



**City of Chicago Department of Law -  
Internal Audit**

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**Special Service Area  
Financial and Accounting Guide**



**November 2007**

# **City of Chicago Department of Law - Internal Audit Special Service Area (SSA) Financial and Accounting Guide**

November, 2007

To the Special Service Area (“SSA”) Commissions and Local Service Providers:

At the request of the City of Chicago’s (City’s) Department of Planning and Development, the City’s Law Department - Internal Audit has prepared a “Special Service Area Financial and Accounting Guide”, a resource to assist you with the establishment or maintenance of your accounting policies and procedures generally and as the service provider for your local SSA, providing you information regarding:

- Financial and accounting topics, including background information
- Best practices, including some templates and suggested procedures
- Required deliverables to the City

This guide was prepared with the assistance of Gladys R Wilson & Associates, Internal Audit’s contractor, who has performed over 100 fiscal monitoring reviews of the City’s delegate agencies over the last several years as well as the City’s SSAs. These monitoring reviews have consistently disclosed financial and accounting issues that many local service providers are in need of guidance or training; thus, this guide was prepared to attempt to address some of these identified issues.

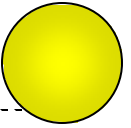
The local service provider for each SSA has the responsibility to ensure compliance with generally accepted accounting principles, applicable laws, regulations, and terms of contracts and agreements, etc. Terms of your contract(s) with or instructions from the DPD are controlling over conflicts in this guide. While not all-inclusive, Internal Audit will work with DPD to regularly update this manual with current information.

Internal Audit hopes that this guide will serve as a useful resource for your SSA Commission and local service provider agency, and will assist your agency in improving its effectiveness and efficiency.

Sincerely,

Arnold L. Randall  
Commissioner  
Department of Planning and Development

Jeffrey N. Mina  
Manager of Auditing  
Department of Law - Internal Audit



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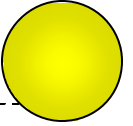
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**Background**

This guide represents a compilation of background information, best practices, suggested operating procedures, and examples and templates as they relate to not-for-profit accounting and financial management, and requirements of the City of Chicago’s (“City’s”) Department of Planning & Development (“DPD”) as it relates to the Special Service Areas (“SSA’s”). The information contained in this guide evolved from various sources, including monitoring procedures performed at over 100 delegate agencies (“agencies”) of the City and approximately one third of the Special Service Areas of the City, City input, and industry practices. Intended recipients of this guide include all of the SSA Commissions, which are responsible for local governance of SSAs and service provider agencies (“providers”), which are responsible for the management of the City’s Special Service Areas.

**Purpose and Objective**

The purpose of this guide is to provide local SSA Commissions and service providers with a resource that can be used when establishing and implementing accounting and financial policies and procedures for the Special Service Areas they manage as well as their own. By using this guide to help establish sound financial and accounting policies and procedures, local service providers are in a better position to maximize the effectiveness and efficiency of the SSA they manage by potentially saving resources, and using the resources they provide to their highest potential. Sound financial and accounting policies and procedures also encourage consistency in operations, continuity in the event of a business disruption, audit preparation, regulatory compliance, and a sense of reassurance by external entities that the local service provider is committed to strong internal controls and solid management practices.

**Organization and Scope**

This guide is organized into the following major topics:

1. Overall Service Provider Management Responsibilities
2. Financial Statements, Annual Reporting and Filings
3. Cash Management and Recording of In-Kind Contributions
4. Disbursements and Supporting Documentation
5. Program Documentation, Record Retention, and Data Security

Individual sections under each main topic cover a key financial or accounting related area. All sections are broken into the following four (4) components:

1. Background
2. Best Practice(s)
3. Procedures

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4. Examples, if applicable

Sample templates can be customized to fit your SSA/service provider agency needs and are also included in this guide. You will find these templates, which include both forms and reports, at the back of each section.

**Policy Development and Maintenance**

This guide is not all-inclusive; thus, service providers retain a responsibility to fill in the gaps and adapt the information contained in this guide to fit the needs of the SSAs they manage. A Certified Public Accountant (CPA), or other qualified individual, should review all policies and procedures adopted to ensure compliance with applicable generally accepted accounting principles, laws and regulations.

**Management Support and Enforcement**

It is critical that SSA Commissioners, and the service provider Board of Directors and management support and enforce policies and procedures adopted by communicating their importance to service provider personnel and by ensuring they are kept updated and relevant to the SSAs and local service provider's stated mission, objectives, and goals.

