions are required to have a grant fund input. Each grant fund rolls up to a CAFR reported special revenue fund or enterprise fund. Department should choose the grant fund that best fit the grant's purpose and the function of the department to record the grant's transactions.

PeopleSoft budget definition (control) resides with the fund ChartField. The budget definition set-up for all grant funds is at the department, fund, and project level.

By default, a PeopleSoft grant award/contract is associated with one project. With this set-up, the budget definition at the project level within the grant fund will achieve appropriation control aligned with the grant award/contract.



This project-level budget definition means the system will not control budget at the project's activities level or account level, where the grant award line-item budget sometimes resides. Departments should monitor their line-item budgets as stipulated by the grant agreement to ensure no overspending of line-item budget occurs.

### 12.1.2 | Grant Authority ChartField

The grant authority ChartField is a required input field for grant transactions. However, grant authority does not define budget control, since grant fund budget definition is set-up at the project level. The grant authority ChartField input serves to identify revenue accounts for contract billing processes. It also serves to group grant costs that need to be distributed from delivery project activities to award-associated project activities, in the case of project set-up with multiple funding sources.

TABLE 12-1. FIVE AUTHORITIES FOR GRANT MANAGEMENT

AUTHORITY LEVEL 1	AUTHORITY LEVEL 2	ASSOCIATED REVENUE ACCOUNT
19147 Grants (Rollup)		
	19148: Federal Grants	"Federal Direct Grants" "Federal Grants Passed Thru State/Other"
	19149: State Grants	"Other State Grants and Subventions"

AUTHORITY LEVEL 1	AUTHORITY LEVEL 2	ASSOCIATED REVENUE ACCOUNT
	19150: Other/Local Grants	
	19151: Undistributed Grant Costs	N/A

### 12.1.3 | Awards Types, Revenue Accounts & Recommended Structure

Outside resources that supplement the City's revenues from local taxes, bond sales, investments, and fees may be received as various forms of awards. They are represented by revenue accounts that are rolled up to different categories of revenue in the City's financial statement. Therefore, it is very important to use the appropriate account when recording revenue. Based on the source of funds, the use of revenue accounts should coincide with the fund used. It is important to accurately define the resources received as each type may require a different recording treatment in the financial system. The Table below summarizes award types.

New revenue accounts can be created when necessary and need Controller's Office approval. Contact your Controller's Office Fund Accountant to discuss.

**TABLE 12-2. REVENUE AWARD TYPES & DESCRIPTIONS**

AWARD TYPES	DESCRIPTION
Grants	Grants are typically awarded through an application process by a government department, non-profit, or private entity to fund specific projects or programs. They normally have specific restrictions on spending of the grant money and require some level of compliance and reporting. The restrictions and requirements are spelled out in a grant agreement or grant contract, signed by both the grant recipient (grantee) and the granting agency (grantor). Grantors often have the right to take back the grant resources if the specific requirements of the grant are not met. In order to receive a grant, some form of proposal or application is usually required. Often, a grant budget is included in the application and the grantee is required to adhere to this budget when approved by grantor. Grants also normally have a specific term to limit spending in a definite time period and the grant will expire at a certain date unless an extension is authorized by the grantor
Subventions	Subventions are federal and state entitlement programs that allocate money to the City based on assistance claims, census data, or other measures. Subventions

## ACCOUNTING POLICIES &amp; PROCEDURES

AWARD TYPES	DESCRIPTION
	are normally allocated to supplement City funding for particular programs each fiscal year
Other Transaction Agreements(OTA) & Federal Contracts	Federal contracts and Other Transaction Agreements (OTAs) are agreements with federal agencies that are not considered grants and are not required to have expenditures reported on the <i>Schedule of Expenditures of Federal Awards</i> (as stated on the agreements). They often have a fee-for-service nature and the relationship between the City and the federal agency is more of a vendor-customer relationship rather than a grantee-grantor relationship
Forgivable Loans	Forgivable loans are loan agreements in which a department will receive a loan to fund a program, and the loan does not have to be repaid if the department abides by certain restrictions as stated in the loan agreement
Gifts & Donations	<p>Gifts and donations are voluntary and irrevocable transfers of money, property and marketable securities from private individuals, estates, and corporations. Gifts are classified as either restricted or unrestricted:</p> <ul style="list-style-type: none"> <li>• <i>Unrestricted</i> gifts are donations received by a department that may be used towards any purpose they see fit</li> <li>• <i>Restricted</i> gifts are donations received by department in which the donor restricts the use to a particular purpose</li> </ul> <p>A gift does not have an expiration date to limit its use and it does not have reporting requirements to the donor. Unlike a grant, where the money would be returned to the grantor if the City does not follow the guidelines set forth in the grant agreement, a gift is not required to be returned to the donor. <a href="#">Figure 12-1</a> serves to assist departments in determining the nature of the external funding as a grant or gift</p>
Bequest	A bequest is a gift of personal property, such as cash and investment, owned by a decedent at the time of death, which is directed by the provisions of the decedent's will

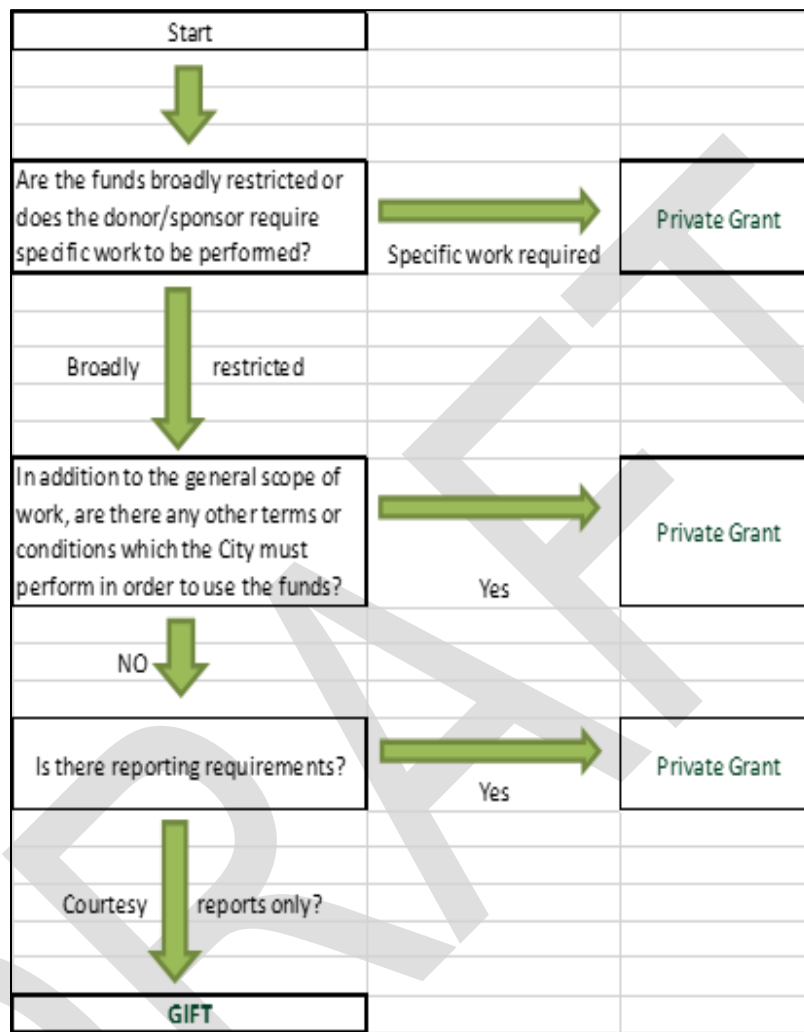
**TABLE 12-3. REVENUE ACCOUNTS & THEIR RECOMMENDED FINANCIAL SYSTEM STRUCTURE**

REVENUE ACCOUNTS	RECOMMENDED FINANCIAL SYSTEM STRUCTURE
<p>“Federal Direct Grants”</p> <p>“Federal Grants Passed Thru State/Other”</p> <p>“Other State Grants and Subventions”</p> <p>“Private Grants”</p>	<p>The recommended set-up is to align each grant award/contract with a single project, in order to achieve budget control at the total grant award</p>
<p>Various* (see <a href="#">Figure 12-2</a>)</p>	<p>The recommended set-up for subventions, especially federally funded programs, is to set them up as projects and activities that are associated with awards representing the subvention program. This allows their program information (e.g., Catalog of Federal Domestic Assistance (CFDA) numbers) to be retrieved through the award profile for Single Audit reporting purposes. Funding for each fiscal year can be recorded in the same projects and activities without the need to create new projects. Some subventions’ claim structures may not be best handled by the billing process of the Contract Module; in such cases, the billing function of the contract associated with the award can be disabled to allow direct recording of revenues and receivables</p>
<p>“Federal Direct Contracts”</p>	<p>Record these awards in PeopleSoft in the same manner as discussed for grants. It is not required to input Single Audit-related information (e.g., CFDA number) in the award profile since this funding source is not subject to Single Audit and is excluded from SEFA reporting</p>
<p>N/A</p>	<p>These awards are recorded in the same manner in PeopleSoft as discussed for grants</p>

**ACCOUNTING POLICIES & PROCEDURES**

REVENUE ACCOUNTS	RECOMMENDED FINANCIAL SYSTEM STRUCTURE
"Gifts and Bequests"	<p>Gifts are recorded in projects associated with an award to track donor information and restrictions. The following are examples of situations that require an individual project set-up:</p> <ul style="list-style-type: none"> <li>• Gift of a large dollar amount (over \$10,000) that went through Board approval</li> <li>• Gift that is restricted for specific use</li> <li>• Gifts that are received from donors that are on the sponsors list in the system</li> <li>• Donated/contributed capital asset</li> <li>• In-kind gift (of significant dollar amount)</li> <li>• Donated investments that need to have interest and dividends tracked</li> </ul> <p>If the gift is a small dollar donation for a general purpose, it can be recorded in pre-established department projects for miscellaneous gift pools. Some gift campaigns can result in numerous small gifts for a single purpose. These gifts for the same purpose may be combined and recorded in one project and activity as well, if there is no need to distinguish each one for reporting purposes</p>
"Gifts and Bequests"	Same treatment as gifts and donations

**FIGURE 12-2. GRANT VS. GIFT DETERMINATION PROCESS**



**FIGURE 12-3. LIST OF SUBVENTION REVENUES**

[TBD]

Below are the grant structure recommendations for other frequently encountered grant situations. Departments may work with their Fund Accountants to determine the most efficient structure to track their grant funding if their situation is unique and cannot be accommodated by the recommended structures described.

- **Recurring Grants**

Grants that are renewed each grant year should be set up as separate grant projects in each



**occurrence.** The title of the grant project should have the same naming convention as the fiscal year indicated at the end (e.g., Community Development Block Grant as “CDBG FY17”, “CDBG FY18”, etc.)

- **Multi-year Grants**

If the grant term of a single grant award is more than one fiscal year, and the grant agreement stipulates a separate budget for each fiscal year with a reporting requirement for expenditure of each budget year, **a new activity can be established under the same grant project for each fiscal year's budget.** If the grant budget spans the entire multi-year grant period, no new activity needs to be established for each fiscal year of the grant period

- **Grants with More than One Funding Source**

If a grant involves multiple funding source, (e.g., both state and federal funding) the expenditures of each funding source need to be reported separately. It is recommended that **a grant activity be established separately for each funding source, associated with a contract/award, but under the same project.** If a grant involves both state and federal funding by percentages and the expenditures are inseparable, then record expenditures in an activity under the same grant project for undistributed costs, and manually process an allocation journal entry to the grant activity of the respective funding source associated with the award/contract

- **Grants Funding a Capital Project**

A capital project may have multiple funding sources that consist of both grants and non-grant funding (e.g., bonds, general fund, fees) In this case, the delivery capital project should be established as a whole, with activities created that are associated with the awards/contracts representing each grant

- **Multi-department Collaboration and Work Orders**

A grant program that involves the work of more than one City department should be established as a single grant project with one City department as the lead agency. The lead/administering department can set up separate project activities for other participating departments to charge costs to the grant project. The lead department should transfer budget to the participating department and their corresponding activity under the grant project through a work authorization mechanism. These program costs are to be differentiated from provisions of regular internal services that are part of the performing department's normal operations (e.g., telephone charges from Department of Technology, rents to Real Estate, legal services from City Attorney, and permit fees to City Planning and other City Agencies). The internal services costs should be budgeted and recorded in a way that is consistent with the performing departments' mechanisms for charging funding sources other than the grant. For more information, refer to [Section 7 - Interdepartmental Services](#)

- **Matching Funds**

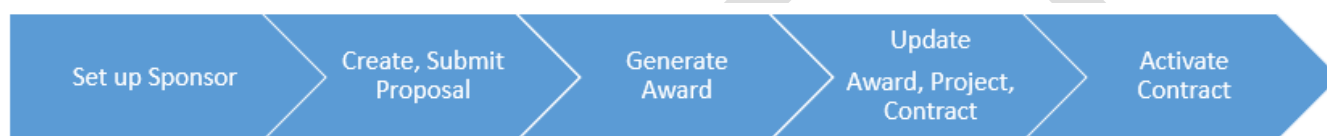
Many grants require matching funds or in-kind contributions, which could come from the general

fund, other grants, non-profit agencies' expenditures, or volunteer hours. Departments are responsible for tracking and reporting matching funds and contributions to comply with grant agreements and to support audits. Activities under the delivery project of the grant, which are not associated with the contract/award representing the grant, can be created to track matching funds

## 12.2 | Setting up Grants & Gifts in the Financial System

Setting up grants and gifts in PeopleSoft is done through the following processes:

**FIGURE 12-4. OVERVIEW OF SETTING UP GRANTS & GIFTS IN PEOPLESOFT**



### 12.2.1 | Set up the Sponsor

A “sponsor” is a donor agency or transferor of funds to the City. A sponsor is also a customer in the system for billing purposes. Correctly entering sponsor information for a grant is critical for both billing and reporting purposes.

If a sponsor has not previously awarded funds to the City and does not appear in the pre-established sponsors listing, it needs to be entered by the Controller’s Office Supplier Maintenance Team. To request a set-up for a new sponsor, provide the Supplier Maintenance Team with the following information:

- **Sponsor type**  
Federal, state, local, or others
- **Sponsor address**  
This is a required field. Multiple addresses for a single sponsor can be set up as well
- **General sponsor guidelines**  
These reflect general provisions stipulated by the sponsor for all grants awarded by this sponsor. Choose from the drop-down list or enter a new guideline
- **Letter of Credit**  
This information is only required for federal sponsors that use this identification for draw down purposes

FIGURE 12-5. GRANT SPONSOR TYPE &amp; GUIDELINE FIELDS

General Information

SetID STATE Sponsor 1000000027

Level

Sponsor Type **FED**

Program Type

Reports To Sponsor

CFDA Number

Sponsor Base MTDC1

Allowable Construction Pct

Federal Share Percentage 100.00

Cost of Living Increase Pct

Sponsor Salary Cap  0.00

Not allowable Construction Pct

☐ Federal

☐ US Flag Carrier Required

☐ Foreign

☐ Allow CO-PI's

☐ Allow Multiple PI's

☒ Show Indirect Expenses on FFR

**Letter of Credit Details**

☒ Letter of Credit

Letter of Credit Sponsor 1000000027

**Letter of Credit Info**

Find | View All First 1 of 1 Last

LOC Number 1000000027

Comments 1000000027 LOC

Save Return to Search Previous in List Next in List Notify Refresh Add Update/Display Include History Correct History

General Info | Details | Attributes | Bill To Options | Ship To Options | Sold To Options | Miscellaneous General Info

The screenshot shows the 'Guidelines' application interface. The main window displays a form for creating or editing a guideline. The 'Look Up Guideline' dialog box is open, showing a search results table. The table has columns for 'Guideline ID', 'Short Description', and 'Description'. The 'Guideline ID' column is highlighted. The 'Look Up Guideline' dialog box also includes a 'Look Up' button and a 'Clear' button.

Guideline ID	Short Description	Description
BMFTS	UI Benefit	Unemployment Insurance Benefit Payments
BUYUS	Buy USA	Buy from a US Vendor
CADUT	CI PROJ	CAPITAL OUTLAY PROJECTS
DIGHA	DgrHA	Digital Hearing Aid Loan Bank
DJ	Dingle	Sportfish Restoration
DJB	DJB BASE	Sportfish expenditures
EQUIP	Equipment	Equipment Purchases
FAD	FAD/EMS	Foreign Animal Disease (Emergency Management (3375))
FED	Federal	Federal Guidelines
FNDG	Funding	Detail of funding
HPS	Hist Pres	Historic Preservation
LAND	Land	Purchase of Land
LOBBY	Lobbying	Lobbying activities
MATCH	Local Mich	Local funding match
MATCH1	OSHA	OSHA Consultation Match
MATCH2	OSHS/CFOR	OSHS/CFOR Match
NAIS	Animal ID	National Animal Identification System (3305)
NPIP1	BY Poultry	NPIP Backyard Poultry (3365)
NPIP2	UPLAND GMS	NPIP Upland Gamebirds (3367)
NPIP3	LPAI	LPAI Live Bird (3368)
PR	Wildlife	Wildlife Restoration
REED	Reed Act	Reed Act Appropriations
RELIG	Religion	Religious activities
RENOV	Renovation	Renovations

## 12.2.2 | Create the Proposal

After confirming that the sponsor has been set up, an authorized department user can create a proposal. The information entered will become part of the award profile upon award generation. There are several tabs in a proposal:

- Proposal
- Projects
- Budgets
- Resources
- Certifications
- Reports
- Attachments

**FIGURE 12-6. PROPOSAL PAGE**

The screenshot displays the 'Maintain Proposal' page. At the top, there's a navigation bar with 'Favorites', 'Main Menu', and a breadcrumb trail: 'Grants > Proposals > Maintain Proposal'. Below this is a tabbed interface with 'Proposal' selected. The main form contains several sections:

- Header Information:** Proposal ID (CTR00000000103), Version ID (V101), Description (Maximize Vaccination), Currency (USD), Reference Award Number (CAGR11-1234), and Federal Award Identification Number (CDC-1234). An 'Add to My Proposals' button is present.
- Description Section:** Title (Max/Vax), Long Description (Maximize vaccinations during flu season).
- Administrative Fields:** PI ID (GRANT02), Sponsor ID (1000000002), Pre-Award Administrator, Purpose (HEALTH), Proposal Type (New, highlighted with a red box), Confidence %, and CFDA (10.029).
- Status Section:** Proposal Status (Draft), Submit Status (Not Submitted), Generate Status (Not Generated), and an 'In Approval Process' checkbox.
- Checkboxes:** Facilities & Admin Requested (checked), Foreign Application/Component, and NIH Modular Grant.
- Date and Periods:** Start Date (10/01/2015), End Date (03/30/2016), No. Periods, and a 'Build Periods' button.
- Budget Periods Table:** A table with columns: Period, Start Date, End Date, Target Sponsor Budget. It shows one period (1) from 10/01/2015 to 03/30/2016 with a budget of 66,000.00.
- Footer:** 'Personalize | Find' options and navigation links (First, 1 of 1, Last).

### 12.2.2.1 | PROPOSAL

The following information needs to be entered (the ones with an asterisk (\*) are system-required fields):

- **Description**  
Briefly describe what the award does
- **Reference Award number**  
Award number provided by the sponsor (if any). Departments must provide this information for

federal pass-through grants in order to generate the *Schedule of Expenditures of Federal Awards* (SEFA)

- **Federal Award Identification number**

For a federal direct grant, this number is the award number provided by the federal agency on the grant agreement. For a federal pass-through grant, this is the award number on the grant agreement between the federal agency and the sponsor (e.g., a state agency)

- **\*Title**

This is the title that will represent the grant in the system. It needs to be searchable under the following criteria:

Grant Project Title Naming Convention

- Each grant project title should start with the department's two-character department code followed by the name of the grant program (preferably the one given on the grant agreement)
- All project and activity titles should not exceed 30 characters, including spaces. Shorthand for titles is encouraged but keywords need to be searchable. Departments should establish accounting procedures to ensure consistency in their project and activities naming protocols and set-up policies

- **Long Description**

This is a 50-character field for the department to provide a longer description of the grant. If the full title of the grant as shown on the grant agreement does not fit the 30-character "Title" field, insert the full title here

- **\*PI ID**

From the drop-down list, select the Grant Program Manager who is responsible for overseeing this grant

- **\*Sponsor ID**

From the drop-down list, select the sponsor who is the outside (non-City department) agency that directly contracts with the City for the grant funding. If this is a federal pass-through grant, the sponsor is the pass-through agency, not the federal agency

- **Pre-Award Administrator**

Enter the name of the program staff who initiates and maintains the grant application

- **Purpose**

From the drop-down list, select the service area relevant to the grant

## ACCOUNTING POLICIES & PROCEDURES

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- **Proposal Type**

From the drop-down list, select whether the grant applied is “New”, “Competing Continuation”, “Non-Competing Continuation”, “Resubmission”, “Renewal”, or “Supplemental”. Proposal Type does not correlate to Grant Type; Proposal Type is informational only

- **Confidence %**

This is the department’s estimate of its confidence level that the grant will be awarded. This is not a required field and can be left blank

- **CFDA**

This is the Catalog of Federal Domestic Assistance number that is required for all federal direct and pass-through grants. CFDA number is typically found on the grant application, grant agreement, or award notification. This number indicates the federal program that is funding the grant. Search the CFDA number through <https://beta.sam.gov/> to find detailed information about the federal program. The CFDA number is crucial for generating the annual *Schedule of Expenditures of Federal Awards* (SEFA) and information-gathering for the Single Audit. For gifts and other non-federal awards, this information does not apply and does not need to be entered. Only one CFDA number should be entered per proposal. This is to allow expenditure data to be cleanly segregated and retrieved per CFDA program for Single Audit purposes

- **Start Date**

The expected grant program effective date. This is the date the department can start spending the grant, if budget authority has been obtained by that date

- **End Date**

The expected grant program expiration date. This is the last day expenditure can occur to be eligible for grant funding. For gifts or donated/contributed assets, end date can be entered as “6/30/2999”, since gifts and contributions do not expire

- **Facilities and Admin Requested** (checkbox)

Check only if indirect cost allocation is needed in this grant. This functionality is currently not turned on

- **Foreign Application Component** (checkbox)

Check only if foreign currencies translation is involved

- **NIH Modular Grant** (checkbox)

Check only if this is a federal National Institute of Health Modular Grant, which has special grant application and award procedures

#### 12.2.2.2 | PROJECTS

The projects tab associates a proposed project to the grant award. If the department wishes to associate a pre-established project instead of a newly created project, it can input the pre-established Project ID here, replacing the word “NEXT”, which indicates a new Project ID is being created.

#### 12.2.2.3 | BUDGETS

The budgets tab associates a proposed activity to the grant award. If the department wishes to associate an activity under a pre-established project instead of a newly created project and activity, it can input the pre-established Project ID here, replacing the word “NEXT”, which indicates a new Activity ID is being created.

#### 12.2.2.4 | RESOURCES

This tab indicates the resource type, the sub-recipient suppliers (if any), and the employee information of the personnel working on this grant.

#### 12.2.2.5 | CERTIFICATIONS

This tab is where the grant’s budget authority and other approvals are tracked (e.g., Annual Appropriation Ordinance, Accept and Expend).

#### 12.2.2.6 | REPORTS

This tab tracks the grant’s reporting requirements.

#### 12.2.2.7 | ATTACHMENTS

Attach the grant application, grant agreement, award notification and other documents related to the grant here.

After completing the fields, click **“Add to My Proposals”** on the proposal tab.

A Proposal ID will populate. This ID will also become the Award ID and the Contract ID when the award is generated. This will be an 11-digit code starting with “CTR”.

A proposed Project ID (8-digit numeric code) and Budget ID (4-digit numeric code) will also populate. These will become the default Project ID and Activity ID associated to the grant award and contract, represented by the Award ID and Contract ID coming from the Proposal ID, when the award is generated.

For grants converted from FAMIS prior to July 1, 2017, the Proposal ID, Award ID and Contract ID match the Project ID and have an 8-digit numeric code.



#### 12.2.2.8 | PROPOSAL TEMPLATE

A proposal can be set up as a template proposal by checking the “template proposal” checkbox when the proposal is in “draft” status. A template proposal can be copied for proposal submission for recurring grants or grants that have similar parameters as the template proposal. However, template proposals cannot be submitted for generating an award. Also, a proposal that is already submitted cannot be tagged as a proposal template.

### 12.2.3 | Submit the Proposal

A proposal has to be submitted for award generation:

- **Proposal Status**

“Draft” status is shown when a new grant proposal is created. When the proposal is ready for submission, select “Submit”

Proposal set up and submission can be done during the grant’s pre-award stage (e.g., when the grant is applied), post-award stage (e.g., when the grant has been awarded), or when the gift notification/letter is received.

If the proposal is set up during the grant’s pre-award (application) stage, the department can track the award status using the Certification page. Once the award is officially approved (e.g., there is documented confirmation of grant award), the approval document can be uploaded as an attachment, and the award can be generated based on the approved document.

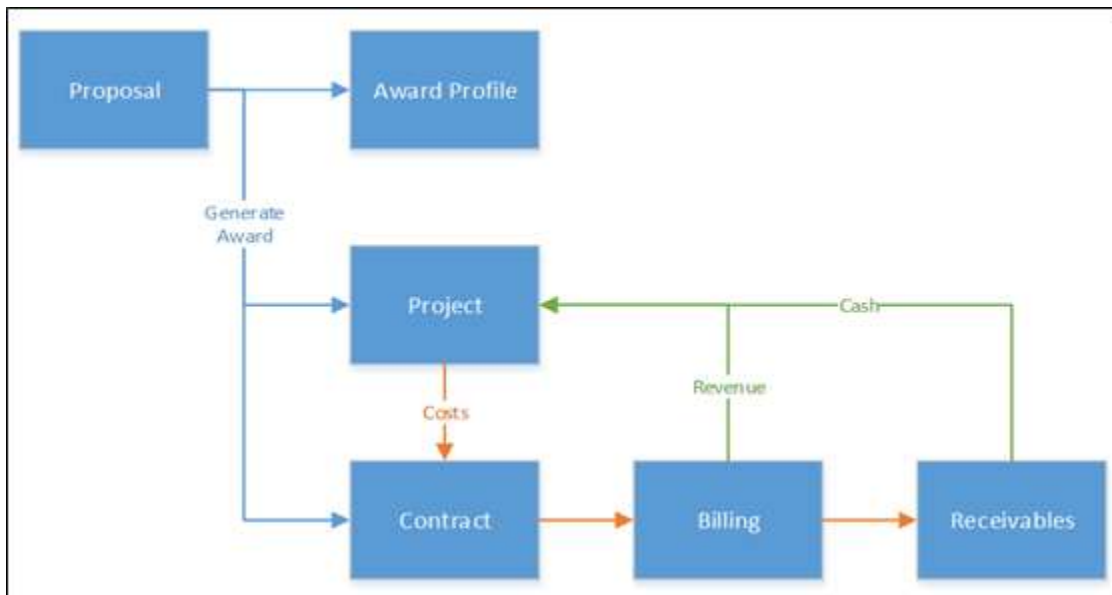
If a grant budget has been approved through the Annual Appropriation Ordinance but the grant has not yet been awarded, set up the grant project and activity to load the budget. Then the proposal can be submitted and the department grant manager can generate the award to activate the grant project and activity before the grant is actually awarded.

The status of grant award can be tracked through the Certification page, and the project start date can be set at a future date so that costs cannot be charged to the grant until the grant is actually awarded and in effect.

### 12.2.4 | Generate the Award

After the proposal is submitted, the department grant approver can generate the award, create the award profile and contract from the proposal, and activate the proposed project and activity.

**FIGURE 12-7. GRANTS PROCESS FLOW**



**FIGURE 12-8. PEOPLESFT GENERATE AWARD SCREEN**

The screenshot shows the 'Generate Award' screen in the PeopleSoft system. The browser address bar displays 'https://sps.fstst.sfgov.org/psp/fstst/EMPLOYEE/ERP/g/EST'. The page header includes 'Oracle PeopleSoft Sign-in...', 'FSP Test Environment', and 'GLAM Test Scripts'. The navigation menu shows 'Main Menu > Grants > Proposals > Generate Award'. The user is logged in as 'EXT\_AGENCY\_GM\_PROCESSOR'.

The 'Generate Award' form contains the following fields and options:

- From Proposal:** CTR00000141
- To Award:** CTR00000141
- From Version:** V101
- ☐ Pre-award Spending
- ☐ Add to Grants Portal Security?

The **Project** section includes a 'Find | View All' link and a 'First 1 of 1 Last' indicator. It features a 'Primary Project' checkbox and a 'Project' field with the value '00026903'. Below this is a 'Budget' table with columns 'From Budget', 'Activity', and 'Description'.

From Budget	Activity	Description
<input checked="" type="checkbox"/> 0001	0001	

At the bottom of the screen, there is a 'Generate' button and a 'Return to Search' link.

The department user generating the award should be different from the proposal submitter. Before generating the award, the department grant manager needs to review all the inputs in the proposal against the physical grant documents to ensure they are accurate, as well as confirm that the award status of the grant is correct and all necessary approvals are in place.

Once an award is generated, e-mail the assigned Controller's Office Fund Accountant with information on the newly generated Award ID and Project/Activity ID.

### **12.2.5 | Update the Award Profile**

On the Award Profile page, certain award information is automatically populated using data entered on the proposal. Verify this information to ensure it is correct. Update information like award type and grant terms on the Award Profile.

**FIGURE 12-9. GRANT AWARD PROFILE PAGE**

The screenshot displays the 'Award Profile' page with a navigation bar at the top containing 'Favorites', 'Main Menu', 'Grants', 'Awards', and 'Award Profile'. Below the navigation bar is a tabbed interface with tabs for 'Award', 'Funding', 'Resources', 'Certifications', 'Terms', 'Milestones', 'Key Words', and 'Funding Inquiry'. The 'Award' tab is active, showing the following fields:

- Award ID:** CTR000000000194
- Reference Award Number:** CADPH-1234
- Federal Award Identification Number:** CDC-1234
- Title:** MaxVax
- Long Description:** Maximize vaccinations during flu season
- Award PI:** Manager, Grant
- Sponsor:** California Department of Public Health
- Post Award Administrator:** (empty field)
- Purpose:** HLTH
- Status:** Accepted
- Award Type:** Grant
- CFDA:** 10.029
- Proposal ID:** CTR000000000194
- Version ID:** V101
- Start Date:** 10/01/2015
- End Date:** 03/30/2016

Below the fields are links for 'View Contract', 'View Proposal', 'Additional Information', 'Grant Administrator', and 'Sponsor Website'. The 'Primary Project PI' is listed as 'Manager, Grant'. An 'Associated Project' table is shown with the following data:

PC Business Unit	Project	Description
50100	00000000000382	MaxVax

At the bottom, there is a 'Go To:' section with links for 'Sponsor', 'Protocols', 'Attributes', 'Department Credit', 'Notepad', 'Award Modifications', and 'Supplemental Data'.

- **Award Type**  
From the drop-down list, select the nature of the award. Use the following Table to identify the award type
- **Terms (Guidelines)**  
From the drop-down list, select applicable guidelines for grant terms as stipulated in the grant agreement. See the Table below

**TABLE 12-4. GRANT AWARD TYPES & DESCRIPTIONS**

<b>AWARD TYPE</b>	<b>DESCRIPTION</b>
GR	Grant
SBV	Subvention
DON	Gift or Donation
BEQ	Bequest
EMR	Disaster / Emergency Recovery
OTA	Other Transaction Agreement
CON	Contract
CP	Cooperative Agreement
LN	Loan
LNF	Forgivable Loan
MOU	Memorandum of Understanding
OTH	Other

**FIGURE 12-10. GRANT TERMS LOOK-UP**

**Look Up Terms & Conditions**

SetID:  STATE:

Guideline ID:  begins with

Short Description:  begins with

**Search Results**

View 100 First 1-28 of 28 Last

Guideline ID	Short Description	Description
BNFTS	UI Benefit	Unemployment Insurance Benefit Payments
BUYUS	Buy USA	Buy from a US Vendor
CAOUT	CI PROJ	CAPITAL OUTLAY PROJECTS
DIGHA	DgHA	Digital Hearing Aid Loan Bank
DJ	Dingle	Sportfish Restoration
DJB	DJB BASE	Sportfish expenditures
EQUIP	Equipment	Equipment Purchases
FAD	FAD/EMS	Foreign Animal Disease/ Emergency Management (3370)
FED	Federal	Federal Guidelines
FNDG	Funding	Detail of funding
HPF	Hist Pres	Historic Preservation
LAND	Land	Purchase of Land
LOBBY	Lobbying	Lobbying activities
MATCH	Local Mch	Local funding match
MTCH1	OSHA	OSHA Consultation Match
MTCH2	OSHS/CFDI	OSHS/CFDI Match

**Background Application: Award Profile**

Award ID: 0000000015  
 Reference Award Number: 1212  
 Award PI: Vincent Sonya

**Details**

Project: 00000000000433: CADOJ NY

**Detail**

\*Terms & Conditions:

Description:

Explanation:

Go To:

Award | Funding | Resources | Certifications | Terms | Milestones | Key Words | Funding Inquiry

#### 12.2.5.1 | ATTACHMENTS

The following documents are required to be uploaded to the award profile as attachments:

- A copy of the passed resolution or ordinance (if Board approval is required based on criteria in [Section 12.5.1 | Accept & Expend Authority](#)) | The Grant Cycle
- Signed *Grant Resolution Information Form* including the *Disability Access Checklist*. The form is available at <http://mission.sfgov.org/DocCenter/DispDetail.aspx?DocNo=69&S=0&P=ByDept.aspx&T=Board%20of%20Supervisors%20|%20Grant%20Package&K=114>
- Grant award letter
- Grant agreement
- Grant budget document from the grantor
- Grant guidelines or web link to the guidelines

#### 12.2.6 | Update Project Activities

Verify the project activities structure and its work breakdown structure on this page. Update the project start- and end-dates to be the same as the award start- and end-dates.

**FIGURE 12-11. PROJECT ACTIVITIES PAGE**

Project Activities

Project 00026869 Description CW\_NFProp\_TMPGM3 Processing Status Active

Number Rows 1 Expand All Subtasks

Project Activities

Personalize Find View All First 1 of 1 Last

Select	WBS ID	Activity Name	Activity	Start Date	End Date	Percent Complete
<input type="checkbox"/>	1	CW_NFProp_TMPGM3	0001	02/22/2017	02/22/2018	0.00

Save as Template

Return to Project General

Save Return to Search Notify Refresh

## 12.2.7 | Update & Activate the Customer Contract

The customer contract is created as part of the award generation process; however one needs to update certain attributes of the contract before activating the contract in order to turn on the functionality to generate revenues.

### 12.2.7.1 | BILLING PLAN

- **Billing Status**

This is set by default to “pending” when contract attributes are still being updated. It will be set to “ready” when the contract is activated. Do not set billing status to “complete” until all grant billing is completed (i.e., grant is closed). Once a grant is set to “complete”, no more billing activities against the contract can occur and the status cannot be reversed

- **Bill source**

Input the department that has the direct relationship with the customer/sponsor. This is a required field for the billing status to be set to “ready”



**FIGURE 12-12. BILLING PLAN STATUS SCREEN**

The screenshot shows the 'Define Billing Plan' screen in the FSTST system. The browser address bar shows 'https://con-fstst.sfgov.org/psn/fstst/EMPLOYEE/ERP/c/MA'. The page title is 'Define Billing Plan'. The user is logged in as 'EXT\_DEPT\_CA\_CONTRACTS\_PRCR'.

**Contract:** CTR00000141  
**BI Unit:** SFGOV  
**Sold To Customer:** 1000000007  
**GM non LOC Sponsor:**  
**Billing Plan:** B101  
**As Incurred:**  
**Bill To:** 1000000007  
**GM non LOC Sponsor:**  
**Currency:** USD

**Description:** As Incurred  
**Billing Method:** As Incurred  
**Billing Status:** Pending  
**Ready at Activation:** ☒

**Customer Information:**  
**BI Unit:** SFGOV  
**SAN FRANCISCO CITY COUNTY**  
**\*Bill To Customer:** 1000000007  
**GM non LOC Sponsor**  
**Addr Num:** 1  
**Bill To Contact:** Manuel Rivero

**Billing Options:**  
**Bill Type:** GNT  
**Bill Source:** 102644  
**Summarization Template ID:**  
**Purchase Order:**  
**Pre Approved:** ☐  
**Direct Invoice:** ☐

**Transaction Options:**  
**Bill Currency:** Contract Currency  
**Retainage Options:**  
**Items previously held as Retainages:**  
**Bill:** ☐  
**Write-off:** ☐  
**Hold:** ☒  
**Tolerance Options:**  
**Minimum Bill Amount:** 0.00  
**Final Bill:** ☐

**Billing Default Overrides:**  
**Invoice Form:** GM\_GEN  
**Cycle ID:**  
**Bill By ID:** PROJECT  
**Payment Method:**  
**Payment Terms:**  
**View Customer Defaults:**  
**Project ID:**

#### 12.2.7.2 | CONTRACT TERMS

- **Billing Limit**  
The billing limit needs to be set up as the total grant award amount. It errors-out billing over the limit to prevent over-billing the grant

**FIGURE 12-13. CONTRACT BILLING SCREEN**

Contract: CTR0000166 Sold To Customer: 1000000001 Alvin Cheung  
 Business Unit: SFGOV Currency: USD Contract Admin: Support Member

**Contract Billing**

Total Billing: 100,000.00 Unallocated Billing: 0.00

**Fixed Billing**

Fixed Billing: Unallocated Fixed Billing: 0.00  
 Billing Discounts/Surcharges: 0.00 Inclusive Prepays: 0.00  
 Net Fixed Billing: 0.00 Allocation: Complete

**Contract Line Pricing**

Retrieve Billing Price	Line	Product	Bundle	Price Type	Quantity	Billing Limit	Limit Check	Actions
	1	NGRNTS_INVOICE		Rate	1.0000	100,000.00	Limit Check	Actions

Select All Clear All Recalculate

**Line Totals**

Billing Amount	0.00	Recurring Billing	0.00
Discounts/Surcharges	0.00	Billing Limit	100,000.00
		Total Billing	100,000.00

### 12.2.7.3 | ACCOUNTING DISTRIBUTION

Verify the ChartField setups (e.g., department, fund, project, authority, revenue account) are entered correctly on the “unbilled AR” section. This is where the revenue generated will be recorded. Choose the “authority” among the five selections in [Section 12.1.2 | Grant Authority ChartField](#).

**FIGURE 12-14. ACCOUNTING DISTRIBUTION SCREEN**

Accounting Distribution

Alvin Cheung

Contract CTR00000166 Line Num 1 Description Non-Grants rate-based contract

Billing Amount 0.00 Revenue Amount 0.00 Unit SFGOV Currency USD

Accounting Distributions Find | View All First 1 of 1 Last

Effective Date 03/10/2017

Revenue Forecast Personalize | Find | First 1 of 1 Last

Percentage	Revenue Amount	GL Unit	Distribution Code	Account	Dept
100.00000000	0.00	SFGOV			

Unbilled AR Personalize | Find | View All | First 1 of 1 Last

Dept	Agency Use	Authority	Project	Affiliate	Fund Affil	Reff	TR ProjAct	Stat	Valid
103757									

Return to General Information

Save Return to Search Notify Update/Display Include History Correct History

Checking the “payment predictor” box for reimbursement and advance grants will allow payments from the sponsor be applied to an invoice.

After all the above updates are done, set the Contract Status to “active” to activate the contract.

**FIGURE 12-15. CONTRACT STATUS SET TO "ACTIVE"**

The screenshot displays the Oracle PeopleSoft Contracts Management System interface. The browser address bar shows the URL: <https://ccc-fintst.sfgov.org/psp/7dst/EMPLOYEE/ERP/c/MA>. The page title is "General Information". The user is logged in as "EXT\_DEPT\_CA\_CONTRACTS\_PRCR" on "FSTST". The contract details are as follows:

Field	Value
Contract Number	CTR0000141
Amendment Number	000000000
Sold To Customer	GM non LOC Sponsor
Contract Status	ACTIVE
Description	CW_NFPsp_GM2
Contract Admin	
Region Code	
Contract Type	GRANTS
Currency Code	USD
Exchange Rate Type	CRRNT
Contract Signed	02/23/2017
Contract Role	
Revenue Profile	
Processing Status	Active
Amendment Status	
Business Unit	SAN FRANCISCO CITY COUNTY
Contract Classification	Standard
Last Amended	
Start Date	02/23/2017
End Date	02/23/2019
Last Update Date/Time	02/23/2017 4:39:07PM
Last Update User ID	EXT_DEPT_CA_CONTRACTS_PRCR
Separate Fixed Billing and Revenue	<input type="checkbox"/>
Separate As Incurred Billing and Revenue	<input type="checkbox"/>

Below the contract details, there are sections for "Other information" and "Summary of Amounts". At the bottom, there are tabs for "Billing Plans", "Revenue Plans", "Milestones", "Renewals", and "Supplemental Data". The "Go To" dropdown menu is set to "More". The "Save" button is highlighted, and the "Return to Search" and "Notify" buttons are also visible.

Billing plan and revenue plan are set to "ready" when the contract is activated.

**FIGURE 12-16. BILLING & REVENUE PLANS SET TO "READY"**

The screenshot displays the Oracle PeopleSoft Contracts interface. At the top, the user is logged in as EXT\_DEPT\_CA\_CONTRACTS\_PRCR. The main section shows contract details for Contract Number CTR00000141 and Amendment Number 000000000. The contract status is ACTIVE. Below this, the 'Contract Lines' section is visible, showing a table with columns for Actions, Line, Product, Description, Price Type, Billing Plan, Revenue Plan, Contract Terms, Accounting, Internal Notes, and Ship to Customer Name. The table contains one line item with Line 1, Product GRANTS\_INVOICE, and Description Grants Rate - Invoice. The Billing Plan and Revenue Plan for this line are both set to 'Ready'. The interface also includes tabs for General, Detail, Billing Amount Details, and Services Agreement Details, and buttons for Save, Return to Search, and Notify.

Depending on how the award type generates revenue, the contract may or may not need to be activated.

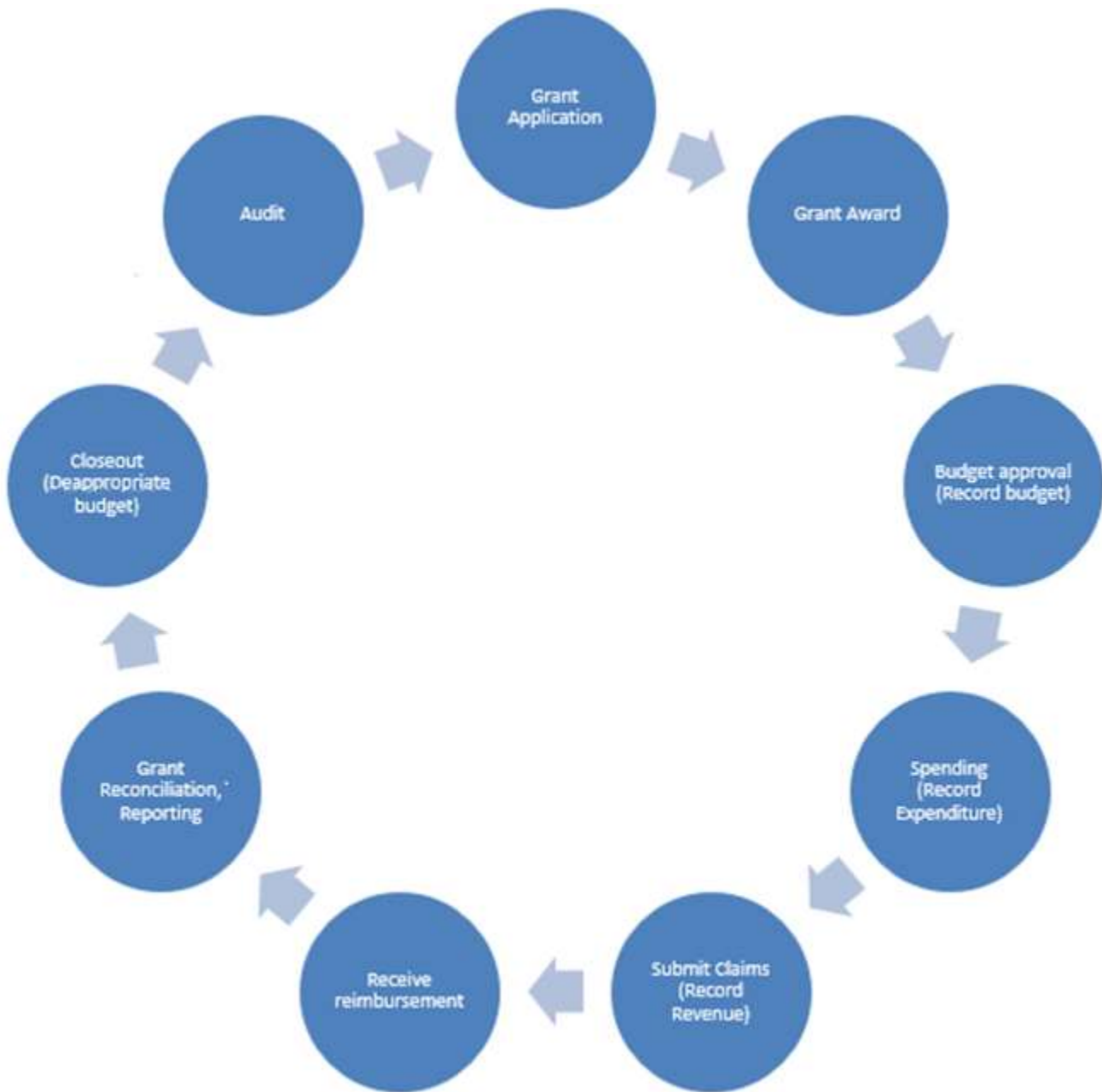
Grants that are reimbursement-based or advance-based (e.g., pre-payment) may benefit from the functionality of the customer contract.

For gifts, donated/contributed assets, program income, and some subventions, the functions of the customer contract may not fit their revenue recording cycles. In this case, the billing function of the customer contract does not need to be activated. Do not choose the "Grant\_INV" setting in the Contract Terms in this case. Departments may contact their Controller's Office assigned Fund Accountants to decide whether the customer contract will accommodate their unique situations associated with grants or other funding sources.

## 12.3 | The Grant Cycle

The following diagram shows the full processing cycle of a typical reimbursement grant, from application to close-out. Departments must obtain appropriate authority as defined in the City's *Administrative Code*, and strictly follow the provisions of the granting agencies, often stipulated by the grant agreement.

**FIGURE 12-17. REIMBURSEMENT GRANT CYCLE**



## 12.4 | Grant Application

Most grants are awarded through an application process. Departments need to apply for the grant according to the granting agencies' application guidelines. Granting agencies use certain criteria to select the awardee(s) for each grant.

The following language from the *San Francisco Administrative Code*, Section 10.170 – Grant Application, specifies the City's procedure to be followed when applying for grants. Departments have the authority to apply for grants that are under \$5,000,000. If the grant is over \$5,000,000, departments can obtain the required application authority by including the grant in the Annual Appropriation Ordinance budgeting process. For grants over \$5,000,000, the department should not issue Request for Proposals (RFPs) to solicit contractors before the resolution or ordinance is approved by the Board.

### **Sec. 10.170 – GRANT APPLICATION PROCEDURE.**

(a) Applications for federal, State, or other grants involving any project or program shall be filed on behalf of a department upon the approval by the Department Head.

(b) For annual or otherwise recurring grants of \$5,000,000 or more, the Department Head shall submit a resolution articulating the grant application to the Board of Supervisors at least 60 days prior to the grant deadline for review and approval. The department shall provide as supporting documents to the resolution all relevant materials, including but not limited to the funding source's grant criteria, the department's most recent draft of its grant application materials, anticipated funding categories that the department will establish in the subsequent Request for Proposals (RFPs) process, and comments from any relevant citizen advisory body. Should the department fail to submit the resolution and/or supporting documents prior to the 60-day deadline, all funds received through the grant application shall be placed on reserve at the Board of Supervisors.

For applications for annual or otherwise recurring grants of \$5,000,000 or more that anticipate the issuance of Requests for Proposals, the Department Head shall submit a resolution articulating anticipated funding categories to the Board of Supervisors at least 60 days prior to the issuance of the RFPs for review and approval. The department shall provide as supporting documents to the resolution all relevant materials, including but not limited to the funding source's grant criteria, the department's most recent draft of its grant application materials, and comments from any relevant citizen advisory body. Should the department fail to submit the resolution and/or supporting documents prior to the 60-day deadline, all funds received through the grant application shall be placed on reserve at the Board of Supervisors.

**The Board of Supervisors shall approve the resolution before the Department Head issues the RFPs. Should the Board of Supervisors neither approve nor disapprove a resolution submitted by a Department Head for review and approval by three business days prior to the issuance date for RFPs, the Department Head may issue the RFPs.**



In exercising its powers of review and approval of the aforementioned grant applications, the Board of Supervisors shall take into account whether, and to what degree, its policy priorities, and those expressed by the Mayor's Office and any applicable citizen advisory bodies, have been addressed.

(c) The provisions of subsection (b) above are not intended to apply to annual or otherwise recurring Department of Homeland Security grants, grants for equipment purchases, or capital grants used only for capital improvements or as authorized by federal or State law.

If a recurring grant was budgeted through the Annual Budget and Appropriation Ordinance, then *Administrative Provision Section 11.1* provided authority to apply for the grant without a resolution, even if the grant was over \$5,000,000, as follows:

Recurring grant funds which are detailed in departmental budget submissions and approved by the Mayor and Board of Supervisors in the annual budget shall be deemed to have met the requirements of *Administrative Code*, Section 10.170 for the approval to apply for, receive and expend the said funds and shall be construed to be funds received for a specific purpose as set forth in this section.

**Some granting agencies may require the City to obtain official Board approval through a resolution for application of their grants, even though their grants do not meet the threshold as required by the Board, or is already included in the annual budget submission. In such cases, an “apply for” resolution with appropriate language needs to be submitted to the Board through the same the channel as the “Accept and Expend” resolution approval process. Please see [Section 12.5.2.2 | Accept & Expend resolution/ordinance Process](#) for the processing details and consult your department’s City Attorney for the appropriate language to include in the resolution.**

## 12.5 | Grant Budget

All City budgets—including those for grants and gifts—are authorized by the Board of Supervisors through legislation. For a department to Accept and Expend a grant or a gift and set up a budget for it, authority needs to be requested and documented. The processes to obtain the required authority, as well as the budgeting process in the financial system, are discussed below.

### 12.5.1 | Accept & Expend Authority

#### 12.5.1.1 | GRANT

Pursuant to *Administrative Code*, Section 10.170-1, acceptance and expenditure of grants requires approval of the Board of Supervisors; the exception being grants less than \$100,000 (including any required City matching funds) that do not create new City positions. If subsequent increases to a grant raise the cumulative amount of the grant to \$100,000 or more, or the cumulative increase is over



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\$50,000, Board approval is required. Board approval can be obtained through either of the following methods:

- Include the grant budget in the Budget Ordinance and grant-funded positions in the Annual Salary Ordinance (ASO)
- Submit a resolution or ordinance (for grants with new positions created) to the Board for approval through the “Accept and Expend” process

The Table below defines the situations and the required Board documents to approve the acceptance and expenditure of a grant not included in the Budget Ordinance.

**TABLE 12-5. DOCUMENTS REQUIRED FOR GRANT ACCEPT & EXPEND PROCESS**

Grants	Grant Amount*	Board Accept & Expend Needed		Board Accept & Expend through
		No	Yes	
New Grant	< \$100,000	√		N/A
	≥ \$100,000		√	Resolution
Existing Grant	Increase resulting in the total grant < \$100,000	√		N/A
	Increase making the total grant ≥ \$100,000		√	Resolution
Existing Grant (Previously approved by BOS)	Increase of < \$50,000	√		N/A
	Increase ≥ \$50,000		√	Resolution
New or Existing Grant that creates new positions	ANY		√	Ordinance

\* Amount includes matching City funds, if any; Indirect costs in the grant budgets are waived

Exceptions to the above rules are as follows:

- **Grants from the San Francisco County Transportation Authority**

Note that pursuant to *Administrative Code*, Section 10.170(i), the acceptance and expenditure of grants from the San Francisco County Transportation Authority does not require Board approval

- **Municipal Transportation Agency's Delegated Authority**

Section 8A.102 (12) of the *San Francisco Charter* states the SFMTA “has exclusive authority to apply for, accept, and expend state, federal, or other public or private grant funds for Agency purposes”

#### 12.5.1.2 | PROGRAM INCOME

A grant may retain interest, loan repayments, rental income, or other program income generated from related or grant-funded assets (e.g., advance cash, real property, etc.). The use of these program incomes are governed by the grant agreement or grantor's guidelines. Annual Appropriation Ordinance (AAO) Section 11.16 authorizes the appropriation of interest on federal and state grant funds according to grant terms, and Section 11.23 authorizes the appropriation of loan repayments, proceeds of property sales in cases of defaulted loans, and interest earnings from the affordable housing program. Other than the program income appropriation authorized under these guidelines, program income needs to be appropriated with Board approval. It is recommended that estimated program income be budgeted along with the source grant during the annual budget or be included in the resolution or ordinance that authorizes the Accept and Expend of the source grant. Note that program income may be subject to Single Audit and should be tracked in a designated activity of the grant project.

#### 12.5.1.3 | GIFTS & DONATIONS

Pursuant to *Administrative Code*, Section 10.100-305, departments may accept gifts valued not greater than \$10,000 “for the benefit of the designated department...and for such purposes within its prescribed legal jurisdiction as may be specified by the donors.” Any gift with a value greater than \$10,000 requires Board approval through resolution before the department may accept such gift.

In some instances, the City has established a fund to Accept and Expend gifts, without setting limits on the value of the gift. In those cases, the department's acceptance of a gift with a value over \$10,000 does not require further Board approval; the approval and spending requirement are specified by the *Administrative Code* of that fund. Examples of these funds are:

- Mayor's Fund for the Homeless – *Administrative Code*, Sections 10.100-106
- Recreation and Parks Gift Fund – *Administrative Code*, Sections 10.100-257
- Public Health Gift Fund – *Administrative Code*, Sections 10.100-198

**ACCOUNTING POLICIES & PROCEDURES**

- Public Guardian/ Public Administrator Gift Fund – *Administrative Code*, Sections 10.100-190
- Mayor's Voluntary Arts Contribution Fund – *Administrative Code*, Sections 10.100-138

*City Charter*, Section 5.100, also authorizes certain art museums and organizations to accept "loans, gifts, bequests or agreements donating works of art or other assets without Board approval."

**Gift Reporting Requirements**

Whenever a department accepts a gift from a third party, regardless of the fund to which the gift will be deposited, the following reporting requirements apply:

- The department must promptly report ALL gifts to the Controller, pursuant to *Administrative Code*, Section 10.100-305(a). To report gifts, the department should notify its assigned Controller's Office Fund Accountant
- The department must report annually to the Board of Supervisors ALL gifts received that fiscal year within the first two (2) weeks of the following July, according to *Administrative Code*, Section 10.100-305(b). The reported information should include the donor's name, value of the gift, and disposition. The Figure below provides an example.

**FIGURE 12-18. MEMO FORMAT FOR ANNUAL REPORT ON GIFTS TO THE BOARD OF SUPERVISORS**

Date: July 14, 20XX  
 To: Clerk of the Board of Supervisors  
 From:  
 Subject: Annual Report on Gifts received by Department XXX in Fiscal Year 20XX

In accordance with Administrative Code Section 10.100-305, this report serves to notify the Board of Supervisors on all gifts received by our department during the past fiscal year:

Date received	Donor name	Donor's financial interest involving City, if any	Nature of Gift	Number of items (if applicable)	Value (estimate if non-cash)	Disposition (Intended Use)

### **Acknowledgement of Gifts Received**

It is recommended that departments provide each donor with an acknowledgement letter of the gift received to document the value and intent of the gift, as well as to serve as the donor's tax record, if applicable.

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**ACCOUNTING POLICIES & PROCEDURES**

**FIGURE 12-19. SAMPLE GIFT OF PROPERTY AND GOODS ACKNOWLEDGEMENT LETTER**

Department Name and/or Special Fund Name  
Department Street Address  
San Francisco, CA 94xxx  
Department Phone Number  
Department Fax Number

Date \_\_\_\_\_

Donor Name  
Donor Address  
Donor City, State, Zip

Dear \_\_\_\_\_,

Thank you for your contribution of \_\_\_\_\_. If this contribution is property rather than cash, a detailed description should be attached or noted below.

Please keep this written acknowledgement of your gift to the City for your tax records.

Thank you for your support!

Very truly yours,  
Department Representative

Description of donated property:  
(It is the responsibility of the donor to estimate the fair market value of donated items.)

Because a “gift” may include something like a rebate or discount, please estimate the value of any goods or services you received from the City in connection with your gift and make sure that amount is not included in the estimated value of your gift: \_\_\_\_\_

\_\_\_\_\_ No goods or services were provided by the City in connection with the gift.

## **12.5.2 | Budgeting Process**

### **12.5.2.1 | BUDGET AND APPROPRIATION ORDINANCE (AAO) & ANNUAL SALARY ORDINANCE (ASO)**

A substantial number of the City's grants are recurring—that is, they are granted to the City each year to fund the same programs and related FTE positions, and essentially provide a portion of the Department's operating budget. These recurring grants to be received in the fiscal year can often be estimated.

To provide a clearer picture of the true size of a Department's budget and staff for the public and policy makers, recurring grants should be included in the annual budget process pursuant to *Administrative Code*, Section 10.170-1e, which states, "the Department budget submission shall also include a budget detail, explanations, and substantiations of the grant funding."

Grants and gifts that are authorized through the Annual Appropriation Ordinance have their budgets batch-loaded to PeopleSoft through the Commitment Control Module from the Budget System (BPMS). Grant projects need to be set-up in PeopleSoft and subset in the budget system before the annual budget can be entered and loaded. Please refer to [Section 12.2 | Setting up Grants & Gifts in the Financial System](#) to [12.5 | Grant Budget to set up the grant project](#).

For a detailed explanation of the annual budgeting and loading process, please refer to [Section 2.2 | Budgeting\\*](#) and the Controller's Budget Analysis Division's annual budget instructions released before each fiscal year's budget submission season. Here are some general guidelines regarding entering grant budget in the budget system:

- **Review grant information each budget year**  
Once a grant is included in the annual budget, all budget records—including revenue, expenditure, and position entries—are "rolled over" into the base budget for the following fiscal year. The base budget column becomes available for analysis and comparison with other budget phases. Some grants that are not recurring may appear in the base budget. Departments are responsible for identifying any non-recurring grants and deleting them from their budget submission. If the recurring grant will be budgeted in a new grant detail, departments must enter the appropriate amounts and position records in the new grant detail and zero out old grant details. For grant funds set up in PeopleSoft as continuing funds—that is, unspent amounts from prior years are continued—departments do not need to re-enter unspent balances in new grant details
- **Balance budget for revenues and expenditures at grant project level**  
Grant budget must be balanced with the revenue budget to equal the total expenditure budget
- **Revenue account should match the award type**  
The revenue account used should match the award type of the funding so that the funding source can be reflected and reported accurately

- **Estimated grant budget**

If departments do not know their exact grant award amount at the time they prepare their annual budgets, they should include their best reasonable estimate with supporting calculations

- **Include a budget for anticipated program income** (if applicable)

If a grant is expected to receive program income—from interest on advances, loan repayments, or other revenue sources—you may include an estimate of that program income in the budget and a plan for spending it. If the program income is uncertain, the Controller’s Office or the Board may reserve some or all of the appropriation

- **Grant-funded positions: Use “G” indicator**

Include grant-funded positions in the budget submission to be reflected in the Annual Salary Ordinance in order to obtain position authority. In the budget system, grant-funded positions are entered with position status indicator “G” and are shown by classification. Position status indicators allow for analysis of the City-wide workforce and facilitate budget balancing

The grant customer contract in PeopleSoft discussed in [Section 12.2.6 | Update Project Activities](#) does not need to be updated and activated until the final award is received. Once the final award is received, the billing limit of the customer contract can be set up to match the final award and budget amount, and the contract can be activated.

### **Budget Update for Final Grant Award**

Departments should notify the Controller’s Office Fund Accountant as soon as they learn of any changes in grant award levels from the amounts estimated in the *Budget Ordinance*.

As defined by *Budget Ordinance* Section 11.1, “Individual grants may be adjusted by the Controller to reflect actual awards made if granting agencies increase or decrease the grant award amounts estimated in budget submissions.” Recurring grant funds that are detailed in department budget submissions, and approved by the Mayor and Board of Supervisors in the annual budget, shall be deemed to have met the requirements of *Administrative Code, Section 10.170*, and do not need to go through the “Accept and Expend” process. The grant budget loaded as part of the budget process can be adjusted to match the final grant award with the Controller Office Fund Accountant team’s approval of a budget journal entry initiated by the department in the Commitment Control Module. The department should attach the final grant award in the grant award profile to support the budget amount change in order for Controller’s Office to review and approve the budget adjustment entry.

The billing limit of the grant customer contract should also be set up to match the final award and budget amount before the contract is activated.

However, note that the amount of such budget increase is limited to \$50,000, per *Administrative Code, Section 10.170-1*. See [Section 12.5 | Grant Budget](#) for details. Budget increases of over \$50,000 will require Accept and Expend approval by the Board.

#### 12.5.2.2 | ACCEPT & EXPEND RESOLUTION/ORDINANCE PROCESS

The department should submit the complete Accept and Expend resolution or ordinance package with the original resolution/ordinance signed by the Department Head, an electronic copy of the package, and two (2) hard copies to the Controller's Office to start the grant Accept and Expend process. The package will go through the following review and adoption procedures.

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**FIGURE 12-20. ACCEPT & EXPEND REVIEW PROCESS**

- ☐ 1. Controller's Office review:  
Fund Accountants at the Controller's Office Accounting Operations Unit will first review the Accept and Expend package for its completeness and consistency of the financial and other data in the documents. Upon review of the package, the resolution/ordinance will be approved and signed by the Controller. Please allow two business days for Controller's Office review and signature.
- ☐ 2. Mayor's Budget Office review:  
Upon Controller's signature, the Accept and Expend resolution/ordinance package will be forwarded by the Controller's Office staff to the Mayor's Office of Public Policy and Finance (Mayor's Budget Office) to be reviewed by the Fiscal and Policy Analysts. Each Analyst is assigned a group of specific departments to review, and periodically a new list of assignments is circulated to the Controller's Office. Please allow two business days for Mayor's Fiscal and Policy Analysts to review.
- ☐ 3. Review by Mayor's Legislative Director:  
Upon approval, the Fiscal and Policy Analysts will forward the package to the Mayor's Legislative Director. Please note that for Accept and Expend Resolutions/Ordinances, to be introduced on any given Tuesday, the Legislative Director must receive the redline packet and the electronic file by the Friday prior. Upon review, the resolution/ordinance will be approved and signed by the Mayor's Office.
- ☐ 4. Upon Signature, Mayor's Office staff will forward the package to the Clerk of Board of Supervisors.
- ☐ 5. Clerk of Board of Supervisors / Committee review:  
The resolution/ordinance package (with all copies) must arrive at the Clerk's Office by Monday noon in order to be introduced on the second following Board agenda, to be referred to a Board committee. If Monday is a holiday the deadline day moves forward to Friday at noon. The agenda will be recommended to the full Board upon the Committee's approval.
- ☐ 6. Board of Supervisors Adoption:  
The Board of Supervisors will have to adopt the resolution or ordinance by majority vote in their weekly Board meeting. Upon adoption, the resolution/ordinance will be forwarded to the Mayor for final signature.
- ☐ 7. Mayor's Signature:  
Mayor has ten (10) calendar days to sign and return the resolution/ordinance to the Clerk of Board for the legal document to take effect. Upon Mayor's signature, the resolution is then numbered, **copied and distributed**.

### **Documents to Include in the Accept & Expend Package**

Departments must provide the following seven (7) documents as part of their Accept and Expend request.

First, submit a **Cover Letter** addressed to the Clerk of the Board transmitting the proposed resolution and all supporting documents. Print the cover letter on department letterhead and mark all the documents included in the package on the checklist.

**FIGURE 12-21. SAMPLE GRANT ORDINANCE COVER MEMO & CHECKLIST**

<b>TO:</b> Angela Calvillo, Clerk of the Board of Supervisors	<b>Special Timeline Requirements:</b> Under normal circumstances, allow at least four (4) weeks after submittal for Accept and Expend Resolutions to be reviewed by the Board of Supervisors and signed by the Mayor. If you have special timeline requirements, you must state them in the cover letter to the Clerk of Board so that the Clerk's office will be aware of your needs.
<b>FROM:</b>	
<b>DATE:</b>	
<b>SUBJECT:</b> Accept and Expend Ordinance for Subject Grant	
<b>GRANT TITLE:</b>	
Attached please find the original* and one copy of each of the following:	
<input type="checkbox"/> Proposed grant ordinance; original* signed by Department, Mayor, Controller	
<input type="checkbox"/> Grant information form, including disability checklist	
<input type="checkbox"/> Grant budget	
<input type="checkbox"/> Grant application	
<input type="checkbox"/> Letter of Intent or grant award letter from funding agency	
<input type="checkbox"/> Ethics Form 126 (if applicable)	
<input type="checkbox"/> Contracts, Leases/Agreements (if applicable)	
<input type="checkbox"/> Other (Explain):	
<b>Special Timeline Requirements:</b>	
<b>Departmental representative to receive a copy of the adopted ordinance:</b>	
Name:	Phone:
Interoffice Mail Address:	
Certified copy required Yes <input type="checkbox"/>	No <input type="checkbox"/>
<small>(Note: certified copies have the seal of the City/County affixed and are occasionally required by funding agencies. In most cases ordinary copies without the seal are sufficient).</small>	

Second, attach the **Proposed Resolution or Ordinance** authorizing the acceptance and expenditure of grant funds, signed by the following signatories in the order specified:

- Department Head
- Deputy City Attorney (for ordinances only)

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- Department of Human Resources Director or designee (for ordinances only)
- Controller or Controller's designee (obtaining signature is handled by the Controller's Accounting Operations Unit)
- Mayor's Office of Public Policy and Finance designee

**FIGURE 12-22. SAMPLE GRANT ORDINANCE TEMPLATE**

FILE NO. \_\_\_\_\_ ORDINANCE NO. \_\_\_\_\_

<p>1 [Accept and Expend Grant - (Purpose or Program) - (Amount, if available). Plain English Description, Typed in Exactly 12 pt Spacing, Anal 12 pt, no More than 125 Characters/Spaces in Brackets [ ]. Should Clearly State The Purpose of the Legislation as the Legal Title Sometimes Does Not State the Reason]</p> <p>2</p> <p>3</p> <p>4 Ordinance (Type Retroactively OR delete) authorizing the Department of (Type your</p> <p>5 department's name) to accept and expend a grant in the amount of \$(Type the amount)</p> <p>6 from the (Type the name of the granting agency) for (Type the purpose of the grant),</p> <p>7 and amending the Annual Salary Ordinance to provide for the creation of certain grant-</p> <p>8 funded positions.</p> <p>9</p> <p>10 Be it ordained by the People of the City and County of San Francisco:</p> <p>11 Section 1. The San Francisco (Code Title) Code is hereby amended by amending OR</p> <p>12 adding Section (Section #(s)), to read as follows:</p> <p>13 Sec.</p> <p>14 Section 2. Authorization to accept and expend grant funds. The Board of Supervisors</p> <p>15 hereby authorizes the Department of (Type your department's name) to (Type explanatory</p> <p>16 text to explain the purpose of the grant).</p> <p>17 Section 3. Grant funded positions. (List the position information and text explaining the</p> <p>18 changes to the Annual Salary Ordinance. NOTE: You need to consult with the Department of</p> <p>19 Human Resources for the specifics of this section)</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>	<p>1 APPROVED AS TO FORM APPROVED AS TO CLASSIFICATION</p> <p>2 DEPARTMENT OF HUMAN RESOURCES</p> <p>3</p> <p>4</p> <p>5 By: _____ By: _____</p> <p>6 ATTORNEY'S NAME DIRECTOR'S NAME</p> <p>7 Deputy City Attorney Department of Human Resources</p> <p>8</p> <p>9 APPROVED: _____</p> <p>10 Mayor</p> <p>11</p> <p>12 APPROVED: _____</p> <p>13 Controller, Grant Division</p> <p>14</p> <p>15 Recommended:</p> <p>16 _____</p> <p>17</p> <p>18 Department Head</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>
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Third, provide the **original resolution or ordinance** printed on **red-lined paper** available from Reproduction Services, containing the above signatures prior to being submitted to the Clerk.

- Lines in the document must be aligned with the line numbers
- On the first page, make sure "File No." appears on the upper left corner, and "Resolution No." or "Ordinance No." appears on the upper right corner

- On each page, the page number should appear at the lower right corner. Name of the Supervisor, committee, or department should appear at the lower left corner along with “Board of Supervisors”
- Be sure to include (or exclude) the term “retroactively” as appropriate

Fourth, provide the **Grant Information Form (with Disability Checklist)** signed by the Department Head and department’s Mayor’s Office on Disability authorized reviewer prior to submittal. Authorized reviewers for each department, called ADA Coordinators, can be found on the Mayor’s Office on Disability website at <https://sfgov.org/mod/ada-coordinators>. A sample *Grant Information Form* and *Disability Checklist* is provided below.

**FIGURE 12-23. SAMPLE GRANT INFORMATION FORM & DISABILITY CHECKLIST**

File Number _____ (Provided by Clerk of Board of Supervisors)		
<b>Grant Ordinance Information Form</b> (Revised May 2011)		
Purpose: Accompanies proposed Board of Supervisors ordinances authorizing a Department to accept and expend grant funds.		
The following describes the grant referred to in the accompanying ordinance:		
1. Grant Title:		
2. Department:		
3. Contact Person:	Telephone: _____	
4. Grant Approval Status (check one):		
<input type="checkbox"/> Approved by funding agency	<input type="checkbox"/> Not yet approved	
5. Amount of Grant Funding Approved or Applied for: \$		
6a. Matching Funds Required: \$		
b. Source(s) of matching funds (if applicable):		
7a. Grant Source Agency:		
b. Grant Pass-Through Agency (if applicable):		
8. Proposed Grant Project Summary:		
9. Grant Project Schedule, as allowed in approval documents, or as proposed:		
Start-Date: _____	End-Date: _____	
10. Number of new positions created and funded:		
11. Explain the disposition of employees once the grant ends?		
12a. Amount budgeted for contractual services:		
b. Will contractual services be put out to bid?		
c. If so, will contract services help to further the goals of the Department's Local Business Enterprise (LBE) requirements?		
d. Is this likely to be a one-time or ongoing request for contracting out?		
13a. Does the budget include indirect costs?	<input type="checkbox"/> Yes <input type="checkbox"/> No	
b. If yes, how much? \$		
b2. How was the amount calculated?		
c. If no, why are indirect costs not included?		
<input type="checkbox"/> Not allowed by granting agency	<input type="checkbox"/> To maximize use of grant funds on direct services	
<input type="checkbox"/> Other (please explain): _____		
c2. If no indirect costs are included, what would have been the indirect costs?		
14. Any other significant grant requirements or comments:		
<b>"Disability Access Checklist"</b>		
15. This Grant is intended for activities at (check all that apply):		
<input type="checkbox"/> Existing Site(s)	<input type="checkbox"/> Existing Structure(s)	<input type="checkbox"/> Existing Program(s) or Service(s)
<input type="checkbox"/> Rehabilitated Site(s)	<input type="checkbox"/> Rehabilitated Structure(s)	<input type="checkbox"/> New Program(s) or Service(s)
<input type="checkbox"/> New Site(s)	<input type="checkbox"/> New Structure(s)	
16. The Departmental ADA Coordinator or the Mayor's Office on Disability have reviewed the proposal and concluded that the project as proposed will be in compliance with the Americans with Disabilities Act and all other Federal, State and local access laws and regulations and will allow the full inclusion of persons with disabilities, or will require unreasonable hardship exceptions, as described in the comments section.		
Comments:		
Departmental ADA Coordinator or Mayor's Office of Disability Reviewer:		
(Name) _____		
(Title) _____		
Date Reviewed: _____ (Signature Required)		
Overall Department Head or Designee Approval:		
(Name) _____		
(Title) _____		
Date Reviewed: _____ (Signature Required)		

Fifth, provide a **Grant Budget** including expenditures by budget category and number of grant-funded positions, their classification and duration, as applicable. This should be the grant budget as specified by the grantor.

Sixth, provide a **Copy of Grant Application** to the funding agency (if grant was applied for).

Seventh, provide a **Copy of Award Letter** from the funding agency, or letter of intent to award the grant.

### **“Accept & Expend” Packages Templates**

Downloadable “Accept & Expend” packages are available on the City’s Intranet Document Center at <http://mission.sfgov.org/doccenter>. Click on the word “Agency” to pull down Board of Supervisors | Grant Package from the “Select an Agency to View” menu.

### **Copies of the Adopted Resolution or Ordinance**

If you need to have a copy of the adopted legislation to send to a funding agency, you may request a “Certified Copy” which is signed, dated, and has the seal of the City & County affixed; or you may request an unofficial copy without the seal. Unofficial copies can be obtained at the Board of Supervisor’s website at: <http://www.sfbos.org/index.aspx?page=2285>

#### **12.5.2.3 | DRAFTING THE RESOLUTION**

All resolutions are divided into two major sections of text. The first section contains the “WHEREAS” statements, and the last section contains the “RESOLVED” statements; both of these statements should consist of only one single statement of fact.

- **WHEREAS Statements**

Need to be accurate, but they are not as strictly prescribed by law as the “RESOLVED” statements. For this reason, it is permissible to include as many “WHEREAS” statements as the department thinks necessary to fully describe the purpose and restrictions of the grant to the Board of Supervisors and the public. The templates available in the Board of Supervisors Document Center only mention a minimum number of required “WHEREAS” statements

- **RESOLVED Statements**

Only those statements required to make the resolution legally enforceable should be included as “RESOLVED” statements. At a minimum, those would be to authorize the department to Accept and Expend the funds and to waive indirect costs, if applicable

Departments are advised to contact the City Attorney’s Office for specific guidance on how to draft resolution documents.

### **Indirect Cost**

When preparing the grant application and budget, indirect costs should be included unless expressly unallowable under the terms of the grant. The resolution should contain language to waive indirect cost inclusion in this case.

- If indirect costs are ineligible, you can state:

“Whereas, the grant terms prohibit including indirect costs in the grant budget; now, therefore, be it”

“Further Resolved, That the Board of Supervisors hereby waives inclusion of indirect costs in the grant budget.”

(This Resolved paragraph must follow the first Resolved paragraph authorizing action or authority for the grant.)

- If indirect costs are eligible, but are waived to maximize funds for program use, you can state:

“Whereas, The Department proposes to maximize use of available grant funds on program expenditures by not including indirect costs in the grant budget; now, therefore, be it”

“Resolved, That the Board of Supervisors hereby waives inclusion of indirect costs in the grant budget.”

(This Resolved paragraph must follow the first Resolved paragraph authorizing action or authority for the grant).

- If indirect costs are included, you can state:

“Whereas, the grant budget includes provision for indirect costs of \$(insert amount) now, therefore, be it”

Please note: If you do have indirect costs you do not need a separate resolved statement authorizing them (as you do with the prohibited and waived costs); you would simply continue with your resolution making the next paragraph your first resolved paragraph.

### **ASO Amendment**

For an ordinance that creates any new position (i.e., amends the ASO), the department should accurately state the funding source (PeopleSoft project) and information of the position added. See the Figure below for the format and information needed. Problems related to establishing the grant-funded position in the payroll system might arise if the funding source submitted when setting up the position is different from the funding source stated in the ordinance. The department needs to contact the Department of Human Resources to clarify the issue when this type of problem arises.

**FIGURE 12-24. FORMAT FOR INCLUDING POSITION INFORMATION IN ORDINANCE [UNDER REVISION]**

Department:			
Program:			
Subfund:			
Index Code:			
Amendment	Number of Positions	Class and Item No.	Compensation Schedule
Add	(% FTE)	(Job class & Description)	(\$XXXX B\$XXXX)
Add	(% FTE)	(Job class & Description)	(\$XXXX B\$XXXX)

For a resolution that does not create any new position (*i.e.*, does not amend the ASO), the following language should be included:

“Whereas, the grant does not require an ASO amendment;” ...

### **Matching Funds & Other Special Conditions**

Make sure the resolution or ordinance includes approval for any special grant conditions or uses of program income, including any matching requirements or legal waivers of liability. For matching requirements, the percentage of match or the dollar amount of the matching fund, and any in-kind matching services or expenditures from outside agencies, must be stated in the resolution or ordinance.

### **Program Income**

If a grant program is expected to earn program income, it is recommended that the department include anticipated program income in the total amount of the Accept and Expend so that spending authority for the program income is obtained together with the grant without a subsequent authority request. The resolution should include an explicit description of how the program income will be expended.

### **Gifts**

The language of a resolution to Accept and Expend a gift is different from that of a grant. Please consult your City Attorney for the appropriate language. At a minimum, the resolution language should include the following information:

- Value of the gift
- Nature of the gift (*e.g.*, cash, investment, land, equipment, service)
- Donor to be acknowledged

- Any use restrictions or income provisions

#### 12.5.2.4 | MANUAL BUDGET SET-UP THROUGH JOURNAL ENTRIES

Grants and gifts budgets that are not batch-loaded through the annual budget can be set-up by departments as journal entries through the Commitment Control Module. Upload the documents as required in [Section 12.2.4 | Generate the Award](#) to the award profile of the grant project; the assigned Controller's Office Fund Accountant will review and approve the budget set-up journal entry.

All grant budgets and billing limits set up in the grant customer contract must match the grant awards, and the revenue budget must balance with the expenditure budget. Grant budgets will not be approved if they do not balance or match the grant award.



## 12.6 | Amendments

Grant budgets, grant periods, scope of work, and other specifics of the grant might change after the grant is awarded by the granting agency. This section describes the policies and procedures that must be followed when grant-related data in the financial system must be changed.

Below is the PeopleSoft screen for processing grant contract amendments.

**FIGURE 12-25. GRANT AMENDMENT SCREEN**

**Amendment Details**

Contract	CTR00000186	Amendment Number	0000000001
Sold To Customer	1000000001	Amendment Completed On	03/10/2017 5:08PM
Amendment Type	Scope Change	Process Date	03/10/2017
Amendment Reason	Scope Change	Amendment Status	Complete
Total Billing Adjustment	0.00	Total Revenue Adjustment	0.00
Fixed Billing Adjustment	0.00	Fixed Revenue Adjustment	0.00
Fixed Billing Allocation	Incomplete	Fixed Revenue Allocation	Incomplete

**Additional Amendment Details**

Reference ID	User Ref #1
	User Ref #2

**Amendment Components**

Personalize | Find | View All | 1 of 1 | First | Last

Component	Amend Ref #1	Label Fieldname	Edit Type	Old Value	New Value
1					

Internal Notes

[Return to General Information](#)

[Save](#) [Return to Search](#) [Notify](#)

### 12.6.1 | Grant Award Modification by Grantor

The funding agency might increase or decrease grant award levels based on its funding availability, the beneficiary departments' needs, and other considerations.

### **15% Rule**

A department, agency, or office may reallocate or transfer funds of line item expenditures within an approved grant budget, if such reallocations or transfers are within the total of the approved budget and are allowed by the granting agency. If any line item of a federal or state grant is modified or increased by more than 15%, copies of documentation of such modification or increase that are transmitted to federal or state agencies shall also be transmitted to the Board of Supervisors.

### **\$100,000 Threshold for Accept and Expend**

If the modification increased the cumulative grant amount to over \$100,000 and the grant had not been previously approved by the Board (either through Budget Ordinance or Accept and Expend), the department needs to obtain Board approval by submitting a resolution through the Accept and Expend process in order to be able to post the grant budget changes.

When the funding agency notifies the department of a grant award modification, and the appropriate approval from the Board (if required) is obtained, the department should:

- Initiate a budget journal entry through the Commitment Control Module to update the grant budget in PeopleSoft to match the revised award, and attach the modification notification document to the journal entry and grant award profile
- Process an amendment in the grant's PeopleSoft Customer Contract to adjust the billing limit of the contract to reflect the new grant amount outlined in the modification

## **12.6.2 | Grant Budget Line-item Transfer**

Budgetary transfer between expenditure line items is usually permissible, as long as it is allowed by the grant agreement. If unsure, obtain written approval (e-mail acceptable) from the funding agency.

### **No Grantor Approval Needed, No Staffing Increase**

If the funding agency allows the budgetary transfer between line items without its approval, and there is no proposed increase in staffing, the department does not have to notify the Board of Supervisors according to *Administrative Code, Section 10.170-1(H)*. However, in order to have the initiated budgetary transfer journal entry approved and posted, the department needs to certify on the entry Notepad that the budgetary transfer is permitted according to the grant provisions.

### **No Grantor Approval Needed, with Staffing Increase**

If a department wants to shift grant funds into salaries in order to hire more staff, and thereby create new positions, the department must obtain prior approval from the Board of Supervisors through an ordinance amending the ASO. The department should work with the Department of Human Resources

(HRD) to prepare an amendment to the ASO, including the index code, fund, and position classification(s). For ASO amendments, please contact HRD at 557-4800.

