

OFFICE OF INSPECTOR GENERAL
CITY OF NEW ORLEANS



ED QUATREVAUX
INSPECTOR GENERAL

November 1, 2011
Rev. Cornelius Tilton, Chair
Ethics Review Board
525 St. Charles Ave
New Orleans, LA 70130

Re: Municipal Yacht Harbor Policy Manual Review (OIG-AR11MAR002)

Dear Rev. Tilton:

As per Section 9 of Article XIII of Chapter 2 of the City Code, "Reporting the Results of the Inspector General Findings," I am today releasing a letter of the review of the *Municipal Yacht Harbor Management Corporation's Current Accounting Policy and Procedures for Best Practices and Recommendations* conducted by the Office of Inspector General.

As this is a review in response to a request by the management of Municipal Yacht Harbor, the Office of Inspector General did not conduct an exit conference to discuss our recommendations in the review.

Should you have any questions, please contact Eileen Shanklin-Andrus, First Assistant Inspector General for Audit and Review, at 504-681-3200.

Sincerely,

E.R. Quatrevaux
Inspector General

cc:

Warner Tureaud, President
Douglas Cunningham, Treasurer
John Manard, Secretary
Ashlyn Graves, Vice President
Michael Liebaert, Board Member
Jennifer Medley, Board Member
Alva See, Board Member
David Halpern, Board Member
Ric Smith, Board Member
Patrick Bell, Board Member

Elizabeth Nalty, ERB Vice Chair
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Laura Rouzan, ERB Member
Rev. Dr. Donald R. Frampton, ERB Member
Felicia R. Brown, ERB Executive Director

OFFICE OF INSPECTOR GENERAL
CITY OF NEW ORLEANS



ED QUATREVAUX
INSPECTOR GENERAL

November 1, 2011

Mr. Warner Tureaud, President
New Orleans Municipal Yacht Harbor Management Corporation
401 North Roadway St.
New Orleans, LA 70124

Subject: Review of the Municipal Yacht Harbor Management Corporation's Current Accounting Policy and Procedures for Best Practices and Recommendations

Dear Mr. Tureaud:

In December 2010, a request was made by the New Orleans Municipal Yacht Harbor Management Corporation's (the MYH) Board of Directors to review the Accounting Policy and Procedures Manual (Corporate Manual - section 24)¹ and make recommendations for improvement.

The auditors performed the following procedures to identify areas for improvement to the current Accounting Policy and Procedures Manual:

1. Reviewed the February 2010 Accounting Policy and Procedures Manual (See attachment);
2. Reviewed the Municipal Yacht Harbor website;
3. Interviewed the accountant/office manager² to get an understanding of the actual policies and procedures in place;
4. Identified management concerns regarding the policies and procedures; and
5. Toured the Municipal Yacht Harbor grounds.

The auditors provide the following 45 recommendations to the current policy³:

SECTION ONE: CASH RECEIPTS AND REVENUE REALIZATION SYSTEM

1.1 Background

Recommendation # 1: 1.1.1 Background: The MYH should replace the words "designated employee" with specific position titles throughout the manual.

1.2 Revenue Sources

Recommendation # 2: 1.2.1 Revenue Sources: The MYH should develop and maintain a monthly rental roster to include the names, location, lease period, monthly rate, and arrearages for late payments.

¹The most recent Accounting Policy and Procedures Manual was approved in February of 2010.

² These tasks were performed by the same person.

³ Sections of the current policy containing no recommendations are not identified in this letter.

1.3 Handling Receipts

Recommendation # 3: 1.3.1 Handling Receipts: The MYH should create and maintain a daily cash report that includes dates and amounts. These reports should be submitted for review to the President and Board at scheduled monthly meetings to determine the MYH's cash position.

SECTION TWO: PURCHASE OF GOODS AND SERVICES

2.1 MYHMC Policies

Recommendation # 4: 2.1.2 General: The MYH should include a maximum dollar threshold for ordering supplies, materials, and equipment by the accountant or designated employee⁴ without approval of the President.

Recommendation # 5: 2.1.3 Conflict of Interest: Transactions with immediate family members is in direct violation with Louisiana Title 42, Chapter 15, Part I, RS: 1112, B (3). This provision should be removed from the policy.

Recommendation # 6: 2.1.4 Authorized Purchases: The MYH should adopt the purchasing policy guidelines outlined in the City of New Orleans Policy 24(R)⁵ or the State of Louisiana's purchasing guidelines.

Recommendation # 7: 2.1.6 Overdrawn Accounts: The MYH should clearly indicate position titles of person(s) responsible for initiating requests for transfers of funds between bank accounts in the policy. This person should be someone other than the person approving the transfer.

Recommendation # 8: 2.1.7 Purchase Order System: The MYH should provide further segregation of duties within the purchasing function. This can be accomplished by using a board member to receive bank statements and reconcile the bank statements. The accountant/office manager's duties should be able to be performed by someone else when he/she is absent.

2.2 Vendors

Recommendation # 9: 2.2.1 Selection of Vendors: The MYH should develop a Disadvantaged Business Program to allow disadvantaged businesses an opportunity to be selected as vendors.

Recommendation # 10: 2.2.2 Vendor Lists: The MYH should create and maintain a list of vendor changes (additions and deletions). Vendors should be checked against the Federal Excluded Parties List System (www.epls.gov).

This online listing provides an efficient and convenient way to disseminate information on parties that are excluded from receiving Federal contracts, certain subcontracts, and certain Federal financial and nonfinancial assistance and benefits.

⁴ As stated on Recommendation # 1, the position title of the employee should be included when necessary.