## ORGANIZATIONAL STRUCTURE – ROLES AND RESPONSIBILITIES

### Background:

*Current roles and responsibilities should be documented, communicated, and understood by all local service provider leadership and employees, independent contractors, vendors, SSA Commissioners and Audit/Finance Committees. An efficient and effective organization, and one that promotes a strong internal control environment, must have a clearly defined organizational structure that outlines roles and responsibilities.*

### Procedures:

#### Best Practice(s)

- Service Provider should define organizational structure to include roles and responsibilities of functions including Board of Directors/Board of Trustees, Executive Director, Finance Committee, Audit Committee and staff as it relates to the local service provider generally and the SSA program. The Commissioners of the Special Service Area should review and approve the components of the organization structure that relate to the operations of the Special Service Area.
- Organizational structure should be reviewed on an annual basis or when changes occur, and communicated to all above-mentioned parties.

1. Establish and maintain roles and responsibilities for the SSA Commissioners of the Special Service Area. These should include the following, among others:
  - Develop and communicate SSA vision and mission
  - Approve annual SSA work plans, budgets and amendments as needed
  - Evaluate the provider's quality of SSA work using work plan indicators
  - Approve SSA by-laws and amend as needed
  - Approve a subcontractor procurement policy with the service provider
  - Work closely with service provider staff to oversee SSA operations
  - Be aware of approval responsibilities of the service provider's Executive Director/Program Manager
  - Review and approve SSA disbursements over established thresholds
  - Review annual SSA audit and financial information prior to submission to City

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- Approve SSA bank reconciliations as part of the finance review at SSA Commission meetings
  - Disclose to SSA Commissioners and resolve any conflict of interests
  - Review SSA Commission meeting agenda, minutes, and established by-laws
  - Collaborate with aldermen and service provider on an SSA Commission recruitment process
  - Comply with all applicable laws, including the Illinois Open Meetings Act
2. Establish and maintain roles and responsibilities for the service provider's Board of Directors/Board of Trustees. These should include the following, among others:
- Outline local service provider strategy to fulfill SSA work plan
  - Demonstrate how service provider's mission relates to the SSA mission
  - Find non-SSA funding sources on jointly-funded programs such as banner programs and special events
  - Disclose and remedy any conflicts of interests between the service provider Board and SSA Commission
  - Identify risks and develop action plans to mitigate risks
  - Approve policy and procedures manuals
  - Hire Executive Director and other service provider employees
  - Work closely with the Executive Director to oversee operations of agency
  - Document approval responsibilities, by establishing signing authority
  - Approve disbursement over established threshold
  - Approve service provider's annual budget and cost allocations, including the SSA program
  - Review annual tax return and annual audit, including required SSA audit
  - Establish strategic plan
  - Keep current with developments in not-for-profit industry
  - Provide/cultivate special skills and expertise
  - Ensure legal and contract requirements are fulfilled
  - Evaluate local service provider staff's quality of work, including using SSA work plan indicators
  - Review Board meeting agenda, minutes, and established by-laws
3. Establish and maintain roles and responsibilities for Executive Director. These should include the following, among others:
- Report to Board of Directors/Board of Trustees
  - Report or oversee the reporting to the SSA Commissioners
  - Review annual tax return and annual audit, including required SSA audit
  - Hire and assess staff
  - Document approval responsibilities
  - Fundraising
  - Oversee day-to-day implementation of policies and procedures
4. Establish and maintain roles and responsibilities for Staff. These should include the following, among others:
- Reporting structure to be followed