#### Grantor Approval Needed, Less Than 15%

If the grant provisions require that approval be obtained from the funding agency in order to move budgets around, and the budgetary change involves less than 15% of the budget line item, get written approval (e-mail acceptable) from the funding agency and forward the approval documentation to the Controller's Operations Unit in order for the budgetary transfer journal entry to be approved. No Board action is needed.

#### Grantor Approval Needed, More Than 15%

If the grant provisions require approval from the funding agency in order to move budgets around, and if the budgetary change involves at least 15% of a budget line item, then the department must submit a copy of that documentation to the Board of Supervisors. See the below Figure for a sample memo to the Board of Supervisors to notify them of the budget revision. The notification can also be submitted through [board.of.supervisors@sfgov.org](mailto:board.of.supervisors@sfgov.org).

FIGURE 12-26. MEMO FORMAT FOR BUDGET REVISION NOTIFICATION TO BOARD

<b>Date:</b>	
<b>To:</b>	Clerk of the Board of Supervisors
<b>CC:</b>	Controller's Office Operations Unit
<b>From:</b>	
<b>Subject:</b>	Grant Budget Revision
	Grant name:
<p>In accordance with Administrative Code Section 10.170-1(H), this memo serves to notify the Board of Supervisors of a (type Federal or State) grant line item budget revision in excess of 15% requiring funding agency approval.</p> <p>We have attached a copy of budget revision documentation submitted to the funding agency.</p> <p>Attachment: Budget revision documentation</p>	

### **12.6.3 | Grant Period Extensions**

As the end of the grant period approaches, departments might find that they still have unused grant funds due to project or hiring delays. In this case, a department needs to request an extension of the grant period from the funding agency in order to use up those funds and finish the grant projects. Once the extension is approved, the department should:

- Update the end date in the PeopleSoft grant award profile
- Process an amendment to the Grant Customer Contract to extend PeopleSoft end date, so that billing can be processed
- Update the end date of the grant project in the Project Costing Module to allow for transactions to be recorded in the grant project during the extended grant period. No budget entry is needed if this is a no-cost extension

### **12.6.4 | Grant Budget Carryforward**

The funding agency might include budget carryforward provisions in the grant agreement or approve departments to carry forward remaining unused recurring grant budget from one grant cycle to next. In this case, a department should submit a budget carryforward entry through the Commitment Control Module from the original grant project to the next grant cycle's grant project. Grantor's carryforward provision or approval documentation needs to be uploaded as the attachment of the budget entry. **An amendment needs to be done on the PeopleSoft grant contract to adjust the billing limit of the contract for both the original grant and the new grant to reflect the new grant amount as a result of the carryforward.**

## **12.7 | Revenue Recognition**

The following are general principles for recording grant and gift revenue:

- Grant and gift revenues must be treated consistently to ensure they are reported properly in the City's annual financial statements and audit reports
- Revenues are earned as eligible expenditures are incurred (with all other eligibility requirements met)
- Departments should bill the granting agency in a timely manner for all eligible grant expenditures
- Revenue account (e.g., federal, state, private, etc.) and fund must be used consistently when setting up the grant budget and recording revenue

- Revenue must be precisely recognized at any relevant point in time supporting underlying economic transactions (e.g., booking receivable, recognizing revenue from advances, etc.)
- Revenue must be recognized as soon as feasible or, at a minimum, quarterly
- Revenue must be recorded according to applicable GASB rules and GAAP principles

### **12.7.1 | Reimbursement Grants**

With reimbursement-based grants, departments first incur eligible expenditures using the City's money before requesting reimbursement from the granting agency. While waiting for reimbursement, the City loses the interest income it might have received on the City's funds fronted for the grant expenditures.

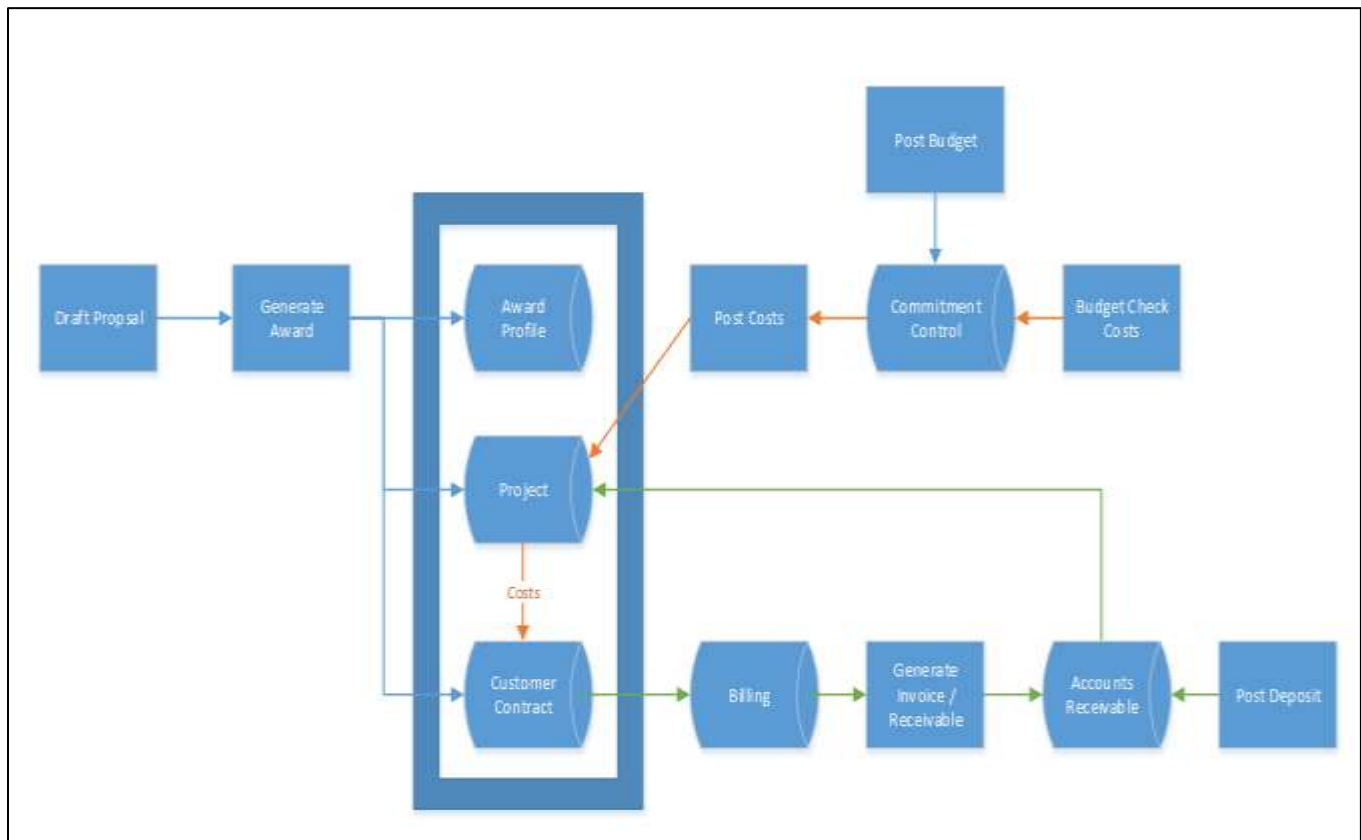
**Example: If \$10 million in grant funds were unclaimed for a year, and if the City earned 1.5% on short-term investments, the financial loss to the City could have amounted to \$12,500 per month, or \$150,000 per year, due to the delay**

Therefore, departments should timely bill the granting agency for eligible grant expenditures according to the billing schedule stipulated by the grant agreement. If the grant agreement and the granting agency did not specify a billing schedule, departments should recover grant costs by billing at least quarterly unless prohibited by the granting agency. Departments should establish their systems and document procedures to process and approve billings and draw down grant funds. For large subvention programs, departments should bill the funding agency according to the schedule stipulated by the funding agency.

#### **PeopleSoft Billing Mechanism**

PeopleSoft's rate-based Customer Contract functionality enables automated collection, tracking, and billing of costs. The billing process is as follows:

**FIGURE 12-27. PEOPLESOFT'S BILLING PROCESS**



Make sure to check the “billing predictor” box in the grants customer contract during the contract set up to allow system look-up of a posted invoice.

The following are features of PeopleSoft grant billing:

- **Costs are collected in grant project**  
According to billing attributes set up in the customer contract and the authority ChartField chosen for the expenditure transactions, costs posted to the grant project are collected as “unbilled” transactions in the grant project
- **Run contracts billing interface**  
The department grant processor runs this interface to pick up the “unbilled” transactions
- **Run billing interface**  
The department grant processor can then run this interface to create a billing worksheet with a temporary Invoice ID. The grant processor can review and adjust the billable transactions that come from the grant project within the billing worksheet before the invoice is billed out

- **Approve billing worksheet**

The billing worksheet needs to be approved by an authorized approver. The bill status of the invoice will be set to “ready”, but the invoice is not considered billed until the “Single Action Invoice” process is run

- **Run Single Action Invoice**

The invoice is considered billed after this interface is run:

- The temporary Invoice ID becomes permanent
- The Letter of Credit ID is created if the grant revenue is to be drawn down
- The bill status of the invoice will be set to “INV” to indicate the billing is finalized
- It triggers the ARUPDATE process to run, which creates an Open (Pending) Item in the Accounts Receivable Module for payment to be applied against
- The ARUPDATE process also posts the associated accounting entries to the General Ledger
- It reduces the remaining revenue budget balance in the Commitment Control Module
- A downloadable/printable invoice (PDF format) is generated

- **Run Projects/Contracts Interface**

This interface updates the Customer Contracts Module as follows:

- Reduces remaining billing limit balance with the amount involved
- Creates billing history in the customer contract

- **Run “Retrieve Billing Items” process in project costing**

This process sends billing information to the grant project and turns the “unbilled” transactions to “billed” in the grant project

## **Letter of Credit**

If, per the grant agreement, a department draws down funds from a sponsor to reimburse its grant expenditure, the sponsor profile can be set up with a checked “letter of credit” checkbox and with a Letter of Credit ID in PeopleSoft. This ID serves to track funds drawn down from the sponsor. When a billing interface runs in PeopleSoft, it will generate a Letter of Credit Document ID, which tracks the particular department’s draw-down transaction. The department will still need to process the draw-down transaction per the sponsor’s instructions in order for the sponsor to initiate payment to reimburse the department.

FIGURE 12-28. LETTER OF CREDIT SUMMARY SCREEN

Letter of Credit Summary

Letter of Credit ID: 1000001724  
Billing Sponsor: 1000001724  
Dept of Homeland Security  
Currency: USD

Report Manager Process Monitor  
☒ Current Activity Only Search

LOC Summary

LOC Doc ID	Limit Amount	Previous Amount	Unbilled Amount (Temp Bills)	Unbilled Amount (Real Bills)	Allowable Draw	Unbillable Amount
12345	1,000,000.00	0.000	0.000	3,500.000	3,500.00	0.00

Letter of Credit Totals

Previously Billed	Unbilled Amount	Total Draw
0.00	3,500.00	3,500.00

Go to: Worksheet Manage Contract/Project Bills

Return to Search Previous in List Next in List Notify



The screenshot shows a PeopleSoft Financials report titled "Finalized Letter of Credit". The report is generated by the "Dept of Homeland Security" with a "Letter of Credit Number" of 1000001724 and a "Business Unit" of SF000V. The report date is 02/22/2017, and the run time is 14:48:33. The report is page 1 of 1, with a draw date of 02/22/2017 and a type of "Original".

Document ID	Subaccount/Invoice	Federal Award	Project/Local	Funding	Priority/BSID	Available Amount	Available Draw
<b>SUMMARY</b>							
12345				1,000,000.00		3,500.00	3,500.00
<b>GRAND TOTAL</b>					0.00	3,500.00	3,500.00
<b>DETAIL</b>							
12345				1,000,000.00		3,500.00	
PRF000000001		000000001				3,500.00	
Sub-Total Doc # 12345					0.00	3,500.00	3,500.00
<b>GRAND TOTAL</b>					0.00	3,500.00	3,500.00

### Apply Reimbursements to Receivable when Received

Reimbursements received via checks or wire transfers should be deposited with the City treasury within 24 hours of their receipt. Reimbursements should be applied to, and reduce the balance of, the receivable account of the grant or subvention project with the following steps in PeopleSoft Account Receivable Module.

1. Create a regular deposit (a bank deposit ID will be created)
2. Reference the billing Invoice ID in the reference field and save the deposit
3. Run payment predictor process to automatically apply payment to the receivable generated by the invoice. Payment predictor looks up the referenced invoice ID for its department, project, activity, fund, account, and contract information
4. If the payment predictor is not applicable, proceed to create a payment worksheet to identify the correct department, fund, project, activity, account, and contract to apply the payment

### Claims Denied

When a grantor denies all or part of a claim, ineligible expenditures must be moved out of the grant to other eligible funding sources. As expenditures are removed from the grant project, the negative expenditure transaction will become an "unbilled" transaction in the grant project. It can be picked up when the billing interfaces are run to be included as an adjustment in the next billing.

If there is no eligible funding source available to absorb the expenditure, contact your Fund Accountant.

### **Grant Receivable Write-off**

In circumstances where eligible grant expenditures were made in the prior year, but the grant revenues were deemed uncollectible due to the granting agency's bankruptcy or other situation, the department should:

- Document the situation and obtain proper department approval (pursuant to the department's write-off policy) and attach the documents (e.g., letters, City Attorney memo) to the grant profile
- Do not abate expenditures from the grant project, so that the history of eligible grant expenditure stays in the grant project
- Process an account receivable write-off in the Accounts Receivable Module on the "Account Receivable Maintenance" page
- Process a transfer (TRIO) from an approved funding source to cover the cash deficit in the grant project. This may require a surplus transfer depending on the funding source. Discuss with your Fund Accountant

### **Refund to Grantor**

If the department has already received the reimbursement but the related expenditure is deemed ineligible and there is no other payment to offset the ineligible amount, the department and sponsor should discuss a solution. If it is agreed that a refund to the sponsor is needed, initiate a refund to generate a voucher payment to the sponsor in the following steps:

1. Process a "single payment" payable to the sponsor. No supplier set-up is needed, since this is not a 1099-reportable payment. The payment should debit the grant revenue account of the grant project
2. Abate the ineligible expenditure from the grant project to another eligible funding source through a journal entry in the General Ledger Module
3. Process an Amendment to adjust the contract billing amount by the amount of the refund, if needed

If the refund is offset by a payment from the sponsor, and the total payment amount is greater than the refund, process the offset when recording the deposit of the payment in the Accounts Receivable Module. Create a positive item in the payment worksheet to reflect the adjustment due to the refund, and a negative item for the payment of the intended invoice.

If the refund is offset by another invoice to the same sponsor of the same amount (i.e., no payment from sponsor), record the offset using the maintenance worksheet in the Accounts Receivable Module. Choose the entry type as "offset an item", create a positive item to reflect the adjustment due to the refund, and enter a negative item to reflect the invoice to be paid.

### **Inter-fund Grant Billings & Billings to City-related Entities**

City departments might receive grants from component units (e.g., SFCTA) or entities related to the City (e.g., OCII) that share the City's financial system. Departments might also receive grants from other City Departments (e.g., PUC). Since these sponsors' funds are in the City's system, the payment of grants does not involve a cash transaction and has to be set up differently from those of other sponsors.

For grants from SFCTA:

- Set up the grant award, contract, and project the same way as grants from an external agency
- Process billings in the same manner as with other reimbursement grants. The department will need to submit to SFCTA invoices and supporting documentation as required
- A reimbursement payment will be generated from SFCTA's accounting system and the department has to deposit the payment and record the deposit in the Accounts Receivable Module as with any other grant reimbursement deposit. However, at fiscal year-end, the department has to reclassify for reporting purposes any outstanding billing amounts from the grants receivable account to the inter-fund receivable account through an entry in the General Ledger Module

The Office of Community Investment and Infrastructure (OCII) is the successor agency to the San Francisco Redevelopment Agency (SFRA). It is a separate but related entity to the City and shares the City's financial system. The processing of grant billings from OCII can be the same as any other external agency; however, payment of the grant billings from OCII is done through a journal entry (debit OCII expenditure, credit department grant revenue) in the General Ledger Module. The department needs to adjust the receivable balance and clear the invoice by performing a credit memo in the Accounts Receivable Maintenance page.

### **Year End: Record Deferred Inflow of Resources**

The timing of recognition of non-exchange transactions, including expenditure driven / reimbursement type grants are stipulated by GASB 33, 63 and 65. Revenues from *Government-mandated non-exchange transactions* received in governmental funds should be recognized in the accounting period in which they become both "measurable" and "available".

- "Measurable" pertains to expenditure of the grant when all eligibility requirements are met
- "Available" pertains to the government's collection of the revenues in the current period or the expectation to collect revenues soon enough after the end of the period to use them to pay liabilities of the current period

The availability period should be consistent with the time frame currently used for revenue recognition, which for the City is 60 days. This means that only revenues received on or before August 31 may be included as income for the prior fiscal year. When the revenue is earned but not available, it should be

reported as deferred inflow of resources until such time as the cash is received. To record deferred inflow of resources, the grant must already have expenditures incurred, claims made, and receivables booked. This is recorded with a year-end adjusting entry to be submitted in the PeopleSoft General Ledger Module, with an analysis schedule to be announced by the Controller's Office as part of the year-end schedule.

In contrast, grants received in enterprise funds using the accrual basis of accounting should recognize revenues as soon as they are earned regardless of the timing of related cash inflows. The department should be aware of the basis of accounting to which it adheres.

### **12.7.2 | Advance Grants**

When grant money is received before expenditures are incurred, it is considered an advance, a "prepaid amount" or "deferred revenue" in PeopleSoft. This "deferred revenue" should not be confused with "deferred inflow", which refers to unavailable revenue recorded at year-end. In the case of grant advance or deferred revenue, the City has not yet earned the grant revenue (and will not earn the revenue until it is spent). If priorities change so that the money received will not be spent on the intended program, the City may be obligated to return the advance to the funding agency. Therefore, when a grant advance is received, it should not be recorded as revenue, but as "deferred revenue", which is a liability. As the advance is expended on eligible costs, revenue should be recognized from the advance until it is depleted. Grants and subvention advances should be reviewed and updated at least quarterly, unless the department has other internal policy on the schedule of revenue recognition that is approved by Controller's Office Fund Accountant.

#### **Create a Pre-paid line in the Contract to Stage for the Deposit**

The customer contract should be set up with a pre-paid line for an advance grant, in order to prepare for the advance deposit, as follows:

1. In the "general information" page of the contract, select "prepaids" from the "go to" dropdown list. Enter the advance amount in the "purchase amount" field and save
2. In the "utilization" subpage, select the "utilize against all lines" checkbox
3. Select the check box for Sequence 1 in the prepaids to be assigned/unassigned box. Select the Billing Method, enter a description. Select the "assign" button. Click B102 Plan hyperlink
4. Select "bill source" as the department, select "pre-approved", select direct invoicing, invoice form, Bill by ID
5. Return to "Assign Billing Plan" link, then "pre-paid balances" link
6. Select the Deferred Revenue Distribution sub-tab. A deferred revenue distribution code and account automatically populate the line. Enter the grant project on this line

7. Run “Process other Billing Methods” for the contract. This process creates an invoice and an open item in the Accounts Receivable file for the advance amount on the prepaid line of the contract (not derived from unbilled expenditure transactions). This prepares for the deposit to be recorded (credit accounts receivable and debit cash) and also creates an accounting entry of the same amount to debit Accounts Receivable and credit the Deferred Revenue account in the General Ledger, as defined on the prepaid line of the contract

### **Depositing the Grant Advance**

When the advance funds are received, create a deposit in PeopleSoft with the following steps:

1. Create a regular deposit (a bank deposit ID will be created)
2. Reference the billing Invoice ID in the reference field to retrieve
3. Run payment predictor process to automatically apply payment to the receivable generated by the invoice. Payment predictor looks up the invoice ID referenced for its department, project, activity, fund, account, contract information

If the payment predictor is not applicable, proceed to create a payment worksheet to identify the correct department, fund, project, activity, account, and contract to apply the payment

### **Bill Against the Pre-paid Funds**

When the grant funds are spent, do the following:

1. Run “Process As Incurred Revenue” to stage a journal entry updating revenue and the **deferred revenue account**. Go to “Generate Journals” in the General Ledger Module to edit and post the journal
2. Run the billing interfaces to create an invoice for the “unbilled transactions” in the same manner as reimbursement grant (**Step 2-7** on the reimbursement grant billing process). A zero-dollar invoice will be generated
3. Navigate to “Prepaid utilization rules” under “Customer Contracts” to review the update of the prepaid amount

### **Refund to grantor for grant funds not used**

If the department was not able to utilize the grant funds by the end of the grant period, and no extension is approved, the remaining grant funds are liable to be returned to the funding agency. In this case, refer “**Refund to Grantor**” in [Section 12.7.1 | Reimbursement Grants](#) to generate a refund payment to the funding agency for the remaining grant funds.

## **12.7.3 | Program Income**

Program income is any revenue derived from grant-funded activities, such as repayments of loans that were originally grant funded, fees paid by program participants or beneficiaries, rental income from grant-funded assets, and interest related to repayment of grant funded loans. These revenues are often obligated to be used in concurrence with the purpose of the grant. We recommend program income to be recorded in an activity under the project of the grant from which the income is generated, as well as in the same fund, so that they can be reported together. Discuss with your Controller’s Office Fund Accountant if your department would like to have another structure to record program income for justifiable reasons. Department-specific project structure on program needs to be documented on the department procedure and approved by Controller’s Office Fund Accountant.

## **12.7.4 | Grant Interest**

### **REFERENCE NEW INTEREST DISTRIBUTION POLICY & PS PROCESS**

#### **Grants with Positive Cash Balances**

Grants that receive advances may have a positive cash balance earning interest. The interest may be allocated back to the grant if the grant requirements specify that it must be used on the grant programs, or returned to the funding agency. Departments should bring any interest allocation issues to the attention of their Fund Accountant.

#### **Grants with Negative Cash Balances**

Most grants require the department to expend funds first and then get reimbursed by the granting agency. This results in a negative cash balance in the grant account until the final reimbursement is received. Interest costs are calculated for the negative cash balances in the grant account, but the default procedure is to charge those interest costs to the general fund. Departments are expected to minimize these interest costs by obtaining reimbursement from funding agencies as quickly as possible.

In special cases, interest costs on negative cash balances may be allocated to the grant account. This would usually occur if the cash balance cycles between negative and positive, so that interest costs on negative balance are used to offset interest earned on the positive balances.

### **12.7.5 | Gift Revenues**

As with any other cash deposit, gift revenue received as cash is processed through creating a deposit in the Accounts Receivable Module when cash is received. The billing function of the PeopleSoft Customer Contract is disabled by marking the status as “complete” due to the nature of gifts that do not require billing.

For most gifts, revenues do not need to equal expenditures each fiscal year. Most gifts are recognized as revenue as soon as the funds are received; expenditures are booked as they occur. Thus, if the gift is not fully expended in the year it is received, revenues will exceed expenditures during that year, and expenditures will exceed revenues in subsequent years. When the gift is fully expended, revenues should equal expenditures and the gift project should be **inactivated** in the Project Costing Module in PeopleSoft. Refer to [Section 12.11 | Grant Close-out](#) for details.

An exception is conditional gifts where there is a significant likelihood that funds would have to be returned if the gift conditions are not met. In such a case, as discussed above, the gift should be treated just like an advance grant, with revenues recognized each fiscal year equal to the eligible expenditures.

If a cash gift is to be received in installments or pledged to be received on a future date, a pledge receivable may need to be recorded through a journal entry in the General Ledger Module. For governmental funds, if a pledge receivable is not received within the revenue recognition period chosen by the City, the revenue accrued is to be deferred through a journal entry in the General Ledger Module.

### **12.7.6 | Subventions**

Subventions have revenue cycles that do not coincide with expenditures; as a result, the financial system’s mechanism of expenditures triggering revenue generation is not the best approach to recording revenues. In this case, the billing function of the Customer Contract is disabled by setting its status as “complete”. The recording of these subvention revenues should be processed through the Accounts Receivable Module or journal entry through the General Ledger Module.

[Need PeopleSoft process on depositing cash]

## **12.8 | Non-Cash Contributions**

### **12.8.1 | Contributed or Donated Capital Assets**

The City may receive equipment, vehicles, buildings, improvements, land, or artwork as a donated capital asset or grant.

## Recording the Asset

If the donated capital asset carries a fair market value that meets the City’s capitalization threshold at the time of donation—currently \$5,000 for equipment and \$100,000 for buildings or construction-in-progress (see [Section 10 | Fixed Assets](#) for details).

The following process must be followed in order to record donated capital assets properly:

- ☐ Obtain a donor letter—the donor letter should:
  - Identify the donor (could be a federal or state agency, or another party)
  - Identify the explicit terms regarding ownership. For example, does the City own the capital asset or is the donor/grantor providing a right to use or access the capital asset (e.g., an easement)?
  - Identify any restriction(s) on the use of the asset and use of any income the asset generates (e.g., rent).
  - Identify the fair value of the asset and provide proof of fair market value (e.g., attach an appraisal).
- ☐ Obtain or define Accept and Expend authority (Reference Resolution Process)
- ☐ Request an AssetID from the Controller’s Office Budget Analysis Division based on the Accept and Expend authority
- ☐ Set up a grant project with award profile starting from the proposal page in the Grants Module
- ☐ Submit budget setup entry through the Commitment Control Module and associate the AssetID to the budget. Include electronic copies of the duly signed acceptance of donated assets with other asset details available in the attachment of the budget entry
- ☐ Record the asset using the AssetID in the Asset Management Module, indicating the grant project as its funding source. The asset information will post expenditures to the grant project [Screenshot, what is the debit and credit]
- ☐ Record the revenue using the General Ledger Module  
Credit revenue account “in-kind contribution”, “Capital Contributions-Federal”, or “Capital Contributions-State”

Contributed and donated capital assets are subject to the same depreciation and asset management procedures as stipulated in [Section 10 | Fixed Assets](#).

## Disposition of the Donated or Contributed Asset

Before selling or disposing a donated or contributed asset, the department must review the grant/gift documentation (e.g., donor letter/agreement) to ensure there is no restriction on the disposition of the



donated asset. The department must make note of any restrictions to be followed (especially federal program income reporting requirements) on the use of the proceeds if sold.

Proper authorization must be obtained pursuant to department policy before selling a donated asset.

Documentation is needed to support the value from sale or other type of disposal. A net gain or loss needs to be recorded. Refer to [Section 10 | Fixed Assets](#) for detailed procedures.

## 12.8.2 | “In-kind” Donations

In-kind donations are gifts of goods or services that are not capital assets. They are not reported in the City’s financial records and reports unless they are “material” or the underlying source of the donation is a governmental grant or program. In-kind donations are to be treated as gifts according to [Section 12.5.2 | Budgeting Process](#) with regard to acceptance and reporting requirements.

Examples of in-kind donations include services or staff time, and non-capitalized goods such as furniture, small dollar equipment, materials and supplies. Services may be considered an in-kind donation when they are performed specifically for the department and paid for by a “friends of” organization or other non-City entity.

- Departments should maintain a record of in-kind donations and report all in-kind donations to the Board annually per [Section 12.5.2.1 | Budget and Appropriation Ordinance \(AAO\) & Annual Salary Ordinance \(ASO\)](#).
- In-kind donations must be reported in the City’s financial records when they are “material”. In general, a donation is material if it is the equivalent of several million dollars. Departments must contact their Controller’s Office Fund Accountant for guidance and advice regarding specific situations
- In-kind donations must also be reported in the City’s financial records when the underlying funding source is actually a governmental grant or program. When an in-kind donation meets this criterion, departments must maintain records for post-audit and other reviews as determined by the Controller’s Office

When the in-kind donation meets either of the above criteria, departments should contact their Fund Accountant for specific instructions on recording this activity in the financial management system.

The following steps must be completed to report an in-kind gift or contribution in the City’s financial records:

☐ Credit revenue account “in-kind contribution”

☐ Debit expenditure account under the “non-personnel services” character for services and expenditure account under the “materials and supplies” character

- ☐ If the in-kind contribution is a mandatory matching related to a grant under a special revenue fund, the in-kind donation should be booked in the same special revenue fund
- ☐ If the in-kind contribution is a voluntary match related to a **General Fund or Governmental/Operating Fund program**, book the gift in the City's Gift Fund
- ☐ In all applicable accounting entries, reference the Board resolution approving acceptance of the gift in accordance with [Section 12.5.2 | Budgeting Process](#).

For an example of in-kind donation tracking and/or reporting during a declared eergency, please refer to [Section 15.1.2 Error! Reference source not found.](#)

### **12.8.3 | Donated Investments**

Gifts and bequests may be received in the form of investments, such as stocks and bonds. Departments are encouraged to notify their Fund Accountant and Treasurer's Office Investment Unit when they receive such gifts. The following procedures should be followed:

- ☐ Obtain a donor letter, which should:
  - Identify the donor contributing the gift/bequest
  - Identify any restriction(s) on the use of the donated investment (both principal and interest)
  - Identify the investment and value of investment (principal amount)
- ☐ Obtain the Accept and Expend authority
  - Follow *Administrative Code*, Section 10.100-305 or other special gift fund *Administrative Code* section for Accept and Expend and appropriation authority. If Board approval is needed according to those provisions, follow [Section 12.5.2.2 | Accept & Expend resolution/ordinance Process](#) for the Accept and Expend resolution approval process. Consult the City Attorney for appropriate language to use in the resolution
- ☐ Receive the investment (ownership transfer)
  - The department should notify the Treasurer's Office Investment Unit, which will arrange the transfer of investment ownership with the donor's brokerage firm
- ☐ Record the investment
  - The department should contact its Fund Accountant on the accounts to book the investment. In general, investment asset should be debited and gift revenue should be credited

Dividends received:

- ☐ Departments should record dividends monthly when statements are received from the brokerage firm. To support dividends earned, departments need to document the brokerage statements

Unrealized gain or loss:

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- ☐ Departments should record unrealized gains or losses annually at year-end, according to the investment value on the last day of the fiscal year. Obtain investment value information from the Treasurer's Office Investment Unit to support the recorded value. The accounts to be recorded are as follows:

- Debit asset account "Investments outside City Treasury-GAAP"
- Credit revenue account "Unrealized gain/loss (Non EITC) GAAP only" (with auto-reverse)

### Selling a donated investment:

- ☐ Before selling a donated investment, the department needs to review the gift documentation to ensure there is no restriction on selling the donated investment, and make note of any restriction to be followed on the use of the proceeds if sold
- ☐ Proper authorization according to department policy needs to be sought before selling
- ☐ Documentation from the brokerage firm or Treasurer's Office Investment Unit is needed to support the value sold or disposed
- ☐ The following entries need to be recorded:
  - Conversion of investment principal to cash: Debit "Cash" account, Credit "Investment" account
  - Record gain or loss: Credit revenue account "Net appreciation in FV of investment" (realized gain)

### Writing off a donated investment:

- ☐ If the donated investment is deemed to have permanently lost its value (e.g., stocks of a company that went bankrupt), the department must obtain documentation (e.g., investment statement) and recommendation from the Treasurer's Office to write off the investment
- ☐ Proper authorization according to the department's policy needs to be sought before the write-off entry is made
- ☐ The following entries need to be recorded:
  - Debit revenue account "Net appreciation in FV of investment" (realized loss)
  - Credit "Investment" account

## 12.9 | Grant Expenditures

### 12.9.1 | General Principles for Spending Grant Revenues

- All grant expenditures must be made within the grant's provisions
- All grant expenditures must be made within the grant period. Time extensions need to be approved by the grantor before eligible grant expenditure can be incurred during the extension periods
- All grant expenditures must be made within the approved budget categories stated in the award
- All grant expenditures, including indirect costs, should be charged to the grant on a regular basis, at least quarterly, or within the same quarter that the expenditure has incurred

#### 12.9.1.1 | FEDERAL AWARD EXPENDITURES

Federal award expenditures are governed by the Office of Management and Budget (OMB).

##### **OMB Cost Eligibility Guidelines for Federal Grants**

(OMB A-87: *Cost Principles for State, Local and Indian Tribal Governments* and CFR Title 2 Part 200 Subpart E – *Cost Principles* and Subpart F – *Audit Requirements*)

Cost principles guide the following categories of allowable costs:

- Reasonable costs
- Allocable costs
- Direct and indirect costs
- Special considerations for governments and tribes
- Audit services
- Contributions and donations
- Pre-award costs

To be allowable under federal awards, costs must meet the following general criteria and be:

- Allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received
- Necessary and reasonable for proper and efficient performance and administration of federal awards
- Allocable to federal awards under the provisions of *Circular A-133* or *CFR Title 2 Part 200 Subpart F – Audit Requirements*
- Authorized or not prohibited under state or local laws or regulations
- Conform to any limitations or exclusions set forth in these principles, federal laws, terms and conditions of the federal award, or other governing regulations as to types or amounts of cost items
- Consistent with policies, regulations, and procedures that apply uniformly to both federal awards and other activities of the governmental unit
- Accorded consistent treatment. A cost may not be assigned to a federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the federal award as an indirect cost
- The net of all applicable credits
- Adequately documented.

Moreover:

- Except as otherwise provided for in *Circular A-133* or *CFR Title 2 Part 200 Subpart F – Audit Requirements*, costs must be determined in accordance with generally accepted accounting principles
- Costs must not be included as a cost or used to meet cost sharing or matching requirements of any other federal award in either the current or a prior period, except as specifically provided by federal law or regulation
- Indirect costs should be distributed to the benefited cost objective on bases that will produce an equitable result in consideration of relative benefits derived. City departments desiring to claim indirect costs under federal awards must prepare an indirect cost allocation plan to support those costs. The cost allocation plan and related supporting documentation should be retained for audit in accordance with the records retention requirements contained in the *OMB Circular A-102, Grants and Cooperative Agreements with State and Local Governments* and the *Uniform Guidance*

Refer to the grant agreement and any special funding agency guidelines for specific program requirements on eligible costs.

*OMB A-21, A-87, A-122 and CFR Title 2 Part 200 Subpart E* prohibit the use of federal grant funds on certain types of expenditures, including those listed below:

- Advertising and public relations
- Alcoholic beverages
- Alumni(ae) activities
- Audit services
- Bad debts
- Campaigning
- Commencement and convocation costs
- Entertainment
- Fines and penalties
- Fundraising
- Goods and services for personal use
- Lobbying
- Organization costs
- Plant and security costs
- Pre-award costs
- Processional service costs
- Selling and marketing costs
- Student activity costs
- Unspecified contingencies

*OMB A-21, A-87, A-122 and CFR Title 2 Part 200 Subpart E General Provisions for Selected Items of Cost* prohibit the use of federal grant funds on certain types of expenditures. For the expenditures that have exceptions please review Sections 200.420 through 200.475:

- Advertising and public relations (for exceptions see Section 200.421)
- Advisory Councils (for exceptions see Section 200.422)
- Alcohol
- Alumni/ae activities
- Audit Services (for exceptions see Section 200.425)
- Bad Debts
- Campaigning
- Commencement and convocation costs (for exceptions see Section 200.429)
- Compensation - personal services & fringe (for exceptions see Section 200.430 & 200.431)
- Contingency provisions (for exceptions see Section 200.433)
- Contributions and donations
- Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements (for exceptions see Section 200.435)
- Entertainment
- Equipment and other capital expenditures (for exceptions see Section 200.439)
- Fines, penalties, damages and other settlements (for exceptions see Section 200.441)
- Fundraising and investment management costs (for exceptions see Section 200.442)
- General costs of government
- Goods or services for personal use (for exceptions see Section 200.445)
- Idle facilities and idle capacity (for exceptions see Section 200.446)
- Insurance and indemnification (for exceptions see Section 200.447)
- Intellectual property (for exceptions see Section 200.448)

- Interest (for exceptions see Section 200.449)
- Lobbying (for exceptions see Section 200.450)
- Losses on other awards or contracts
- Memberships, subscriptions, and professional activity costs (for exceptions see Section 200.454)
- Organization costs (for exception see Section 200.455)
- Pre-award costs (for exception see Section 200.458)
- Recruiting costs (for exceptions see Section 200.463)
- Relocation costs of employees (for exceptions see Section 200.464)
- Rental costs of real property and equipment (for exceptions see Section 200.465)
- Selling and marketing costs (for exceptions see Section 200.467)
- Student activity costs (for exceptions see Section 200.469)
- Taxes (including Value Added Tax)
- Termination costs
- Travel costs (for exceptions see Section 200.474)
- Unspecified contingencies

**OMB Cost Matching Guidelines for Federal Grants**

(OMB A-110, OMB A-102 and CFR Title 2 Subtitle A Chapter II Part 200 Subpart D – Post Federal Award Requirements)

All contributions—including cash and third party in-kind contributions—shall be accepted as part of the recipient's cost sharing or matching when such contributions meet all of the following criteria:

- Are verifiable from the non-federal entity's records
- Are not included as contributions for any other federally assisted project or program, unless specifically allowed by federal program laws and regulations
- Are necessary and reasonable for proper and efficient accomplishment of project or program objectives
- Are allowed under the applicable cost principles



- Are not paid by the federal government under another award, except where authorized by federal statute to be allowable for cost sharing or matching
- Are provided for in the approved budget when required by the federal awarding agency. Conform to other applicable provisions of the *OMB Circular A-102* and *OMB Circular A-110*, or *CFR Title 2 Part 200 Subpart D – Post Federal Award Requirements*, and the laws, regulations, and provisions of contract or grant agreements applicable to the program

### **12.9.2 | Grant-funded Personnel Expenditures**

General guidelines for grant personnel expenditures:

- The personnel service provided must be reasonable and must conform to the established policies
- The personnel expenditure must follow an appointment made in accordance with governmental unit's law and rules, merit system, or other requirements
- The expenditure must be supported by payroll documentation including:
  - Proper attendance records e.g. timesheets
  - Time distribution records
- Standards for time and effort reporting:
  - If the personnel expenditure has already been incurred, use actual instead of estimates
  - Full disclosure is required, including list of activities
  - Appropriate verification is required (i.e., timesheets must be signed by employees and supervisors)
  - Time and effort reporting must be prepared at the time that work is performed

#### **Payroll Set-up**

Personnel expenditures funded by the grant are budgeted in the *Annual Salary Ordinance* or an *Accept and Expend Ordinance* approved the Board of Supervisors. The department's payroll unit is responsible for processing personnel requisitions with the Department of Human Resources and setting up the payroll for the employee who is hired. After this is done, the City will charge the employee's payroll costs directly to the grant funding the position through an interface with the eMerge PeopleSoft System.

## **Grant Payroll Management**

The department Grant Manager is responsible for making sure that payroll is set up in the grant correctly, and examining payroll charges to ensure the personnel expenditures charged to the grant are all eligible and within budget. For audit purposes, all grant-funded personnel expenditures must be supported by authorized (signed) timesheets.

Some grants disallow overtime expenditures or fringes, and some grants only pay for overtime for personnel who backfill the positions of other personnel in training. Salary abatements or payroll allocations journal entry between grants and other funding sources are therefore necessary in these specific instances, and they should be done in a timely manner (i.e., within the same quarter that the expenditure incurred) with sufficient support.

If excess payroll charges are projected that will cause grant budget overruns, the Grant Manager should act immediately to do one of the following:

- Reallocate the grant budget to provide more funds for personnel expenditures, if allowed by the grant award or request grantor's approval
- Request additional grant funds from the funding agency
- Abate or direct the excess payroll charges to other funding source for which the charges would be eligible

### **12.9.3 | Grant-related Procurement Procedures**

Departments using federal, state, or local grant funds for procurement may be required to comply with different procurement requirements than the City's procurement rules. Departments must be in full compliance with the grant provisions in the procurement of goods and services using grant funds.

#### **12.9.3.1 | WORKING WITH PURCHASERS (OCA)**

Departments are responsible for reflecting grant conditions and provisions of the governing federal, state, or local grantors, such as the geographical preference prohibition, in the service contracts, grant agreements with sub-recipients, requisitions, purchase orders, work orders, requests for proposal, etc. The City's Office of Contract Administration (OCA or Purchasing) and the City Attorney's Office have specific instructions to departments to make appropriate changes to the contract templates and requests for proposals (RFPs) as necessary. PeopleSoft has a "clauses library" that includes commonly used clauses to be included in contracts. Departments may utilize these clauses as appropriate at the direction of the City Attorney and OCA Purchaser.

When submitting requisitions or contracts to Purchasing, departments are to identify the funding source; provide the requisition or contract with the appropriate additions and deletions in compliance with

federal, state, or local grant fund requirements; and identify the department contact person who could answer any questions that Purchasing may have regarding the grant restrictions and provisions.

#### 12.9.3.2 | PROCUREMENT REQUIREMENTS FOR FEDERAL FUNDS

The following federal procurement requirements must be met:

##### **Uniform Guidance – Major Procurement Requirements**

###### General Procurement Standards (2 CFR Section 200.318)

Non-federal entities must:

- Use its own documented procurement procedures provided that they conform to applicable federal law (including general procurement standards), state and local laws and regulations
- Maintain oversight to ensure that contractors perform in accordance with the terms, conditions, and specifications of their contract or purchase orders
- Maintain written standards of conduct covering conflicts of interest and governing the performance of employee engaged in the procurement process; including (i) selection, (ii) award, (iii) and administration of contracts
- Maintain written standards of conduct:
  - Covering organizational conflicts of interest for relationships with parent, affiliate, or subsidiary organizations that are not a state, local governments, or Indian tribe
  - The standards of conduct must include disciplinary actions for employees, officers, or agents of the non-Federal entity in the event of violation
- Avoid acquisition of unnecessary or duplicative items
- Make efforts to use federal excess and surplus property in lieu of purchasing new equipment and property to reduce project costs
- Make efforts to use value engineering clauses in contracts for construction projects of sufficient size to offer reasonable opportunities for cost reductions
- Award contracts only to responsible contractors possessing the ability to perform successfully under the terms and conditions of a proposed procurement
- **Maintain records sufficient to detail the history of procurement;** including, but not limited to:
  - Rationale for the method of procurement
  - Selection of contract type

- Contractor selection or rejection
- Basis for the contract price.
- Use time and materials contracts only after the determination was made that no other contract is suitable. If a time and materials contract is used, the awarding entity must:
  - Set a ceiling price
  - Assert a high degree of oversight
- Be responsible, have good administrative practice and sound business judgment for the settlement of all contractual and administrative issues arising out of procurement

Competition (CFR Title 2 § 200.319)

In order to ensure fair competition in any contracting process, all procurement transactions

- Will be conducted in a manner providing full and open competition subject to but not limited to sole source procedures. Circumstances exempt from competitive bidding that may allow sole source waiver request include:
  - The item is available only from a single source
  - The urgency of the requirement does not permit a delay resulting from competitive solicitation
  - The awarding agency authorizes non-competitive proposals
  - After solicitation of a number of sources, competition is determined inadequate
- Will ensure objective contractor performance and eliminate unfair competitive advantage. Contractors that develop draft specifications, requirements, statements of work, and invitations for bids or requests for proposals must be excluded from competing for such procurements
- Will eliminate restrictive competition situations. The following are examples of restrictive competition situations:
  - Placing unreasonable requirements on firms in order for them to qualify to do business
  - Requiring unnecessary experience and excessive bonding
  - Non-competitive pricing practices between firms or between affiliated companies
  - Non-competitive contracts to consultants that are on retainer contracts
  - Organizational conflicts of interest

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- Specifying only a “brand name” product instead of allowing “an equal” product to be offered and describing the performance or other relevant requirements of the procurement
  - Any arbitrary action in the procurement process
- Will not impose state or local geographical preferences in the evaluation of bids or proposals, except when applicable federal statutes expressly mandate or encourage geographical preference
- Will ensure written procurement transaction procedures that:
  - Incorporate a clear and accurate description of the technical requirements for the material, product, or service
  - Identify all requirements which the offerors must fulfill and all other factors to be used in evaluating bids or proposals
- Will maintain current lists of all pre-qualified persons, firms, or products that are used in acquiring goods and services. Lists must include enough qualified sources to ensure maximum open and free competition
- Circumstances exempt from competitive bidding that may allow sole source waiver request include:
  - The item is available only from a single source
  - The urgency of the requirement does not permit a delay resulting from competitive solicitation
  - The awarding agency authorizes non-competitive proposals
  - After solicitation of a number of sources, competition is determined inadequate

### Methods of Procurement (2 CFR Section 200.320)

One of the following five procurement methods must be used (less formal methods are acceptable if the procurement is under the federal “Simplified Acquisition Threshold” of \$150,000):

#### 1. Procurement by Micro Purchase

- Aggregate dollar amount of supplies or services does not exceed \$3,000\*
- Should distribute micro-purchases evenly among qualified supplies
- May be awarded without soliciting competitive quotes if the price is reasonable
- Non-competitive contracts to consultants that are on retainer contracts

2. Procurement by Small Purchase Procedures

- Procedures are simple and informal for supplies and services (or other property) that do not exceed the Simplified Acquisition Threshold (\$150,000)
- If small purchase procedures are used, price or rate quotes must be obtained from an adequate number of qualified sources
- Purchasing cards (P-card) purchases above \$3,000\* will require documentation of price quotes

3. Procurement of Sealed Bids (Formal Advertising)

- Publicly solicited bids, and a firm fixed price contract is awarded at the lowest price
- Preferred method for procuring construction under specified conditions

4. Procurement by Competitive Proposal

- Conducted with more than one source submitting an offer
- Either fixed price or cost-reimbursement type contract is awarded
- Used when conditions of sealed bids are not appropriate
- Requirements are:
  - Requests for proposals must be publicized and identify all evaluation factors and relative importance
  - Proposals must be solicited from an “adequate” number of qualified sources
  - Written method for conducting technical evaluations of the proposals and selecting recipients is mandatory
  - Contracts must be awarded to the entity whose proposal is most advantageous
  - The selection method, where price is not used as a selection factor, can only be used in procurement of architectural/engineering professional services

5. Procurement by Non-competitive Proposal

- Procurement through the solicitation of a proposal from only one source
- May be used when one or more of the following apply:
  - The item is available from a sole source only
  - Public emergency will not allow a delay resulting from competitive solicitation

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- Non-competitive proposals are authorized in response to a written request from the non-Federal entity
- The competition is considered inadequate after a soliciting a number of sources

**Note:** The micro-purchase threshold may change. Refer to *48 CFR Subpart 2.1 (Definitions)* for the most updated micro-purchase threshold. The government code can be found online at

<http://www.ecfr.gov/cgi-bin/retrieveECFR?gp=2&SID=3e68a26a53fc6a7201c61b492bbea732&ty=HTML&h=L&mc=true&n=s p48.1.2.2 11&r=SUBPART>.

### Contracting with Small and Minority-owned Business (CFR Title 2 § 200.321)

- Non-federal entities must take necessary actions to ensure that minority and women-owned businesses, and labor surplus area firms are used when possible
- Affirmative steps include:
  - Including qualified small, minority, and women-owned businesses on solicitation lists
  - Soliciting small, minority, and women-owned businesses whenever they are potential sources
  - Dividing total requirements into smaller tasks to permit maximum participation by small, minority, and women-owned businesses
  - Establishing delivery schedules that encourage the participation from small, minority, and women-owned businesses
  - Using the services and assistance of the Small Business Association and the Minority Business Development Agency of the Department of Commerce
  - Requiring the prime contractor to select a sub-contractor based on the affirmative steps listed above

### Contract Cost and Price (CFR Title 2 § 200.323)

The non-federal entity must:

- Perform cost or price analysis in connection with every procurement action in excess of the Simplified Acquisition Threshold (including modifications)
- Negotiate profit separately, as an element of price, for each contract that does not have competition
- Costs and prices are only allowable to the extent that they are incurred based on estimates and included as part of negotiated prices under *CFR Title 2, Part 200, Subpart E – Cost Principles*

Federal Awarding Agency or Pass-through Entity Review (CFR Title 2 § 200.324)

- The non-federal entity must make available to the federal agency or pass-through entity:
  - Technical specifications on proposed procurements
  - Pre-procurement review: procurement documents, such as, requests for proposals or invitations for bids or independent cost estimates
- The non-federal entity is exempt from the pre-procurement review if the federal awarding agency or pass-through entity determines that its procurement system compliance with the standards of this Part

Contract Provisions (CFR Title 2 § 200.326)

Contract provisions must include all applicable provisions in *CFR Title 2, Part 200, Appendix II – Contract Provisions for Non-Federal Entity Contracts Under Federal Awards*.

- **Contracts over the simplified acquisition threshold (currently \$150,000)** must address administrative, contractual, or legal remedies in instances where contractors violate or breach contract terms, and provide for such sanctions and penalties as appropriate
- **Contracts in excess of \$10,000** must address termination for cause and for convenience by the non-federal entity including the manner by which it will be effected and the basis for settlement
- **Equal Employment Opportunity** applies to all “federally assisted construction contracts”
- **Davis-Bacon Act** applies to all prime construction contracts in excess of \$2,000. Non-federal entities shall include in their construction contracts subject to the Act:
  - Requirement that the contractor or sub-contractor comply with the requirements of the Davis Bacon Act
  - Requirement for the contractor or sub-contractor to submit to the non-federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls)
  - Payment should not be made without receiving the certified payrolls
- Given factors such as geographical preference prohibition in certain grant requirements, departments should discuss with the City’s Human Rights Commission (HRC) concerning application of its rules
- **Contract Work Hours and Safety Standards Act** applies to all contracts awarded by the non-federal entity in excess of \$100,000 that involve the employment of mechanics or laborers. Wages and overtime are computed using a standard 40-hour work week



- **Rights to Inventions Made Under a Contractor Agreement** applies when the federal award meets the definition of “funding agreement” under *CFR Title 37 § 401.2(a)* and the recipient or sub-recipient wishes to enter into a contract with a small business firm or nonprofit organization regarding the substitution of parties, assignment or performance of experimental, developmental, or research work under that “funding agreement”. “Funding Agreement” refers to any contract, grant, or cooperative agreement entered into between any federal agency, and any contractor for the performance of experimental, developmental, or research work funded in whole or in part by the federal government. This term also includes any assignment, substitution of parties, or sub-contract of any type entered into for the performance of experimental, developmental, or research work under a funding agreement as defined in the first sentence of this paragraph
- **Clean Air Act and the Federal Water Pollution Control Act** applies to contracts and sub-grants of amounts in excess of \$150,000

#### Federal Award Procurement Grace Period

The federal government is providing a **grace period of two full fiscal years** after the effective date of the *Uniform Guidance for Federal Awards*. For the non-federal entity’s first full fiscal year that begins on or after December 26, 2014, the non-federal entity must document whether it is in compliance with the old or new standard, and must meet the documented standard. For example, the second full fiscal year for a non-federal entity with a June 30th year-end would be the year ending June 30, 2017. For future fiscal years, all non-federal entities will be required to comply fully with the uniform guidance (*CFR Title 2 Part 200 FAQ .110-6*, updated September 2015).

The City has elected the grace period of one full fiscal year after the effective date of the *Uniform Guidance for Federal Awards* to implement its compliance. The Federal Award Procurement is effective July 1, 2016.

#### **Debarment and Suspension**

City departments are prohibited from contracting with suspended or debarred parties. Covered transactions include those procurement contracts for goods and services awarded under a non-procurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other criteria as specified in *CFR Title 2 § 180.220*.

When a City department enters into a contract equal to or exceeding \$25,000, it must verify that the prospective contractor is not suspended or debarred before awarding the contract. The department must have documentation to verify that the contractor was not suspended nor debarred before contract execution. This verification may be accomplished by any of the following actions:

- Checking the Excluded Parties List System (EPLS) in the System for Award Management ([www.sam.gov](http://www.sam.gov))

- Collecting a written certification from the prospective contractor that it is neither suspended nor debarred
- Adding a clause or condition to the covered transaction with that entity (*CFR Title 2, Part 180, Subpart C, 180.300 – OMB Guidelines to Agencies on Government wide Debarments and Suspension (Non Procurement)*)

City requirements in this area are as follows:

- City departments shall establish continuous monitoring procedures to ensure that any parties excluded from federal procurement or non-procurement programs are not awarded assistance in violation of *CFR Title 2, Part 180*. Departments shall check contractors' debarment status periodically to ensure continuous compliance. The Office of Contract Administration (OCA) is not responsible for monitoring the debarment and/or suspension of a contractor after an award has been issued
- City departments shall also establish procedures to provide for effective use and/or dissemination of the list to assure that their grantees and sub-grantees (including contractors) at any tier do not make awards in violation of the non-procurement debarment and suspension common rule
- City departments serving as a performing department with a work order or work authorization funded by federal funds shall verify that an existing contractor for whom a change order is being processed is not suspended or debarred before authorizing the change order. It is recommended that the memorandum of understanding (MOU) between the requesting and performing departments include language about this requirement
- City departments should document their processes for checking debarment and suspension status vendors

### **Byrd Anti-Lobbying Amendment**

Contractors that apply or bid for an award exceeding \$100,000 must file the required certifications:

### **Prohibition of Geographical Preferences**

Grantees and sub-grantees will conduct procurements in a manner that prohibits the use of statutorily or administratively imposed in-state or local geographical preferences in the evaluation of bids or proposals, except where federal statutes expressly mandate so.

#### **12.9.3.3 | GRANT AGREEMENTS – CONSENSUS**

For additional information regarding the jurisdiction over contracts involving an award of a grant rather than the acquisition of goods and services, refer to [Section 3.11 | Grant Agreements - Consensus](#).

## 12.9.4 | Grant-Funded Capital Expenditures

This section provides references to the *Code of Federal Regulations* (CFR) sections that govern federally funded capital expenditures.

### Equipment and Other Capital Expenditures (CFR Title 2 §200.439)

- Capital expenditures for general purpose equipment, buildings, and land are unallowable as direct charges, except with the prior written approval of the federal awarding agency or pass-through entity (CFR Title 2 §200.439(b)(1))
- Capital expenditures for improvements to land, buildings, or equipment which materially increase their value or useful life are unallowable as a direct cost except with the prior written approval of the federal awarding agency, or pass-through entity (CFR Title 2 §200.439(b)(3))
- Cost of equipment disposal—If the non-federal entity is instructed by the federal awarding agency to otherwise dispose of or transfer the equipment the costs of such disposal or transfer are allowable (CFR Title 2 §200.439(b)(6))
- Capital expenditures for special purpose equipment are allowable as direct costs, provided that items with a unit cost of \$5,000 or more have the prior written approval of the federal awarding agency or pass-through entity (CFR Title 2 §200.439(b)(2))
- Computing devices do not meet the threshold requirements so are considered supplies
  - Tablets
  - Laptops
  - Smart phones
- Lesser of \$5,000 or entity capitalization threshold
- Revisit policy if below this amount

### Depreciation (CFR Title 2 § 200.436)

- Depreciation is the method for allocating the cost of fixed assets to periods benefitting from asset use. The non-federal entity may be compensated for the use of its buildings, capital improvements, equipment, and software projects capitalized in accordance with GAAP, provided that they are used, needed in the non-federal entity's activities, and properly allocated to federal awards. Such compensation must be made by computing depreciation (CFR Title 2 §200.436(a))

- Charges for depreciation must be supported by adequate property records, and physical inventories must be taken at least once every two years to ensure that the assets exist and are usable, used, and needed. Statistical sampling techniques may be used in taking these inventories. In addition, adequate depreciation records showing the amount of depreciation taken each period must also be maintained (*CFR Title 2 §200.436(e)*)

### **12.9.5 | Grant Sub-recipient Expenditures**

While the City often directly administers grant funds received, the City may contract out to non-City community-based organizations (CBOs) to perform the grant services or programs. Depending on the scope of work, the non-City entity may be classified as a sub-recipient (a grantee that receives grant funds from the City as a pass-through entity), or a contractor (a service provider of a procurement contract). In general, the principal purpose of a grant (or a sub-recipient grant contract) is to accomplish a public purpose of support or stimulation authorized by federal statute. The principal purpose of a procurement contract is acquisition of property or services for the direct benefit or use of the federal government. For federally funded contracts, it is important to correctly identify the contract recipients' role since the City is required to follow different procurement and monitoring rules for a sub-recipient contract vs. a service procurement contract. Departments should also follow applicable federal requirements on sub-recipient monitoring.

Departments are responsible for assessing the subrecipient's compliance with programmatic requirements along with the Fiscal and Compliance requirements of the City and any federal funding sources. Grant Agreements should include requirements that a sub-recipient establishes and maintains internal controls designed to ensure that transactions are properly recorded and accounted for.

Under *CFR Title 2 §200.431* the costs of fringe benefits such as pay associated with vacation leave are allowable provided that the benefits are reasonable and are required by law, non-Federal entity-employee agreement, or an established policy of the non-Federal entity. Fringe benefits in the form of authorized absences from the job i.e. leave, are allowable only if all the criteria are met. Grant Agreements should include requirements that a sub-recipient have established written policies and procedures that ensure compliance with *§200.431*.

#### **12.9.5.1 | SUB-RECIPIENT VS. CONTRACTOR DETERMINATION (*CFR TITLE 2 § 200.330*)**

A non-federal entity may concurrently receive federal awards as a direct recipient, sub-recipient, or contractor.

The pass-through entity (PTE) must make a case-by-case determination whether each agreement it makes for the disbursement of federal program funds casts the party receiving the funds in the role of a sub-recipient or contractor. In this regard, the substance of the agreement is more important than the form. The department must be able to furnish documentation (e.g., contract scope of work) to support its determination. Follow the matrix below for the determination.

TABLE 12-6. DETERMINATION OF SUB-RECIPIENT VS. CONTRACTOR)

SUB-RECIPIENT	CONTRACTOR
Creates federal assistance relationship	Purpose is to obtain goods and services for the non-federal entity's own use and creates a procurement relationship
Determines who is eligible to receive what federal assistance	Provides the goods and services within normal business operations
Has its performance measured in relation to whether objectives of a federal program were met	Provides similar goods or services to many different purchasers
Has responsibility for programmatic decision making	Normally operates in a competitive environment
Is responsible for adherence to applicable federal program requirements specified in the federal award	Provides goods or services that are ancillary to the operation of the federal program
In accordance with its agreement, uses the federal funds to carry out a program for a public purpose specified in authorizing statute, as opposed to providing goods or services for the benefit of the PTE	Is not subject to compliance requirements of the federal program as a result of the agreement, though similar requirements may apply for other reasons
Follow sub-recipient's guidelines per <i>CFR Title 2 §200.93</i>	Follow contractor guidelines per <i>CFR Title 2 §200.23</i> (Contractor replaces the term "Vendor" from OMB Circular A-133)

## 12.9.5.2 | SUB-RECIPIENT CONTRACT SET-UP SPECIAL REQUIREMENTS

**G-100 Contract Template**

Departments must ensure that grants are administered in accordance with the grantor's terms and conditions, and applicable City policies and procedures. In addition, "grantee" departments must ensure that all sub-recipients adhere to grantors' term and conditions. Contracts with sub-recipients must contain language in compliance with grantor's regulations. Contracts should also contain language that explicitly requires sub-recipients to comply with the terms on the City's grant contract. The Controller's Office

recommends that departments use the G-100 template to write grant funded contracts. The template is available at <https://sfgov.org/oca/G-100%20%284-19%29%20Grant%20Template.docx>

Departments must have all of the following information for each sub-recipient contract:

- Sub-recipient name and Dun & Bradstreet (DUNS) number
- Federal award identification number (FAIN) and award date
- Sub-award period of performance – start and end date
- Amount of federal funds obligated by the action
- Total amount of federal funds obligated to the sub-recipient
- Total amount of the federal award
- Federal award project description
- Name of the federal awarding agency, pass-through entity, and contact information for awarding official
- Catalog of Federal Domestic Assistance (CFDA) number and name; must identify the dollar amount made available under each CFDA number at time of disbursement
- Whether the award is research and development
- Reporting and other requirements
- An approved federally recognized indirect cost rate negotiated between the sub-recipient and the federal government or, if no such rate exists, either a rate negotiated between the federal pass-through entity (PTE) and the sub-recipient, or a *de minimis* indirect cost rate as defined in *CFR Title 2 § 200.414*
- A requirement that the sub-recipient permit the PTE and auditors to have access to the sub-recipient's records and financial statements, as necessary for the PTE to meet its requirements
- Appropriate terms and conditions concerning the closeout of the sub-award

#### **Select “Grant” when Setting Up the Contract in PeopleSoft**

Select the “Grants” document type when setting up the contract so that purchase orders and vouchers charged against it will route through the proper approval path.

FIGURE 12-29. SELECTION OF GRANTS DOCUMENT TYPE

The screenshot shows the 'SF EMPLOYEE PORTAL FINANCIALS & PROCUREMENT' interface. The user is logged in as '46897' on 'FSUAT'. The breadcrumb trail is: 'Supplier Contracts > Create Contracts and Documents > Contract Entry'. The 'Document Management' section displays the following details:

- SetID:** SHARE
- Supplier:** COMMUNITY PARTNERS
- Contract Style:** General Contract
- Document Type:** GRANTS
- Description:** Miscellaneous Services to CBO
- Administrator:** Mok, Jack H.
- Sponsor:**
- Department:**
- Contract ID:** 1000010201
- Version:** 0.00
- Status:** Draft
- Created On:** 04/28/17 2:09PM
- Last Modified On:** 04/28/17 2:07PM

Below the details, there are three columns of actions:

- View and Edit Options:**
  - View Document
  - Edit Document
  - Add Attachments/Related Documents
  - Document Modification Summary
  - Document Version History
- Review and Approval:**
  - Route Internally
  - Route Externally
  - Preview Approval
  - Submit for Approval
  - Bypass Approvals
  - Internal Contacts/Signers
  - External Contacts/Signers
  - Document View Access
- Other Document Actions:**
  - Send to Contacts
  - Refresh Document
  - Recreate Document
  - Compare Documents
  - Deactivate Document
  - Generation Log

### Choose the Right Expenditure Account to Record Spending when Setting Up the Purchase Order

The City uses the expenditure account to differentiate between sub-recipient and contractor expenditures. This enables accurate reporting on the annual *Schedule of Expenditure of Federal Awards* and Single Audit.

- When setting up the purchase order for a contract with a **sub-recipient**, a department should use the expenditure account “Community Based Organization Services”.
- When setting up the purchase order with a **contractor**, a department should use expenditure account “Other Professional Services”



**FIGURE 12-30. SETTING UP THE PURCHASE ORDER'S EXPENDITURE ACCOUNT**

A community-based organization may simultaneously provide contractor services and carry out a grant as a sub-recipient. In such cases, the purchase order should have two separate lines indicating the separate types of services to be billed.

At the end of the fiscal year, the department should reconcile its expenditures funded by federal sources to ensure sub-recipient expenditures and contractor expenditures are recorded and accounted for properly, and supporting documentation for the expenditure determination are ready for Single Audit.

### Sub-recipient Designation in PeopleSoft

When a grant is contracted to a new sub-recipient, the department must notify the Controller's Office Supplier Management Team and the Controller's Office Fund Accountant. With the Fund Accountant's approval, the Supplier Management Team will mark the supplier as a sub-recipient in PeopleSoft.



FIGURE 12-31. INDICATING A SUPPLIER AS A SUB-RECIPIENT IN PEOPLESFT

The screenshot shows the PeopleSoft interface for managing subrecipients. The breadcrumb trail at the top indicates the path: Favorites > Main Menu > Grants > Subrecipients > General information. The user is logged in as FSP\_AGENCY\_GM\_PROCE. The form displays details for a subrecipient named 'Zeus Construction Company' with Supplier ID '0000000003'. The 'Subrecipient' tab is selected, showing fields for SetID (SHARE), Additional Name, ShortName (ZOC), Classification (Supplier), and Supplier Status (Approved). The 'Sub-recipient Info' section includes an Effective Date of 11/21/2016, a Status of Active, and an Institution Type of SMB (Small Business). A checkbox for 'Subject to A133 Compliance' is checked. The form also includes a large text area for comments and a bottom navigation bar with buttons for Save, Return to Search, Previous in List, Next in List, Notify, Update/Display, Include History, and Correct History.

Once the supplier update is complete, the department grant manager should identify the sub-recipient in the grant project's award profile.

**FIGURE 12-32. IDENTIFYING THE SUB-RECIPIENT ON THE GRANT PROJECT'S AWARD PROFILE**

The screenshot displays the 'Award Profile' page in the FSDEV system. At the top, the user is logged in as 'aj.nixon'. The 'Award' tab is active, showing the 'Award ID' as 'NOIAF02' and the 'Award Title' as 'Creating Healthy Communities'. Below this, there are fields for 'Reference Award Number', 'Award PI', and 'Primary Project PI'. The 'Detail' section shows the 'Project' as '0000000000000000' and the 'Project PI'. The 'Resource' section has a search bar for 'Type' and a 'Comments' field. The 'Subrecipient' section is highlighted, showing a search bar and a list of subrecipients. At the bottom, there are navigation links: 'Go To: Sponsor, Protocols, Attributes, Department Credit, Notepad, Award Modifications, Supplemental Data'. The footer shows the award details: 'Award [Funding] Resources [Certifications] Terms [Milestones] Key Words [Funding Inquiry]'.

### 12.9.5.3 | FEDERAL PASS-THROUGH ENTITY (PTE) RESPONSIBILITIES

As a pass-through entity of federal funding to sub-recipients, the City has the following responsibilities as required by federal *Uniform Guidance*.

#### Responsibilities to the General Public

- The *Federal Funding Accountability and Transparency Act (FFATA)*, which was signed on September 26, 2006, requires information on federal awards (federal financial assistance and expenditures) be made available to the public via a single, searchable website: [www.USASpending.gov](http://www.USASpending.gov). The FFATA Sub-award Reporting System (FSRS) is the reporting tool federal prime grantees use to

capture and report sub-award and executive compensation data regarding their first-tier sub-awards to meet the FFATA reporting requirements

- Prime grantees are required to report each first-tier sub-award or sub-award amendment that results in an obligation of \$25,000 or more in federal funds by the end of the month following the month in which the subcontract award or modification occurs

### **Responsibilities to Sub-recipients**

At the time of the award, the pass-through agency must:

- Identify to each sub-recipient the federal award information, (i.e., CFDA title and number, award name and number, award year, if the award is research and development, and name of federal agency)
- Advise sub-recipients of requirements imposed on them
- Monitor sub-recipients' activities
- Ensure that sub-recipients expending \$500,000 or more in federal awards during the fiscal year have met the audit requirements of this part for that fiscal year
- Issue a management decision on audit findings within six (6) months after receipt of the sub-recipient's audit report and ensure that the sub-recipient takes appropriate and timely corrective action
- Consider whether sub-recipient audits necessitate adjustment in their own records
- Require the sub-recipient to permit the pass-through entity and auditors to have access to records and financial statements
- Review much more detailed than guidance that is contained in *Uniform Guidance Appendix XI Compliance Supplement*

The following sections describe the tasks a pass-through entity shall perform for the federal awards it makes to sub-recipients.

### **Requirements for Pass-through Entities (CFR Title 2 § 200.331)**

- Ensure that every sub-award is clearly identified to the sub-recipient as a sub-award
- Provide certain sub-award information at the time of the sub-award and, if any of these data elements change, include the changes in subsequent sub-award modification(s)

- Evaluate each sub-recipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the sub-award for purposes of determining the appropriate sub-recipient monitoring, based on provided criteria (*CFR Title 2 § 200.331(b)*)
- Consider imposing specific sub-award conditions upon a sub-recipient, if appropriate:
  - Based on risk or prior history of failure to comply
  - Example conditions that may be added in *CFR Title 2 § 200.207*
- Monitor activities of the sub-recipient
- Depending on risk, utilize other potential PTE monitoring tools
- Consider whether the results of sub-recipient audits, on-site reviews, or other monitoring activity indicates conditions that necessitate adjustments to the PTE's own records
- Consider taking enforcement action against non-compliant sub-recipients as described section *CFR Title 2 § 200.338*

#### 12.9.5.4 | SUB-RECIPIENT MONITORING

The City is responsible for the funds provided to sub-recipients and is ultimately liable and at risk for disallowed expenses if sub-recipients are not in compliance with the terms of the grant. Departments should ensure that all grant sub-recipients comply with the terms of the grants.

According to federal *Uniform Guidance*, the pass-through entity's monitoring of the sub-recipient must include:

- Reviewing financial and performance reports required by the pass-through entity
- Following-up and ensuring that the sub-recipient takes timely and appropriate action on all deficiencies pertaining to the federal award provided to the sub-recipient. Deficiencies may be detected through audits, on-site reviews, and other means
- For audit findings pertaining to the federal award provided to the sub-recipient from the PTE, issuing a management decision as required by *CFR Title 2 § 200.521*
- Depending on risk assessment results, additional monitoring procedures

#### **Risk Assessment**

Departments with grant sub-recipients shall conduct an annual sub-recipient risk assessment to evaluate the following required risk factors, as specified by *CFR Title 2 § 200.331(b)*:

- The sub-recipient's prior experience with the same or similar sub-awards
- The results of previous audits including:
  - whether or not the sub-recipient receives a Single Audit
  - the extent to which the same or similar sub-award has been audited as a major program
- New (key) personnel
- New or substantially changed systems
- The extent and results of federal awarding agency monitoring (e.g., grantor audit)

Other, not formally risk factors that departments should evaluate as part of its annual risk assessment of sub-recipients include:

- Financial position/going concern
- Known compliance issues not resulting from audits/monitoring activities
- Sub-recipients' own procedures
- International location
- Third tier sub-award
- Cost sharing

### **Monitoring Procedures**

Ongoing monitoring methods that should occur outside of the formal annual risk assessment include:

- Frequent, scheduled phone conversations. This approach allows an informal assessment of how things are proceeding, but may not necessarily reveal whether problems have arisen
- Face-to-face meetings provide a more extensive forum for discussion
- Review of financial statements and audit reports, follow up on findings
- Review of written progress reports are a very reliable technique for staying on top of performance. A good progress report should:
  - Indicate the status of the project
  - Highlight the accomplishments vis-à-vis the goals and objectives

- Point out any problems or obstacles
- Discuss work planned for the next period
- Financial status reports and payment requests should be reviewed in conjunction with progress reports to ensure expenditures are occurring at a level commensurate to project progress
- Review of draft deliverables allows for revising the work product in accordance with the contract specifications before the final version is submitted
- Site visits. Visiting a sub-recipient's location is the best means of obtaining firsthand information on performance. If possible, site visits should be conducted during each major phase of a project
- Make use of sub-recipient monitoring system such as Contracts Online (COOL) and Total Grant Solution (TGS)

### **Mitigating Sub-recipient Risks**

Recommended actions upon identifying a risk associated with a sub-recipient include but are not limited to:

- Imposing specific conditions on a contract
- Requiring training and technical assistance for the sub-recipient
- Holding on-site reviews
- Implementation of additional procedures
- Enforcement actions could result if risks are not adequately addressed; these actions include but are not limited to withholding of payment, disallowing costs, and suspending/terminating the sub-award

### **12.9.6 | Indirect Costs**

*Administrative Code*, Section 10.170-1(F) requires that every grant budget contains provisions for the reimbursement of indirect costs, unless indirect costs are disallowed by the grantor or when departments need to maximize the use of grant funds for program costs. For grants that need to go through the Accept and Expend process (refer to [Section 12.5.2.2 - | Accept & Expend resolution/ordinance Process](#)), the Board has to authorize the waiver of inclusion of indirect costs in the grant budget.

Include indirect costs in all large grant budgets whenever allowable. Grants that prohibit reimbursement of indirect costs may occasionally allow them to be included toward meeting a local matching requirement. Departments should confirm specific indirect cost guidelines with the funding agency.

#### 12.9.6.1 | INDIRECT COSTS DEFINITION

Indirect costs are general costs of doing business that are difficult to identify directly to a grant, such as department overhead and City-wide services that support departments. *CFR Title 2 §200.56* defines indirect costs as “those costs incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved.”

#### **Indirect Cost vs. Normal Grant Expenditure**

Any administrative expenses that can be specifically assigned to a particular grant should be budgeted and claimed directly rather than included in an indirect cost base. For example, if a grant program is large enough to require one full-time accounting staff member, that staff person should be billed directly to the grant. Small grants that use an accountant part-time may not be able to bill directly. Also, if a grant program is large enough to occupy a facility or a portion of a facility exclusively, the grant program’s share of the facility charges may be billed as direct charges. If grant activities are just one of many activities in a facility, then facility charges are allocated as part of indirect costs.

#### 12.9.6.2 | CALCULATION OF INDIRECT COSTS

Indirect costs are normally billed as a percentage of salaries or total direct costs charged to a grant. There may be a wide range of appropriate indirect cost rates, depending on the type of activity and base charges they relate to. The County-wide Cost Allocation Plan (COWCAP) allocates certain County-wide support functions to departments (including Human Resources, Board of Supervisors, Retirement System, City Attorney, etc.). This can be the basis of a partial indirect cost rate. However, the full indirect cost that might be charged to a grant could also include department overhead for the grant’s share of facility, department management, and support costs. This is why each department should calculate its own indirect cost rate to get the maximum advantage when indirect costs can be reimbursed. Check with your department fiscal officers for your department’s specific calculation bases and rates. No matter what rate the department uses, all indirect costs must be supported by a written plan that shows how they are calculated.

The Controller’s Office Operations Unit is available to assist you with questions about establishing and documenting indirect cost rates. For a copy of the *State Controller’s Office Handbook for Cost Plan Procedures for California Counties*, contact the County Cost Plans Unit at [LGPSCCountyCostPlans@sco.ca.gov](mailto:LGPSCCountyCostPlans@sco.ca.gov).

#### **Indirect Costs Charged to Federal Grants (CFR Title 2 §200.414)**

The following are indirect cost requirements pursuant to *Uniform Guidance*:

- The negotiated rates must be accepted by all federal agencies

- A federal agency may use a rate different from the negotiated rate for a class of federal awards or a single federal award only when required by federal statute or regulation, or when approved by a federal agency head or delegate based on documented justification
- Agencies must notify Office of Management and Budget about any exceptions approved by the agency head
- Any non-federal entity that has never received a negotiated indirect cost rate, except for those non-federal entities described in *CFR Title 2, Part 200, Appendix VII*:
  - May elect to change *de minimis* rate of 10% of Modified Total Direct Costs (MTDC), which may be used indefinitely
  - As directed in *CFR Title 2 §200.403* factors affecting allowability of costs, costs may not be double-charged or inconsistently charged
  - Once chosen, this methodology must be used consistently for all federal awards until such time as a non-federal entity chooses to negotiate for a rate, which the non-federal entity may apply to do at any time

The *Uniform Guidance* procurement standards do not apply to procurements made in indirect costs areas. The standards apply to procurements for goods and services that are directly charged to a federal award.

Departments should ensure their negotiated indirect cost rates and their sub-recipients' negotiated indirect cost rates are supported by formal approval documentation from the federal funding agency. Departments should have these documentation ready for the annual Single Audit.

#### 12.9.6.3 | RECORDING INDIRECT COSTS AND RECOVERIES IN THE FINANCIAL SYSTEM

##### **Recovery in Operating Fund**

Indirect costs are usually first incurred in operating funds and then allocated to grant funds as expenditures to support grant claims. Indirect cost recovery in operating funds should be budgeted and recorded in the expenditure recovery account instead of revenue, since indirect cost-related revenue has already been reported in grant funds.

## **12.9.7 | Grant-Funded Interdepartmental Services**

#### 12.9.7.1 | CO-OPERATION BETWEEN REQUESTING AND PERFORMING DEPARTMENT

Departments should identify the funding source when submitting interdepartmental work orders. The department requesting the service ("Requesting Department") must make known the restrictions of the



funding source of the work order/work authorization to the other City department that will be performing the service (“Performing Department”). If the funding source is from a grant, Requesting Departments must provide the pertinent grant funding requirements to the Performing Departments and make sure the Performing Departments adhere to grant provisions when they expend the grant funds. Performing Departments reserve the right to advise whether they can or cannot comply with the requirements and, if they cannot, the Requesting Department has the right to cancel the work order. No grant funds should flow through to the Performing Department if it does not comply with the grant’s requirements. Both the Requesting Department and the Performing Department have the responsibility to make sure the grant funds are spent according to the grant’s requirements.

#### 12.9.7.2 | RECORDING MECHANISM

##### **Direct Charge the Grant Project**

If the grant-funded interdepartmental service involves specialized work or is related to a capital project, the Requesting Department should authorize budget within the grant project to the Performing Department through a work authorization journal entry processed via the PeopleSoft Commitment Control Module. The Performing Department should post or allocate grant expenditures directly to the grant project.

##### **Recovery Mechanism**

If interdepartmental services are universal to all other funding sources and are deemed eligible expenditures to the grant (e.g., reproduction and mail charges, central shop vehicle maintenance, telephone charges, etc.), the department may maintain the recovery billing mechanism consistent with other funding sources and charge the costs to the grant as interdepartmental services expenditure. See [Section 7 | Interdepartmental Services](#) for details.

## **12.9.8 | Expenditure Allocations/Adjustments**

#### 12.9.8.1 | ABATEMENTS

Refer to [Section 17 | Allocations & Abatements](#) for detailed instructions on labor and non-labor abatements. The abatement should be justified with supporting documents and adequately explained in the long description of the journal entry. The department should identify the expenditure with the same expenditure account in the grant as it was initially recorded.

#### 12.9.8.2 | ALLOCATED CHARGES FOR CAPITAL GRANTS

When a capital project has multiple funding sources involving one or more grants, a department may budget and record grant expenditures using an “allocated charges” expenditure account. A department may budget a negative amount of this expenditure account in its capital projects as an expenditure

recovery item, and a positive amount on the grant project. Recording of the allocated charges can be done with manual entries or an automated allocation program set up in the financial system. Please work with the Controller's Office to set up such an allocation program if needed.

**FIGURE 12-33. SAMPLE ALLOCATED CHARGES EXPENDITURE ACCOUNT**

Description	Project ID	Fund	Original Budget	Cost	Remaining Budget
Capital Project	1001	Unallocated	\$100		\$60
Capital Project	1001	Allocated Charges	-\$100		-\$60
Grant 1	2001	Federal	\$70		\$40
Grant 2	2002	State	\$30		\$20
Capital Project	1001	Unallocated		-\$25	
Capital Project	1001	Unallocated		-\$15	
Capital Project	1001	Allocated Charges		\$40	
Grant 1	2001	Federal		-\$30	
Grant 2	2002	State		-\$10	

#### 12.9.8.3 | YEAR-END EXPENDITURE ACCRUALS

Expenditure recognition becomes critical at fiscal year-end when the City needs to obtain accurate financial data to produce its *Comprehensive Annual Financial Report* (CAFR). The department needs to analyze expenditure items at fiscal year-end and determine the correct recognition period for those expenditures.

Grant-funded payments to contractors and sub-recipients should be posted in the same fiscal year as the expenditures were incurred. For example: if a contractor submits a bill in July 2016 for expenditures incurred in June 2016, the payment for the bill should be processed as of Fiscal Month 12 (June) of Fiscal Year 15-16.

If it happens that an expenditure item that should have been recognized in the past fiscal year is paid or recognized in the following fiscal year, the department should initiate an adjusting journal entry in fiscal month 13 to accrue the expenditure as a payable in the past fiscal year.

## 12.10 | Grant Reconciliation

The department should periodically reconcile active grants between claims to the funding agency and PeopleSoft financial records to identify errors and issues and to ensure the financial record of the grant is

accurate. When the full grant cycle is complete, the grant should be fully reconciled and promptly closed out.

### **12.10.1 | Basic Principles of Reconciliation**

#### **Reconcile Quarterly**

Grants should be reconciled at least quarterly by the administering department. Timely and regular reconciliation helps to identify and correct issues in time, before these issues grow bigger and become more problematic and difficult to correct.

#### **Claimed Expenditure = PeopleSoft Expenditure**

Expenditures reported on the claim or financial reports to the funding agency must be equal to the grant expenditure amount shown on PeopleSoft records. Any variances must be noted, investigated, and corrected.

#### **Revenue = Expenditure**

For most grants, revenues recognized at a particular time should equal eligible grant expenditures at that same point in time. Initiate journal entries to make corrections and adjustments to the grant if necessary.

If revenues exceed expenditures, one of several possibilities may have occurred:

- Excess revenues may belong to a different grant
- Excess revenues were recognized in advance of expenditures, so should be reclassified as “advances”
- Some grant expenditures were charged to the wrong account and should be reclassified into the grant
- Some grant expenditures were recognized in a different fiscal year from the one in which the service was provided
- Excess reimbursement was received and should be returned to the funding agency

If grant expenditures exceed revenues, examine the account to check for the following possibilities:

- Additional revenues need to be claimed and accrued as receivables
- Excess expenditures charged to the grant in error need to be charged to some other department appropriation. If the department does not have the available budget, it will need to request a supplemental appropriation from the Board

- For reimbursement-based grants, make sure receivables are established for all outstanding eligible expenditures
- Departments must keep track of cash positions on grants and analyze large negative balances. To see the cash position of the grant, refer to PeopleSoft \_\_\_\_\_. A negative General Ledger balance indicates that the City has expended and should be able to claim or draw down grant funds to seek reimbursement for grant-related expenditures

For most gifts, revenues do not need to equal expenditures each fiscal year. Most gifts are recognized as revenue as soon as the funds are received; expenditures are booked as they occur. Thus, if the gift is not fully expended in the year it is received, revenues will exceed expenditures during that year, and expenditures will exceed revenues in subsequent years. When the gift is fully expended, revenues should equal expenditures and the gift detail should be closed out in PeopleSoft.