⁵ This policy is filed in the MYH Corporate Manual Section 25; however, the policy manual (Section 24) makes no reference to the City's policies.

2.3 Ordering

Recommendation # 11: 2.3.1 Requests for Bids or Quotations: The MYH should adopt the City's policy no. 24(R)⁶ or the State of Louisiana's bid/purchasing policies to ensure compliance with public bid law. The current policy fails to indicate when, how and by whom bids will be opened.

Recommendation # 12: 2.3.2 Sole Source Purchases: The MYH should specify the documentation required for sole source purchases. Sole source vendors should be approved by the board.

Recommendation # 13: 2.3.3 Prepaid Orders: The MYH should obtain documentation from the vendor requiring prepayment prior to issuing a check for prepayment.

Recommendation # 14: 2.3.4 Emergency Orders: The MYH should prepare a list of items considered an emergency and include this list in the policy.

Recommendation # 15: 2.3.5 Confirmation Orders: The MYH should delete references to confirmation orders in its policies.⁷

Recommendation # 16: 2.3.6 Completing the Purchase Order Form: The MYH should include the position title granted approval authority for purchase orders versus using the term "designated employee" (See Recommendation # 1).

Recommendation # 17: 2.3.6 Completing the Purchase Order Form: The MYH is exempt from and should not pay sales taxes on goods purchased for the governmental entity. Vendors should be provided with Chapter 2 of the Louisiana Revised Statute 47:301(1) and 47:301(8) (c) to support the exemption.

Recommendation # 18: 2.3.7 Approvals: The MYH should include a dollar threshold for major equipment purchases requiring the President's approval.

2.4 MYHMC Invoices

Recommendation # 19: 2.4.1 Approved Purposes: The MYH should include utilities (electricity, gas, and water) to the list of approved purchases not requiring a purchase order.

Recommendation # 20: 2.4.2(7) Completing the Accounting Invoice Form: The vendors' address field should never be left blank. In instances where a payment needs to be picked up by the vendor, an authorized signature should be required from the vendor along with the pickup date, time and appropriate reason for the need to pick up the check.

2.5 Receiving

Recommendation # 21: 2.5.1 General: The MYH should require that the person ordering goods be independent from the person receiving goods.

⁶ Ibid.

⁷ The MYH acknowledged that this verbiage was copied from the policies and procedures of the French Market, and that it does not use confirmation orders.

Recommendation # 22: 2.5.1 General: The MYH should have someone, other than the person initiating and paying for the purchase, prepare a receiving log by purchase order and date received. A brief description of the goods received should also be required.

2.6 Cash Disbursements

Recommendation # 23: 2.6.1 General: The MYH should provide a clearer explanation regarding electronic fund transfers. The position title of the person authorizing, initiating and approving the transfer should be clearly identified.

Recommendation # 24: 2.6.2(2) Purchase Order Payments: The MYH invoices should be sent directly to the administrative office and stamped by the office manager with the date of receipt. Any invoices received from a vendor at another address or location should be returned to sender for correction.

Recommendation # 25: 2.6.2(2) Purchase Order Payments: A signature and verification date should be inserted on the invoice by the person receiving goods. The verification should include documentation that goods are actually received and quantities are accurate.

Recommendation # 26: 2.6.3 Accounts Payable: New vendors should be approved by the MYH President prior to entering into the accounting system.

Recommendation # 27: 2.6.3 Accounts Payable: The same individual should not perform check writing and invoice approval. Proper segregation of duties requires that two different individuals perform these two accounting functions. The words “designated employee” should be replaced with a position title that differs from the check writer.

Recommendation # 28: 2.6.4 Reconciliations: The MYH should reconcile bank accounts to the general ledger in a timely manner. Someone other than the person entering transactions into the general ledger, writing checks and making deposits should perform the bank reconciliation. Smaller entities often use a board member to perform this function.

Recommendation # 29: 2.6.4 Reconciliations: The bank statements should be opened and reconciled by another employee or board member who is independent of the record keeping function.

Recommendation # 30: 2.6.6 Travel: Travel advances and related expenses should be prepared and handled in compliance with City of New Orleans Policy 9(R).

Recommendation # 31: 2.6.7 Petty Cash Funds: The MYH should permit a petty cash account for purchasing unexpected goods and services on an emergency basis. Check cashing, newspaper subscriptions and other non-business expenses should not be paid from the petty cash account.

Transactions should be summarized by the in-house accountant/office manager prior to fund reimbursement and recording into the general ledger. All approvals of transactions prior to reimbursement should be executed by the President.

Recommendation # 32: 2.6.8 Expense Statement: The MYH should adopt the standard expense report located in CAO Policy Memorandum No. 9 (R) used by the City of New Orleans or some similar report for inclusion in its policy.

Recommendation # 33: 2.6.8 Expense Statement: The MYH should include the verbiage “business travel will not be approved unless it is reasonable and allocable⁸”. Business travel should be approved by the President prior to being incurred.

SECTION THREE: PAYROLL SYSTEM

3.1 Procedures

Recommendation # 34: 3.1.1 Time Cards: The MYH should require both the employee’s and supervisor’s signature prior to entry into the Human Resource Time System (HRTS⁹ system). If the employee is not available to sign (i.e. sickness, vacation only), not available should be inserted on the signature line for the employee and the supervisor should sign as evidence of approval.

Recommendation # 35: 3.1.1 Time Cards: The MYH should follow Civil Service policies for authorization and approval of employee overtime.