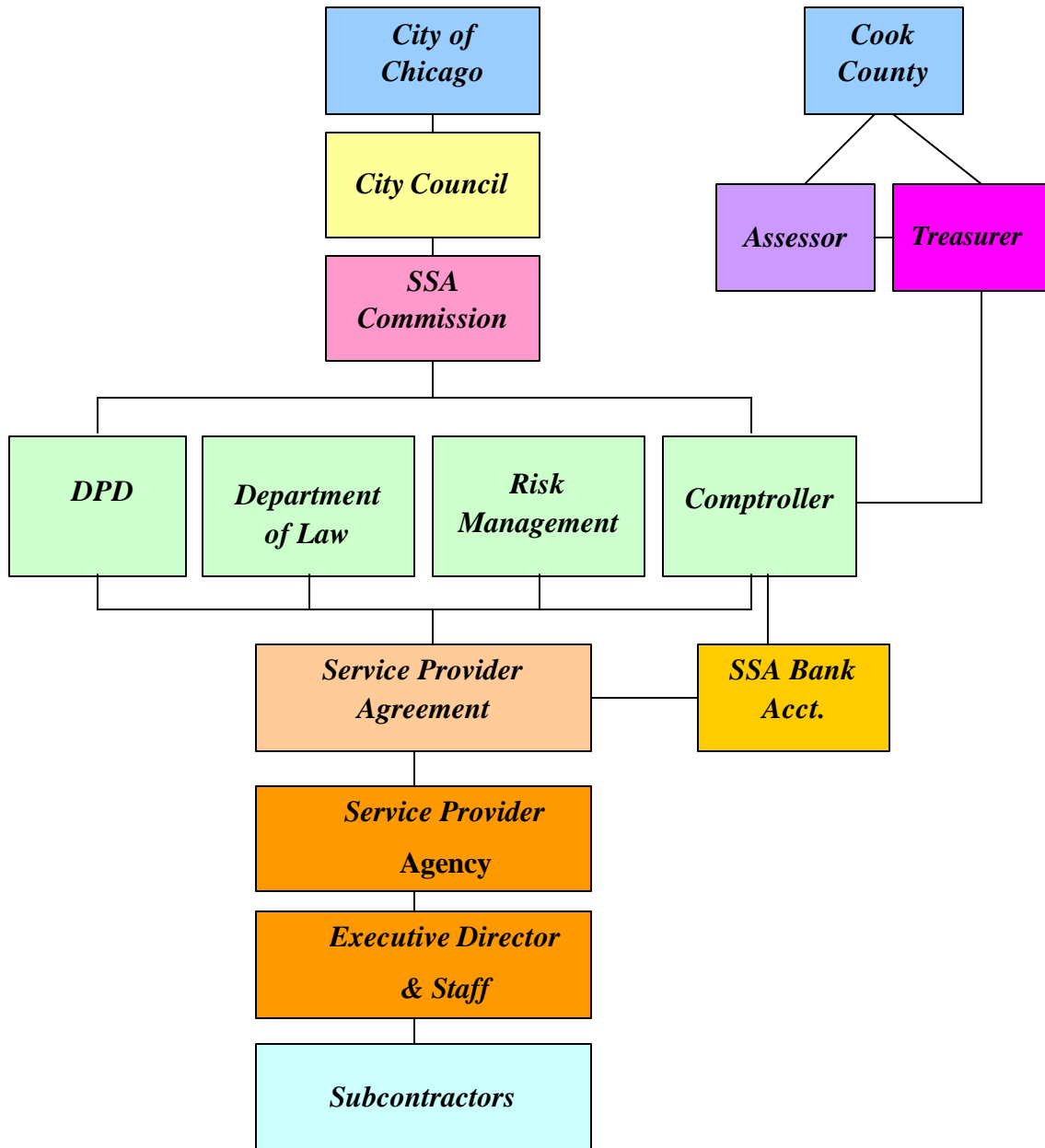
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- Policies and procedures to be followed
  - Individual job descriptions, especially for the staff assigned to work on the SSA program
5. Establish and maintain roles and responsibilities for service provider Finance Committee, if size of organization warrants one. SSA Commissions may create a Finance Committee exclusively for the SSA program. Roles/responsibilities should include the following, among others:
- Review and recommend final budget to Board for approval
  - Review annual tax return, annual audit, and cost allocation plan
  - Cash management
  - Financial planning
  - Investment planning
  - Compare budget with actual performance
  - SSA tax analysis (i.e. loss rates)
  - Approve bank reconciliations
6. Establish and maintain roles and responsibilities for the service provider's Audit Committee, if size of organization warrants one. SSA Commissions may create a Finance Committee exclusively for the SSA program. These should include the following, among others :
- Hire CPA firm and manage communications with CPA firm
  - Review final audited financial statements and address auditor comments (Letter of Recommendations) through a corrective action plan
  - Report findings of audits to Board of Directors/Board of Trustees
  - Communicate policy and other recommendations to Board of Directors/Board of Trustees in regards to audit issues identified
7. Review established roles and responsibilities annually or when changes occur, and update accordingly.
8. Communicate and enforce changes in roles and responsibilities to affected parties.