An exception is for conditional gifts where there is a significant likelihood that funds would have to be returned if the gift conditions are not met. In such a case, as discussed above, the gift should be treated just like an advance grant, with revenues recognized each fiscal year equal to the eligible expenditures.

#### **Estimated Revenue = Appropriation**

A grant budget's estimated revenue and appropriation should be balanced. Budget imbalance might result from errors during recording or revision of the grant budget; in such instances, the department needs to make sure the necessary and appropriate corrections are made.

#### **Actual Expenditure <= Grant Budget**

Grant expenditure should not exceed the amount of grant funds available. If the grant is overspent, excess expenditures should be abated to another available funding source or the department has to request a supplemental appropriation from the Board of Supervisors.

When a grant expenditure exceeds the grant project's expenditure budget, the financial system will not allow the expenditure to be posted. In such instances, the department may check the remaining grant budget at the following screen: \_\_\_\_\_

#### **Actual Expenditure <= Grant Line-item Budget**

PeopleSoft currently does not control appropriation at the line-item budget for each grant, due to the fact that line-item budget categories of different grants vary. Some are categorized by program, some are categorized by nature of expenditures (e.g., salaries and fringes, materials and supplies). Departments should develop their own system reports to monitor line-item grant budgets to ensure no overspending occurs.

### **Identify and Abate Any Ineligible Expenditure**

Examine costs charged to the grant to ensure they are eligible according to the grant's provisions. If grant expenditures were charged improperly to a grant or were found ineligible by the funding agency, they must be transferred out of the grant fund. The department must find another eligible funding source to cover those ineligible expenditures.

### **12.10.2 | Documenting Reconciliation**

Grant reconciliation needs to be documented for audit purposes. Departments may use any format to document their reconciliation of grants as long as the following is included:

- Each claim made (identified with numbers) and the associated expenditure breakdown (by document numbers)
- Revenue amount accrued and received
- Comparison between the amount claimed and the expenditure recorded in PeopleSoft. Variance must be shown and explained

Departments may should develop reports using the City's financial reporting system (Oracle Business Intelligence) to retrieve updated grant balances for analyzing grants and producing reconciliation documentation to fit their individual needs.

### **12.10.3 | Controller's Office Quarterly Grant Reconciliation**

As part of its monitoring responsibilities, the Controller's Office Operations Unit at the end of each quarter downloads the balances (recorded in grant codes) of all grants awarded to the City and performs a high-level preliminary analysis. The department's Fund Accountant will download the grant balances on a spreadsheet ("reconciliation report") and send the spreadsheet with recommended actions on abnormal grant balances to the department. Departments must return the quarterly reconciliation report sent to them within set deadlines with "solid" responses, including descriptions of actions completed.

#### **How to Use the Reconciliation Report**

- Operating accounts and General Ledger accounts are combined into the report
- Examine any discrepancy between the Estimated Revenues and Appropriation
- Process Grant Receivable adjustments
- Process Unavailable Revenue adjustments

- Transfer out all ineligible costs to other funding source(s)
- Submit reimbursement claims in a timely manner
- Follow up on outstanding reimbursement claims
- Analyze excess revenues to see if they need to be returned to the grantor
- Clear cash and other General Ledger accounts for expired and old grants
- Identify grants for closeout (see [Section 12.11- | Grant Close-out](#) for details)
- Indicate the correct grant end date
- Identify “Active” or “Inactive” grants or changes in status

### **“Solid” Response Required**

For all issues noted in its reconciliation report, the department must submit detailed explanations. In addition, the department must note all of its own actions performed according to the instructions, with document number referenced. Referring to other personnel or other entities for questions asked or notes on actions that will be performed does not constitute a solid response.

### **Submit on Time**

Timely submission of the grant reconciliation spreadsheet ensures both the department and the Controller's Office are updated on the status of the grants. It is also useful for identifying issues and errors in the grants so that they can be corrected in time.

### **Department Reconciliation Still Required**

Completion of the grant reconciliation process with the Controller's Office does not satisfy the department's responsibility to reconcile grants quarterly. The department should still reconcile grants at the detailed level as discussed above and have its own documentation of its reconciliations.

## **12.11 | Grant Close-out**

Closing out the grant is the final financial activity of the grant cycle. The purpose of the grant close-out process is to achieve a final accounting of all revenues and expenditures attributable to the grant and to reach a final grant balance. Departments are required to analyze and correct the balances on all expired inactive grants prior to closure.

### **When Can a Grant Be Closed?**

A grant is ready to be closed out when all the following applies:

- Grant was budgeted in the annual budget but not awarded. Departments should analyze the AAO grant budget quarterly to identify, de-obligate, and close by June 30<sup>th</sup> any grants that were not eventually awarded
- Grant funds are fully utilized and all reimbursements are received (i.e., the grant cycle is complete)
- Grant program is complete
- For projects funded by multiple grants, a grant can be closed as long as the grant cycle is complete, even when the related project is still active
- The grant is expired (e.g., grant period ended and no extension is made)
- If grant funds are fully utilized and grant cycle is complete before the grant expires, the grant can also be closed
- Final reconciliation is done and all adjustments to the grant are complete

### **12.11.1 | Basic Principles of Grant Close-out**

The following activities should be completed during grant close-out processing:

- At the completion of the grant program, actual revenues should equal actual expenditures, and the actual revenues and expenditures should reconcile with the reports to the funding agency
- Cash balance of the grant should be zero (i.e., all grant funds used up)
- Liquidate all outstanding encumbrances
- Make sure all reimbursements have been received and no receivable balance is outstanding
- Transfer out all ineligible costs
- If costs incurred were disallowed by the granting agency and will not be reimbursed, the department must identify another funding source to charge those expenditures. If no existing budget can cover the expenditures, the department must prepare a supplemental budget request to the Board of Supervisors to cover the amount of the ineligible costs
- Analyze excess revenues to see if they need to be returned to the grantor
- If there is leftover grant budget after the grant program or project has been completed, the department needs to make sure the remaining grant budget is not to be utilized or re-obligated upon grantor's approval. If the remaining funds are approved to be carried forward and

included in the next recurring grant's budget, the department should initiate a carryforward budget entry via the Commitment Control Module to transfer the budget to the next recurring grant project. Otherwise, the department should initiate a de-obligation journal entry via the commitment control module to de-obligate the grant budget

- Closing out of federal grants should follow closeout procedures as prescribed by the Federal *Uniform Guidance*

## 12.11.2 | Grant Close Out in the Financial System

Closing-out grants in PeopleSoft has three processes:

1. Close out remaining grant budget with a budget journal entry in the Commitment Control Module
2. Identify the grant contract in the Contract Module with a "Closed" status, so that no more billings can be run

**FIGURE 12-34. "CLOSED" CONTRACT STATUS IN THE CONTRACT MODULE**

The screenshot displays the PeopleSoft Contract Module interface. The browser address bar shows the URL: <https://con.fleet.sfgov.org/psp/finst/EMPLOYEE/EMP/finstMA>. The page title is "Welcome EXT\_DEPT\_CA\_CONTRACTS\_PRCR Logged On FSTST". The breadcrumb navigation is: Home > Customer Contracts > Create and Amend > General Information.

**Contract Details:**

- Contract Number: CTR00000166
- Amendment Number: 0000000001
- Sold To Customer: Alvin Cheung
- Contract Status: CLOSED

**Contract Information:**

- Description: Contract W1-Rate
- Contract Admin: Support Member
- Region Code:
- Contract Type: GRANTS
- Currency Code: USD
- Exchange Rate Type: CRRNT
- Contract Signed: 03/10/2017
- Contract Role:
- Revenue Profile:
- Processing Status: Closed
- Amendment Status: Complete
- Business Unit: SAN FRANCISCO CITY COUNTY
- Contract Classification: Standard
- Last Amended: 03/10/2017
- Start Date: 03/10/2017
- End Date: 03/10/2018
- Last Update Date/Time: 03/10/2017 5:41:12PM
- Last Update User ID: EXT\_DEPT\_CA\_CONTRACTS\_PRCR
- Separate Fixed Billing and Revenue: ☐
- Separate As Incurred Billing and Revenue: ☐

**Other Information:**

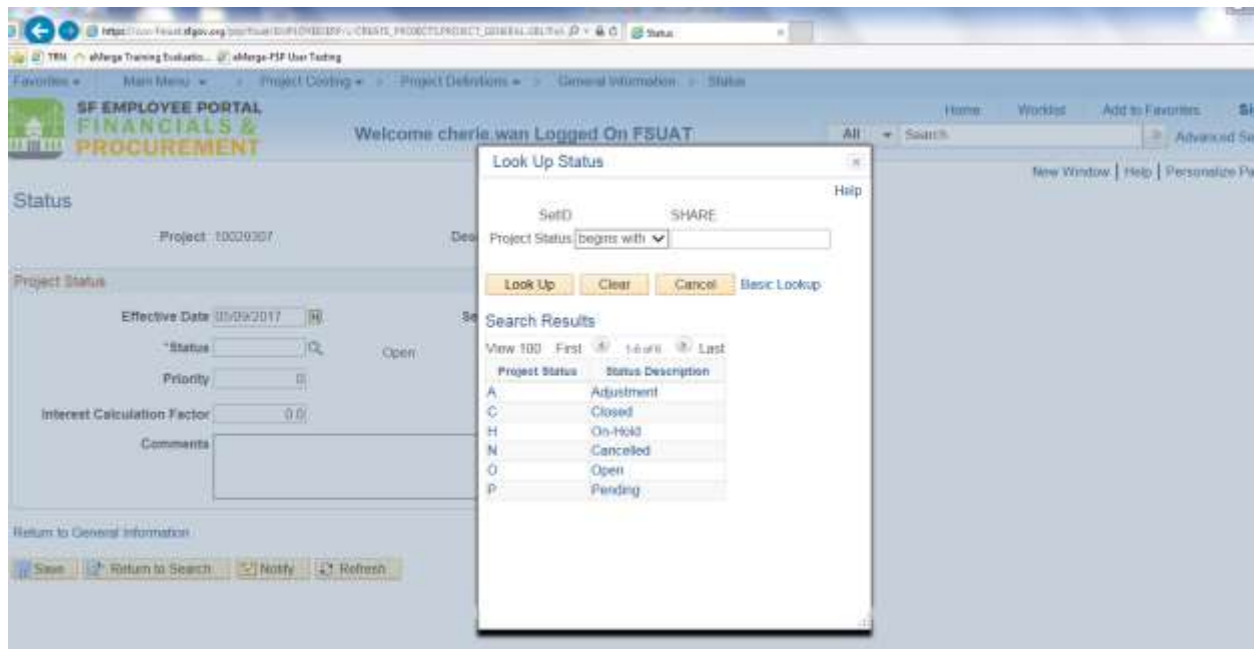
- ☐ Template Contract
- ☐ Master Contract
- ☐ Legal Review Complete
- ☐ Credit Check Complete
- ☐ Contains Cotermination Lines
- Parent Contract
- Master Contract
- Legal Entity: CITY
- Purchase Order
- Proposal ID
- Federal Region Code

**Summary of Amounts:**

At the bottom, there are tabs for Billing Plans, Revenue Plans, Milestones, Renewals, and Supplemental Data. A "Go To" dropdown menu is set to "More".



3. Identify the grant project in the Project Costing Module with the status as “Closed”, so that no more transactions can be posted to it

**FIGURE 12-35. "CLOSED" STATUS IN THE PROJECT COSTING MODULE**

There will be no batch grant closing to be performed by the Controller’s Office until such a process is developed.

#### 12.11.2.1 | REOPENING A CLOSED GRANT IN THE FINANCIAL SYSTEM

Normally a closed grant should not be re-opened unless it is for audit purposes or reconciliation adjustments. [Process and which user has access are being discussed with F&P team.] Consult your Fund Accountant if a grant needs to be reopened.

### 12.11.3 | Records Retention

Following the close-out of a grant, keep grant records for at least five (5) years, of which two (2) years are on-site, as per Controller’s Office record retention policy.

Federal OMB guidelines require recipients keep records for three (3) years following grant close-out. This means three (3) years after the closeout period (i.e., when a final report is given to the funding agency or the funding agency acknowledges that the grant is closed). For non-federal grants, check the records retention requirements on the grant agreements.

Federal OMB guidelines and CFR Title 2 Part 200 Subpart D Section 200.333 Retention Requirements for Records require recipients keep records for three (3) years following:

- From the date of submission of the final expenditure report
- From the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a sub-recipient

The only exceptions are the following:

- a) Any litigation, claim, or audit is started before the expiration of the 3-year period
- b) When the non-Federal entity is notified in writing to extend the retention period
- c) Records for real property and equipment acquired with Federal funds must be retained for 3 years after final disposition.
- d) When records are transferred to or maintained by the Federal awarding agency or pass-through entity, the 3-year retention requirement is not applicable to the non-Federal entity.
- e) Records for program income transactions after the period of performance.
- f) Indirect cost rate proposals and cost allocations plans
- g) If submitted for negotiation - the 3-year retention period for its supporting records starts from the date of such submission.
- h) If not submitted for negotiation - the 3-year retention period for the proposal, plan, or computation and its supporting records starts from the end of the fiscal year (or other accounting period) covered by the proposal, plan, or other computation.

## **12.12 | Grant External Audits**

Grants are subject to federal and state program audits. This section provides a high-level overview of these types of audits.

### **12.12.1 | Federal Single Audit**

#### **Prior to Uniform Guidance**

In 1984, Congress passed the *Single Audit Act*, which has been codified in the Office of Management and Budget's (OMB) *Circular A-133*. The primary intent of the Act was to create a system that avoids multiple audits of organizations by different federal and state agencies. Instead, organizations would receive a "single" audit that could be relied on by many different funders. Each fiscal year, all public and non-profit recipients of federal funds must hire independent auditors to conduct a single audit of all

federal awards expended. All single audit reports are sent to a federal clearinghouse where they are available electronically to government agencies and interested members of the public. Federal or state pass-through agencies may follow up on corrective actions that organizations must take as a result of any audit findings. One benefit to grant recipients is that, as a result of the Act, federal agencies may not require separate financial audits unless they are willing to pay for them.

### Post Uniform Guidance

On December 23, 2013, the Office of Management and Budget (OMB) issued *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards; Final Rule* (UG). Federal Audit Clearinghouse (FAC) changes are coming soon (as indicated by Macias Gini and O'Connell in June 2016). Changes to the Single Audit in the wake of UG include, but are not limited to a new *Data Collection Form* and new transparency of single audit reporting packages. Refer to [Section 12.13 | Uniform Guidance \(UG\)](#) for more information on UG.

The major change regarding the Single Audit since UG is that “must” has been defined to mean “required”. Use of “should” in the UG indicates a best practice and is not a mandatory requirement. Refer to the UG’s *2016 Compliance Supplement* via <https://www.whitehouse.gov/omb/circulars/default>.

Non-federal entities must document whether they are in compliance with the old or new standard.

The Controller's Office is responsible for contracting with the external auditors and coordinating the audit process. The Controller's Office Operations Unit gives the auditors a report of all federal expenditures from grants and cooperative agreements incurred in the City's fiscal year, from July 1 to June 30, regardless of the grant schedule. The report sorts the expenditures by federal program, as specified by its five-digit "CFDA" number from the Catalog of Federal Domestic Assistance. For example, 14.218 is the CFDA # for Community Development Block Grants. The first two digits represent the federal department: 14 = HUD, 93 = HHS, etc. Some unique cooperative agreements may not have catalog numbers, in which case the funding department designates them.

The single audit deadline is nine (9) months after the end of the fiscal year (March 31).

#### 12.12.1.1 | BEST PRACTICE: UNDERSTAND WHO FOLLOWS WHAT RULE

The following Table summarizes how auditees and auditors should comply with post-UG Single Audit requirements.

**TABLE 12-7. WHO FOLLOWS WHAT RULE FOR A POST-UG SINGLE AUDIT**

AUDITEES	AUDITORS
Old Awards = Old Cost Principles and Administrative Requirements (e.g., OMB Circulars A-87, A-110, A-112, etc.)	For performing the audit, Subpart F of the Uniform Guidance

New Awards and incremental funding = Subpart D and E of the Uniform Guidance	For purposes of testing compliance, auditors audit against the criteria that the auditee is required to follow (see column to the left).
Also, certain sections of <i>CFR Title 2 Subpart F</i> (e.g., §200.508, .509, .510, .511, .512)	
Sub-awards (sub-recipients)	

#### 12.12.1.2 | CITY'S RESPONSIBILITY AS THE AUDITEE

The following items are within the City's scope of responsibility as the auditee:

- Identify all federal programs/awards received and expended including, as applicable, the Catalog of Federal Domestic Assistance (CFDA) title and number, award number and year, name of the federal agency, and name of the pass-through entity
- Maintain internal control over purchasing, reporting, maintenance of financial records, sub-recipient monitoring, and program compliance for all federal programs
- Comply with laws, regulations, and the provisions of contracts or grant agreements
- Prepare appropriate financial statements, including the schedule of expenditures of federal awards
- Ensure that the audits required by this part are properly performed and submitted when due
- Follow up and take corrective action on audit findings
- Determine federal agency differences first since it relates to compliance

#### 12.12.1.3 | DEPARTMENTS' RESPONSIBILITIES DURING THE AUDIT

The following items are within a department's scope of responsibility during a single audit:

- Submit to Controller's Office correct figures of fiscal year grant expenditures and sub-recipient expenditures through the three-column reconciliation reports for each grant, reconciled with figures reported in the financial system
- Provide documentation requested by Controller's Office and the external auditors

- Provide figures for specific notes to the SEFA (e.g., regarding state funding reporting requirements and outstanding loans (Mayor's Office of Housing and Human Services Agency only))
- Sign management representation letter

#### 12.12.1.4 | CONTROLLER'S RESPONSIBILITY DURING THE AUDIT

The following items are within the Controller's scope of responsibility during the Single Audit:

- Draft and maintain Schedule of Expenditures for Federal Awards (SEFA) for all departments (except for Airport and Municipal Transportation Agency, which have their own Single Audit and draft their own SEFA, and coordinate with their own external auditors)
- Review department's reported figures of fiscal year grant expenditures and sub-recipient expenditure through the three-column reconciliation reports
- Coordinate the audit with external auditors, respond to inquiries

#### 12.12.1.5 | SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA)

Auditee must prepare a SEFA that includes the total federal awards expended for the period covered by the auditee's financial statements (*CFR Title 2 §200.502*).

Face of SEFA must now include all federal awards expended including:

1. Non-cash assistance
2. Loan guarantee programs
3. Amounts passed through to sub-recipients for each program
4. Loan programs (beginning balance of outstanding loans plus disbursed during period plus interest subsidy, cash, or administrative cost allowance)

Footnotes to SEFA must include:

1. Year-end loan balances
2. For loan or loan guarantee programs, identify in the notes to the SEFA the balances outstanding at the end of the audit period
3. Significant accounting policies
4. Whether or not entity used 10% *de minimis* cost rate

### **SEFA Changes** (Updated June 2016)

- Understand changes that the UG has made to what is to be contained in the SEFA
- Governmental Audit Quality Center (GAQC) nearing completion of two updated *SEFA Practice Aids*
  - Auditee
  - Auditor

### **Important Notes about SEFA**

- SEFA reconciles to accounting and other records used in preparing the financial statements or the financial statements themselves
- Auditor uses SEFA to base the performance of risk assessments and selection of major programs
- Completeness and accuracy of SEFA is critical to avoid missed programs

#### 12.12.1.6 | HOW ARE GRANTS SELECTED FOR AUDIT?

Auditors conduct field-testing of federal programs, based on the following guidelines:

- Auditors select field-test programs that include at least 50% of the City's federal expenditures. If the City can qualify as a "low-risk" auditee, this percentage will drop to 25%
- A "program" here refers to a grant, or a set of grants within a single CFDA number. Additionally, there are programs that are selected and audited as a "cluster" of grants within a subset of related CFDA numbers
- Audit Type A/B threshold for sub-recipients is a minimum of \$750,000

#### 12.12.1.7 | MAJOR PROGRAM DETERMINATION AND RISK ASSESSMENT

### **Step 1: Identify Type A Programs**

#### Prior to UG

Programs with annual expenditures over \$3 million are called "Type A" programs. Auditors usually conduct field testing on these programs unless the auditors designate the program "low risk" and have sufficient other programs to meet the 50% total expenditure threshold. At a minimum, programs that exceed \$3 million in federal expenditures in a given year must receive a compliance audit at least every three years.

**ACCOUNTING POLICIES & PROCEDURES**Post UG

Type A programs are those above the dollar threshold, Type B are those below. The minimum threshold is \$750,000.

**TABLE 12-8. TYPE A PROGRAM SELECTION CRITERIA**

<b>IF TOTAL FEDERAL AWARDS EXPENDED IS:</b>	<b>THEN TYPE A PROGRAMS ARE THOSE WITH FEDERAL AWARDS EXPENDED OF THE GREATER OF:</b>
\$750K thousand to \$25 million	\$750,000
\$25 million to \$100 million	(.03) of total awards expended
\$100 million to \$1 billion	\$3 million
\$1 billion to \$10 billion	(.003) of total awards expended
\$10 billion to \$20 billion	\$30 million
\$20 billion or more	(.0015) of total awards expended

**TABLE 12-9. HIGH-RISK TYPE A PROGRAMS BASED ON RISK ASSESSMENT**

<b>A-133 DEFAULT CRITERIA</b>	<b>UG DEFAULT CRITERIA</b>
Not audited as a major program in 1 of 2 most recent audit periods	UG default criteria: Not audited as a major program in 1 of 2 most recent audit periods
In most recent period, had any of the following program: <ul style="list-style-type: none"> <li>• Significant deficiency in internal control</li> <li>• Material weakness in internal control</li> <li>• Material noncompliance finding</li> <li>• Written request by federal awarding agency to audit as major (180 days' notice)</li> <li>• Federal or pass-through entity oversight</li> </ul>	In most recent period, had any of the following program: <ul style="list-style-type: none"> <li>• Modified opinion</li> <li>• Material weakness in internal control</li> <li>• Known or likely questioned costs that exceed 5% of the total expenditures of the program</li> <li>• Written request by federal awarding agency to audit as major (180 days' notice)</li> </ul>

<ul style="list-style-type: none"><li>• Results of audit follow-up</li><li>• Changes in personnel or systems</li><li>• Inherent risk</li></ul>	<ul style="list-style-type: none"><li>• Federal or pass-through entity oversight</li><li>• Results of audit follow-up</li><li>• Changes in personnel or systems</li></ul>
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### **Step 2: Identify Low-risk Type A Programs**

- Only criteria where professional judgment permitted are:
  - Federal and PTE oversight
  - Results of audit follow-up
  - Changes in personnel systems
- Changes (Updated June 2016):
  - Must have been audited as a major program in at least one of the two most recent audit periods; and
  - In the most recent audit period, the program must not have had a:
    - Modified opinion
    - Material weakness in internal control over compliance
    - Known or likely questioned costs exceeding 5% of total program expenditures

### **Step 3: Identify High-risk Type B Programs**

#### Prior to UG

Programs with annual expenditures less than \$3 million are called “Type B” programs. After evaluating various criteria, auditors may designate certain of these programs “high risk” and test them as well. OMB, in the 2012 supplement, stated that if the program was audited as a major program in either of the prior two years it may qualify as “low risk”.

#### Post UG

Auditors perform risk assessments on Type B program until high-risk Type B programs have been identified, up to at least one-quarter ( $\frac{1}{4}$ ) of the total number of low-risk programs.



TABLE 12-10. TYPE B PROGRAMS BASED ON RISK ASSESSMENTS

A-133	UNIFORM GUIDANCE
<p>Two Type B risk assessment options:</p> <ul style="list-style-type: none"> <li>Option 1 – Perform risk assessments on all Type B programs* and select one half of Type B programs identified as high risk up to number of low-risk Type A programs</li> <li>Option 2 – Perform risk assessments on all Type B programs* until as many high-risk Type B programs have been identified as there are low-risk Type A programs</li> </ul> <p>*subject to <i>de minimus</i> threshold</p>	<p>Perform risk assessments on Type B programs* until high-risk Type B programs have been identified up to 25% of the number of low-risk Type A programs</p> <p>*subject to a revised <i>de minimus</i> threshold</p>
<p>There are no significant changes to the Type B criteria for federal program risk assessments (Updated June 2016)</p>	

**Step 4: Determine Major Programs to Audit**

- All Type A programs except those identified as low-risk in Step 2 (i.e., high-risk Type A programs)
- All Type B programs identified as high-risk in Step 3
  - Criteria for Type B Risk Assessment Differ from that for Type A Risk Assessment
    - Current and prior audit experience
    - Oversight exercised by federal agencies and PTEs
    - Inherent risk of the federal program
      - Nature and complexity of the program
      - Phase of program in life cycle at federal agency
      - Phase of program in life cycle at the auditee

- Type B programs with larger federal awards expended would be of higher risk than programs with substantially smaller federal awards expended

Select additional programs if necessary to meet the minimum coverage requirement.

Minimum coverage required is calculated as follows:

**TABLE 12-11. AUDIT MINIMUM COVERAGE REQUIREMENT CALCULATIONS**

TYPE OF AUDITEE	A-133	UNIFORM GUIDANCE
Not Low-risk	50%	40%
Low-risk	25%	20%

Select additional programs if necessary to meet the percentage of coverage requirement.

An auditee is considered “low risk” if it meets all of the following criteria for the last two years:

- Annual audits in accordance with A-133/UG
  - Single audit reporting package and data collection from submitted (accepted) within required timeframe
- Financial statements prepared in accordance with GAAP or based on accounting prescribed by applicable state law
- Unmodified opinion on financial statement and SEFA
- Auditor did not report substantial doubt about going concern
- No material weaknesses in internal over financial reporting
- No Type A program had:
  - Material weakness
  - Modified opinion compliance
  - Questioned costs > 5% of Federal awards expended

**Revised Rules for Considering Large Loan and Loan Guarantees on Type A/B Threshold**

- The UG modified the guidance for the inclusion or exclusion of large loan or loan guarantee programs
- For purposes of Type A/B threshold calculation, a federal program (or cluster) is only considered a loan program if value of federal awards expended for loan within the program is 50% or more of the total federal awards expended for the program (or cluster)
- When a loan program exceeds four times the largest non-loan program, it is considered a large loan program
- If a program is considered a large loan program, it is considered a Type A program and excluded in determining Type A threshold

**TABLE 12-12. UG AUDIT REQUIREMENTS – KEY SECTIONS WITH CHANGES (CFR TITLE 2 §200.5XX)**

<b>AUDIT THRESHOLD (200.501)</b>	<b>LOW RISK AUDITEE DETERMINATION (200.520)</b>	<b>AUDITEE PREPARES SEFA (200.510)</b>
Major Program determination based on risk (200.518)	Compliance Supplement overall format (Appendix XI)	Testing internal control and compliance (200.514)
Report (200.515)	Submitting to Federal Audit Clearinghouse (FAC) (200.512)	Audit follow-up and corrective action (200.511)

**Low-Risk Auditee Status**

- Key changes
  - To be considered a low-risk auditee, in each of two preceding periods there must have been:
    - Unmodified opinion(s) on financial statements in accordance with GAAP or basis of accounting required by state law
    - No auditor reporting of going concern
  - If state law permits but does not require the non-GAAP basis of accounting, auditee cannot be considered low-risk
  - If auditee voluntarily prepares financial statements on a non-GAAP basis of accounting, auditee cannot be considered low-risk

#### 12.12.1.8 | IF A DEPARTMENT'S GRANTS ARE SELECTED FOR AUDIT

The following activities occur if a department's grants are selected for audit:

- Auditors conduct field tests to test the City's financial management systems and financial control procedures
- In late fall, auditors return to audit the following:
  - If departments submit required progress reports on time
  - If financial figures in these reports reconcile to PeopleSoft
  - If back-up documentation for expenditures claimed are adequate (such as signed time sheets and contractor invoices), etc.
- UG requires the auditor to plan the audit to obtain "low" control risk (i.e., controls that operate effectively and are reliable). Auditors get "low" control risk by:
  - Document understanding
  - Test control design and implementation
  - Test control effectiveness
- Sampling is often used
- Ineffective controls result in a finding

Auditors test that expenditures are eligible and in compliance with program-specific requirements. Expenditure related questions include:

- Were the grant expenditures actually incurred?
- Did the expenditures benefit the grant?
- Were the expenditures eligible and allowable?
- Were records prepared accurately and timely and were they retained, as required?

Common audit items include:

- Back-up documentation to support expenditures (timesheets, invoices, etc.)
- Reports to funding agencies reconcile with PeopleSoft
- Reports to funding agencies submitted on time

- Competitive process used to select contractors and sub-recipients
- Monitoring sub-grantees (site visits, submission of any required sub-grantee reports)
- Inventory for grant-funded equipment items worth over \$5,000 (including vehicles)
- Indirect cost rate information on file

12.12.1.9 | CFR TITLE 2, SUBPART F – AUDIT REQUIREMENTS, §200.514 SCOPE OF AUDIT  
(SUBRECIPIENT MONITORING: PASS-THROUGH ENTITY REQUIREMENTS)

During an audit the pass-through entity (PTE) is required to:

- Determine if sub-recipient or contractor
- Clearly identify sub-awards to sub-recipients
- Provide certain sub-award information at time of sub-award
- Evaluate each sub-recipients risk of noncompliance
- Consider imposing specific sub-award conditions
- Monitor activities of sub-recipients
- Verify sub-recipient audited
- Consider results of sub-recipient audits
- Consider taking enforcement action for non-compliant sub-recipients

12.12.1.10 | FINDING ELEMENTS (CFR TITLE 2 §200.516)

The elements of an audit finding include:

- Program Information
- Criteria
- Condition Found
- Context
- Questioned Costs
- Whether Sampling was Statistically Valid

- Repeat Finding from Prior Year
- Cause & Effect
- Recommendation
- Views of Responsible Officials

#### 12.12.1.11 | REPORT WORDING CHANGES

The following are changes in audit report wording:

- No UG changes needed in the Yellow Book report
- No significant changes to single audit reporting
  - References to “OMB Circular A-133” in report changed to “Uniform Guidance”
  - Management responsibility paragraph now refers to “federal statutes, regulations, and the terms and conditions of federal awards”

#### 12.12.1.12 | DATA COLLECTION FORM (DCF)

The following provides an overview of the revised DCF:

- Current DCF used for *Circular A-133* audits (audits before 12/31/15 year-ends)
  - Requirements for finding numbers and text searchable, unlocked, and unencrypted submissions became effective starting in January 2015
- OMB issued *Federal Register* notice in December 2015 to revise DCF for audits performed under UG (audits performed for 12/31/15 year-ends and later)
  - Joint responsibility of auditee and auditor, completed electronically and submitted by auditee
  - Represents a summary of the information contained in the reporting package
  - Includes contact information for auditee and auditor
  - Includes SFEA information, references to findings, and relevant compliance requirements
  - Electronic signatures of both auditee and auditor
    - Auditee authorizes Federal Audit Clearinghouse (FAC) to make reporting package publicly available. Visit <https://harvester.census.gov/facweb/> for DFC

- Auditee certifies that submission does not include any Protected Personally Identifiable Information (PII)
- Reporting package and DCF to be available for public inspection on FAC website

#### 12.12.1.13 | SINGLE AUDIT COMPLIANCE SUPPLEMENT

The following items are noteworthy information contained in the *Compliance Supplement*:

- “Must” has been defined to mean “required”. Use of “should” in UG indicates a “best practice” and is not a mandatory requirement. Refer to the 2016 *Compliance Supplement* via <https://www.whitehouse.gov/omb/circulars/>.
- *Compliance Supplement* will be used for audits performed under *Circular A-133* and the Uniform Guidance. The 2016 *Compliance Supplement* removed references to A-133 audit (e.g., all audits in 2016 supplement are based on UG)
- OMB expects to issue the 2016 *Compliance Supplement* in Summer 2016
- There are two Part 3 sections in 2016. The auditee needs to understand whether awards are subject to the UG or the “old rules”; refer to:
  - Section 3.1 for testing awards subject to “old” OMB Circulars
  - Section 3.2 for testing awards subject to UG administrative and cost principle regulations
- Auditee needs to perform an “inventory” of UG and pre-UG awards at the outset of the audit
- The *Single Audit Compliance Supplement* will instruct auditors to review procurement policies and procedures based on the documented standard

### 12.12.2 | Program Audits

Individual state grant programs might have different independent audit requirements. For example, the Local Transportation Fund’s transportation grants require an annual audit of grant financial records. Public protection grants funded by the Department of Insurance require annual audits as well.

The department should notify the Controller’s Office Operations Unit of the audit requirements with which they need to comply each year. Each year, the Controller’s Office coordinates with external auditors to perform audits on all these miscellaneous grants.

The department should provide the list of any new grants that need to be audited to the Controller’s Office Operations Unit as soon as it becomes aware of the requirement. Occasionally grants that previously required program audits cease to require them, and this must also be communicated to the

Controller's Office Operations Unit when the department receives notice. Departments are also required to provide the funding source to which each program's audit fees should be charged.

## **12.13 | Uniform Guidance (UG)**

The sections that follow are not an exhaustive list of all requirements in *CFR Title 2 Part 200*. Departments are encouraged to review the full regulation. Please refer to [Section 12.13.1.8 - | Web references](#).

### **12.13.1 | Implementation of Uniform Guidance**

On December 23, 2013, the Office of Management and Budget (OMB) issued *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards; Final Rule* (UG). The UG consolidated existing federal regulations into one place for grantors and grant recipients.

Non-federal entities needed to implement the new administrative requirements and cost principles for all new federal awards made on or after December 26, 2014, and to additional funding to existing awards (referred to as funding increments) made after that rule. The effective date was specified in *CFR Title 2 § 200.100*.

Federal awards made before December 26, 2014, must use the previous *OMB Guidance for Federal Awards* (OMB Circulars).

Non-federal entities had to document whether they were in compliance with the old or new standard.

**TABLE 12-13. GUIDELINES FOR IMPLEMENTATION OF FEDERAL GRANT UNIFORM GUIDANCE**

<b>GUIDANCE FOR FEDERAL AWARDS MADE BEFORE DECEMBER 26, 2014</b>	<b>GUIDANCE FOR FEDERAL AWARDS MADE ON OR AFTER DECEMBER 26, 2014 (6 SUBPARTS A THROUGH F AND 12 APPENDICES I THROUGH XII)</b>
A-110 – Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations	Subpart A 200.XX – Acronyms & Definitions
A-21 - Cost Principles for Educational Institutions	Subpart B 200.1XX – General Provisions
A-87 – Cost Principles for State, Local and Indian Tribal Governments	Subpart C 200.2XX – Pre-Federal Award Requirements and Contents of Federal Awards



**ACCOUNTING POLICIES & PROCEDURES**

<b>GUIDANCE FOR FEDERAL AWARDS MADE BEFORE DECEMBER 26, 2014</b>	<b>GUIDANCE FOR FEDERAL AWARDS MADE ON OR AFTER DECEMBER 26, 2014 (6 SUBPARTS A THROUGH F AND 12 APPENDICES I THROUGH XII)</b>
A-122 – Cost Principles for Non-Profit Organizations	Subpart D 200.3XX – Post Award Requirements
A-133 – Audits of States, Local Governments, and Non-Profit Organizations	Subpart E 200.4XX – Cost Principles
A-89 – Catalog of Federal Domestic Assistance	Subpart F 200.5XX – Audit Requirements
A-102 – Grants and Cooperative Agreements With State and Local Governments	Appendix X – Data Collection Form (SF-SAC) Appendix XI – Compliance Supplement

The Table below lists the dates when various federal agencies adopted the UG.

**TABLE 12-14. FEDERAL AGENCY ADOPTION OF UG**

<b>AGENCY</b>	<b>FEDERAL REGISTER NOTICE DATE</b>	<b>AGENCY</b>	<b>FEDERAL REGISTER NOTICE DATE</b>
State	6/2/2015	Housing and Urban Development (HUD)	12/7/2015
US Agency for International Development (USAID)	9/17/2015	National Science Foundation (NSF)	11/27/2015
Energy	9/24/2015	Corporation for National and Community Service (CNCS)	11/17/2015
Commerce	7/28/2015	Social Security Administration	11/10/2015
National Aeronautics and Space Administration (NASA)	9/11/2015	Veteran's Affairs (VA)	12/1/2015
Archives	8/25/2015	Education	11/2/2015

AGENCY	FEDERAL REGISTER NOTICE DATE	AGENCY	FEDERAL REGISTER NOTICE DATE
Homeland Security (FEMA)	10/2/2015	Department of Transportation	12/17/2015
Institute of Museum and Library Services (IMLS)	9/21/2015	Health and Human Services	1/20/2016
National Endowment for Humanities (NEH)	9/16/2015	Agriculture	2/16/2016
Office of National Drug Control Policy (ONDCP)	9/23/2015		

Note: HUD does not permit certain costs that would otherwise be allowable under the UG.

#### **Major Changes Contained in UG**

- “Must” has been defined to mean required. Use of “should” in UG indicates a “best practice” and is not a mandatory requirement. Refer to the *2016 Compliance Supplement* at the following link: [https://www.whitehouse.gov/omb/circulars\\_default](https://www.whitehouse.gov/omb/circulars_default)
- New provisions covering conflict of interest with parent, affiliate, or subsidiary organizations have been added
- Procurement records must be maintained to sufficiently detail the history of the procurement.

#### **Best Practice for Compliance with UG**

- Maintain adequate descriptions of the system including policies, procedures, and purchasing practices that comply with applicable laws, regulations, and contract terms and conditions
- Mitigate against conflicts of interest
- Ensure applicable flow-down clauses and terms and conditions are included in the contracts, as required to execute the requirements award
- Clearly define lines of authority and responsibility within the system
- Ensure procurements are based on authorized requisitions
- Define contractor evaluation criteria and methods for determining source selection

- Perform timely cost/price analysis and technical evaluations to determine cost/price is fair and reasonable
- Maintain documentation that details the complete and accurate history of the purchase transaction to support method, contractor selected/basis of awards, and reasonableness of cost/price
- Implement strong contractor monitoring and management of controls
- Ensure effective and efficient procurement of required quality supplies and services at reasonable cost/price from responsible and reliable sources
- Address adequate competition.

#### 12.13.1.1 | APPLICABLE COMPLIANCE REQUIREMENTS

During an audit, the following resources should be reviewed:

- All relevant awarding documents and contracts (as well as laws or regulations referred to in those documents)
- OMB Circular A-133 Compliance Supplement (Parts 2, 3, and 4) (for awards made before December 26, 2014) or UG CFR Title 2 § 200 Subpart-F (for awards made on or after December 26, 2014)
- <https://beta.sam.gov/>
- Federal pass-through entity (PTE) guidance (e.g., grants management guide, program guides, etc.).

#### Key Areas of Focus for Auditees

When federally funded grants are under review, the following areas trigger heightened review for auditees:

- Compensation – Personal Services
  - Time and distribution records must be maintained for all employees whose salary is paid in whole or in part with federal funds and used to meet a match/cost share requirement
  - Personal services costs cannot be based on budget estimates alone; personal services costs must be actual costs
  - All time worked for the organization and what percentage of that time involves federal work must be fully disclosed

- Charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed. Refer to *CFR Title 2 § 200.430* for a list of required documentation
- Indirect Costs
  - Federal agencies and pass-through entities will have to accept non-federal entities negotiated indirect cost rate...
  - ...Unless a statute or regulation allows for an exception
  - Non-federal entities will have a one-time option to extend the indirect cost rate for up to four (4) years
  - For non-federal entities that have never received a negotiated rate, a *de minimis* rate of 10% of Modified Total Direct Costs (MTDC) may be used indefinitely
- Preapproval Items (see *CFR Title 2 § 200.407* for list)

#### 12.13.1.2 | FUNDING INCREMENTS

Per the Council on Financial Assistance Reform's (COFAR) *Frequently Asked Questions* numbers 110-12 and 13:

- UG applies to funding increments to existing awards in cases where the federal agency considers the funding increments to be an opportunity to modify the terms and conditions of the award
- Existing federal awards that do not receive incremental funding with new terms and conditions will continue to be governed by the terms and conditions of the federal award

#### 12.13.1.3 | WRITTEN POLICIES REQUIRED BY UNIFORM GUIDANCE

Starting in fiscal year 2015-16, all departments receiving federal awards must have written policies for the following items:

- Financial Management (*UG Section 200.302*)
- Payment (*UG Section 200.305*)
- Procurement (*UG Sections 200.318 through 200.326*)
- Compensation (*UG Sections 200.430 and 200.431*)
- Relocation costs (*UG Section 200.464*)

- Travel costs (*UG Section 200.474*)

12.13.1.4 | SUBPART D – POST-FEDERAL AWARD REQUIREMENTS (*UG SECTIONS 300-345*)

The following items in *UG Subpart D* are additional requirements and considerations for departments receiving federal awards:

A - Financial Management

- Written procedures for cash management and allowable costs. **If there are no written procedures, there will be an audit finding**

B - Internal Controls

- OMB has stated that “should” is meant to be a “best practice” and not a presumptively mandatory requirement

C - Bonds

D - Payment (Cash Management)

- The time elapsing between transfer of funds from the US Treasury or federal pass-through entity and the disbursements must be minimized
- Payment **must** be in advance when the non-federal entity:
  - Has written procedures to implement the requirements of cash management, and
  - Has a compliant financial management system
- If the above requirements are not met, reimbursement method is used

E - Cost Sharing and Matching

F - Program Income

G - Revision of Budget and Program Plans

H - Property Standards

I - Procurement Standards

- New procurement standards adopt the majority of the language used from *OMB Circular 102*. Therefore, non-federal entities that are currently subject to *Circular A-110* will likely be affected more significantly
- The types of recipients with greatest impact of new procurement guidance are:

- Higher education institutions
- Not-for-profit organizations

- Refer to UG Section 1.5 – *Grant Expenditures* for more information

J - Performance and Financial Monitoring and Reporting

K – Sub-recipient Monitoring and Management

L – Record Retention and Access

M – Remedies for Non-compliance

N – Closeout

#### 12.13.1.5 | SUBPART F – AUDIT REQUIREMENTS

This section applies to non-federal entity audits of fiscal years beginning on or after December 26, 2014. Please refer to [Section 12.12 | Grant External Audits](#) for more information.

#### 12.13.1.6 | REQUIREMENTS FOR PASS-THROUGH ENTITIES (UG SECTION 331)

This section presents the audit requirements for pass-through entities. The following tasks must be completed.

- Provide sub-award Information
- Evaluate sub-recipient risk of non-compliance
- Determine appropriate monitoring
- Review sub-recipient audit reports
  - Review financial and programmatic reports
  - Follow-up and ensure that the sub-recipient takes timely and appropriate actions on all deficiencies pertaining to the federal award; this can be done through audits, on-site reviews, and other means
  - Issue management decisions for audit findings pertaining to the federal award provided to the sub-recipient
- Review results of monitoring
- Consider enforcement action

#### 12.13.1.7 | TIPS FOR ENTITIES IMPLEMENTING THE NEW UG FOR FEDERAL AWARDS

Below is a list of actions that departments subject to the new UG should implement in order to be compliant:

- Ensure an appropriate understating of the effective dates
- Obtain understanding of the new requirements
- Focus on areas of most significance first (e.g., sub-recipient monitoring)
- Develop a plan to become compliant. Identify needed policy and procedure changes; internal controls that might need to be established or modified; action items to implement needed changes; who within the entity is responsible for each action item; and timing of implementation
- Senior management should be involved. The tone at the top is important as it relates to major changes
- Access all available resources. Refer to websites provided in [Section 12.13.1.8 - | Web references](#)
- Provide training. Stay up to date on new requirements and new entity-specific policies and procedures

#### 12.13.1.8 | WEB REFERENCES

##### **Uniform Guidance**

- *Uniform Guidance CFR Title 2 Part 200:*  
[http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200\\_main\\_02.tpl](http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl)

##### **COFAR Frequently Asked Questions (FAQ)**

- COFAR occasionally adds to the FAQs. The most recent version is dated July 2017:  
<https://cfo.gov/wp-content/uploads/2017/08/July2017-UniformGuidanceFrequentlyAskedQuestions.pdf>.
- Also visit <https://cfo.gov/cofar/uniform-guidance/>

##### **Uniform Guidance Crosswalk**

- Crosswalk from Existing Guidance to Final Guidance
  - <https://obamawhitehouse.archives.gov/sites/default/files/omb/fedreg/2013/uniform-guidance-crosswalk-from-predominate-source-in-existing-guidance.pdf>

- Crosswalk from Final Guidance to Existing Guidance
  - <http://www.whitehouse.gov/sites/default/files/omb/fedreg/2013/uniform-guidance-crosswalk-to-predominate-source-existing-guidance.pdf>

## **CFDA**

- The *Catalog of Federal Domestic Assistance* (CFDA): <https://beta.sam.gov/>

### **12.13.2 | Federal Emergency Management Agency (FEMA) Grants**

FEMA grants must comply with the UG and are subject to Single Audit. The UG will not change:

- Eligibility criteria for disaster assistance
- FEMA's disaster declaration criteria
- FEMA's disaster grant appeals process
- Eligibility criteria for:
  - Homeland Security Grant Program
  - Emergency Management Performance Grants Program
  - Tribal Homeland Security Grant Program
  - Other non-disaster grants
- The statutory purposes and objectives of any FEMA assistance program
- The statutory allowable costs and activities under any FEMA assistance program

FEMA's disaster grant programs will post Interim Guidance on FEMA.gov. See the following link for the Interim Final Rule Published in the *Federal Register*:

<http://www.gpo.gov/fdsys/pkg/FR-2014-12-19/pdf/2014-28697.pdf>

The UG will not apply retroactively to existing awards, except non-federal entities will follow Audit Requirements in Subpart F for existing awards in some circumstances.

On March 19, 2020, FEMA released a fact sheet on *Procurement Under Grants: Under Exigent or Emergency Circumstances*. Recognizing that FEMA's recipients and subrecipients may face exigencies or emergencies when carrying out a FEMA award, this Fact Sheet provides key information to consider when utilizing contracted resources under exigent or emergency circumstances. The fact sheet can be found



here: <https://www.fema.gov/news-release/20200514/procurement-under-grants-under-exigent-or-emergency-circumstances>.

12.13.2.1 | ADMINISTRATIVE REQUIREMENTS – EXAMPLES OF NEW PROVISIONS IN *CFR TITLE 2 PART 200*

**Conflict of Interest**

Recipients and sub-recipients must disclose, in writing to FEMA or its pass-through entity, any potential conflict of interest in the federal award's lifecycle.

**Mandatory Disclosures**

Recipients and sub-recipients must disclose, in a timely manner and in writing to FEMA or the pass-through entity, all violations of federal criminal law involving fraud, bribery, or gratuity potentially affecting the federal award.

**Specific Requirements for Pass-Through Entities (*CFR Title 2 § 200.331*)**

*Pass-through entity* is a new term – it is a recipient that provides a sub-award to a sub-recipient to carry out part of a federal program. Pass-through entities are responsible for:

- Identifying specific information in its sub-awards to sub-recipients
- Performing a risk assessment for sub-recipients **prior** to award
- Conducting required monitoring of sub-awards
- Completing sub-award close-out activities per §.343

**Risk Review of Applications and Imposition of Specific Conditions**

- Pass-through entities that make sub-awards must conduct a risk assessment prior to making awards
- For all sub-awards, pass-through entities must evaluate the applicant's risk of noncompliance with federal statutes, regulations, and the terms of the sub-award before making the award. Factors that the pass-through entity may consider in doing this risk analysis can be found at §.331
- If risk is identified, FEMA or the pass-through entity may add specific conditions to the award

## **12.14 Treasury Offset Program**

The Treasury Offset Program (TOP) is a centralized offset program, administered by the US Department of the Treasury Financial Management Service's (FMS) Debt Management Services (DMS), to collect delinquent debts owed to federal agencies and states, in accordance with 26 U.S.C. 6402(d) (collection of debts owed to federal agencies), 31 U.S.C. 3720A (reduction of tax refund by amount of the debts), and other applicable laws. FMS disburses federal payments, such as federal tax refunds, for agencies making federal payments (known as "payment agencies", such as the Internal Revenue Service. "Creditor agencies," such as the Department of Education, submit delinquent debts to FMS for collection and inclusion in TOP and certify that such debts qualify for collection by offset.

### **12.14.1 | Impact of Federal Offset to City & County Departments**

City & County of San Francisco departments are typically unaware of the existence of a federal offset until they seek reimbursement of a federally funded grant program. Assuming that the department had satisfactorily met all program and financial reporting requirements for the grant, it may be the case that a delinquent debt had been referred to TOP for collection, thereby preventing or reducing the grant reimbursement.

Many departments within the City & County of San Francisco use a shared Taxpayer Identification Number (TIN). When two City departments share a TIN, TOP can satisfy one department's delinquent debt by offsetting or withholding in whole or in part a payment to a different department.

### **12.14.2 | Federal Payments Exempted From US Treasury Offsets**

Certain types of funds and payments cannot be used by the US Treasury to offset debt. The Figure below summarizes the types of funds that are exempt from TOP. This information can also be found on the U.S. Department of the Treasury website at

[https://www.fiscal.treasury.gov/fsservices/gov/debtColl/dms/top/debt\\_top.htm](https://www.fiscal.treasury.gov/fsservices/gov/debtColl/dms/top/debt_top.htm).

**ACCOUNTING POLICIES & PROCEDURES****FIGURE 12-36. FEDERAL FUNDS EXEMPT FROM TREASURY OFFSET PROGRAM**

**TREASURY OFFSET PROGRAM**  
**Payments Exempt from Offset by Disbursing Officials**  
**(Non-tax Debt Collection)**

<b>PAYMENTS EXEMPT BY FEDERAL LAW</b>		
<b>Payment Agency</b>	<b>Type of Payment</b>	<b>Statutory Exemption (U.S. Code)</b>
Department of Agriculture	Federal Crop Insurance indemnity payments	7 U.S.C. § 1509
Department of Defense	Survivors benefits (military retirement) payments	10 U.S.C. § 1450(i)
Department of Education	Payments under a program administered by the Secretary of Education under Title IV of the Higher Education Act of 1965	31 U.S.C. § 3716(c)(1)(C)
Department of Homeland Security - Federal Emergency Management Agency	Payments made under the Cerro Grande Fire Assistance Act (covering claims resulting from the wildfire in New Mexico in May 2000)	Public Law 106-246
Department of the Interior	Payments under a program administered by the Secretary of Education under Title IV of the Higher Education Act of 1965	31 U.S.C. § 3716(c)(1)(C)
Department of Labor	Longshore and Worker's Compensation Act payments	33 U.S.C. § 916
	Energy Employees Occupational Illness Compensation Program	42 U.S.C. § 7385(a)
	Payments Federal Employees Compensation Program Payments	5 U.S.C. § 8130
Department of Labor/Social Security Administration	Payments under the Black Lung Benefits Act, other than payments under Part B	30 U.S.C. § 932(a) [incorporating 33 U.S.C. § 916]
Department of the Treasury	Payments under the tariff laws	31 U.S.C. § 3701(d)
Department of Veterans Affairs	Payments of benefits under any law administered by the Secretary of Veterans Affairs, including: * Pension programs * Parents= dependency and indemnity compensation programs * Disability and death compensation * Dependency and indemnity compensation * Monetary educational assistance * Monetary benefits under training (including work study allowances) and rehabilitation programs * Special monetary benefits * Life insurance payments * Funeral and burial expenses * Financial assistance for adapted housing and automobile equipment * Minimum income widow * Special allowance under 38 U.S.C. § 1312 * Attorney fees withheld from retroactive benefits for representation at the Board of Veterans Appeals * Clothing allowance * Apportionment funds * Accrued benefits	38 U.S.C. § 5301(a)

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**TREASURY OFFSET PROGRAM**  
**Payments Exempt from Offset by Disbursing Officials**  
**(Non-tax Debt Collection)**

<b>PAYMENTS EXEMPT BY FEDERAL LAW</b>		
<b>Payment Agency</b>	<b>Type of Payment</b>	<b>Statutory Exemption (U.S. Code)</b>
Department of Veterans Affairs (continued)	* Child support withholdings * Reimbursements for travel, medical, rehabilitation, and health care related needs and activities	
Railroad Retirement Board	Tier 2 Railroad Retirement benefit payments	45 U.S.C. § 231m,
Social Security Administration/ Department of Health and Human Services	Payments made under the Social Security Act, except to the extent provided under 31 U.S.C. § 3716(c) [Debt Collection Improvement Act]	31 U.S.C. § 3701(d)

<b>PAYMENTS EXEMPT BY FEDERAL LAW FOR COLLECTION OF STATE NONTAX DEBTS AND PAST-DUE SUPPORT OBLIGATIONS</b>		
<b>Payment Agency</b>	<b>Type of Payment</b>	<b>Statutory Exemption (U.S. Code)</b>
See above	All payments listed above as "Payments Exempt by Federal Law"	See above
Department of Labor/Social Security Administration	Payments under the Black Lung Benefits Act	31 U.S.C. § 3716(h), 30 U.S.C. § 932(a) [incorporating 33 U.S.C. § 916]
Railroad Retirement Board	Railroad Retirement benefit payments	45 U.S.C. § 231m, 31 U.S.C. § 3716(h)
Social Security Administration	Payments made under the Social Security Act	31 U.S.C. § 3701(d), 31 U.S.C. § 3716(h), 42 U.S.C. § 407 and 42 U.S.C. § 1383(d)(1)

<b>PAYMENTS EXEMPT BY ACTION OF THE SECRETARY OF THE TREASURY (31 U.S.C. § 3716(c)(3)(B))</b>	
<b>Payment Agency</b>	<b>Type of Payment</b>
All Agencies	Federal Loan payments other than travel advances [see 31 CFR 285.5 (e)(2)(vii)]
Department of Agriculture	Department of Agriculture, Food and Nutrition Service benefit payments made under the following programs:

**ACCOUNTING POLICIES & PROCEDURES**

**TREASURY OFFSET PROGRAM**  
**Payments Exempt from Offset by Disbursing Officials**  
**(Non-tax Debt Collection)**

PAYMENTS EXEMPT BY ACTION OF THE SECRETARY OF THE TREASURY (31 U.S.C. § 3716(c)(3)(B))	
Payment Agency	Type of Payment
Department of Agriculture-continued	<ul style="list-style-type: none"> <li>* Food stamp program</li> <li>* Nutrition assistance program for Puerto Rico</li> <li>* Special supplemental nutrition program for women, infants, and children (WIC)</li> <li>* WIC farmers market nutrition program</li> <li>* National school lunch program</li> <li>* Summer food service program</li> <li>* Child and adult care food program</li> <li>* Special milk program for children</li> <li>* School breakfast program</li> </ul> <p>Payments made under the following Rural Development programs:</p> <ul style="list-style-type: none"> <li>* Multi-Family Rental Assistance program</li> <li>* Community Facilities direct loans and grants</li> <li>* Single Family Housing-Homeownership direct loans and grants</li> <li>* Single Family Housing-Technical Assistance grants</li> <li>* Multi-Family Housing direct loans and grants</li> <li>* Multi-Family Housing Preservation grants</li> <li>* Business and Industry direct loans</li> <li>* Intermediary Relending direct loans</li> <li>* Rural Business Opportunity grants</li> <li>* Rural Business Enterprise grants</li> <li>* Rural Economic Development direct loans</li> <li>* Water and Waste Disposal direct loans and grants</li> </ul>
Department of Health and Human Services	<p>Payments under the following:</p> <ul style="list-style-type: none"> <li>* Vaccine Injury Compensation Program (other than death benefits)</li> <li>* Tribal Law 93-638 Contracts/Compacts</li> <li>* National Institutes of Health Clinical Center patients</li> <li>* Ricky Ray Hemophilia Relief Fund Act of 1998 (Ricky Ray Fund)</li> </ul> <p>Payments to small, non-profit organizations and/or Indian Tribes/Tribal organizations serving areas for which no alternative organization is available to provide the grant-specific services under the following programs:</p> <ul style="list-style-type: none"> <li>* Head Start</li> <li>* Abandoned Infants</li> <li>* Native American</li> <li>* Transitional Living</li> <li>* Refugee Assistance-Voluntary Agency</li> <li>* Community Services Block Grant</li> <li>* Refugee and Entrant Assistance</li> <li>* Family Support Center and Gateway Demonstration</li> <li>* Runaway and Homeless Youth</li> <li>* Drug Education and Prevention for Homeless Youth</li> <li>* Youth Initiative and Youth Gangs</li> <li>* Older American Grants for Native Americans</li> <li>* Coverage Gap rebate payments for eligible Medicare Part D enrollees (temporary)</li> </ul>



**TREASURY OFFSET PROGRAM**  
**Payments Exempt from Offset by Disbursing Officials**  
**(Non-tax Debt Collection)**

PAYMENTS EXEMPT BY ACTION OF THE SECRETARY OF THE TREASURY (31 U.S.C. § 3716(c)(3)(B))	
Payment Agency	Type of Payment
Department of Homeland Security - Federal Emergency Management Agency	<p>Federal Emergency Management Agency payments under the following disaster relief and emergency assistance programs:</p> <ul style="list-style-type: none"> <li>* Assistance to Firefighters Grant Program</li> <li>* Cora Brown Fund (disaster aid) (CBF)</li> <li>* Community Disaster Loan (CDL)</li> <li>* Crisis Counseling Program (formerly known as Crisis Counseling Assistance and Training)</li> <li>* Disaster Case Management Program (DCMP)</li> <li>* Disaster Legal Services (DLS)</li> <li>* Fire Suppression Assistance/Fire Management Assistance Grant (FMAG) (formerly known as Fire Suppression Assistance)</li> <li>* Housing Assistance (formerly known as Disaster Housing; now under Individual and Households Program (IHP))</li> <li>* Individual and Households Program (IHP), to include Housing Assistance (formerly known as Individual and Family Grant program)</li> <li>* Public Assistance (formerly known as Public Assistance to State and Local Governments)</li> <li>* Urban Search and Rescue (US&amp;R)</li> </ul>
Department of Housing and Urban Development	<p>Payments under the following programs:</p> <ul style="list-style-type: none"> <li>* Annual Contributions for Operation of Low-Income Housing Projects</li> <li>* Contributions for Low-Income Housing Projects (Development)</li> <li>* Public Housing Modernization Program (Modernization)</li> <li>* Lease Adjustments</li> <li>* Section 8 Low-Income Housing Assistance (Rental Voucher Program)</li> <li>* Section 8 Counseling; Family Self Sufficiency (excluding payments for administrative costs)</li> <li>* Revitalization of Severely Distressed Public Housing (Hope VI)</li> <li>* Public and Assisted Housing Drug Elimination</li> <li>* Family Investment Centers</li> <li>* Indian Homeownership Program (Mutual Help Homeownership) grants</li> <li>* Hope 3 Program (HOPE for Homeownership of Single Family Homes)</li> <li>* Home Program (HOME Investment Partnerships)</li> <li>* Section 8 Payment</li> <li>* Rental Assistance Section 236</li> <li>* Direct Loans for the Elderly or Handicapped Section 202</li> <li>* Rental Supplements (Section 101)</li> <li>* Safe Neighborhood Grants</li> <li>* Drug Elimination Grants</li> <li>* Two Homeless Assistance Programs (Supportive Housing, Emergency Shelter Grants, Shelter Plus Care Program and Section 8 Moderate Rehabilitation Single Room Occupancy Program)</li> <li>* Home Equity Conversion Mortgage Program</li> <li>* Flexible Subsidy Program</li> <li>* Mark-to-Market Portfolio Reengineering Demonstration Program</li> <li>* Community Development Block Grants to municipal governments, counties and townships</li> <li>* Housing Opportunities for Persons with Acquired Immune Deficiency Syndrome (HOPWA)</li> </ul>

**ACCOUNTING POLICIES & PROCEDURES**

**TREASURY OFFSET PROGRAM**  
**Payments Exempt from Offset by Disbursing Officials**  
**(Non-tax Debt Collection)**

<b>PAYMENTS EXEMPT BY ACTION OF THE SECRETARY OF THE TREASURY (31 U.S.C. § 3716(c)(3)(B))</b>	
<b>Payment Agency</b>	<b>Type of Payment</b>
	<ul style="list-style-type: none"> <li>* Grants to Historically Black Colleges and Universities</li> <li>* Service Coordinator and Congregate Housing Services Programs</li> </ul>
Department of the Interior	<ul style="list-style-type: none"> <li>* Payments made to Indian tribes and tribal organizations under the provisions of the Indian Self-Determination and Education Assistance Act.</li> <li>* Payment made under Bureau of Indian Affairs Welfare Assistance Program</li> <li>* Payments made by the Office of the Special Trustee (OST) for American Indians to individual Indians from the Individual Indian Money (IIM) accounts</li> </ul>
Department of Justice	<ul style="list-style-type: none"> <li>* Payments to eligible claimants pursuant to the September 11<sup>th</sup> Victims Compensation Fund</li> <li>* Attorney fee payments made under prevailing party fee-shifting statutes to satisfy court judgments or settlements in actions certified as class actions pursuant to Federal Rule of Civil Procedure 23(b)(2)</li> <li>* Payments made by the U.S. Marshals Service (USMS) for the purpose of providing awards to confidential sources who have provided information or assistance directly related to violations of the criminal drug laws of the United States pursuant to 28 U.S.C. § 524(c)(1)(B)</li> <li>* Payments made by the Office of Justice Programs (OJP) through the International Victim Expense Reimbursement Program (ITVERP) for the purpose of providing funding for critical and ongoing medical treatment for victims of international terrorism</li> <li>* Payments associated with settlements of class actions certified under Federal Rule of Civil Procedure 23(b)(3) for attorney's fees and litigation costs for class counsel paid under prevailing party fee statutes and administrative costs of distributing settlements through the use of an administrator</li> </ul>
Department of Transportation	<ul style="list-style-type: none"> <li>* Payments made to Indian tribes and tribal organizations for the Indian Reservation Road program under the provisions of the Indian Self-Determination and Education Assistance Act (ISDEAA).</li> <li>* Tribal Transit Program payments made to Indian Tribes to provide public transportation on Indian reservations under the provisions of the Safe, Accountable, Flexible, Efficient, Transportation Equity Act: a Legacy of Users (SAFETEA-LU).</li> <li>* Federal Highway Administration and other Federal agencies authorized to make payments under the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (Uniform Act) for displaced individuals and businesses.</li> </ul>
Pension Benefit Guaranty Corporation	Pension Benefit Guaranty payments as follows: <ul style="list-style-type: none"> <li>* Premium refunds to pension plans and plan sponsors</li> <li>* Financial assistance to multiemployer plans</li> <li>* Contractor bank payments to participants and beneficiaries</li> </ul>
Public Defender Service for the District of Columbia	85% of disposable pay from salary payments paid to employees of the Public Defender Service for the District of Columbia

**TREASURY OFFSET PROGRAM**  
**Payments Exempt from Offset by Disbursing Officials**  
**(Non-tax Debt Collection)**

PAYMENTS EXEMPT BY ACTION OF THE SECRETARY OF THE TREASURY (31 U.S.C. § 3716(c)(3)(B))	
Payment Agency	Type of Payment
Department of the Treasury, Bureau of the Fiscal Service	State and Local Government Securities (SLGS) payments under this program:  * Payments paid through this program are issued to state and local governments to pay off tax-exempt bond issues. * Payments are used to pay off investment funds used for investing in tax-exempt municipal bonds when a state or local municipality has sold them
Department of the Treasury, Office of District of Columbia Pensions	75% of payments made under the District of Columbia's Judges' Retirement Plan and the District of Columbia's Teachers' Retirement Plan and Police Officers' and Firefighters' Retirement Plan



### **12.14.3 | Notification of Offset**

US Treasury's FMS will mail a notification form to the person named on the federal W-9 form if there is an offset being sought against a particular TIN. For example, the W-9 submitted for the City & County of San Francisco, TIN 94-6000417, would result in a TOP notification sent to 1 Dr. Carlton B. Goodlett Place for any and all departments using that TIN.

DRAFT

**FIGURE 12-37. CITY & COUNTY OF SAN FRANCISCO W-9**

**Form W-9**  
(Rev. November 2017)  
Department of the Treasury  
Internal Revenue Service

**Request for Taxpayer  
Identification Number and Certification**

► Go to [www.irs.gov/FormW9](http://www.irs.gov/FormW9) for instructions and the latest information.

Give Form to the  
requester. Do not  
send to the IRS.

---

Print or type.  
See Specific Instructions on page 3.

**1** Name (as shown on your income tax return). Name is required on this line; do not leave this line blank.  
**City and County of San Francisco**

**2** Business name/disregarded entity name, if different from above

**3** Check appropriate box for federal tax classification of the person whose name is entered on line 1. Check only one of the following seven boxes.

☐ Individual/sole proprietor or single-member LLC

☐ Limited liability company. Enter the tax classification (C=C corporation, S=S corporation, P=Partnership) ► \_\_\_\_\_

☒ Other (see instructions) ► **Government**

☐ C Corporation

☐ S Corporation

☐ Partnership

☐ Trust/estate

Note: Check the appropriate box in the line above for the tax classification of the single-member owner. Do not check LLC if the LLC is classified as a single-member LLC that is disregarded from the owner unless the owner of the LLC is another LLC that is not disregarded from the owner for U.S. federal tax purposes. Otherwise, a single-member LLC that is disregarded from the owner should check the appropriate box for the tax classification of its owner.

**4** Exemptions (codes apply only to certain entities, not individuals; see instructions on page 3):

Exempt payee code (if any) **3**

Exemption from FATCA reporting code (if any) **C**

(Applies to accounts maintained outside the U.S.)

**5** Address (number, street, and apt. or suite no.) See instructions.  
**1 Dr. Carlton B. Goodlett Place**

**6** City, state, and ZIP code  
**San Francisco, CA 94102**

**7** List account number(s) here (optional)

---

**Part I Taxpayer Identification Number (TIN)**

Enter your TIN in the appropriate box. The TIN provided must match the name given on line 1 to avoid backup withholding. For individuals, this is generally your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the instructions for Part I, later. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN*, later.

Note: If the account is in more than one name, see the instructions for line 1. Also see *What Name and Number To Give the Requester* for guidelines on whose number to enter.

**Social security number**

**OR**

**Employer identification number**

94-6000417

---

**Part II Certification**

Under penalties of perjury, I certify that:

- The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me); and
- I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding; and
- I am a U.S. citizen or other U.S. person (defined below); and
- The FATCA code(s) entered on this form (if any) indicating that I am exempt from FATCA reporting is correct.

**Certification instructions.** You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the certification, but you must provide your correct TIN. See the instructions for Part II, later.

---

**Sign Here**

Signature of U.S. person ► *Edna Sullivan*

Date ► *2-28-18*

---

**General Instructions**

Section references are to the Internal Revenue Code unless otherwise noted.

**Future developments.** For the latest information about developments related to Form W-9 and its instructions, such as legislation enacted after they were published, go to [www.irs.gov/FormW9](http://www.irs.gov/FormW9).

**Purpose of Form**

An individual or entity (Form W-9 requester) who is required to file an information return with the IRS must obtain your correct taxpayer identification number (TIN) which may be your social security number (SSN), individual taxpayer identification number (ITIN), adoption taxpayer identification number (ATIN), or employer identification number (EIN), to report on an information return the amount paid to you, or other amount reportable on an information return. Examples of information returns include, but are not limited to, the following:

- Form 1099-INT (interest earned or paid)

- Form 1099-DIV (dividends, including those from stocks or mutual funds)
- Form 1099-MISC (various types of income, prizes, awards, or gross proceeds)
- Form 1099-B (stock or mutual fund sales and certain other transactions by brokers)
- Form 1099-S (proceeds from real estate transactions)
- Form 1099-K (merchant card and third party network transactions)
- Form 1098 (home mortgage interest), 1098-E (student loan interest), 1098-T (tuition)
- Form 1099-C (canceled debt)
- Form 1099-A (acquisition or abandonment of secured property)

Use Form W-9 only if you are a U.S. person (including a resident alien), to provide your correct TIN.

*If you do not return Form W-9 to the requester with a TIN, you might be subject to backup withholding. See What is backup withholding, later.*

Cat. No. 10231X

Form **W-9** (Rev. 11-2017)

Departments that maintain their own TINs should ensure that the address of record as reported on the W-9 is accurate in order to correctly receive federal notifications.


ACCOUNTING POLICIES & PROCEDURES

A TOP notification letter is shown below.

FIGURE 12-38. TREASURY OFFSET PROGRAM NOTIFICATION LETTER

000090


U.S. Department of the Treasury  
Bureau of the Fiscal Service  
P.O. Box 1686  
Birmingham, AL 35201-1686



PLEASE RETAIN FOR YOUR RECORDS

12/22/17

143384650



SAN FRANCISCO COUNTY  
ASSESSOR - RECORDER  
1 DR CARLTON B GOODLETT PL. RM 190  
SAN FRANCISCO 94102

**What Happened to My Payment?**

The U.S. Department of the Treasury, Bureau of the Fiscal Service (Fiscal Service), applied all or part of your payment to delinquent debt that you owe. This action is authorized by federal law. Below is your payment information:

Payment From: Internal Revenue Service  
Payee Name: SAN FRANCISCO COUNTY  
Original Payment: \$513.00

Payment Date: 12/22/17  
Payment Type: EFT

**Who Do I Owe?**

We applied your payment to debt that you owe to the following agency:

Debt Management Servicing Center  
BUREAU OF THE FISCAL SERVICE  
DMSC - BIRMINGHAM OFFICE  
P. O. BOX 830794  
BIRMINGHAM AL 35283-0794  
888-826-3127

TOP Trace Number: 143384650  
Account#: 1702145276A  
Applied to This Debt: \$513.00  
Type of Debt: Non-Tax Federal Debt

Please see additional pages for other debts, if any.


**What Should I Do Now?**

If you agree that you owe the debt, you do not need to do anything. Your debt balance has been reduced. If you believe that your payment was applied in error, you would like to resolve your debt, or you have questions about your debt or outstanding balance, contact the agency listed under **Who Do I Owe**. Please have this notice available when you contact the agency.

Only an agency listed under **Who Do I Owe** has information about your debt. Before sending a debt to Fiscal Service, an agency must send notice to you at the address in its records. The notice explains the amount and type of debt you owe, the rights available to you, and the agency's intention to collect the debt by applying eligible federal payments made to you.

For questions about your debt, please call the agency listed under **Who Do I Owe**. If you have questions about the Treasury Offset Program, please visit our website at [www.fiscal.treasury.gov/TOP](http://www.fiscal.treasury.gov/TOP) or call 1-800-304-3107.

FOR OFFICIAL USE ONLY: RL112916  
0000000055 14338485000149764000013245938ALTR-P01SAN 000172



In addition to the mailed notification, departments that utilize the federal System for Award Management (SAM) will receive an e-mail notification of offset. A sample e-mail is shown below.

FIGURE 12-39. SAMPLE SAM OFFSET E-MAIL

-----Original Message-----  
From: samadmin@sam.gov [mailto:samadmin@sam.gov]  
Subject: Debt Subject to Offset Status for SAN FRANCISCO, CITY & COUNTY OF / 070384255 /  
This email was sent by an automated administrator. Please do not reply to this message.  
Dear [NAME],  
This email serves as notice that the entity represented by DUNS 070384255 in the System for Award Management (SAM) has a delinquent debt with the Federal government subject to the Treasury Offset Program. As a result, this entity's SAM registration will now display a value of "Yes" for the Debt Subject to Offset indicator.  
What does the Debt Subject to Offset indicator in SAM mean?  
A value of "Yes" for Debt Subject to Offset? tells contracting officers they cannot use the governmentwide commercial purchase card to pay your entity for contracts/orders above the micropurchase threshold as outlined in FAR 32.1108(b)(2). Contracting officers can still make contract awards and payments to your entity using Electronic Funds Transfer.  
Where does the Debt Subject to Offset indicator value come from in SAM?  
The Debt Subject to Offset indicator value comes from the U.S. Treasury's Bureau of the Fiscal Service through an automated interface. This notifies SAM when an entity represented by a specific DUNS number has a delinquent debt subject to the Treasury Offset Program.  
Where do I find the Debt Subject to Offset indicator in SAM?  
Navigate to <https://www.sam.gov> and search for your entity. In the search results, you will see the phrase Debt Subject to Offset? with either a Yes or a No answer. That is the indicator. If your entity has an affirmative response, you will also see a "Yes" for Debt Subject to Offset in the Core Data section of your entity's registration in SAM.  
How do I change the Debt Subject to Offset status for my entity in SAM?  
This is not a field you can update or change in SAM. Registrants must contact the Treasury Offset Program (TOP) Call Center at 1-800-304-3107 with any questions regarding the reported debt and instructions for resolution.  
Why does SAM still show "Yes" for the Debt Subject to Offset status if Treasury told me it was resolved?  
The delinquent debt information is updated twice a week through an automated process between SAM and Treasury's Bureau of the Fiscal Service's Debt Management Service in support of the Treasury Offset Program (TOP). Your update may not have been sent to SAM yet. If it has been more than one week since you received confirmation from Treasury that your delinquent debt was resolved, contact the Treasury Offset Program Call Center at 1-800-304-3107 to make sure it is reflected in the system they use to provide the updated values to SAM.  
What is the difference between the Debt Subject to Offset indicator and my entity's response to Paragraph D of FAR 52.209-5 Certification of Responsibility Matters?  
The delinquent debt indicator applies to all SAM registrants, and impacts the method of payment only (see FAR 32.1108). Registrants cannot change the Debt Subject to Offset information in SAM and just contact the Treasury Offset Program (TOP) Call Center at 1-800-304-3107 with any questions regarding the reported debt.  
Representations & Certifications (Reps & Certs) only apply to registrants pursuing Federal contracts.  
A registrant's response in Paragraph D of FAR 52.209-5 (certifying to whether they have unsatisfied Federal tax liability over \$3,500 in the past three years) is used as part of the contracting officer's responsibility determination. Paragraph D only relates to unsatisfied Federal tax liability. Registrants can update this information by updating their Reps & Certs in SAM.  
For assistance with your SAM registration, please contact the Federal Service Desk at [www.fsd.gov](http://www.fsd.gov) or by telephone at 866-606-8220 (toll free) or at 334-206-7828 (internationally).  
Thank you,  
The System for Award Management (SAM) Administrator <http://www.sam.gov/>

### 12.14.4 | Resolving an Offset

It is the responsibility of the department receiving a TOP notification as shown in [Figure 12-38. Treasury Offset Program Notification Letter](#) to research and resolve the offset. The recipient of the TOP Notification Letter should perform the following tasks immediately, as there may be timing issues and deadlines for federally funded projects:

- Call the Debt Management Servicing Center at 888-826-3127, or any other specified party indicated under the “Who Do I Owe?” section of the letter
- Provide the “TOP Trace Number” when requested by federal representatives
- Obtain information on the City department that was delinquent in its payment to the US Treasury, and the delinquent amount
- Contact the other City department’s accounting staff to enter the appropriate journal entries in the financial system

#### Sample Journal Entries

The following example provides a hypothetical series of accounting entries that could resolve a TOP shortfall between two City departments.

*Assume Department A expecting \$100 from a federal grant, but \$20 has been withheld by TOP:*

	<u>Dr.</u>	<u>Cr.</u>	<u>Amount</u>
Operations	Exp	Cash	\$100
Billing to Fed	A/R	Revenue	\$100
Payment from Fed with \$20 Garnishment	Cash	A/R	\$80

*Assume that it was Department B that owed \$20 to the US Treasury:*

	<u>Dr.</u>	<u>Cr.</u>	<u>Amount</u>
Refund of Garnishment	Exp. (Dept. B)	A/R (Dept. A)	\$20
	Cash (Dept. A)	Cash (Dept. B)	\$20

## 13 | FINANCIAL REPORTING & RECORDS RETENTION\*

### 13.1 | Overview

This section provides guidelines for departments to follow when conducting financial reporting and records retention.

### 13.2 | Financial Reporting

[IN PROGRESS]

### 13.3 | Financial Records Retention & Destruction Policy\*

This Financial Records Retention and Destruction Policy has been adopted by the Controller's Office pursuant to Chapter 8 of the San Francisco Administrative Code (hereinafter "Administrative Code"), which requires each department head to develop a written policy which sets forth a written schedule for the systematic retention and destruction of the department's records. This policy supersedes all previous records retention and destruction policies issued by the Controller's Office. This policy covers all records and documents, regardless of physical form or characteristics, which have been made or received by the Controller's Office in connection with the transaction of public business.

#### 13.3.1 | Records Defined

The Controller's Office shall retain records for the period of their immediate or current use, unless longer retention is necessary for historical reference, or to comply with contractual or legal requirements or for other purposes as set forth below. For purposes of record retention and destruction, the term "record" is defined as set forth in Section 8.1 of the Administrative Code, and includes any paper, book, photograph, film, sound recording, map, drawing or other document, or any copy thereof, as has been made or received by the department in connection with the transaction of public business and may have been retained by the department as 1) evidence of the department's activities, 2) for the information contained in it, or 3) to protect the legal or financial rights of the City and County of San Francisco (hereinafter "City and County") or of persons directly affected by the activities of the City and County. Documents and other materials that do not constitute "records" under that section, including those described below in Category 4, may be destroyed when no longer needed, unless otherwise specified.

#### 13.3.2 | Classification of Records

The records of the Controller's Office shall be classified for the purposes of retention and destruction as follows:



Category 1: Permanent Retention

Records that are permanent or essential shall be retained and preserved indefinitely.

- Permanent records: Permanent records are records required by law to be permanently retained and which are ineligible for destruction unless they are microfilmed or placed on an optical imaging system and special measures are followed (Administrative Code Section 8.4). Once these measures are followed, the original paper records may be destroyed. Duplicate copies of permanent records may be destroyed whenever they are no longer necessary for the efficient operation of the Controller's Office. An example of a permanent record is the Comprehensive Annual Financial Report.
- Essential records: Essential records are records necessary for the continuity of government and the protection of the rights and interests of individuals (Administrative Code Section 8.9). Examples of essential records include advice letters and opinions, policy memoranda, and interpretive materials such as manuals. Other examples of essential records in the Controller's Office include revenue projection and audit report documents.

Category 2: Current Records

Current records are records which for convenience, ready reference or other reasons are retained in the office space and equipment of the Department. Current records shall be retained as follows:

- Where retention period specified by law. Where federal, state, or local law prescribes a definite period of time for retaining certain records, the Controller's Office will retain the records for the period specified by law. Examples of such records include Statement of Economic Interest (Form 700) and Emergency/Disaster Cost Recovery documents.
- Where no retention period specified by law. Where the law specifies no specific retention period, the retention periods for records that the Controller's Office is required to retain shall be specified in the attached Financial Records Retention and Destruction Schedule. Records shall be retained for a minimum of two (2) years, although such records may be treated as "storage records" and placed in storage at any time during the applicable retention period. Examples of current records include invoices for purchase of supplies and departmental budget documents.

Category 3: Storage Records

Storage records are records that are retained offsite. Storage records are subject to the same retention requirements as current records.

Category 4: No Retention Required

Documents and other materials that are not "records" as defined by Administrative Code Section 8.1 need not be retained unless retention is otherwise required by local law or by the attached Financial Records Retention and Destruction Schedule. Documents and other materials (including originals and duplicates) that are not otherwise required to be retained, are not necessary to the functioning or continuity of the Controller's Office, and which have no legal significance may be destroyed when no

longer needed. Examples include materials and documents generated for the convenience of the person generating them, draft documents (other than some contracts) which have been superseded by subsequent versions or rendered moot by the Controller's Office action, and duplicate copies of records that are no longer needed. Specific examples include telephone message slips, miscellaneous correspondence not requiring follow-up or departmental action, notepads, emails that do not contain information required to be retained under this policy, and chronological files.

For a copy of the *Records Retention and Destruction Schedule*, please contact the Controller's Office directly.

### **13.3.3 | Records Not Addressed in the Financial Records Retention Schedule**

Records and other documents or materials that are not expressly addressed by the attached schedule may be destroyed at any time provided that they have been retained for the periods prescribed for substantially similar records.

### **13.3.4 | Pending Claims & Litigation**

The retention periods set forth herein and in the attached schedule shall not apply to materials that are otherwise eligible for destruction, but which may be relevant to a pending claim or litigation against the City and County of San Francisco ("the City"). Once the City becomes aware of the existence of a claim or litigation against the City, the City Attorney's Office shall notify all affected City departments and the respective departments shall retain all documents and other materials related to the claim or litigation until such time as the claim or litigation has been resolved.

### **13.3.5 | Records Relating to Financial Matters**

Records pertaining to financial matters shall be destroyed only after approval by the Controller (Administrative Code Section 8.3). The Controller's Office reviews and approves each Department's Record Retention and Destruction Schedule. Departments may destroy documents consistent with the Financial Records Retention and Destruction Schedule. You must obtain the Controller's Office approval for documents pertaining to financial matters that do not fall within the Financial Records Retention and Destruction Schedule.

### **13.3.6 | Records Relating to Payroll Records**

The Retirement Board must approve the destruction of all records pertaining to payroll checks, time cards and related documents (Administrative Code Section 8.3). The Retirement Board reviews and approves each Department's Record Retention and Destruction Schedule. These records are not to be destroyed without prior approval of the Retirement Board.