Recommendation # 36: 3.1.4 Corrections (Time Cards): The MYH should require that the employees’ supervisor approve changes/corrections to previously entered employees’ time.

Recommendation # 37: 3.1.5 Filing (Time Cards): The MYH should designate a person to serve as the custodian of both personnel and timekeeping records.

Recommendation # 38: 3.1.11 Payroll Checks (Direct Deposits): The MYH should add additional verbiage to this section to indicate that the accountant/office manager picks up employees’ “Statement of Earnings and Deductions”.¹⁰

Recommendation # 39: 3.1.13 Payroll Reimbursement: The MYH should request the City of New Orleans to provide an invoice and payroll registers to support the MYH payroll processed by the City.

Recommendation # 40: 3.1.15 Entering Employees Time into the City’s HRTS Time System: The MYH should designate an individual to be responsible for entering time into the HRTS timekeeping system. The employee’s supervisor can perform this duty in his/her absence.

⁸ FARS (Federal Acquisition Regulation System) was “established for the codification and publication of uniform policies and procedures for acquisition by all executive agencies.” FAR 31.201-3 -- Determining Reasonableness 1984 FAR (Effective 1 April 1984) “A cost is REASONABLE if, in its nature and amount, it does not exceed that which would be incurred by a prudent person in the conduct of competitive business...” FAR 31.201-4 -- Determining Allocability 1984 FAR (Effective 1 April 1984) “A cost is ALLOCABLE if it is assignable or chargeable to one or more cost objectives on the basis of relative benefits received or other equitable relationship...”

⁹ HRTS is the timesheet entry system maintained by the City and used by the MYH.

¹⁰ The City requires all employees to have direct deposit. In lieu of payroll checks a “Statement of Earnings and Deductions” is distributed to each employee showing the amount directly deposited into the employee’s bank account.

Recommendation # 41: 3.1.15 Entering Employees Time into the City’s HRTS Time System: The MYH should designate an individual to approve and a separate individual to enter employees’ time into the HRTS.

ADDITIONAL ACCOUNTING POLICIES AND PROCEDURES

Recommendation # 42: General Ledger Reconciliations: The current Accounting Policy and Procedure Manual does not address general ledger reconciliations. All general ledger accounts should be reconciled to the respective subledgers by the in-house accountant each month.

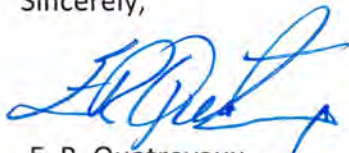
Recommendation # 43: Annual Policy Review: The MYH should review the Corporate Manual annually and update this manual to reflect changing best practices.

Recommendation # 44: Record Retention: The MYH, as a public entity, should develop record retention guidelines to be submitted, reviewed and approved by the State Archives under Louisiana Revised Statute 44:411. Record retention policies improve handling and control of paper and electronic documents.

Recommendation # 45: Investments: The MYH should develop and follow an investment policy for the management of corporate funds.

Should you have any questions, please contact Eileen Shanklin-Andrus, First Assistant Inspector General for Audit and Review, at 504-681-3200.

Sincerely,



E. R. Quatrevaux
Inspector General

cc:

Warner Tureaud, President
Douglas Cunningham, Treasurer
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Michael Liebaert, Board Member
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Laura Rouzan, ERB Member
Rev. Dr. Donald R. Frampton, ERB
Member
Felicia R. Brown, ERB Executive Director
Andrew Kopplin, First Deputy Mayor &
CAO



ACCOUNTING POLICY

AND

PROCEDURE MANUAL

Approved by the Board of Directors
on February 17, 2010

*New Orleans Municipal Yacht Harbor
Management Corporation*

RESOLUTION

(Approval of Accounting Policy and Procedure Manual)

WHEREAS, the New Orleans Municipal Yacht Harbor Management Corporation ("MYHMC") is a public benefit corporation of the City of New Orleans; and

WHEREAS, MYHMC over recent weeks has worked with the City of New Orleans in order to separate the finances of MYHMC from those of the City, including establishing a separate bank account at Capital One, establishing separate accounts with LAMP, retaining a Civil Service financial professional, establishing tenant accounts through the use of an outside accounting firm and other steps; and

WHEREAS, it is appropriate for MYHMC to have in place an *Accounting Policy and Procedure Manual* to control internal practices with regard to financial management; and

WHEREAS, MYHMC has taken substantial guidance from the French Market Corporation in proceeding to establish its separate financial management and has borrowed freely from the similar manual of the French Market Corporation; and

WHEREAS, the Executive Director of MYHMC has developed the *Accounting Policy and Procedure Manual* attached as Exhibit "A", utilizing the French Market Corporation document as the source and said draft manual has been reviewed and edited by the Treasurer of MYHMC, its outside accountants and its President.

NOW, THEREFORE, the Board of Directors of MYHMC approves the attached *Accounting Policy and Procedure Manual*, subject to such further revisions as the Board of Directors of MYHMC shall deem appropriate from time to time.

February 17, 2010

TABLE OF CONTENTS

Cash Receipts and Revenue	3
Realization System.....	
Purchase of Goods and Services	6
Payroll System	18

SECTION ONE

CASH RECEIPTS AND REVENUE REALIZATION SYSTEM

INTRODUCTION

This section of the manual is a guide to the policies and procedures of the New Orleans Municipal Yacht Harbor Management Corporation ("MYHMC") with regard to its cash receipts and revenue realization system. It explains the policies and procedures for handling cash and other forms of payment received by MYHMC and includes the accounts receivable collection process.