**Example:** See example Organization Chart on next page.



*Sample Organizational Chart*



## ACCOUNTING POLICIES AND PROCEDURES MANUAL

### Background:

*An accounting policies and procedures manual facilitates the establishment, maintenance, and communication of consistent accounting policies and procedures. The manual should address all key areas of accounting as they relate to the Special Service Area/local service provider, including, but not limited to, the areas addressed in this guide. A current accounting policies and procedures manual will also alleviate complications that often arise during personnel changes, or rapid growth in operations. In addition, documented accounting policies and procedures give greater assurance that the Special Service Area/local service provider is accountable and maintains a strong internal control environment.*

### Best Practice(s)

- Local service provider should establish a written accounting policies and procedures manual to be reviewed and approved by its Executive Director and Board of Directors/Board of Trustees/SSA Commissioners and include necessary procedures addressing SSA finances to be reviewed by the SSA Commission.
- Manual should cover all key accounting policies and procedures and be made available to all appropriate staff members of the local service provider.
- Manual should be reviewed by new staff members as appropriate in a timely manner and training should be provided as needed.
- Manual should be updated on an annual basis, or when changes occur, whichever is sooner.
- Manual, including any updates or changes to manual, should be date stamped.

### Procedures:

1. Executive Director and Accounting/Finance Department meet to discuss possible topics for inclusion in the accounting policies and procedures, using this guide, as well as industry resources, accounting standards, best practices, and outside experts, etc. as necessary.
2. SSA Commissioners/Board of Directors/Board of Trustees reviews chosen topics and add, delete, or revise topics as necessary.

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3. Executive Director and Accounting/Finance Department complete a draft of manual and submit to Board of Directors/Board of Trustees of local service provider and SSA Commission for review and approval.
4. Date stamp final version when approved by the Board of Directors/Board of Trustees of local service provider and SSA Commission.
5. Distribute both digital and hard copies of manual to all appropriate staff, Board members, and SSA Commissioners for review and reference.
6. Review and date stamp manual at least once per year or as changes occur, whichever is sooner.
7. Create and maintain at least one back-up electronic copy or hard copy of manual in accordance with record retention policy (*see Section 18*).

**Examples:**

1. **The essential objectives covered in a policy and procedure manual can include, but are not limited to:**
  - Guidance, steps, responsibilities, and timetables
  - Internal controls
  - Positions (not individuals) responsible for preparing, implementing, reviewing, approving, and following up
  - Adequate segregation of duties
  - Compliance with Generally Accepted Accounting Principles (GAAP)
  - Compliance with applicable laws and regulations, especially pertaining to the SSA
  - Compliance with all of the agency's contracts/term agreements
  - Record retention and security of information (e.g. back-up of computer files, system passwords, etc.)
  - Activities to report and lines of reporting
  - Risks if policy or procedure not fulfilled
2. **The essential responsibilities that require documented policies and procedures include, but are not limited to:**
  - Agency's overall annual audit and SSA audit
  - Bank account reconciliations
  - Bidding for purchase of goods and services, including their particular SSA's procurement policy
  - Budgeting (short-term and long-term)
  - Cash disbursements for goods and services
  - Cash receipts

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- Computer security and file back up
  - Contributions
  - Cost allocation plan
  - Eligibility documentation
  - Financial reporting
  - Lease agreements and contracts
  - Payroll
  - Petty cash
  - Records retention
  - Signing authority
  - Tax forms
  - Vouchering
3. See Example Policy and Procedure Manual on pages 13 to 21.
4. The Policy and Procedure Manual does not include policy and procedures relating to personnel issues such as hiring, firing and performance reviews. Such a Manual or Employee Handbook should be developed by the local service provider, if not already in place, and the SSA Commission should be aware of how it relates to the employees assigned to work on the SSA program.

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**Local Service Provider  
Policies and Procedures Manual**

**I. GENERAL**

1. The Board of Directors/Board of Trustees formulates financial policies, delegates administration of the financial policies to the Executive Director, and reviews operations and activities. The SSA Commissioners review and approve the financial policies relating to the SSA.
2. The Executive Director has management responsibility including fiscal management.
3. Job descriptions will be maintained for all employees, indicating financial duties and responsibilities. SSA Commissioners can have input on the job descriptions of positions working on the SSA program.
4. Financial duties and responsibilities must be separated so that no one employee has sole control over cash receipts; disbursements; payroll; reconciliation of bank accounts; etc. In situations where segregation of duties is not cost effective, mitigating controls such as SSA Commissioner/Board of Director/Board of Trustee review will be required.
5. The Executive Director or designee will maintain a current and accurate log of the chart of accounts.
6. These policies and procedures will be reviewed annually by the Board of Directors/Board of Trustees/SSA Commissioners.