### **13.3.7 | Records that Contain Legal Significance**

The City Attorney's Office must approve the destruction of all records that contain legal significance (Administrative Code Section 8.3). The City Attorney's Office reviews and approves each Department's Record Retention and Destruction Schedule. Departments may destroy documents consistent with the Record Retention and Destruction Schedule. You must obtain the City Attorney's Office approval for documents that contain legal significance and do not fall within the Record Retention and Destruction Schedule.

### **13.3.8 | Records Relating to Emergency/Disaster & Cost Recovery**

Records relating to Emergencies/Disasters and Cost Recovery for the Federal Emergency Management Agency and California Emergency Management Agency programs and activities are governed by 44 CFR §13.42.

44 CFR §13.42 requires the Controller's Office to retain any and all records relating to cost recovery documentation incurred during an emergency or disaster for three (3) years after the State has closed the claim by the City. California Code of Regulations requires the Controller's Office to retain all financial and program records related to cost or expenditures eligible for state financial assistance for three years (19 CCR § 2980(e)). The Controller's Office shall retain all records relating to emergency/disaster recovery costs for three (3) years from the date of the final Financial Status Report (FSR) (FEMA Form 112-0-1) (unless any litigation, claim, negotiation, audit or other action involving the records has been started before the expiration of the 3-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 3-year period, whichever is later. Final closeout (receipt of FSR) is when all Project Worksheets associated with a disaster/emergency are closed. All records related to any and all Project Worksheets associated with an event must be retained for 3 years after the close of the final associated Project Worksheet. Note: State and Federal regulations change from time-to-time, the Controller's Office will issue specific rules for file retention on any given disaster, should there be a change.

### **13.3.9 | Materials of Historic Significance**

Historical records are records which are no longer of use to the Controller's Office, but because of their age or research value may be of historical interest or significance. Historical records may not be destroyed except in accordance with the procedures set forth in Administrative Code Section 8.7.

### **13.3.10 | Electronic Mail (E-Mail) Policy**

The Controller's Office provides an email system to its employees as a convenient and efficient medium of communication. Email is intended and designed to be a tool of communication but the email system is not a medium for storage of information or for any of the Department's records.

The Controller's Office staff must determine with regard to each email whether the Department's Financial Records Retention and Destruction Schedule ("Schedule") requires the retention of a particular record. If the Schedule requires retention of the email, staff must retain it in accordance with the schedule and delete it from the email system. If the Schedule does not require retention of the email the staff must delete it as soon as it is no longer necessary for the discharge of official duties.

As a general rule, departments need not search their back-up electronic files in response to a public records request. Back-up tapes serve the limited purpose of providing a means of recovery in cases of disaster, departmental system failure, or unauthorized deletion. They are not available for departmental use except in these limited situations. Electronic records such as e-mails that an employee has properly deleted under the department's records retention and destruction policy but that remain on back-up tapes are analogous to paper records that the department has lawfully discarded but may be found in a City owned dumpster. Neither the Public Records Act nor the Sunshine Ordinance requires the City to search the trash for such records, whether paper or electronic.

### **13.3.11 | Records Storage**

The use of storage areas listed below is limited to the Controller's Office and under no circumstances may include personal belongings of any sort

#### **Location**

The Controller's Office will contract with a vendor for storage of those records other than Current Records, which are retained in the Controller's Office.

#### **Financial Records Retention and Destruction Schedule**

All Controller's Office records that are to be retained must be listed on this schedule by the responsible Controller division. This schedule will provide the basis for destruction and storage of records.

#### **Organizing Records Storage**

All records within the same box destined for storage shall have the same destruction date. The destruction date should stem from the end of the fiscal year in which the document was created unless specified differently.

## 14 | EMERGENCY PROCEDURES\*

### 14.1 | Overview

#### 14.1.1 | Definitions of Emergency

##### 14.1.1.1 | “CHAPTER 6 DEPARTMENT” DECLARED EMERGENCY

Chapter 6 of the *San Francisco Administrative Code* governs Public Works or Improvement contracting policies and procedures. The City departments empowered to perform or contract work under this Chapter are known as “Chapter 6 Departments” and include:

- San Francisco Public Works (DPW)
- Municipal Transportation Agency
- Airport
- Port
- Public Utilities Commission (PUC)
- Recreation and Park Commission

Such work is coordinated under Emergency Support Function (ESFs) #3 – Public Works and Engineering and #12 – Utilities of the *San Francisco Emergency Response Plan*. The designated Lead Agencies for ESFs #3 and #12 are DPW and PUC, respectively.

The Department Heads of the above departments may declare an emergency to perform repair or other emergency work in the best interests of the City. Refer to Section 6.60 of the *Administrative Code* (see below) for the authority of “Chapter 6 Departments” to declare emergencies and the definition of an emergency in the context of Chapter 6.

#### ***San Francisco Administrative Code, Section 6.60 – Emergency Repairs, Work and Contracts***

(a) **Declaration of Emergency.** The Board of Supervisors may declare an emergency and may direct any Department Head to perform any repair or other emergency work in any manner the Board determines to be in the best interests of the City.

(b) **Other Determinations of Emergency.** In an actual emergency as defined or described below, the Department Head responsible for addressing the emergency may declare an emergency with immediate notice to the Board of Supervisors, the Mayor, the Controller, and the board or commission having jurisdiction over the area affected by the emergency, if any. The Department Head responsible for

addressing the emergency may execute the repair, reconditioning or other work or Contract necessitated by the emergency in the most expeditious manner, in accordance with the procedures set forth below.

(c) **Emergency Defined.** For purposes of this Chapter, an "actual emergency" means a sudden, unforeseeable and unexpected occurrence involving a clear and imminent danger, demanding immediate action to prevent or mitigate loss of or damage to, life, health property or essential public services. An "actual emergency" shall also mean the discovery of any condition involving a clear and imminent danger to public health or safety, demanding immediate action. Examples of an actual emergency may include, but are not limited to, the following:

(1) Weather conditions, fire, flood, earthquake or other unforeseen occurrences of unusual character; or

(2) The breakdown or imminent breakdown of any plant, equipment, structure, street or Public Work necessitating immediate emergency repair or reconditioning to safeguard the lives or property of the citizens; or the property of the City; or to maintain the public health or welfare; and

(A) Including the installation, repair, construction and alteration of crossings and switch work and special work in connection therewith at street and other railway crossings and at street intersections when the same is to be done by or for the Municipal Transportation Agency; or

(B) Including the installation, repair, construction and alteration of the fire alarm, police communication and traffic signal systems, when the same is to be performed by or for the Department of Technology or the Municipal Transportation Agency; or

(C) Including the work of making connections, installing gate valves, installing or transferring services and performing such other work therewith to existing water pipes when the same is to be done by or for the Public Utilities Commission and when such work will leave one or more fire hydrants or water consumers without water; or

(3) Unforeseen occurrences of unusual character resulting in an insufficient number of hospital beds or the lack of hospital beds or the lack of hospital, surgical, mental health or hospital ancillary services so as to leave patients of the City without required hospital or medical services.

(d) **Approvals Required for Determination of Emergency.** If the estimated cost of the emergency work is less than or equal to \$250,000 the Department Head may proceed with the work without additional approvals. If the estimated cost of the emergency work exceeds \$250,000, the Department Head prior to authorizing the commencement of the work, must first secure the approval in writing of the Mayor or the Mayor's designee or the president of the board or commission concerned as appropriate to the department. For all cases where the cost of the emergency work exceeds \$250,000, the Department Head shall also obtain the approval of the Board of Supervisors...

14.1.1.2 | STATE OF EMERGENCY (LOCAL EMERGENCY PROCLAMATION BY THE MAYOR)

The excerpts of relevant legislation below define a City proclaimed emergency.

**San Francisco Charter Article III, Sec 3.100 (14) Powers and Responsibilities of the Mayor in a Public Emergency**

In the case of an emergency threatening the lives, property or welfare of the City and County or its citizens, the Mayor may direct the personnel and resources of any department, command the aid of other persons, and do whatever else the Mayor may deem necessary to meet the emergency...

In meeting an emergency, the Mayor shall act only with the concurrence of the Board of Supervisors, or a majority of its members immediately available if the emergency causes any member of the Board to be absent. The Mayor shall seek the Board's concurrence as soon as is reasonably possible in both the declaration of an emergency and in the action taken to meet the emergency. Normal notice, posting and agenda requirements of the Board of Supervisors shall not be applicable to the Board's actions pursuant to these provisions...

**San Francisco Administrative Code, Section 7.1(b) Emergency Defined and Construed**

"Emergency" Defined and Construed. As used in this Chapter, an emergency shall exist when proclaimed by the Mayor. It shall include, but is not limited to, the actual or threatened existence of conditions of disaster or of extreme peril to the safety of persons and property within this City and County caused by such conditions as air pollution, fire, flood, storm, epidemic, riot, or earthquake, including conditions resulting from war or imminent threat of war or any actual or threatened enemy attack or sabotage, and upon which occurrences the responsibility devolves upon the regularly constituted authorities for the maintenance of public peace and order and to preserve life and property, but other than conditions resulting from a labor controversy, which conditions are or are likely to be beyond the control of the services, personnel, equipment, and facilities of this City and County, requiring the combined forces of other political subdivisions to combat.

**California Government Code (Govt. Code) section 8558 (c)**

Definition of Local Emergency: "[T]he duly proclaimed existence of conditions of disaster or of extreme peril to the safety of persons and property within the territorial limits of a county, city and county, or city, caused by such conditions as air pollution, fire, flood, storm, epidemic, riot, drought, sudden and severe energy shortage, plant or animal infestation or disease, the Governor's warning of an earthquake or volcanic prediction, or an earthquake, or other conditions, other than conditions resulting from a labor controversy, which are or are likely to be beyond the control of the services, personnel, equipment, and facilities of that political subdivision and require the combined forces of other political subdivisions to combat..."

14.1.1.3 | STATE OF EMERGENCY (PROCLAMATION BY THE GOVERNOR OR GOVERNOR'S DIRECTOR OF EMERGENCY SERVICES)

**Governor's Proclamation of State of Emergency**

Upon request from local government, the Governor may authorize the Cal OES Director to provide financial relief under the California Disaster Assistance Act for emergency actions, restoration of public facilities and infrastructure, and hazard mitigation. This is also a prerequisite for requesting federal declaration of a major disaster or emergency.

**Cal OES Director's Concurrence**

As authorized by California Disaster Assistance Act (CDAA), upon request from local government, California Governor's Office of Emergency Services (Cal OES) Director may, at his or her discretion, provide financial assistance to eligible local governments to repair and restore damaged public facilities and infrastructure.

14.1.1.4 | FEDERAL DISASTER DECLARATION (PRESIDENTIAL DECLARATION)

**Presidential Declaration of a Major Disaster**

Upon request from the Governor, the President may authorize response and recovery activities of the federal, state, and local government and disaster relief organizations; he or she may authorize implementation of some or all federal recovery programs including public assistance, individual assistance, and hazard mitigation.

**Presidential Declaration of an Emergency**

Upon request from the Governor, the President may authorize response activities of the federal, state and local government; he or she may authorize federal agencies to provide "essential" assistance including debris removal, temporary housing, and the distribution of medicine, food, and other consumable supplies.

14.1.1.5 | FEDERAL & STATE DISASTER ASSISTANCE

The primary programs for Federal and State Disaster Assistance are to local governments are FEMA's Public Assistance program and the CDAA Public Assistance program. Such assistance may include:

- **Emergency Work** – work performed during or immediately after an incident to save lives, protect public health and safety, protect and preserve property, or eliminate or lessen an immediate threat of additional damage.
- **Permanent Work** – work required to restore a facility, through repairs or replacement, to its pre-disaster design, function, and capacity in accordance with applicable codes and standards.

**ACCOUNTING POLICIES & PROCEDURES**

Below is a summary of different levels of emergency proclamations and disaster declarations and associated Federal and State Disaster Assistance funding that may be authorized.

**TABLE 14-1. LOCAL, STATE & FEDERAL DISASTER DECLARATIONS SUMMARY**

<b>LEVEL OF DECLARATION OR PROCLAMATION</b>	<b>WHO “DECLARES” OR “PROCLAIMS”</b>	<b>DISASTER ASSISTANCE AUTHORIZED</b>
City Department Head Declaration	“Chapter 6” Department Head	None
Local Emergency Proclamation	Mayor	None, but generally required for any of the below forms of assistance
Director’s Concurrence	Director of Cal OES	Allows State Public Assistance under CDAA (but to a more limited extent than a Governor’s Proclamation). Financial assistance is limited to Permanent Work.
Governor’s Proclamation	Governor – generally preceded by recommendation of Cal OES	Allows State Public Assistance under CDAA. A Governor’s Proclamation and request to the President is required to enable any Federal disaster financial assistance. Financial assistance may include Emergency Work and Permanent Work.
Presidential Declaration of an Emergency	President – generally preceded by recommendation of Federal Emergency Management Agency (FEMA)	Enables FEMA Public Assistance, but to a more limited extent than a Major Disaster. Federal financial assistance is limited to Emergency Work, but may be supplemented with CDAA assistance, to include Permanent Work.
Presidential Declaration of a Major Disaster	President – generally preceded by recommendation of FEMA	Enables FEMA Public Assistance, to the full extent the President chooses to authorize. Federal financial assistance may include Emergency Work and Permanent Work.

## 14.2 | Emergency Purchasing & Payment

Emergency purchasing and contracting are regulated and guided by:

- *San Francisco Administrative Code, Section 21.15* for Emergency Procurement Procedures
- *San Francisco Administrative Code, Section 6.60* for Emergency Repairs, Work and Contracts

### 14.2.1 | Emergency Supplier Set Up

During an emergency, if a department must purchase from a supplier other than an existing City supplier, forward the supplier name, address, e-mail, and FEIN (Tax ID) information to the Controller's Office AOSD Fund Accountant. The Fund Accountant will work with the Supplier Management Team to add the new supplier to the City Supplier Profile. The department will need to ask the supplier to complete an IRS W-9 form and register for San Francisco Business Tax online at <https://newbusiness.sfgov.org/vendor>. The W-9 and proof of business tax registration should be forwarded to the Fund Accountant within 72 hours. The W-9 as well as the link to business tax registration is available online at <http://sfgov.org/oca/qualify-do-business>.

For instructions on supplier setup under non-emergency situations, refer to [Section 3.4 - | Becoming a City Supplier\\*](#).

Procurement cards, or P-Cards, are City credit cards that serve as another payment method under the City's purchasing policies and procedures. Disaster P-Cards may be used for allowable expenses during emergencies and are currently utilized by several City departments. For detailed information, refer to [Section 5 | Procurement Card \(P-Card\)](#).

### 14.2.2 | Emergency Supplier Check Writing

In an emergency, the Controller's Office will activate its *Continuity of Operations Planning* (COOP) procedures, which entail the assessment of staff availability, resource levels, and systems continuity and recovery. The scale of the disaster will be evaluated and the necessary emergency supplier check procedures will be implemented.

#### Definitions

- SunGard—a third party supplier—provides disaster check printing through a service called PayNetExchange
- Bank of America Positive Pay – Bank of America provides this cash management service to deter check fraud. The City periodically sends a file of all checks it issues and the bank uses positive



pay to match the checks issued with those presented for payment. Checks not matching are reported to the City for a decision to pay/not pay

## Overview

Emergency supplier check procedures will depend on the availability and functionality of various systems. In general, during a natural disaster or other emergency, the Controller's Office has three options to issue supplier checks:

- Onsite supplier check printing by ReproMail  
Supplier checks can be printed by ReproMail if PeopleSoft is available and external network connectivity is intact or has been severed
- Offsite check printing by SunGard  
Supplier checks can be printed and distributed by SunGard when PeopleSoft is available and external network connectivity is intact
- Onsite supplier check printing using Controller workstations with MICR-enabled printers  
Supplier checks can be printed at City Hall when PeopleSoft is available and external network connectivity is severed
- Onsite supplier check – handwritten  
Supplier checks can be manually handwritten when PeopleSoft is not available, external network connectivity is severed, and further extraordinary circumstances make the other options unavailable

### 14.2.2.1 | OFFSITE SUPPLIER CHECK PRINTING

Supplier checks can be printed by SunGard when PeopleSoft is still available and external network connectivity is intact. In this case, all payment and supplier information is retained in PeopleSoft. Upon submission of a payment request via the Accounts Payable Module, SunGard will process the checks and, per Controller's directive, route to the Disbursement Unit or send payment directly to the supplier.

### 14.2.2.2 | ONSITE SUPPLIER CHECK PRINTING

Supplier checks can be printed using the onsite printer in City Hall when PeopleSoft is available and external network connectivity is severed. All payment and supplier information is retained in PeopleSoft. Upon submission of a payment request via the Accounts Payable Module, the Controller's Office will process and print the checks using a local, MICR-enabled printer. Access to the check printing paper is only available to authorized employees within the Disbursement Unit.

#### 14.2.2.3 | ONSITE SUPPLIER CHECK--HANDWRITTEN

Handwritten supplier checks can be produced when neither offsite nor onsite printing is available. Physical checks are kept in the safe with the Disbursement Unit. The key to the closet housing the safe is kept by the Disbursement Unit to ensure restricted access. If the Controller is unavailable to physically sign the checks, an electronic signature stamper is kept in the Accounting Operations Director's office. Access to the machine is only available to authorized Fund Accountants. The activation key to operate the stamper is only available to authorized employees within the Disbursement Unit to ensure segregation of duties.

Departments must fill out an *Emergency Supplier Check Request* form (see [Figure 14-1](#)) The form must be approved by the Department Head, Chief Financial Officer, or other pre-authorized manager. Signatures will be verified against the *Authorized Signature Card* file maintained by the Controller's Office. Once filled out, the department will forward the form to its designated Fund Accountant for processing.

**FIGURE 14-1. EMERGENCY SUPPLIER CHECK REQUEST FORM**

<b>PEOPLESOF</b> <b>CITY/COUNTY OF SAN FRANCISCO</b> <b>DIRECT PAYMENT REQUEST FORM</b>		Purchase Order # _____  Supplier ID _____  Invoice # _____  <div style="display: flex; justify-content: space-between;"> <div>           Supplier Name: _____            Address: _____            _____            _____            _____         </div> <div>           (mm/dd/yy)            Invoice Date <table border="1" style="display: inline-table; text-align: center; width: 60px;"><tr><td></td><td></td><td></td><td></td><td></td><td></td></tr></table>             Date Received <table border="1" style="display: inline-table; text-align: center; width: 60px;"><tr><td></td><td></td><td></td><td></td><td></td><td></td></tr></table>             Due Date <table border="1" style="display: inline-table; text-align: center; width: 60px;"><tr><td></td><td></td><td></td><td></td><td></td><td></td></tr></table> </div> </div>																				DEPARTMENT: _____ DEPARTMENT CONTROL NO. _____ DATE _____	
NIGP Code       PREPARED BY (Print)     APPROVED BY:		DESCRIPTION:																					
Account	Amount		Fund	Dept	Agency Use	Authority	PC Bus Unit	Project	Activity	Addendum  Attached  <div style="text-align: center; width: 40px;"> <input type="checkbox"/> </div> Nos. of Pages ____													

PeopleSoft Fund Accountants will review the request, verify the signature against the *Authorized Signature Card* file, and review other elements, including sufficient funding and compliance with disaster project code structure (see [Section 14.3.2 - | Cost](#)), if applicable. Once approved, the Fund Accountant will obtain a physical check from the Disbursement Unit. The Fund Accountant will write the check and submit it to the Controller for signature. If the Controller is not available for a physical signature, the Fund Accountant must contact the Disbursement Unit for the key to operate the electronic signature stamper.

Fund Accountants will be responsible for maintaining a check log to track requested checks. Required information includes date, check number, amount, and payee (supplier name).

Once signed, the check will be forwarded by the Fund Accountant to the Disbursement Unit, which will mail the check to the supplier and compare payment to the accountant's check log. Should postal service become unavailable, check pickup at the Disbursement Unit will be arranged. If necessary, the Controller's Office will make changes/exceptions to the Bank of America Positive Pay file before releasing to the bank.

If any of checks produced from the above procedures cannot be deposited by the supplier, it is likely the check was omitted from the Bank of America Positive Pay file. In this case, the department should contact the Controller's Office Disbursement Unit to resolve the problem.

### 14.3 | Finance & Administration

Under the California Emergency Services Act, local governments must utilize California's Standardized Emergency Management System (SEMS) in response to multi-jurisdictional or multi-agency incidents in order to be eligible for state or federal disaster assistance funding. Under SEMS, on-scene responders utilize the Incident Command System (ICS). There are five functions that a local government must be able to execute under SEMS:

- **Management** – sets policy for the jurisdiction, and has ultimate accountability
- **Operations** – manages the response and implements response priorities established by management
- **Planning** - gathers and assesses information and conducts interagency planning
- **Logistics** - obtains the resources (personnel, supplies and equipment, facilities, etc.) to support operations
- **Finance & Administration** – conducts finance and accounting, issues payments, initiates cost recovery

The Controller's Office is responsible for leading the Finance and Administration function of the City's Emergency Response Plan. Additionally, certain departments with significant disaster response roles, as

identified in the City's *Emergency Response Plan*, have an established organization structure and location, known as a Department Operations Center (DOC) are instrumental in both managing and supporting a departments' response to an incident.

An important element of a DOC is the Finance and Administration Section, which manages the department's financial response, while integrating with Operations, Planning, and Logistics, under the direction of Management. Each DOC Finance and Administration Section must be capable of activating the following units:

- **Finance & Administration Section Chief:** Manages the Section, approves expenditures
- **Cost Accounting Unit:** Accounts for costs, arranges supplier payments
- **Timekeeping Unit:** Accounts for responder time and labor – including City employees, mutual aid provided by other governments, and volunteers
- **Compensation & Claims Unit:** Documents responder injuries
- **Recovery Unit:** Estimates response-related costs and public property damage (under the department's purview), and initiates steps toward cost recovery

DOC Finance and Administration Section policies, procedures, and tools are available at SFPprepared Online Resources, described in [Section 14.4 | SF Prepared](#).

### **14.3.1 | Controller's Office 24-hour Duty Officer**

The Controller's Office maintains a 24-hour on-call emergency contact, the Controller's Office Duty Officer, who is responsible for coordinating Finance and Administration support to departments in response to an emergency. Contact the Controller's Duty Officer at any time, day or night, for emergency assistance. The Controller's Duty Officer can be reached at (415) 802-6854 or [condutyofficer@sfgov.org](mailto:condutyofficer@sfgov.org).

### **14.3.2 | Cost Accounting**

In the event of an emergency, the Controller's Office may direct departments to track costs related to Emergency Work and/or Permanent Work. The primary purpose is to:

- Aid in recovering costs associated with emergency response and recovery, whether through:
  - Insurance claims
  - Litigation

- Federal and state disaster assistance programs
- Aid in assessing the rate of expenditure(a.k.a. “Burn Rate”)

Departments shall use their own operating funds in the initial stage unless otherwise directed.

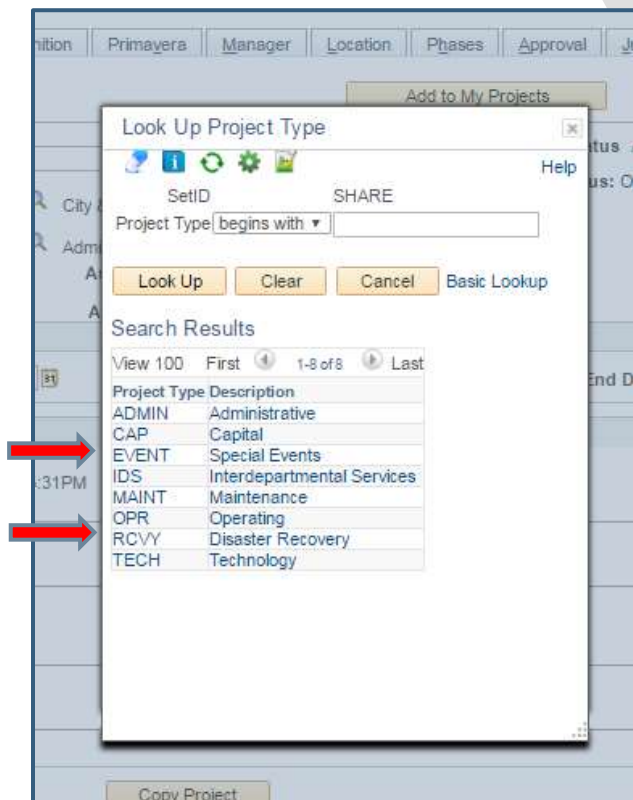
#### 14.3.2.1 | DISASTER PROJECT BREAKDOWN

A Work Breakdown Structure (WBS) is a coding structure in project setup to standardize the breakdown of project scope and tasks.

Disaster projects will be tagged as one of two project types, reserved for use only under the authorization of the Controller’s Office:

- **Special Events (EVENT):** City-wide events, planned or unplanned, established for centralized reporting purposes
- **Disaster Recovery (RCVY):** Disaster related events designated for cost recovery from FEMA or other agencies

**FIGURE 14-2. DISASTER PROJECT TYPES IN PEOPLESOFT**



Note that the “Special Events” project type is not solely reserved for disaster recovery and may be used for non-emergency purposes. Projects types may also change from “Special Event” to “Disaster Recovery” depending on the severity and escalation of the incident. Any changes in project type will be authorized and directed by the Controller’s Office.

### Emergency Work WBS – Pre-Populated RCVY Projects

In the event of an incident in which the Controller's Office anticipates the City may be eligible for state and/or federal disaster assistance funds, or may be able to recover costs through insurance claims or litigation, the Controller's Office will direct departments to track Emergency Work costs using a RCVY project. Pre-populated projects are established in PeopleSoft for this purpose, at the beginning of each fiscal year, as illustrated in [Table 14-2](#). Project descriptions will be modified by the Controller’s Office to reflect the name of the incident (e. g. “2019 Bay Area Earthquake”), once an incident occurs.

The WBS includes two Project Activities, based on FEMA-defined Public Assistance categories. Costs must be segregated according to the Project Activities.

- **0001 – Emergency Protective Measures**
- **0002 – Debris Removal**

**TABLE 14-2. PRE-POPULATED EMERGENCY WORK PROJECTS**

PROJECT CODE	DESCRIPTION (DEFAULT – UNMODIFIED)	PROJECT TYPE	PURPOSE
10032729	Citywide Incident A	RCVY	<ul style="list-style-type: none"> <li>Local Emergency Proclamation</li> <li>Other incidents in which cost recovery may be anticipated</li> </ul>
10033788	Citywide Incident B		<ul style="list-style-type: none"> <li>Same as above (each project is an additional code for a separate incident)</li> </ul>
10035165	Citywide Incident C		
10035166	Citywide Incident D		
10035167	Citywide Incident E		
10033789	Emergency @ SFO		<ul style="list-style-type: none"> <li>Any Chapter 6 Emergency declared by AIR</li> </ul> <p><u>or</u></p>

**ACCOUNTING POLICIES & PROCEDURES**

			<ul style="list-style-type: none"> <li>Used in conjunction with a “Citywide Incident” (e. g. an earthquake) of regional scale, to separately capture response costs at SFO.</li> </ul>
10033790	Emergency @ PUC		<ul style="list-style-type: none"> <li>Any Chapter 6 Emergency declared by PUC <u>or</u></li> <li>Used in conjunction with a “Citywide Incident” (e. g. an earthquake) of regional scale, to separately capture response costs on PUC properties outside of San Francisco.</li> </ul>
10033791	Departmental Emergency		<ul style="list-style-type: none"> <li>Any Chapter 6 Emergency declared by DPW, MTA, PRT, or REC</li> </ul>

**Permanent Work**

Permanent Work projects will be established during the recovery phase of the disaster, following damage assessment and proper scoping of projects. Departments should work with their Fund Accountant to create a capital project WBS for each Permanent Work project.

**14.4 | SF Prepared**

In coordination with the Department of Emergency Management (DEM), the Controller’s Office provides special finance and administration policies, procedures, and training to prepare the City’s financial and administrative personnel for their special role in response to disasters. SFPrepared is the Controller’s Office flagship program for finance and administration emergency preparedness, addressing response and recovery (i.e., the phases during and after a disaster). Two important components of SFPrepared are SFPrepared Online Resources and SFPrepared Academy.

**14.4.1 | SFPrepared Online Resources**

The SFPrepared Online Resources provide lessons learned and helpful tips for the benefit of the City’s financial professionals, with co-benefits for other local governments. Publicly-viewable online resources are hosted on the Controller’s website at <http://sfcontroller.org/sfprepared>. Additionally, a comprehensive suite of DOC Finance and Administration Section tools and resources are hosted on SharePoint Online, the City’s intranet, accessible at

<https://sfgov1.sharepoint.com/sites/CONTROLLER/collab/DOCResources/SitePages/Finance%20and%20Administration.aspx>.

#### **14.4.2 | SF Prepared Academy**

The SF Prepared Academy provides a comprehensive, graduated curriculum aimed at training the City's financial and administrative professionals for their special role in response to and recovery from a disaster. For more information, visit the SF Prepared SharePoint Online page.



**FIGURE 14-3. SF PREPARED INTRANET PAGE**

**DOC Resources**  
**Finance and Administration**

Home  
Recent  
Planning  
Operations  
Management  
Finance and Administration  
Logistics  
Policy Group  
Management  
Operations  
Planning  
Logistics  
Mutual Aid  
**Finance & Admin**  
Permissions and Groups

**SF PREPARED**  
**FINANCE & ADMINISTRATION**

**Resources for DOC Finance & Administration Sections**

**Section Overview**  
A Finance and Administration Section is established when the Incident management activities require on-scene or incident-specific finance and other administrative support services. The scope of this Section includes tracking labor time, tracking costs, supplier payments, workers' compensation and claims, and cost analysis.

**Organization**  
Each DOC Finance and Administration Section must be capable of activating the following units, as the situation requires:

- **Section Chief:** Manages the Section; approves use of departmental funds; recommended P-Card holder
- **Timekeeping Unit:** Tracks time and labor (including City employees, and assigned mutual aid and Disaster Service Worker volunteers)
- **Cost Accounting Unit:** Analyzes and tracks labor, equipment, materials, and contracted services costs; performs cost analysis; supports supplier management and payments
- **Compensation & Claims Unit:** Documents responder accidents and injuries
- **Recovery Unit:** Identifies and estimates response-related costs and losses due to public infrastructure damage; compiles and organizes documentation for subsequent cost recovery

*Note: Updated February 2019. New position titles and duties are pursuant to the Cal OES credentialing program.*

**Position-specific Job Aids**

<a href="#">Finance &amp; Administration Section Chief</a> <a href="#">SF Prepared Emergency Financial Authorizations Guide (Legal &amp; Policy References)</a> <a href="#">Examples of Authorization Usage</a> <a href="#">Cal OES Yellow Book</a> <a href="#">Cal OES Procedures Guide</a> <a href="#">ICS 213 RR - Resource Request Manager*</a> <a href="#">*Initiated by Operations or Logistics, signed by Finance Section Chief</a>	<a href="#">Cost Accounting Unit</a> <a href="#">Controller's 2018 Accounting Policies &amp; Procedures (Ch. 5 P-Card &amp; Ch. 14, Emergency Procedures)</a> <a href="#">IRS Form W-9</a> <a href="#">Direct Payment Request Form</a> <a href="#">Create Expense Report Job Aid</a> <a href="#">FEMA Schedule of Equipment Rates</a> <a href="#">NIMS Resource Typing Library Tool</a>	<a href="#">Recovery Unit</a> <a href="#">IDR Survey</a> <a href="#">Sample IDR Memo</a> <a href="#">FEMA Public Assistance Program and Policy Guide</a> <a href="#">FEMA Damage Assessment Manual</a> <a href="#">Cal OES Form 95 - List of Projects</a> <a href="#">FEMA Project Worksheets &amp; Forms (PDF)</a> <a href="#">FEMA Project Worksheets (Excel)</a> <a href="#">Example geotagged photodocumentation app*</a>
<a href="#">Timekeeping Unit</a> <a href="#">Disaster Time &amp; Labor Tracking Job Aid</a> <a href="#">ICS 214 Activity Log, Fillable PDF</a> <a href="#">ICS 211 P - Check-in List (Sign-in Sheet, Personnel)</a> <a href="#">ICS 211 - Check-in List (Operational Resources)</a> <a href="#">DSW Volunteer Program Guidance</a>	<a href="#">Compensation &amp; Claims Unit</a> <a href="#">ICS 220 - Injury Report Log</a> <a href="#">DMC Form 1 (a)(307)</a> <a href="#">State Fund Employer's Report of Occupational Injury or Illness (a)(307)</a>	<p><small>*Example only: we do not endorse any particular commercial product.</small></p>

## 14.5 | SF Disaster and Emergency Response and Recovery Fund

The governing provision for the San Francisco Disaster and Emergency Response and Recovery Fund is Section 10.100-100 of the *Administrative Code*, which states:

(a) Establishment of Fund. The San Francisco Disaster and Emergency Response and Recovery Fund is established as a response and recovery measure to ensure San Francisco's ability to quickly respond to and recover from disaster and emergency events that impact the City and County of San Francisco, its residents, and its businesses. The San Francisco Disaster and Emergency Response and Recovery Fund is a category eight fund, authorized to receive all donations, grants, gifts, and bequests of money and property which may be offered to the City and County of San Francisco to assist in funding the City's response and recovery efforts during and after a disaster or emergency.

(b) Use of Fund. Donors may designate the following categories of use for their funds:

(1) Public Infrastructure Repair and Replacement: to replace, repair, and rebuild public buildings, infrastructure, and other assets owned by the City and County that were damaged or rendered unusable as a result of a disaster or emergency.

(2) Disaster/Emergency Housing and/or Relief: to provide shelter, food and other assistance to individuals and families in San Francisco who are impacted by a disaster or emergency event that affected San Francisco.

(3) Disaster/Emergency Animal Care Relief: to provide shelter, food and other assistance to animals and pets in San Francisco that are displaced or otherwise impacted by a disaster or emergency event that affected San Francisco.

(4) If the donor has not specified an intended category of use for the donation, the money or assets may be used for any of the purposes identified above at the discretion of the City Administrator, in consultation with the Controller and the Department of Emergency Management.

No costs which may be incurred by any City and County department in administering this fund or disbursements from this fund shall be recovered therefrom, except for electronic transactional or processing fees.

(c) The City Administrator's Office is responsible for determining the allocation of this fund to the appropriate City agency or agencies in consultation with the Controller, the Department of Emergency Management, and the Office of the Mayor, provided that such allocation is consistent with the designated category of use as provided under subsection (b) above.

(d) By July 15 of each year, the City Administrator's Office and the Controller's Office shall submit an annual report to the Mayor and Board of Supervisors regarding Disaster and Emergency Response and Recovery Fund sources and uses. The Controller's Office shall also include the Disaster and Emergency

Response and Recovery Fund's sources and uses in its Quarterly Budget Status Report and the related presentation it makes to the Board of Supervisors.

The following PeopleSoft fund codes have been established for gifts and donations to the San Francisco Disaster and Emergency Response and Recovery Fund.

**TABLE 14-3. GIFT FUND PEOPLESFT CODES**

	PS PROJECT CODE	PS FUND CODE	DEPARTMENT
SF Disaster Fund – Public Infrastructure	10000006	14820	ADM
SF Disaster Fund – Housing & Relief	10000005	14820	ADM
SF Disaster Fund – Animal Care	10000004	14820	ADM
SF Disaster Fund – Unspecified	10000007	14820	ADM

## 14.6 | COVID-19 Related Procurement & Accounting Policies (Under Construction)

First identified in December 2019, Coronavirus disease 2019 (“COVID-19”) is an infectious disease caused by severe acute respiratory syndrome coronavirus 2. Its emergence resulted in a global pandemic, with significant and substantial changes to citywide functions and finances, including major impacts to accounting policies and procedures (“P&P”). The purpose of this section is to document these extraordinary guidelines which may differ from the standard P&P.

On February 25, 2020, the Mayor of San Francisco declared a state of emergency for the City and County of San Francisco to “strengthen the City’s preparedness to respond to COVID-19”<sup>1</sup>. A declared emergency allows immediate procurement of commodities to safeguard the lives or property of the citizens or the property of the City or to maintain public health or welfare. Expectedly, the Office of Contract Administration (“OCA”), in coordination with the Emergency Operations Center (“EOC”) and support of the Controller’s Office (“CON”), has established temporary and/or new procurement and payment P&P to supplement [Section 14.2 | Emergency Purchasing & Payment](#).

To ensure proper reporting and cost recovery of the City’s COVID-19 response efforts, the Controller’s Office has also issued temporary and/or new policies and procedures for cost recovery reporting and receipts of gifts and donations. These guidelines will supplement [Section 12.5.3.1 | Gifts & Donations](#).

<sup>1</sup> [https://www.sfdph.org/dph/alerts/files/PR-COVID-02.25.20\\_Public\\_Health\\_Update\\_Novel\\_Coronavirus.pdf](https://www.sfdph.org/dph/alerts/files/PR-COVID-02.25.20_Public_Health_Update_Novel_Coronavirus.pdf)

The COVID-19 emergency remains a fluid situation and the policies and procedures within this section are subject to change. Departments should always follow the most recent guidelines issued by the Mayor's Office, Office of the City Administrator, Controller's Office, Emergency Operations Center, and/or other appropriate entities. Resources include the [Office of Contract Administration](#) and [Mayoral Declarations regarding COVID-19](#).

## 14.6.1 | Emergency-Purchase Suppliers (COVID-19) (Under Construction)

Purchases of COVID-19 response materials and services are deemed to be “emergency” purchases and therefore may be temporarily exempt from the normal contracting requirements.

*Chapter 12B:* The term “emergency” applies to the purchase itself, not the Supplier. Per a March 10, 2020 memorandum from the City Administrator, during a Declared Emergency, suppliers for emergency-related purchases do not need to be Administrative Code Chapter 12B-compliant by offering employee benefits equally. However, if two Suppliers, new or existing, are equally qualified and available, City law requires Departments to choose the compliant Supplier. To be in the best position to contract with the City, it is advisable for Suppliers to pursue compliance in order to be able to qualify for both emergency and non-emergency business. Regular non-emergency purchases for new or existing City Suppliers are still required to be 12B-compliant. Any questions related to Chapter 12B compliance on COVID-19 related purchases should be directed to the Contract Monitoring Division.

*Business Tax Registration:* Per a [Mayor Declaration dated August 4, 2020](#), the FY20 Business Tax Registration deadline was deferred from May 31 to March 31, 2021. Note that this extension only applies to Business Registration taxes; Departments should still review Suppliers to ensure they are not delinquent on other city taxes.

For additional information on potential COVID-19 impact on supplier taxes and/or fees, please see <https://sftreasurer.org/covid19>.

### 14.6.1.1 | SETTING UP COVID-19 SUPPLIERS

During this state of emergency, purchases that must be made from a non-City supplier should follow existing procedure detailed in [Section 14.2.1 | Emergency Supplier Set Up](#).

For expedited processing, Departments must forward the supplier's IRS W-9, contact name, email address, and phone number to the Controller's Office Supplier Management Team ([supplier.management@sfgov.org](mailto:supplier.management@sfgov.org)).

#### 14.6.1.2 | VETTING EMERGENCY-PURCHASE COVID-19 SUPPLIERS

Departments must work with Controller's Office Supplier Management Team (SMT) and City Attorney's Office (CAT) to mitigate the City's risk in doing business with potentially fraudulent suppliers.

Best practices on emergency purchases include:

- Working with established City vendors only (if possible)
- Notice instances where the supplier is over-promising but under-delivering as red flags
- Research ahead on the business using AOSD emergency supplier vetting research sources

The current AOSD emergency supplier vetting includes researching on:

- System for Award Management (<https://www.sam.gov>)
- Better Business Bureau (<https://www.bbb.org/>)
- Website security – Checking for 'https' vs 'http' and if the site is registered
- Online reviews of the company
- Company address
- Secretary of State business search (varies per state)
- Corp Wiki
- DUNS number (<https://www.dnb.com/duns-number.html>)
- Online searches on company and or CEO/President/Owner

### 14.6.2 | Emergency Procurement (COVID-19) (Under Construction)

The procedures and policies in this section ensure that emergency purchases are adequately vetted, tracked, and prioritized for lead agencies handling emergency response and/or essential city services. Depending on the type of items or service being purchased, pre-approval may be required by the Office of Contract Administration (OCA) and/or San Francisco Emergency Operations Center (EOC).

#### 14.6.2.1 DEFINITIONS

- OCA: Office of Contract Administration
- EOC: San Francisco Emergency Operations Center
- DOC: Department Operations Center
- FEMA: Federal Emergency Management Agency
- P-card: CCSF Procurement Card

For reporting purposes, all chartfield entries must use Project Code 10033788 – 2019 COVID-19 regardless of existing contract chartfields.

#### 14.6.2.2 | EXPEDITED CONTRACT MODIFICATION POLICY (5/11/2020)

On May 11, 2020, the Mayor signed a Thirteenth Supplement to Mayoral Proclamation Declaring the Existence of a Local Emergency dated February 25, 2020 (“Order”). Per the Order, the Office of the Controller issued the Expedited Contract Modification Policy (“Policy”) that establishes an expedited process for amending contracts expiring on or before September 30, 2020.

**Under this Policy, qualifying agreements, including existing services contracts, grant agreements, construction contracts, and leases, and including agreements not related to the response to the COVID-19 emergency, may be extended through December 31, 2020 (or sooner) without complying with standard purchasing and contracting procedures of the Administrative Code**

In conjunction with this Policy, the City Attorney’s Office has also developed a streamlined amendment template and checklist for extensions made pursuant to the Policy. These documents can be found on the OCA website at <https://sfgov.org/oca/resources> and include:

1. Memorandum re Guidance for Procurement and Reimbursement
2. COVID Expedited Contract Amendment Template.
3. COVID Expedited Contract Amendment Checklist.

On July 7, 2020, the Controller’s Office issued an [\*Emergency Contracting Exceptions & Controller’s Concurrence\*](#), which clarifies guidelines and exceptions of the aforementioned supplement. The memorandum includes a *Request for Controller’s Concurrence*, a required form for when departments cannot follow standard procurement procedures due to exigent circumstances. Departments should refer to this document when procuring any commodities or services, contracts for public works, and grant agreements that may fall outside the requirements of standard procurement procedures.

Further, on August 20, 2020, the [\*Office of Contract Administration issued a memorandum\*](#) to outline the additional procurement requirements for circumstances where the response to a declared emergency (such as the one pertaining to COVID-19) no longer qualifies as an emergency or exigency.

For questions or assistance on the expedited contract modification policy , please contact Marnie Purciel-Hill at [Marnie.Purciel-Hill@sfgov.org](mailto:Marnie.Purciel-Hill@sfgov.org) , Taraneh Moayed at [Taraneh.Moayed@sfgov.org](mailto:Taraneh.Moayed@sfgov.org) , or Sailaja Kurella [Sailaja.Kurella@sfgov.org](mailto:Sailaja.Kurella@sfgov.org). For questions on Controller’s Concurrence on exceptions, please contact Julie Ansell at [Julie.Ansell@sfgov.org](mailto:Julie.Ansell@sfgov.org).

## 14.6.2.3 | PROCURING SCARCE RESOURCES

## Reference:

- [Instructions to Departments on COVID-19 Purchases and Contracts \(Updated June 10, 2020\)](#)

**For current guidance on COVID-19 purchases, refer to the Office of Contract Administration (OCA) Resource website at <https://sfgov.org/oca/resources>. The following section may not reflect recently updated procedures.**

On March 10, 2020, the Office of the Administrator issued a memorandum in response to the COVID-19 emergency, prohibiting departments from directly purchasing certain items identified as scarce resources. These instructions were superseded by subsequent guidance issued in May and June 2020.

**Weekly Assessment of Needs**

Departments are to complete a weekly survey of needs as the basis for distributing scarce resources to each department and to determine on-going operational needs for the various units and branches within EOC and DOCs.

Items that must be procured via CCC Logistics include the following:

ADA See-through Mask	Hand Washing Stations
Biohazard Bags	Hand Sanitizers - Bottles, pre-filled
Cloth Mask / Re-usable Face Covering	Hand Sanitizers - Refill Gallons
Coveralls	Isolation Gowns (non-sterile, unrated and ASTM Level 1 and 2)
Desk Shields/Plexiglass Barriers	Liquid Disinfectants (EPA Approved) - Bleach
Disinfectant Wipes	Liquid Disinfectants (EPA Approved) - Hydrogen Peroxide
Disposable Isolation Masks – ASTM Level 1, 2, 3 or higher	Liquid Disinfectants (EPA Approved) - Quaternary Ammonium
Disposable Isolation Masks – Unrated	N95 Mask - Conventional Respirator
Face Shield - Construction ANSI+ Grade	N95 Mask - Surgical/High-risk Respirator
Face Shield - Standard Splash Guard	Paper Towels
Free-standing Hand Sanitizer Stand	Safety Glasses
Gloves - Latex	Shoe Covers
Gloves - Nitrile	Spray bottles - empty
Goggles	Surgical Gowns (sterile, ASTM Level 3 or 4)
Hair Covering	Thermometers

### COVID-19 Purchasing Requests Procedure for Scarce Resources

<b>Scarce Resources</b>	<p>Departments must continue to complete weekly surveys of their needs. That survey is used as the basis for distributing scarce resources to each department.</p> <p>DOCs and EOC Units/Branches and Task Forces should also submit <a href="#">Form 213RR via ServiceNow</a> or by email to <a href="mailto:sfeoc.logs@gmail.com">sfeoc.logs@gmail.com</a> along with the survey for record-keeping purposes.</p> <p>For questions about your distribution schedule, email the SFEOC Logistics Section at <a href="mailto:sfeoc.logs@gmail.com">sfeoc.logs@gmail.com</a>.</p>
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### Historical References

For previously issued procedures, please see the following:

- [Memorandum re New Purchasing Restrictions and Procedures for COVID-19 Related Goods and Services \(March 10, 2020\)](#)
- [Instructions to Departments on COVID-19 Purchases and Contracts \(May 5, 2020\)](#)

#### 14.6.2.4 | NON-TECHNOLOGY AND NON-SCARCE RESOURCE PURCHASES

As of August 2020, the procedure for purchasing non-technology and non-scare resources are as follows:



## ACCOUNTING POLICIES & PROCEDURES

<p><b>Purchase Orders for Non-Technology &amp; Non- Scarce Resources</b></p>	<ol style="list-style-type: none"> <li>1. <b>Submit the following <a href="#">via ServiceNow</a> or by email to <a href="mailto:sfeoc.logs@gmail.com">sfeoc.logs@gmail.com</a></b> <ul style="list-style-type: none"> <li>○ Form 213RR</li> <li>○ Evidence of request for 3 or more quotes (N/A if using a Term Contract)</li> <li>○ Selected quote</li> </ul> </li> <li>2. Proceed to issue PO to the supplier at the department level. <ul style="list-style-type: none"> <li>○ Use Term Contracts whenever possible. They are <a href="#">here</a> under Direct Purchasing and Contracting.</li> <li>○ Your PO will have the following attributes: <ul style="list-style-type: none"> <li>• 21.15 purchasing authority</li> <li>• Copy of approved Form 213RR uploaded to PO</li> <li>• Evidence of request for 3+ quotes uploaded to PO. <ul style="list-style-type: none"> <li>○ Ok if only one quote/proposal is received.</li> <li>○ This requirement N/A if using a Term Contract.</li> </ul> </li> <li>• If PO routes to OCA because it is over \$10K and not tied to a contract, email an OCA buyer to approve PO in PS.</li> </ul> </li> </ul> </li> <li>3. PO must include applicable FEMA appendix found <a href="#">here</a> under Emergency Purchasing.</li> <li>4. Confirm contractor/vendor not suspended by federal government by checking <a href="http://www.sam.gov">www.sam.gov</a>.</li> </ol>
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### 14.6.2.5 | TECHNOLOGY PURCHASE ORDERS USING TECH MARKETPLACE CONTRACTS

As of August 2020, the procedure for purchasing technology related resources are as follows:

<p><b>Technology Purchase Orders using Tech Marketplace Contracts</b></p>	<ol style="list-style-type: none"> <li>1. <b>Submit the following <a href="#">via ServiceNow</a> or by email to <a href="mailto:sfeoc.logs@gmail.com">sfeoc.logs@gmail.com</a>.</b> <ul style="list-style-type: none"> <li>○ Form 213RR</li> <li>○ Evidence of request for 3+ quotes if over \$25,000. <i>Ok if only one quote/proposal is received.</i></li> <li>○ Selected Tech Marketplace Quote</li> <li>○ DT approval</li> </ul> </li> <li>2. SFEOC will forward your request to OCA. OCA will assign a buyer to issue emergency PO. Requisitions are not required but recommended as they make the PO issuance faster.</li> </ol>
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	<p>3. PO issued by OCA will include applicable FEMA appendix found <a href="#">here</a> under Emergency Purchasing.</p> <p>4. Confirm contractor/vendor not suspended by federal government by checking <a href="http://www.sam.gov">www.sam.gov</a>.</p>
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#### 14.6.2.6 | GIFT CARDS

As of August 2020, purchases of gift cards do not fall under any eligible FEMA emergency protective measures and are **not** reimbursable under the COVID-19 response. The procedure to purchase gift cards are as follows:

<b>Gift Cards:</b>	<p>1. <b>Submit the following</b> to following <a href="#">via ServiceNow</a> or by email to <a href="mailto:sfeoc.logs@gmail.com">sfeoc.logs@gmail.com</a>.</p> <ul style="list-style-type: none"> <li>○ Form 213RR</li> <li>○ Quote</li> </ul> <p>2. SFEOC will forward your request to OCA. OCA will assign a buyer to issue emergency PO. Requisitions are not required but recommended as they make the PO issuance faster.</p> <p>3. PO issued by OCA will include applicable FEMA appendix found <a href="#">here</a> under Emergency Purchasing.</p> <p>4. Confirm contractor/vendor not suspended by federal government by checking <a href="http://www.sam.gov">www.sam.gov</a>.</p>
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#### 14.6.2.7 | ALL OTHER EMERGENCY SUPPLIER CONTRACTS (INCLUDING IT CONTRACTS)

For all supplier contracts for other emergency purchases (including IT contracts) related to COVID-19 response, departments must follow the protocol below to create a contract for OCA review and approval.

<b>All Other Emergency Contracts (including IT Contracts):</b>	<p>1. <b>Request multiple (at least 3) quotes/proposals.</b> Ok if only one is received.</p> <p>2. <b>Set up contract in PS using 21.15 Purchasing Authority.</b></p> <p>3. <b>Submit your request for contract review to OCA via contract submission process in <a href="#">Service Now</a>.</b> You will be notified which OCA buyer was assigned to your contract.</p>
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	<p><b>4. Upload to PS:</b></p> <ul style="list-style-type: none"> <li>○ Evidence of request for 3+ quotes. <i>Ok if only one quote/proposal is received</i></li> <li>○ Insurance, unless waived by RM</li> <li>○ Approved Form 213RR</li> <li>○ <b>New:</b> Department Head memo stating what contract social policy provisions were removed without the standard waiver process. <i>Ensure a copy is also sent to CON.</i></li> <li>○ Agreement with applicable FEMA appendix found <a href="#">here</a> under Emergency Purchasing.</li> </ul> <p><b>5. Signatures:</b></p> <p>→ <b>DocuSign Using PeopleSoft's Contract Module</b> – Upload unsigned copy of contract into PS contract module for OCA buyer to review. Upon OCA approving contract in PS, you may route contract for e-signature.</p> <p>→ <b>Signed and Scanned Signatures</b> – Upload partially signed copy of contract into PS contract module for OCA buyer to review. Buyer will print, sign and scan back fully signed copy of contract to you. Upload fully signed contract to PS and request OCA buyer to approve contract in PS.</p> <p>→ <b>DocuSign outside of PeopleSoft</b> – Upload unsigned copy of contract into PS contract module for OCA buyer to review. Once OCA buyer has informed you they are ready to sign contract, route contract for e-signature. Once fully signed, upload fully signed contract to PS and request OCA buyer to approve contract in PS</p> <p><b>5. Confirm contractor/vendor not suspended by federal government by checking <a href="http://www.sam.gov">www.sam.gov</a>.</b></p>
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#### 14.6.2.8 | FEMA PROCUREMENT

Federal regulations allow for noncompetitive procurements under certain circumstances, including when a non-state entity determines that immediate actions required to address the public exigency or emergency cannot be delayed by a competitive solicitation. This represents an exception to requirements for full and open competition. FEMA approval is not required for use of noncompetitive procurements under the emergency or exigency exception; however, the non-state entity must document its justification for using noncompetitive procurements and must still comply with other procurement requirements and ensure that costs are reasonable.

FEMA defines these terms as follows:

- Exigency – A situation in which there is a need to avoid, prevent, or alleviate serious harm or injury—financial or otherwise—to the City.
- Emergency – A situation in which there is a threat to life, public health or safety, or improved property requiring immediate action to alleviate the threat.

Although these procurement contracts need not be competitively bid, emergency procurement must still comply with the San Francisco Administrative Code, Section 21.15, and all costs must be reasonable.

On April 22, 2020, the City Administrator issued a memorandum providing guidance on FEMA requirements for qualifying an emergency contract or purchase for reimbursement. Further, the City Attorney's Office prepared three appendices that contain FEMA required clauses for applicable contract/purchase. The memorandum and appendices are available on <https://sfgov.org/oca/resources>.

The following is summary of the essential procurement considerations identified by FEMA. The City may be unable to adhere perfectly to these criteria during the emergency, but should endeavor to follow them as closely as possible. Please consult with your Deputy City Attorney for a more detailed analysis of the required procedures.

- 1) Verify the emergency or exigency. Non-competitive procurement (including sole sourcing) is generally only permitted to respond to an emergency or exigency.
- 2) Only contract for what is necessary (services, quantities and/or term of the agreement) to address the emergency or exigency.
- 3) Compare the price of the goods or services to an independent estimate.
- 4) Confirm contractor/vendor not suspended; check [www.sam.gov](http://www.sam.gov).
- 5) Maintain oversight of contractor/vendor performance.
- 6) Only use Time & Material contracts if no other method suitable; and must include ceiling price if used.
- 7) Cost plus percentage of cost contracts are strictly prohibited. 8) Document these steps and save in PeopleSoft notes; save records for FEMA audit.

For further information regarding procurements under Exigent or Emergency circumstances, refer to FEMA rules and guidance. <https://www.fema.gov/news-release/2020/03/20/procurement-under-grants-under-exigent-or-emergency-circumstances>

For further information regarding the City's policies and procedures for FEMA cost recovery requirements see [Section 14.6.4 | Cost Recovery \(COVID-19\)](#), [Section 14.6.4.3 | FEMA Non-Personnel Costs](#), and [Section 14.6.4.4 | FEMA Personnel Costs](#).

### 14.6.3 | Emergency Payments (COVID-19) (Under Construction)

The City and County of San Francisco is a valued business partner to many local businesses and non-profit organizations. To support all our business partners, Departments should ensure that supplier payments are paid promptly within established policies and procedures. The Controller's Office has issued guidance and suggestions in this section for emergency and non-emergency payments during the declared state of emergency.

#### 14.6.3.1 | ELECTRONIC INVOICES

##### Offline Invoices Not Through eSettlement

The Controller's Office, under the declared state of emergency, has temporarily waived the electronic invoice requirements under Section 4.2.1.2 *Information on Invoices Submitted Offline (Not Directly Submitted by Suppliers in PeopleSoft)*

As directed in an [April 1, 2020 SF Financials and Procurement alert](#), Departments are encouraged to support local businesses and nonprofits by taking the following actions:

1. Help your Suppliers sign up for Paymode-X so they receive payments faster and more securely
2. Enable your Suppliers to submit electronic invoices
3. Use DocuSign to execute contracts online
4. Exercise increased caution and vigilance around fraudulent invoices and purchase orders

Receiving paper invoices via mail will prove impractical with most employees working from home. All departments must offer Suppliers the option to send PDF invoices through email. Further, Suppliers are no longer required to submit an authorization letter prior to submission of electronic invoices.

All electronic invoices must still include the required elements provided in Section 4.2.2. *Information on Invoices Submitted Offline (Not Directly Submitted by Suppliers in PeopleSoft)*, including a unique invoice number, description of products or services, delivery address, remittance address, sales tax, and Purchase Order ID (if applicable).

Further, departments must still adhere to all policies and procedures relating to receiving, tracking, and processing electronic invoices. Specifically, departments must ensure they have adequate controls in place to avoid duplicate billings.

The SF City Partner Support Team has consolidated departmental contacts for invoice receiving on the SF Knowledge Center at <https://sfcitypartnersupport.sfgov.org/support/solutions/articles/11000050345>. Departments/Suppliers should contact the SF City Partner Support Team immediately if the central email

address for electronic invoices has changed. Further, departments are highly encouraged to set up a shared inbox, accessible by more than one person in your department.

### **Invoices Through eSettlement or other departmental subsystems**

Departments should encourage, when possible, for Suppliers to set-up online invoicing through eSettlement or department-specific subsystem. Invoices submitted through these methods are more secure and can help prevent fraudulent activities. Suppliers that already utilize these systems should be encouraged to continue.

### **DocuSign for Contract Execution**

DocuSign is available citywide and can be used to execute contracts online. No additional licenses are needed for new users and the software is protected with multi-factor authentication. For additional instructions on utilizing DocuSign, please reference [Job Aid - How to use DocuSign](#).

#### **14.6.3.2 | PROCUREMENT CARD (P-CARD)**

P-Cards may be used, following established protocols, during this declared emergency for purchases related to COVID-19 response. In general, the department should always work directly with OCA and/or the EOC to determine the most appropriate procurement method, pursuant to the guidelines established in [Section 14.6.2 | Emergency Procurement \(COVID-19\)](#). Further, standard payment mechanisms (e.g. vouchers/check/ACH) should be prioritized when possible. Any exceptions should be cleared with the Controller's P-Card Administration Team before payment.

### **Cost Recovery Reporting for P-Cards**

The Department's P-Card Billing Official is responsible for accurate protocols in reviewing, approving, & reconciling P-Card transactions to monthly charge card statements, remitting the monthly P-card payment to U.S. Bank using department-specific Supplier ID, and proper cost center and account code reporting.

To ensure proper cost recovery reporting, the Billing Official must charge the COVID 19-related P-Card expenditures to the proper chartfields (e.g. Project Code – 10033788).

#### **14.6.3.3 | PAYMENT METHODS**

### **Paymode-X**

The most efficient and preferred method of payment is Paymode-X. City-approved suppliers and businesses with a Federal Employer/Tax ID have the option to receive payments by Automated Clearing House (ACH) payment processing. Once enrolled and set up, suppliers can expect to receive bank to bank payments within two (2) business days using this payment method.

Enrollment and processing may take two to three weeks or longer. Departments should communicate this clearly with the Supplier. Departments may provide more information to suppliers by sharing the Paymode website: [https://www.paymode.com/city\\_countyofsanfrancisco](https://www.paymode.com/city_countyofsanfrancisco).

See [Section 4.4.1.3 | Easy Methods to Accelerate Payments](#) for more benefits and details

### Manual Check Printing

Suppliers that are not enrolled in Paymode-X will receive payment through paper checks via U.S. Postal Service. During the declared state of emergency, checks are mailed out every other business day as opposed to the regular daily mailing schedule.

Departments may request to “in-house” / hold the paper check(s) as soon as a payment reference number is generated on the voucher by emailing the Controller’s Disbursement team ([con.disbursement@sfgov.org](mailto:con.disbursement@sfgov.org)) and delivering to the Supplier directly. Checks not requested to be in-house will be mailed out within 1-2 business days from when the check is generated. See Section 4.4.7 Payment Disbursement for further instructions.

Should the supplier require immediate payment, departments may work directly with the Controller’s Cash Disbursement Team to arrange same-day manual check printing and pick-up.

### P-Cards

P-Cards may be used for payment pursuant to the guidelines established by the previous section.

#### 14.6.3.4 | FRAUDULENT INVOICES AND PURCHASE ORDERS

Departments should practice increased caution towards fraudulent invoices, purchase orders, and security risks during this time period.

Fraudulent Purchase Orders: Suppliers may receive fraudulent messaging that appears to be a Purchase Order for goods by the City. It is encouraged that Suppliers check the validity of their purchase orders through the online Supplier Portal (<https://sfcitypartner.sfgov.org/pages/index.aspx>) and be proactive in communications with the department purchasing department.

Fraudulent Invoices: Accounts Payable Processors must practice good judgement to distinguish between fraudulent and verified invoices. In addition to screening for potential fraudulent invoices, departments should also confirm that the invoice has all the elements of a “complete” invoice before processing in PeopleSoft. See [Section 4.2 | Invoices](#) for elements of a “complete” invoice.

Phishing Attacks: All staff must exercise extreme caution before clicking external links and attachments. Malware can be introduced to the system by compromising confidential information and affecting the City’s ability to provide service.

## 14.6.4 | Cost Recovery (COVID-19)(Under Construction)

### 14.6.4.1 | FUNDING SOURCES

In light of the COVID-19 public health emergency, multiple federal and state agencies have provided funding and reimbursement grants to state and local governments.

ABBR.	FUNDING SOURCE	PROGRAM / FUND	TYPE OF FUNDING
CARES Act	U.S. Department of Treasury	CARES Act / Coronavirus Relief Fund	Direct Funding*
CAL OES / FEMA	California Governor's Office of Emergency Services (flow through from FEMA)	FEMA Public Assistance Grant Program (PAG)	Reimbursement Grant (flow through CAL OES from FEMA)
CA SB 89	State of California – <a href="#">Senate Bill 89</a> & <a href="#">Executive Order N- 32-20</a>	Emergency Funding	Direct Funding

\*See [Section 14.6.4.2 | CARES Act](#) for eligible expenditures

The Controller's Office is the City's authorized agent for federal and state disaster assistance funding, and the Cost Recovery Branch (staffed by the CSA-Audits team) is tasked to work with departments to ensure that the City's costs for this emergency are captured, reimbursable, and supported.

All questions related to COVID-19 cost recovery should be directed to [costrecovery@sfgov.org](mailto:costrecovery@sfgov.org)

### General Chartfields

All COVID related purchasing and charges is to be recorded into Project Code 10036286.

Project Activity Codes to be used include:

ACTIVITY CODE	DESCRIPTION	REPORTING USE
0001	Emergency Protective Measures	Emergency Response <i>FEMA Public Assistance Grant (PAG) Eligible</i>
0002	Debris Removal	Emergency Response <i>FEMA Public Assistance Grant (PAG) Eligible</i>
0003	EOC Initiated Procurement	Emergency Response <i>FEMA Public Assistance Grant (PAG) Eligible</i>
0004 - 0008	Recovery Permanent Work	Emergency Recovery <i>FEMA Public Assistance Grant (PAG) Eligible</i>



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0010	All Costs NOT FEMA-PAG Eligible	Emergency Recovery and Recovery
0011	Economic Recovery	Economic Recovery

**CARES Act Cost Recovery**

See [Section 14.6.4.2 | CARES Act](#).

**FEMA Cost Recovery**

Each department can expect to receive a proportional share of its FEMA-eligible costs, based on an anticipated recovery rate of 75 percent. Further potential recoveries will be based on eligible volunteer hours and donated materials creditable against the City's 25 percent local cost share. To maximize the amounts recovered and minimize the risk of disallowance, City departments must follow proper procurement rules/procedures and record all costs in PeopleSoft. Departments must retain summary and supporting cost documentation and provide it to the Controller's Office Cost Recovery Branch, as specified in this document.

See [Section 14.6.4.3 | FEMA Non-Personnel Costs](#) and [Section 14.6.5.4 | FEMA Personnel Costs](#) for details.

**14.6.4.2 | CARES ACT**

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) established \$150 billion in funding in the Federal Coronavirus Relief Fund to provide relief payments to State, Local, and Tribal governments for COVID-19 response related expenditures based on population from U.S. Census Bureau data.

**Initial Funding**

Initial funding for the City from the CARES Act includes the following:

TYPE OF EXPENDITURE	FUNDING	REFERENCE
Public Health Emergency	~ \$153,823,500	<a href="#">U.S. Treasury Website</a>
Transportation	~ \$327,000,000 <i>Shared with Oakland</i>	<a href="#">Federal Transit Authority Website</a>
Aviation / Airports	~ \$254,780,449	<a href="#">Federal Aviation Administration Website</a>

Note that this is not an exhaustive list of funding. For updated information and additional funding sources, please visit the U.S. Treasury website at <https://home.treasury.gov/policy-issues/cares>.

### **Eligible Expenditures**

The CARES Act specifies that relief payments may only be used to cover costs that are:

- Necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19)
- Were not accounted for in the budget most recently approved as of March 27, 2020 for the State or government; and
- Were incurred during the period that begins on March 1, 2020 and ends on December 30, 2020.

### **General Resources:**

Coronavirus Relief Fund – Guidance for State, Territorial, Local, and Tribal Governments:

<https://home.treasury.gov/system/files/136/Coronavirus-Relief-Fund-Guidance-for-State-Territorial-Local-and-Tribal-Governments.pdf>

Data Sources and Distribution Methodology for Local Government:

<https://home.treasury.gov/system/files/136/Census-Data-and-Methodology-Final.pdf>

Frequently Asked Questions: <https://home.treasury.gov/system/files/136/Coronavirus-Relief-Fund-Frequently-Asked-Questions.pdf>

### **Transportation Expenditures (FTA Emergency Relief)**

FTA is allocating \$25 billion to recipients of urbanized area and rural area formula funds, with \$22.7 billion to large and small urban areas. Funding will be provided at a 100-percent federal share, with no local match required, and will be available to support capital, operating, and other expenses generally eligible under those programs to prevent, prepare for, and respond to COVID-19.

The Federal Transit Authority (FTA) will consider all expenditures incurred on or after January 20, 2020, normally eligible under the Urbanized Area Formula Program (49 USC 5307) and the Formula Grants for Rural Area Program (49 USC 5311), to be in response to economic or other conditions caused by COVID-19 and thus eligible under the CARES Act.

Additional guidance and frequently asked questions about FTA Emergency Relief can be found at the [FAQ from FTA Grantees Regarding Coronavirus website](#).

### **Airline / Aviation Expenditures**

The CARES Act provides new funds distributed by various formulas for all airports that are part of the national airport system. This includes all commercial service airports, all reliever airports and some public-owned general aviation airports.

Under this new CARES Airport Program:

Primary commercial service airports, with more than 10,000 annual passenger boardings, will receive additional funds based on the number of annual boardings, in a similar way to how they currently receive AIP entitlement funds.

All commercial service airports will receive funds based on the number of passengers that board aircraft there, the amount of debt an airport has, and the amount of money the airport has in reserve.

Additional guidance and frequently asked questions about the FAA CARES Airport Program can be found at the [FAA CARES Act Grants Airports website](#) and [FAA CARES Act Frequently Asked Questions website](#).

#### 14.6.4.3 | FEMA NON-PERSONNEL COSTS

##### **FEMA Eligible Non-Personnel Costs**

FEMA has provided a list of COVID-19 non-personnel costs eligible for FEMA Public Assistance Program (PAG) reimbursement on their website: <https://www.fema.gov/fact-sheet/eligible-emergency-protective-measures>.

Examples include, but are not limited to:

- Emergency Operation Center costs
- Emergency medical care & medical sheltering for hospital overflow
- Purchases and distribution of consumable supplies, including food, water, ice, medicine, and personal protective equipment
- Security and law enforcement
- Communications of general health and safety information to the public

COVID-19 response related procurement to be reimbursed by the FEMA grant (PAG eligible costs) is considered qualify under the exception to competitively bid due to exigent and emergency circumstances. See Section 14.6.2.7 FEMA Grant Procurement for details.

For the most updated guidance cost recovery submittal requirements, please refer to <https://sfcontroller.org/covid-19-recovery>. For further instructions on how to enter these fields into SF Procurement & SF Financials, refer to [Job Aid: Entering Fields to Identify Financial Transactions for COVID-19 Cost Recovery](#).

### Cost Recovery Coding - Non-Personnel Costs

For reporting purposes, when recording COVID-19 emergency response procurement transactions in SF Procurement or SF Financials, Departments must now enter:

1. Source Type (categorization)
2. Category (FEMA eligible costs category) and
3. Subcategory (location)

#### Source Type

All costs should be allocated to a Source Type, which is the overarching category for the cost and includes:

SOURCE TYPE	EXPLANATION
Contract Work	For contracts for COVID-19 emergency response
Equipment Rented	For equipment rented for COVID-19 emergency response
Equipment	For equipment purchased for COVID-19 emergency response
Materials	For materials and supplies purchased for COVID-19 emergency response

#### Category

All costs should be also be allocated to a Category, which is how the City will sort costs according to FEMA cost categories:

Category Code	Category Description	FEMA Category B: Emergency Protective Measures
B1a	Mgmt EOC Costs	Emergency Operation Center costs
B1b	Mgmt EOC Training	Training specific to the declared event

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B1c	Mgmt EOC Disinfection	Disinfection of eligible public facilities
B1d	Mgmt Technical Assistance	Technical assistance to state, tribal, territorial, or local governments on emergency management and control of immediate threats to public health and safety
B2a	Emerg Non Def Med Treatmnt	Non-deferrable medical treatment of infected persons in a shelter or temporary medical facility
B2b	Emerg Related Med Suppl-Srv	Related medical facility services and supplies
B2c	Emerg Temp Facility	Temporary medical facilities and/or enhanced medical/hospital capacity (for treatment when existing facilities are reasonably forecasted to become overloaded in the near term and cannot accommodate the patient load or to quarantine potentially infected persons)
B2d	Emerg Special Med Equip	Use of specialized medical equipment
B2e	Emerg Waste Disposal	Medical waste disposal
B2f	Emerg Medical Transport	Emergency medical transport
B3a	Medical Shelter	Medical sheltering (e.g., when existing facilities are reasonably forecasted to become overloaded in the near future and cannot accommodate needs); all sheltering must be conducted in accordance with standards and/or guidance approved by the United States Department of Health and Human Services/Center for Disease Control (CDC) and must be implemented in a manner that incorporates social distancing measures
B3b	Non Congregate Shelter	Non-congregate medical sheltering is subject to prior approval by FEMA and is limited to that which is reasonable and necessary to address the public health needs of the event, is pursuant to the direction of appropriate public health officials, and does not extend beyond the duration of the Public Health Emergency

### Subcategory

Subcategory is used to map costs to specific locations. Most departments should select “citywide” or “none.” Subcategory codes may change based on where medical shelters, congregate shelters, non-congregate shelters, and emergency temporary facilities exist.

Subcategory codes available include:

Subcategory Code	Subcategory Description	When to Use
None	No Sites	Not attributable to a single site. Should be used by <u>most</u> departments.
ALL	All Sites	Spread across all sites, which includes medical shelters, congregate shelters, non-congregate shelters, and emergency temporary facilities. <sup>2</sup>
ALLMS	All Medical Shelters	Spread across the medical shelters. <sup>2</sup>
ALLCS	All Congregate Shelters	Spread across the congregate shelters. <sup>2</sup>
ALNCS	All Non-Congregate Shelters	Spread across the non-congregate shelters. <sup>2</sup>
ALETF	All Emergency Temporary Facilities	Spread across the emergency temporary facilities. <sup>2</sup>
Site 1	Site 1	<p>To be allocated to a specific location where Emergency Protective Measures are being performed. If this is the case, select a site.</p> <p>(Due to the sensitive nature of some sites, all sites are listed without addresses. Request address mapping from Cost Recovery if you believe your department should be allocating costs to locations.)<sup>2</sup></p>
Site 2	Site 2	
Site 3	Site 3	
Site 4	Site 4	
Site 5	Site 5	
Site 6	Site 6	
Site 7	Site 7	
Site 8	Site 8	
Site 10	Site 10	
Site 11	Site 11	
Site 16	Site 16	
Site 17	Site 17	
Site 23	Site 23	
Site 24	Site 24	
Site 25	Site 25	
Site 28	Site 28	
Site 29	Site 29	
Site 30	Site 30	
Site 31	Site 31	
Site 32	Site 32	

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Site 33	Site 33
Site 101	Site 101
Site 102	Site 102
Site 102	Site 102
Site 103	Site 103
Site A	Site A
Site B	Site B
Site C	Site C
Site D	Site D
Site F	Site F
Site G	Site G
Site I	Site I

<sup>1</sup> Subcategory codes may change based on where medical shelters, congregate shelters, non-congregate shelters, and emergency temporary facilities exist.

<sup>2</sup> Only certain departments should use this code. Do not use this code if your department is not responsible for facilities in this category.

**Cost Recovery Submittals - Non-Personnel Costs**

To facilitate biweekly submission of Public Assistance claims to FEMA and Cal OES, departments must provide non-personnel cost information to the Cost Recovery Branch following each pay period end in conjunction with Personnel Costs.

- Upload, by the Friday after pay day, all new (not already submitted to the Cost Recovery Branch) summary costs and supporting documentation for each of the expense types below (applicable to your department) that your department classifies as COVID-19 Emergency Protective Measures costs (that is, Activity Code 0001) to the ShareFile folder created for your department. Please obtain the non-personnel costs report for your department from SF Reports & Analytics and upload this to the ShareFile folder.
- Ensure that you have the necessary supporting documentation for all non-personnel costs summarized in the report. (See the next section for supporting documentation requirements and guidance.) Upload this documentation to the respective ShareFile folder along with any other supporting documentation. Note the ShareFile folders for:
  - Equipment Costs
  - Materials & Supplies Costs
  - Contract Costs
  - Other Costs (any non-personnel costs that do not fit in the above categories)

**Non-Personnel Costs Supporting Documentation**

Cost Category	Type of Cost	Support Documentation Required
Equipment Costs	Force Account (City-owned) Equipment	<p>1. Local Subsystem-generated Reports, Logs, or Other Records</p> <p>Required Detail:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Description of Work Performed for COVID-19 Emergency Response</li> <li><input type="checkbox"/> Equipment Type &amp; Size</li> <li><input type="checkbox"/> Capacity</li> <li><input type="checkbox"/> Horsepower</li> <li><input type="checkbox"/> Make</li> <li><input type="checkbox"/> Model</li> <li><input type="checkbox"/> Equipment Number</li> <li><input type="checkbox"/> Operator Full Name</li> <li><input type="checkbox"/> Operator Dates Worked and Number of Hours Daily</li> </ul> <p>Optionally, Departments may use FEMA Form 009-0-127 – Force Account Equipment Summary Record (in <a href="#">PDF</a>) to report this information.</p>
	Rented Equipment	<p>Summary Costs: SF Procurement or Emergency Projects &amp; Cost Recovery Dashboard</p> <ol style="list-style-type: none"> <li>1. ICS 213 RR – Resource Request (if available)</li> <li>2. Supplier Invoice</li> <li>3. Proof of Payment (include P-Card statement if paid with a P-Card)</li> <li>4. Receipts</li> </ol> <p>Required Detail:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Description of Work Performed for COVID-19 Emergency Response</li> <li><input type="checkbox"/> Equipment Type &amp; Size</li> <li><input type="checkbox"/> Capacity</li> <li><input type="checkbox"/> Horsepower</li> <li><input type="checkbox"/> Make</li> <li><input type="checkbox"/> Model</li> <li><input type="checkbox"/> Dates and Hours Used</li> <li><input type="checkbox"/> Hourly Rate (specify whether with or without operator)</li> </ul>



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Cost Category	Type of Cost	Support Documentation Required
		Optionally, Departments may use FEMA Form 009-0-125 – Rented Equipment Summary Record (in <a href="#">PDF</a> ) to report this information.
	Purchased Equipment	<p>Summary Costs: SF Procurement or Emergency Projects &amp; Cost Recovery Dashboard</p> <ol style="list-style-type: none"> <li>1. ICS 213 RR – Resource Request (if available)</li> <li>2. Justification for Purchase (see notes below) for COVID-19 Emergency Response</li> <li>3. Supplier Invoice</li> <li>4. Proof of Payment (include P-Card statement if paid with a P-Card)</li> <li>5. Receipts</li> </ol> <p>Required Detail</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Description of Work Performed for COVID-19 Emergency Response</li> <li><input type="checkbox"/> Equipment Description</li> </ul> <p>Note:</p> <ul style="list-style-type: none"> <li>• If the City has insufficient equipment to effectively respond to the incident, FEMA will pay for the purchase price of equipment.</li> <li>• Justification must demonstrate why the City had to buy equipment rather than use existing City-owned equipment or rent equipment (an e-mail with narrative is acceptable).</li> </ul>
Materials & Supplies Costs	From Existing Stock / Inventory	<p>Summary Costs: SF Procurement or Emergency Projects &amp; Cost Recovery Dashboard</p> <ol style="list-style-type: none"> <li>1. ICS 213 RR – Resource Request (if available)</li> <li>2. Inventory Records (if available)</li> <li>3. Original Purchase Order(s), Supplier Invoice(s), Proof(s) of Payment, and Receipt(s) (if available)</li> </ol> <p>Required Detail</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Description of Work Performed for COVID-19 Emergency Response</li> <li><input type="checkbox"/> Description of Materials or Supplies Used</li> <li><input type="checkbox"/> Quantity Used</li> </ul>

Cost Category	Type of Cost	Support Documentation Required
		<input type="checkbox"/> Unit Cost <input type="checkbox"/> Date Used <input type="checkbox"/> <p>Note:</p> <ul style="list-style-type: none"> <li>If invoices are unavailable, quantify the unit cost based on historical data or prevailing market rates.</li> </ul>
	Purchased Materials & Supplies	<p>Summary Costs: SF Procurement or Emergency Projects &amp; Cost Recovery Dashboard</p> <ol style="list-style-type: none"> <li>ICS 213 RR – Resource Request (if available)</li> <li>Purchase Order (if applicable)</li> <li>Supplier Invoice</li> <li>Packing Slip</li> <li>Proof of Payment (include P-Card statement if paid with a P-Card)</li> <li>Receipts</li> </ol> <p>Required Detail</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Description of Work Performed for COVID-19 Emergency Response</li> <li><input type="checkbox"/> Description of Materials or Supplies Used</li> <li><input type="checkbox"/> Purchase Order</li> <li><input type="checkbox"/> Quantity Used</li> <li><input type="checkbox"/> Supplier</li> <li><input type="checkbox"/> Date Used</li> <li><input type="checkbox"/> Proof of Payment (include P-Card statement if paid with a P-Card)</li> </ul> <p>Optionally, Departments may use FEMA Form 009-0-124 – Materials Summary Record (in <a href="#">PDF</a>) to report this information.</p>
Contract Costs	Contract Costs	<p>Summary Costs: SF Procurement or Emergency Projects &amp; Cost Recovery Dashboard</p> <ol style="list-style-type: none"> <li>Contract (including signature pages, scope of work, amendments, change orders, and copies of required insurances)</li> <li>Description of Goods or Service Procured for COVID-19 Emergency Response</li> </ol>

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Cost Category	Type of Cost	Support Documentation Required
		<ol style="list-style-type: none"> <li>3. Supplier Invoice</li> <li>4. Notice of Completion (if applicable)</li> <li>5. Proof of Payment (include P-Card statement if paid with a P-Card)</li> <li>6. Receipts</li> </ol> <p>Note:</p> <ul style="list-style-type: none"> <li>• If a new contract (or amendment / change order to a pre-COVID-19 contract) was awarded:               <ul style="list-style-type: none"> <li>○ Include solicitation, and proof of three bids (if applicable) or</li> <li>○ If noncompetitive procurement methods were required, provide written justification of the exigency or emergency and why circumstances necessitated a noncompetitive procurement. An e-mail with narrative is acceptable.</li> </ul> </li> </ul>
Other Costs	Other Costs	<p>Summary Costs: SF People &amp; Pay, SF Financials, SF Procurement, Emergency Projects &amp; Cost Recovery Dashboard</p> <ol style="list-style-type: none"> <li>1. Description of Work Performed for COVID-19 Emergency Response</li> <li>2. Purchase Order (if applicable)</li> <li>3. Supplier Invoice</li> <li>4. Packing Slip</li> <li>5. Proof of Payment (include P-Card statement if paid with a P-Card)</li> <li>6. Receipts</li> </ol> <p>Departments should also include summarized costs using reports from PeopleSoft or Emergency Projects &amp; Cost Recovery Dashboard.</p>

**Reclassify Non-Personnel Recoverable Costs**

Erroneous non-personnel recoverable costs posted to incorrect cost recovery Chartfields (through the Accounts Payable module) must be corrected using \$0.00 vouchers.

Departments may refer to the following Job Aids on processing:

- \$0.00 Voucher Template (Used with Excel Uploader):  
<https://sfemployeeportalsupport.sfgov.org/support/solutions/articles/11000053875>
- Manual \$0.00 Voucher:  
<https://sfemployeeportalsupport.sfgov.org/support/solutions/articles/11000022731-accounts-payable-using-0-00-regular-voucher-to-adjust-accounting-entries>

#### 14.6.4.4 | FEMA PERSONNEL COSTS

To maximize reimbursement from FEMA and Cal OES, it is critical that departments ensure:

- Employees code all time related to COVID-19 to the appropriate project, incident, project activity, and incident activity codes in SF People and Pay.
- When employees work two hours or more in a day on COVID-19 emergency response work, they also complete an ICS Form 214 (214).