Such general information is published to ensure MYHMC employees understand the cash receipts process. It will guide the user to the correct procedures, and will assist in expediting the cash receipt and revenue recognition procedures.

The scope of the manual makes it impossible to explain all possible situations. Some employees may face unique situations, or have questions involving interpretations of the MYHMC policies or procedures. In these instances, the user should contact the Accountant or employee designated by the Executive Director ("Designated Employee") or Executive Director for assistance.

Policies and procedures may change with the continued growth and needs of MYHMC. This manual is subject to change by the Board of Directors of MYHMC.

1.1 BACKGROUND

1.1.1 The Accountant or Designated Employee is under the direction of the Executive Director, and is responsible for monitoring the cash receipts process. This responsibility includes, but is not limited to, ensuring that all transactions relating to rental payments, shelter revenues, and miscellaneous revenues received by the MYHMC are accurately recorded and properly presented.

1.2 REVENUE SOURCES

1.2.1 The cash receipts process is a vital part of the MYHMC's operations. These policies and procedures have been adopted in order to ensure that the funds generated and received by MYHMC are properly accounted for. The primary sources of revenue for MYHMC are:

1. The Municipal Yacht Harbor slips rented to individual tenants;
2. The Boathouses which surround Municipal Yacht Harbor which are leased to individual tenants;
3. Rent from each of the two yacht clubs;

4. Commercial property rent;
5. Charges for the use of West End Park, the shelters in the Park and charges as to other open spaces; and
6. Miscellaneous revenue sources, such as special events and donations.

1.3 HANDLING RECEIPTS

1.3.1 Upon receipt of the original checks from the receptionist, the Designated Employee or Accountant will prepare the bank deposit tickets and update the Accounts Receivable ledger. Weekly accounts receivable aging reports are to be prepared by the Accountant or Designated Employee and submitted to the Executive Director.

1.3.2 The Accountant or Designated Employee should verify that the check log equals both the bank deposit and that a copy of each check deposited is attached to the appropriate check log. The Accountant or Designated Employee will forward the bank deposit ticket to the Executive Director for review. The original check log and copied checks are attached to the bank deposit receipt and filed. The Accountant or Designated Employee will verify the deposit. Any differences must be investigated and resolved immediately.

1.3.3 All deposits of the above forms of revenue should be prepared by the Accountant or Designated Employee. Checks submitted for deposit are stamped with the endorsement of MYHMC. Deposits should then be sent to the bank via MYHMC courier and a security guard. All bank deposit receipts are picked up from the bank by the MYHMC courier and given to the Accountant or Designated Employee. Upon receipt of the bank deposit receipts the Accountant or Designated Employee is to file the receipt with the deposit slip and the copies of the checks.

1.4 ACCOUNTS RECEIVABLE COLLECTION

1.4.1 The Accountant or Designated Employee shall deliver to the Executive Director an aging report noting tenants that are delinquent at intervals directed by the Executive Director. Upon receipt, the Executive Director will send the tenant a delinquent letter.

1.4.2 The delinquent notice process shall be as follows:

1. Failure to remit rental payments 15 days after payment is due. Note, if the 15th day falls on a weekend or holiday the tenant has until the next business day to remit the rent;

2. Delinquent penalties are assessed in accordance with the lease agreements. Note, the penalties are standard in all leases; and
3. The Accountant or Designated Employee notifies the Executive Director when the tenant is sent a second notice notifying the tenant of the delinquent penalty assessed for failure to timely remit rental payments. Tenants must pay delinquent penalties within ten days from the date of notice.

SECTION TWO PURCHASE OF GOODS AND SERVICES

INTRODUCTION

This section of the manual is a guide to the policies and procedures of MYHMC with regard to the purchase of goods and services. Such general information is published to ensure MYHMC employees understand of the purchasing process. It will guide the user to the correct procedures and assist in expediting departmental purchasing.

This section also describes the forms used to purchase goods and services, with instructions for completing each form.

The scope of this manual makes it impossible to explain all possible situations. Some situations may exhibit unique problems and employees may have questions involving interpretations of MYHMC's policies or procedures. In these instances, the user should contact the Accountant, Designated Employee or Executive Director for assistance.

Policies and procedures may change with the continued growth and needs of MYHMC. This manual is re subject to change by the Board of Directors of MYHMC.

2.1 MYHMC POLICIES

2.1.1 Authority For Procurement: The Accountant or Designated Employee has the responsibility of assisting the Executive Director in achieving the goals set forth in this policy and procedure manual. The responsibility for all procurement negotiations have been delegated to the Executive Director by MYHMC's Board of Directors.

2.1.2 General: The Accountant or Designated Employee, under the direction of the Executive Director, has the authority to order supplies, materials, and equipment. Without definite and particular permission of the Executive Director, no employee may order directly by letter, telephone, email, or in any other manner commit the resources of MYHMC. MYHMC will assume no obligation except on a previously issued and duly authorized purchase order.

To achieve this goal, the Accountant or Designated Employee has been charged by the MYHMC Board with responsibility for the following:

1. Securing competitive bids, when possible, to obtain maximum value from the expenditures of MYHMC funds;
2. Maintaining liaison with the vendors that service MYHMC;

3. Coordinating the procurement of goods and services; and
4. Developing sources of supply to assure that MYHMC has an adequate number of vendors from which to obtain supplies, equipment and services.

2.1.3 Conflict of Interest: The MYHMC, as a general rule, does not enter into purchasing contracts with employees or members of their immediate families. An acquisition from a business in which an employee has an interest is prohibited unless full disclosure of the background facts are presented in writing and approved by the Executive Director. Interest is deemed present if the employee and/or his or her spouse or un-emancipated minor children own ten percent or more of the assets of a business.