**II. CASH RECEIPTS**

1. The Executive Director *or* designee opens any mail addressed to special service area/local service provider. A log of the receipt of checks or cash will be maintained.
2. The Executive Director or designee will endorse all checks by using the endorsement stamp for the checking account.
3. The checks and cash will be deposited at least every other day by the Executive Director or designee.
4. A copy of all checks and the corresponding deposit slip will be made prior to deposit and filed chronologically.
5. No disbursements will be made from cash or check receipts prior to deposit.
6. The local service provider's Treasurer will receive a copy of all deposit reports for review. The SSA Commission's Treasurer will receive a copy of all SSA deposit reports for review.

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**III. CASH DISBURSEMENTS**

**A. CHECK AUTHORIZATION**

1. All invoices will be immediately forwarded to the Executive Director or designee who will review all invoices for mathematical accuracy, validity, conformity to the budget (or other board authorization) and compliance with bid requirements.
2. Prior to payment, all invoices will be approved (indicated by initialing) by the Executive Director or designee, who will code the invoice with the appropriate expense code or other chart of accounts line item.
  - a. By approving an invoice, the Executive Director or designee indicates that it has been reviewed and authorizes a check.
  - b. The Executive Director or designee will ensure that all conditions and specifications on a contract or order have been satisfactorily fulfilled, including inventorying items received against packing slip counts. The Executive Director or designee is responsible for timely follow-up on discrepancies and payment.
3. Approved invoices will be entered into the accounting system.
4. The Executive Director or designee will prepare checks on a bimonthly basis.
5. Authorized signers include the President, Vice President, Secretary and Treasurer of the agency's Board of Directors. Two signatures are required on all checks. SSA Commissioners do not sign checks or other financial documents, but their approval in writing is needed for financial transactions pertaining to the SSA finances.

**B. CHECKS**

1. The Executive Director or designee will be responsible for all blank checks.
2. All checks, including payroll checks (with the exception of direct deposit payroll items) will be signed by the designated members of the Board of Directors/Board of Trustees.
3. The Executive Director or designee will generate checks for approved invoices through the accounting system.
4. Voided checks will have "VOID" written boldly in ink on the checks and be kept on file.
5. In no event will:
  - a. invoices be paid unless approved by an authorized signer
  - b. blank checks (checks without a date or payee designated) be signed in advance

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- c. checks be made out to "cash", "bearer", "petty cash", etc.
  - d. checks be prepared on verbal authorization
6. In the event that it is necessary to issue a duplicate check for checks in an amount over \$15, a stop payment will be ordered at the bank on the original check.

**C. BANK RECONCILIATIONS**

1. Bank statements will be received and opened by the Executive Director or designee.
2. The Executive Director or designee will reconcile the bank statement monthly within 5 business days after the receipt of the bank statement.
3. The preparer and the reviewer will initial and date the bank reconciliation documenting the performance of such preparation and review.
4. The Treasurer of the Board of Directors/Board of Trustees and the Treasurer of the SSA Commission will receive monthly statements of checks paid on all accounts.
5. The Treasurer of the Board of Directors/Board of Trustees and the Treasurer of the SSA Commission shall verify the reconciliation of the bank accounts on a monthly basis.
6. On all checks outstanding over 90 days, the Executive Director or designee will take appropriate action to resolve the outstanding check.

**IV. PURCHASING**

**A. PURCHASES UNDER \$5,000**

1. All purchases over \$500 must be approved in advance by a designated board member.
2. The Executive Director is responsible to know if the item ordered is within the budget and guidelines.
3. If purchase is less than \$100 for immediate purchase and delivery, the Executive Director can make the purchase.

**B. PURCHASES OVER \$5,000**

1. All purchases including services over \$500 must be approved in advance by the Board of Directors/Board of Trustees; SSA Commission approval is needed for SSA purchases only.
2. Purchases over \$5,000 will be required to undergo a competitive bid procedure.

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3. All bid requests will contain clear specifications and will not contain features which unduly restrict competition.
4. The Executive Director will be responsible to ensure that all conditions and specifications of a contract, bid, or order have been satisfactorily fulfilled and will be responsible for timely follow-up of these purchases.
5. The Executive Director will obtain at least 3 bids wherever possible unless prior approval by the Board of Directors/Board of Trustees has been obtained. SSA Commission approval is needed for the SSA bidding procedure only.
6. Purchases of over \$5,000 will not be fragmented or reduced to components of less than \$5,000 to avoid the bid process.