#### **SF People & Pay Code Corrections**

If codes need to be corrected before payroll for the period processes (Wednesday after pay period end), employees and supervisors must work with departmental payroll unit to correctly code the time directly in SF People and Pay.

**Abatement.** If this occurs after payroll for the period is processed, departments must abate for the paid time in the general ledger. You must do this as described in [General Ledger: How to Execute and Perform COVID-19 Journal Reclassification](#) (a job aid) if either of the following apply:

- Employee worked on COVID-19 emergency response and should have booked time to COVID-19 but did not.
- Employee booked time to the COVID-19 project and should not have.

Correct in the general ledger any pay not coded to the COVID-19 project that should have been.

**Reclass.** To correctly book time to the COVID-19 project, you must make a reclassification (reclass) to the time paid without any COVID coding on one line. This reclass can be for all time paid that needs adjustment in a pay period. On the next lines, you must make reversals by adding Project Code 10033788 and the applicable project activity code to the time paid, by employee, in the pay period. You must enter a reversal for each applicable employee and pay period to facilitate tracing of support for the adjustments to SF People and Pay and 214s.

In the column *Journal Line Description*, you must enter the following for each employee whose time is being adjusted:

- Employee's 6-digit DSW number
- Pay period end date
- Hours adjusted for the pay period (for example, DSW123456PPE030620WKP80OTP5)

Correct in the general ledger pay coded to the COVID-19 project that should not have been.

To correct time booked to the COVID-19 project that should not have been, you must enter a reclass line for each applicable employee and pay period, with the *Journal Line Description* column coded the same way as above. The reversal line can be an aggregate for the pay period.

Further information is required for Cost Recovery.

You must send to your department's cost recovery coordinator (in the Controller's Audits Division) all pay and/or hours being reclassified including compensatory time earned. This must include incident and incident activity codes so that the FEMA/Cal OES submission is accurate. Because incident and incident activity codes are not in the general ledger and compensatory time earned does not have any pay associated with it, you must send to your cost recovery coordinator a breakdown by employee, noting the types of hours and the incident and incident activity codes for each employee's time (and pay when applicable) that is adjusted to the COVID project OR the paid time that must be moved out of incident and incident activity codes. The Reports and Analytics Labor Distribution Report provides an example of the level of detail your cost recovery coordinator needs. At a minimum, the report must include for each employee whose time is being adjusted:

- DSW number
- First name
- Last name
- Date worked
- Hours worked (broken down by type of hours, such as OTP, CTE, WKP, etc.)
- Compensation Rate
- New project, project activity, incident and incident activity codes that should have been charged to each type of hours (or removal of these codes if moving the employee's pay out of the project)
- Whether a 214 was submitted

Please upload this report (in Excel) to your department's cost recovery ShareFile folder for the pay period for which adjustments were made.

Report time coded to wrong incident activity codes within the COVID-19 project to your cost recovery coordinator.

If an employee booked their time to the wrong incident activity code, no adjustments can be made in the system at this time as the general ledger does not contain incident or incident activity codes. However,

cost recovery still needs to know when time should be booked to a different incident activity code for the submissions to FEMA/Cal OES. Therefore, follow the instructions above under “Further required information for Cost Recovery” and note what incident and incident activity codes had previously been charged for the employee. This can be included with the information reported above or uploaded separately to your department’s cost recovery ShareFile folder for the pay period for which adjustments were made.

### **Follow-Up May Be Required for 214s**

If an employee reports a day with two or more hours of COVID-19 emergency response time in SF People and Pay and did not submit a supporting 214, please ensure the employee fills out the 214 online (preferred method) or follows your department’s guidelines for completing the 214. If the employee worked less than 2 hours on COVID-19 response but any of that time was overtime, the employee must fill out a 214.

If hours reported on an employee’s 214 are lower than the COVID-19 hours reported in SF People and Pay, please ensure the employee submits a new 214. If they are correcting an old 214 submission in the online system, ensure they check the box, “This is a new version of a previous submission.” Otherwise, they should follow your department’s guidelines for resubmitting the 214.

If hours reported on an employee’s 214 are higher than the COVID-19 hours reported in SF People and Pay, the follow-up is up to the department, but cost recovery will be submitting the hours reported in SF People and Pay and not what is reported on the 214.

Cost Recovery sincerely thanks you and your department for fulfilling your critical part to make the City’s emergency response successful.

### **ICS Form 214**

If an employee reports days with two or more hours of COVID-19 emergency response time in SF People and Pay, Department supervisors and Departmental payroll unit must ensure employee fills out the 214 online (preferred method) or follows the Department’s guidelines for completing the 214.

If hours reported on an employee’s 214 do not tie to COVID-19 hours reported in SF People and Pay, the employee must submit a new 214. If a correction is being made to an old 214 submission in the online system, ensure the employees checks the box, “This is a new version of a previous submission.” Otherwise, employees should follow the Department’s guidelines for resubmitting the 214.

The ICS Form 214 can be located, as a shortcut, in the Employee Gateway:



For additional information on filling out the ICS Form 214, please refer to the COVID-19 Timekeeping Job Aid at <https://sfemployeeportalsupport.sfgov.org/support/solutions/articles/11000050755-covid-19-timekeeping-ics-form-214-job-aid-and-faqs>.

#### **14.6.5 | Monetary Donation Guidelines (COVID-19)**

The City may accept monetary donation for the Give2SF fund and through the following methods:

- By mail or dropped off at City Hall (or other departments)
- Online through the City's Give2SF website: <https://sf.gov/give-city-respond-covid-19>
- Wire transfer

Departments must still adhere to Section 12.5.1.3 *Gift & Donations* for all gift and donation receipt policies and procedures.

A summary of the uses of the Give2SF fund are updated on the Controller's biweekly status updates of the Give2SF COVID-19 Response and Recovery Fund via [Open Book](#) on the Office of the Controller's website.

##### **14.6.5.1 MAIL OR DROP-OFF DONATIONS**

#### **Donations Received by City Hall**

During the COVID-19 emergency, the Controller's Disbursement Unit will be handling the processing of check donations received at City Hall. The Disbursement Unit will check for Controller's Office related mail delivered to City Hall Room 008 every Monday, Wednesday, and Friday only until further notice.

All donation checks received will be entered into PeopleSoft using the Accounts Receivable module (Deposit/AR entries) with copies of the mailing envelope, letter, payment check, and other included documents.

#### **Donations Received by other City Departments**

Departments will record check donations received as a deposit with Accounts Receivable entries in PeopleSoft following their normal cash/check deposit procedures.

Departments must attach copies of the mailing envelope, letter, payment check, and other documents in the delivered envelope to the deposit and AR entries and send an email to [David.c.salem@sfgov.org](mailto:David.c.salem@sfgov.org), [paula.florence@sfgov.org](mailto:paula.florence@sfgov.org), and [Maricar.Gratuito@sfgov.org](mailto:Maricar.Gratuito@sfgov.org).

For updated guidance on donation accounting reporting, please refer to <https://sfcontroller.org/covid-19-recovery>.

#### **14.6.5.2 | DONATION ACCOUNTING REPORTING**

##### **General City Donations (Give2SF)**

Donations to the general City through Give2SF (i.e. donations not specified to go to any specific City department), must use the following PeopleSoft Chartfields when recording the deposit:

	<b>DONATION USE</b>			
	<b>Unallocated donations</b>	<b>Assistance to Individuals &amp; Families</b>	<b>Assistance to Small Business</b>	<b>Public Buildings, Infrastructure &amp; Assets for Emergency Response</b>
<b>Fund</b>	14820	14820	14820	14820
<b>Department</b>	228856	228856	228856	228856
<b>Authority</b>	10001	10001	10001	10001
<b>Project</b>	10036286	10036286	10036286	10036286
<b>Activity</b>	0001	0002	0003	0004

In consultation with the Mayor's Office, an administration committee comprised of Ben Rosenfield, Mary Ellen Carroll and Naomi Kelly will make final decisions/approvals on the uses of the fund. Once proposed spending by a department has been approved to be funded by Give2SF gift revenues, the department coordinates with ADM accounting and their respective AOSD Fund Accountant to move auto-



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appropriated, expenditure budget from ADM to their own department. ADM will process the budgetary appropriation entry.

**Departmental Donations**

If the donor specifies that monetary donations are to be used by your department (and not directed to Give2SF or the City in general), your department must follow these steps when recording both revenues and expenditures in PeopleSoft. To do so, follow these steps:

	<b>DONATION USE</b>			
	<b>Unallocated donations</b>	<b>Assistance to Individuals &amp; Families</b>	<b>Assistance to Small Business</b>	<b>Public Buildings, Infrastructure &amp; Assets for Emergency Response</b>
<b>Fund</b>	14820	14820	14820	14820
<b>Department</b>	Dept Code	Dept Code	Dept Code	Dept Code
<b>Authority</b>	10001	10001	10001	10001
<b>Project*</b>	100XXXXX	100XXXXX	100XXXXX	100XXXXX
<b>Activity</b>	0001	0002	0003	0004

\*New Project Code Description must include XXXDR-COVID 19 (XXX = 3-character Dept Code) and not exceed 30 characters. For example, “DPHDR-COVID 19-UCB Epidemiology”

The department should coordinate with the Business Intelligence Team in the Controller’s Systems Division by opening a ticket at the [SF Employee Portal](#) (at the SF Employee Gateway). Your ticket’s subject line should be “COVID Donation Project Code” to ensure that the new project code is captured under Emergency-Related Gift Funds on the Emergency Projects & Cost Recovery dashboard on SF Reports & Analytics.

**14.6.6 | “In-Kind” Donation Guidelines**

In-kind donations are gifts of goods or services that are not capital assets. In-kind donations need to be recorded in SF Financials if material or if the underlying source is a governmental grant or program. In-kind donations are to be treated as gifts according to [Section 12.5.2\\_| Budgeting Process](#) with regard to acceptance and reporting requirements.

Examples of in-kind donations include services or staff time, and non-capitalized goods such as furniture, small dollar equipment, materials and supplies. Services may be considered an in-kind donation when

they are performed specifically for the department and paid for by a “friends of” organization or other non-City entity.

### **Tracking “In-kind” Donations**

All in-kind donations of goods your department receives that are for your department’s use must be tracked separately from those directed to Give2SF and to the Emergency Operations Center feeding and affordable housing units. Types of donations that the City must track and report:

- Donations of food consumed by departments.
- Donations of goods used by departments.
- Donations of goods for which the City decides who the recipient(s) will be, including nonprofit organizations.

### **What information needs to be tracked:**

Departments must collect the information below for in-kind donations:

- Item description, including brand, type, and quantity
- The donation’s value and method of valuation\*
- Donor name and contact information (e-mail address and/or mailing address)
  - Donor cannot be anonymous
- Date of receipt by department
- Date of distribution, to whom it was distributed, and reason for distribution

\*Note: For each donation, indicate how its value was determined, which may be either:

- Donor-stated value
- Other method to determine fair market value, including current commercial rates, which FEMA validates based on invoices from previous purchases or information from vendors in the area.
- If using a method other than the donor-stated value, you must provide documentation to support the methodology your department used. See Valuation section for additional details.

### **Where donation information will be reported:**

- Website reporting (required by Sunshine Ordinance, SF Admin. Code, Section 67.29-6)
  - For all donations of goods received worth more than \$100, your department must report the donation on its website.
  - The website disclosure should identify the donor, donation’s value, and any “financial interest” the donor has involving the City.

## ACCOUNTING POLICIES & PROCEDURES

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- A “financial interest” includes a contract, grant, lease, or request for license, permit, or entitlement for use.
- All individual donations will be posted publicly as part of the reports below.
- **Controller Biweekly Update to the Board**
  - The Controller’s Office provides biweekly updates to the Board of Supervisors summarizing monetary and in-kind donations for the Give2SF Fund.
  - Subsequent biweekly updates will include all donations for the City’s COVID-19 efforts, including those directed to Give2SF and all donations received directly by departments for their use.
- **Annual reporting (required by SF Admin. Code, Section 10.100-305)**
  - The Controller and City Administrator will prepare an annual report summarizing all donations (monetary and in-kind) for the City’s COVID-19 efforts to the Board of Supervisors during the first two weeks of July, including those directed to Give2SF and all donations received directly by departments for their use.
- **“Behested payment” reporting (required by state and city codes)**
  - This reporting applies to certain donations solicited by the City’s elected officials or commissioners.
  - Elected officials and commissioners may be required to file behested payment forms for solicited donations valued at or above \$1,000. Please contact the City Attorney’s Office with any questions about behested payment reporting.
  - If your department receives a donation that you know or suspect was solicited by an elected official or commissioner of the City, please inform the official(s) concerned. Confirming that their solicitation has resulted in a donation is a courtesy that helps them comply with their reporting obligations.

### **Reporting to the Controller’s Office:**

- **Weekly lists of donated goods are due to the Controller’s Office every Friday by 2 p.m.**
  - Please upload a spreadsheet in the Donations ShareFile folder with the required information. If this information is already being recorded in another system, such as AssetWorks, please provide us with a report from the system.
  - Please upload any supporting documentation to the same ShareFile folder to support your method of valuation.

In-kind donations need to be recorded in PeopleSoft if material or if the underlying source is a governmental grant or program. However, the detailed accounting treatment is still being researched on.

Please contact your Controller's Office AOSD Fund Accountant before recording any in-kind donations in PeopleSoft.

### **Valuation (Under Construction)**

- Donations are valued at the "acquisition value" as defined by GASB, which is "the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date". Departments should maintain documentation of how they arrived at the valuation used.

### **Financial Reporting**

- For financial reporting purposes, the City's policy is to report donated goods subject to materiality considerations (see below). It is not City policy to report donated services in our financial statements. However, please contact the Controller's Office if there are extenuating circumstances or complex contractual provisions involved.
- In-kind donations must be reported in the City's financial records when they are material. Multiple donations should be evaluated in the aggregate. The materiality threshold varies depending on the size of the reporting unit and financial statement line item. Generally, the amount will be similar to the threshold for accruals at year-end. Departments must contact their Controller's Office Fund Accountant for guidance and advice regarding specific situations.
- In-kind donations must also be reported in the City's financial records when the underlying funding source is a governmental grant or program. These donations should be kept separate from private donations. When an in-kind donation meets this criterion, departments must maintain records for post-audit and other reviews as determined by the Controller's Office
- If recorded, donations should be recognized in the year in which all eligibility requirements are met. This is normally when goods or services are received unless there are contractual restrictions.
- Contact the Controller's office if there are restrictions on the use of the donations.
- Grantor requirements may supersede the guidelines above. For example, a small donation may be recorded if necessary to meet grant requirements.

### **Recording in Peoplesoft (Under Construction)**

When the in-kind donation meets the above criteria, departments should contact their Fund Accountant for specific instructions on recording this activity in the financial management system.

If reporting an an in-kind gift or contribution in the City's financial records:

- Use the Actuals ledger

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- Credit revenue account “in-kind contribution”
- Debit expenditure account under the “non-personnel services” character for services and expenditure account under the “materials and supplies” character
- If there is a material amount of inventory on-hand at the time of recording:
  - Credit revenue account “in-kind contribution”
  - Debit inventory account
- If the in-kind contribution is a mandatory matching related to a grant under a special revenue fund, the in-kind donation should be booked in the same special revenue fund
- If the in-kind contribution is a voluntary match related to a General Fund or Governmental/Operating Fund program, book the gift in the City’s Gift Fund
- In all applicable accounting entries, reference the Board resolution approving acceptance of the gift in accordance with [Section 12.5.2 | Budgeting Process](#).

Below is an example entry to record revenue and inventory for donated personal protective equipment (“PPE”) that remain on-hand at time of recording:

Ledger	Account	Account Desc	Fund	Dept	Dept Desc	Authority	Project	Activity	Amount
Actuals	478202	In-kind Contribution	10000	XXXXXX	XXX	10000	10033788	X	\$ X
Actuals	106140	Inventory	10000	XXXXXX	XXX	10000	10033788	X	\$ X

The entry below is an example of the recording of expenditures for the above-referenced PPE when issued out and expensed.

Ledger	Account	Account Desc	Fund	Dept	Dept Desc	Authority	Project	Activity	Amount
Actuals	106140	Inventory	10000	XXXXXX	XXX	10000	10033788	X	\$ X
Actuals	545990	Safety Expenses	10000	XXXXXX	XXX	10000	10033788	X	\$ X

### **In-Kind Donations (Services) (Under Construction)**

Until we receive confirmation and further clarifying guidance from FEMA and Cal OES on additional qualifying donations, please continue to ensure that the 213RR Resources and the ICS214 Activity Log Forms are completed accurately for volunteers or nonprofit workers.

## 15 | BANKING SERVICES

### 15.1 | Overview

The purpose of this section is to provide guidance to City departments in matters relating to the overall management and processing of receipts throughout the City. This section reflects the *Office of the Treasurer and Tax Collector's (TTX) Departmental Guidelines #2014-1*, issued September 13, 2013, under the Treasurer's authority pursuant to *San Francisco Charter, Section 6.106*.

**The Treasurer shall be responsible for the collection of taxes, the receipt of all monies collected by the City and County and their safeguard, deposit and investment in accordance with sound financial practice, and shall be responsible for collection of delinquent revenue.**

Most of the following guidelines require that department notifications pertaining to specific issues be sent to both TTX and the Controller's Office. Wherever that is required, please use the following e-mail addresses:

- [TTX.bankingservices@sfgov.org](mailto:TTX.bankingservices@sfgov.org) for TTX, and/or
- [Cash.Reconciliation@sfgov.org](mailto:Cash.Reconciliation@sfgov.org) for Controller

### 15.2 | Bank Account Opening and Closing

#### Account Opening

All bank accounts, merchant accounts, or brokerage accounts that will be opened under the name of the City & County of San Francisco must be approved both by TTX and the Controller's Office (CON) and must be opened under the City's main Tax ID. For accounts that do not contain City funds, it is permissible to use the City's Tax ID as long as the account is authorized by both Offices (e.g., bank accounts used for employee morale, social and/or charitable causes, fiduciary accounts)

#### Account Closing

Departments needing to close a bank account must send a request to TTX Banking Services together with the bank reconciliation and an instruction on how to record the balance in the account. Upon receipt of such request, TTX Banking will issue a letter to the bank with instructions to close such account and inform CON of such action.

#### Changes to Authorized Signers on Accounts

Departments have designated staff who are authorized signers on their bank accounts. Any changes in signatories on the accounts must be promptly communicated to TTX for signature card update.

## 15.3 | Collections and Deposits

Departments must coordinate with TTX to determine appropriate depository services required by departments such as armored car service, remote deposit service, lockbox service, etc.

A department may create its own policy to restrict or eliminate check acceptance in the following cases:

- There is high volume of returned checks for reasons such as Non-Sufficient Funds (NSFs), closed account, invalid routing number, etc.
- Individual transactions are low dollar amounts
- There is no other means to recover payment after service is provided

In addition, departments with customers who are “repeat NSF offenders” may instruct those customers to pay by cash, cashier’s check, money order, credit or debit card, or pay by ACH or FedWire.

In all circumstances, funds collected directly by the department or through its third-party service provider must be deposited no later than the next business day to a duly authorized City account. Departments needing an exception must get prior authorization from TTX Banking Services.

Checks and money orders must only be drawn on banks domiciled in the United States only, and cash must only be in US bills and coins. Departments should not accept payments (checks or cash) in foreign currency. Departments needing an exception must get prior authorization from TTX Banking Services.

## 15.4 | Stop Payments / Check Cancellations

When it is determined that a City supplier check payment (of any dollar amount) must be cancelled due to various reasons, such as duplicate payment, incorrect payment, and/or lost payment, **and**:

- The check is mailed and no longer in the City’s possession, and
- The check is still outstanding

The following steps are necessary, and in this order:

1. Request a stop payment on that check by calling the Cash Disbursement Unit at (415) 554-7513. The Cash Disbursement Unit will process the stop payment request through Bank of America’s online system and will receive a stop payment confirmation from the bank within minutes
2. Request the Cash Disbursement Unit to cancel the payment in PeopleSoft. It is no longer acceptable to just cancel the payment in the City’s financial accounting system without receiving a stop payment from the bank. The stop payment must be placed first before cancelling the payment in PeopleSoft, or the payment may clear the bank account

3. Request reissue of the check, if needed, through the Cash Disbursement Unit. To do so, complete and submit the *Lost Warrant Replacement Form*. Departments can request a copy of the form from the Cash Disbursement Unit.

Outstanding checks issued by departments, such as those from revolving fund accounts or department specific disbursement accounts, that are past 180 days must be voided by the issuing department. Departments are required to contact their payees for most recent addresses and arrange for issuance of replacement checks within 30 days.

## 15.5 | Revolving Fund Replenishment

Requests for revolving fund account replenishment should be made payable to the department's revolving fund account and processed through ACH disbursement. Departments must contact the Controller's Office to help them enroll in ACH service. For additional information, please refer to [Section 4.9.1 | Revolving Funds](#).

## 15.6 | Fraud Controls

Any bank account that is set up as a Zero Balance Account (ZBA) and is used for disbursement must have Positive Pay service at a minimum. If Positive Pay service is not appropriate, the account cannot be set up as ZBA and must have appropriate fraud controls (e.g., ACH blocks, etc.). Procedures describing how the account will be funded must be in place and provided to both the CON and TTX.

## 15.7 | Accounting & Reconciliation

Bank account receipts in PeopleSoft must be reconciled daily (see [Section 8.2.3.5 | Reconcile Collections Daily](#) on bank reconciliations), in addition to the book-to-bank reconciliation at month-end. Examples of these accounts are credit card settlement, disbursement, lockbox, depository, and departmental summary accounts.

The Controller's Office will periodically review departments' daily and monthly bank reconciliations in PeopleSoft to ensure compliance. The monthly book-to-bank reconciliation must be complete by the fifth business day of the following month.

Departments must address all reconciling items and correct any errors on a monthly basis. The reconciliation process entails reconciling the bank statement to the book balance in PeopleSoft's General Ledger.



### 15.7.1 | Instructions & Recommended Controls for Processing Returned Items

Deposited items returned by the banks for reasons such as NSF, invalid routing number, or closed accounts will go back to the specific account where the items were originally deposited. Departments have access to the images of the returned deposited items so they can process those in a timely manner. The following sub-section provides instructions on NSF processing.

1. A staff person designated to process the department's deposits should not be the same person to process returned deposited items. Returned deposited items are items that cannot be charged against the check originator's account for reasons such as NSF, closed account, stop payment, questionable or missing signature, etc. In addition, staff making the deposits should not be the same person performing bank reconciliations. This is recommended to promote segregation of duties and implement checks and balances in the system
2. At least two (2) employees from each department should have online access to the bank's returned deposited items report. This is recommended so that another staff has the ability to access the online reports for monitoring and back-up purposes
3. Departments must process their returned items in a timely manner as established by each department. This is to mitigate various complaints that a customer may have such as missing the payment deadline and incurring a penalty for late payment due to the department's late notification
4. Departments may keep a subsidiary record of their returned deposited items for use in making decisions whether to take future check payments especially from customers who previously bounced a check
5. Departments with their own depository bank accounts will be retrieving images and processing their own returned items

For more details on recording NSF checks, please see [Section 8.3.3 – | Non-Sufficient Funds \(NSF\) Checks](#).

### 15.7.2 | Instructions for Accounting for Banking & Credit Card Fees

In the merchant contract, credit card processing costs and fees show separately from the banking fees. These credit card fees appear in each department's merchant statement and are deducted from the deposits while the banking fees will continue to show in the monthly analysis statement. This change resulted in new ways of accounting for the fees.

1. Beginning in FY 2014, actual bank fees and charges for department-specific bank activity are charged to each department as expenditures. Fees could include bank account maintenance fees, fraud prevention service fees, transaction fees, etc. TTX receives and pays monthly bank invoices for these expenses and CON charges the individual departments for their specific charges on a

monthly basis (beginning August 2017) instead of semi-annually. Departments should review these banking charges

2. Beginning in FY 2014, all credit card processing fees for the prior month that include discount or interchange fees, per item processing cost, card fines, equipment rentals, etc., are now deducted by the bank from the department's merchant statement at the beginning of each month. Departments need to record negative deposits for the credit card processing fees according to the merchant statement each month

It is important that departments timely reconcile their bank accounts and notify the financial institution of discrepancies. The bank will only allow a five (5) business day window from the date of the original transaction to notify financial institution of any discrepancy. If a discrepancy is noted after the five (5) day window, the department will lose the opportunity to recover the correct sale amount. As such, departments should, on a daily basis, reconcile their credit card transactions vs. their merchant activity report and settlement/depository account

## 15.8 | Third Party Contracts

Procurement and implementation of third party contracts throughout the City that are related to cash collection services (i.e., merchant processing, gateway, payment applications, systems with a payment component, online payments) must be approved by TTX to ensure that the services procured comply with banking regulations and Payment Card Industry (PCI) Council requirements.

Departments with third party contracts to process collections and disbursements must:

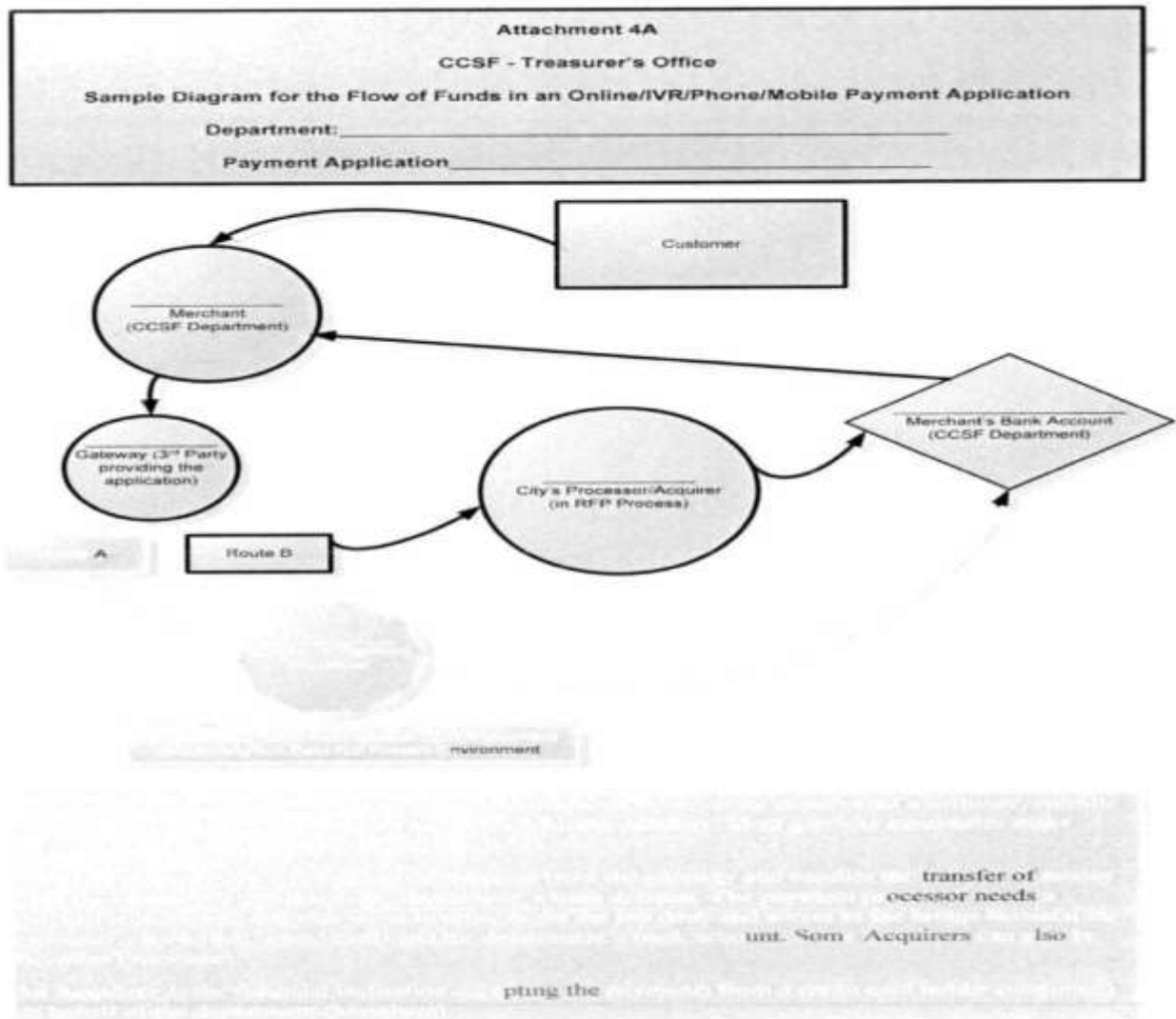
- Perform annual monitoring of their contractors' compliance with PCI regulations, financial stability requirements, and industry ratings in the service being provided. Departments must coordinate with TTX for guidance on this effort
- Perform periodic reviews of their third-party contractors to ensure compliance with agreed procedures surrounding control processes such as segregation of functions between the third-party administrator and the contracting department, dual signatory policy on checks, releasing of checks to payees, etc.
- Obtain a Service Organization Control (SOC) report from the third-party contractor. SOC reports are internal control reports on the services provided by a service organization providing valuable information that users need to assess and address the risks associated with an outsourced service

Each department relying on third party systems/administrators must develop internal procedures describing its contractors' participation and role in the collection or disbursement process (i.e., review/sign checks before they are released, release positive pay file, approve exceptions). In addition,

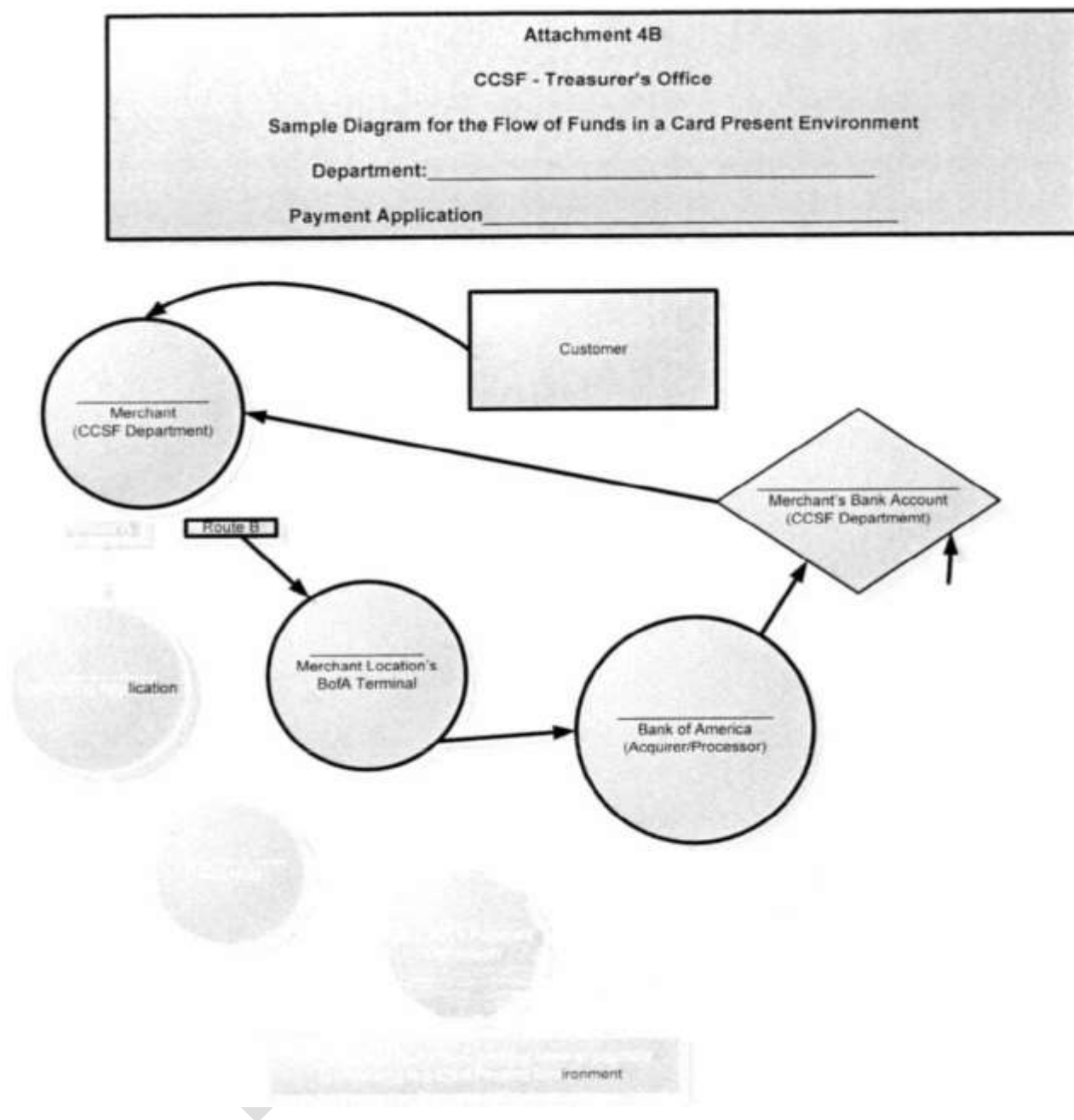
## ACCOUNTING POLICIES & PROCEDURES

departments must ask their third-party administrators for a flowchart of the collection or payment processes and the mechanism and appropriate controls in place to safeguard City funds. These documents must be provided both to TTX and CON. For collection services, departments must complete the applicable Flow of Funds diagram in order for TTX to determine the parties involved and their accountability in the process. Refer to the Figures below for sample diagrams.

**FIGURE 15-1. SAMPLE DIAGRAM FOR THE FLOW OF FUNDS IN AN ONLINE/IVR/PHONE/MOBILE PAYMENT APPLICATION**



**FIGURE 15-2. SAMPLE DIAGRAM FOR THE FLOW OF FUNDS IN A CARD PRESENT ENVIRONMENT**



## 15.9 | Notifications on Incoming Receipts and Payment Requests through Electronic Funds Transfers (EFTs)

For the City to optimize its investment interest earnings potential, all departments are required to notify TTX as far in advance as possible (*i.e.*, as soon as you know) or no less than three (3) business days in advance of:

- Incoming receipts, other than regular operating revenues, that are over \$10 million. These receipts can be in the form of federal wire transfers, automated clearing house (ACH) payments, or checks. Send these notifications to: [TTX.Investment@sfgov.org](mailto:TTX.Investment@sfgov.org) and [TTX.TWS@sfgov.org](mailto:TTX.TWS@sfgov.org)
- Outgoing payments over \$10 million, whether they are Paymode-EFT or Wire payments. These notifications must be sent to [TTX.investments@sfgov.org](mailto:TTX.investments@sfgov.org). A department must submit a completed Wire Form to TTX three (3) business days in advance. Full instructions to complete and submit Wire Forms are located on TTX's Banking Services Request Portal at <https://sftreasurer.org/banking-investments/banking-services-city-departments>

When a department is requesting TTX to send a FedWire payment to its supplier, it must fill out TTX's *EFT Template* and indicate the duly approved PeopleSoft voucher ID. TTX will not process the wire request if the PeopleSoft voucher ID that is stated on the template has not been approved by the Controller.

## 15.10 | Emergency Banking Procedures\*

[THERE ARE NO CURRENT EMERGENCY BANKING PROCEDURES]

## 15.11 | Banking Services FAQs

### General Banking

**Q.** How can we order deposit slips?

**A.** Deposit slips (and other supplies) must be ordered through the Treasurer's Office to maintain control of the reference sequential numbering. Your request must include a copy of your last deposit slip to ensure the correct sequence numbering of your order. E-mail [Ttx.bankingservices@sfgov.org](mailto:Ttx.bankingservices@sfgov.org) to submit your request.

**Q.** Who should we contact to open a new bank account, close an existing bank account, or request a new credit card terminal?

**A.** Supervisors or managers can e-mail [Ttx.bankingservices@sfgov.org](mailto:Ttx.bankingservices@sfgov.org) to request a bank account closure, or new bank account or credit card terminal set-up. There is a template that the requester will need to complete to ensure that everything is set up properly.

### **Non-Sufficient Funds (NSF) Items**

**Q.** How do we know if we are supposed to record our own NSF Items now?

**A.** Upon implementation of the new bank GL accounts in April 2014, the Treasurer's Office now requires that all departments with their own unique depository accounts, regardless of whether the depository accounts are new or old, record their own NSF returned items and adjustments in the financial system effective May 1, 2014. As of that date, NSF items appeared in departments' own unique depository accounts on daily online bank reports (CashPro Online) and departments are able to retrieve the check images on their own.

**Q.** Is it at the department's discretion to collect \$50 for an NSF check?

**A.** The \$50 fee levied by the City is authorized by *San Francisco Administrative Code, Section 10.13-1*. Departments should collect this amount and are responsible for documenting how they will implement the assessment of this fee. Although the actual NSF bank fee is lower than \$50, the additional amount is meant to recover your department's cost of processing the returned check and collection efforts associated with replacing the returned check. This is considered revenue to your department and may be recorded in whichever cost center that is appropriate for your department when you collect it.

Even if the amount of the written check was for a small amount such as \$5, \$10, or anything less than \$50, the department should still collect the \$50 NSF fee from the customer.

**Q.** How long should our department wait for the customer to send us the replacement check with the \$50 NSF fee?

**A.** It is the department's responsibility to establish its own policy on the waiting period for the replacement check. It can be as short as five or ten days. What is important is for the department to demand that the customer pay the total amount either by cash, credit or debit card, (replacement) check, money order, or cashier's check. However, due to limited City resources, it may be difficult to determine if the replacement check, money order, or cashier's check is valid.

Departments should include in their policy whether they are willing to accept checks from customers who previously bounced a check.

**Q.** Our department's bank statement includes NSF Items. How do we record these NSF transactions?

**A.** Please refer to [Section 8.3.3 | Non-Sufficient Funds \(NSF\) Checks](#).

### **Chargebacks & Merchant Activity Reconciliation**

A chargeback (also known as a reversal) represents the amount of the original transaction that the credit card network debited from your merchant statement based on an item that was successfully disputed by the customer on his or her credit card statement.

**Q.** Can we charge a fee to our customers for chargebacks just like we do for NSFs?

**A.** No. A chargeback fee cannot be imposed by a merchant upon a customer or cardholder. Even though the customer loses the claim, the Credit Card network does not allow fees to be imposed upon a customer for disputing a charge that appeared on his or her credit card statement.

**Q.** If a chargeback or reversal shows up on our merchant statement, do we have to record it accordingly or should we wait for the final decision from BAMS before we record it?

**A.** If you see a chargeback or reversal in your merchant statement, your department will have to record it accordingly by reducing your revenue.

Even though you, the merchant, are given some time to retrieve the documentation related to the charge, BAMS will debit your merchant account right away upon their receipt of the disputed charge from the credit card network. If the claim turns out to be in your favor, a credit will appear in your merchant statement and at that time, you can record the revenue again.

**Q.** How will we know if we have a chargeback claim?

**A.** If you are a department which processes credit and debit card transactions, you have been assigned a Merchant Identification Number (MID) that has been set up in BAMS' ClientLine portal. You can access your MID and set up notification alerts so that it is not necessary for you to access ClientLine on a daily basis if you are monitoring your chargeback items. The notification alert setting will prompt you to look at an incoming chargeback item so that you can process it timely.

**Q.** How many days do we have before we need to respond to BAMS' retrieval request or submit the required documentation related to the claim?

**A.** You only have 20 calendar days to provide the required documentation for a disputed charge. It is critical that you stay current on all your chargeback items. If you do not provide the required documentation within this timeframe, you will lose the claim. In very rare cases where you can foresee that you will not be able to submit everything within 20 days, make sure you contact BAMS to ask for a special extension. There is no guarantee that BAMS will provide an extension, but it is important to communicate with them.

**Q.** How do we respond to BAMS' retrieval request or close a chargeback claim?

**A.** You can manage your chargeback items and send the required documentation electronically through the Dispute Manager task bar within BAMS' ClientLine portal. You can also write your notes about the claim in the Comments field.

If, after your research, you agree that the charge is in error and would like to accept the claim, instead of ignoring it or letting the 20 days expire, you should also access the specific item within the Dispute Manager and accept it. This is important so that the chargeback reports will only highlight the outstanding claims.

**Q.** We want to reconcile our daily credit and debit card sales to our deposit before we process our cash receipts in PeopleSoft. How can we do that?

**A.** Before recording your department's cash receipts in PeopleSoft, you want to ensure that your cash receipts will reflect the correct amount of revenues that were collected through debit or credit cards. In doing so, you should access ClientLine and look for your MID's total transactions that were processed for the day and compare the totals with your settlement or depository account's Previous Day Report (PDR). This PDR can be retrieved through Bank of America's CashPro online.

If there are discrepancies in the amounts, look at ClientLine's merchant transaction detail and look for any possible errors in any of the transactions or for chargebacks or fees that were debited from your merchant account. If, after further research, you cannot determine the difference, call BAMS' help desk and ask for assistance.



### **Cash Differences (Overages and Shortages)**

**Q.** Do cash differences affect our department?

**A.** If your department collects revenues, you need to record your cash differences. A cash difference occurs when you count your daily cash collection and it doesn't match your point of sale system.

**Q.** Is there a new cash difference policy? When was it effective?

**A.** In 2011, the *San Francisco Administrative Code* changed to shift responsibility for cash differences and overages from the Treasurer to the Controller. The Controller's Office now requires the use of account code 478905 to record cash differences and overages. Similar to TTX, the Controller's Office also requires departments to complete cash difference/overage reports to document instances of shortages and overages and will review those reports on a periodic basis.

This policy is effective starting fiscal year 2014. At year-end, the Controller's Office will report to the Board of Supervisors on the total cash difference and overages for departments.

**Q.** How do we record cash differences?

**A.** Please refer to [Section 8.3.2 - | Cash Difference / Overage](#).

**Q.** Aren't cash differences the same as bank adjustments that TTX tells us to fix?

**A.** No. A bank adjustment is the difference between the amount reported to the bank and the actual amount received by the bank. A cash difference occurs when you count your daily cash collection and it does not match your point of sale system.

If you are a department that deposits to TTX's main bank account (0804), then TTX advises you when you have a bank adjustment that you need to correct in FAMIS. However, if you have your own depository account (whether new or old), you need to handle your own bank adjustments. You will discover these as you reconcile your bank account and they should be processed at that time.

**Q.** How do we process bank adjustments (other than NSF's)?

**A.** See responses below:

- **Department Deposits to TTX Main Account (0804)**

TTX will forward the bank adjustment notices related to your department's deposits, but it is your department's responsibility to make the appropriate entry in PeopleSoft

- **Department Has Own Depository Account**

You will find your own bank adjustments during the bank reconciliation process, when you attempt to reconcile your daily A/R deposits with your daily bank statement and the amounts do not match.

- If the cash deposit recorded in PeopleSoft is **more** than what the bank shows, record a negative deposit to the appropriate ChartField string to reduce the initial deposit
- If the cash deposit recorded in PeopleSoft is **less** than what the bank shows, record an additional deposit to increase the initial deposit to the appropriate ChartField string

## **Reconciliations & Other Transactions**

(See TTX's *Departmental Guidelines #2014-1*)

**Q.** How do we reconcile our new depository account?

**A.** There is no difference in the way you would reconcile the new bank GL accounts from the old bank accounts. Basically, you reconcile your book (PeopleSoft) balance to your bank balance.

Refer to [Section 8.2.3.5 - | Reconcile Collections Daily](#) for the detailed procedures on depository account reconciliation.

**Q.** Is there a new process in replenishing our department's revolving fund account?

**A.** Yes, the process for submitting replenishments for your department's revolving fund account has changed. In the past, replenishment requests were paid by checks generated by the Controller's Office, which were made payable to the Department Heads. Now, replenishment requests are paid through ACH transfers to your department's revolving fund account.

To make this happen, the department will need to contact the Controller's Office at [supplier.management@sfgov.org](mailto:supplier.management@sfgov.org) to ask for a Supplier ID. Note that this step is only required once for Supplier ID set-up. If your department has more than one revolving fund account, you will have to create a unique Supplier ID for each of your revolving fund accounts.

## ACCOUNTING POLICIES & PROCEDURES

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Once this step is performed, the department can start processing its replenishment requests using the department's Supplier ID. Refer to [Section 4.9.1 - | Revolving Funds](#) for detailed instructions on how to process replenishment requests in PeopleSoft.

**Q.** Do stop payments happen instantaneously when requested from the bank? Also, what is the price of a stop payment?

**A.** When stop payments are placed on checks issued by the City, that control is in effect after a confirmation is received from the bank (within minutes).

All stop payments for major disbursing accounts are managed and accessed by the Controller's staff. For other accounts, such as revolving fund accounts or other minor disbursing accounts, departments must request a stop payment through Bank of America. In that situation, you will need to contact Bank of America's customer service by sending an e-mail to [dedicated\\_wgovone@bankofamerica.com](mailto:dedicated_wgovone@bankofamerica.com) with a copy to [Ttx.bankingservices@sfgov.org](mailto:Ttx.bankingservices@sfgov.org).

Currently, the City's cost for each stop payment is \$1.00, when requested and processed through CashPro (through the Controller's Cash Disbursement Unit).

**Q.** We have a desktop remote deposit service (RDS). How long should we store the physical checks that were already scanned and submitted to the bank for deposit?

**A.** Your department should keep and store the physical checks that were already scanned, imaged, and processed in a safe and secured place for at least 14 days. After that time, the checks can be shredded.

**Q.** How long should we keep our credit or debit card sales receipts?

**A.** BAMS requires that CCSF merchants keep their credit or debit cards sales receipts for a minimum of thirteen (13) months. During that time, make sure they are stored in a safe and secured place to ensure compliance with PCI requirements.

### Online Banking

**Q.** We need a new user set up in CashPro or ClientLine. Where should we request that access?

**A.** Supervisors or managers can send an e-mail to [Ttx.bankingservices@sfgov.org](mailto:Ttx.bankingservices@sfgov.org) to request a new user set up. There is a template that the requester will need to complete to ensure that the access is properly in place.

**Q.** We need access in CashPro Online for current day report (or other bank account access not currently held).

**A.** You would need to provide the reason for requesting a current day report (CDR). Some of the CDR transactions are “fluid” (i.e., ACH transactions) and may include transactions that do not settle by the end of the day. If the intent is to use it for reconciliation purposes, PDR (prior day report) balances (with detail reporting) are much more reliable, since they include amounts that have already settled the previous day. Also, bank statements can be generated from Cash Pro at the end of each month.

CDR entitlement is an additional fee per month, per account. If you would like to have this feature activated, please send your request to [Ttx.bankingservices@sfgov.org](mailto:Ttx.bankingservices@sfgov.org) and include in your e-mail the accounts that you wish to have CDR access and this will be forwarded to Bank of America for processing.

**Q.** How can we get access in CashPro Online for our revolving fund account?

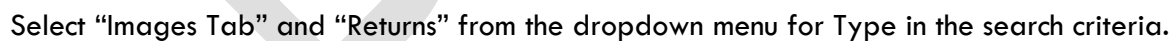
**A.** CashPro Online does not have revolving fund account data because minimal transaction activity does not justify the additional cost of making it available. In addition, maintenance charges apply for each account setup in CashPro. However, if your department has a revolving fund account with many transactions and it is something that you would like to reconcile frequently, you can ask for online reporting by sending your request to [Ttx.bankingservices@sfgov.org](mailto:Ttx.bankingservices@sfgov.org).

**Q.** What other CashPro reports or information are available?

**A.** There are standard reports and/or information that are available thru CashPro based on the set up of the users accessing the account and account service entitlements. Examples of these standard information and reports are the PDR, images of deposits, adjustments, images of returned items, and online bank statements. You can also explore CashPro University to see how you can maximize your online reporting access.

**Q.** Where do we access the NSF information in CashPro Online?

**A.** Log into CashPro Online and click on the Reporting tab. On the dropdown menu, select “Information Reporting”.



**Bank of America Merrill Lynch | CashPro Online**

REPORTING | PAYMENTS | REFERENCE | NOTIFICATIONS | ADMIN | SUPPORT

Information Reporting > Research

Dashboard | Reports | **RESEARCH** | Documents

Transactions | Reports | Completed Reports

**Search Criteria**

\* Required fields to complete search

Date Range: From: 07/01/14 To: 07/01/14

Type: Refuse Amount: 0

Check Number: 0

**Accounts**

Account Number	Account Name	Bank ID	Currency	Reconciliation Period
0000000001	PUC Water Department Account	12100000	USD	90 Days
0000000002	Water Services Waterline	12100000	USD	90 Days
0000000003	Trans San Collection Account	12100000	USD	90 Days
0000000004	PUC Water Department Account	12100000	USD	90 Days

Page 1 of 1

Enter date range, select “Account” and click on “Search” button.

**Bank of America Merrill Lynch | CashPro Online**

REPORTING | PAYMENTS | REFERENCE | NOTIFICATIONS | ADMIN | SUPPORT

Information Reporting > Research

Dashboard | Reports | **RESEARCH** | Documents

Transactions | Reports | Completed Reports

**Search Criteria**

\* Required fields to complete search

Date Range: From: 07/01/14 To: 07/01/14

Type: Refuse Amount: 0

Check Number: 0

**Accounts**

Account Number	Account Name	Bank ID	Currency	Reconciliation Period
0000000001	Water Services Waterline	12100000	USD	90 Days
0000000002	Trans San Collection Account	12100000	USD	90 Days
0000000003	PUC Water Department Account	12100000	USD	90 Days
0000000004	PUC Water Department Account	12100000	USD	90 Days

Page 1 of 1

**Note:** There have been important “Image Access” changes. Images currently accessed through “Image Access” will be moving to the Research tab in CashPro Information Reporting starting on August 18, 2014. For any technical issues, please check CashPro’s online help.

## **FIS Applications**

**Q.** What Is FIS? How are those transactions processed within FIS related to BAMS transactions? Are chargebacks and NSFs arising from FIS transactions processed the same way as those processed through Bank of America and/or BAMS?

**A.** FIS (formerly “Link2gov”) is the City's contracted vendor for online and phone payments. There are currently about 20 departments using the services of FIS. The contract with FIS expires in October 2016.

Each department that has an application with FIS should have an assigned Settlement Code (equivalent to MID with BAMS) that is only used within FIS and not BAMS. By using the assigned Settlement Code, each department can access its FIS transactions through FIS' online portal, which is called DataPoint. In DataPoint, departments can retrieve their daily sales transaction reports, e-check returns, and chargeback items. Just like credit card sales and chargebacks through BAMS and NSF items from Bank of America, sales transactions through the FIS applications should be recorded as receipts using a CR document and NSFs and chargeback items should be processed by each department in FAMIS. Refer to NSF and Chargeback sections in these FAQs for instructions on recording these adjustments.

**Q.** How shall we pay for our department's outstanding FIS invoices? Are they processed the same way as the bank and credit card fees?

Note: This instruction only affects those departments that are on FIS' Agency absorbed pricing model. This means that a department does not impose a convenience fee to their customers for payments made through FIS online or phone applications. If you are on a convenience fee pricing model, you do not have to worry about paying FIS invoices since there is no invoice.

**A.** The process in paying FIS invoices is different from the process involved in recording Bank of America's bank fees and BAMS' merchant fees. There are no invoices presented to the departments for those BAMS merchant fees and there are no payment documents that are prepared for those payments. (See Bank and Credit Card Fees FAQs for more details.)

Below are the detailed instructions in paying for FIS invoices and the reasoning behind them:

1. Use FIS' vendor #76414 to pay for FIS invoices
2. For each invoice, 2 documents are required:
  - a. For the portion of the invoice that is pertaining to interchange fees (AMEX, Discover, Visa, and MasterCard), process the document in FAMIS Purchasing by using a DV document type, TC 200, and using Sub Object 03595, Credit Card Processing Fees
  - b. For the portion that is related to FIS' service, process it in FAMIS Purchasing by using the IV/VC process, TC 205 and Sub Object 02722, Financial Services

It is very important for departments to adhere to the above instructions in paying FIS invoices. The contract amount and the associated purchase order (PO) for FIS only represent the estimated fees that truly belong to FIS. The interchange fees are pass-through fees that are paid to the credit card network and were never estimated to be part of the PO. If you mistakenly use the PO for both interchange fees and FIS fees, your allocated portion of the PO will easily run out and it may be difficult for you to pay for your FIS invoice. To prevent over-usage of the PO and to ensure that the invoices are properly paid using the above instructions, the Treasurer's Office is working on some security controls where its approval will be required to approve all FIS payments.

Below is an example of an FIS invoice. This invoice includes all merchant related processing fees plus FIS' service fees for maintaining the applications. To determine the fees that should be charged using TC 200/SO 03595 vs. TC 205/50 02722:

1. Add the total amount for each credit card type under the category Interchange Fees (AMEX, Discover, MasterCard, and Visa). Process the payment document in FAMIS Purchasing using TC 200 and SO 03595
2. Subtract the total of #1 above from the total invoice price and the remaining should represent FIS service fees. Process the payment document in FAMIS Purchasing using TC 205 and SO 02722

In this sample of FIS invoice, the total amount to be paid to FIS is \$210.71. Of that amount, \$185.29 should be charged to SO 03595 and \$25.42 should be charged to SO 02722.



## ACCOUNTING POLICIES &amp; PROCEDURES

FIGURE 15-3. SAMPLE FIS INVOICE

FIS  
6490 Geary Court, Suite 100  
San Francisco, CA 94128

**FIS**

INVOICE

San Francisco Animal Care & Control  
1300 18th St  
San Francisco, CA 94128  
ATTN: Daniel Acemio

Account Number: 601031  
Account Executive:  
Terrell  
Trans: Due On Receipt

Invoice Number: 34263063  
Page: 1 of 2  
Invoice Date: 01/09/2014  
Services for the month of December 2013

QTY	Code	Description	Volume	Markup		Total
				Per Volume	Per Item	
<b>INTERCHANGE FEES</b>						
<b>Amex</b>						
34	A00	AmEx Transaction	\$1,330.00	2.2500%		\$29.93
<b>Discover</b>						
3	O00	Discover Transaction	\$135.00	1.8500%		\$2.37
<b>MasterCard</b>						
1	MCBR	MC Commercial/ Govt Rate (Non TSE Business Spend Limit)	\$42.20	2.4500%	\$2.1180	\$1.54
1	MBR1	MC Emerging Market Prepaid	\$67.00	0.6100%	\$0.2580	\$0.88
1	MCMD	MC Emerging Market Debit	\$75.00	0.6100%	\$0.2580	\$1.00
1	MPGA	MC Public Sector Enhanced Credit	\$162.00	1.6000%	\$0.1235	\$2.82
7	MPGP	MC Public Sector Prepaid (Prepaid)	\$385.00	0.1000%	\$0.3850	\$2.98
1	MUCF	MC Commercial/ Govt Rate (Non TSE Business)	\$42.00	2.3100%	\$0.1180	\$1.54
2	MUPB	MC Public Sector Credit Card	\$129.00	1.6000%	\$0.1180	\$2.30
6	MWCP	MC Public Sector World Elite Credit	\$178.00	1.6000%	\$0.1235	\$2.87
13	MWUP	MC Public Sector World Credit	\$663.00	1.6000%	\$0.1180	\$12.04
<b>Visa</b>						
1	IC	Visa Fund Acquire Network Fee December			\$0.7800	\$0.78
28	V3C2	Visa Signature Preferred Card Not Present Non TSE/BBB	\$1,231.00	2.8100%	\$0.1180	\$34.20
3	V316	Visa CPE Retail 2 Select Emerging Market Prepaid Example	\$430.00	0.7600%	\$0.1896	\$1.60
31	V320	Visa CPE Qualified Consumer/Commercial Debit Prepaid Plus	\$2,174.00	0.1500%	\$0.3250	\$10.00
1	V320	Visa Commercial Card Not Present Non TSE Business Signet	\$31.00	2.7400%	\$0.2195	\$1.96
30	V3R2	Visa CPE Retail 2 Select Emerging Market Credit	\$3,075.00	1.5400%	\$0.6685	\$87.97
7	V7G0	Visa CPE Retail 2 Select Emerging Market Debit	\$250.00	0.7500%	\$0.1896	\$2.19
<b>LinkShare Fees</b>						
34	ATFEE1	Amex Transaction Fee			\$0.0700	\$3.38
	AVFEE1	Amex Volume Fee	\$1,330.00	0.0700%		\$0.93
3	DTFEE1	Discover Transaction Fee			\$0.0700	\$2.21
	DVFEE1	Discover Volume Fee	\$185.00	0.0700%		\$0.08
37	MTFEE1	MasterCard Transaction Fee			\$0.0700	\$2.89
	MVFEE1	MasterCard Volume Fee	\$1,574.00	0.0700%		\$1.17
100	VTFEE1	Visa Transaction Fee			\$0.0700	\$12.50

Please send to:  
Accounting Department  
FIS  
PO Box 4885  
San Francisco, CA 94119-4885

IF YOU HAVE ANY QUESTIONS REGARDING THIS INVOICE, PLEASE CONTACT:  
FIS BILLING AT 1-800-875-2865 OR 1-800-875-2865, EXTENSION 7-2.

*Interchange Fees 185.10*

FIS  
5435 Geary Court, Suite 100  
San Anselmo, CA 94015



Invoice Number: 34215883  
Page: 2 of 2  
Invoice Date: 01/05/2014  
Services for the month of December 2013

San Francisco Animal Care & Control  
1200 15th St  
San Francisco, CA 94103  
ATBC: Daniel Acuna

**INVOICE**  
Account Number: 801001  
Account Executive:  
Territory: Dan Q. Receipt

QTY	Code	Description	Volume	Markup		Total
				Per Volume	Per Item	
	WV001	Max Volume Fee	87,002.00	0.0790%		\$3.40
Total Amount Due:						\$219.71

*Link 2900/FIS fees \$25.42*

*Total Invoice: \$ 219.71  
Interchange Fee \$ 185.29  
FIS/L2900 Fee \$ 25.42*

*Jan 4/15/14  
Dan Acuna*

### Helpful Tips

- Q. Are there more helpful tips you can offer?
- A. See below:

## Helpful Tips

### NEW USER SETUP – B of A ACCOUNTS

Bank of America  
Merrill Lynch



CashPro® Online

#### PROVIDE THE FOLLOWING:

- Employee's Name
- Work Address (incl. ZIP)
- Phone
- Email
- Bank Accounts User need access to *OR*,
- Existing dept. user's access to copy from

## Helpful Tips

### B of A CashPro Online Technical Support

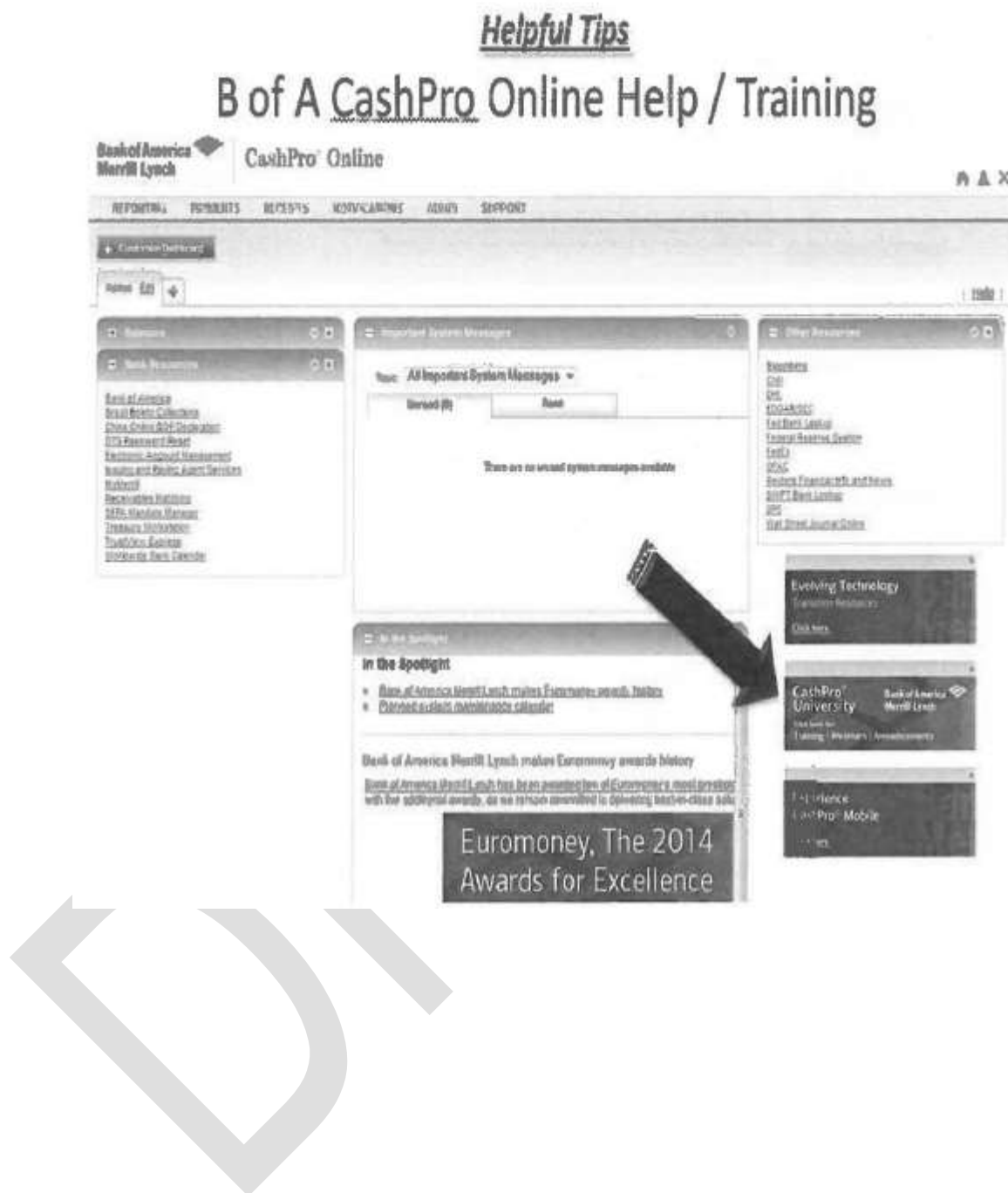


CashPro® Online Help X

Help


**Contact Us**  
For technical support, please refer to the contact information for your region.  
For Audit Confirmation or Foreign Account CPA Contacts, see the Bank of America Merrill Lynch Certified Public Accountant Contact Lists.

**United States & Canada**  
Monday - Friday 7:00 AM to 9:00 PM Eastern  
Email: [cashpro@bankofamerica.com](mailto:cashpro@bankofamerica.com)  
Phone: (888) 589-3473



**Helpful Tips**

## B of A CashPro Online Help / Training



**CashPro University**

[MONITORING](#) [LIQUIDITY](#) [PAYMENTS](#) [TRADE](#) [RECEIPTS](#) [NOTIFICATIONS](#) [SERVICE CENTER](#) [ADMIN](#) [SUPPORT](#)

**Search Our Site**

**Training Center**

Training Webinars  
Frequently Asked Questions  
New Administrator Guide  
(New Users Guide)

**How To Videos**

Activate Your Token  
Create an External View Card  
Join Your Selfie Certificate  
Log In to CashPro Online  
Manage Your Dashboard  
Navigate CashPro Online  
Reset Your Password

**Technical Resources**

Bank of America BAI Codes  
Bank of America STAS Codes  
CashPro Requirements  
Company Codes by County  
Data Retention  
Data Transmission  
Download Software  
File Formats  
IBAN Indicator  
Payment Card Types  
Security Features  
Workday Bank Calendar  
Contact Us

**Welcome to CashPro University!**  
CashPro University is your centralized source for educational resources. You can select from a variety of training tools to best match your individual learning style. Whether you are a new or current user, maximize your CashPro Online experience with CashPro University.

**Exploring CashPro Online Video Series**  
View a series of videos that demonstrate tips and tricks to enhance your CashPro Online experience. Click Exploring CashPro Online Video Series to learn more.

**CashPro Online Enhancements**  
CashPro Online was recently enhanced to include these new features and functions:

- Reporting enhancements include more value with two years of data retention, easier access to service requests, and more options for managing reports.
- Enjoy easier navigation and a simplified experience with the integration of Image Access directly into Information Reporting.
- Manage the elements of your check services with the new simplified check management application.
- Expanded global capabilities include a variety of enhancements designed for specific regions.

**To learn more about these and other enhancements, visit the CashPro Online Enhancements website.**

**Additional Services**  
CashPro Mobile  
China Online B2B Declaration  
Electronic Account Management  
Issuing and Paying Agent  
Services  
SWIFT Message Manager  
Workday Workstream  
Suppliers Business

**Real Treasury Analysis Provider**  
Bank of America Merrill Lynch  
**CashPro Accelerate**

- Know your daily cash position with the click of a button
- Reduce up time to manage your liquidity

[Learn More >](#)

**Available Training**  
**Register for a training session led by a Client Education consultant.** These interactive training sessions will teach you how to use key functions of your CashPro Online service.  
  
**Administration Training**  
Administrators Only: Learn how to set up and enroll users to your company's CashPro Online services. To enroll, contact Client Education at 844-355-8288 or send an inquiry to [clientsolutions@bocofamerica.com](mailto:clientsolutions@bocofamerica.com).  
  
**Webinars**  
Learn alongside other users of the same service by joining one of our virtual sessions. For available webinars and details, go to [Training Resources](#).

**Learning Resources**  
Select the desired Category and Service (Example: Reporting > Information Reporting) from the above menu to access available learning resources. Options may include:  
  
**User Guides**  
Comprehensive manuals detailing the features and functionality of your service.  
  
**Reference Documents**  
Reference materials containing quick and efficient steps for completing common tasks.  
  
**Simulation Videos**  
Interactive simulations demonstrating how to perform a task, and then providing you the opportunity to practice that task in a simulated

## Helpful Tips

### NEW USER SETUP: BAMS MERCHANT ACCTS.

#### PROVIDE THE FOLLOWING:



ClientLine®

- Employee's Name
- Work Address (incl. ZIP)
- Phone
- Email
- Merchant Accounts (MID) requesting access to OR,
- Existing dept. user's access to copy from

OK

### *Helpful Tips*

## BAMS ClientLine Help / Training

- Technical Terminal Support and Supplies

**1-800-430-7161\***

\*Provides general customer service support, technical support and ordering of all merchant related supplies (Have Merchant ID Number available)

- Password Reset

**1-800-285-3978\*\***

*(Monday-Friday from 8AM EST-10PM EST)*

\*\*If your password expired due to inactivity (you have not logged into ClientLine within the last 60 days), ClientLine will need to create a new User ID for you.

Send email to [TTX.Bankwires@sfgov.org](mailto:TTX.Bankwires@sfgov.org) for assistance.





## *Helpful Tips*

### **FIS** Online or Web Transactions Support

**For Operational or Product Support, please contact:**

- Link2Gov/PayDirect Users

**1- 877-513-5465**

**(Option 2 for POS, Option 3 for Non-POS) or  
[clientsupport@fisgov.com](mailto:clientsupport@fisgov.com)**

- Demetria S Mallett, Client Service Manager, FIS PayDirect Solutions

- **Mobile: 615-364-3827**

- **Office: 615-665-6770**



## *Helpful Tips*

### CREDIT CARD ACCEPTANCE BASICS

Every card transaction involves multiple parties. The following definitions will give you a good understanding of who's who in the transaction process for both Visa and MasterCard transactions.

- Cardholder:** An authorized card user.
- Issuer:** A financial institution that issues payment cards and maintains a contract with cardholders for repayment.
- Merchant:** An authorized acceptor of payment cards for the payment of goods and services.
- Acquirer:** The acquirer (financial institution or merchant bank) that contracts with the merchant for payment card acceptance and enables card payments from customers.
- Payment Card Company:** The consumer payment system, whose members are the financial institutions that issue payment cards and/or sign merchants to accept.

DRAFT

## Helpful Tips

### Transaction life cycle



## Helpful Tips

### Credit card types – what’s the difference?

#### **Credit card**

- A credit card is a small plastic card issued to users as a system of payment. It allows its holder to buy goods and services based on the holder's promise to pay for these goods and services. The issuer of the card creates a revolving account and grants a line of credit to the consumer (or the user) from which the user can borrow money for payment to a merchant or as a cash advance to the user.

#### **Unembossed card**

- An unembossed card may be a credit card, pre-paid card, or debit card. These cards can be used in a card-present and card-not-present environment. In a face-to-face environment, if the card cannot be swiped, the merchant should ask for another form of payment.

#### **Pre-paid (Gift Card)**

- Similar function of a credit card, except that the initial value is set by the person purchasing the card. It can be used anywhere a payment card brand card is used. Most pre-paid cards do not have a PIN number, so the card must be used as credit. Each time it is used, the amount of the purchase is deducted from the card balance. The card does not offer a line of credit. It may be re-loadable.

#### **Signature Debit (check card)**

- Similar to a credit card, the Signature Debit card has no line of credit, and funds are deducted directly from a checking account or other DDA. The cardholder receives similar protections as they do with credit cards.

OK

## Helpful Tips

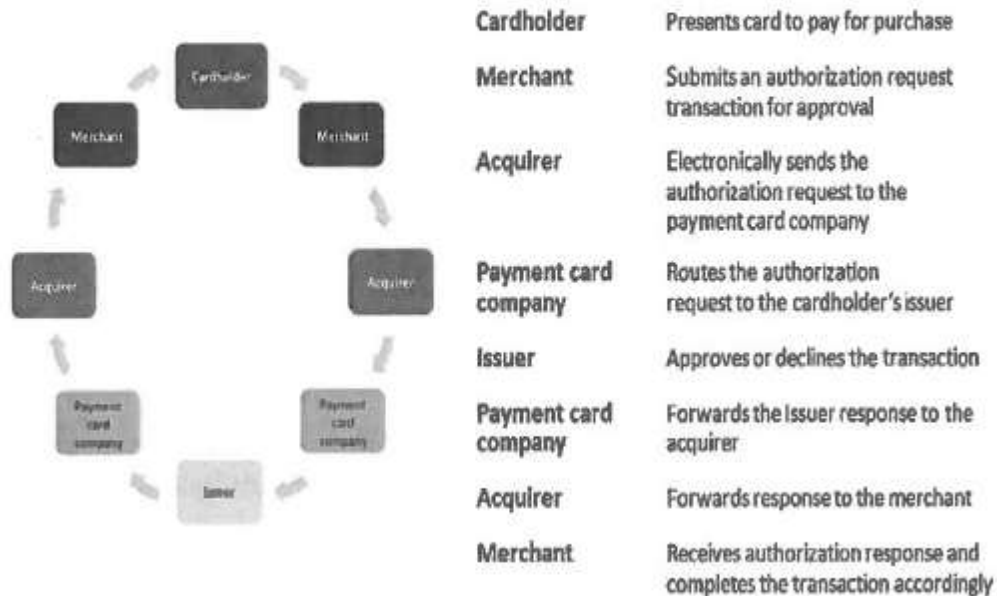
### Payment processing – two part process

Processing a payment card transaction involves two stages:

<b>Authorization</b>	An electronic request that is sent through various parties to either approve or decline the transaction
<b>Clearing</b>	The movement of data from the acquirer to the Payment Card Company (MasterCard or Visa) and from the Payment Card Company to the Issuer
<hr/>	
<b>Settlement</b>	The process used to exchange funds between members for the value of the monetary transactions cleared for that processing day
<b>Interchange</b>	The exchange of transaction data between members

## Helpful Tips

### Authorization



Authorization process allows the card issuer to approve or decline a transaction based on verification that the cardholder's account is in good standing with funds available at the time of the request.

## Helpful Tips

### Common authorization responses

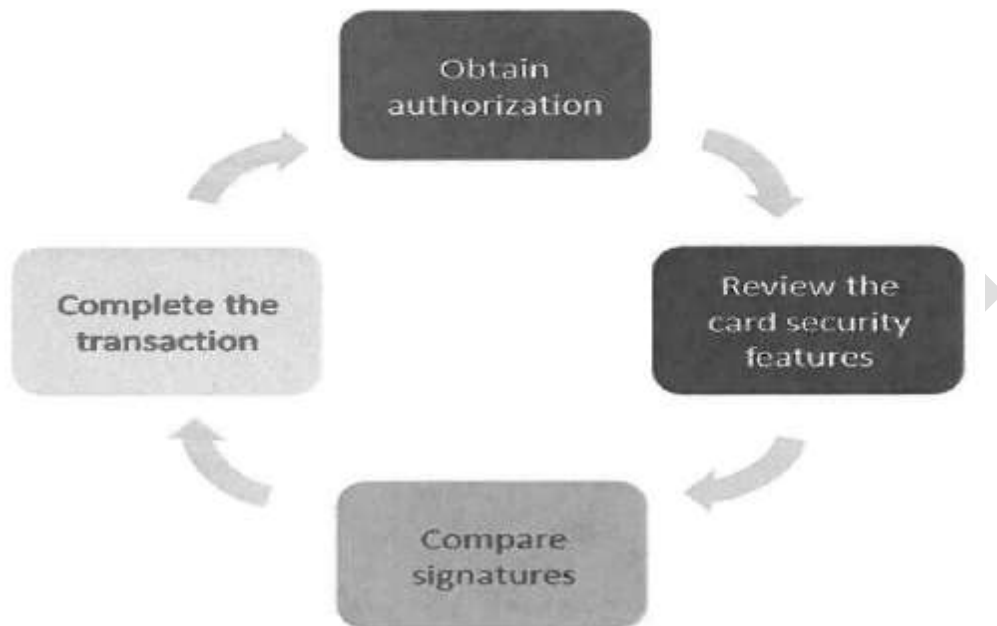
Response	What does it mean?
Approved	The Card Issuer approved the transaction.
Declined	The Card Issuer does not approve the transaction and the transaction should not be completed. (The merchant should get another form of payment.)
Referral/Call Center	The Card Issuer needs additional information before approving the sale. Contact Bank of America Merchant Services' authorization center for assistance.
Pick up	The Card Issuer wants to recover the card. Do not process the transaction. Follow your internal procedures for card recovery.

#### Partial authorization

Partial authorizations may be granted by an issuer when the cardholder's account is in good standing; however, the cardholder does not have enough credit/available funds for the full amount of the purchase. When partial authorizations are received, you may only process the transaction for the amount that was partially authorized.

## *Helpful Tips*

### Processing the transaction



OK



## Helpful Tips

### CLIENTLINE REPORTING SAMPLE

• Revenue Transactions, Chargeback, &amp; Fees

AMOUNTS FUNDED BY BATCH							
Date Submitted	Batch Number	Batch Total Amount	Third Party Transactions	Chargebacks/ Reversals	Adjustments	Pass Charges*	Date Funded
05/01/14		\$2,062.00	0.00	0.00	0.00	0.00	\$2,062.00
05/02/14		\$1,008.00	0.00	0.00	0.00	-\$713.58	\$295.41
05/03/14		\$1,894.00	0.00	0.00	0.00	0.00	\$1,894.00
05/06/14		\$1,581.00	0.00	-\$50.00	0.00	0.00	\$1,531.00
05/07/14		\$1,043.00	0.00	0.00	0.00	0.00	\$1,043.00
05/08/14		\$2,918.65	0.00	0.00	0.00	0.00	\$2,918.65
05/09/14		\$1,240.00	0.00	0.00	0.00	0.00	\$1,240.00
05/10/14		\$1,858.00	0.00	0.00	0.00	0.00	\$1,858.00
05/12/14		\$2,881.00	0.00	0.00	0.00	0.00	\$2,881.00
05/14/14		\$1,105.00	0.00	0.00	0.00	0.00	\$1,105.00
05/15/14		\$1,388.00	0.00	0.00	0.00	0.00	\$1,388.00
05/16/14		\$1,714.00	0.00	0.00	0.00	0.00	\$1,714.00
05/17/14		\$2,827.00	0.00	0.00	0.00	0.00	\$2,827.00
05/20/14		\$2,943.00	0.00	0.00	0.00	0.00	\$2,943.00
05/21/14		\$1,843.00	0.00	0.00	0.00	0.00	\$1,843.00
05/22/14		\$1,888.00	0.00	0.00	0.00	0.00	\$1,888.00
05/23/14		\$1,708.00	0.00	0.00	0.00	0.00	\$1,708.00
05/26/14		\$1,314.00	0.00	0.00	0.00	0.00	\$1,314.00
05/28/14		\$1,735.00	0.00	0.00	0.00	0.00	\$1,735.00
05/29/14		\$1,348.00	0.00	0.00	0.00	0.00	\$1,348.00
06/03/14		\$2,678.00	0.00	0.00	0.00	0.00	\$2,678.00
05/21/14		\$2,207.00	0.00	0.00	0.00	0.00	\$2,207.00
<b>Total</b>		<b>\$41,488.00</b>	<b>0.00</b>	<b>-\$50.00</b>	<b>0.00</b>	<b>-\$713.58</b>	<b>\$40,735.41</b>

\*Certain fees and charges may relate to a prior period.

## Office of the Controller (AOSD) Cash Reconciliation Unit

Cash Reconciliation Email:

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- Jimmy Huang 415.554.7417  
[jimmy.huang@sfgov.org](mailto:jimmy.huang@sfgov.org)
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- Ed Chun 415.554.4025  
[edward.chun@sfgov.org](mailto:edward.chun@sfgov.org)
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- Carmen LeFranc 415.554.7645  
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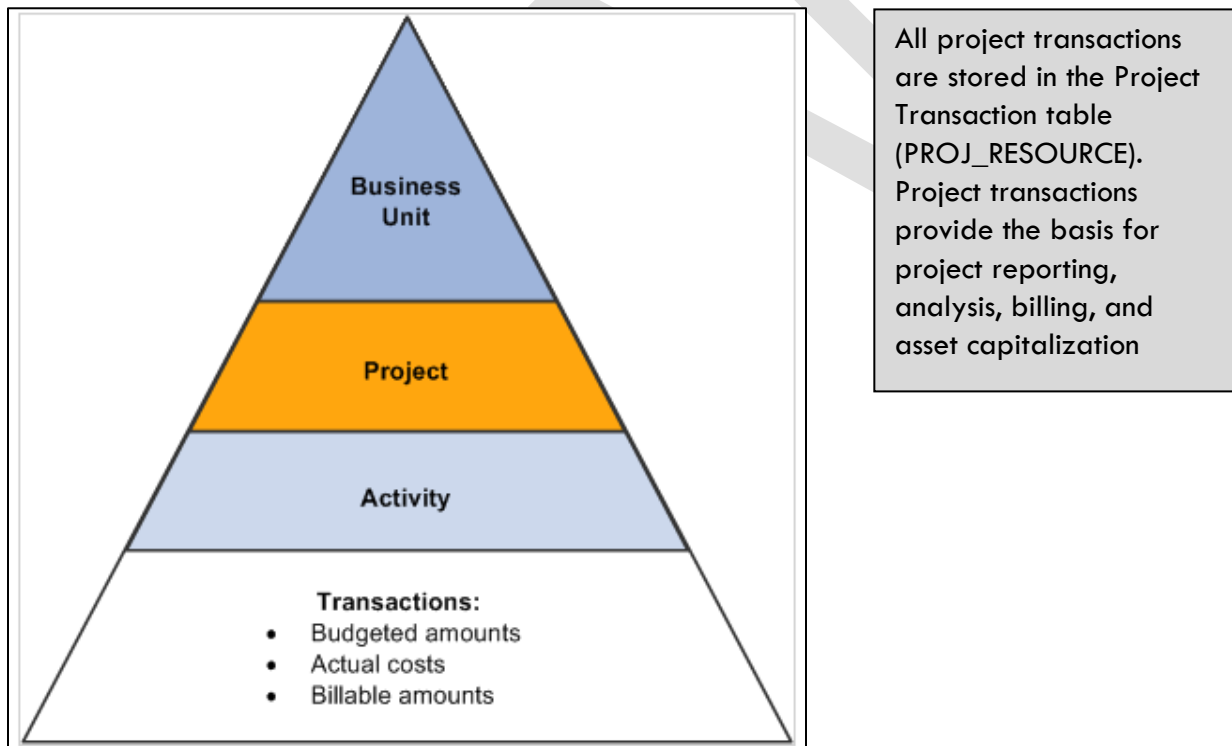
## 16 | PROJECTS & PROJECT COSTING

### 16.1 | Understanding Projects

This section provides policy and guidelines on creating and working with the project structure model using the PeopleSoft (PS) financial system. At the highest level, projects are managed through a project business unit.

Project costs are tracked and analyzed using the PS Project Costing Module. Within each project, costs are organized and analyzed by *activity*. Activities are the specific tasks that make up a project. During the course of an activity, *transactions* are created for things such as labor and materials. Transactions are attached only at the lowest activity level. Project Costing Module organizes and groups these transactions to monitor and report on the conditions of a project. The Figure below illustrates this hierarchy.

**FIGURE 16-1. PROJECT COSTING HIERARCHY**



### **16.1.1 | Converted Projects**

Projects that were in process as of 6/30/17 will be converted from FAMIS to PeopleSoft, and will be assigned a new Project ID. Prior to year-end, departments, F&P and AOSD will work on converting FAMIS projects and having all the required PeopleSoft fields assigned for conversion.

### **16.1.2 | Annual Appropriation Ordinance Projects**

Projects in the *Annual Appropriation Ordinance* will be entered in PeopleSoft through an interface from the City's budget system, the Budget and Performance Measurement System (BPMS).