2.1.4 Authorized Purchases: In accordance with the authority delegated to the Accountant or Designated Employee by MYHMC's administration, all purchases, irrespective of the sources of funding, will be governed by the policies outlined in this manual.

Our basic policy is to obtain all supplies, equipment and services at the lowest cost to MYHMC, consistent with quantity, quality and availability of the items at the time of purchase. In conforming to this policy, the cost of the purchase and the delivery time required by the using department will be considered. **Competitive bids will be solicited whenever practical.**

No person is authorized to obligate the MYHMC without encumbering, in advance, and through the Accountant or Designated Employee, sufficient funds to meet the purchase obligation. This practice applies to all requisitions regardless of the source of funding.

2.1.5 Fund Sources: All funds deposited with MYHMC, regardless of source, are MYHMC funds and must be handled in accordance with the policies and procedures of MYHMC. MYHMC's policies and procedures apply to all grant, agency, and budget accounts.

2.1.6 Overdrawn Accounts: MYHMC policy prohibits overdrawn accounts. A transfer of funds to cover an overdraft should be submitted immediately upon notification of the overdraft. Requests for the transfer of funds are to be typed on an interdepartmental memo. All transfers require the approval of the Executive Director.

2.1.7 Purchase Order System: MYHMC utilizes the Purchase Order System for procuring its goods and services from external vendors. Only persons officially designated within the Accountant, Designated Employee or the Executive Director shall have the authority to issue Purchase Orders.

In case of unexpected absences of departmental authority, Purchase Orders may only be issued by that authority's immediate supervisor.

2.2 VENDORS

2.2.1 Selection of Vendors: Vendors are selected for their capability to serve the needs of MYHMC in the most economical and efficient manner possible. Past performance and cooperation are important factors. As it is the policy of MYHMC to promote the full realization of equal employment opportunity, all vendors must comply with the Equal Opportunity Act. They must also comply with other laws and directives as they are issued. MYHMC strives to use small businesses, minority-owned businesses and women's business enterprises whenever possible.

The final choice of vendor will be made by the Executive Director. Requests to waive this policy in unusual situations must be in writing from the Executive Director.

2.2.2 Vendor Lists: The Accountant or Designated Employee will maintain a list of all persons and firms who wish to bid on MYHMC purchases. Invitations to bid will be solicited from those vendors whom the Accountant, Designated Employee or Executive Director determines will stimulate viable competitive bidding.

2.2.3 Vendor Numbers: All permanent MYHMC vendors are assigned a unique vendor number. These vendor numbers are assigned by the Accountant, and are permanent. The vendor's number must appear on all purchase orders and check requests.

2.2.4 Sales Representatives: All interviews with vendor sales representatives will be scheduled through the Accountant or Designated Employee.

2.2.5 Catalogs: Vendor catalogs are available from the Accountant or Designated Employee. If a vendor catalog is not available, the Executive Director will order that catalog.

2.3 ORDERING

2.3.1 Requests for Bids or Quotations: One of the primary responsibilities of the Accountant or Designated Employee is soliciting competitive bids, when possible, to obtain maximum value from the expenditures of MYHMC funds.

The bidding process involves mailing quotation forms to at least three approved vendors. The quotes are received, recapped, and a Purchase Order is awarded to the favorable vendor. The bidding process takes at least a week.

Competitive quotations will be secured in accordance with the following guidelines:

- \$1 to \$5,000 per item: Quotations may or may not be solicited.
- Above \$5,000 per item: The Accountant or Designated Employee will solicit at least three competitive written quotations.
- Contractual Services: Contractual services, in excess of \$5,000. The Executive Director, Accountant or Designated Employee will formally solicit at least three written bids or quotes.

NOTE: It is the MYHMC's policy that price quotations are given to us in confidence, and shall not be revealed to any other vendor or unauthorized person.

2.3.2 Sole Source Purchases: There may be circumstances where a commodity or service can only be supplied by a single vendor, and as such, makes it impossible to obtain competitive bids. In these instances, justification as to the uniqueness of the item, or the vendor's ability to provide them, may be required before such a purchase will be approved.

Final responsibility in determining whether an item is a proprietary, and therefore may be purchased from a sole source, rests with the Executive Director.

2.3.3 Prepaid Orders: In the event that a vendor will not accept a Purchase Order, the ordering individual must still submit a Purchase Order for processing. This order must state that prepayment is required in the description section of the order. The note should be set apart from the description of that it can be readily seen. For prepayments, the exact cost amount is required, including tax and shipping charges when applicable. A check will be issued to accompany the order.

2.3.4 Emergency Orders: Emergency orders must be kept to a minimum. Failure to anticipate a need is not, of itself, considered a bona fide emergency. To initiate an Emergency Purchase, the authorized person must contact the Accountant, Designated Employee or Executive Director and explain the nature of the emergency. When an emergency is determined, a Purchase Order must be hand carried to the Accountant, Designated Employee or Executive Director for processing.

Upon receipt of Emergency Purchase Orders, the Accountant, Designated Employee or Executive Director will phone or fax the order to the vendor. No individual other than Accountant, Designated Employee or Executive Director may telephone or fax orders directly to vendors.

2.3.5 Confirmation Orders: Confirmation Orders are only permitted in the event of an Emergency Purchase which must be made after MYHMC office hours. The individual involved must make the Accountant or Designated Employee aware of this situation as soon as possible the following working day. The Accountant or Designated Employee will then instruct the MYHMC on how to handle the Confirmation Order.