**V. PAYROLL**

**A. TIME SHEETS**

1. All employees will be responsible for completing a time sheet on a biweekly basis.
2. Completed time sheets will be dated and signed by the employee, submitted to the Executive Director or designee within 2 days after the last working day of each pay period.
3. No payroll checks will be issued without a completed time sheet.
4. Incomplete time sheets will be returned to the employee for correction.
5. The Executive Director or designee will verify the accuracy of the time sheets.
6. Employees will be paid on the 1<sup>st</sup> & the 15<sup>th</sup> of each month.

**B. PAYROLL**

1. The Executive Director or designee will enter payroll, print payroll checks, print payroll reports, and send reports to the Treasurer and SSA reports to the SSA Commission Treasurer.
2. The Treasurer of the Board of Directors/Board of Trustees will review the payroll checks before they are distributed. The SSA Commission Treasurer will be provided the option to review these checks.
3. The Executive Director or designee will distribute the payroll checks to the employees. Checks will not be issued to any person other than the employee without written authorization from the employee.
4. Voluntary terminations will be paid at regular pay date. Involuntary terminations will be paid on day of separation.



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**C. PAYROLL TAXES**

1. Executive Director or designee will prepare and transmit the payroll tax reports, W-2 forms, and 1099 forms.
2. The Treasurer will verify payroll tax preparation on a quarterly basis.

**D. BENEFITS**

1. Payroll will be prepared in accordance with the personnel policies and benefit plan.

**VI. TRAVEL & EXPENSES**

1. Each employee will complete an Expense Voucher if any traveling is done. Expense Voucher should include all expenses including credit card charges.
2. The Expense Voucher will be submitted within 5 business days after the end of the month the expenses were incurred for payment. The Expense Voucher will be signed by the employee and authorized for payment by the Executive Director or designee.
3. All expenses must be validated by a receipt or it will not be reimbursed.
4. Incomplete Expense Vouchers will be returned.
5. Employees will be reimbursed for travel and other related expenses at the rate set by the Board of Directors/Board of Trustees. The Executive Director must approve employee travel prior to their occurrence. Use of a personal car will be reimbursed at no more than the standard mileage rate for the business use of a car as established by the IRS. The mileage rate will be established annually by the Board of Directors/Board of Trustees. If travel is a reimbursable SSA expense, the SSA Commission will set rates for the portion paid by the SSA.

**VII. CONSULTANTS**

1. Consideration will be made of internal capabilities to accomplish services before contracting for them.
2. Written contracts or engagement letters clearly defining work to be performed, terms and conditions will be maintained for all consultant and contract services.
3. The qualifications of the consultant and reasonableness of fees will be considered in hiring consultants.
4. Consultant services will be paid for as work is performed or as delineated in the contract.

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5. The Board of Directors will approve audit and other significant contracts.

**VIII. EQUIPMENT**

1. Equipment shall be defined as all items (purchased or donated) with a unit cost of \$500 or more and a useful life of more than one year.
2. The Executive Director or designee will maintain an inventory log; which shall list a description of the item, date of purchase or acquisition, price or fair value of the item and its location.
3. A depreciation schedule shall be prepared at least annually for the audited financial statements.
4. The Executive Director or designee will record all equipment in the accounting system. An entry must be made whenever property is disposed of or acquired.

**IX. LEASES**

**A. REAL ESTATE**

1. The Executive Director will review leases prior to submission to the Board of Directors/Board of Trustees for approval. The Executive Director will review leases pertaining to SSA programs prior to submission to the SSA Commission for approval.
2. All leases, clearly delineating terms and conditions, will be approved by the Board of Directors/Board of Trustees. SSA Commissioners will approve leases pertaining only to the SSA.
3. The Executive Director or designee will keep a copy of each lease on file.

**B. EQUIPMENT**

1. The Executive Director will review all leases.
2. All leases, clearly delineating terms and conditions, will be approved and signed by the Executive Director.
3. The Executive Director or designee will keep a copy of each lease on file.