### **16.1.3 | New Projects**

New projects will be created in PeopleSoft if appropriation authority exists to set up the budget. When setting up the project, required fields need to be entered for the system to create and assign a Project Code. A few departments will be given security to set up their own projects. For most departments, however, a request will be submitted to the Controller's Office for project coding set up on behalf of the department.

### **16.1.4 | Delivered Projects**

A "delivered project" is a project or collection of projects that constitutes one project endeavor (*i.e.*, the Potrero Street Improvement Project). Delivered project most often relates to capital and operating project types. The City currently has many activities where multiple departments contribute both effort and funding towards one overarching project; this delivered project approach allows for more formal project management.

A delivered project needs to be identified as such during PeopleSoft project set-up in order to ensure the delivered project has a consistent work breakdown structure (WBS).

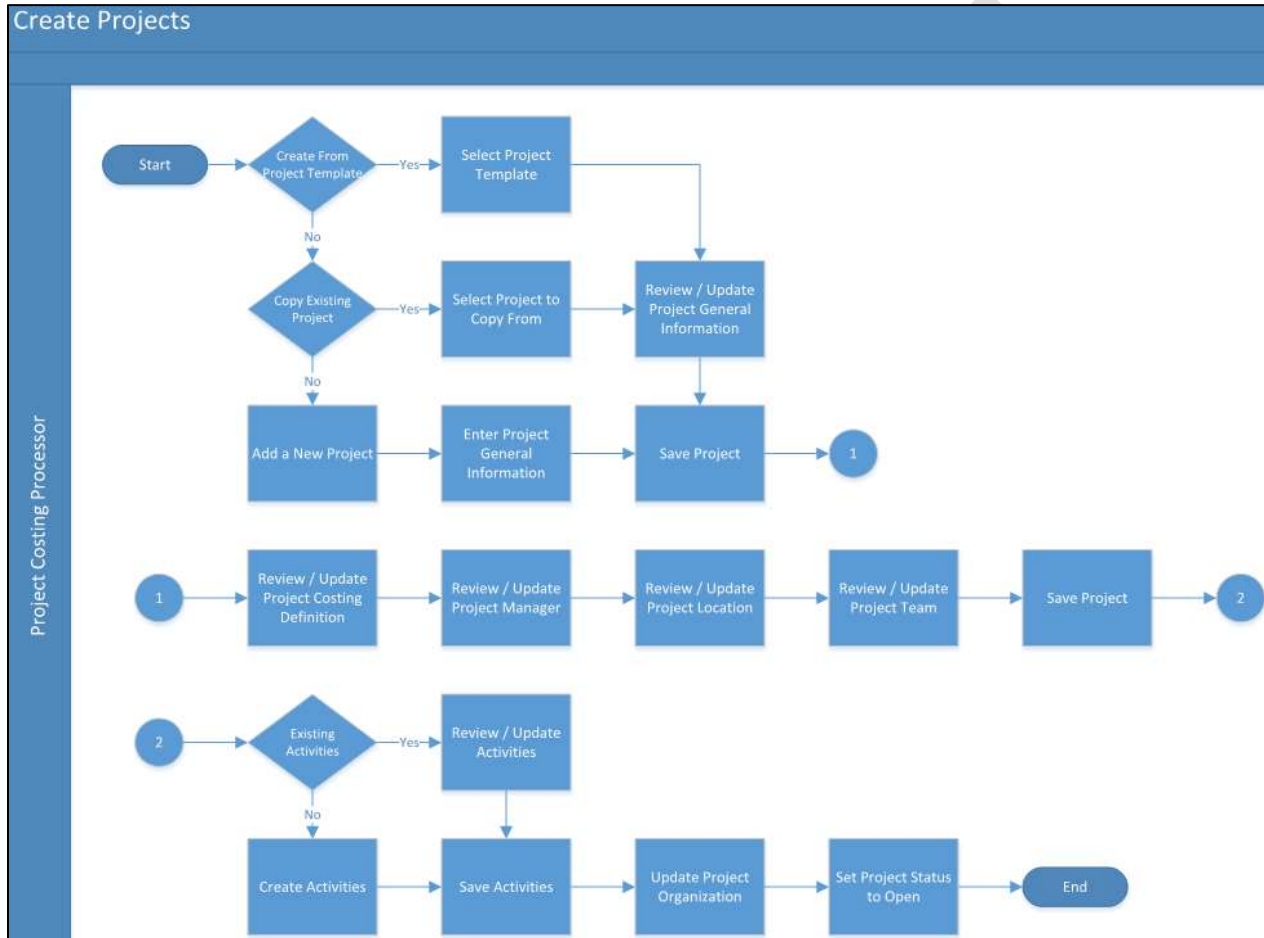
## **16.2 | Using Project Costing**

All transactions processed in PeopleSoft require an associated Project ID and Activity ID. A "project" is an identifier for cost collection and for monitoring the progress and status of a program, service, or function. "Project" is the summary-level classification in PeopleSoft and is used to track scope, budget, cost, and other details. "Activity" is the lower-level classification for projects and is the level to which transactions are posted.

Departments will need to identify a delivered Project when requesting project set-up with the Controller's office. A delivered project will be coded in PeopleSoft by checking the "program" checkbox in the

General Information screen in Project Costing. PeopleSoft trees will then be set up to associate the different PeopleSoft projects that belong to this “program”, which in this setup is the delivered project. Below is the flowchart showing the creation of projects in the Project Costing Module.

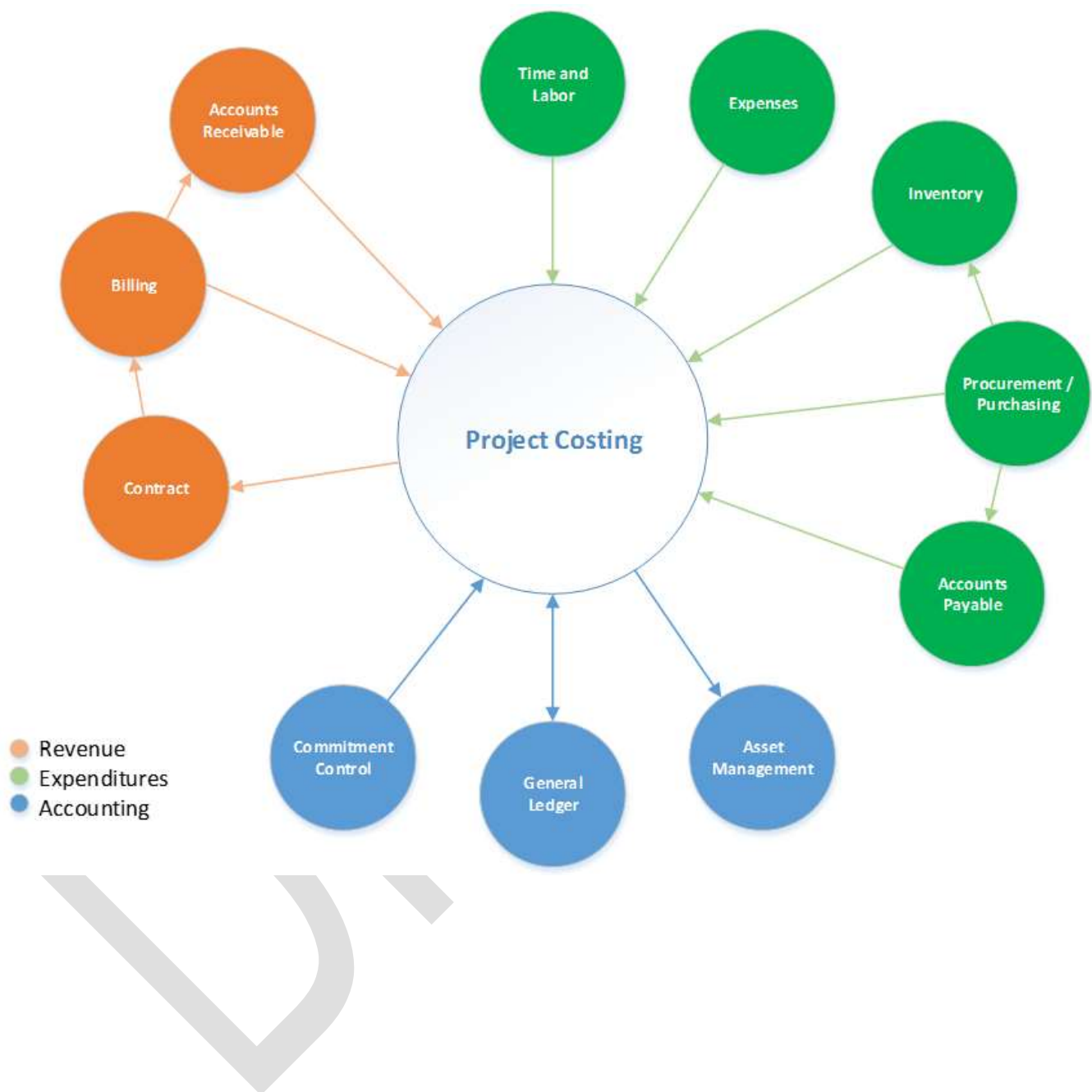
**FIGURE 16-2. PROJECT SET-UP IN PROJECT COSTING MODULE**



## 16.2.1 | Integration with Other PeopleSoft Modules

Transactions originating from the other PeopleSoft modules are associated to projects and activities and brought into the Project Costing Module through a “cost collection process”, which is a batch process run on scheduled basis.

FIGURE 16-3. INTERACTIONS ACROSS MODULES SUPPORTING PEOPLESOFT PROJECT COSTING



**FIGURE 16-4. PEOPLESOFT TABLE MAINTENANCE FORM FOR SETTING UP A PROJECT & ACTIVITIES**

CITY AND COUNTY OF SAN FRANCISCO PeopleSoft ChartField Table Maintenance Form <u>PROJECT</u>														
<div style="display: flex; justify-content: space-between;"> <div style="width: 65%;"> <p><b>General Instructions:</b></p> <ul style="list-style-type: none"> <li>* For <b>NEW</b> requests, all fields need to be complete unless labeled as optional.</li> <li>* If <b>MODIFYING</b> existing code, identify the Project Code to update, complete the Description and Effective Date fields and specify if changes take place with a new effective date or as of the latest effective date.</li> <li>* If request is for the <b>NEW Fiscal Year's Budget</b>, send the request to your Budget Analyst at the Controller's - Budget and Analysis Division.</li> <li>* <span style="color: red;">This form must be accompanied by the Activity on WBS Tab per new project code request to satisfy the requirement for a project code to have at least one Activity defined.</span></li> <li>* Complete the Requestor and Approver Information on the top right corner, print and obtain the Approver's Signature or Approval email, and email both this Excel file and if applicable pdf file with the signature intact to <a href="mailto:ChartFieldAdministrator@sfgov.org">ChartFieldAdministrator@sfgov.org</a>.</li> </ul> </div> <div style="width: 30%;"> <p>Requesting Department: _____</p> <p>Requestor Name: _____</p> <p>Approver Name: _____</p> <p>Approver Signature: _____</p> <p>Requestor's Phone #: _____</p> <p>Request Date: _____</p> </div> </div>														
<b>Optional</b>														
Request ID	Request Type	Start Date <small>(mm/dd/yyyy)</small>	End Date <small>(mm/dd/yyyy)</small>	Project Code	Project Description <small>30 character limit</small>	Project Status	Project Type	Organization	Location Code	Project Manager Name	Project Manager Employee ID	Project Manager Email	Description	Long Description
1	New	7/1/2019	6/30/2021		CP New Parl Addition	Open	Maintenance-CPC	229238					For new FY20 petty cash account within COA	

## 16.2.2 | Identifying Project Types

The City's programmatic perspective—i.e., what is specified in the project's legislative authorization/approval, funding source, budget authority, reporting requirement—determines a project's type.

Project types are driven by the City's defined needs, based on administrative requirements due to appropriation control type, as in Annual or Continuing, and management accounting and reporting requirements for project cost accumulation and tracking. Below are the project types used by the City:

- **Capital**  
Capital projects will create or improve property expected to generate value over a period greater than one year, the costs of which also exceed the minimum capitalization limit. Capital projects require technical architecture and/or engineering expertise and a detailed work breakdown structure
- **Maintenance**  
Maintenance projects will bring an asset(s) back to an earlier condition or will keep the asset(s) operating at the present condition. Maintenance projects that are designed to restore an asset to its normal condition or to maintain its normal operational efficiency are not large or complex enough to require formal phases and project management. Assess a maintenance project by its trades and materials to determine whether it could be capitalized. Certain maintenance projects—such as elevator upgrades and pothole repairs—can be capitalized
- **Operating**  
Operating projects provide direct services to a department's core customers (either the public and/or other City agencies). Examples include fire suppression and street cleaning
- **Administrative**  
Administrative projects are activities specifically for departmental support and include indirect costs of providing services, overhead, and back office functions (e.g., finance, HR, IT)
- **Technology**  
Technology projects are those with a specific technology scope of work, regardless of funding source (excluding COIT Funded projects).
- **Technology [Committee on Information Technology (COIT) Funded]**  
  
This second technology type is for projects with a specific technology scope of work and funded by COIT, regardless of funding percentage
- **Special Events**  
These are one-time City-wide events; not repeating or regularly planned, established for centralized reporting purposes. Use of this project type will be authorized by the Controller's Office. Examples include Super Bowl and SF Giants parade cleanup. Events exclusive to one department are not considered Special Events for project type classification

- **Disaster**

Disaster-related project types are events designated for cost recovery from FEMA and other agencies. Use of this project type will be authorized by the Controller's Office. Examples include Rim Fire, Cosco Busan, and the Asiana plane crash. See [Section 14 | Emergency Procedures\\*](#) for disaster policies and procedures.

The following Table provides a chart of project types.

**TABLE 16-1. PROJECT TYPES MATRIX**

PROJECT TYPE	LEGISLATIVE SUPPORT	FUNDING SOURCE	BUDGET AUTHORITY	REPORTING REQUIREMENT	CHARACTERISTICS	EXAMPLES
Capital	-Project approved by Capital Planning Committee (CPC) through the Capital Planning Program (CPP). - ADA related project coordinated with Mayor's Office on Disability. - Included in the City's Ten-Year Capital Plan - Included in Departmental Capital Plan - Prop. B Population Based Baseline	General Fund, Debt Financing Program, Capital Projects Fund, Bonds, Grants	- AAO - New or transfers during the year: SU and or Supplemental Ordinance	- CAFR Reporting - CAFR Statistical Section. - Bi-annual Interagency Plan Implementation Committee (IPIC) reports. - MTA Prop. B departmental reports.	Your project is likely capital IF: - It requires technical architectural or engineering knowledge - It is extending the useful life of an existing asset (for greater than 1 year) - Expenditures are significantly greater than the capitalization limit	HVAC Replacement, Paving Projects that require Engineering services, Buildings or Infrastructure Projects
Maintenance	-Project approved by Capital Planning Committee (CPC) through the Capital Planning Program (CPP). - ADA related project coordinated with Mayor's Office on Disability. - Included in the City's Ten-Year Capital Plan - Included in Departmental Capital Plan	General Fund, Debt Financing Program, Capital Projects Fund, Bonds, Grants	- AAO - New or transfers during the year: SU and or Supplemental Ordinance	- CAFR Reporting - CAFR Statistical Section.	Your project is likely maintenance IF: - Trade services only are required - Expenditures are not significantly greater (or may be less than) capitalization threshold - No value is added to the existing asset	Painting, or Plumbing services.
Operating	- AAO - GF Baseline Support (i.e. MTA Population Baseline Support)	Operating, Special Revenue	- AAO - New or transfers during the year: SU and or Supplemental Ordinance	- CAFR Reporting	Your project is likely operating IF: - It accounts for functions that fall under the department's Mission Statement - The services provided are revenue or fee generating	Street cleaning, fire suppression, establishing taxable property values, pension fund investment management, etc.
Administrative	- AAO - Approved Indirect Cost	Operating, Special Revenue	- AAO - New or transfers during the year: SU and or Supplemental Ordinance	- CAFR Reporting	Your project is likely administrative IF: - It accounts for functions that are typically included as overhead - The services are indirect costs to providing the department's operating services	Finance, HR, or Departmental IT Helpdesk Operations



**ACCOUNTING POLICIES & PROCEDURES**

PROJECT TYPE	LEGISLATIVE SUPPORT	FUNDING SOURCE	BUDGET AUTHORITY	REPORTING REQUIREMENT	CHARACTERISTICS	EXAMPLES
Technology	- Committee on Information Technology (COIT) 5 year Information & Communication Technology (ICT) Plan. In compliance with the San Francisco Administrative Code Section 22A.6 - Project approved by COIT.	- COIT's Annual Project Allocation (GF) - Major IT Projects Allocation (GF) - Sponsoring Department Project Funding - Non-General Fund Sources.	- AAO - New or transfers during the year: SU and or Supplemental Ordinance	- CAFR Reporting - CAFR Statistical Section.	Your project is likely technology IF: - The project is related to software that is either internally generated or requires significant customization - The project is related to a network of hardware/software components - Be sure to choose the "COIT-Funded" technology project type if the funding source is COIT	eMerge, PeopleSoft, City-wide Wifi Project, departmental record digitization, Public Safety & Public Service Radio Replacement Project, Replacement of the City's Property Tax Database
Special Events	Authorized by Controller's Office	Operating	- Surplus transfer - Supplemental Ordinance	Internal reporting (i.e. Board requested revenue impact report)	Your project is likely special events IF: - It is not recurring or regularly planned (annually or otherwise) - If it represents an opportunity for social or cultural experiences outside the normal range of everyday experiences	Super Bowl or Giants Parade cleanup
Disaster & Recovery	- Emergency Declaration (Local, State, Federal)	Operating, FEMA, UASI, Insurance, SF Disaster and Emergency Response and Recovery Fund (Section 10.100-100).	Surplus transfer, Emergency Declaration	- Disaster and Emergency Response and Recovery Fund's Sources and Uses due to the MYR and BOS by July 15 of each year. Section 10.100-100. - Cost tracking for recovery.	Your project is likely disaster & recovery IF: - A disaster (such as a fire, earthquake, or flood) was experienced - External emergency funds were requested as part of the disaster response (from either other local, state or federal agencies)	Rim Fire or Cosco Busan oil spill

**16.2.3 | Identifying Roles & Responsibilities**

The following Table summarizes the roles and responsibilities involved in recording project costs in PeopleSoft.

**TABLE 16-2. ROLES & RESPONSIBILITIES IN RECORDING PROJECT COSTS**

DEPT	ROLE NAME	END USER NAME	ROLE DESCRIPTION	ROLE / RESPONSIBILITIES	RELATED BUSINESS PROCESS	SKILL/ KNOWLEDGE REQUIREMENTS	TYPE OF SECURITY ACCESS
DEPT & CON	FSP_PC_VIEWER	Project Costing Viewer	The PC Viewer has inquiry access to all Project information.	<ul style="list-style-type: none"> <li>• View Projects</li> <li>• View Activities</li> <li>• View Project Grants</li> <li>• View Project</li> </ul>	Create and Maintain Projects	<ul style="list-style-type: none"> <li>• Introduction to Finance</li> <li>• Projects and Grants</li> <li>• Financial</li> </ul>	Clerk/ Manager/ Super User

				<ul style="list-style-type: none"> <li>Contracts</li> <li>• View Project Assets</li> <li>• View Project Reports</li> </ul>		Reporting / nVision	
CON	FSP_DEPT_PC_BATCH_PROCESSOR	Department Project Costing Batch Processor	The PC Batch Processor has access to all PC batch processes needed to run on an ad hoc basis.	<ul style="list-style-type: none"> <li>• Maintain Project Activities</li> </ul>	Collect, Distribute, and Price Cost	<ul style="list-style-type: none"> <li>• Introduction to Finance</li> <li>• Projects and Grants</li> </ul>	Manager
CON	FSP_DEPT_PC_CONFIG_Maintainer	Department Project Costing Configuration Maintainer	The PC Config Maintainer is responsible for updates to Agency PC configuration values.	<ul style="list-style-type: none"> <li>• Manage Project Configuration Items</li> <li>• View Centrally Maintained Project Configuration Items</li> </ul>	<ul style="list-style-type: none"> <li>• Create and Maintain Projects</li> <li>• Collect, Distribute, and Price Cost</li> </ul>	<ul style="list-style-type: none"> <li>• Introduction to Finance</li> <li>• Projects and Grants</li> <li>• General Services and Interagency Billing</li> </ul>	Super User
DEPT	FSP_DEPT_PC_PROCESSOR	Department Project Costing Processor	The Project Processor is responsible for additions and updates to the Project, Activity, and Team Definitions.	<ul style="list-style-type: none"> <li>• Create Projects</li> <li>• Create Project Budgets</li> <li>• Manage Projects</li> <li>• Manage Activities</li> <li>• Close Projects</li> <li>• Manage Project Grants</li> <li>• Manage Project Assets</li> <li>• View Project Reports</li> </ul>	<ul style="list-style-type: none"> <li>• Create and Maintain Projects</li> <li>• Create and Maintain Project Budgets</li> </ul>	<ul style="list-style-type: none"> <li>• Introduction to Finance</li> <li>• Projects and Grants</li> <li>• Asset Management</li> </ul>	Clerk/ Manager/ Super User
DEPT & CON	FSP_PC_REPORTER	Project Costing Reporter	The PC Reporter has access to all PC batch reports and PS Query Viewer.	<ul style="list-style-type: none"> <li>• View Project Reports</li> <li>• Run Queries</li> </ul>	<ul style="list-style-type: none"> <li>• Create and Maintain Projects</li> <li>• Create and Maintain Project Budgets</li> <li>• Collect, Distribute, and Price Cost</li> <li>• Project Capitalization</li> </ul>	<ul style="list-style-type: none"> <li>• Introduction to Finance</li> <li>• Projects and Grants</li> <li>• Financial Reporting / nVision</li> </ul>	Clerk/ Manager/ Super User

**ACCOUNTING POLICIES & PROCEDURES**

CON	FSP_CON_PC_BATCH_PROCESSOR	Project Costing Batch Processor	The PC Batch Processor has access to all PC batch processes needed to run on an ad hoc basis.	<ul style="list-style-type: none"> <li>• Maintain Project Activities</li> </ul>	Collect, Distribute, and Price Cost	<ul style="list-style-type: none"> <li>• Introduction to Finance</li> <li>• Projects and Grants</li> </ul>	Support
CON	FSP_CON_PC_CONFIG_Maintainer	Project Costing Configuration Maintainer	The PC Config Maintainer is responsible for updates to PC configuration values.	<ul style="list-style-type: none"> <li>• Manage Project Configuration Items</li> <li>• View Centrally Maintained Project Configuration Items</li> </ul>	<ul style="list-style-type: none"> <li>• Create and Maintain Projects</li> <li>• Collect, Distribute, and Price Cost</li> </ul>	<ul style="list-style-type: none"> <li>• Introduction to Finance</li> <li>• Projects and Grants</li> <li>• General Services and Interagency Billing</li> </ul>	Support

## 16.3 | Understanding Project Funding & Authority

Project budgets will mostly be established through the AAO. New projects created during the fiscal year will need a supplemental ordinance or an approved surplus transfer for support. For project budgets set up during the fiscal year, it will be important to determine if it is part of a delivered project, or a new project.

### 16.3.1 | Regulations & Contractual Arrangements

Projects can be funded through a variety of funding sources. Certain funding sources require the City & County of San Francisco to meet additional compliance requirements, whether due to funding agreements (e.g., debt arrangements and grant awards) or regulatory requirements (e.g., Federal Aviation Administration, *Administrative Code*).

- **Financial Terms & Economic Substance**

Each funding agreement, regulation, local law, or contract has different financial terms. In all cases, Generally Accepted Accounting Principles (GAAP) is to be applied to determine the proper accounting treatment based on the financial terms and economic substance

- **Compliance**

Each funding agreement, regulation, local law, or contract will likely have compliance requirements that may or may not be required by GAAP and, in those instances, other systems or off-line schedules may need to be maintained by the department

### 16.3.2 | Current City Funding Sources

The following is a summary of current City funding sources:

- **General Revenue & Program Fees**  
Budgets established through the Annual Appropriation Ordinance (AAO). Refer to [Section 2 | Budgeting & Appropriations](#).
- **Debt**  
Refer to [Section 11 | Debt\\*](#) for guidelines. Projects funded by debt need to comply with debt covenants. These sources require strict monitoring:
  - General Obligation Bond
  - Certificate of Participation
  - Revenue Bonds
  - Commercial Paper
- **Grants**  
Refer to [Section 13 | Financial Reporting & Records Retention\\*](#) for guidelines. Projects funded by grants need to comply with grant terms and guidelines
- **Enabling Legislation**  
Special funds established through the *San Francisco Administrative Code* or *California Government Code* include:
  - *Administrative Code*, Section 10.100 Special Funds – These include various funds as defined in *Administrative Code* (e.g., Arts Commission Cultural Centers Fund (Sec. 10.100-23)). Funds established in this section must adhere to the categories established in Sec. 10.100-1 for financial management
  - *Government Code* – Certain revenues can only be used for specific purposes (e.g., State Buildings Standard Law, Senate Bill No. 1473, provides legislation related to the Building Inspection Fund as to collection, reporting, and use of the funds)

### 16.3.3 | Authority

There are three PeopleSoft budget definitions:

- Department/Fund/Account
- Department/Fund/Project

- Department/Fund/Authority 1

When submitting an entry in PeopleSoft, the budget will always be checked under one of the budget definitions listed above. “Authority 1” indicates the AAO authority for continuing projects.

“Authority 2” is an optional sub-authority that departments can use for internal reporting and monitoring. This PeopleSoft field allows for programmatic groupings to help a department to better manage a project’s activities. Authority 2 is a subset of Authority 1 and is set up as node in the tree under the Authority 1 ChartField. Setting Authority 2 up as a node allows reporting at the Authority 2 level. When creating journal entries, Authority 2 is entered in the journal entry line items to allow the journal entry to be captured in the Authority 2 node for reporting. Even if Authority 2 is entered in the journal line items, budget check is still at the Authority 1 level as defined in the trees, as illustrated in the Figure below.

**FIGURE 16-5. TWO AUTHORITY 2’S SET UP UNDER AUTHORITY 1 CODE “10000”**



Authority 2 has been entered in the journal entry line highlighted in yellow. Even though Authority 2 is entered, budget check is at the authority 1 level (10000).

Fund	Dept	Authority	Proj	Acct	Amount
501010	109654	10000	00000116	0001	\$ 100.00

## 16.4 | Understanding the Work Breakdown Structure

“Work breakdown structure” (WBS) is a feature in project setup to standardize the organization of project scope and tasks. WBS is a categorization of transactions, mostly expenditures that represent unique phases of the delivery of the project. It provides for coordinated multi-department projects, improved transparency, standardized and consistent reporting, higher-quality capital project execution, and more consistent asset capitalization. Capital and technology projects are recommended to follow the WBS presented below. For an example of WBS, see Appendix A for Public Works Capital work breakdown structure.

FIGURE 16-6. WORK BREAKDOWN STRUCTURE SCREENS FOR CAPITAL & TECHNOLOGY PROJECTS

**Project Activities** | Gantt Chart

Project: 00000104 | Description: Potrero Infrastructure Imprv | Processing Status: Pending

Number Rows: 1 | Expand: Level 1

**Project Activities** | Personalize | Find | View All | First | 1-4 of 4 | Last

Schedule | More Dates | Details | User Fields

Select	WBS ID	*Activity Name	*Activity	*Start Date	*End Date	Percent Complete
<input type="checkbox"/>	1	Planning	0003	07/01/2016	06/30/2017	0.00
<input type="checkbox"/>	2	Design	0002	07/01/2016	06/30/2017	0.00
<input type="checkbox"/>	3	Construction	0001	07/01/2016	06/30/2017	0.00
<input type="checkbox"/>	4	Reserve	0004	07/01/2016	06/30/2017	0.00

Save as Template | Import from Template

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**Project Activities** | Gantt Chart | Project

Project: 00000104 | Description: Potrero Infrastructure Imprv | Processing Status: Pending

Number Rows: 1 | Expand: All Subtasks

**Project Activities** | Personalize | Find | View All | First | 1-4 of 4 | Last

Schedule | More Dates | Details | User Fields

Select	WBS ID	*Activity Name	*Activity	*Start Date	*End Date
<input type="checkbox"/>	1	Planning	0003	07/01/2016	06/30/2017
<input type="checkbox"/>	1.1	Alternative Assess	0013	07/01/2016	06/30/2017
<input type="checkbox"/>	1.2	CEQA/Env Review	0014	07/01/2016	06/30/2017
<input type="checkbox"/>	1.3	General Planning	0015	07/01/2016	06/30/2017
<input type="checkbox"/>	1.4	Plan Permit & Reg	0016	07/01/2016	06/30/2017
<input type="checkbox"/>	1.5	Plan Proj Mgmt	0017	07/01/2016	06/30/2017
<input type="checkbox"/>	2	Design	0002	07/01/2016	06/30/2017
<input type="checkbox"/>	2.1	Design Contract Procureme	0009	07/01/2016	06/30/2017
<input type="checkbox"/>	2.2	Design Permit & Reg	0010	07/01/2016	06/30/2017
<input type="checkbox"/>	2.3	Design Proj Mgmt	0011	07/01/2016	06/30/2017
<input type="checkbox"/>	2.4	Design Work	0012	07/01/2016	06/30/2017
<input type="checkbox"/>	3	Construction	0001	07/01/2016	06/30/2017
<input type="checkbox"/>	3.1	Construction Mgmt	0005	07/01/2016	06/30/2017
<input type="checkbox"/>	3.2	Construction Proj Mgmt	0006	07/01/2016	06/30/2017
<input type="checkbox"/>	3.3	Construction Public	0007	07/01/2016	06/30/2017

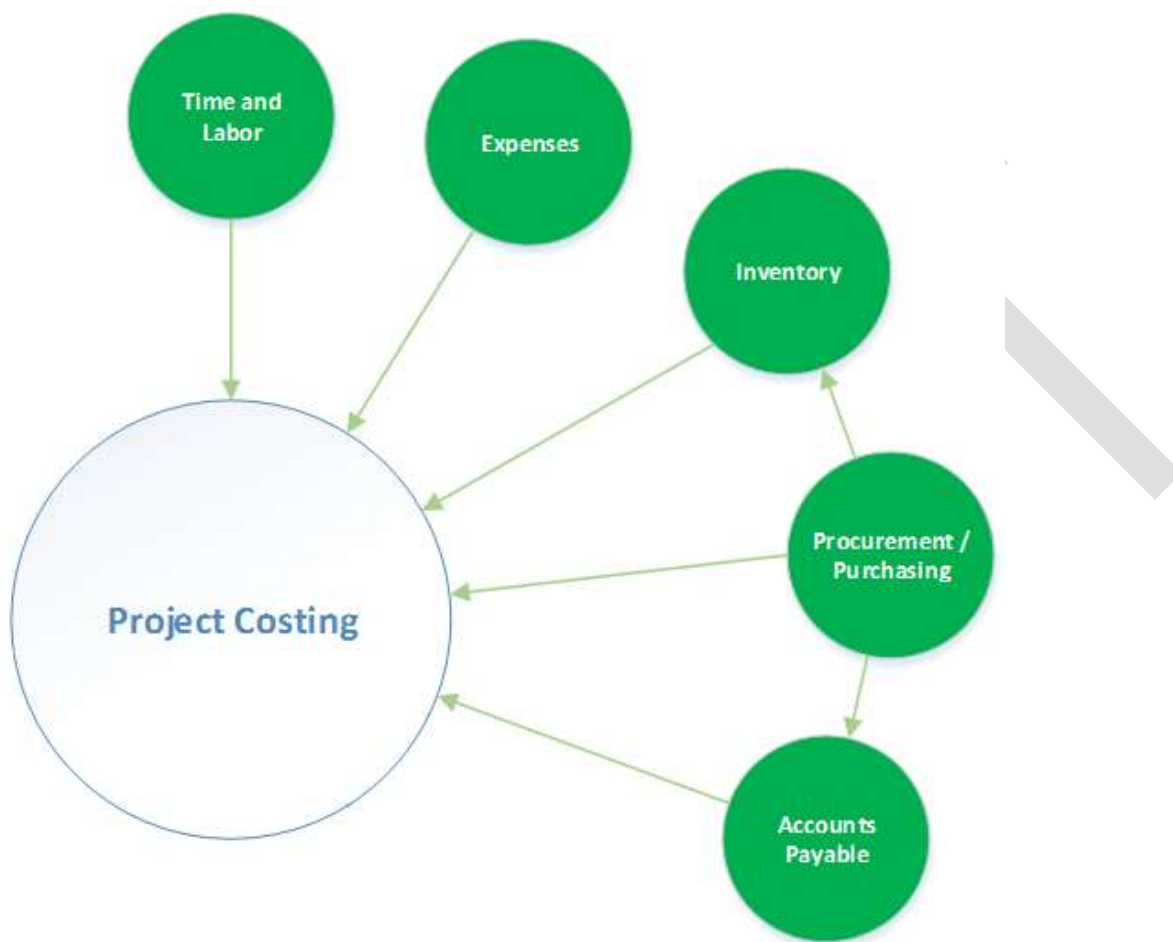
Save as Template | Import from Template

- **Detailed Activities**
  - Transactions post to the lowest level (Detailed Activity)
  - Activity Code used to post transactions
- **Work Breakdown Structure**
  - Summary Activities aggregate budget/actuals from lower levels
  - 26 levels available
  - Can rearrange activities after creation
  - Templates

## 16.5 | Project Revenues & Expenditures

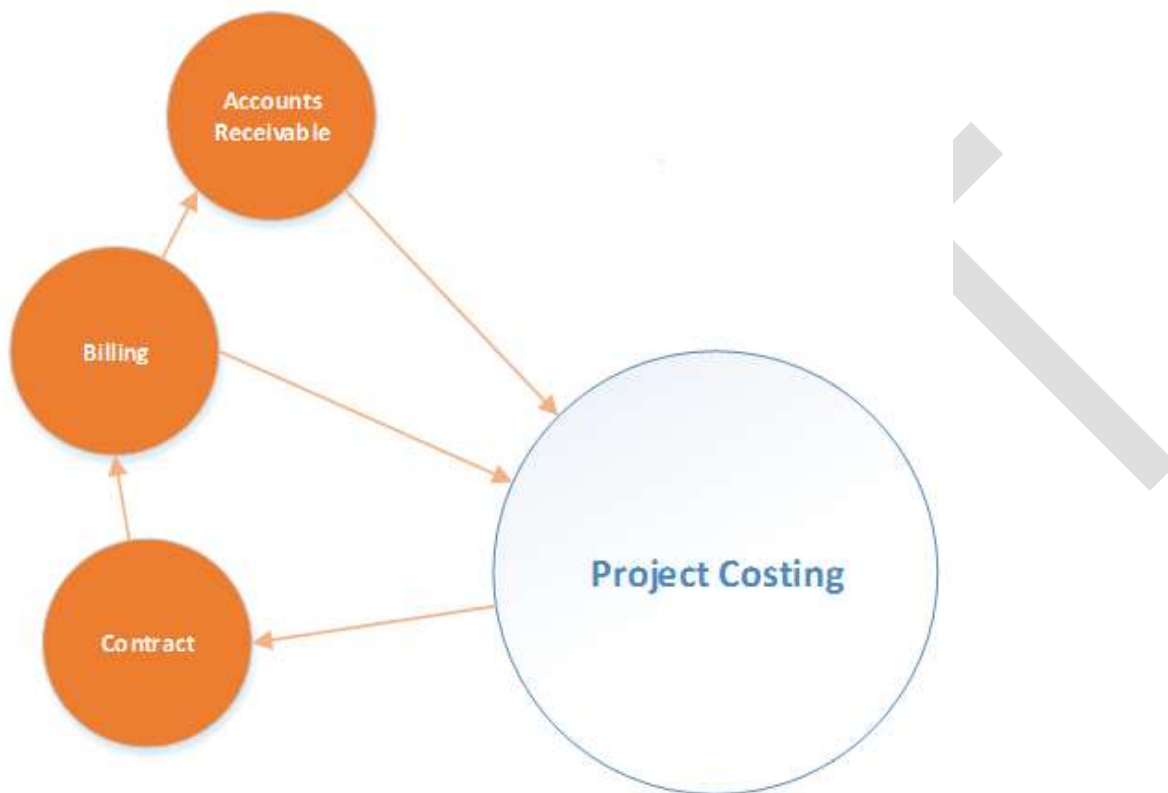
Expenditures posted to the projects originate from other PeopleSoft modules. Project costs are captured from Time and Labor, Accounts Payable and Expenses (APEX), and Procurement Purchasing Modules.

FIGURE 16-7. PROJECT COSTING VS. EXPENDITURE-RELATED PEOPLESFT MODULES



Project costing has the functionality to set up billing and accrual of revenue. This is done by assigning a “Contract” to the project activity. Accounting rules are then assigned for the frequency of revenue accrual and billing—either monthly, quarterly, or a user-assigned frequency.

**FIGURE 16-8. PROJECT COSTING REVENUES IN RELATION TO PEOPLESOFT MODULES**



## 16.6 | Closing a Project in Project Costing

[NEED TO INSERT PROCESS & APPROACH]

## 16.7 | Financial Reporting

City departments must adhere to the pertinent guidelines under US Generally Accepted Accounting Principles (GAAP). The Governmental Accounting Standards Board (GASB) has established a hierarchy of GAAP specifically for state and local governments, as follows:

- Officially established accounting principles – including *GASB Statements* (pronouncements) and *GASB Interpretations*
- Authoritative material – including *GASB Technical Bulletins*, *GASB Implementation Guides*, and literature of the AICPA cleared by the GASB



If the accounting treatment for a transaction or event is not specified within an authoritative source such as GAAP, the department should first consider principles for similar transactions or events that may be discussed in the authoritative literature. If no accounting treatment for similar situations exists within the authoritative GAAP, then the department may consider non-authoritative accounting literature from other sources. Other sources may include *GASB Concept Statements*; pronouncements and other literature of the Financial Accounting Standards Board, the Federal Accounting Standards Advisory Board, International Public Sector Accounting Standards Board, and International Accounting Standards Board; and AICPA literature not cleared by the GASB. In evaluating the appropriateness of all literature, the department should consider the relevance of the literature with the particular circumstances of the transaction or event.

### 16.7.1 | Generally Accepted Accounting Principles

*GASB 14: The Financial Reporting Entity* states that the financial reporting entity consists of the primary government, and organizations for which the primary government is financially accountable. The nucleus of a financial reporting entity usually is a primary government.

As PeopleSoft is the accounting system of record for the reporting entity known as “The City & County of San Francisco”, and as all revenues and expenditures must run through a project within that system, all items reported in the *Comprehensive Annual Financial Report* (CAFR) are associated with the related projects.

*GASB 33: Accounting and Financial Reporting for Non-exchange Transactions* states that, in non-exchange transactions, a government may either give or receive value/benefit to or from another party without directly giving or receiving equal value in exchange. There are typically four classes of non-exchange transactions:

- **Derived tax revenues**

These result from assessments imposed by governments on exchange transactions, such as personal or corporate income tax or sales tax. As these types of revenues are typically earned in the course of operations for the City & County of San Francisco, these revenues would typically be reported in the **Operating Project** type. However, if enabling legislation exists that places purpose restrictions on the related revenues, a different project type may be more appropriate

- **Imposed non-exchange revenues**

These result from assessments on non-governmental entities, other than assessments on exchange transactions. These include property taxes, fines, and seizures. As these types of revenues are also typically earned in the normal course of operations for the City & County of San Francisco, these revenues would typically be reported in the **Operating Project** type. However, if enabling legislation exists that places purpose restrictions on the related revenues, a different project type may be more appropriate

- **Government-mandated non-exchange transactions**

These involve a provider government mandate that a recipient government perform a particular program and fulfill certain requirements essential for the transaction to occur. These transactions tend to mimic grants, and as such may be **Operating, Capital Maintenance, or Technology** projects depending on the nature of the particular program

- **Voluntary non-exchange transactions**

These result from legislative or contractual agreements entered into willingly by two parties. These transactions may also be grants or donations, and as such may be **Operating, Capital Maintenance, or Technology** projects depending on the nature of the program or donation requirements

*GASB 34: Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* establishes accounting and financial reporting standards for general purpose external reporting.

As all PeopleSoft revenues and expenditures that are reported as part of the CAFR must be associated with a project, the financial reporting roll-up of those revenues and expenditures should be taken into account when setting up projects in PeopleSoft, including the identification of specific programs and functions that may require more detailed reporting. This includes reporting under *GASB 54: Fund Balance Reporting and Governmental Fund Type Definitions*.

Refer to the City’s CAFR documents at the following link: <http://sfController.org/index.aspx?page=118>. The Controller’s Office is responsible for preparing the CAFR and verifying all contents included in this report.

## **16.7.2 | City & County of San Francisco Administrative Code**

Local law or *Administrative Code* determines contracting, acquisition, and encumbrance policies and procedures related to project expenditures.

- *Chapter 6* governs public works or improvement contracting policies and procedures, including the procurement of professional design, consulting, and construction management services for public works projects
- *Chapter 21* governs the acquisition of commodities and services. *Chapter 21* shall not apply to contracts for public works or improvements or to contracts for the purchase, sale, or lease of any interest in real property. "Commodity" shall mean products, including materials, equipment and supplies, purchased by the City

## 16.8 | Project Costing Frequently Asked Questions

**Q:** What is the process of deleting a project code once it is created in PeopleSoft?

**A:** Once a project code is created, it cannot be deleted in the system. This provides an audit trail. Additionally, if documents were posted in the project and then abated, the project needs to be in the system for tracking purposes.

**Q:** How are abatements handled in the new financial system?

**A:** For abatements related to charges incurred in a closed fiscal month and being adjusted in the current open fiscal month,  . For correction of charges within the same fiscal month, refer to the policies and procedures for the type of charges for instructions.

Historically, City practice has been to abate expenditures as needed. This need has typically arisen in two situations:

- Work is performed on a project before the designated funding source is actually available; for example, bonds that have been authorized for a project, but not yet issued. When the funding source becomes available, the charges are moved to the bond
- When certain expenditures or labor costs are charged to a grant, and another funding source within the same program/project is deemed more appropriate; for example, a different grant for the same scope has an earlier end-date and, in such a case, the expenditures for labor must be moved to the other funding source

Although abatement may appear convenient at the beginning of, or during, a project, doing so can lead to difficult reconciliations and delays in grant billing or project close-out.

Note that in the PeopleSoft system, abatements will be journal entries in the GL Module. This means that the adjustment won't be in the same module as where the original charges were first recorded. A complete and accurate Notepad detail is required to have a good audit trail when doing abatement from one source and charging to another source.

In the PeopleSoft system, the process of abating will only be available within the current fiscal year. In other words, Fiscal Year 2020 charges may be abated in Fiscal Year 2020, but may not be abated in Fiscal Year 2019 or in Fiscal Year 2021. Once a fiscal year is closed, no abatements will be processed. Therefore, it will be important for departments to plan accordingly and understand their funding sources, especially as they relate to grants and capital projects (where the majority of abatements occur). If abatements are needed for a prior fiscal year, this needs to be communicated to Controller's Office and exceptions will be reviewed on a case-by-case basis.

Departments should plan capital projects to coincide with available funding, rather than beginning projects prior to identifying a funding source. Similarly, project and grant managers should be familiar with the terms of the funding sources used on their projects and should avoid charging unallowable costs.

To ensure that abatements are processed only when necessary, reconciliations of both grants and capital projects should take place on a quarterly basis. Refer to [Section 12.10.3 | Controller's Office Quarterly Grant Reconciliation](#) for the quarterly grants process and to [Section 10 | Assets](#) for the fixed assets quarterly reconciliation process. As part of these reconciliations, departments should compare actual expenditures to the budgeted authority (funding source) to ensure consistency.

**Q:** What details should be included in the Notepad for abatements?

**A:** Required details must include the four points below, at a minimum:

- Reason for abatement
- Employee name(s) and pay period end date(s) for labor-related abatements
- Document number for abatements related to supplier payments
- Grant terms for grant-related abatements showing that charges were incurred within the grant terms

Details can be added as an attachment.

Phase 2 of the PeopleSoft financial system implementation will include the contracts functionality for project revenues. This functionality allows for eligible cost identification, revenue accrual, and billing of collected eligible costs. **[NOTE: Implemented in grants; for project costing, needs to confirm phase 2 implementation]**

**Q:** What is an example of a capital project work breakdown structure?

**A:** Please review the Table below for a capital project WBS.

**TABLE 16-3. EXAMPLE OF CAPITAL PROJECT WORK BREAKDOWN STRUCTURE**

ACTIVITY 1	ACTIVITY 2	ACTIVITY 3
Planning	Project Management	Project Management
Planning	Public Affairs	Public Affairs
Planning	Report & Improve	Project Reporting & Improvement

**ACCOUNTING POLICIES & PROCEDURES**

ACTIVITY 1	ACTIVITY 2	ACTIVITY 3
Planning	Permit & Regulatory	Permitting
Planning	Permit & Regulatory	Regulatory Work
Planning	Contract Procure & Management	Contract Procurement
Planning	Contract Procure & Management	Legal Services
Planning	Contract Procure & Management	Advertising
Planning	Project Development	Needs/Condition Assessment
Planning	Project Development	Facility Space Program
Planning	Planning Work	Planning
Planning	Planning Work	Alternative Assessment/Selection
Planning	Planning Work	Concept Design/Engineering
Planning	Planning Work	Schematic Design
Planning	Planning Work	Surveying
Planning	Planning Work	Site Remediation / Prep
Planning	Planning Work	Produce Plans/Specs
Planning	Environmental Review	Environmental Review
Design	Project Management	Project Management
Design	Public Affairs	Public Affairs
Design	Report & Improve	Project Reporting & Improvement
Design	Permit & Regulatory	Permitting
Design	Permit & Regulatory	Regulatory Work
Design	Contract Procure & Management	Contract Procurement
Design	Contract Procure & Management	Legal Services
Design	Contract Procure & Management	Advertising
Design	Design Work	Design Work
Design	Design Work	Infrastructure Design
Design	Design Work	Building Design Development
Design	Design Work	Building Construction Docs
Design	Design Work	Surveying
Design	Design Work	Site Remediation / Prep
Design	Design Work	Produce Plans
Construction	Project Management	Project Management
Construction	Public Affairs	Public Affairs
Construction	Report & Improve	Project Reporting & Improvement
Construction	Permit & Regulatory	Permitting
Construction	Permit & Regulatory	Regulatory Work
Construction	Contract Procure & Management	Contract Procurement

ACTIVITY 1	ACTIVITY 2	ACTIVITY 3
Construction	Contract Procure & Management	Legal Services
Construction	Contract Procure & Management	Advertising
Construction	Construction Work	Construction Work
Construction	Construction Admin/Support	Construction Admin/Support Work
Construction	Construction Management	Construction Management Work
Construction	Close Out	Close Construction Contracts
Construction	Close Out	Financial Close Out
Construction	Post Construct	Commissioning and Warranty Period
Construction	Post Construct	Planting Establishment

## 17 | ALLOCATIONS & ABATEMENTS

### 17.1 | Allocations

Allocations in PeopleSoft are processed when costs are originally collected in one organization or fund but need to be shared among other organizations or funds. Allocations are set up to perform this on a periodic basis. Only General Ledger and Project Costing Modules are directly affected.

Allocations are appropriate when there is a logical, consistent basis for a journal entry and the entry is made on a periodic basis. If either of these conditions is not met, a manual or spreadsheet upload journal entry is probably more appropriate. Exclusions are described below.

Only the Controller's Office may set up a new allocation. This section provides details on how departments may request a new allocation.

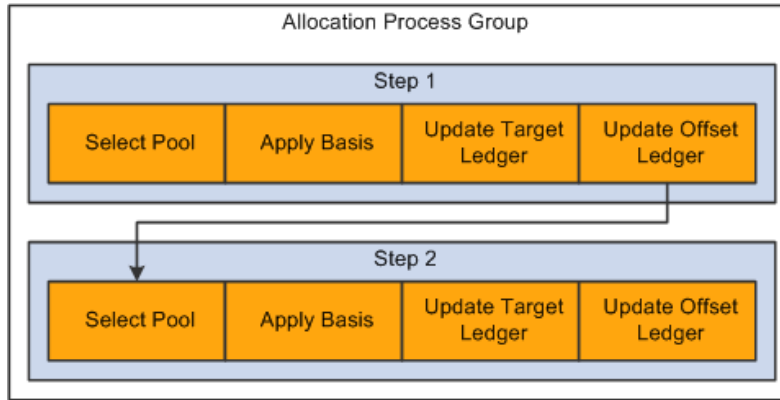
### 17.2 | Terminology (per Oracle PeopleSoft Online Help)

The following are terms used in the allocation process.

- **Allocation Type**  
This is the calculation method for the pool and basis and describes how the basis is used to distribute the pool amounts to the target. Allocations can be done to various units on an equal basis, a fixed basis, a percentage basis based on another table in PeopleSoft, or an arithmetic operation
- **Frequency**  
How often to run the allocation
- **Pool**  
The amount or amounts to be allocated. This amount can originate from a ledger or table, or you can specify a fixed amount
- **Basis**  
Determines how and in what proportion the pool amounts are distributed to the various targets
- **Target**  
This is the destination where the amounts are allocated ("allocating to")
- **Offset**  
Entries that balance the targets ("allocating from"). These entries reflect the clearing of pool amounts as they are transferred to the targets or amounts that offset the target

Note that an allocation may have multiple steps with all the attributes above. Each step is discrete with ledgers updated after each step, as per the below diagram from Oracle PeopleSoft Online Help:

**FIGURE 17-1. PEOPLESOFT ALLOCATION PROCESS**



Other rules:

- Allocations that could be done in a source module should generally be done there instead of using an allocation process
- Allocations in the Project Costing Module will not be available at go-live
- Allocations cannot be implemented that don't have a fixed basis or where there isn't a basis available in PeopleSoft
- Allocations are intended to save time. If more time is spent maintaining the allocation than it saves, an allocation is not appropriate. This is true if frequent changes will need to be made to the allocation
- Allocations cannot be performed on the basis of individual employees (employee ID's)
- Allocations cannot be performed based on project activities
- Other rules that would apply to a manual entry, including rules on use of IDS accounts. Overhead allocations can use overhead accounts
- Allocations have to be set up properly to ensure adequate internal controls; the Controller's Office will discuss these with departments

Departments requesting an allocation should contact the Controller's Office with the following information:

- An accounting justification for why an allocation is necessary



- The pool
- The basis
- The target
- The offset (if not the pool)
- An explanation of how the pool is allocated
- If there are multiple steps, an explanation of each
- Proposed schedule for running the allocation
- Whether it should run automatically
- What approval path the journal entry should take
- The accounting period for recording allocation entries
- Whether entries should reverse and in what accounting period
- How to allocate rounding differences
- How to handle errors encountered in the process

### **17.2.1 | Examples**

The following examples are representative of the allocations in place at go-live:

- An allocation to mimic the LDS overhead allocation in AIR, DPW, and REC
- PUC allocations which are currently run automatically
- DTIS billings that have an allocation basis that currently run through CIMS
- COIT fees on technology store purchases
- Carbon Offsets on air travel

#### **Peoplesoft Labor Distribution Allocations**

These allocations are used to perform allocations for overhead based on a fixed percentage of salaries (the percentage is normally updated annually). In this scenario, certain positions are charged to an overhead fund that recovers from various projects. In FAMIS, this is posted simultaneously with Labor

Distribution System (LDS); however, in PeopleSoft, the labor posts and then the allocation is run based on the posted labor.

**FIGURE 17-2. LDS ALLOCATION SUMMARY & EXAMPLE**

TYPE	FREQ	POOL	BASIS	TARGET	OFFSET
Fixed Percentage	Every pay period	Fund: See below  Dept: 228996  Project: Various  Account: 50100/51300 excluding paid time off S/O's	Fixed Percentage determined annually (ex: 60%)	Fund: same as pool  Dept: 228996  Project: Various  Account: 520290	Fund: 18000  Dept: 228996  Account: Char 486020  Grant: N/A

DESCRIPTION	SOURCE	DEPT	FUND	PROJECT	ACCOUNT	DEBIT	CREDIT
Initial Labor Posting	eMerge	228996	1800 0	N/A	501010	100	
Initial Labor Posting	eMerge	228996	1800 0	N/A	513010	50	
Initial Labor Posting	eMerge	228996	1800 0	N/A	100000		150
Initial Labor Posting	eMerge	228996	1796 0	Proj 1	501010	110	
Initial Labor Posting	eMerge	228996	1796 0	Proj 1	513010	55	
Initial Labor Posting	eMerge	228996	1796 0	Proj 1	100000		165
Initial Labor Posting	eMerge	228996	1798 0	Proj 2	501010	140	

**ACCOUNTING POLICIES & PROCEDURES**

DESCRIPTION	SOURCE	DEPT	FUND	PROJECT	ACCOUNT	DEBIT	CREDIT
Initial Labor Posting	eMerge	228996	1798 0	Proj 2	513010	70	
Initial Labor Posting	eMerge	228996	1798 0	Proj 2	100000		210
Allocation	ALL	228996	1796 0	Proj 1	520290	66	
Allocation	ALL	228996	1796 0	Proj 1	100000		66
Allocation	ALL	228996	1798 0	Proj 2	520290	84	
Allocation	ALL	228996	1798 0	Proj 2	100000		84
Allocation	ALL	228996	1800 0	N/A	100000	150	
Allocation	ALL	228996	1800 0	N/A	486020		150

Note that the percentage above is based on salary budgets; therefore, departments must have, as part of their approved policy, permission to correct over- or under- allocations to the overhead fund.

**PUC Allocations**

An example of a PUC allocation is: Wastewater overhead is charged to labor in Work for Other Governments, Custom Work, Labor using Wastewater's organization code but a non-PUC fund, and the Wastewater Workorder Fund.

**FIGURE 17-3. PUC ALLOCATION SUMMARY & EXAMPLE**

TYPE	FREQ	POOL	BASIS	TARGET	OFFSET
Fixed Percentage	Monthly	Fund: see below Dept. 229309 Project: WWE800 or WWE810 OR Fd NOT: 5C,5W,5T OR Fd: 20210 Account: 50100 LD trans only	Fixed Percentage determined annually (ex: 60%)	Same as pool Acct 520290	Fund: 20160 Dept: 229309 Account: 479999

DESCRIPTION	SOURCE	DEPT	FUND	PROJE CT	ACCOUNT	DEBIT	CREDI T
Initial Labor Posting	eMerge	229309	20210	N/A	501010	50	
Initial Labor Posting	eMerge	229309	20210	N/A	501010	25	
Initial Labor Posting	eMerge	229309	20210	N/A	100000		75
Initial Labor Posting	eMerge	229309	20180	WWE800	501010	100	
Initial Labor Posting	eMerge	229309	20180	WWE800	513010	50	

**ACCOUNTING POLICIES & PROCEDURES**

DESCRIPTION	SOURCE	DEPT	FUND	PROJEC T	ACCOUNT	DEBIT	CREDI T
Initial Labor Posting	eMerge	22930 9	20180	WWE80 0	100000		150
Allocation	ALL	22930 9	20160	N/A	479999	30	
Allocation	ALL	22930 9	20160	N/A	100000		30
Allocation	ALL	22930 9	20160	N/A	479999	60	
Allocation	ALL	22930 9	20160	N/A	100000		60

**DTIS Allocations**

The Department of Technology (DTIS) allocates several types of City-wide IT infrastructure costs. At go-live, DTIS allocations will be primarily for budgeted recoveries; one-twelfth of the budget will be recovered each fiscal month. There are also overhead allocations similar to the LDS allocation listed above.

**FIGURE 17-4. DTIS ALLOCATION SUMMARY & EXAMPLE**

TYPE	FREQ	POOL	BASIS	TARGET	OFFSET
Fixed Percentage	Monthly	Budget in 581210 for all funds, depts	1/12 of annual budget	Same as pool	Fund: 28070  Dept: 232343  Project: Proj. 2  Account: 486710

Example (expenditure budgets shown, not budget entries):

DESCRIPTION	SOURCE	DEPT	FUND	PROJECT	ACCOUNT	DEBIT	CREDIT
Budget		228996	17960	Proj	581210	240	
Budget		232118	23680	Proj	581210	120	
Allocation	ALL	228996	17960	Proj	100000	20	
Allocation	ALL	228996	17960	Proj	581210		20
Allocation	ALL	232343	28070	Proj. 2	486710	20	
Allocation	ALL	232343	28070	Proj. 2	100000		20
Allocation	ALL	232118	23680	Proj	100000	10	
Allocation	ALL	232118	23680	Proj	581210		10
Allocation	ALL	232343	28070	Proj. 2	486710	10	
Allocation	ALL	232343	28070	Proj. 2	100000		10
Allocation	ALL	Etc....					

### Technology Marketplace Fees

Technology Marketplace fees are assessed under the authority of Chapter 22A of the *Administrative Code*, which specifies that purchases made through the Computer Store (also known as the Technology Store) be assessed a 1.9% fee from departments to pay for the costs of administering the Computer Store.

**FIGURE 17-5. TECHNOLOGY MARKETPLACE FEE ALLOCATION SUMMARY & EXAMPLE**

TYPE	FREQ	POOL	BASIS	TARGET	OFFSET
Fixed Percentage	Monthly	All purchases from list of Technology Marketplace contracts from OCA	1.9%	Same fund, dept, account as purchase	Fund: 10000 Dept: 232177 Account: 487990

**ACCOUNTING POLICIES & PROCEDURES**

DESCRIPTION	SOURCE	DEPT	FUND	PROJECT	ACCOUNT	DEBIT	CREDIT
Expenditure	AP	228996	17960	Proj	529110	1000	
Expenditure	AP	228996	17960	Proj	200000		1000
Allocation	ALL	228996	17960	Proj	529110	19	
Allocation	ALL	228996	17960	Proj	100000		19
Allocation	ALL	232177	10000	N/A	100000	19	
Allocation	ALL	232177	10000	N/A	487990		19

**Carbon Offset****FIGURE 17-6. CARBON OFFSET ALLOCATION SUMMARY & EXAMPLE**

TYPE	FREQ	POOL	BASIS	TARGET	OFFSET
Fixed Percentage	Quarterly	All expenditures in subject 521030 and 521040	13%	Same fund, dept, account as purchase	Fund: 12210 Dept: 229994 Project: Proj 2 Account: 487990

DESCRIPTION	SOURCE	DEPT	FUND	PROJECT	ACCOUNT	DEBIT	CREDIT
Expenditure	AP	228996	17960	Proj	521030	300	
Expenditure	AP	228996	17960	Proj	200000		300
Allocation	ALL	228996	17960	Proj	521030	39	
Allocation	ALL	228996	17960	Proj	100000		39
Allocation	ALL	229994	12210	Proj 2	100000	39	
Allocation	ALL	229994	12210	Proj 2	487990		39

## 17.3 | Labor Abatements

The purpose of this section is to provide guidelines for requesting abatement of labor charges between projects and/or various funding sources.

### 17.3.1 | Policy

It is the responsibility of departments to ensure that all labor charges are recorded in the appropriate ChartField combination (account/department/fund/authority/project/activity).

**Employee time at the individual timesheet level is reflected in the Project Costing Module, therefore, timesheet adjustments will need to be made retroactively when it is necessary to change previously recorded time. Departments must have policies and procedures in place to accomplish these objectives and are relevant to their business processes.**

Departments are responsible for reconciling between Project Costing and General Ledger Modules as noted in the Project Costing Section.

### 17.3.2 | Labor Abatement Timeline

Currently, payroll processing for employee timesheets closes completely on the Wednesday following the pay period ending date (deadlines for employees to submit and supervisors to approve are earlier). After payroll is closed to employees and time approvers, only department payroll staff will be able to adjust time in eMerge.

Timesheets in eMerge will allow adjustments for the previous six (6) pay periods.

When department payroll staff process timesheet adjustments while the adjustment period is open, the adjustment will reflect in the Project Costing Module and no journal entry is required.

To reflect an adjustment on the next pay day, submit the adjustment a day before the closing cycle date.

Once the quarterly timesheet period is closed, timesheet adjustments will be done through journal entry by department accounting and finance staff. When timesheet adjustments are done through journal entry, details such as specific days, hours, and employee name will not appear in Project Costing. Printouts of the report detailing the names, dates, and times can be uploaded with the journal entry.



### 17.3.3 | Labor Abatement Procedure

1. Departments must establish adjustment approval procedures that must include, at a minimum, the project manager and accounting department
2. Authorization of specific transactions
  - a. Documentation needed:
    - i. *Labor Charges Abatement Authorization Form* (see [Figure 17-7](#) below), which explains the circumstances necessitating the revisions or adjustments
    - ii. Accounting staff shall certify valid ChartFields and available funding
    - iii. Print-out of the employee timesheet and identification of days and hours that must be abated from one ChartField combination to another
3. Department shall retain records of all available funding sources, and the cost eligibility for those funding sources
4. Time may not be submitted if a ChartFields budget combination does not exist in PeopleSoft. Charges will be posted if the ChartField combination exists but there is insufficient budget
5. This procedure is not for correcting payroll errors; please see your department payroll procedures for instructions on error correction
6. When the source module/eMerge cannot be used, a journal entry will be entered. See Figure \_\_\_\_\_ for journal entry procedures. [PROCEDURES IN PEOPLESOFT SCREENSHOTS WILL BE ADDED].

#### Other Notes

- As noted above, departments are responsible for having appropriate policies and procedures in place for adjustment of time. Please consult with the Controller's Office to implement policies and procedures
- Labor reporting will be available in Oracle BI [WILL UPDATE WITH DETAILS]
- A funds distribution in Project Costing Module can be used to allocate grant costs; in such cases an entry does not need to be made the source module (eMerge)
- For Time Study grant billing, which requires departments to wait until the end of the quarter to calculate specific amount or percentage adjustments, and especially where specific days and hours worked are not the basis for billing for the entire quarter, journal entries may be more appropriate. Departments should consult with Controller's Office Fund Accountants

- When there are retroactive pay adjustments for an employee, consult with department payroll staff to ensure charges are correct. A journal entry may be needed
- Adjustments will only be made in eMerge. For departments with time entry subsystems that interface to eMerge, departments must have policies and procedures to update their subsystem if necessary for reporting, record-keeping, or other purposes
- When an adjustment is completed, the accountant can check the Project Costing and General Ledger Modules
- Departments need to ensure that subsequent adjustments are included when an allocation is run based on posted timesheets. For example, if an overhead calculation is based on bi-weekly payroll, an entry will have to be made to correct the allocation

**FIGURE 17-7. LABOR ABATEMENT AUTHORIZATION FORM**

LABOR CHARGES ABATEMENT AUTHORIZATION FORM			
		Journal Entry #	
REQUESTOR INFORMATION			
NAME:			
BUREAU:		Phone No.:	
SIGNATURE:		Date:	
Project INFORMATION - please attach detailed supporting documents-timesheet			
A. Project Number Abating from:			
Fiscal Year / Mo			
Project Description:			
Funding Source Description:			
B. Project Number Abating To:			
Project Description:			
Funding Source Description:			
Brief explanation for the abatement request(before the quarter is closed).			
Brief explanation for the abatement request(after the quarter is closed).			
CERTIFICATION (To be a part of the FAMIS transaction)			
It is certified that the funding sources of the project above is eligible for recording labor charges amounting to \$XXX,XXX.			
BUREAU MANAGER/PROJECT MANAGER (Responsible Bureau accepting the charges)			
BUREAU:		Phone No.:	
SIGNATURE:		Date:	
Accounting - To verify funding availability & project code			
Project Accountant		Date:	
Accounting Manager		Date:	
Departmental Payroll Staff			
SIGNATURE:		Date:	

**FIGURE 17-8. ATTACHMENT TO LABOR ABATEMENT FORM**

**A - Normal Timesheet -Submitted by Employee and Approved by Dept.**

		Total	Time Reporting Code	Dept Code	Shift	Business Unit	PS Project	PS Account
18-Feb	Sat							
19-Feb	Sun							
20-Feb	Mon	8	Project A	229222	1	STDBU		501010
21-Feb	Tue	8	Project A	229222	1	STDBU		501010
22-Feb	Wed	8	Project A	229222	1	STDBU		501010
23-Feb	Thu	8	Project A	229222	1	STDBU		501010
24-Feb	Fri	8	Project A	229222	1	STDBU		501010
	<b>Total</b>	<b>40</b>						

**B - Corrected Timesheet - to be updated by dept. payroll clerk before the payroll cycle closing date of 6th pay period ending.**

		Total	Time Reporting Code	*Taskgroup	Shift	Business Unit	FAMIS Project Dtl	FAMIS Index Code
18-Feb	Sat							
19-Feb	Sun							
20-Feb	Mon	8	Project A	229222	1	STDBU		501010
21-Feb	Tue	8	Project A	229222	1	STDBU		501010
22-Feb	Wed	8	Project B	229222	1	STDBU		501010
23-Feb	Thu	8	Project C	229222	1	STDBU		501010
24-Feb	Fri	8	Project D	229222	1	STDBU		501010
	<b>Total</b>	<b>40</b>						

**C - Changes made behind the scene / auto generated by the system after Dept. Payroll clerk corrected the timesheet.**

		Total	Time Reporting Code	*Taskgroup	Shift	Business Unit	PS Project	PS Account
18-Feb	Sat							
19-Feb	Sun							
22-Feb	Wed	-8	Project A	229222	1	STDBU		501010
22-Feb	Wed	8	Project B	229222	1	STDBU		501010
23-Feb	Thu	-8	Project A	229222	1	STDBU		501010
23-Feb	Thu	8	Project C	229222	1	STDBU		501010
24-Feb	Fri	-8	Project A	229222	1	STDBU		501010
24-Feb	Fri	8	Project D	229222	1	STDBU		501010
	<b>Total</b>	<b>0</b>						

## 17.4 | Non-Labor Abatements

This section provides instructions on how to process abatements of non-labor charges between various funding sources.

A voucher may be posted to an incorrect or unallocated ledger account. Adjustments should originate from the Accounts Payable Module, not the General Ledger Module. Exceptions will be reviewed by the Controller's Office on a case by case basis. Specifically, Departments should use a \$0.00 regular voucher. See the [\\$0.00 Regular Voucher Job Aid](#) for additional information.

As noted in the Job Aid, Departments should not group multiple adjustments under one \$0.00 voucher. \$0.00 vouchers should have a 1-to-1 relationship with their related voucher.

\$0.00 vouchers may only be used for a prior year adjustment if the funds are continuing. \$0.00 may not be used for prior years vouchers for annual funds.

When possible, \$0.00 vouchers should use the same accounting date as their original vouchers. If the accounting date of the original voucher falls in a closed quarter (e.g. processing a \$0.00 voucher in Q3 for a Q2 voucher), users may use an accounting date in the current, open quarter.

## 18 | HOW-TO & SCREENSHOTS\*

Please refer to the following resources for step-by-step processing guidelines in PeopleSoft:

- User Flash alerts as distributed by the Accounting Operations division. The directory of alerts can be found at [www.sfcontroller.org/famis-home](http://www.sfcontroller.org/famis-home)
- Job Aids at [www.sfemployeeportalsupport.sfgov.org](http://www.sfemployeeportalsupport.sfgov.org)

Listed below are the links to the Flash Alerts and Job Aids by their respective functional areas. Note this is not a comprehensive list and departments should use the links above for additional resources.

### 18.1 | General

#### 18.1.1 | Work Flow

1. [Workflow Approval Sequence Matrix](#)
2. [Supplier Contract Approval Workflow](#)

### 18.2 | Accounts Payable

1. [Accounts Payable: Advances for allowed Non-PO payments \(Regular Voucher\)](#)
2. [Accounts Payable: Inquiries, Reports and Queries](#)
3. [Accounts Payable: Review Voucher Accounting Entries](#)
4. [Accounts Payable: Template Voucher](#)
5. [Accounts Payable: Entering 1099 Withholding Vouchers](#)
6. [Accounts Payable: Single Payment Voucher](#)
7. [Accounts Payable: \\$0.00 Voucher](#)
8. [One Time Vendors and the 1099 process](#)
9. [Accounts Payable: Sales Tax on Voucher with Discounted Payment Terms](#)
10. [Impact of Voucher Deletion/Reuse on Purchase Orders](#)
11. [Payment Methods – General Info](#)

## **18.3 | Cash Receipts**

1. [Accounts Receivable: Processing Deposits and Payments](#)
2. [Accounts Receivable: Review & Update AR Deposits from CityWide Wire Account for unidentified receipts](#)
3. [Accounts Receivable - Review Payment Status](#)

## **18.4 | Inquiry/Report**

1. [Creating a Template for Recurring Entries](#)
2. [Common GL Reports and how to create them](#)
3. [Resource Roster PO Balance Queries Job Aid](#)

## **18.5 | Journal/Budget Entry**

1. [General Journal Entry Reminders](#)
2. [Budget Journal and Budget Transfers](#)
3. [Commitment Control \(KK\) Budget Overview](#)
4. [How to create a Journal Entry](#)
5. [Creating a Template for Recurring Entries](#)
6. [Uploading Attachments](#)

## **18.6 | Employee Reimbursement**

1. [Submit Employee Reimbursement](#)
2. [Reconcile Cash Advance](#)
3. [Expense Report Delegates](#)
4. [Closing of a Cash Advance](#)
5. [Applying Cash Advance to Expense Report](#)
6. [Creating User Expense Report Template](#)

7. [Creating User Travel / Expense Authorization Template](#)
8. [Cancel / Close Travel Authorizations](#)

## **18.7 | Purchasing**

### **18.7.1 | Purchase Order**

1. [Find My Converted Contract or Purchase Order](#)
2. [How to Determine if a Contract ID is Associated with My PO](#)
3. [Create PO](#)
4. [Change Order/Cancel/Close/Finalize Purchase Orders](#)
5. [Cleanup: Retainage/Liens](#)

### **18.7.2 | Contract (BPO)**

1. [Supplier Contract Management: Attaching External Contract](#)
2. [Create Departmental Contract \(BPO\)](#)

### **18.7.3 | Requisition**

1. [Create a Requisition](#)

### **18.7.4 | Information Technology**

1. [CIO Review Policy](#)

## **18.8 | Vendor (Supplier)**

1. [Supplier Crosswalk](#)



## 19 | APPENDICES\*

### 19.1 | M&IE allowances per MOU (Travel Reimbursement)

IN PROGRESS

### 19.2 | Robbery Procedures (Cash Handling)

IN PROGRESS

### 19.3 | San Francisco Administrative Code, Chapter 6

#### PUBLIC WORKS CONTRACTING POLICIES AND PROCEDURES

##### Article

##### I. GENERAL PROVISIONS

##### II. CONSTRUCTION CONTRACTING

##### III. PROFESSIONAL SERVICES CONTRACTING

##### IV. EXEMPTIONS FROM AND ALTERNATIVES TO COMPETITIVE BIDDING

##### V. VIOLATIONS OF ADMINISTRATIVE CODE CHAPTER 6; FALSE CLAIMS; PROCEDURES FOR DEBARMENT; MONETARY PENALTIES

#### 19.3.1 | Article I: General Provisions

Sec. 6.0. Scope of Chapter.

Sec. 6.1. Definitions.

Sec. 6.2. Departments or Commissions Empowered to Contract for Public Works or Related Professional Services.

Sec. 6.3. Contracting Powers and Procedure.

Sec. 6.4. Preference for Local Manufacturers and Industry; Recycled Content Materials.

Sec. 6.5. Compliance with Nondiscrimination Provisions.

- Sec. 6.6. Federally-funded or State-funded Contracts.
- Sec. 6.7. Void Contract.
- Sec. 6.8. Severability.
- Sec. 6.9. Sub-contractor and Sub-consultant Limitation of Rights.

19.3.1.1 | SEC. 6.0. SCOPE OF CHAPTER

Chapter 6 shall govern public work or improvement contracting policies and procedures, including the procurement of professional design, consulting and construction management services for public work projects.

(Added by Ord. 286-99, File No. 991645, App. 11/5/99)

19.3.1.2 | SEC. 6.1. DEFINITIONS

(A) **Advertisement For Bid.** An Advertisement For Bid is a set of documents which includes without limitation the published advertisement for bids on a construction contract; the forms to be submitted with a bid, as required by the contracting department and the Human Rights Commission; the construction contract general and special conditions; and the plans and specifications for the public work or improvement.

(B) **Award.** For contracts in excess of the Threshold Amount as defined below, a contract is awarded by the City and County of San Francisco when the following events have occurred:

(1) For departments under the Mayor, (a) the Mayor or the Mayor's designee has approved the contract for award and (b) the Department Head has then issued an order of award;

(2) For departments with boards or commissions, (a) the Department Head has recommended to the board or commission concerned a contract for award and (b) such board or commission has then adopted a resolution awarding the contract.

For contracts less than or equal to the Threshold Amount as defined below, a contract is awarded when the Department Head either signs the contract or issues an order of award, whichever occurs first. Pursuant to Charter Section 3.105, all contract awards are subject to certification by the Controller as to the availability of funds.

(C) **Bid.** A sealed document submitted in response to an Advertisement For Bids. No bid shall be deemed accepted by the City and County of San Francisco until such time as the contract is awarded in accordance with this Chapter.

(D) **Bidder.** One who submits a bid in response to an Advertisement For Bids.

(E) **Construction Manager.** Any individual, firm, partnership, corporation, association, joint venture or other legal entity permitted by law to furnish construction management services to the City and County.

(F) **Contract.** For the purposes of this Chapter, a contract is an agreement in writing between the City and County of San Francisco and any party to perform professional design services, consultant services, construction management services or construction services relative to a public work or improvement. No contract shall be deemed awarded effective or binding on the City and County of San Francisco until such time as the requirements for award are met, as provided in this Chapter.

(G) **Contractor.** A party who contracts directly with the City and County of San Francisco to perform professional design services, consultant services, construction management services or construction services relevant to a public work or improvement. A contractor performing construction services may also be referred to as a "general contractor" or a "prime contractor."

(H) **Department Head.** The duly appointed General Manager, Director, or Executive Director of a City and County of San Francisco department authorized to perform public work under this Chapter. For purposes of this Chapter only, an authorized Department Head may designate an individual to execute on his or her behalf any document referenced in this Chapter, including but not limited to Contracts, Change Orders, Modifications, Service Orders, Task Orders, approvals, progress payments, and certificates of completion. Such designation shall be in writing and shall identify the individual by name and title and the scope and term of the designation.

(I) **Prevailing Wage or Prevailing Rate of Wage.** The prevailing wage, as used in this Chapter, is the highest general prevailing rate of wage plus "per diem wages" and wages paid for overtime and holiday work paid in private employment in the City and County of San Francisco for the various crafts and kinds of labor employed in the performance of any public work or improvement under this Chapter. "Per diem wages" are defined pursuant to Labor Code section 1773.1, as amended from time to time.

(J) **Public Work or Improvement.** A public work or public work or improvement, as used in this Chapter, is any erection, construction, renovation, alteration, improvement, demolition, excavation, installation, or repair of any public building, structure, infrastructure, bridge, road, street, park, dam, tunnel, utility or similar public facility performed by or for the City and County of San Francisco, the cost of which is to be paid wholly or partially out of moneys deposited in the Treasury of the City and County.

(K) **Responsible.** A responsible bidder or contractor is one who (1) meets the qualifying criteria required for a particular project, including without limitation the expertise, experience, record of prior timely performance, license, resources, bonding and insurance capability necessary to perform the work under the contract and (2) at all times deals in good faith with the City and County and shall submit bids, estimates, invoices claims, requests for equitable adjustments, requests for change orders, requests for contract modifications or requests of any kind seeking compensation on a City contract only upon a good faith honest evaluation of the underlying circumstances and a good faith, honest calculation of the amount sought.

(L) **Responsive.** A responsive bid is one that complies with the requirements of the subject Advertisement For Bids without condition or qualification.

(M) **Threshold Amount.** The Threshold Amount, for the purposes of this Chapter, is \$400,000. On January 1, 2015, and every five years thereafter, the Controller shall recalculate the Threshold Amount to reflect any proportional increase in the Urban Regional Consumer Price Index from January 1, 2010, rounded to the nearest \$1,000.

(Added by Ord. 286-99, File No. 991645, App. 11/5/99; amended by Ord. 324-00, File No. 001919, App. 12/28/2000; Ord. 208-02, File No. 021221, App. 10/18/02; Ord. 19-10, File No. 091163, App. 2/10/2010; Ord. 96-10, File No. 100332, App. 5/13/2010)

19.3.1.3 | SEC. 6.2. DEPARTMENTS OR COMMISSIONS EMPOWERED TO CONTRACT FOR PUBLIC WORKS OR RELATED PROFESSIONAL SERVICES

Except as otherwise provided, the departments or commissions empowered on behalf of the City and County of San Francisco to contract for public works or improvements or professional services related to a public work or improvement are the Department of Public Works, the Municipal Transportation Agency, and the Airport, Port, Public Utilities, and Recreation and Park Commissions. All other departments or commissions must procure construction or related professional services through the Department of Public Works.

(Added by Ord. 286-99, File No. 991645, App. 11/5/99; amended by Ord. 118-00, File No. 000478, App. 6/2/2000; Ord. 58-05, File No. 041571, App. 4/1/2005)

19.3.1.4 | SEC. 6.3. CONTRACTING POWERS AND PROCEDURE

(A) **Public Work or Professional Service Contracts Less Than or Equal to the Threshold Amount.**

The Department Head may award any construction contract or professional services contract of less than or equal to the Threshold Amount. For such contracts, approval of the Mayor, commission or board concerned is not required.

(B) **Public Work or Professional Service Contracts in Excess of the Threshold Amount.**

(1) **Departments under the Mayor.** For departments under the Mayor, the Mayor or the Mayor's designee shall approve for award all public work and professional service contracts in excess of the Threshold Amount and the Department Head may then issue an order of award.

(2) **Departments under Boards or Commissions.** The Department Head shall recommend to the board or commission concerned the award of all public work and professional service contracts in excess of the Threshold Amount and such board or commission may then adopt a resolution awarding the contract.

(C) **Certification Required.** In accordance with Section 3.105 of the San Francisco Charter, all contract awards are subject to certification by the Controller as to the availability of funds.

(D) **Execution of Contracts.** Following all necessary approvals, orders or resolutions and execution by the contractor, the Department Head shall execute in duplicate all contracts, modifications and change orders.

(Added by Ord. 286-99, File No. 991645, App. 11/5/99)

19.3.1.5 | SEC. 6.4. PREFERENCE FOR LOCAL MANUFACTURERS AND INDUSTRY; RECYCLED CONTENT MATERIALS

(a) **Local preference.** Whenever any preference in favor of local manufacturers or industry is provided by State law or ordinance or resolution of the Board of Supervisors, the same shall apply to contracts under this Chapter.

(b) **Recycled Content Materials.**

(1) **Requirement.** The Department Head or officer calling for bids shall specify recycled content materials, rather than virgin materials, to the maximum extent feasible in the Advertisement for Bids and plans for all contracts for public works or improvements.

(2) **Definitions.** For the limited purpose of this subsection, the following terms shall have the following meanings: (A) "feasible" means that recycled content materials meet the requirements of the California Building Code or other adopted standards or regulations for each of the materials and its intended use, are permitted to be used in the manner specified in the bid specifications under Federal, State and local law, are available within the project's time line, and are comparable in price to virgin materials, and (B) "recycled content materials" means a building component utilized in place of raw or virgin material that is either reclaimed for reuse from a prior structure or assembly, or a building material or component manufactured in part from waste materials and/or by-products recovered or diverted from solid waste, excluding those materials and by-products generated from, and commonly reused within, an original manufacturing process.

(3) **Department of the Environment, Reports.** Contract Awarding Authorities shall (a) consult with the Department of the Environment regarding available recycled content products that meet the needs of the department; and (b) include information on recycled content material used on public works contracts in the annual reporting to the Department of the Environment specified in the Environment Code. (Added by Ord. 286-99, File No. 991645, App. 11/5/99; Ord. 53-07, File No. 070083, App. 3/23/2007)

#### 19.3.1.6 | SEC. 6.5. COMPLIANCE WITH NONDISCRIMINATION PROVISIONS

(A) **Application of Administrative Code Chapters 12B, 12C and 12D.A.** Notwithstanding any other provision of this *Administrative Code*, all contracts awarded under this Chapter shall be awarded in accordance with the applicable requirements and procedures established in this Chapter and Chapters 12B, 12C and 12D.A.

Any contract for the construction, reconstruction or repair of public buildings, streets, utilities or other public work or improvement estimated to cost in excess of \$10,000,000 shall be awarded in accordance with the provisions of this Chapter, except that the bid discount provisions of Chapter 12D.A shall not be applicable.

(B) **Review by the Human Rights Commission.** The Human Rights Commission (the "HRC") shall review all contracts under this Chapter to determine compliance with *Chapter 12B, 12C and Chapter 12D.A of the San Francisco Administrative Code*. Such review shall occur as soon as practicable, but prior to award of any such contract. Noncompliance shall be resolved in accordance with *Administrative Code* section 12D.A.16.

The HRC Director may waive the review of any contract subject to this Chapter. The HRC Director shall transmit a memorandum to the Human Rights Commission as soon as possible reporting such waiver. The Director's memorandum regarding the review waiver shall be a public document. The Commission may disapprove the Director's decision to waive review. The HRC's decision to disapprove must be made within 30 days of receipt of the Director's memorandum but in no event subsequent to the award of any

contract. Failure to complete the review of any contract within 60 days of the date bids are received by the City shall constitute a waiver under this subsection.