Invoices received by the Accountant or Designated Employee for which there is no Purchase Order will be returned to the vendor. The vendor will be advised to contact the individual who placed the order for payment of the invoice. Without a Purchase Order the MYHMC is not obligated to the vendor.

2.3.6 Completing the Purchase Order Form:

1. Suggested Source: Complete the space with name and address only when unsure of vendor; otherwise leave blank.
2. Indicate the name of the individual initiating the Purchase Order.
3. Account Number: Indicate the account number which is to be charged for the purchase.
4. Date: The date on which the Purchase Order is submitted to the Accountant.
5. Name and Address of Vendor: The submitting individual must fill in the complete name and address of the vendor, including zip code. Any individual's names whose attention an order is sent must be written to the address.
6. Vendor Number: The vendor number will be entered by the accounting department.
7. Quantity: Indicate the number of items to be purchased.
8. Description: Write the catalog number and a description of the item to be purchased. Include all details which will assist the Accountant in buying exactly what is needed.
9. Unit Price: Indicate the unit price of each item if possible.

10. Amount: Indicate the total cost of each item.
11. Sales Tax (if applicable) Compute the sales tax (currently 9%).
12. Total Estimated Cost: Indicate the total cost of the goods including sales tax.
13. Requested by: The individual requesting the purchase should sign the Purchase Order.
14. Approved: To be signed by the person responsible for the account to be charged.
15. The approved Purchase Order is to be forwarded to the Accountant for processing.

2.3.7 Approvals: All requests for disbursement require the approval of the individual appointed as responsible for the account to be charged.

In cases of major equipment and computer equipment purchases the Executive Director must approve request in writing before purchase order is issued. During anticipated absences, individuals must notify the Accountant or Designated Employee in writing with the name of the responsible party in their absence. In cases of unanticipated absences, the supervisor of the responsible party must sign.

NOTE: Please allow at least one to two (1 to 2) working days for the Purchase Order to be processed and issued. When planning your purchases, please keep in mind the processing time. No purchases should be ordered without a purchase order.

Any questions regarding the Purchase Order form should be referred to the Accountant, Designated Employee or Executive Director.

2.4 MYHMC INVOICES

2.4.1 Approved Purposes: MYHMC invoices should ONLY be used for the following:

1. Postage
2. Membership & Dues
3. Travel
4. Professional Fees

5. Honoraria
6. Subscriptions
7. Catering
8. Reimbursements
9. Special Event Workers
10. Parking

All other purchases must be placed on the Purchase Order form.

NOTE: When a check is to be made payable to an individual in cases of professional fees and honoraria, the individual's social security number and address must appear on the form. Checks will not be issued without this information. Vendors will be required to complete a W-4 Form to be maintained in the Accounting Department. Any questions regarding the use of this form should be directed to the Accountant or Designated Employee.

2.4.2 Completing the Accounting Invoice Form:

1. Date: Enter the date the form is submitted.
2. Staff Person: Person requesting check.
3. Vendor: Enter name, address, phone number, vendor identification number or social security number.
4. Vendor Number: Enter the vendor number or a "T" if the vendor is a temporary one (See Vendor Numbers).
5. Pay to the Order of. Indicate the name of the recipient of the check as it should appear on the check.
6. Amount: Enter the dollar amount to be paid.
7. Address: Indicate the address to which the check is to be mailed. If you do not want the check mailed by the Accounting Department, leave this space blank.
8. Explanation of Expense: Write a short explanation of the expense. Include the event to be attended, the city where the event will take place and the dates of travel.

9. Department Approval: This space is for the signature of the person responsible for the account (usually the Executive Director).
10. Attach supporting documents.
11. Forward the completed form to the Accountant or Designated Employee for processing.

2.4.3 Supporting Documents: When the check request is submitted, supporting documentation must be attached. Invoices, order forms, receipts and statements are examples of supporting documents. Advances for travel do not require supporting documentation when the check request is submitted. However, an expense statement must be submitted shortly after the event for which funds were advanced. Check requests made payable to the US Postmaster do not require supporting documentation.

2.4.4 Processing Time: Check requests are processed by the Accountant or Designated Employee. When planning your expenditures, please allow at least two full working days for your check to be generated.

2.4.5 The Expense Statement: The United States Federal Tax Law stipulates that payments or reimbursements to employees for bona fide business-related travel expenses are not considered taxable income to the employee. It is therefore necessary that the nature of the expenditure be so fully explained that the business relationship to MYHMC is clearly evident. Failure to fully substantiate and explain business expenses has resulted in advances and reimbursements being considered additional taxable income for the individual.

The Expense Statement is a supporting document and is required to report all expenses for travel and entertainment. In all cases, original receipts must be attached to the Expense Statement. Photocopies, canceled checks, check stubs and non-itemized credit card billings are not acceptable as receipts.

2.5 RECEIVING

2.5.1 General: All goods shipped to MYHMC are received and processed by the Accountant or Designated Employee. Individuals ordering a product must inspect their goods, and sign a Receiving Report attesting to the quantity and condition.

The Accountant or Designated Employee will ensure that the items accepted are on the approved purchase order.

2.5.2 Pick-up from the Vendor: - In the event that supplies or materials must be picked-up from the vendor by a MYHMC representative, be sure that all supporting papers are submitted to the Accountant or Designated Employee by the close of the next working day.

2.5.3 Returns: Any materials covered by a purchase order being returned to a vendor must be shipped through the Accountant or Designated Employee. This procedure insures that MYHMC is able to verify shipments to vendors for proper credit or replacement.