**X. INSURANCE**

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1. Reasonable, adequate coverage will be maintained to safeguard the assets. Such coverage will include property and liability, worker's compensation, directors and officers' liability, employee dishonesty and other insurance deemed necessary.
2. The Executive Director will carefully review insurance policies before renewal.
3. The Executive Director or designee will maintain insurance policies in insurance files.
4. Insurance policies will correspond to the calendar year whenever possible.
5. The Executive Director or designee will prepare and maintain an insurance register and provide copies to the Board of Directors/Board of Trustees annually. The SSA Commission will review the register for SSA-related insurance.

**XII. BOOKS OF ORIGINAL ENTRY**

1. Adequate documentation will be maintained to support all journal entries.
2. At the end of each month, the Executive Director or designee will prepare a Balance Sheet, Statement of Activities, and Statement of Activities by Project that will be reviewed by the agency's Treasurer. The SSA Commission Treasurer will review the SSA-related reports.
3. The Statement of Activities report will include a comparison to the budget.
4. Accounting records will be maintained on the accrual basis of accounting in a manner that facilitates the preparation of audited financial statements in conformity with generally accepted accounting principles.

**XIII. GRANTS AND CONTRACTS**

1. The Executive Director will carefully review each award and contract to ensure compliance with all financial and programmatic provisions. The Executive Director or designee will maintain originals of all grants and contracts in a file.
2. The Executive Director or designee will prepare and maintain on a current basis a Grant/Contract Summary form for each grant or contract awarded. This form shall include the name, address, contact person, and phone number for the funding organization; the time period applicable to expenditures; all significant covenants (such as bonding or liability insurance requirements) and restrictions on expenditures; all required financial and program report and due dates; and the chart of accounts line item number for the revenue deposited.
3. Executive Director will review and approve all reports to funding sources.
4. Executive Director will insure that all financial reports are submitted on a timely basis.

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**XIV. BUDGETS**

1. The Executive Director or designee will prepare the financial budget.
2. The Executive Director or designee will insure that budgets are on file.
3. The Board of Directors/Board of Trustees must approve any proposed changes in the budget. The SSA Commission must approve any proposed changes in the SSA budget.

**XV. LOANS**

1. The Board of Directors/Board of Trustees will approve loans. SSA Commissioners will approve of the agency entering into loan agreements for SSA-related purposes.
2. The local service provider will not use SSA funds to collateralize any loans.

**XVI. OTHER**

**A. MINUTES OF MEETINGS**

1. The Secretary of the Board of Directors/Board of Trustees will prepare accurate minutes of all meetings of the Board of Directors/Board of Trustees and related committees. The SSA Commission Secretary will perform these duties for the SSA pursuant to the SSA Commission bylaws.
2. The Executive Director will note all items in the minutes relating to finance and take appropriate action.

**B. NON-PROGRAM INCOME**

1. Donations of cash and non-program related income will be separately accounted for.

**C. AUDITS**

1. The Board of Directors/Board of Trustees shall consider an annual organizational audit. In addition, the Board of Directors/Board of Trustees shall annually contract with an independent auditing firm for an audit of the SSA books pursuant to the SSA Service Provider Agreement terms.

**D. PERSONNEL FILES**

1. The Executive Director or designee will maintain a personnel file for each employee, containing appropriate documents, such as the signed compensation agreement, approval

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of changes in compensation, an I-9 immigration form, and withholding forms for taxes, benefits, deferred compensation, and charitable contributions.

E. FREEDOM OF INFORMATION

1. The Executive Director or designee will direct the requestor of information to the City of Chicago's Department of Planning and Development's Freedom of Information Act ("FOIA") Officer - Tony Binns at (312) 744-0986.

## INTERNAL CONTROLS

### Background:

*Internal controls are designed to provide reasonable assurance regarding the achievement of objectives. These include: (1) effectiveness and efficiency of operations, (2) reliability of financial reporting, (3) safeguarding of assets, (4) detecting errors and fraud, and (5) compliance with applicable laws and regulations. An effective internal control environment is a continuous process, affected by an entity's Board of Directors/Board of Trustees, management, and other personnel as well as the expectations of the SSA Commission. Internal controls can only help, and not ensure, the achievement of certain objectives in any of these areas. Human error, lack of resources and collusion of two or more people decreases the effectiveness of internal controls. Internal control indicators include: how well the local service provider assesses itself and the programs they manage, including the SSA, the policies and procedures it has in place, the method it uses to convey information, and the method it employs to monitor its own internal controls.*

### Best Practice(s)

- Local service provider should establish and maintain effective internal controls generally and for the SSA. To achieve this:
  - Management should establish and maintain a positive and supportive attitude within organization toward internal controls. This attitude is commonly referred to as “appropriate tone at the top”.
  - Local service provider should conduct an assessment of internal and external risks of the local service provider and the SSA program.
  - Local service provider should implement internal control activities to mitigate risks identified and to carry out management directives.
  - Information should be communicated within local service provider to enable internal control responsibilities to be carried out.
  - Local service provider's internal control environment should be periodically monitored.