Any duties required of the HRC under this section may be delegated by the Human Rights Commission to the HRC Director.

(Added by Ord. 286-99, File No. 991645, App. 11/5/99)

#### 19.3.1.7 | SEC. 6.6. FEDERALLY FUNDED OR STATE FUNDED CONTRACTS

(A) **Time for Award.** For all contracts that are fully or partially funded by Federal or State grants, loans or other governmental source, the department concerned shall not be required to award such contracts until 120 days from the date bids are received. Such time may only be extended prior to award of the contract and only upon (a) written agreement of the apparent responsible bidder with the lowest responsive bid; (b) approval by the Mayor or the Mayor's Designee or by resolution of the board or commission concerned; and (c) any necessary approvals of the Federal, State or other governmental funding agency.

(B) **Contract Terms.** In all contracts for the construction of any public work or improvement which involves the use of any funds furnished, given or loaned by the government of the United States or the State of California, all laws, rules and regulations of the government of the United States or the State of California or of any of its departments relative to the performance of such work and the conditions under which the work is to be performed, shall prevail over the requirements of this Chapter when such laws, rules or regulations are in conflict.

(Added by Ord. 286-99, File No. 991645, App. 11/5/99)

#### 19.3.1.8 | SEC. 6.7. VOID CONTRACT

Any public works or related professional services contract or subcontract that is not awarded in accordance with the requirements or which does not comply with the provisions of this Chapter shall be null and void; and no recovery shall be had thereon. Any officer, board or commission who shall sign, execute or approve such a contract shall be deemed guilty of misfeasance in office.

(Added by Ord. 286-99, File No. 991645, App. 11/5/99; amended by Ord. 324-00, File No. 001919, App. 12/28/2000)

#### 19.3.1.9 | SEC. 6.8. SEVERABILITY

If any provision of this Chapter or any application thereof to any person or circumstances is held invalid, such invalidity shall not affect other provisions or application of this chapter which can be given effect without the invalid provision or application, and to this end the provisions of this Chapter are declared to be severable.

(Added by Ord. 7-02, File No. 011675, App. 1/25/2002)

19.3.1.10 | SEC. 6.9. SUB-CONTRACTOR AND SUB-CONSULTANT LIMITATION OF RIGHTS

Except as otherwise expressly provided by law or contract, no sub-contractor, sub-consultant, or other person or business entity shall be a third-party beneficiary to any contract awarded in accordance with this Chapter, or to any modification or any resolution of any claim arising out of any such contract.

(Added by Ord. 58-05, File No. 041571, App. 4/1/2005)

## 19.3.2 | Article II: Construction Contracting

Sec. 6.20. Public Work Contracts Generally.

Sec. 6.21. Requirements for Bids and Quotes.

Sec. 6.22. Public Work Construction Contract Terms and Working Conditions.

Sec. 6.23. Public Works to be Performed by the City; Bids by City Departments; Procedure Upon Rejection or Failure of Bids.

Sec. 6.24. Office of Labor Standards Enforcement; Prevailing Wage Requirements.

Sec. 6.25. Contract Requirements for Clean Construction.

19.3.2.1 | SEC. 6.20. PUBLIC WORK CONTRACTS GENERALLY

(A) **Public Works In Excess of the Threshold Amount.** Except as otherwise provided by the Charter or the *Administrative Code*, any public work or improvement estimated to cost more than the Threshold Amount shall be performed under contract awarded to the responsible bidder submitting the lowest responsive bid. To split or divide any public work or improvement into two or more contracts for the purpose of evading this section shall constitute official misconduct.

(B) **Public Works Less Than or Equal to the Threshold Amount.** Any public work or improvement estimated to cost less than or equal to the Threshold Amount may be performed (a) under contract or (b) by City and County employees. If the work is to be performed under contract, the department shall obtain not fewer than three quotes and shall award the contract to the responsible bidder offering the lowest quotation. If the department is unable to obtain three quotes, the award may be based on the quote or quotes received. The department administering the contract shall maintain records as to whom the request for quotations was directed and the quotations received. It is the policy of the Board of Supervisors for contracting departments to make every effort to eradicate prejudice and favoritism in the award of City contracts. In order to effectuate this policy, the Department Heads authorized to enter into construction contracts and their staff members shall collaborate with the HRC Director and HRC staff members periodically to create a list of responsible contractors qualified to perform various types of public work for projects estimated to be less than the Threshold Amount, making every effort to include qualified, responsible, and certified LBE contractors on that list. The HRC shall be responsible for outreach efforts to make sure that certified LBE contractors are aware of the opportunity to be considered for the list. The contract awarding departments or commissions shall be responsible for evaluating and



determining whether contractors are responsible and qualified to perform the various scopes of work. The Department Heads authorized to execute construction contracts shall report quarterly to the Board of Supervisors regarding LBE inclusion on the list of responsible and qualified contractors for public work contracts estimated to be less than or equal to the Threshold Amount, a description of the scope of work and price for each contract awarded under this section, the name of the contractor awarded the contract and whether the contract was awarded to an LBE contractor. Such reports shall be referred to a Board committee for public hearing.

(C) **Estimates Required.** For public works or improvements in excess of the Threshold Amount, no Department Head shall recommend a construction contract for or issue an order of award without preparing detailed program requirements and detailed estimates for the work to be performed. There shall be a separate accounting for each work or improvement, which accounting shall include all direct, indirect and supervisory elements of costs chargeable to such work or improvement. All such accounts shall be reported to the Controller and to either the Mayor or the Mayor's Designee or to the board or commission concerned, as appropriate.

(D) **Comparison of Bids on Basis of Time of Completion.** The Department Head concerned is authorized to compare bids on the basis of time of completion and any contract awarded in consideration, in whole or in part, of the relative time estimate of bidders for completion of the work, shall be subject to the provisions of this Chapter.

(E) **Time for Award.** Except when a contract is funded by Federal or State grants or funds, all public work contracts shall be awarded within ninety (90) days of the date the City and County receives the bids. Such time may only be extended prior to award of the contract and only upon written agreement of the apparent responsible bidder with the lowest responsive bid and approval by the Department Head.

(F) **Prequalification.** Department heads authorized to execute public work contracts may require that prospective bidders be prequalified to bid either on a specific project or on an identified group of projects. The procedure for prequalification is as follows:

(1) The Department Head shall issue a prequalification statement. The prequalification statement may, at the discretion of the Department Head, be issued in conformance with Public Contract Code section 20101 and/or the California Department of Industrial Relations Model Pre-Qualification Questionnaire. The Department Head may, at his/her own discretion, apply the Model guidelines for scorable questions and scoring as the basis for any prequalification. The Department Head may also, at his/her own discretion, issue the Model with additional questions or may use an alternative questionnaire. The Department Head responsible for the public work may include in any questionnaire a request for special qualifications, experience or expertise necessary to perform the project or projects for which the prequalification is sought. For any project-specific information required, the department shall set objective scoring criteria and incorporate the criteria into any scoring procedure.

(2) The department responsible for the public work shall advertise any prequalification questionnaire in the same manner required for bids, as set forth in Section 6.21 of this Chapter.

(3) Prequalification shall be valid for not more than two years following the date of initial prequalification.



(4) A prospective bidder may dispute a finding that he/she is not prequalified. The dispute and request for review must be in writing and received by the department within ten calendar days from the date the department issued notice of non-prequalification. The department shall then provide the prospective bidder with the basis for its finding and any supporting evidence used in the determination. The department shall give the prospective bidder the opportunity to rebut the evidence provided and to present evidence as to why the prospective bidder should be found qualified. If a bidder fails to avail itself of this dispute process, the department's finding shall become final without further notice. Failure to be prequalified shall not by itself preclude a prospective bidder from participating in other or future prequalifications.

(Added by Ord. 286-99, File No. 991645, App. 11/5/99; amended by Ord. 58-05, File No. 041571, App. 4/1/2005; Ord. 19-10, File No. 091163, App. 2/10/2010)

#### 19.3.2.2 | SEC. 6.21. REQUIREMENTS FOR BIDS AND QUOTES

(A) **Bids.** All Advertisements For Bids for construction contracts in excess of the Threshold Amount shall conform to and at a minimum require the following:

(1) **Published Advertisement.** The Department Head authorized to execute the contract for the public work or improvement to be performed shall advertise for competitive bids in at least one local newspaper or periodical of general circulation. Such advertisement shall be published not fewer than ten (10) days prior to bid opening. The department may, in its discretion, include in the published advertisement the amount of the engineer's estimate for the work to be performed.

(2) **Award and Certification Required.** All published advertisements and Advertisements For Bid shall contain the following language [wording in brackets should be chosen as appropriate to the department]:

In accordance with San Francisco *Administrative Code* Chapter 6, no bid is accepted and no contract in excess of [the Threshold Amount] is awarded by the City and County of San Francisco until such time as [(1) for departments with boards or commissions, (a) the Department Head recommends the contract for award and (b) the board or commission then adopts a resolution awarding the contract]; or [(2) for departments under the Mayor, (a) the Mayor or the Mayor's designee approves the contract for award and (b) the Department Head then issues an order of award.] Pursuant to Charter Section 3.105, all contract awards are subject to certification by the Controller as to the availability of funds.

Failure of a department to include such language in a published advertisement or Advertisement For Bids does not give rise to a contract right by a bidder or contractor outside of the requirements of the Charter or *Administrative Code* of the City and County of San Francisco.

(3) **Form of Bid.** All bids shall be sealed and directed to the Department Head advertising for bids, in the format prescribed by the Department Head with the authority to execute the contract.

(4) **Bid Bond.** All bids in excess of \$25,000.00 shall be accompanied by a corporate surety bond, or an irrevocable letter of credit on a bank or trust company doing business and having an office in the State of California, having a combined capital and surplus of at least \$50,000,000.00, and subject to supervision or examination by Federal or State authority, or a certified check on a bank or trust company doing business and having an office in the State of California, having a combined capital and surplus of

at least \$50,000,000, and subject to supervision or examination by Federal or State authority, payable on sight to the City and County of San Francisco, the amount of which corporate surety bond, irrevocable letter of credit or certified check shall be fixed by the Department Head or officer as stated in the Advertisement For Bids, which amount shall not be less than 10 percent of the amount bid for the cost of the proposed work of improvement, and no bid shall be considered unless accompanied by a corporate surety bond or irrevocable letter of credit or certified check. Any irrevocable letter submitted pursuant to this Chapter shall be on a form provided by the City and County. If the amount of security required is fixed by the Department Head or officer in an amount in excess of \$15,000.00, the form of security required shall be that of a corporate surety bond or irrevocable letter of credit. The requirement for a corporate surety bond, irrevocable letter of credit or certified check described in this subsection shall be referred to collectively as the "bid security requirements."

Notwithstanding the above, the bid security requirements for a particular contract may be modified by the Department Head in accordance with *Administrative Code* Chapter 14B.

(5) **Fees.** The Department Head or officer calling for bids may specify in the Advertisement For Bids for any project a nonrefundable fee to be paid by each prospective bidder for each set of bidding documents (including plans and specifications), such fee to defray the cost of reproducing each set of bidding documents as determined by the Department Head or officer, and all such fees shall be deposited as an abatement of the expenditure of the appropriation against which the cost of reproducing said bidding documents was charged.

(6) **License.** The Department Head shall specify in all Advertisements For Bids and plans for public work projects the classification of the contractor's license which a contractor shall possess at the time bids are submitted. Bidders and their sub-contractors are required to be properly licensed at the time of bid.

(7) **Qualifications.** The Department Head responsible for the public work shall require from all bidders information concerning their experience and financial qualifications and shall take such information into consideration in the award of any contract. At a minimum the Department Head shall require (1) information concerning the contractor's experience, financial qualifications and ability to perform the terms and conditions of the contract and (2) information as to whether the contractor possesses, or can obtain in time to perform the contract, the necessary equipment. In the event that a bidder fails to provide such information within fourteen calendar days of bid opening, or as otherwise required in the Advertisement For Bids, the Department Head could find that the bidder is refusing to enter into the contract, resulting in a forfeiture of the bidder's bid bond.

(8) **Business Tax Registration Certificate.** All Advertisement For Bids shall require that bidders submit proof of a current Business Tax Registration Certificate. Failure of a bidder to provide such proof within fourteen (14) calendar days of bid opening, or as otherwise required in the Advertisement For Bids, could, at the discretion of the Department Head, constitute a refusal to enter into the contract and result in a forfeiture of the bid bond.

(9) **Designation of Sub-contractors; Sub-contracting and Sub-letting.** All bidders shall designate their sub-contractors in accordance with and shall be subject to the California Subletting and Subcontracting Fair Practices Act, at Public Contract Code Section 4100 et seq., as amended from time-

to-time. In addition to the penalties provided by Public Contract Code Section 4100 et seq., violation of this subsection may be grounds for a determination of nonresponsibility under Article V of this Chapter.

(10) **Work to Be Performed by General Contractor.** The Advertisement For Bids may specify the portion of work which must be performed by the General Contractor using his/her own forces. The specification may require the General Contractor to perform with his/her own forces up to 25% of the base contract work. Bidders must certify with their bids that, if awarded the contract, they will perform with their own forces the specified percentage of the total bid price (excluding alternates).

(B) **Quotes.** All requests for quotes for construction contracts less than or equal to the Threshold Amount shall be posted with three-days' notice. Such requests shall at a minimum require a contractor's license, qualifications, a Business Tax Registration Certificate, participation in an apprenticeship program and compliance with sub-contractor listing laws, all in accordance with the listed provisions of Sections 6.21 and 6.22.

(C) **Right to Reject Any or All Bids or Quotes.** The Department Head shall have the right to reject any or all bids or quotes for any reason or no reason. All Advertisement For Bids shall reserve this right, but failure to make such reservation shall not abrogate the right to reject.

(D) **Bid Protests.** Only a bidder may submit a bid protest. The Department Head concerned shall prescribe in the Advertisement For Bids procedures for submitting bid protests. Such procedures shall set the time by which bid protests must be received but may not require that bid protests be submitted fewer than five (5) business days after the date bids are due.

(Added by Ord. 286-99, File No. 991645, App. 11/5/99; amended by Ord. 153-00, File No. 000805, App. 6/30/2000; Ord. 324-00, File No. 001919, App. 12/28/2000; Ord. 7-02, File No. 011675, App. 1/25/2002; Ord. 208-02, File No. 021221, App. 10/18/02; Ord. 58-05, File No. 041571, App. 4/1/2005; Ord. 19-10, File No. 091163, App. 2/10/2010)

#### 19.3.2.3 | SEC. 6.22. PUBLIC WORK CONSTRUCTION CONTRACT TERMS AND WORKING CONDITIONS

All construction contracts awarded by the City and County of San Francisco shall contain the following minimum terms and conditions:

(A) **Bonds.** Before the execution of any contract for public work or improvement in excess of \$25,000, the Department Head authorized to execute such contracts shall require the successful bidder to file corporate surety bonds for the faithful performance thereof and to guarantee the payment of wages for services engaged and of bills contracted for material, supplies and equipment used in the performance of the contract. The bond shall be for a sum not less than 100 percent of the award.

The City and County of San Francisco, acting through its Human Rights Commission ("HRC"), intends to provide guarantees to private bonding assistance companies and financial institutions in order to induce those entities to provide required bonding and financing to eligible contractors bidding on and performing City public work contracts. This bonding and financial assistance program is subject to the provisions of *Administrative Code* Chapter 14B.

(B) **Insurance.** All construction contracts awarded under this Chapter must conform to the insurance requirements established by the Risk Manager. The Risk Manager shall develop uniform insurance

requirements for City contracts subject to this Chapter and shall publish such requirements in the Risk Manager's Manual. The Risk Manager shall review and update such insurance requirements on an annual basis.

Every contractor and sub-contractor shall comply with the provisions of California Labor Code section 3700. Prior to commencing the performance of work under any public work contract, the contractor and all of its sub-contractors shall file with the awarding department a certificate of insurance against liability for workers compensation or proof of self-insurance in accordance with the provisions of the California Labor Code.

(C) **Indemnification.** All construction contracts awarded under this Chapter shall require that the contractor fully indemnify the City and County to the maximum extent provided by law, such that each contractor must save, keep, bear harmless and fully indemnify the City and County and any of its officers or agents from any and all liability, damages, claims, judgments or demands for damages, costs or expenses in law or equity that may at any time arise.

This indemnification requirement may not be waived or abrogated in any way for any contract without the recommendation of the City's Risk Manager and the express permission and approval of the Board of Supervisors.

(D) **Assignment.** No contract shall be assigned except upon the recommendation of the Department Head concerned and with the approval of the Mayor or the Mayor's designee, relative to the department under the Mayor's jurisdiction, or the approval of the board or commission concerned for departments not under the Mayor.

(E) **Prevailing Wages.**

(1) **Generally.** All contractors and sub-contractors performing a public work or improvement for the City and County of San Francisco shall pay its workers on such projects the prevailing rate of wages as provided below. For the purpose of prevailing wage requirements only, the definition of a public work shall include those public works or improvements defined in the foregoing section 6.1 of this Chapter and shall also include (a) any trade work performed at any stage of construction (including preconstruction work) and (b) any public work paid for by the City and County of San Francisco with "the equivalent of money" under the meaning of Labor Code section 1720(b).

(2) **Additional Projects Included Within Definition of "Public Work or Improvement" for Purposes of Prevailing Wages.**

(a) **Property Leased by the City.** For the limited purposes of this subsection 6.22(E), a "public work or improvement" also means and includes any construction work done under private contract when all of the following conditions exist:

- (i) The construction contract is between private persons; and
- (ii) The property subject to the construction contract is privately owned, but upon completion of the construction work will be leased to the City and County of San Francisco for its use; and
- (iii) Either of the following conditions exist: (1) The lease agreement between the lessor and the City and County of San Francisco, as lessee, is entered into prior to the construction contract, or (2) The construction work is performed according to the plans, specifications, or criteria furnished by the City and

County of San Francisco, and the lease agreement between the lessor and the City and County of San Francisco as lessee, is entered into during, or upon completion, of the construction work.

(b) **Public Works Under California Labor Code.** For the limited purposes of this subsection 6.22(E), a "public work or improvement" also means and includes all projects for which prevailing wages are required to be paid on "public works" pursuant to California Labor Code section 1782. This subsection 6.22(E)(2)(b) is intended to have prospective effect only, and shall not be interpreted to impair the obligations of any pre-existing grant agreement, lease, development agreement or other contract entered into by the City. Notwithstanding the prior sentence, this subsection shall apply to newly included work in pre-existing grant agreements, leases, development agreements, or other contracts amended on or after the operative date. The subsection shall apply to grant agreements, leases, development agreements and other contracts entered into by the City on or after the operative date. All grant agreements, leases, development agreements and other contracts which allow for such construction on property owned by the City that the City enters after the operative date of the subsection must contain a provision that such construction shall comply with this subsection.

(3) **Determination of the Prevailing Wage.** It shall be the duty of the Board of Supervisors, from time to time and at least once during each calendar year, to fix and determine the prevailing rate of wages as follows:

On or before the first Monday in November of each year, the Civil Service Commission shall furnish to the Board of Supervisors data as to the highest general prevailing rate of wages of the various crafts and kinds of labor as paid in private employment in the City and County of San Francisco, plus "per diem wages" and wages for overtime and holiday work. The Civil Service Commission shall provide the Board of Supervisors data for "per diem wages" pursuant to California Labor Code sections 1773.1 and 1773.9, as amended from time to time. The Board of Supervisors shall, upon receipt of such data, fix and determine the prevailing rate of wages. The prevailing rate of wages as so fixed and determined by the Board of Supervisors shall remain in force and shall be deemed to be the highest general prevailing rate of wages paid in private employment for similar work, until the same is changed by the Board of Supervisors. In determining the highest general prevailing rate of wages per diem wages and wages for overtime and holiday work, as provided for in this section, the Board of Supervisors shall not be limited to the consideration of data furnished by the Civil Service Commission, but may consider such other evidence upon the subject as the Board shall deem proper and thereupon base its determination upon any or all of the data or evidence considered.

In the event that the Board of Supervisors does not fix or determine the highest general prevailing rate of wages in any calendar year, the rates established by the California Department of Industrial Relations for such year shall be deemed adopted.

(4) **Specifications to Include Wage Rate.** The Department Head authorized to execute a construction contract under this Chapter shall include in the contract specifications, or make available in the offices of the department or at the job site, a detailed statement of the prevailing rate of wages as fixed and determined by the Board of Supervisors at the time the department issued the Advertisement For Bids on the contract. The contractor shall agree to pay to all persons performing labor in and about the public work or improvement the highest general prevailing rate of wages as determined pursuant to

this Chapter, including wages for holiday and overtime work. If the specifications do not include the prevailing rate of wages, the specifications shall include a statement that copies of the prevailing rate of wages as fixed and determined by the Board of Supervisors are on file at the department's principal office or at the job site and shall be made available to any interested party on request.

(5) **Sub-contractors Bound by Wage Provisions.** Every contract for any public work or improvement shall also contain a provision that the contractor shall insert in every subcontract or other arrangement which he or she may make for the performance of any work or labor on a public work or improvement. This provision shall be that the sub-contractor shall pay to all persons performing labor or rendering service under said subcontract or other arrangement the highest general prevailing rate of wages as fixed and determined by the Board of Supervisors for such labor or services.

(6) **Records to be Kept by Contractors and Sub-contractors.** Every public works contract or subcontract awarded under this Chapter shall contain a provision that the contractor shall keep, or cause to be kept, for a period of four years from the date of substantial completion of a public work, payrolls and basic records including time cards, trust fund forms, apprenticeship agreements, accounting ledgers, tax forms and superintendent and foreman daily logs for all trades workers performing work at or for a City and County of San Francisco public work or improvement. Such records shall include the name, address and social security number of each worker who worked on the project, including apprentices, his or her classification, a general description of the work each worker performed each day, the rate of pay (including rates of contributions for, or costs assumed to provide fringe benefits), daily and weekly number of hours worked, deductions made and actual wages paid. Every sub-contractor who shall undertake the performance of any part of a public work or improvement shall keep a like record of each person engaged in the execution of the subcontract.

The contractor shall maintain weekly certified payroll records for submission to the awarding department as required. The contractor shall be responsible for the submission of payroll records of its sub-contractors. All certified payroll records shall be accompanied by a statement of compliance signed by the contractor indicating that the payroll records are correct and complete, that the wage rates contained therein are not less than those determined by the San Francisco Board of Supervisors and that the classifications set forth for each employee conform with the work performed.

All such records as described in this section shall at all times be open to inspection and examination of the duly authorized officers and agents of the City and County of San Francisco, including representatives of the Office of Labor Standards Enforcement.

Should the Department Head responsible for the public work or the Labor Standards Enforcement Officer determine that a contractor or sub-contractor is not in compliance with the requirements of this subsection, the Department Head or the Labor Standards Enforcement Officer shall issue written notification to the contractor or sub-contractor mandating compliance within not fewer than ten calendar days from the date of the notification. Should the contractor or sub-contractor fail to comply as required in the notification, the Department Head who executed the contract or the Labor Standards Enforcement Officer may impose a penalty of \$25.00 for each calendar day of noncompliance, or portion thereof, for each worker. Upon the request of the responsible Department Head or the Labor Standards



Enforcement Officer, the Controller shall withhold these penalties from progress payments then due or to become due.

(7) **Additional Required Contract Provisions.** Every public works contract shall contain provisions stating that (1) the contractor will cooperate fully with the Labor Standards Enforcement Officer and other City employees and agents authorized to assist in the administration and enforcement of the prevailing wage requirements and other labor standards imposed on public works contractors by the Charter and Chapter 6 of the San Francisco *Administrative Code*; (2) the contractor agrees that the Labor Standards Enforcement Officer and his or her designees, in the performance of their duties, shall have the right to engage in random inspections of job sites and to have access to the employees of the contractor, employee time sheets, inspection logs, payroll records and employee paychecks; (3) the contractor shall maintain a sign-in and sign-out sheet showing which employees are present on the job site; (4) the contractor shall prominently post at each job-site a sign informing employees that the project is subject to the City's prevailing wage requirements and that these requirements are enforced by the Labor Standards Enforcement Officer; and (5) that the Labor Standards Enforcement Officer may audit such records of the contractor as he or she reasonably deems necessary to determine compliance with the prevailing wage and other labor standards imposed by the Charter and this Chapter on public works contractors. Failure to comply with these requirements may result in penalties and forfeitures consistent with California Labor Code section 1776(g), as amended from time to time.

(8) **Non-compliance with Wage Provisions – Penalties.**

(a) **Penalty and Forfeiture.** Any contractor or sub-contractor who shall fail or neglect to pay to the several persons who shall perform labor under any contract, subcontract or other arrangement on any public work or improvement as defined in this Chapter the highest general prevailing rate of wages as fixed by the Board of Supervisors under authority of this Chapter, shall forfeit; and, in the case of any sub-contractor so failing or neglecting to pay said wage, the original contractor and the sub-contractor shall jointly and severally forfeit to the City and County of San Francisco back wages due plus the penal sum of \$50.00 per day for each laborer, workman or mechanic employed for each calendar day or portion thereof, while they shall be so employed and not paid said highest general prevailing rate of wages, and in addition shall be subject to the penalties set forth in Article V of this Chapter, including debarment.

(b) **Enforcement.** It shall be the duty of the officer, board or commission under whose jurisdiction said public work or improvement is being carried on, made or constructed, when certifying to the Controller any payment which may become due under said contract, to deduct from said payment or payments the total amount of said forfeiture provided for in this subsection. In doing so, the Department Head must also notify in writing the Labor Standards Enforcement Officer of his/her action. The Labor Standards Enforcement Officer may also upon written notice to the Department Head who is responsible for the project, certify to the Controller any forfeiture(s) to deduct from any payment as provided for in this Subsection 6.22(E)(8). Certification of forfeitures under this subsection shall be made only upon an investigation and audit by the responsible Department Head or the Labor Standards Enforcement Officer and upon service of written notice to the contractor that includes identification of the grounds for the forfeiture or forfeitures ("Certification of Forfeiture"). The audit supporting the forfeiture shall be

appended to the Certification of Forfeiture, but failure to append such documentation shall not invalidate the Certification. Service of the Certification of Forfeiture shall be made by United States mail and the date of service shall be the date of mailing. The Controller, in issuing any warrant for any such payment, shall deduct from the amount which would otherwise be due on said payment or payments the amount of said forfeiture or forfeitures as so certified.

(c) **Recourse Procedure.** A contractor and/or a sub-contractor may appeal from a Certification of Forfeiture. The Controller shall adopt and maintain rules and regulations for any appeal under this Subsection 6.22(E)(8)(c), which rules shall generally include the following parameters for efficient and effective due process:

(i) Any Appeal from Certification of Forfeiture shall be filed in writing by the contractor and/or sub-contractor (referred to in this Subsection 6.22(E)(8)(c), whether singular or plural, as the "Appellant") within 15 days of the date of service of the Certification of Forfeiture. Appellant shall file the Appeal from Certification of Forfeiture with the City Controller and serve a copy on the Labor Standards Enforcement Officer. Failure by the contractor or sub-contractor to submit a timely, written Appeal from Certification of Forfeiture shall constitute concession to the forfeiture, and the forfeiture shall be deemed final upon expiration of the 15-day period.

(ii) The Office of Labor Standards Enforcement shall promptly afford Appellant an opportunity to meet and confer in good faith regarding possible resolution of the Certification of Forfeiture in advance of further proceedings under this Subsection 6.22(E)(8)(c), with the intention that such meeting occur within 30 days of the date the Appeal from Certification of Forfeiture is filed.

(iii) After the expiration of 30 days following the date the Appeal from Certification of Forfeiture is filed, any party may request in writing, with concurrent notice to all other parties, that the Controller appoint a hearing officer to hear and decide the appeal. If no party requests appointment of a hearing officer, the Certification of Forfeiture shall be deemed final on the 60th day after the date the Appeal from Certification of Forfeiture is filed.

(iv) Within 15 days of receiving a written request for appointment of a hearing officer under Section 6.22(E)(8)(c)(iii), the Controller shall appoint an impartial hearing officer and immediately notify the enforcing official and Appellant, and their respective counsel or authorized representative if any, of the appointment. The appointed hearing officer shall be an Administrative Law Judge with at least ten years experience with the City and not less than two years experience in labor law, prevailing wage, and/or wage and hour matters; or shall be an attorney with knowledge and not less than five years' experience in labor law, prevailing wage, and/or wage and hour matters.

(v) The hearing officer shall promptly set a date for a hearing. The hearing must commence within 45 days of the date the Controller notice of the hearing officer appointment, and conclude within 75 days of such notice. The hearing officer shall conduct a fair and impartial evidentiary hearing in conformance with the time limitations set forth in this subsection 6.22(E)(8)(c) and in the rules and regulations, so as to avoid undue delay in the resolution of any appeal. The hearing officer shall have the discretion to extend the times under this subsection 6.22(E)(8)(c), and any time requirements under the rules and regulations, only upon a showing of good cause.



(vi) Appellant has the burden of proving by a preponderance of the evidence that the basis for the Certification of Forfeiture is incorrect, including any back wage and penalty assessments that are at issue in the appeal.

(vii) Within 30 days of the conclusion of the hearing, the hearing officer shall issue a written decision affirming, modifying, or dismissing the forfeiture. The decision of the hearing officer shall consist of findings and a determination. The hearing officer's findings and determination shall be final.

(viii) Appellant may appeal a final determination under this section only by filing in the San Francisco Superior Court a petition for a writ of mandate under California Code of Civil Procedure, section 1084, *et seq.*, as applicable and as may be amended from time to time.

(d) **Distribution of Forfeiture.** The Controller shall withhold any forfeiture as provided in the foregoing paragraphs until such time as either the contractor or sub-contractor has conceded to the forfeiture or, in the event of an appeal, there is a determination no longer subject to judicial review. The Controller shall then distribute the amounts withheld in the following order: (1) the Labor Standards Enforcement Officer shall make best efforts to distribute back wages withheld to the individual workers identified as not having been paid the proper wage rate; (2) the penal sums provided for above shall inure to the benefit of the general fund of the City and County of San Francisco; (3) the Controller shall hold the balance of any back wages in escrow for workers whom the Labor Standards Enforcement Officer, despite his/her best efforts, cannot locate. In the event back wages are unclaimed for a period of three years, the Controller shall undertake administrative procedures for unclaimed funds in conformance with Government Code Section 50050, *et seq.*, as may be amended from time to time.

(F) **Hours and Days of Labor.**

(1) **Generally.** For the purpose of meeting prevailing conditions and enabling employers to secure a sufficient number of satisfactory workers and artisans, no person performing labor or rendering service in the performance of any contract or subcontract for any public work or improvement as defined in this Chapter shall perform labor for a longer period than five days (Monday through Friday) of eight hours each, with two 10-minute breaks per eight-hour day, except in those crafts in which a different work day or week now prevails by agreement in private employment. Any person working hours in addition to the above shall be compensated in accordance with the prevailing overtime standards and rates.

(2) **Noncompliance and Forfeiture.** Any contractor or sub-contractor who shall violate any of the provisions of this subsection shall be liable for the same penalties and forfeits as those specified in Subsection 6.22(E) of this Chapter; penalties and forfeits shall be applicable for each laborer, mechanic or artisan employed for each calendar day or portion thereof whereon such laborer, mechanic or artisan is compelled or permitted to work more than the days and hours specified herein. The provisions of this subsection shall be made a part of all contracts and subcontracts for the construction of any public work or improvement.

(3) **Contracts Outside City and County.** In the event that any public work or improvement is to be constructed outside of the City and County of San Francisco and at such a distance therefrom that those engaged in performing labor on said public work or improvement must under ordinary conditions remain at or near the site of said work or improvement when not actually engaged in the performance of labor thereon, then the officer, board or commission responsible for the construction of said public work or

improvement may, in making specifications or letting contracts therefor, make provision therein for days and hours of labor beyond the limitations provided for in Section 6.22(F) of this Chapter; but not to exceed eight hours in any one calendar day, or six days in any calendar week. In the event that emergency conditions shall arise, making a change advisable during the performance of any such contract, or any portion thereof, the hours and days of labor may be extended beyond the limits hereinabove expressed; but not to exceed eight hours per day, upon the written authority of the officer, board or commission awarding such contract. Failure of the contractor to perform such contract within the time provided shall not constitute an emergency.

(G) **Short Title.** This subsection 6.22(G) shall be known as and may be cited as the San Francisco Local Hiring Policy for Construction ("Policy").

(1) **Findings and Purpose.**

(a) The Board of Supervisors passed Ordinance 286-94 on August 4, 1994, to establish local hiring requirements for City public work or improvement projects performed within the boundaries of the City.

(b) In 2010, the San Francisco Redevelopment Agency and the City's Office of Economic and Workforce Development commissioned a study of the labor market in the construction industry in San Francisco (the "Labor Market Analysis"), including review of comparative demographic data regarding workers on public and private projects, scope of past and future public and private construction work in San Francisco, comparative compensation on public and private projects, demographic data regarding apprenticeship programs operating in San Francisco, and income and residency data regarding construction workers in San Francisco.

(c) In 2010, the Walter and Elise Haas Fund and the San Francisco Foundation, with assistance of the City's Office of Economic and Workforce Development, convened a local hiring stakeholder process to discuss possible revision of subsection 6.22(G), at which community, labor, contractor, and City stakeholders participated.

(d) In August 2010, a report from Chinese for Affirmative Action and Brightline Defense Project entitled, "The Failure of Good Faith," found that the City has historically failed to meet its local hiring goals.

(e) The Budget & Finance and Land Use & Economic Development Committees of the Board of Supervisors held public hearings regarding local hiring and proposed revisions to subsection 6.22(G).

(f) The San Francisco Public Utilities Commission, Redevelopment Agency, Human Rights Commission, and other City departments and agencies held public hearings regarding local hiring.

(g) The construction industry is one of the few industries providing a path to middle-class careers for individuals without advanced degrees or facing barriers to quality employment, and is therefore a crucial component of the effort to build economic opportunities for targeted residents of San Francisco, with a particular emphasis on low-income and underrepresented workers in various building and construction trades, in order to elevate historically disadvantaged populations and create more sustainable communities throughout San Francisco.

(h) The City has awarded more than \$8 billion in public work and improvement contracts during the last 10 years.

(i) The City anticipates that it will award approximately \$27 billion in public work and improvement contracts in the next 10 years.

(j) City spending on public work and improvement projects over the next 10 years will generate tens of thousands of construction work hours.

(k) The Board desires to ensure that employment and training opportunities created by such public work and improvement projects provide consistent and high-quality opportunities to the San Francisco labor pool, especially low-income residents of San Francisco and other disadvantaged residents.

(l) Although approximately 40% of construction workers employed in San Francisco are San Francisco residents, from 2002 to 2010 San Francisco residents worked only approximately 24% of the work-hours on publicly-funded construction projects in the City, and only 20% of work-hours since July 2009.

(m) The City faces unemployment levels that have risen dramatically over the past four years, climbing from a low of 3.7% in December 2006 to an average of 9.8% for each month of 2010 through July, leaving at least 44,500 San Franciscans out of work according to the California Employment Development Department, with disproportionate concentrations of high unemployment in neighborhoods such as Bayview-Hunters Point, Chinatown, the Mission, Western Addition, Visitacion Valley, the Excelsior, South of Market, Ocean View, Merced Heights and Ingleside.

(n) The 2010-2014 Consolidated Plan for the City and County of San Francisco indicates that several San Francisco neighborhoods face concentrated poverty and San Francisco's slow job growth rate and changing job base has had major impacts on patterns of income inequality and disparity in the City, with distinctive, adverse, neighborhood-specific effects.

(o) The loss of middle-income jobs has been associated with a diminishing middle class in San Francisco, as indicated by rising income inequality. San Francisco's unequal income distribution threatens the City's future competitiveness and overall economic stability, and the City's anti-poverty strategy aims to ensure that the City and its partners are marshaling its limited resources in an effective and coordinated way to create economic opportunities in San Francisco's low-income communities.

(p) The City has made substantial public investments in its workforce development system, including CityBuild and the City's community-based partners, to create job opportunities in industries such as construction, which are vital to the economic health of the local economy, have a capacity to generate a significant number of jobs, are accessible to low- and middle-skilled individuals, have career ladder opportunities where workers can move up with additional training and skill development, and provide access to living wage and family-sustaining jobs.

(q) City-funded construction projects provide a crucial opportunity to connect participants in these City-funded or City-operated workforce development programs with employment and training opportunities, and to direct employment and training opportunities created by the City's public expenditures.

(r) The City and the San Francisco Redevelopment Agency have made substantial public investments toward creating and facilitating growth in economic opportunities for low-income individuals and neighborhoods in San Francisco.

(s) CityBuild, San Francisco's construction training workforce program, was initiated in 2005 to serve as a training vehicle for ushering disadvantaged workers into the construction skilled trades. The program is a multi-craft pre-apprenticeship training program, and has assisted over 450 graduates, into union-sponsored apprentice programs. CityBuild, in 2009-2010, contributed approximately 44 percent of all new San Francisco resident apprentice intakes based on data provided by the California Department of Industrial Relations, Division of Apprenticeship Standards. San Francisco's workforce construction training infrastructure has the capacity to meet future demand for high quality and well trained workers in the construction trades.

(t) Employment of workers that reside close to job sites has environmental benefits, including reducing the distance of commutes and resulting vehicle emissions. These environmental benefits are consistent with the mandates, policies and goals of the California Global Warming Solutions Act (AB 32), the Sustainable Communities and Climate Protection Act (SB 375), and the Climate Action Plan for San Francisco.

(u) The Board seeks terms and conditions that advance the City's workforce and community development goals, removing obstacles that may have historically limited the full employment of local residents on the wide array of opportunities created by public works projects, curbing spiraling unemployment, population decline, and reduction in the number of local businesses located in the City, eroding property values and depleting San Francisco's tax base.

(v) A local hiring policy is necessary to counteract these grave economic and social ills.

(w) The San Francisco Local Hiring Policy for Construction 2012-2013 Annual Report shows that the Policy has proven to be a highly effective tool in guaranteeing good-paying jobs for Local Residents on Covered Projects, which includes public work construction projects completed under City contracts.

(x) The 2012-2013 Annual Report is evidence that a true partnership between the City, CityBuild and its community-based partners, contractors, labor organizations, and state-certified apprenticeship programs has increased local hiring on projects covered by the Policy by an average of 35% as of 2013. This compares to an average of 20% under the "good faith efforts" policy it replaced.

(y) The City has a proprietary interest in the construction contracts it issues, and also has a proprietary interest in the leases and development agreements that it enters that all allow for construction on city-owned property.

(z) Expanding the Policy to include construction projects on City-owned property promotes an equitable share of job opportunities for San Francisco residents to pursue a career in construction; and provides the opportunity for the use of state-certified apprenticeships that expands the local construction workforce pipeline to support the continued success of local hiring on public works projects.

(2) **Definitions.** For purposes of this subsection 6.22(G), the following terms shall have the following meanings:

(a) "Apprentice" means any worker who is indentured in a construction apprenticeship program that maintains current registration with the State of California's Division of Apprenticeship Standards.

(b) "Area Median Income" or "AMI" means unadjusted median income levels derived from the Department of Housing and Urban Development ("HUD") on an annual basis for the San Francisco area, adjusted solely for household size, but not high housing cost area.

(c) "Awarding department" means a department or commission empowered on behalf of the City to contract for a covered project.

(d) "City" means the City and County of San Francisco, California.

(e) "Contractor" means any person, firm, partnership, owner operator, limited liability company, corporation, joint venture, proprietorship, trust, association, or other entity that contracts directly with the City to perform construction work on a covered project. A contractor may also be referred to as a "prime contractor" or "general contractor."

(f) "Covered project" means a public work or improvement project or part thereof to which this subsection 6.22(G) applies, under standards set forth in subsection 6.22(G)(3).

(g) "Disadvantaged worker" means a local resident, as defined below, who (i) resides in a census tract within the City with a rate of unemployment in excess of 150% of the City unemployment rate, as reported by the State of California Employment Development Department; or (ii) at the time of commencing work on a covered project has a household income of less than 80% of the AML, or (iii) faces or has overcome at least one of the following barriers to employment: being homeless; being a custodial single parent; receiving public assistance; lacking a GED or high school diploma; participating in a vocational English as a second language program; or having a criminal record or other involvement with the criminal justice system.

(h) "Local hiring incentives" means the incentives set forth in subsection 6.22(G)(5) of this Policy.

(i) "Local hiring requirements" means the requirements set forth in subsection 6.22(G)(4) of this Policy.

(j) "Local resident" means an individual who is domiciled, as defined by Section 349(b) of the California Election Code, within the City at least seven (7) days prior to commencing work on the project.

(k) "OEWD" means the City's Office of Economic and Workforce Development.

(l) "Policy" means this subsection 6.22(G).

(m) "Project work" means construction work performed as part of a covered project.

(n) "Project work hours" means the total hours worked on a construction contract by all apprentices and journey level workers, whether those workers are employed by the contractor or any sub-contractor.

(o) "Sub-contractor" means any person, firm, partnership, owner operator, limited liability company, corporation, joint venture, proprietorship, trust, association, or other entity that contracts with a prime contractor or another sub-contractor to provide services to a prime contractor or another sub-contractor in fulfillment of the prime contractor's or that other sub-contractor's obligations arising from a contract for construction work on a covered project.

(p) "Targeted worker" means any local resident or disadvantaged worker.

(q) "New hire" means any employee of a contractor who is not listed on the contractor's quarterly tax statements for the tax period and has been hired prior to the commencement of work.

(r) "Core employee or worker" means an apprentice or journey level employee, who possesses any license required by state or federal law for the project work to be performed, of a contractor or sub-contractor who appears on that contractor or sub-contractor's certified payroll sixty (60) of the previous one hundred calendar (100) days prior to date of award of a city contract.

(3) **Coverage.**

(a) **Threshold for Public Work and Improvement Projects.** This Policy applies to contracts issued by the City with prime contractors for public works or improvements estimated to cost in excess of the Threshold Amount set forth in Section 6.1 of this Chapter, as that amount may be amended.

(b) **Threshold for Projects Constructed on Property Owned by the City.** For purposes of subsection 6.22(G) only, this Policy applies to all construction projects on property owned by the City that are estimated to cost in excess of the Threshold Amount set forth in Section 6.1 of this Chapter, as that amount may be amended, including construction contracts that are issued by an entity or individual other than the City. The following construction projects are exempt from this subsection 6.22(G)(3)(b): (i) tenant improvement projects estimated to cost less than \$750,000 per building permit, where the project is undertaken and contracted for by the tenant; (ii) projects for special events where the special event is three (3) or fewer consecutive or non-consecutive days within a two (2) week period; (iii) construction projects for which the construction work is fully funded and performed by a donor or donor's agent as a gift-in-place donation, where the gift agreement does not require City funds to be used for the construction and where the gift agreement includes a requirement that workers be paid the same prevailing rate of wages as would be required a public work project; and (iv) projects that as of the effective date of this subsection 6.22(G)(3)(b) have a term sheet that has been endorsed by the Board of Supervisors and have findings of fiscal feasibility, to the extent that such projects agree to be bound by a legally enforceable document, enforceable by OEWD, committing the project to Local Hire mandatory participation level of 30% per trade. All grant agreements, leases, development agreements and other contracts that the City enters that allow for such non-exempt construction projects on property owned by the City must contain a provision that such construction shall comply with this Policy.

(c) **Projects Constructed Outside the City.** Covered Projects constructed within 70 miles from the jurisdictional boundary of the City and County of San Francisco shall be governed by the terms of this Policy, except that percentage requirements shall apply in proportion to the City's actual cost after reimbursement from non-City sources compared to the total cost of the project, and, unless a reciprocity agreement exists, the "local" requirement shall include San Francisco residents, workers local to the area where the work is located, and workers residing within the San Francisco Public Utilities Commission service area. If a reciprocity agreement with another local agency exists, the terms of that reciprocity agreement shall govern. Covered City projects constructed 70 miles or more beyond the jurisdictional boundary of the City and County of San Francisco shall be subject to this Policy, except the "local" requirement shall include San Francisco residents, workers local to the area where the work is located, and workers residing within the region where the work is located. Awarding departments shall work with OEWD and regional local hiring programs to comply.

(d) **Projects Utilizing Federal or State Funds.**

(i) **Segregation of Funds and Contract Awards.** Where the application of this Policy would violate federal or state law, or would be inconsistent with the terms or conditions of a grant or a contract with an agency of the United States or the State of California, the City department or agency receiving the grant or contract shall, where administratively feasible, segregate federal or state funds from City funds, and/or segregate project administration and contracts, so as to maximize application of this Policy to City-funded construction work.



(ii) **Alternative Terms in Case of Conflict.** Where the provisions of this Policy would be prohibited by Federal or State law, or where the application of this Policy would violate or be inconsistent with the terms or conditions of a grant or a contract with an agency of the United States or the State of California, and where segregation of funds pursuant to subsection 6.22 (G)(3)(d)(i) is not administratively feasible with regard to some or all of the project in question, then OEWD, in consultation with the awarding department, shall adapt requirements of this Policy into a set of contract provisions that advance the purposes of this Policy to the maximum extent feasible without conflicting with federal or state law or with terms or conditions of the State or Federal grant or contract in question. The awarding department shall include this set of contract provisions in the public works or improvement contract with regard to the project or portions of the project for which this Policy would conflict with Federal or State requirements.

(e) **Out-of-State Workers.** Project work hours performed by residents of states other than California shall not be considered in calculation of the number of project work hours to which the local hiring requirements apply. Contractors and sub-contractors shall report to awarding departments and OEWD the number of project work hours performed by residents of states other than California.

(4) **Local Hiring Requirements.**

(a) For each covered project, the following requirements shall apply to each prime contractor and sub-contractor that performs project work in excess of the Threshold Amount set forth in section 6.1 of this Chapter, as that amount may be amended, with regard to project work actually performed by the prime contractor and work included under any subcontract, including all work performed by a sub-contractor and all lower-tier sub-contractors under the subcontract:

(i) The initial mandatory participation level is 20% of all project work hours within each trade performed by local residents, with no less than 10% of all project work hours within each trade performed by disadvantaged workers. Subject to the periodic review process set forth in subsection 6.22(G)(4)(b), below, the mandatory participation level for project work hours shall increase annually up to a mandatory participation level of 50% of project work hours within each trade performed by local residents, with no less than 25% of all project work hours within each trade performed by disadvantaged workers. For each mandatory participation percentage specified below, one-half of the specified percentage of project work hours within each trade shall be performed by disadvantaged workers.

Year After Effective Date That Contract Is Advertised for Bids	Mandatory Participation Level For Project Work Hours
0	20%
1	25%
2	30%
Periodic Review	Periodic Review
3	30%
Periodic Review	Periodic Review
4	35%

<b>Year After Effective Date That Contract Is Advertised for Bids</b>	<b>Mandatory Participation Level For Project Work Hours</b>
5	40%
6	45%
Periodic Review	Periodic Review
7	50%

(ii) At least 50% of the project work hours performed by apprentices within each trade shall be performed by local residents, with no less than 25% of project work hours performed by apprentices within each trade to be performed by disadvantaged workers.

(b) **Periodic Review By OEWD and Controller.** OEWD, in coordination with the Controller's Office, shall every three years from the end of the prior Periodic Review, evaluate the impact of existing mandatory participation levels and the continued need for financial incentives as set forth in subsection 6.22(G)(5). The OEWD/Controller review shall (i) determine whether there is a sufficient supply of qualified unemployed resident workers to meet the escalation rate set forth in subsection 6.22(G)(4)(a)(i), above; (ii) assess the length of time required for each trade to develop a pool of qualified resident workers sufficient to support a 50% mandatory participation target; and (iii) make relevant findings in support of those determinations, and, if necessary, propose amendments to the mandatory participation level by trade. OEWD and the Controller's Office shall further report on the financial incentive program and make relevant findings and, if necessary, propose reducing or eliminating financial incentives. During the periodic review process, OEWD and the Controller's Office shall consult with a broad spectrum of relevant stakeholders (including the community, the California Department of Industrial Relations Division of Apprenticeship Standards, contractors, building trades, and City departments and agencies). Promptly upon completion of a periodic review, OEWD and the Controller's Office shall furnish to the Board of Supervisors a report setting forth their findings, determinations and proposed amendments to the mandatory participation level by trade and/or the financial incentive program, if any. The Board shall, by resolution, fix and determine the mandatory participation levels by trade and available financial incentives, if any. The mandatory participation levels by trade and financial incentives as so fixed and determined by the Board shall supplant the mandatory participation levels and financial incentives that this Policy sets and shall remain in force until the same are changed by the Board. In determining the mandatory participation levels by trade and available financial incentives, as so provided for in this subsection, the Board shall not be limited to consideration of the periodic review report furnished by OEWD and the Controller's Office, but may consider other such evidence upon the subject as the Board shall deem proper and base its determination upon any or all of the evidence considered.

(c) **Pipeline and Retention Compliance.** Contractors and sub-contractors may use one or more of the following pipeline and retention compliance mechanisms to receive a conditional waiver from the local hiring requirements on a project-specific basis:

(i) **Specialized Trades.** Every two calendar years, OEWD shall publish a list of trades designated as "Specialized Trades," for which the local hiring requirements of this Policy shall not be



applicable. Prior to designating a trade as a Specialized Trade, OEWD shall have made findings that: (a) considering all referral sources and best estimates of workers residing in the City, there will be insufficient numbers of qualified and available local residents and disadvantaged workers to enable contractors and sub-contractors to satisfy the local hiring requirements for such trade; and (b) best estimates indicate that on all covered projects during those calendar years, in the aggregate, demand for work hours in such trade will not exceed a maximum number of hours as determined by OEWD through the regulatory process set forth in subsection 6.22(G)(8)(a). All contractors and sub-contractors shall report to OEWD the project work hours utilized in each designated Specialized Trade.

(ii) **Credit for Hiring on Non-covered Projects.** Contractors and sub-contractors may accumulate credit hours for hiring San Francisco disadvantaged workers on non-covered projects in the nine-county San Francisco Bay Area and apply those credit hours to contracts for covered projects to meet the applicable minimum mandatory hiring requirements set forth above or to work off penalties assessed under subsection 6.22(G)(7)(f). OEWD shall establish criteria for credit hours and their application to meet the minimum participation requirements. OEWD shall consider credit hours to be accumulated for work on non-covered projects performed by San Francisco disadvantaged workers only if (a) the San Francisco disadvantaged worker performing work on the non-covered project is paid prevailing wages for such work; and, in the case of non-covered projects in the City and County of San Francisco, (b) the number of hours to be credited for the non-covered project in question exceed one-half of the number of disadvantaged worker hours that would be required if the project were a covered project.

(iii) **Sponsoring Apprentices.** A contractor or sub-contractor may avoid the assessment of penalties under subsection 6.22(G)(7)(f) for failing to meet applicable hiring requirements by demonstrating the high impracticality of complying with the mandatory participation level for a particular contract or classes of employees before project commencement by agreeing to sponsor an OEWD-specified number of new apprentices in trades in which noncompliance is likely and retaining those apprentices for the entire period of a contractor's or sub-contractor's work on the project. OEWD will verify with the California Department of Industrial Relations Division of Apprenticeship Standards that the OEWD-specified number of new apprentices are registered and active apprentices prior to issuing a release from penalties.

(iv) **Direct Entry Agreements.** OEWD is authorized to negotiate and enter into direct entry agreements with apprenticeship programs that are registered with California Department of Industrial Relations' Division of Apprenticeship Standards, and, if OEWD is successful in such negotiations, to develop standards and procedures through which contractors and sub-contractors may avoid assessments of penalties by hiring and retaining apprentices who enrolled through such direct entry agreements. Such standards and procedures shall allow avoidance of penalty assessments only where OEWD has made a project-specific determination that compliance with local hiring requirements would be impractical for that contractor or sub-contractor. Direct entry agreements negotiated pursuant to this section shall: (a) be enforceable contracts; (b) require apprenticeship programs to enroll a class of apprentices no less frequently than every 365 days; (c) specify all admissions standards related to applicants' training and skills; (d) specify a minimum number of local residents and disadvantaged workers meeting those standards who shall be admitted in each class of apprentices; and (e) be on file with and deemed

permissible by the Division of Apprenticeship Standards. OEWD's annual report to the Board as required by subsection 6.22(G)(8)(f) shall include the number of releases from penalties granted based on this subsection, the number of local residents enrolled as apprentices based on direct entry agreements, and the number of direct entry agreements in effect, and shall identify the trades in question.

**(5) Local Hiring Incentives.**

(a) **Incentive Criteria.** Contractors and sub-contractors may receive financial and non-financial incentives for exceeding the local hiring requirements on a covered project. Project work hours credited under subsection 6.22(G)(4)(c) shall not be the basis for any financial or non-financial incentive payment or entitlement.

(b) **Administration.** Awarding departments will work in consultation with OEWD to establish the operation and amounts of the incentives, if any.

(i) Any financial incentives provided on a covered project shall comply with applicable law and shall not exceed one percent of the estimated cost of the project. If financial incentives are made available for a covered project, awarding departments shall pay such incentives, if earned by a contractor or sub-contractor, only after a contractor or sub-contractor has completed work on the project and OEWD has approved the contractor's or sub-contractor's request for incentive payment. Sub-contractors requesting incentive payments shall submit requests to the awarding department and OEWD through the prime contractor, not directly to the awarding department or OEWD. Payment of sub-contractor incentives shall be paid to the prime contractor for the benefit of the appropriate sub-contractor(s). Prime contractor must pay sub-contractor(s) within 10 days of receipt of financial incentives from the City.

(ii) OEWD shall, by regulation, develop non-financial incentives such as expedited permitting and reduced administrative burden.

**(6) Additional Contractor Rights and Responsibilities.**

(a) **Local Hiring Plan for Large Projects.** For covered projects estimated to cost more than \$1,000,000, the prime contractor shall prepare and submit to the awarding department and OEWD for approval a local hiring plan for the project. The local hiring plan shall be a written plan for implementation of the requirements of this Policy, including an approximate timeframe for hiring decisions of sub-contractors, a description of the hiring processes to be utilized by sub-contractors, an estimate of numbers of targeted workers needed from various referral sources, qualifications needed for such targeted workers, and a recruitment plan detailing an outreach strategy for candidates representative of local demographics. An awarding department shall not issue a Notice to Proceed (NTP) without receiving the Local Hiring Plan. The awarding department may issue an NTP upon submittal of the Plan, but in no case may any payment be made until such time as it has verified in writing that OEWD has approved the prime contractor's local hiring plan.

(b) **Referral Sources.** Where a contractor's or sub-contractor's preferred hiring or staffing procedures for a covered project do not enable that contractor or sub-contractor to satisfy the local hiring requirements of this Policy, the contractor or sub-contractor shall use other procedures to identify and retain targeted workers. These procedures shall include requesting workers from CityBuild, San Francisco's centralized referral program, and considering targeted workers who are referred by

CityBuild within three business days of the request and who meet the qualifications described in the request. Such consideration shall include in-person interviews. Qualifications described in the request shall be limited to skills directly related to performance of job duties. When a contractor or sub-contractor has taken these steps and a local resident or disadvantaged worker is not available, contractor or sub-contractor may request a conditional waiver as described in subsection 6.22(G)(4)(c).

(c) **Hiring Discretion.** This Policy does not limit contractors' or sub-contractors' ability to assess qualifications of prospective workers, and to make final hiring and retention decisions. No provision of this Policy shall be interpreted so as to require a contractor or sub-contractor to employ a worker not qualified for the position in question, or to employ any particular worker.

(d) **Sub-contractor Compliance.** Each contractor and sub-contractor shall ensure that all sub-contractors agree to comply with applicable requirements of this Policy. All sub-contractors agree as a term of participation on a covered project that the City shall have third party beneficiary rights under all contracts under which sub-contractors are performing project work. Such third party beneficiary rights shall be limited to the right to enforce the requirements of this Policy directly against the sub-contractors. All sub-contractors on a covered project shall be responsible for complying with the recordkeeping and reporting requirements set forth in this Policy. Sub-contractors with work in excess of the Threshold Amount shall be responsible for ensuring compliance with the local hiring requirements set forth in subsection 6.22(G)(4) based on project work hours performed under their subcontracts, including project work hours performed by lower tier sub-contractors with work less than the Threshold Amount.

(7) **Enforcement.**

(a) **Role of OEWD.** OEWD is authorized to enforce all terms of this Policy. Awarding departments shall work cooperatively with OEWD to implement requirements of this Policy, to include the provisions of the Policy in every contract for which inclusion is required, to assist contractors and sub-contractors in complying with the Policy, and to assist OEWD in furthering the purposes of the Policy through monitoring and enforcement activities. OEWD shall determine the records required to be verified and/or provided by contractors and sub-contractors to establish workers' qualifications and statuses relevant to this Policy.

(b) **Role of Community-Based Partners.** OEWD shall be authorized to engage its community-based partners in the City's workforce development system to assist with the recruitment and retention of targeted workers. OEWD shall, through the existing Workforce Investment Board, provide a forum for community members, community-based organizations, and representatives of all stakeholders affected by or interested in this Policy to exchange information and ideas and to advise OEWD staff concerning the operation and results of the Policy.

(c) **Recordkeeping.** Each contractor and sub-contractor shall keep, or cause to be kept, for a period of four years from the date of substantial completion of project work on a covered project, certified payroll and basic records, including time cards, tax forms, and superintendent and foreman daily logs, for all workers within each trade performing work on the covered project. Such records shall include the name, address and social security number of each worker who worked on the covered project, his or her classification, a general description of the work each worker performed each day, the apprentice or journey-level status of each worker, daily and weekly number of hours worked, the self-identified race, gender, and ethnicity of each worker, whether or not the worker was a local resident or

disadvantaged worker, and the referral source or method through which the contractor or sub-contractor hired or retained that worker for work on the covered project (e.g., core workforce, name call, union hiring hall, City-designated referral source, or recruitment or hiring method). Contractors and sub-contractors may verify that a worker is a local resident through the worker's possession of a valid SF City ID Card or other government-issued identification. OEWD and awarding departments may require additional records to be kept with regard to contractor or sub-contractor compliance with this Policy. All records described in this section shall at all times be open to inspection and examination by the duly authorized officers and agents of the City, including representatives of the awarding department and the OEWD.

(d) **Reporting.** The OEWD shall establish reporting procedures for contractors and sub-contractors to submit to OEWD and the awarding department the records described above, for purposes of monitoring compliance with and effectiveness of this Policy and monitoring operation of the City's public construction sector for other valid purposes. All records submitted by contractor or sub-contractor shall be accompanied by a statement of compliance signed by an authorized representative of contractor or sub-contractor indicating that the records are correct and complete.

(e) **Monitoring.** From time to time and in its sole discretion, OEWD and/or the awarding department may monitor and investigate compliance of contractor and sub-contractors working on covered projects with requirements of this Policy. OEWD and awarding departments shall have the right to engage in random inspections of job sites, subject to construction schedule and safety concerns. Each contractor and sub-contractor shall allow representatives of OEWD and the awarding department, in the performance of their duties, to engage in random inspections of job sites and to have access to the employees of the contractor and sub-contractor and the records required to be kept by this Policy. The OEWD shall establish an administrative procedure for OEWD monitoring of compliance with this Policy and to address allegations of noncompliance. The OEWD shall have sole authority over the administration of this procedure. Except as prohibited by law, OEWD will make data collected under subsections 7(c) and (d) of this Policy available on-line to the public in real-time and create a process for members of the public to submit complaints regarding alleged violations of this Policy. The OEWD shall investigate all complaints filed by members of the public; the scope, methods, and conclusions of all such complaint-driven investigations shall be within the discretion of OEWD, with no right of the complaining party to determine the scope or methods of the investigation. All contractors, sub-contractors and awarding departments shall cooperate fully with the OEWD in monitoring and compliance activities. The OEWD may interview, either at the worksite or elsewhere, any witness who may have information related to a complaint.

(f) **Compliance Procedures.**

(i) **Consequences of Noncompliance.** Awarding departments and OEWD have the authority to seek for violations of this Policy all of the consequences imposed by or described in this Policy, in the contract for a covered project, or by statute, including the authority to assess penalties as described herein, assess damages for other violations of terms of this Policy, and/or seek penalties set forth in Article V of this Chapter, including debarment.

(ii) **Penalties Amount.** Any contractor or sub-contractor who fails to satisfy local hiring requirements of this Policy applicable to project work hours performed by local residents shall forfeit ; and, in the case of any sub-contractor so failing, the contractor and sub-contractor shall jointly and severally forfeit to the City an amount equal to the journeyman or apprentice prevailing wage rate, as applicable, with such wage as established by the Board of Supervisors or the California Department of Industrial Relations under subsection 6.22(E)(3), for the primary trade used by the contractor or sub-contractor on the covered project for each hour by which the contractor or sub-contractor fell short of the local hiring requirement. The assessment of penalties under this subsection shall not preclude the City from exercising any other rights or remedies to which it is entitled.

(iii) **Assessment of Penalties.** It shall be the duty of the awarding department, when certifying to the Controller any payment which may become due under a contract, to deduct from said payment or payments the total amount of penalties due under this subsection. In doing so, the Department Head must also notify the OEWD of his or her action. OEWD may also upon written notice to the awarding department, certify to the Controller any forfeiture to deduct from any payment as provided for in this subsection. Certification of forfeitures under this subsection shall be made only upon an investigation by the awarding department or OEWD and upon written notice to the contractor or sub-contractor identifying the grounds for the forfeiture or forfeitures, and providing the contractor or sub-contractor with the opportunity to respond. The Controller, in issuing any warrant for any such payment, shall deduct from the amount which would otherwise be due on said payment or payments the amount of said forfeiture or forfeitures as so certified. Any retainage to cover contract performance that may become due to contractor under subsection 6.22(J) may be withheld by the City pending a determination by the awarding department or OEWD as to whether a contractor or sub-contractor must pay a penalty or penalties.

(iv) **Recourse Procedure.** If the contractor or sub-contractor disagrees with the assessment of penalties as so provided in this subsection, then the following procedure applies:

(a) The contractor or sub-contractor may request a hearing in writing within 15 days of the date of the final notification of assessment. The request shall be directed to the City Controller. Failure by the contractor or sub-contractor to submit a timely, written request for a hearing shall constitute concession to the assessment and the forfeiture shall be deemed final upon expiration of the 15-day period. The contractor or sub-contractor must exhaust this administrative remedy prior to commencing further legal action.

(b) Within 15 days of receiving a proper request, the Controller shall appoint a hearing officer with knowledge and not less than five years' experience in labor law, and shall so advise the enforcing official and the contractor or sub-contractor, and/or their respective counsel or authorized representative.

(c) The hearing officer shall promptly set a date for a hearing. The hearing must commence within 45 days of the notification of the appointment of the hearing officer and conclude within 75 days of such notification unless all parties agree to an extended period.

(d) Within 30 days of the conclusion of the hearing, the hearing officer shall issue a written decision affirming, modifying, or dismissing the assessment. The decision of the hearing officer shall consist of findings and a determination. The hearing officer's findings and determination shall be final.

(e) The contractor or sub-contractor may appeal a final determination under this section only by filing in the San Francisco Superior Court a petition for a writ of mandate under California Code of Civil Procedure, section 1084, *et seq.*, as applicable and as may be amended from time to time.

(v) **Distribution of Penalties.** The Controller shall withhold any penalties assessed as provided in the foregoing subparagraphs until such time as either the contractor or sub-contractor has conceded to the penalties or, in the event of an objection, there is a determination no longer subject to judicial review. The Controller shall then deposit the amounts withheld into a special account which shall be created for the sole purpose of receiving said funds. The funds deposited into this account shall be used to support the enforcement of this Policy and the further development of workforce development initiatives to train and prepare local residents for careers in construction.

(vi) **Other Violations; Repeated Violations.** Violations of this Policy for which penalties or other remedies are not specified above constitute violations of contract terms, for which the full range of remedies under the contract may be invoked, including but not limited to withholding of progress payments in amounts deemed proportional to the violation. Awarding departments shall comply with and implement damages claims and other noncompliance consequences assessed or required by OEWD.

**(8) Miscellaneous.**

(a) **Regulations and Administrative Guidance.** OEWD shall be the primary department authorized to implement and enforce this Policy. OEWD shall issue regulations and/or administrative guidance regarding implementation of the Policy, including (i) documentation and recordkeeping requirements, (ii) incentive payments, (iii) monitoring and compliance activities, (iv) project and/or contract coverage determinations, (v) designated referral sources, (vi) bid and contract documents implementing the Policy, (vii) procedures for application of the Policy to alternative competitive bidding processes set forth in Article IV of this Chapter, (viii) procedures for monitoring and enforcement of the Policy where the construction contract is issued by an entity or individual other than the City, and (ix) other matters related to implementation of this Policy. Awarding departments shall cooperate with and assist in implementation of OEWD actions and determinations regarding this Policy. For projects where the construction contract is issued by an entity or individual other than the City, OEWD may grant conditional waivers on a project specific basis if it finds that the contractor has participated to the extent feasible in available pipeline and retention mechanisms, the contractor has undertaken all corrective actions issued by OEWD, and considering all referral sources and estimates of workers residing in the City, there will be insufficient numbers of qualified and available local residents and/or disadvantaged workers to enable the contractor or sub-contractor to satisfy the local hiring requirements.

(b) **Assistance in Monitoring, Investigations, and Implementation.** In accordance with applicable law, the City may enter into one or more contracts for investigative and monitoring services to further the purposes of this Policy, or to assist OEWD or awarding departments in developing and implementing systems needed to advance the purposes of this Policy.



(c) **Departmental Assistance with Monitoring and Enforcement Costs.** Subject to the fiscal and budgetary provisions of the City Charter and applicable federal and state laws and regulations, OEWD is authorized to receive from awarding departments the amount reasonably calculated to pay for the costs, including litigation costs, of monitoring and enforcing requirements of this Policy. OEWD shall supervise the expenditure of all funds appropriated for these purposes.

(d) **Effective Date, Operative Date, and Prospective Application.** This Policy shall become effective upon the date of its enactment and shall apply to covered projects first advertised for bids by awarding departments more than sixty (60) days after such date. The amendment to the Policy in subsection 6.22(G)(3)(b) shall become operative sixty (60) days after the effective date of the ordinance enacting the amendment. The amendment in subsection 6.22(G)(3)(b) is intended to have prospective effect only, and shall not be interpreted to impair the obligations of any pre-existing grant agreement, lease, development agreement or other contract entered into by the City. Notwithstanding the prior sentence, the amendment in subsection 6.22(G)(3)(b) shall apply to newly included work in pre-existing grant agreements, leases, development agreements, or other contracts amended on or after the operative date. The amendment in subsection 6.22(G)(3)(b) shall apply to grant agreements, leases, development agreements and other contracts entered into by the City on or after the operative date.

(e) **Existing Project Labor Agreements.** This Policy shall not apply to project labor agreements entered into by awarding departments prior to the effective date of this Policy ("Existing PLAs") or to public work or improvement contracts advertised for bids after the effective date of this Policy that are covered by Existing PLAs, where the terms of the Existing PLAs and this Policy are in conflict. Notwithstanding the foregoing, this Policy shall apply to (i) any material amendment to an Existing PLA executed by an awarding department after the effective date of this Policy; (ii) any new public work or improvement contract over the threshold amount set forth in subsection 6.22(G)(3)(a) that is added to the scope of an Existing PLA based on a discretionary decision by the awarding department after the effective date of this Policy.

(f) **Annual Report To Board.** Commencing on March 1, 2012, and annually thereafter, the Director of OEWD shall submit a written report to the Board of Supervisors. That report shall document each awarding department's performance under the terms of this Policy, including, among other things, the compliance of each department's contractors and sub-contractors with the requirements of this Policy, any significant challenges experienced by OEWD or awarding departments in implementing or enforcing this Policy, and proposed remedies to address any such challenges. That report shall include documentation, organized by awarding department, of the overall percentage of project work hours on covered projects performed by local residents, disadvantaged workers, local resident apprentices, and residents of states other than California. The report shall also compare the demographics of workers performing work on covered projects, using data collected under the Policy, to the demographics of the qualified labor pool. Awarding departments shall cooperate with requests by OEWD for information needed by the Director to make such reports to the Board.

(g) **Material Term; Contractors' Agreements.** All contracts and subcontracts for performance of project work shall include compliance with this Policy as a material term, directly enforceable by the City as described herein. As a condition of performance of project work, each contractor and sub-contractor

agrees: to comply with all provisions of this Policy; that provisions of this Policy are reasonable and are achievable by the contractor or sub-contractor, including the reporting requirements and consequences for noncompliance described herein; and that the contractor or sub-contractor had a full and fair opportunity to review and understand terms of this Policy, in consultation with counsel if so desired.

(h) **Severability.** If any provision of this Policy or any application thereof to any person or circumstances is held invalid by final judgment of any court of competent jurisdiction, such invalidity shall not affect other provisions or application of this Policy which can be given effect without the invalid provision or application, and to this end the provisions of this Policy are declared to be severable.

(i) **Conflicting Agreements.** In case of conflict between terms of this Policy and a contractual agreement entered into by a contractor, sub-contractor or awarding department, terms of this Policy shall govern. Each party to a contract incorporating terms of this Policy agrees through that contract that either it is not a party to such a conflicting agreements, or that it will comply with terms of this Policy as incorporated into the contract, rather than with any conflicting agreements. After the effective date of this Policy, no awarding department may enter into a project labor agreement or other contract relating to or applying to the performance of project work on a covered project that conflicts with or precludes contractor and sub-contractor compliance with terms of this Policy.

(j) **Reciprocity.** An awarding department or OEWD may negotiate reciprocity agreements with other local jurisdictions that maintain local hiring programs, provided that such agreements advance the Policy goals of this subsection. Any such reciprocity agreement shall allow targeted workers in each jurisdiction to utilize and benefit from local hiring requirements and referral systems in the other jurisdiction on the same terms as do the workers residing in that jurisdiction. When such a reciprocity agreement is in effect, residents of another jurisdiction may be counted toward satisfaction of the local hiring requirements of this Policy. Any reciprocity agreement negotiated by an awarding department or OEWD shall be subject to the approval of the Board of Supervisors by resolution.

(H) **Modifications - Requirements.** If it becomes necessary in the prosecution of any public work or improvement under contract to make alterations or modifications or to provide for extras, such alterations, modifications or extras shall be made only on written recommendation of the Department Head responsible for the supervision of the contract, together with the approval of the Mayor or the Mayor's designee or the Board or Commission, as appropriate to the department, and also the approval of the Controller, except as hereafter provided. The Mayor or the Board or Commission, as appropriate to the Department, may delegate in writing the authority to approve such alterations, modifications or extras to the Department head, except as provided below. The Controller may delegate in writing the authority to encumber funds from prior appropriations for such alterations, modifications or extras to the Department head prior to the certification for payment. Such authority, when granted, will clearly state the limitations of the changes to be encompassed.

(1) **Increasing or Decreasing Price.** Alterations, modifications or extras in any contract, which will increase or decrease the contract cost or scope, may be made or allowed only on the written recommendation of the Department Head responsible for the supervision of the contract stating the amount and basis for such increase or decrease. For any cumulative increase or decrease in price in excess of ten percent of the original contract price or scope, the Department head shall obtain the



approval of the Mayor or Mayor's designee or the Board or Commission as appropriate and also the approval of the Controller notwithstanding any delegation provided for above.

(2) **Extensions of Time.** Upon finding that work under a construction contract cannot be completed within the specified time because of an unavoidable delay as defined in the contract, the Department head may extend the time for completion of the work. If the cumulative extensions of time exceeds ten percent of the original contract duration, the Department head shall first obtain the approval of the Mayor, the Mayor's Designee, Board or Commission, as appropriate to the Department notwithstanding any delegation provided for above. All time extensions shall be in writing, but in no event shall any extension be granted subsequent to the issuance of a certificate of final completion.

(a) **Time Extension Not Waiver of City's Rights.** The granting of an extension of time because of unavoidable delays shall in no way operate as a waiver on the part of the City and County or the Department head, Mayor, Board or Commission of the right to collect liquidated damages for other delays or of the right to collect other damages or of any other rights to which the City and County is entitled.

(b) **No Extension Granted When Contract Based on Time Estimates.** When any award of contract has been made in consideration, in whole or in part, of the relative time estimates of bidders for the completion of the work, no extension of time may be granted on such contract beyond the time specified for completion, unless the liquidated damages for each day the work is uncompleted beyond the specified time shall be collected; provided, however, that this shall not apply to unavoidable delays due to acts of God.

(c) **Avoidable and Unavoidable Delay; Limitation of Damages for Delay.** The Department Head administering the public work shall have the authority to specify in the contract the delays that shall be deemed avoidable or unavoidable. The City and County shall not pay damages or compensation of any kind to a contractor because of delays in the progress of the work, whether such delays be avoidable or unavoidable; provided, however, the City and County may pay for (1) delays caused to the contractor by the City and County and (2) such unavoidable delays as may be specifically stated in the contract. Such latter delays will be compensated for only under the conditions specified in the contract.

(d) **Notice of Delay Required.** The contractor shall promptly notify the Department head in writing, of all anticipated delays in the prosecution of the work and, in any event, promptly upon the occurrence of a delay, the notice shall constitute an application for an extension of time only if the notice requests such extension and sets forth the contractor's estimate of the additional time required together with a full recital of the causes of unavoidable delays relied upon. The Department head may take steps to prevent the occurrence or continuance of the delay, may classify the delay as avoidable or unavoidable and may determine to what extent the completion of the work is delayed thereby.

(I) **Liquidated Damages.** Any contract may provide a time within which the contract work, or portions thereof, shall be completed and may provide for the payment of agreed liquidated damages to the City and County for every calendar or working day thereafter during which such work shall be uncompleted.

(J) **Retention of Progressive Payments.** Any contract for construction services may provide for progressive or milestone payments, if the Advertisement For Bids shall so specify. Each progress or

milestone payment shall constitute full compensation for the value of work performed and materials furnished for a specified period, less amounts withheld as a result of dispute or as required by law.

(1) For all contracts entered into on or after the effective date of this Ordinance, from every progress payment, the City shall hold 5 percent in retention.

(2) Notwithstanding the subparagraph above, the City may hold greater than 5 percent but not more than 10 percent in retention if the Department head responsible for the public work determines that the work or improvement is substantially complex and therefore warrants a higher retention amount, and the retention amount is specified in the Advertisement For Bids. For contracts with retention amounts greater than 5 percent, if the Department head responsible for the public work determines that the contract is 50 percent or more complete, that the contractor is making satisfactory progress, and that there is no specific cause for greater withholding, the Department head, upon the written request of contractor, may authorize one of the following two options: (a) the City shall release part of the retention to the contractor so that the amount held in retention by the City, after release to the contractor, is reduced to an amount not less than 5 percent of the total value of the labor and materials furnished, and the City shall proceed to retain 5 percent of any subsequent progress payment under the contract; or (b) the City shall continue to hold the already withheld retention amount, up to 5 percent of the total contract price, and shall not deduct further retention from progress payments.

(3) The Department head shall authorize the release of retention, in whole or in part, for work completed by sub-contractors certified by the HRC as LBEs. The Department head shall do so only upon a written request by the contractor certifying (i) the work by the certified LBE sub-contractor is completed and satisfactory in accordance with the plans and specifications for the project; (ii) the total amount paid to the certified LBE sub-contractor by the contractor as of the date of the written request and the total amount of the subcontract; and (iii) the amount of retention associated with the work performed by the certified LBE sub-contractor. Following a release of such retention, and in order to calculate retention and retention withholding from further progress or milestone payments, the City will reduce the total retention required under the foregoing paragraphs (1) and (2) by the amount paid to the certified LBE sub-contractor(s) for whom the City released the retention. The release of retention under this subparagraph shall not reduce the responsibilities or liabilities of the contractor or its surety under the contract or applicable law. For any contract awarded under this Chapter prior to the enactment of this subparagraph, a Department head may in his or her sole discretion incorporate this subparagraph by change.

(4) The Department head shall authorize the release of retention, in whole or in part, for work completed by sub-contractors under any public work contract awarded under this Chapter with a construction duration of more than two years. The Department head shall do so only upon a written request by the contractor certifying (i) the work by the sub-contractor is completed and satisfactory in accordance with the plans and specifications for the project; (ii) the total amount paid to the sub-contractor by the contractor as of the date of the written request and the total amount of the subcontract; and (iii) the amount of retention associated with the work performed by the sub-contractor. The City may issue or authorize the release of retention within six months of the date of the request. Following a release of such retention, and in order to calculate retention and retention withholding from further

progress or milestone payments, the City will reduce the total retention required under the foregoing paragraphs (1) and (2) by the amount paid to the sub-contractor(s) for whom the City released retention. The release of retention under this subparagraph shall not reduce the responsibilities or liabilities of the contractor or its surety under the contract or applicable law. For any contract awarded under this Chapter prior to the enactment of this subparagraph with a construction duration of more than two years, a Department head may in his or her sole discretion incorporate this subparagraph by change order.

(5) Retention shall be withheld solely for the benefit and protection of the City.

(6) When the Department head responsible for the public work determines that the contract is 98 percent or more complete, the Department head may reduce retention funds to an amount equal to 200 percent of the estimated value of work yet to be completed, plus any amount necessary to cover offsets by the City for liquidated damages, defective work, stop notices, forfeitures, and other charges. The City shall release retention to the contractor upon the following conditions: (a) the contractor has reached final completion under the contract terms and conditions and (b) the contract is free of offsets by the City for liquidated damages, defective work and the like, and is free of stop notices, forfeitures, and other charges.

(7) For all contracts awarded under this Chapter, in no event shall the City be liable for interest or charges arising out of or relating to the date the City issues any progress, milestone or other payment or the date the City releases all or part of the retention, except that the City will pay interest at the legal rate, as set forth in section 685.010(a) of the California Code of Civil Procedure as that section may be amended from time to time, on any improperly withheld amounts commencing no earlier than 90 days after the date the City should have made any progress payment or released all or part of the retention. Under no circumstances shall the legal rate of interest paid by the City under this provision exceed 10 percent per annum. The payment of interest under this provision is the limit of the City's liability with respect to any claim for interest on improperly withheld amounts.

(8) For contracts entered into between January 1, 2012 and the effective date of this Ordinance, upon the written request of the contractor, the Department head responsible for the public work shall have the discretion to reduce retention to 5 percent, pursuant to one of the two options set forth in subparagraph (2).

(K) **Inspection and Acceptance of Completed Work; Final Payment.** The Department head authorized to execute any contract for public works or improvements shall be responsible for the inspection and acceptance of such work on completion. Such acceptance shall be in writing and shall include the certificate of the Department head concerned that the work covered by the contract has been fully and satisfactorily completed in accordance with the plans and specifications therefor. Receipt of copy of such acceptance in writing shall constitute the Controller's authority to complete any payments due the contractor under the contract; provided that the Controller may make such additional investigation or inspection as is provided by *Administrative Code*, Section 10.07.

(L) **Termination for Convenience.** In all contracts for the construction of any public work or improvement, the Department head authorized to execute any contract for any public work or improvement may include in the specifications setting forth the terms and conditions for the performance of the contract a provision that the City and County may terminate the performance of work under the

contract whenever the Department head shall determine, with the approval of the Mayor, the Mayor's designee or the Board or Commission concerned, that such termination is in the best interest of the City and County. Any such termination shall be effected by delivery to the contractor of a notice of termination specifying the extent to which performance of work under the contract is terminated and the date upon which such termination becomes effective. The Department head is hereby authorized to include within such construction contract the appropriate language to implement this subsection.

(M) **Articles Not to be Prison Made.** No article furnished under any contract awarded under the provisions of this Chapter shall have been made in a prison or by convict labor except for articles made in prisons or by convicts under the supervision and control of the California Department of Corrections and limited to articles for use by the City and County's detention facilities.

(N) **Employment of Apprentices.** All construction contracts awarded under this Chapter shall require the Contractor to comply with the requirements of the State Apprenticeship Program (as set forth in the California Labor Code, Division 3, Chapter 4 [commencing at Section 3070] and Section 1777.5), as it may be amended from time to time, and shall require the Contractor to include in its subcontracts the obligation for sub-contractors to comply with the requirements of the State Apprenticeship Program.

(O) **Safety.** All construction contracts awarded under this Chapter shall require the Contractor and all of its sub-contractors to abide by the applicable Occupational Safety and Health statutes and regulations.

Additionally, all construction contracts awarded under this Chapter shall require the Contractor and all of its sub-contractors to abide by the requirements of *Administrative Code*, Section 64.1, prohibiting masonry-dry cutting and masonry dry-grinding, with exceptions.

(P) **Claims.** The City shall consider only those claims for additional payment under a public work contract that are certified and that conform to the contract requirements for claims, pricing, and schedule.

(1) **Claims by Contractors.** The contractor shall certify under penalty of perjury that (a) the claim is made in good faith; (b) the supporting data are accurate and complete to the best of Contractor's knowledge and belief; and (c) the amount request accurately reflects the Contract adjustment for which the Contractor believes the City is liable. An individual or officer authorized to act on behalf of the Contractor shall execute the certification.

(2) **Claims by Sub-contractors.** Sub-contractors at any tier are not third-party beneficiaries of any Contract awarded under this Chapter. The City shall not consider a direct claim by any sub-contractor. A Contractor presenting to the City any claim on behalf of a sub-contractor must certify the sub-contractor's claim in the same manner the Contractor would certify its own claim under the foregoing paragraph (1).