2.6 CASH DISBURSEMENTS

2.6.1 General: - The purpose of the MYHMC's Cash Disbursement System is to track the outflows of cash within the Corporation. Such outflows can be attributed primarily to Contract Vendors and the City of New Orleans. Vendors may be contract or non-contract. Contract vendors are those that provide services to the MYHMC on a consistent basis or for a specified time. There are many contract vendors. Non-contract vendors vary, and are on an as need basis. Disbursements made to the City of New Orleans are covered under the Payroll System. Disbursements are handled by the Accountant or Designated Employee. All disbursements are made in check form and are generated from the Accounting system. Checks are signed by the Executive Director. Any checks exceeding \$2,000.00 require two signatures. The authorized check signers are: the Board President; Board Secretary; Board Treasurer; Executive Director. Electronic Fund Transfers may be performed by any of the aforementioned authorized check signers.

2.6.2 Purchase Order Payments: Vendors cannot be paid until the Accountant or Designated Employee has:

1. Checked the receiving report or packing slip to ensure that the merchandise has been received and is only for items actually received; and
2. Received and processed an invoice.

Vendors will be paid only after goods and services have been received. In all cases, the vendor must mail his invoice to the Accountant or Designated Employee. If an individual does receive an invoice from a vendor in error, all copies must be forwarded to the Accountant or Designated Employee immediately for processing.

The originating individual will received a copy of each invoice or packing slip for verification of receipt of merchandise which is processed for payment. Any discrepancies should be reported to the Accountant immediately.

2.6.3 Accounts Payable: The Accountant or Designated Employee stamps all bills with the day in which they were received and inputs all accounts payable information into the system. All new vendors must be setup in the Accounting system as new vendors and must receive the proper approval. The Accountant or Designated Employee then forwards the bill to the appropriate authority for approval. Once the authorized individual has approved the invoice and returned the approved invoice to the Accountant or Designated Employee, the Accountant or Designated Employee then forwards the invoice to the Executive Director for final approval. Once the Executive Director has approved the invoice by signature the bill is ready for payment.

Accounts Payable invoices are processed every two weeks, generally from the approved vendor invoices. All disbursements are made in check form and are generated from the computer system. In the event that the computer system is unavailable, checks may be written by the Executive Director.

2.6.4 Reconciliations: All bank account reconciliations are performed by the Accountant or Designated Employee. Bank statements are opened only by the Accountant, Designated Employee or Executive Director.

2.6.5 Credits: - Credits are processed as they are received. The originating individual will receive a copy of the credit from the Accountant or Designated Employee. The credit is applied to the account of the original encumbrance.

2.6.6 Travel: There are special requirements related to travel expenses. MYHMC policy dictates that requests for travel advances be submitted no earlier than 10 working days and no later than five working days before the event for which the advance is made.

In all cases, the expense statement must be used to report all expenses. The expense statement will be submitted no later than 10 working days after the expenses are incurred.

When an individual is to be reimbursed for expenses exceeding the amount advanced, a check request for the amount of the reimbursement must accompany the expense statement.

When an individual receives no advance, but is to be reimbursed for travel or entertainment, an expense statement must accompany the check request for the reimbursement.

2.6.7 Petty Cash Funds: Petty cash funds are not permitted.

2.6.8 Expense Statement: Completing the Expense Statement:

1. The Expense Statement is to be typed or printed in ink.
2. Name, Department, Telephone, Account Number: Provide this information as requested.
3. Use one line of the statement for each day of expense.
4. Hotel Room: Daily cost of room plus taxes and allowable tips and long distance telephone calls.
 - a. Breakfast, Lunch, Dinner: Cost of meal, plus tip.
 - b. Local Transportation: Daily cost of taxis, buses, limousine, etc.
 - c. Other Expenses: Entertainment expenses and all other expenses that do not fit the above categories.
5. Total: Record total daily expenses in this space.
6. A-Total Daily Expense: Fill in with the total of all daily expenses.
7. B-Total Transportation Expense: Record transportation expenses (air, rail, bus) and place total in this area.
8. C-Total Employee Expense: Add the amounts in spaces "A" and "B" and record the total in this area.
9. D-Deduct Total Advances, etc.: On the reverse side of the statement complete the schedule or advances and record the total on the front of the statement in this space.
10. E-Under/Over Expenditure: Subtract the amount in space "D" from the amount in Space "E". This amount represents the under or over expenditure of the employee and is to be recorded in space "E".
11. Purpose of Business Expense: Explain the purpose of the business expense.
12. Sign and date the statement.
13. Attach all ORIGINAL receipts.

14. Approved: The statement must be approved by the submitting individual's superior.
15. Forward the expense statement to the Accountant. Remember, if the individual is to receive a reimbursement, a check request form must accompany the statement. If there are unused funds, they must be returned to MYHMC and must accompany the expense statement.

QUESTIONS: Problems or questions concerning the MYHMC's Travel and Entertainment expenses or the completion of the Expense Statement should be directed to the Accountant or Designated Employee.

SECTION THREE PAYROLL SYSTEM

INTRODUCTION

MYHMC's Payroll System is under the control of the City of New Orleans (the "City") and the MYHMC's Accountant or Designated Employee.

Employees of MYHMC, as Civil Service workers of the City, are paid via checks disbursed by the City. As an enterprise fund under the City, these payments are subsequently reimbursed by the MYHMC.

All documentation utilized in the preparation of payroll by the MYHMC is maintained by the MYHMC.