(Q) **Contractor Prompt Payment.** All construction contracts under this Chapter shall require the contractor to pay its sub-contractors within seven calendar days after receipt of each progress payment from the City, unless otherwise agreed to in writing in advance by both contractor and sub-contractor. In the event that there is a good faith dispute over all or any portion of the amount due on a progress payment from a contractor to a sub-contractor, the contractor may withhold the disputed amount but shall pay the undisputed amount.

Any contractor who violates this subsection shall pay to the sub-contractor a penalty of 2% of the amount due per month for every month or portion thereof that payment is not made. This subsection is

enforceable in a court of competent jurisdiction, and is not intended to create a private right of action against the City and County of San Francisco.

(Added by Ord. 286-99, File No. 991645, App. 11/5/99; amended by Ord. 153-00, File No. 000805, App. 6/30/2000; Ord. 237-00, File No. 001207, App. 10/20/2000; Ord. 7-02, File No. 011675, App. 1/25/2002; Ord. 208-02, File No. 021221, App. 10/18/2002; Ord. 58-05, File No. 041571, App. 4/1/2005; Ord. 107-05, File No. 050215, App. 6/10/2005; Ord. 131-06, File No. 060444, App. 6/22/2006; Ord. 119-08, File No. 080277, App. 7/11/2008; Ord. 19-10, File No. 091163, App. 2/10/2010; Ord. 23-10, File No. 091233, App. 2/11/2010; Ord. 311-10, File No. 101311, App. 12/23/2010; Ord. 79-11, File No. 110330, App. 5/19/2011, Eff. 6/18/2011; Ord. 225-12, File No. 120750, App. 11/1/2012, Eff. 12/1/2012; Ord. 27-13, File No. 121200, App. 2/19/2013, Eff. 3/21/2013; Res. 80-14, File No. 140091, App. 3/21/2014; Ord. 32-14, File No. 140090, App. 3/27/2014, Eff. 4/26/2014, Oper. 6/25/2014; Ord. 85-14, File No. 140151, App. 6/19/2014, Eff. 7/19/2014, Oper. 9/17/2014 (part)\*)

**\* Editor's Note:**

Section 3 of Ord. 85-14 provides as follows: "Section 1 of this ordinance [amending various provisions of Sec. 6.22(G)] shall become operative sixty (60) days after the effective date. Section 2 of this ordinance [amending various provisions of Sec. 6.22(E)] shall become operative on the compliance date listed in California Labor Code section 1782 subsection (f)." All of the amendments made by Ord. 85-14 have been incorporated into the version of this section as currently published herein.

19.3.2.4 | SEC. 6.23. PUBLIC WORKS TO BE PERFORMED BY THE CITY; BIDS BY CITY DEPARTMENTS; PROCEDURE UPON REJECTION OR FAILURE OF BIDS

(A) **Public Works Less Than or Equal to the Threshold Amount.** Any public work or improvement estimated to cost less than or equal to the Threshold Amount may be performed by the employment of the necessary labor and purchase of the necessary materials and supplies directly by the City and County.

(B) **Bids by City Departments.** Appropriate City and County departments may file sealed bids for the execution of any work to be performed under a contract and shall not be required to furnish security or submit information relative to financial qualifications as provided in this Chapter. Any bid submitted by a department of the City and County, if it is the lowest bid, must be approved by the Controller before the award of contract. If the bid of a City and County department, as investigated and approved by the Controller, is the lowest, the contract shall be awarded to the department which shall record accurate unit costs of all direct and indirect charges incurred under any such contract. Such unit costs shall be reported to and audited by the Controller monthly and on completion of the work.

The Controller shall maintain records of bids filed by departments in relation to the total direct and indirect cost of each such work and shall report thereon periodically to the Mayor. The Controller may refuse to approve contracts with a department shown to be repeatedly underbidding on contract work and failing to complete same within the contract price or time.

(C) **Procedure Upon Rejection or Failure of Bids.** When bids have been advertised pursuant to the required procedures and no bids are received, or only one responsive bid is received from a responsible bidder, the Department Head shall take the following actions, as appropriate:

(1) **No Bids Received.** If no bids are received, the Department Head shall determine (a) whether further outreach efforts would result in contractors submitting bids and/or (b) whether removal or modification of certain requirements in the contract would result in contractors submitting bids, provided that such requirements are not required by statute or law and their removal or modification would not compromise the interests of the City and County. If the Department Head determines that steps (a) and/or (b), above, would likely result in contractors submitting bids, then the Department Head shall re-bid the work. If the Department Head determines that neither step (a) nor (b), above, would likely result in contractors submitting bids, then the Department Head, with the approval of the Mayor, the Mayor's designee, or the board or commission concerned, as appropriate, may negotiate with any qualified contractor or may order the work to be executed by the City and County.

(2) **One Responsive Bid Received; No Other Bids Received.** If only one responsive bid is received from a responsible bidder, and no other bids are submitted for the same work, the Department Head may recommend the award of a contract to the sole bidder at the bid price received, provided that the bid price does not exceed the engineer's estimate for the work. If the bid price received exceeds the engineer's estimate, the Department Head shall determine (a) whether further outreach efforts would result in more than one bid and/or (b) whether removal or modification of certain requirements in the contract would result in more than one bid, provided that such requirements are not required by statute or law and their removal or modification would not compromise the interests of the City and County. If the Department Head determines that steps (a) and/or (b), above, would likely result in more than one bid at bid prices substantially lower than the bid price received, then the Department Head shall re-bid the work. If the Department Head determines that neither step (a) nor (b), above, would likely result in more than one bid at bid prices substantially lower than the bid price received, then the Department Head, with the approval of the Mayor, the Mayor's designee, or the board or commission concerned, as appropriate, may negotiate with the sole bidder or any qualified contractor, or may order the work to be executed by the City and County. The cost of negotiated work or the cost of work executed by the City and County shall not exceed any bid price received for the same work.

(3) **One Responsive Bid Received; Other Nonresponsive Bids Received.** If only one responsive bid is received from a responsible bidder and other, nonresponsive bids and/or bids by nonresponsible bidders are submitted for the same work, the Department Head may recommend the award of a contract to the sole responsive, responsible bidder at the bid price received, provided that the bid price does not exceed the engineer's estimate for the work. If the responsive bid price received exceeds the engineer's estimate, the Department Head shall determine (a) whether the qualifications for bidders were too onerous and not necessary for the work and/or (b) whether one or more of the nonresponsive bids could be easily cured and whether the bidders that submitted such bids are still interested in bidding on the work. If the Department Head determines that the steps (a) and/or (b), above, would likely result in more than one responsive bid by responsible bidders, at bid prices substantially lower than the bid price received, then the Department Head shall re-bid the work. If the Department Head determines that



neither step (a) nor (b), above, would result in more than one responsive bid by responsible bidders at bid prices substantially lower than the bid price received, then the Department Head, with the approval of the Mayor, the Mayor's designee, or the board or commission concerned, as appropriate, may negotiate with the sole responsible bidder or any qualified contractor, or may order the work to be executed by the City and County. The cost of negotiated work or the cost of work executed by the City and County shall not exceed any bid price received for the same work.

(4) All contracts awarded under this subsection 6.23(C), including negotiated contracts, shall require that the substitution of sub-contractors be in accordance with California Public Contract Code section 4107.

(Added by Ord. 286-99, File No. 991645, App. 11/5/99; Ord. 119-08, File No. 080277, App. 7/11/2008)

19.3.2.5 | SEC. 6.24. OFFICE OF LABOR STANDARDS ENFORCEMENT; PREVAILING WAGE REQUIREMENTS

(A) Subject to the approval of the Mayor and Director of the Department of Administrative Services, the Labor Standards Enforcement Officer shall develop and administer a plan for the enforcement of the prevailing wage requirements and other labor standards imposed by the Charter and this Chapter on public work contractors. The Labor Standards Enforcement Officer shall coordinate his or her activities with federal and state labor standards agencies. The Labor Standards Enforcement Officer shall direct the City's enforcement of the prevailing wage requirements and other labor standards imposed by the Charter and this Chapter on public work contractors as directed by the Mayor, and to this end all City departments shall cooperate with the Labor Standards Enforcement Officer. The Labor Standards Enforcement Officer has the authority to seek for violations of prevailing wage, working conditions and apprenticeship requirements all of the penalties imposed by this Chapter, including the authority to file charges, in the same manner and to the same extent as a Department Head, which may lead to the debarment of the contractor under Article V of this Chapter. The Labor Standards Enforcement Officer shall oversee the training of City personnel in the area of labor standards enforcement. In accordance with applicable law, the Mayor may enter into a contract for investigative and monitoring services to further the purposes of this section. In evaluating the qualifications of persons seeking that contract, the Mayor shall consider, among other relevant factors, the experience of those persons in monitoring and investigating labor standards compliance.

(B) Subject to the fiscal and budgetary provisions of the Charter, the Office of Labor Standards Enforcement is authorized to receive from departments awarding public work contracts the amount reasonably calculated to pay for the costs, including litigation costs, of enforcing the City prevailing wage requirements and other labor standards for contracts awarded by those departments. The Labor Standards Enforcement Officer shall supervise the expenditure of all funds appropriated for enforcement of prevailing wage requirements and other labor standards imposed by the Charter and this Chapter on public works contractors.

(C) The Labor Standards Enforcement Officer shall establish an administrative procedure to address allegations of labor standards violations in connection with any public work contract under this Chapter.

The Labor Standards Enforcement Officer shall have sole authority over the administration of this complaint procedure. The complaint procedure shall include but need not be limited to the following: (1) any person may file a complaint, written or oral, alleging one or more violations of any labor standards requirement imposed by this Chapter on public work contractors; (2) before beginning to investigate the complaint, the Labor Standards Enforcement Officer shall determine if the allegations of the complaint are sufficient and based on that assessment shall determine to either dismiss it or proceed with an investigation; (3) if the Labor Standards Enforcement Officer at any time determines that the allegations contained in the complaint are without merit, the Labor Standards Enforcement Officer shall notify the complainant; and (4) if the Labor Standards Enforcement Officer finds that any allegations in a complaint have merit, the Labor Standards Enforcement Officer shall proceed in accordance with the enforcement procedures under Section 6.22 of this Chapter. This complaint procedure is applicable to allegations of labor standards violations in connection with any public work contract under this Chapter, but is not applicable to those matters under the administrative jurisdiction of the San Francisco Human Rights Commission. This procedure shall not preclude the Labor Standards Enforcement Officer from initiating or proceeding with an investigation on his or her own authority. All public work contractors and departments engaged in public work shall cooperate fully with the Office of Labor Standards Enforcement in connection with any investigation of any complaint filed in accordance with this complaint procedure. The Labor Standards Enforcement Officer may interview, either at the worksite or elsewhere, any witness who may have information relative to a complaint.

(Added by Ord. 237-00, File No. 001207, App. 10/20/2000; amended by Ord. 208-02, File No. 021221, App. 10/18/2002; Ord. 8-03, File No. 021856, App. 1/31/2003; Ord. 5-06, File No. 051652, App. 1/20/2006)

#### 19.3.2.6 | SEC. 6.25. CONTRACT REQUIREMENTS FOR CLEAN CONSTRUCTION

(a) All work performed on a Major Construction Project, as defined in Environment Code Section 2503, shall be carried out in compliance with the Clean Construction requirements of Environment Code Chapter 25. The Department Head or officer calling for bids for contracts for work to be performed on a Major Construction Project shall specify in the Advertisement for Bids that Clean Construction is required for the performance of all work unless a waiver of all or part of the requirements of that Chapter has been granted under Sections 2505 or 2507.

(b) Every contract for work to be performed on a Major Construction Project shall contain provisions, in a form to be approved by the City Attorney: (A) requiring that the contractor comply with Chapter 25 of the Environment Code, (B) authorizing waivers as set forth in Environment Code Sections 2505 and 2507, and (C) specifying liquidated damages in the amount of \$100.00 per day per each piece of off-road equipment and each off-road engine utilized to complete work on the project in violation of Environment Code Chapter 25.

(Added by Ord. 70-07, File No. 061432, App. 4/2/2007; amended by Ord. 28-15, File No. 140805, App. 3/19/2015, Eff. 4/18/2015)



### 19.3.3 | Article III: Professional Services Contracting

Sec. 6.40. Competitive Procurement of Professional Services for Public Work Projects.

Sec. 6.41. Requests for Competitive Proposals or Qualifications.

Sec. 6.42. Professional Services Contract

#### 19.3.3.1 | SEC. 6.40. COMPETITIVE PROCUREMENT OF PROFESSIONAL SERVICES FOR PUBLIC WORK PROJECTS

Notwithstanding any other provision of this *Administrative Code*, when a department is seeking outside temporary professional design, consultant or construction management services for a public work project, where the fee for such services shall exceed the minimum competitive amount, as defined below, the department shall procure such services through a competitive process based on qualifications.

(A) **Minimum competitive amount.** The minimum competitive amount for temporary outside professional service contracts shall be \$100,000. On January 1, 2015, and every five years thereafter, the Controller shall recalculate the minimum competitive amount to reflect any proportional increase in the Urban Regional Consumer Price Index from January 1, 2010, rounded to the nearest \$1,000.

(B) **Selection Process.** For professional services contracts in excess of the minimum competitive amount, the Department Head for the department empowered to contract for the public work shall designate one or more panels to review proposals and interview and rate respondents with respect to a request for proposals or qualifications for a professional services contract. A panel shall consist of not fewer than two persons. The Department Head may establish a multi-tier selection process whereby, for example, a technical panel recommends a shortlist of qualified respondents and a second panel ranks the shortlist.

The Department Head shall ensure that all panel members are impartial and that all respondents are treated fairly. The panel members rating the respondents shall do so according to their independent assessment of the respondent's qualifications for the public work project; questions relating to a respondent's expertise, qualifications and experience shall remain within the sole purview of the panel members.

Any rating sheet completed by any panel member may be considered a matter of public record, but the names of the individual panel members shall not. Any name appearing on a rating sheet produced in accordance with the Public Records Act or the San Francisco Sunshine Ordinance shall be redacted.

(C) **Negotiation.** Following the selection process outlined above, and should the department concerned desire to enter into a contract, the Department Head shall invite the highest-ranked qualified respondent to negotiate a professional services agreement. In the event that the Department Head determines, in the Department Head's sole discretion, that negotiations are unfruitful, the Department Head shall terminate negotiations in writing and may then invite the next-ranked respondent to negotiate a contract. In such event, the Department Head shall as soon as practicable make a report to the Mayor, board or commission as appropriate to the department.

(Amended by Ord. 324-00, File No. 001919, App. 12/28/2000; Ord. 7-02, File No. 011675, App. 1/25/2002; Ord. 19-10, File No. 091163, App. 2/10/2010)

19.3.3.2 | SEC. 6.41. REQUESTS FOR COMPETITIVE PROPOSALS OR QUALIFICATIONS

All requests for competitive proposals or qualifications for temporary design, consultant or construction management services shall conform to and at a minimum require the following:

(A) **Evaluation Criteria.** The Department Head authorized to execute the contract shall determine the criteria by which the design, consultant or construction management service professionals shall be evaluated, on a project-by-project basis. Such criteria shall be included as a part of any request for proposals or qualifications. The criteria shall be based primarily on qualifications and experience relevant to the services needed for the project. Except as prohibited by law, the Department Head, in his/her sole discretion, may determine that, in the best interests of the City and County of San Francisco, a consultant who participated in the master plan, conceptual phase or other preliminary work for a project, may compete to provide professional services in future phases of such project. In such event, the consultant may not use, nor may the selection panel consider, the consultant's prior work on the project to establish its experience or qualifications in the competitive process.

(B) **Reservation of Rights to Reject or Cancel the Request for Proposals in Whole or Part.** The Department Head authorized to execute the contract, upon approval of the Mayor, the Mayor's designee or the board or commission, as appropriate, may reject any or all proposals, in whole or in part, received in response to a request for proposals or qualifications. The right to reject shall be reserved in any request for proposals or qualifications, but the failure to include such reservation shall not abrogate the rights of the Department Head under this section or give rise to any right by any respondent.

(C) **Award and Certification Required.** All requests for proposals or qualifications shall contain the following language [wording in brackets should be chosen as appropriate to the department]:

In accordance with San Francisco *Administrative Code* Chapter 6, no proposal is accepted and no contract in excess of [the Threshold Amount] is awarded by the City and County of San Francisco until such time as [(1) for departments with boards or commissions, (a) the Department Head recommends the contract for award and (b) the board or commission then adopts a resolution awarding the contract; or [(2) for departments under the Mayor, (a) the Mayor or the Mayor's designee approves the contract for award and (b) the Department Head then issues an order of award]. Pursuant to Charter Section 3.105, all contract awards are subject to certification by the Controller as to the availability of funds.

Failure of a department to include such language in a request for proposals or qualifications does not give rise to a contract right by a respondent or contractor outside of the requirements of the Charter or *Administrative Code* of the City and County of San Francisco.

(Added by Ord. 286-99, File No. 991645, App. 11/5/99; amended by Ord. 58-05, File No. 041571, App. 4/1/2005)

19.3.3.3 | SEC. 6.42. PROFESSIONAL SERVICES CONTRACT TERMS

All contracts for temporary design, consultant and construction management services ("professional services") shall contain the following minimum terms and conditions:

(A) **Guaranteed Maximum Costs.** Professional service contracts shall provide for a Guaranteed Maximum Cost, including fees, travel and related expenses as necessitated by the project. Any

modification to the Guaranteed Maximum Cost must be approved by the Department Head in writing and approved by the Mayor, the Mayor's designee or the board or commission concerned, as appropriate, and the Controller.

(B) **Insurance.** Notwithstanding any other provisions of this Chapter, all professional service contracts must conform to the insurance requirements established by the Risk Manager. The Risk Manager shall develop uniform insurance requirements for City contracts subject to this Chapter and shall publish such requirements in the Risk Manager's Manual. The Risk Manager shall review and update such insurance requirements on an annual basis.

(C) **Indemnification.** All professional services contracts awarded under this Chapter shall require that the contractor fully indemnify the City and County to the maximum extent provided by law, such that each contractor must save, keep, bear harmless and fully indemnify the City and County and any of its officers or agents from any and all liability, damages, claims, judgments or demands for damages, costs or expenses in law or equity that may at any time arise.

This indemnification requirement may not be waived or abrogated in any way for any contract without the recommendation of the City's Risk Manager and the express permission and approval of the Board of Supervisors.

(D) **Assignment.** No contract shall be assigned except upon the recommendation of the Department Head concerned and with the approval of the Mayor or the Mayor's designee, relative to the department under the Mayor's jurisdiction or the approval of the board or commission concerned for departments not under the Mayor.

(E) **Modifications.** Professional service contracts may be modified only by written instrument, granted and approved by the City and County in the same manner the underlying contract was awarded.

(F) **Contractor Prompt Payment.** All professional services contracts under this Chapter shall require the contractor to pay its sub-contractors within seven calendar days after receipt of each progress payment from the City, unless otherwise agreed to in writing in advance by both contractor and sub-contractor. In the event that there is a good faith dispute over all or any portion of the amount due on a progress payment from a contractor to a sub-contractor, the contractor may withhold the disputed amount but shall pay the undisputed amount.

Any contractor who violates this subsection shall pay to the sub-contractor a penalty of 2% of the amount due per month for every month or portion thereof that payment is not made. This subsection is enforceable in a court of competent jurisdiction, and is not intended to create a private right of action against the City and County of San Francisco.

(Added by Ord. 286-99, File No. 991645, App. 11/5/99; amended by Ord. 7-02, File No. 011675, App. 1/25/2002; Ord. 23-10, File No. 091233, App. 2/11/2010; Ord. 27-13, File No. 121200, App. 2/19/2013, Eff. 3/21/2013)

### 19.3.4 | Article IV: Exemptions from and Alternatives to Competitive Bidding

Sec. 6.60. Emergency Repairs, Work and Contracts.

Sec. 6.61. Design-Build.

- Sec. 6.62. Job Order Contracts.
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- Sec. 6.64. As-Needed Contracts.
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- Sec. 6.66. Convention Facility Public Works.
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- Sec. 6.69. Department of Public Health Public Work.
- Sec. 6.70. Real Estate Division Public Work.
- Sec. 6.71. Pier Repair Work.

19.3.4.1 | SEC. 6.60. EMERGENCY REPAIRS, WORK AND CONTRACTS

(A) **Declaration of Emergency.** The Board of Supervisors may declare an emergency and may direct any Department Head to perform any repair or other emergency work in any manner the Board determines to be in the best interests of the City and County of San Francisco.

(B) **Other Determinations of Emergency.** In an actual emergency as defined or described below, the repair, reconditioning or other work or contract necessitated by the emergency may be executed by the Department Head responsible for such work in the most expeditious manner, in accordance with the procedures set forth below.

(C) **Emergency Defined.** For purposes of this Chapter, an "actual emergency" means a sudden, unforeseeable and unexpected occurrence involving a clear and imminent danger, demanding immediate action to prevent or mitigate loss of or damage to, life, health property or essential public services. An "actual emergency" shall also mean the discovery of any condition involving a clear and imminent danger to public health or safety, demanding immediate action. Examples of an actual emergency may include, but are not limited to, the following:

(1) Weather conditions, fire, flood, earthquake or other unforeseen occurrences of unusual character; or

(2) The breakdown or imminent breakdown of any plant, equipment, structure, street or public work necessitating immediate emergency repair or reconditioning to safeguard the lives or property of the citizens; or the property of the City and County; or to maintain the public health or welfare; and

(a) Including the installation, repair, construction and alteration of crossings and switch work and special work in connection therewith at street and other railway crossings and at street intersections when the same is to be done by or for the Municipal Transportation Agency; or

(b) Including the installation, repair, construction and alteration of the fire alarm, police communication and traffic signal systems, when the same is to be performed by or for the Department of Technology or the Municipal Transportation Agency; or

(c) Including the work of making connections, installing gate valves, installing or transferring services and performing such other work therewith to existing water pipes when the same is to be done by or for the Public Utilities Commission and when such work will leave one or more fire hydrants or water consumers without water; or

(3) Unforeseen occurrences of unusual character resulting in an insufficient number of hospital beds or the lack of hospital beds or the lack of hospital, surgical, mental health or hospital ancillary services so as to leave patients of the City and County without required hospital or medical services.

(D) **Approvals Required.** If the estimated cost of the emergency work is less than or equal to \$250,000 the Department Head may proceed with the work without additional approvals. If the estimated cost of the emergency work exceeds \$250,000, the Department Head prior to authorizing the commencement of the work, must first secure the approval in writing of the Mayor or the Mayor's designee or the president of the board or commission concerned as appropriate to the department. For all cases where the cost of the emergency work exceeds \$250,000 the Department Head shall also obtain the approval of the Board of Supervisors.

If the emergency does not permit the required approvals to be obtained before work is commenced or the contract entered into, such approvals shall be obtained as soon thereafter as it is possible to do so. In such event, the Department Head concerned shall notify the Controller immediately of the work involved or the contract entered into and the estimated cost thereof and shall notify the Board of Supervisors not more than seven days after work has been commenced.

(E) **Exemptions.** Contracts awarded in accordance with this section under emergency circumstances as described and defined above are exempt from the requirements of this Chapter and Chapters 12A, 12B, 12C and Chapter 14B. However, the Department Head must comply with the certification requirement of *Administrative Code* Chapter 14B. It is, however, the policy of the Board of Supervisors for contracting departments to make every effort to comply with the provisions of Chapters 12A, 12B, 12C and Chapter 14B. In order to effectuate this policy, the Department Heads authorized to enter into construction contracts and their staff members shall collaborate with the HRC Director and HRC staff members periodically to create a list of responsible contractors qualified to perform various types of emergency work, making every effort to include qualified, responsible, and certified LBE contractors on that list. The HRC shall be responsible for outreach efforts to make sure that certified LBE contractors are aware of the opportunity to be considered for the list. The contract awarding departments or commissions shall be responsible for evaluating and determining whether contractors are responsible and qualified to perform the various scopes of work. The Department Heads of departments authorized to execute construction contracts shall report quarterly to the Board of Supervisors regarding LBE inclusion on the list of responsible and qualified contractors for emergency contracts, a description of each emergency contract awarded, the reason why the work was performed under these emergency procedures, and whether the emergency contract was awarded to an LBE contractor. Such reports shall be referred to a Board committee for public hearing.

(F) **Indemnification For Emergency Contracts.** Department heads responsible for any emergency work are hereby authorized to (a) waive any requirement that a contractor performing such emergency work indemnify the City and County and/or (b) enter into a contract which provides that the City and

County indemnify such contractor, except that the City and County shall in no event indemnify a contractor for the contractor's gross negligence or willful misconduct.

(Added by Ord. 286-99, File No. 991645, App. 11/5/99; amended by Ord. 58-05, File No. 041571, App. 4/1/2005; Ord. 19-10, File No. 091163, App. 2/10/2010)

19.3.4.2 | SEC. 6.61. DESIGN-BUILD

The Department Heads authorized to execute contracts for public work projects are authorized to seek proposals from qualified private entities ("design-builders") for design-build construction and/or financing of public work projects under the following conditions:

(A) Before the request for qualifications is issued, the Department Head shall determine that a design-build program is necessary or appropriate to achieve anticipated cost savings or time efficiencies, or both, and that such a process is in the public's best interest.

(B) If the proposed public work project is for the use or benefit of a department that is under the jurisdiction of a commission, then such commission shall first approve the solicitation of design-build and/or finance proposals. If the public work project is not for the use or benefit of a department under the jurisdiction of a commission, then the City Administrator must first approve this process.

(C) **Pre-Qualification.** Department heads shall require that prospective design-builders be pre-qualified to submit proposals on a specific project. The procedure for pre-qualification is as follows:

(1) The Department Head shall issue a request for qualifications inviting interested parties to submit their qualifications to perform the project. The request for qualifications shall include criteria by which the prospective design-builders will be evaluated during the qualification process. The evaluation criteria shall be based on qualifications and experience relevant to the services needed for the project, including: (i) qualifications to design-build the proposed project; (ii) evidence of financial capacity; (iii) experience on similar projects; (iv) commitment to comply with the goals and requirements of *Administrative Code* Chapters 12 and 14; (v) ability to collaboratively and cooperatively deliver projects on time and on budget; (vi) liquidated damages for delay and other damages paid on prior projects, and prior litigation history; (vii) reputation with owners of prior projects; (viii) claims history with insurance carriers and sureties; and (ix) compliance with all of the requirements established in the request for qualifications and other criteria that the Department Head may deem appropriate. The Department Head shall set objective scoring criteria and incorporate the criteria into any scoring procedure.

(2) The Department Head shall designate a panel to review pre-qualification responses and interview and rate respondents with respect to the request for qualifications. Only those respondents found to be qualified will be eligible to submit proposals. The list of pre-qualified respondents shall be valid for not more than two years following the date of initial pre-qualification.

(3) The Department Head may establish a pre-qualification selection process whereby the panel ranks respondents and recommends a shortlist of no fewer than three (3) pre-qualified respondents. The Department Head may restrict bidding to short-listed respondents. The shortlist of pre-qualified respondents shall be valid for not more than two years following the date of initial pre-qualification.

(D) **Request for Proposals.** The Department Head shall issue a request for proposals inviting pre-qualified design-builders to submit proposals for the project. The request for proposals shall include a



criteria package describing preliminary design criteria and performance criteria for the project, as well as any other information deemed necessary to describe adequately the City's needs for the project.

(E) **Final Selection Process.** The Department Head may recommend the award of a contract to the responsible bidder submitting the lowest responsive bid. If the award to that bidder is not made for any reason, the Department Head may recommend the award of a contract to the responsible bidder submitting the next lowest responsive bid, and so forth. The Department Head may, at his or her sole discretion, conduct any negotiations that are necessary to effectuate the award of a contract.

(F) **Alternative Final Selection Process.** If the project seeks private financing proposals and/or the Department Head determines that it is in the public's best interest to consider qualifications and/or other subjective criteria (e.g., quality of design proposal) as part of the final selection process, the Department Head shall issue a request for proposals inviting pre-qualified design-builders to submit design-build proposals, which will be evaluated based upon qualifications and project and/or financing costs.

(1) The Department Head may request design-builders to create partial designs, which will be evaluated as part of the final selection process. The Department Head may offer a reasonable stipend to short-listed design-builders to create partial designs. The receipt of a stipend shall be contingent upon a design-builder's proposal being responsive to the request for proposals.

(2) The Department Head may require short-listed design-builders who are creating partial designs to participate in one or more confidential review meetings with City representatives and/or selection panel members during the proposal preparation period. The purpose of the review meetings will be to ensure that each design-builder's partial design is proceeding in a manner that is consistent with the requirements of the City as set forth in the criteria package. Discussions during review meetings shall be limited to objective elements of the criteria package.

(3) Design-builders submitting private financing proposals shall provide evidence of the commitment of funds necessary to privately finance the proposed projects to completion.

(4) The Department Head shall designate a panel to evaluate design-build proposals and rank the proposals to determine which provides the overall best value to the City and County in regard to the following criteria: (i) plan for expediency in completing the proposed project; (ii) lifecycle cost to the City and County; (iii) qualifications to finance the proposed project; (iv) quality of design proposal; (v) compliance with the goals set by the Human Rights Commission and requirements of the *Administrative Code* Chapters 12 and 14; (vi) commitment to meet the City hiring goals (e.g., CityBuild or First Source Hiring); (vii) if private financing is sought, commitment of funds, cost of funds and terms to the City; and (viii) compliance with all the requirements and criteria established by the Department head in the request for proposals. The cost criterion shall constitute not less than sixty-five percent (65%) of the overall evaluation.

(G) Subject to paragraph (K) below, the Department Head may recommend the award of a contract to the highest-ranked design-builder. If the award to the highest-ranked design-builder is not made for any reason, the Department Head may recommend the award of a contract to the next highest-ranked design-builder, and so forth. The Department Head may, at his or her sole discretion, conduct any negotiations that are necessary to effectuate the award of a contract.

(H) The City shall retain the absolute discretion to determine, at any time during the process, not to proceed with any proposed project, which right may be exercised without liability to design-builders for costs incurred during the entire pre-qualification, proposal and negotiation process, and such rights shall be reserved in all requests for qualifications and proposals.

(I) The competitive bid requirements of this Chapter shall not apply to the selection of design-builders under this Section 6.61.

(J) Design-builders shall comply with all applicable requirements set forth in San Francisco *Administrative Code* Chapters 12 and 14.

(K) All final contracts for a public work project that involve a design-build and/or finance program shall be subject to the award provisions of Article I of this Chapter. If the proposed contract involves a financing program, the Capital Planning Committee must review and report on the proposed project before the board, commission, Mayor or his/her designee takes any action with respect to award of the contract.

(L) **Procurement of Trade Sub-contractors.** Department heads may require the selected design-builder to procure trade work contracts through a pre-qualification and competitive bid process, as follows:

(1) **Pre-qualification.** The Department Head shall require the design-builder to pre-qualify all trade sub-contractors, subject to the approval of the Department Head. The design-builder shall attempt to establish a pool of no fewer than three pre-qualified sub-contractors for each trade package, subject to the approval of the Department Head.

(2) **Competitive Bid.** The Department Head shall require the design-builder to receive sealed bids from the pre-qualified trade sub-contractors. The bid security provisions of Section 6.21 will not apply. The design-builder shall award a trade package subcontract to the responsible bidder submitting the lowest responsive bid, except that the design-builder may negotiate and award a portion of the trade package subcontracts as provided in paragraph (3), below. Only those *Administrative Code* provisions that normally apply to subcontracts will apply to the trade package subcontracts.

(3) The Department Head may authorize the design-builder to negotiate subcontracts for trade work as appropriate for the project, up to an amount not exceeding seven and one-half percent of the total estimated subcontract costs. The Department Head shall establish a maximum dollar value for each negotiated trade subcontract as appropriate for the project.

(M) All actions heretofore taken by a Department Head consistent with the provisions of this section are hereby approved.

(N) All design-build projects that are substantially underway as of the effective date of this Subsection 6.61(N) that do not comply with the mandatory pre-qualification requirements of Subsection 6.61(C) are hereby approved, provided that the applicable Department Heads shall only consider proposals from qualified design-builders.

(Added by Ord. 286-99, File No. 991645, App. 11/5/99; amended by Ord. 153-00, File No. 000805, App. 6/30/2000; Ord. 58-05, File No. 041571, App. 4/1/2005; Ord. 18-07, File No. 060344, App. 2/9/2007; Ord. 119-08, File No. 080277, App. 7/11/2008; Ord. 75-14, File No. 140226, App. 5/28/2014, Eff. 6/27/2014)



## 19.3.4.3 | SEC. 6.62. JOB ORDER CONTRACTS

The job order contracting system ("JOC") provides for an indefinite quantity contract with a predefined set of bid items that are assigned on a periodic or task order basis for the performance of public work maintenance, repair and minor construction projects. The Department Heads authorized to execute contracts for public work projects are authorized to utilize JOC according to the procedures set forth below.

(A) Each JOC contract is to be advertised for competitive bids in accordance with the procedures set forth in this Chapter and awarded to the responsible bidder who submits the lowest responsive bid.

(B) The Advertisement For Bids shall include unit prices and detailed technical specifications for each construction task contemplated to be performed under the JOC contract. Each task item shall include direct costs for material, equipment and labor. Construction tasks shall be grouped by trade.

(C) The Advertisement For Bids for a JOC contract shall contain the City's estimate regarding the percentage of work under the JOC contract that will be performed by each trade. The Advertisement For Bids shall also require the Contractor to commit to an LBE Participation Goal, as set by the Human Rights Commission, in the performance of service orders under the JOC Contract. Upon completion of the JOC Contract term, the Human Rights Commission shall verify compliance with the LBE Participation Goal under the provisions of *Administrative Code Chapter 14B*. Departments may designate specific JOC Contracts as limited set asides for Micro-LBEs as provided under Chapter 14B.

(D) Contractor's bid shall include a sub-contractor list in conformance with Section 6.21A of this Chapter and Chapter 14B as appropriate. All requests for substitutions of sub-contractors shall be made and considered under Public Contract Code Section 4107, as may be amended from time to time. Notwithstanding this requirement, if a listed sub-contractor confirms in writing that it is not available to perform one or more work orders, the contractor may request to add without penalty a sub-contractor to perform under the work order(s) at no additional cost to the City. The aggregate value of the work performed by sub-contractors added to substitute for listed but unavailable sub-contractors shall not exceed 20% of the original contract amount. Specialty trade work unanticipated at the time of bid, requiring the addition of one or more sub-contractors, shall be considered the performance of a change order under Public Contract Code Section 4107(c). The addition of any sub-contractor under any circumstances or for any purpose shall be effected by change order or contract modification. Prior to any added sub-contractor performing any service order work, the awarding department shall confirm the license, insurance coverage, and other qualifying criteria as required by law.

(E) Contractors submitting bids on the JOC contract shall state in their bids an adjustment on a percentage basis either increasing or decreasing the unit prices for all construction tasks set forth in the bid documents. There may be a single adjustment factor that applies to all tasks. For example, an adjustment factor of 25% below the unit prices stated in the bid documents would be bid as .75. All of the contractor's profit, overhead and indirect costs shall be included in the adjusted unit prices.

(F) The Advertisement For Bids and the contract specifications shall contain a maximum dollar amount of the JOC contract, which maximum amount shall not exceed five million dollars. The cumulative modifications to a JOC contract shall result in a contract sum not to exceed one hundred-fifty percent of the original contract amount.

(G) JOC contracts shall provide for an expiration term of not more than five years, including all modifications. However, the Department Head shall not issue any new work orders under the JOC contract after three years from the date of award.

(H) Projects will be assigned under the JOC contract on a work order basis at the sole discretion of the Department Head concerned. Each work order shall include a time certain for completion of the work and an appropriate sum for liquidated damages for delay. Each work order shall also include a list of the sub-contractors performing work under such order, with each sub-contractor's name, business address, San Francisco business tax registration number, contractor license number, scope of work, and data as may be required by the Human Rights Commission. The work order price shall be no more than the calculated unit prices and the bid adjustment factor. No work order shall exceed \$400,000, including all modifications. A department may issue or modify any work order(s) to exceed the foregoing limit only upon the Department Head's written determination establishing the urgency of the work and the justification for proceeding under this Section 6.62 rather than by formal competitive process.

(I) A contractor who enters into a JOC contract with a particular City department is not eligible during the term of such JOC contract to submit a bid on a subsequent JOC contract advertised by the same contracting department; however, a contractor may submit a bid on a subsequent JOC contract advertised by the same contracting department if the contractor's existing JOC contract will expire in 120 days or fewer of if the contractor has performed work valued by the City in an amount equal to or exceeding 90% of the maximum dollar amount of the existing JOC contract.

(Added by Ord. 286-99, File No. 991645, App. 11/5/99; amended by Ord. 324-00, File No. 001919, App. 12/28/2000; Ord. 58-05, File No. 041571, App. 4/1/2005; Ord. 19-10, File No. 091163, App. 2/10/2010)

#### 19.3.4.4 | SEC. 6.63. HAZARDOUS MATERIALS ABATEMENT WORK

When the Director of Public Works (the "Director") determines: (1) that hazardous materials on public property must be expeditiously abated (the "work"); and (2) that there is inadequate time to advertise and competitively bid the work in accordance with this Chapter, then the work may be performed in accordance with the following procedures:

(A) The Department of Public Works shall advertise for and receive proposals from hazardous materials abatement contractors, which proposals shall address the qualifications of the contractors to perform the abatement work. The proposals shall be evaluated according to the requirements of this Chapter and Chapters 12B, 12C and 12D.A, relevant to professional services contracts.

(B) The Department of Public Works shall select a sufficient number of qualified contractors to perform the amount of hazardous materials abatement work anticipated to be required in the upcoming one or more years and enter into master agreements on an "if- and as-needed" basis with those contractors. Each master agreement shall state the maximum total dollar value of work each contractor is authorized to perform during the contract period.

(C) The Department shall seek price quotations for performance of the work from at least three of the contractors with master agreements. The contract for the work will be awarded to the contractor submitting the lowest quotation, except as otherwise provided herein. The Department shall keep a

record of such quotations and a register of all awards made thereunder. In the event that the Department is unable to obtain three quotations, the Director shall base the award on the quotation or quotations received. If the Director believes that the public interest would best be served by accepting other than the lowest quotation, he or she is hereby authorized to accept the quotation that in his or her discretion will best serve the public interest. The Director may reject any and all quotations and request new quotations.

(Added by Ord. 286-99, File No. 991645, App. 11/5/99)

#### 19.3.4.5 | SEC. 6.64. AS-NEEDED CONTRACTS

A Department Head authorized to execute public work and professional service contracts may issue an Advertisement For Bids for construction services or a request for proposals or qualifications for professional services on an as-needed basis, with definite or indefinite quantities of work. Work shall be assigned on a contract service order basis. None of the requirements of this Chapter or *Administrative Code* Chapters 12B, 12C or 12D.A are waived for as-needed contracts.

All as-needed contracts shall provide for a not-to-exceed price and an expiration term of not more than five years, including all modifications. However, the Department Head shall not issue any new contract service order after three years from the date of award. Additionally, the cumulative modifications to an as-needed contract shall result in a contract sum not to exceed one hundred-fifty percent of the original contract amount. Before any item of work is commenced under an as-needed contract, the cost of such work must be certified by the Controller as to the availability of funds. No contract service order or multiple contract service orders for any single public work, whether in one phase or multiple phases, shall cumulatively exceed \$200,000, including all modifications. For departments with capital programs over \$1 Billion, no contract service order or multiple contract service orders, as described above, shall cumulatively exceed \$400,000, including all modifications. A department may issue or modify any contract service order(s) to exceed the foregoing limits only upon the Department Head's written determination establishing the urgency of the work and the justification for proceeding under this Section 6.64 rather than by formal competitive process.

The Department Heads authorized to execute public work and professional service contracts shall report quarterly to the Board of Supervisors regarding the department's use of as-needed contracts and the actual amount of participation of MBE and WBE sub-contractors or sub-consultants that were listed on prime contractors' bid(s) or proposal(s) to determine whether MBE/WBE subcontracting participation goals are being met on as-needed contracts. Such reports shall be referred to a Board committee for public hearing.

(Added by Ord. 286-99, File No. 991645, App. 11/5/99; amended by Ord. 58-05, File No. 041571, App. 4/1/2005)

19.3.4.6 | SEC. 6.65. CONTRACTING FOR ELEVATOR, ESCALATOR, SECURITY, FIRE PROTECTION OR FIRE ALARM SYSTEMS INSPECTION, MAINTENANCE AND REPAIR WORK

Department heads who are authorized to execute public work contracts under this Chapter are hereby authorized to award contracts for the inspection, maintenance and repair services of existing elevator, escalator, security, fire protection or fire alarm systems ("special services") in accordance with the following procedures:

(A) The department shall award master agreement contracts, on an "if-and-as-needed" basis to special service providers who can establish experience, expertise, and quality of work. A potential special service provider may apply for a master agreement under this section by providing the department with a statement of its experience and qualifications and other information as requested by the department. Within 60 days of receiving such information, the department shall advise the applicant of its eligibility for an award of a master agreement. Master agreements for special services shall conform to the insurance, indemnification and prevailing wage requirements of Section 6.22 of this Chapter. Master agreements shall provide for an expiration term of not more than five years from the date of award, including all modifications.

(B) For performance of specific tasks, the department shall seek price quotations from at least three of the special service providers with master agreements. The department shall issue a contract service order for the work to the provider submitting the lowest quotation, except as provided below. In the event that the department is unable to obtain three quotations, the Department Head shall base the issuance of the contract service order on the quote or quotes received. If the Department Head believes that the public interest would best be served by accepting other than the lowest quotation, he or she is hereby authorized to accept the quotation that in his or her discretion will best serve the public interest. The Department Head may reject any and all quotations and request new quotations.

(Added by Ord. 286-99, File No. 991645, App. 11/5/99; amended by Ord. 58-05, File No. 041571, App. 4/1/2005)

19.3.4.7 | SEC. 6.66. CONVENTION FACILITY PUBLIC WORKS

When construction work is required for the City-owned convention facilities, such services may be procured in accordance with the following procedures:

(A) Bids will be requested from not fewer than three bidders for a construction contract. The contract will be awarded to the responsible bidder with the lowest responsive bid. A record of all bids received and a register of all awards made under this subsection shall be maintained. In the event three bids cannot be obtained, the award shall be based on the bid or bids received. Any or all bids may be rejected and new bids may be requested.

(B) Authority to undertake the contracting process and enter into contract directly with the contractor may be delegated to the operator/manager of the convention facilities. In such event, the City Administrator or his or her designee shall first review the propriety of the process and shall approve the award of any contract.

(C) In no event shall the award of contracts by the procedures set forth in this subsection exceed the cumulative sum of three million dollars (\$3,000,000) in any fiscal year.

Except as provided herein, any contract awarded under this subsection must comply with this Chapter and with Chapters 12B, 12C and 12D.A.

All of the contracts awarded and work performed under this subsection shall be reported to the Board of Supervisors on a quarterly basis.

(Added by Ord. 286-99, File No. 991645, App. 11/5/99)

#### 19.3.4.8 | SEC. 6.67. CLEAN CONSTRUCTION IN BIDDING

The Clean Construction requirements of Section 6.25 and Environment Code Chapter 25 are mandatory for public works to be performed within the City and estimated to require twenty (20) or more days of work to complete. For other public works, Department Heads are encouraged to require the use of off-road equipment and off-road engines that meet or exceed the standards in Chapter 25, or to use bid criteria that favor the use of such equipment and/or engines. Department heads are particularly encouraged to do so wherever the project is located within 500 feet of a Sensitive Site, as defined in Health Code Section 3804.

(Added by Ord. 70-07, File No. 061432, App. 4/2/2007; amended by Ord. 28-15, File No. 140805, App. 3/19/2015, Eff. 4/18/2015)

#### 19.3.4.9 | SEC. 6.68. INTEGRATED PROJECT DELIVERY

Integrated project delivery is an approach to the procurement of construction services whereby a construction manager/general contractor ("CM/GC") is retained during the design process to review and provide comments as to the constructability of the Architect/Engineer's design within the established budget. The Department heads authorized to execute contracts for public work projects are authorized to seek proposals from qualified CM/GCs for construction of public work projects using an integrated project delivery under the following conditions:

(A) Before the request for qualifications is issued, the Department head shall determine that an integrated project delivery is necessary or appropriate to achieve anticipated cost savings or time efficiencies, or both, and that such a process is in the public's best interest.

(B) If the proposed public work project is for the use or benefit of a Department that is under the jurisdiction of a commission, then such commission shall first approve the solicitation of integrated project delivery proposals. If the public work is for the use or benefit of a Department not under the jurisdiction of a commission, then the City Administrator must first approve this process.

(C) **Pre-qualification.** Department heads shall require that prospective proposers be pre-qualified to submit proposals on a specific project. The procedure for pre-qualification is as follows:

(1) The Department head shall issue a request for qualifications inviting interested parties to submit their qualifications to perform the project. The request for qualifications shall include criteria by which the prospective proposers shall be evaluated. The evaluation criteria shall be based on qualifications and experience relevant to the services needed for the particular project. The list of criteria may include, but

is not limited to the following: (i) ability to perform required pre-construction and construction phase services; (ii) evidence of financial capacity; (iii) experience on projects of similar size and complexity; (iv) commitment to comply with the goals and requirements of *Administrative Code* Chapters 12 and 14; (v) ability to collaboratively and cooperatively deliver projects on time and on budget; (vi) liquidated damages for delay and other damages paid on prior projects, and prior litigation history; (vii) reputation with owners of prior projects; (viii) claims history with insurance carriers and sureties; and (ix) compliance with all of the requirements established in the request for qualifications and other criteria that the Department head in consultation with the Human Rights Commission may deem appropriate. The Department head shall set objective scoring criteria and incorporate the criteria into any scoring procedure.

(2) The Department head shall designate a panel to review pre-qualification responses and interview and rate respondents with respect to the request for qualifications. Only those respondents found to be qualified will be eligible to submit proposals. The list of pre-qualified respondents shall be valid for not more than two years following the date of initial pre-qualification.

(D) **Request for Proposals and Selection Process.** The Department head shall issue a request for proposals inviting pre-qualified CM/GCs to submit competitive cost proposals for the project. The request for proposals shall include information describing the scope of pre-construction and construction phase services for the project. The request for proposals shall request the following minimum cost information from each proposer: (i) fees for pre-construction services and (ii) fees for construction phase services, including overhead, profit and general conditions, and (iii) the qualitative criteria as described in (1) below.

(1) The Department head shall designate a panel to evaluate integrated project delivery proposals and rank the proposals to determine which provides the overall best value to the City with respect to non-cost and cost criteria. The list of non-cost criteria may include but is not limited to the following: (i) plan for expediency in completing the proposed project; (ii) quality of proposal; (iii) commitment to comply with the goals set by the Human Rights Commission and requirements of *Administrative Code* Chapters 12 and 14; (iv) commitment to meet City hiring goals (e.g. City Build or First Source Hiring); and (v) compliance with all the requirements and criteria established by the Department head or HRC in the request for proposals. The Department Head shall set objective scoring criteria and incorporate the criteria into any scoring procedure. The cost criterion shall constitute not less than sixty-five percent (65%) of the overall evaluation.

(2) The Department head shall set forth in the request for proposals and in the contract liquidated damages to be assessed against the successful CM/GC in the event it fails to fulfill the commitments made in its proposal.

(3) The Department head may recommend the award of a contract to the highest-ranked CM/GC whose total proposed fee is not more than twenty percent (20%) greater for contracts the estimated cost of which is \$10 million or less, or is not more than ten percent (10%) greater for contracts the estimated cost of which is in excess of \$10 million, than the total proposed fee of the lowest responsive bid. If award to such CM/GC is not made for any reason, the Department head may recommend the award of a contract to the next highest-ranked CM/GC whose total proposed fee is not more than ten percent



(10%) greater than the total proposed fee of the lowest responsive bid, and so forth. In making the final determination, the Department head shall apply the LBE discount to proposals submitted by LBEs, in accordance with *Administrative Code* Chapter 14B.

(E) **Alternate Request for Proposals and Selection Process.** If the Department Head determines that it is in the City's best interest to exclude consideration of non-cost criteria as part of the final selection process, the Department head shall issue a request for proposals inviting pre-qualified CM/GCs to submit integrated project delivery proposals, which will be evaluated based upon project costs only. If the proposed public work project is for the use or benefit of a Department that is under jurisdiction of a commission, then such commission shall approve the use of this alternate process. If the public work is for the use or benefit of a Department not under the jurisdiction of a commission, then the City Administrator must approve the use this alternate process.

(F) The City shall retain the absolute discretion to determine, at any time during the process, not to proceed with any proposed project, which right may be exercised without liability to CM/GCs for costs incurred during the entire pre-qualification, proposal and negotiation process, and such rights shall be reserved in all requests for qualifications and proposals.

(G) The bid security and sub-contractor listing requirements of section 6.21 will not apply to the selection of CM/GCs under this section 6.68. Any resulting contract with a CM/GC shall comply with section 6.22.

(H) **Procurement of Trade Sub-contractors.** Department heads shall require the selected CM/GC to procure trade work contracts through a pre-qualification and competitive bid process, as follows:

(1) **Pre-qualification.** The Department Head shall require the CM/GC to pre-qualify all trade sub-contractors, subject to the approval of the Department head. The CM/GC shall attempt to establish a pool of no fewer than three pre-qualified sub-contractors for each trade package, subject to the approval of the Department Head.

(2) **Competitive Bid.** The Department head shall require the CM/GC to receive sealed bids from the pre-qualified trade sub-contractors. The bid security provisions of section 6.21 will not apply. The CM/GC shall award a trade package subcontract to the responsible bidder submitting the lowest responsive bid, except that the CM/GC may negotiate and award a portion of the trade package subcontracts as provided in paragraph (3), below. Only those *Administrative Code* provisions that normally apply to subcontracts will apply to the trade package subcontracts.

(3) The Department head may authorize the CM/GC to negotiate subcontracts for trade work as appropriate for the project, up to an amount not exceeding seven and one-half percent of the total estimated subcontract costs. The Department head shall establish a maximum dollar value for each negotiated trade subcontract as appropriate for the project.

(J) All actions heretofore taken by a Department Head consistent with the provisions of this section are hereby approved.

(Added by Ord. 119-08, File No. 080277, App. 7/11/2008; amended by Ord. 96-10, File No. 100332, App. 5/13/2010)

19.3.4.10 | SEC. 6.69. DEPARTMENT OF PUBLIC HEALTH PUBLIC WORK

For public work necessary to maintain or repair health facilities under the jurisdiction of the Health Commission, the Department of Public Health (DPH) may award master agreement contracts, for work to be performed on an "if-and-as-needed" basis, to qualified construction contractors in conformance with the following procedures:

(A) **Contract Award.** The Director of DPH may award master agreement contracts, on an "if-and-as-needed" basis to construction contractors who can establish all of the licensing, qualifications, experience, and certifications, as required by the Director of DPH. A contractor may apply for a master agreement under this Section by providing DPH with a statement of its experience and qualifications and other information as requested by DPH. Within 60 days of receiving such information, DPH shall advise the applicant of its eligibility for an award of a master agreement.

(B) **Contract Terms.** Master agreements awarded under this Section shall conform to the requirements of Section 6.22 of this Chapter and shall conform to *Administrative Code* Chapter 14B, as applicable. Master agreements shall provide for an expiration term of not more than three years from the date of award, including all modifications. All master agreements shall provide for a maximum total dollar value of work each contractor is authorized to perform during the contract period. No master agreement may be modified to exceed 150% of the original contract amount. Master agreements shall contain no minimum dollar amount. Master agreements shall provide that DPH may assign work on a task order basis, "if-and-as-needed, " through competition among master agreement contractors.

(C) **Task Order Competitive Solicitation.** To assign work under master agreement contracts, DPH shall solicit quotations from no fewer than three qualified master agreement contractors. Solicitations shall conform to Section 6.21 of this Chapter, except that neither a published advertisement nor a bid bond shall be required. Solicitations shall include a description of the proposed task order scope of work, including plans or specifications, if any, and may include provisions for liquidated damages for delay if and as appropriate to the particular project. Responsive quotations must include sub-contractor listing, if any, in conformance with Section 6.21(A)(9).

(D) **Task Order Award.** The Director of DPH shall award a task order for the performance of work under a master agreement to the contractor submitting the lowest responsive quotation. In the event that DPH is unable to obtain three quotations, the Director of DPH shall base the award on the quotation or quotations received. If the Director of DPH believes that the public interest would best be served, by accepting other than the lowest quotation, he or she is hereby authorized to accept the quotation that in his or her discretion will best serve the public interest.

(E) **Task Order Terms.** No task order or multiple task orders for any single public work, whether in one phase or multiple phases, shall cumulatively exceed \$400,000.00, including all modifications. The Director of DPH may issue or modify a task order to exceed the foregoing limitation only upon the Director's written determination establishing the urgency of the work and the justification for proceeding under this Section, rather than through the Department of Public Works, in conformance with Section 6.2 of this Chapter.

(Added by Ord. 224-08, File No. 081084, App. 10/15/2008)



## 19.3.4.11 | SEC. 6.70. REAL ESTATE DIVISION PUBLIC WORK

For public work necessary to maintain or repair facilities and real property under the jurisdiction of the Real Estate Division ("RED"), RED may award master agreement contracts for special services under *Administrative Code*, Section 6.65, or may award master agreement contracts for work to be performed on an "if-and-as-needed" basis, to qualified construction contractors in conformance with the following procedures:

(A) **Contract Award.** The Director of RED may award master agreement contracts, on an "if-and-as-needed" basis to construction contractors who can establish all of the licensing, qualifications, experience, and certifications, as required by the RED Director. A contractor may apply for a master agreement under this Section by providing RED with a statement of its experience and qualifications and other information as requested by RED. Within 60 days of receiving such information, RED shall advise the applicant of its eligibility for an award of a master agreement.

(B) **Contract Terms.** Master agreements awarded under this Section shall conform to the requirements of Section 6.22 of this Chapter and shall conform to *Administrative Code* Chapter 14B, as applicable. Master agreements shall provide for an expiration term of not more than three years from the date of award, including all modifications. All master agreements shall provide for a maximum total dollar value of work each contractor is authorized to perform during the contract period. No master agreement may be modified to exceed 150% of the original contract amount. Master agreements shall contain no minimum dollar amount. Master agreements shall provide that RED may assign work on a task order basis, "if-and-as-needed," through competition among master agreement contractors.

(C) **Task Order Competitive Solicitation.** To assign work under master agreement contracts, RED shall solicit quotations from no fewer than three Qualified master agreement contractors. Solicitations shall conform to Section 6.21 of this Chapter, except that neither a published advertisement nor a bid bond shall be required. Solicitations shall include a description of the proposed task order scope of work including plans or specifications, if any, and may include provisions for liquidated damages for delay if and as appropriate to the particular project. Responsive quotations must include sub-contractor listing, if any, in conformance with Section 6.21(A)(9).

(D) **Task Order Award.** The Director of RED shall award a task order for the performance of work under a master agreement to the contractor submitting the lowest responsive quotation. In the event that RED is unable to obtain three quotations, the Director of RED shall base the award on the quotation or quotations received. If the Director of RED believes that the public interest would best be served by accepting other than the lowest quotation, he or she is hereby authorized to accept the quotation that in his or her discretion will best serve the public interest.

(E) **Task Order Terms.** No task order or multiple task orders for any single public work, whether in one phase or multiple phases, and whether under this Section or for Special Services under Section 6.65, shall cumulatively exceed \$400,000, including all modifications. The Director of RED may issue or modify a task order to exceed the foregoing limitation only upon the Director's written determination establishing the urgency of the work and the justification for proceeding under this Section, rather than through the Department of Public Works, in conformance with Section 6.2 of this Chapter.

(Added by Ord. 309-08, File No. 081286, App. 12/16/2008)

19.3.4.12 | SEC. 6.71. PIER REPAIR WORK

(A) The Port is authorized to use the Port's Maintenance Division employees and equipment to perform demolition, repair and replacement work on piers under the jurisdiction of the Port Commission, including pile-supported pier structures, substructures, aprons, wharves, decks, fenders and associated utilities. The competitive bid requirements of Sections 6.20(A) and 6.23(B) shall not apply to the Port's self-performance of such pier demolition, repair and replacement work.

(B) All actions previously taken by the Port consistent with this section are hereby approved.

(C) Nothing in this Section 6.71 shall prohibit the Port from using the procedures described elsewhere in this Chapter for the performance of pier demolition, repair and replacement work.

(Added by Ord. 124-12, File No. 120560, App. 6/29/2012, Eff. 7/29/2012)

**19.3.5 | Article V: Violations of *Administrative Code* Chapter 6; False Claims; Procedures for Debarment; Monetary Penalties**

Sec. 6.80. Violations and False Claims; Debarment and Monetary Penalties.

Sec. 6.81. Collusion in Contracting.

Sec. 6.82. Procedures for Administrative Debarment.

Sec. 6.83. Assessment of Monetary Penalties for False Claims: Investigation and Prosecution.

19.3.5.1 | SEC. 6.80. VIOLATIONS AND FALSE CLAIMS; DEBARMENT AND MONETARY PENALTIES

Any contractor, sub-contractor, supplier, consultant or sub-consultants who fails to comply with the terms of its contract with the City and County; or who violates any provision of *Administrative Code* Chapter 6; or who fails to abide by any rules and/or regulations adopted pursuant to *Administrative Code* Chapter 6; or who submits false claims; or who has violated against any government entity a civil or criminal law relevant to its ability to perform under or comply with the terms and conditions of a contract with the City and County, may be declared an irresponsible bidder or an unqualified consultant and debarred according to the procedures set forth in Chapter 28 of this *Administrative Code*. Additionally, any contractor, sub-contractor, supplier, consultant or sub-consultant who submits a false claim to the City and County may also be subject to monetary penalties, investigation and prosecution as described below.

In the event that such a violation of this Chapter, including the submission of one or more false claims, comes to the attention of a board or commission or Department Head responsible for public work, the Department Head must investigate the matter. The Department Head must report the findings of any such investigation by letter to the Board of Supervisors within 30 days of the completion of the investigation. The investigation letter to the Board of Supervisors must state the name of the contractor, sub-contractor, supplier, consultant or sub-consultant; the nature of the violation; the results of the investigation; and the Department Head's plan for addressing the violation, if any. A hearing shall also be called in the Audit Committee of the Board of Supervisors to report on this investigation.

(Added by Ord. 286-99, File No. 991645, App. 11/5/99; amended by Ord. 324-00, File No. 001919, App. 12/28/2000; Ord. 7-02, File No. 011675, App. 1/25/2002; Ord. 8-04, File No. 031503, App. 1/16/2004)

19.3.5.2 | SEC. 6.81. COLLUSION IN CONTRACTING

If, at the determination of the Mayor, the Department Head who executed the construction or professional services contract or the board or commission who awarded such contract, and pursuant to the debarment procedures set forth below, any party or parties to whom a contract has been awarded has been guilty of collusion with any officer or representative of the City and County, or any other party or parties, in the submission of any bid or in preventing of any other being made, or in knowingly receiving preferential treatment by any officer or an employee of the City and County, then any contract so awarded, if not completed, may be declared null and void by the Board of Supervisors on the recommendation of the Mayor, Department Head or the board or commission concerned, and no recovery shall be had thereon. The Department Head concerned may then readvertise for bids for the uncompleted portion of the work. The matter may also be referred to the City Attorney for such action as may be necessary. Any party or parties guilty of such collusion shall not be permitted to participate in or to bid on any future public work, improvement or purchase to be made by the City and County. (Added by Ord. 286-99, File No. 991645, App. 11/5/99)

19.3.5.3 | SEC. 6.82. PROCEDURES FOR ADMINISTRATIVE DEBARMENT

Notwithstanding and not exclusive or preclusive of any pending or contemplated legal action, any contractor, sub-contractor, supplier, consultant or sub-consultant directly or indirectly subject to the provisions of this Chapter may be determined irresponsible and disqualified from contracting with the City and County of San Francisco in accordance with the provisions of Chapter 28 of this *Administrative Code*.

(Added by Ord. 286-99, File No. 991645, App. 11/5/99; amended by Ord. 7-02, File No. 011675, App. 1/25/2002; Ord. 8-04, File No. 031503, App. 1/16/2004)

19.3.5.4 | SEC. 6.83. ASSESSMENT OF MONETARY PENALTIES FOR FALSE CLAIMS:  
INVESTIGATION AND PROSECUTION

Notwithstanding and not exclusive or preclusive of any other administrative or legal action taken by the City and County, a contractor may be assessed monetary penalties for submitting false claims. The Department Head responsible for the public work may withhold such penalties from amounts due or retained under the contract. Notwithstanding and not exclusive or preclusive of any administrative or other legal action, the City Attorney may investigate and prosecute in a civil action any submission of a false claim.

The submission of a false claim occurs when a contractor, sub-contractor, supplier, consultant or sub-consultant commits any of the following acts enumerated below. In such event, the contractor, sub-contractor, supplier consultant or sub-consultant shall be liable to the City and County for (1) three times

the amount of damages which the City and County sustains because of the act(s) of that contractor, sub-contractor, supplier, consultant or sub-consultant; and (2) the costs, including attorney's fees of a civil action brought to recover any of those penalties or damages. Such contractor, sub-contractor, supplier, consultant or sub-consultant may also be liable to the City and County for a civil penalty of up to \$10,000 for each false claim.

(1) Knowingly presents or causes to be presented to an officer or employee of the City and County a false claim or request for payment or approval;

(2) Knowingly makes, uses, or causes to be made or used a false record or statement to get a false claim paid or approved by the City and County;

(3) Conspires to defraud the City and County by getting a false claim allowed or paid by the City and County;

(4) Knowingly makes, uses, or causes to be made or used a false record or statement to conceal, avoid, or decrease an obligation to pay or transmit money or property to the City and County;

(5) Is a beneficiary of an inadvertent submission of a false claim to the City and County, subsequently discovers the falsity of the claim, and fails to disclose the false claim to the City and County within a reasonable time after discovery of the false claim.

Liability under this section shall be joint and several for any act committed by two or more persons.

For purposes of this section "claim" includes any request or demand for money, property or services made to any employee, officer, or agent of the City and County, or to any contractor, sub-contractor, grantee or other recipient, whether under contract or not, if any portion of the money, property, or services requested or demanded issued from, or was provided by, the City and County.

For purposes of this section, "knowingly" means that a contractor, sub-contractor, supplier, consultant or sub-consultant with respect to information does any of the following: (1) has actual knowledge of the information; (2) acts in deliberate ignorance of the truth or falsity of the information; or (3) acts in reckless disregard of the truth or falsity of the information. Proof of specific intent is not required and reliance on the claim by the City and County is also not required.

(Added by Ord. 286-99, File No. 991645, App. 11/5/99)

## 19.4 | Glossary

[THIS SECTION IS BEING UPDATED]

TERM	DEFINITION
\$5 Incidental per diem	
(BAD)	Controller's Office Budget & Analysis Division
(BOE)	California Board of Equalization promulgates guidelines for the administration of sales and use tax programs.

**ACCOUNTING POLICIES & PROCEDURES**

<b>TERM</b>	<b>DEFINITION</b>
(CMD)	Contract Monitoring Division
(DT)	Department of Telecommunications
(GSA)	General Services Administration
(IFB)	Invitation for bids
(M&IE)	Meal and Incidental expenses.
(MCO)	Minimum Compensation Ordinance
(OCA)	Office of Contract Administration
(OMP) purchasing authority	Open market purchase. -This authority is used for department blanket purchase orders, which is limited to \$1,000 per day and is used for low-dollar purchases of a specified list of items with specified prices, and when the volumes to be purchased are uncertain.
(OPF)	Office of Public Finance
(OSLE)	Office of Labor Standards Enforcement
(RFP)	Request for Proposal-inviting pre-qualified CM/GCs to submit competitive cost proposals for the project.
(RFQ)	Request for Qualification
10% Threshold	Cumulative transfer requests should not exceed ten percent of Board-Approved appropriation. At the end of fiscal year, the controller shall notify the Mayor and Board of Supervisors of transfers exceeding the 10% threshold.
15% Rule	A department, agency, or office may reallocate or transfer funds of line item expenditures within an approved grant budget, if such reallocations or transfers are within the total of the approved budget and are allowed by the granting agency. If any line item of a federal or state grant is modified or increased by more than 15%, copies of documentation of such modification or increase that are transmitted to federal or state agencies shall also be transmitted to the Board of Supervisors.

TERM	DEFINITION
AAO	Annual Appropriation Ordinance
Abatements	
<i>Accepted Payment Cards</i>	For point-of-sale (over the counter) transactions, Accepted Payment Cards are those that have been approved by the City & County of San Francisco ("CCSF") as payment cards that carry a logo of Visa, MasterCard and Discover. American Express is expected to be available soon.
Accounting Date	Date invoice received by the City; for disputed invoices, date the corrected invoice received by the City. For multiple invoices processed in the same payment document, use the invoice with the earliest receipt date for Accounting Date.
Actual Emergency	Sudden, unforeseeable and unexpected occurrence involving a clear and imminent danger, demanding immediate action to prevent or mitigate loss of or damage to, life, health property or essential public services. An "actual emergency" shall also mean the discovery of any condition involving a clear and imminent danger to public health or safety, demanding immediate action.
Administrative Code	
Administrative Projects	Activities specifically for departmental support and include indirect costs of providing services, overhead, and back office functions.
Amortization	Capital assets are depreciated or amortized over their useful lives when they are placed in service, unless the asset is inexhaustible (e.g., land). Therefore, the costs of an asset are recognized as depreciation or amortization expense over the useful life of the asset. The straight-line method is used to depreciate and amortize assets. Inexhaustible assets are not depreciated.
Annual Appropriation Ordinance	
APEX	Accounts Payable and Expenses.
<i>Authority Transfer</i>	Requesting Department assigns budget to the Performing Department from the Requesting Department's own Fund, Authority, and Project. Performing Department is authorized to reassign the budget within

**ACCOUNTING POLICIES & PROCEDURES**

<b>TERM</b>	<b>DEFINITION</b>
	the Performing Department's own Projects and Activity Work Breakdown Structure (WBS). Performing Department still posts actuals to the Requesting Department's Fund and Authority.
Authorized Travel Signatory	Individuals who have cards on file with the Controller's Office authorizing them to approve travel requests and reimbursements.
Auto Recon Exceptions	Report lists all reconciliation exceptions. Any exception transaction can be forced to reconcile despite the discrepancy on the AutoRecon Exceptions page. The system creates the external-transaction, then offsets entries when a transaction meets the following two conditions: 1) the transaction is defined with a valid statement activity type, and 2) this statement activity type is defined with the BNK_RCN_TRAN transaction table.
Award	
BAMS	Bank of America Merchant Services.
Bid	Bid, quotation, or other offer, other than a Proposal, from a person or entity to sell a commodity or service to the City at a specified price.
Character Level Account	
Bid Protest	Only a bidder may submit a bid protest. The Department Head concerned shall prescribe in the Advertisement for Bids procedures for submitting bid protests. Such procedures shall set the time by which bid protests must be received but may not require that bid protests be submitted fewer than five (5) business days after the date bids are due. found at the end
Bidder	Any person or entity which submits a bid.
BOE	California Board of Equalization; promulgates guidelines for the administration of Sales and Use Tax Programs
Book-to-bank reconciliation	Reconciliation compares bank-reported balances in the bank statement against the system's General Ledger bank balance for a specified fiscal period.
BPMS	Budget and Performance Measurement System.

TERM	DEFINITION
Budget Ordinance	Document is the final City & County budget as approved by the Board of Supervisors. Reflects city's budget at the beginning of the fiscal year on July 1.
Capital Projects	Create or improve property expected to generate value over a period greater than one year, the costs of which also exceed the minimum capitalization limit.
Carryforward	
Cash	Any device that stores value and can be transferred between parties through a mutually agreed medium of exchange. In day-to-day business operations. Coins and bills (US currency), Credit cards, debit cards, Checks (Personal checks, cashier's checks, money orders), Electronic funds transfer (ETF) in the forms of wire, automated clearing house (ACH), etc.
CashPro	
CCSF Vendor – Business Registration	Required for all entities that conduct business in San Francisco and determines the business's tax responsibilities.
Certificate of Participation	
CGOBOC	Citizen's General Obligation Bond Oversight Committee Convenes to provide oversight ensuring that bond proceeds are expended in accordance with the applicable ballot measure. Ensures bond proceeds are not used for any administrative salaries or other operating expenses.
Chapter 12B	
Chargeback	Amount of the original transaction that the credit card network debited from your merchant statement based on an item that was successfully disputed by the customer on his or her credit card statement.
ChartField	
CIP	Construction/Development-in-progress (CIP), usually involving larger capital projects with construction/development over a time period.



**ACCOUNTING POLICIES & PROCEDURES**

<b>TERM</b>	<b>DEFINITION</b>
<i>City Asset Maintainer</i>	Each department shall designate a <i>City Asset Maintainer</i> who will be responsible for the department's system of control over its capital assets and the physical location code of each asset in PeopleSoft.
Encumbrances	Recognition of commitments that will subsequently become expenditures when goods and services are received. Encumbrances are posted for documents such as purchase estimates, purchase orders, and contracts. Encumber funds whenever possible and do not use a one-time document.
Clauses library	Contains commonly used clauses to be included in contracts. Departments may utilize these clauses as appropriate at the direction of the City Attorney and OCA Purchaser.
Client Line	
Commercial Papers	short-term unsecured promissory notes issued by companies.
Commodity	Products, including materials, equipment and supplies, purchased by the City. "Commodity" shall specifically exclude legal and litigation related contracts or contracts entered into pursuant to settlement of legal proceedings, and employee benefits, including, without limitation, health plans, retirement or deferred compensation benefits, insurance and flexible accounts, provided by or through the City's Human Resources Department or the Retirement Board.
Conduit Financings	Issued by the City to make proceeds available to a non-City conduit borrower in furtherance of a public purpose. Financing proceeds may be loaned to the conduit borrower pursuant to a loan agreement between the City and the conduit borrower. The conduit borrower is responsible for the repayment obligations and the conduit obligations represent non-recourse obligations of the City.
Contract	
Contracting Officer	City employee who is authorized to execute a contract, which may be either the Department Head or a person designated in writing by the Department Head, board or commission as having the authority to sign contracts for the department. A designation of authority to sign contracts on behalf of a department may specify authority to

TERM	DEFINITION
	sign a single contract, specified classes of contracts, or all contracts entered by a department.
Contractor	Any corporation, partnership, individual, sole proprietorship, joint venture or other legal entity which enters a contract to sell commodities or services to the City.
COP	Certificates of Participation (COP) will be used for acquisition or improvement of existing facilities and/or construction of new facilities that result in immediate or future savings in payments currently made or to be made by the City's General Fund
Cost Centers	
Grant Project	
CPC	Capital Planning Committee
IRS Standard Mileage rate	The mileage rate used to compute the amount to reimburse employees who are using their own cars for business purposes
Credit Memorandum	City returned goods to the supplier; there is a pricing dispute; or a marketing allowance; or other reasons under which the City will not pay the supplier the full amount of the invoice
Declaration of Emergency	The Board of Supervisors may declare an emergency and may direct any Department Head to perform any repair or other emergency work in any manner the Board determines to be in the best interests of the City
Lost Warrant	(check) Requests by payee for replacement check from the disbursement unit
Declaration Offset	
MOU	(Memorandum of Understanding) language between the City and various bargaining units. The Controller's Office Accounting Policies & Procedures is the governing document for tuition reimbursement and travel reimbursement unless otherwise stated in MOU.
Department Approver	

## ACCOUNTING POLICIES &amp; PROCEDURES

TERM	DEFINITION
DHR	Department of Human Resources
<i>Direct Charge</i>	Requesting Department assigns budget to the Performing Department from the Requesting Department's own Fund, Authority, and Project. Performing Department posts actuals directly to the Requesting Department's Fund, Authority, and Project.
Disaster Projects	Events designated for cost recovery from FEMA and other agencies.
Encumbrance Balance	(remaining balance + retainage)
Encumbrances	
eProcurement	
eSettlement	
eSupplier Connection	
Federal per diem rate	
FIS	
Fiscal Agent	
Fleet	Fleet assets are typically pieces of equipment that are used to transport people or items.
Fringe	
GAAP	Generally Accepted Accounting Principles.
General Fund	
General Ledger Module	
General Obligation Bond	
General Services	Services that are not professional services. Examples of general services per <i>Administrative Code</i> , Section 21.02(k) include: janitorial, security guard, pest control, parking lot attendants and landscaping services.
GO	General obligation (GO) bonds are typically used to finance the acquisition, improvement, and/or construction of real property. Such

TERM	DEFINITION
	facilities include but are not limited to, libraries, hospitals, parks, public safety facilities, cultural, and educational facilities.
Government-mandated non-exchange transactions	These involve a provider government mandate that a recipient government perform a program and fulfill certain requirements essential for the transaction to occur. These transactions tend to mimic grants, and as such may be Operating, Capital Maintenance, or Technology projects depending on the nature of the program.
Grantor	
Imposed non-exchange transactions	Assessments on non-governmental entities, other than assessments on exchange transactions. These include property taxes, fines, and seizures. As these types of revenues are also typically earned in the normal course of operations for the City & County of San Francisco, these revenues would typically be reported in the Operating project type.
Indemnification	All construction contracts awarded under this Chapter shall require that the contractor fully indemnify the City and County to the maximum extent provided by law, such that each contractor must save, keep, bear harmless and fully indemnify the City and County and any of its officers or agents from all liability, damages, claims, judgments or demands for damages, costs or expenses in law or equity that may at any time arise. This indemnification requirement may not be waived or abrogated in any way for any contract without the recommendation of the City's Risk Manager and the express permission and approval of the Board of Supervisors.
Indirect Costs	general costs of doing business that are difficult to identify directly to a grant, such as department overhead and City-wide services that support departments.
<i>Internal Billing</i>	Both the Performing and Requesting Departments establish budgets for the work performed. Performing Department incurs costs in own Fund, Authority, and Project. Performing Department submits a journal entry to recover the costs from the Requesting Department.
Inventory	In the government accounting environment, inventory consists of various materials and supplies that are used by the government itself. This may consist of the usual variety of general supplies and

**ACCOUNTING POLICIES & PROCEDURES**

TERM	DEFINITION
	spare parts. There are two main types of inventories: “Inventories Held for Consumption” or “Use and Inventories Held for Resale”.
Late Payment Fee/Interest	Untimely payment to U.S. Bank will result in late payment fees and interests. The payment is due within fourteen (14) calendar days from the statement date. Departments will be responsible for any late fees or interests incurred.
LGBT Ordinance	City has enacted an ordinance amending the <i>Administrative Code</i> to prohibit City-funded travel to states that have enacted laws after June 26, 2015, reversing anti-discrimination protections for LGBT individuals or permitting discrimination against LGBT individuals, and to prohibit City contracting with companies headquartered in states that have enacted such laws, or where work on the contract would be performed in such states.
Local Business Enterprise (LBE)	
Manual Accruals	If the department erroneously omits sales/use tax or there is a tax underpayment, it's the departments responsibility to manually accrue the required sales/use tax.
MID	Merchant Identification number
Mutually Exclusive	States sales tax and use tax applies to a single transaction but not both.
NGIP	When a Purchase Order is set-up in PeopleSoft, the related National Institute of Governmental Purchasing (NIGP) code must be included to denote the type of commodity/service that is being procured.
NSF	Non-Sufficient Funds check
Offer	Bid or Proposal submitted to the City in response to an Invitation for Bids (IFB) or a Request for Proposals (RFP). “Offer” may include a response to a Request for Qualifications (RFQ) if no further ranking prior to Contractor selection is contemplated by the procurement process.
Offeror	Person or entity that submits an Offer to the City to provide commodities or services.

TERM	DEFINITION
Office of Contract Administration (OCA)	Promulgates rules and regulations pursuant to Chapter 32 of the San Francisco Administrative Code. Each contracting department shall cooperate to fullest extent with OCA.
OMB	Office of Management and Budget
Order Splitting	Procurement of the same item through separate requests within two to three weeks. Consideration is given to orders using different funding codes or delivery address (a proxy for different expense centers)
P-card	Charge card designed to enable designated City employees to make authorized purchases under two circumstances: 1) declared emergencies and natural disasters. 2)Employee reimbursements.
P-Card Administrator	Controller, or his or her designee
PCI DSS	Payment Card Industry Data Security Standard which is a set of requirements established by the four major credit card brands (Visa, MasterCard, American Express and Discover) to protect Cardholder Data.
PCI Standard	Payment Card Industry Standard developed by the four major credit card brands (Visa, MasterCard, American Express and Discover) with a single approach to safeguarding Cardholder Data. The PCI Standard defines a series of mandatory practices for handling, transmitting and storing Cardholder Data
PDR	Previous Day report
PeopleSoft Commitment Control Module	
PeopleSoft Expenses Module	
PeopleSoft HCM payroll	
PeopleSoft Voucher Approval Workflow	
Performance Bond	

**ACCOUNTING POLICIES & PROCEDURES**

<b>TERM</b>	<b>DEFINITION</b>
Pilot Project	
Professional Service Contract	
Professional Services	Services which require extended analysis, the exercise of discretion and independent judgment in their performance, and/or the application of an advanced, specialized type of knowledge, expertise, or training customarily acquired either by a prolonged course of study or equivalent experience in the field.
Prompt Payment Definitions	
Proposal	Response to a RFP issued by the City for commodities or services, or a response to a RFQ if no further ranking prior to contractor selection is contemplated by the procurement process.
Proposer	Person or entity that submits a Proposal in response to a RFP issued by the City.
Proprietary Articles	“proprietary” and “no substitute” to mean purchases that are made where no alternate brand or model will be considered or accepted.
Purchase Order	Authorization document designated as such by the Purchaser for the procurement of commodities or services, whether issued in a paper or electronic format, including blanket purchase orders for purchases involving multiple payments
Purchaser	Purchaser of Supplies of the City & County of San Francisco, or his or her designee(s).
Push Back	Formerly known as deny.
Quotation	Bid for commodities or services which is acquired without the use of advertising to solicit bids.
Responsible	Responsible bidder or supplier is one who: (1) meets the qualifying criteria required for a particular bid, including without limitation the expertise, experience, record of prior timely performance, license, resources, bonding and insurance capability necessary to perform the work under the contract, and (2) at all times deals in good faith with the City & County and shall submit bids, estimates, invoices claims, requests for change orders, requests for contract

TERM	DEFINITION
	modifications or requests of any kind on a good faith and honest manner.
Responsive	Bidder or supplier is one that complies with the requirements of the subject Advertisement for Bids without condition or qualification.
Retainage	Portion of the agreed upon contract price deliberately withheld until the work is substantially complete to assure that contractor or subcontractor will satisfy its obligations and complete a construction project.
Revenue Transfers	Allocation of revenue from one fund (or project) to another fund (or project), or revenue adjustments between cost centers within the department or across departments and/or fiscal entities using FAMIS Document Type RA (RIMS) or RT (Non-RIMS).
Revolving Funds	Fund that is continually replenished as withdrawals are made.
Sales Tax	Imposed on all California retailers, collected by the retailer who is then responsible for reporting and paying the tax to the state.
Schedule of Expenditures of Federal Awards	
Services	Bidder or supplier is one that complies with the requirements of the subject Advertisement for Bids without condition or qualification.
SFFC	The San Francisco Finance Corporation (SFFC) is a nonprofit public benefit corporation created to provide a means to finance, through lease financing, acquisition, construction, and installation of facilities, equipment and other tangible real and personal property for the City's general government. Operationally the SFFC is considered a fiscal agent of the City & County of San Francisco (the City), but is not part of the City and as such maintains separate books and records. Although the SFFC is a legally separate entity from the City, it is considered a blended component unit for financial reporting purposes
Sole Source Waiver	Commodities or services available only from a sole source must fill out this request.



**ACCOUNTING POLICIES & PROCEDURES**

<b>TERM</b>	<b>DEFINITION</b>
Solicitation	IFB, Request for Quotations, RFQ, or RFP issued by the City for purposes of soliciting bids, quotations, or proposals to perform a City contract.
Strategic Sourcing	
Sub-Object level Account	
Sub-recipients	
Supplier Contract Management	
Supplier Profile	
Surplus Transfer	
Technology Marketplace	The City-wide, multiple award term contract for the procurement of certain Commodities and Services, which is administered by DT for the benefit of City departments, awarded pursuant to the “Request for Proposal for Computer Hardware, Software, Peripherals and Appropriate Network, Consulting, Maintenance, Training and Support Services,” and any successor contracts
Technology Store Fee	The 1.9% Technology Store fee is an inter-departmental service recovery offsetting General Fund support for the Office of Contract Administration.
Travel Authorization Form	
Underwriters	OPF may determine to retain underwriters for negotiated and private placement bond transactions. OPF will utilize an RFP-selected pool of such underwriters advisors to mitigate time constraints and reduce overhead costs of the City in procuring such services. Services shall be documented by contract and compensation shall be capped. Underwriters may be required to execute confidentiality agreements with the City prior to the commencement of work.
Unliquidated Cash Advance Letter	
Use Tax	Tax on the use, storage, or consumption of personal property in California. Usually when out-of-state or online retailer does not

TERM	DEFINITION
	collect the tax for an item delivered to California. Mutually exclusive from the State's sales tax.
Work Order Account	

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