3.1 PROCEDURES

The following procedures must be adhered to for proper reconciliation and payment of services for all employees:

3.1.1 Time Cards: When an employee is absent from work for any reason, such as sick leave, annual leave, attending a class or conference, etc., the reason should be stated on the employee's time card. This procedure must be followed in addition to the completion of absence report forms, call-ins, etc.

The approval of your supervisor is required before an extended lunch hour can be taken, and the reason must be stated on the time card. This procedure must be followed in addition to all other procedures required as stated above.

If for any reason a full-time employee's actual hours worked for the week does not total that employee's regular time hours (Administration 35 hours or Maintenance 40 hours), and the employee has not requested sick or annual leave as evident by an approved absence report form, or etc., the employee will be charged leave without pay. Keep in mind that the hours as shown on an employee's Human Resource Time System Form (HRTS) (see below) must agree with the actual hours worked as shown on that employee's time card. All overtime hours must be properly approved by the Department Head.

3.1.2 Hand Written Entries: In the event that a time sheet was not computer generated, the hand written time sheet must be brought to the attention of the supervisor for approval (signature).

3.1.3 Tardiness: Three separate incidences of being late, being a total of more than thirty (30) minutes, or a combination of the two within a week, will result in leave without pay and the loss of sick and annual leave accrual for the pay period. This does not apply to Emergency Annual Leave.

3.1.4 Corrections: Incorrect Information may be revised by a single line drawn through the invalid entry. Entries may not be obliterated by correction fluid or heavy marks.

3.1.5 Filing: All time cards are maintained by the MYHMC Accountant or Designated Employee.

3.1.6 Violation of Procedures: Falsification of payroll records is a serious offense. An employee found in violation of the above procedures or willfully attempting to falsify time worked by himself or another employee will be subject to disciplinary action. This may include termination from employment.

3.1.7 Pay Day: Pay day for all MYHMC employees occurs every other Friday. The pay period ends on the Saturday prior to the related pay day.

3.1.8 Pay Period: The pay period is for two weeks and begins on a Sunday and ends on a Saturday. Therefore, the pay period ends on the Saturday prior to the Friday of the related pay week.

3.1.9 Human Resource Time System Forms (HRTS): HRTS forms are computer generated forms used along with the time cards for reconciliation of employee time for payment of services. HRTS forms are reviewed together with the time cards for accuracy by the departmental supervisor. The supervisor then signs the HRTS form(s) prior to submitting them to the Accounting Department.

3.1.10 Deadline: All HRTS forms are due in the Accounting office by 10:00 a.m. every Monday, or on the preceding Friday when a holiday falls on a Monday.

3.1.11 Payroll Checks: Payroll Checks are issued through the City's Finance Department and picked up by the MYHMC's courier and distributed by the Executive Director.

3.1.12 Earnings Report: - An Earnings Report is sent by the City to MYHMC every Monday following a pay period. This report details all amounts paid (Gross Wages, FICA, Federal W/H, Retirement, etc.). The Accountant reconciles the Earnings Report.

3.1.13 Payroll Reimbursement: All payroll checks are paid and disbursed by the City Orleans. MYHMC has to reimburse the City for payment made to MYHMC's employees. Upon receipt of the Earnings Report, the Accountant or Designated Employee completes a computation sheet. The Payroll Journal is converted into the MYHMC record by input into the disbursement system. An invoice is prepared by Accountant or Designated Employee and approved by the Executive Director. The check is submitted to the City along with a Receiving Warrant, after the receiving warrant is entered into the City's AFNI system by the

Accountant or Designated Employee and approved by the Executive Director. The Receiving Warrant is a three (3)-part form that gives itemization of the amount submitted to the City.

Authorization forms are required to be completed by the Accountant or Designated Employee, signed by the Executive Director and approved by the City's accounting department to allow an employee access to the City's AFNI System.

3.1.14 Final Review: The Accountant performs the following functions:

1. Reviews all submitted time cards and HRTS forms for coding and mathematical accuracy;
2. Signs as supervisor on the forms for the Department Heads themselves;
3. Transfers employees time information as shown on their HRTS forms to a Lotus or Excel spreadsheet, grouping employees according to their respective organization code.

3.1.15 Entering employees time information into the City's HRTS Time System: The Accountant or Designated Employee enters the employees time information directly into the City's HRTS Time System via modem. After all entries are made, the totals for each employee, payroll codes and organization codes should be compared with the related totals as shown on the Lotus or Excel spreadsheet mentioned in number 3 above. If the figures do not agree, all differences are to be reconciled.

All entries made by the Accountant or Designated Employee in the City's HRTS Time System must be approved by the Executive Director. The Executive Director verifies each employee's time as entered by the Accountant or Designated Employee, makes any necessary adjustments, and approves the entry. In the absence of the Executive Director, the President of MYHMC or his designee approves the HRTS Time System entries made by the Accountant or Designated Employee. In the absence of the Accountant, Designated Employee the Executive Director, the President of MYHMC or his designee performs both functions of entering the employees information and approving it.

The original copy of all HRTS forms are to sent to the City's accounting department on Tuesday, the day after payroll is entered into the HRTS Time System. In cases where payroll is due early due to a holiday, the original copies are sent to the City's accounting department on the next business day.

Authorization forms are required to be completed by the Accountant or Designated Employee, signed by the Executive Director and approved by the City of New Orleans' accounting department to allow access to the City's HRTS Time System.

3.1.16 Payroll Credit: Upon receipt of the payment, the City processes the Receiving Warrant, thereby giving credit to the MYHMC under the appropriate budget code. A copy of the validated Receiving Warrant is sent back to the MYHMC for filing.