### Procedures:

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1. Establish and maintain an organizational vision and mission statement and work with the SSA Commission on a SSA vision and mission statement, personnel policies and procedures, training and performance evaluation procedures, and an organizational structure.
2. Management should develop a positive “tone at the top” related to the internal control environment both informally through a supportive attitude and formally through written policies and procedures.
3. Identify both internal and external risk factors applicable to the local service provider generally and the SSA. Analyze the impact and likelihood of such risks materializing.
4. Establish and maintain policies and procedures (internal control activities) to address identified risks. These policies and procedures include such areas as:
  - Approvals and authorizations – who can approve and transaction threshold
  - Reconciliations – who prepares and who reviews
  - Performance reviews – who performs and how often
  - Security behind physical assets and data – where assets are stored and who has access
  - Documentation of transactions – what is required to be submitted and maintained to qualify for an allowable expense
  - Access restrictions to assets, including data – who has access to property and computer and at what times
  - Segregation of duties - dividing job functions and responsibilities between employees and management so that no one individual can perform a critical accounting or finance function alone, and so that no individual can perform conflicting duties that could result in fraud. The main responsibilities that must be kept separate include authorization, recording, custody, and reconciliation.
  - Freedom of Information Act (SSA only) – procedures to follow to comply with information requests.
5. Distribute appropriate and accurate financial and operational information as needed throughout organization in a timely manner. This includes, but is not limited to, program status reports, financial statements, timesheets, policies and procedures, meeting minutes and budgets. Communication links necessary for communicating such information, both within the organization, as well as to entities external to the organization, should be established and maintained.
6. Employ monitoring techniques to ensure internal control environment is operating effectively and as intended. These techniques may include, but are not limited to, audits conducted by independent accounting firms, self-assessments and self-evaluations and reviews conducted by third parties. Management should address and resolve findings generated as a result of these monitoring techniques.

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7. Benefits achieved should be commensurate with the costs incurred.

**Examples:**

1. **Segregation of Duties** - each of the responsibilities of approving an invoice for payment (authorization), creating the check (custody), signing the check (authorization), and reconciling the bank statement (recording) should be performed by different individuals to maintain a proper segregation of duties. Should this not be feasible due to the size of the local service provider and the available resources, a Board of Director/ Board of Trustee should be responsible for some form of oversight generally and an SSA Commissioner specifically for the SSA program.
2. **Management Commitment to Competence** - Create and maintain fiscal, operational and personnel policies and procedures that have been accepted by the Board of Directors/Board of Trustees of the local service provider, and SSA Commissioners to the extent staff work with the SSA program. Include local service provider and SSA mission statements and a performance assessment process for employees and management. Utilize the indicators of program performance in SSA work plans to help ensure that local service provider and Special Service Area are meeting its mission and complying with its fiscal, operational, and personnel policies and procedures.



## SIGNING AUTHORITY

### Background:

*All obligations entered into by the local service provider either generally or as part of their SSA Service Provider Agreement should only be done with the express authority of appropriate SSA Commission and/or local service provider management. Many legal, financial, and program obligations represent significant risks to the Special Service Area/local service provider if not fulfilled. It is imperative that the authority to sign and approve such obligations is delegated to an approved and updated list of individuals, and is communicated to those individuals, and the remainder of the Special Service Area/local service provider.*

### Best Practice(s)

- Local service provider should establish a list of authorized signers for common contract obligations and other obligations, including agreements with awarding agencies, checks, professional service agreements, tax returns, vouchers, lease agreements, and budgets relating to the Special Service Area/local service provider.
- List of authorized check signers should be based on signature authorization guidelines, often driven by dollar amount. A check may require two signatures if over a certain dollar amount. The number of authorized check signers should be kept to a minimum.
- List of authorized signers should be updated on an annual basis, or as needed, based on Board of Directors/Board of Trustees approval of the local service provider for disbursements relating to the local service provider and Special Service Area.
- Local service provider should distribute listing of authorized signers and restrictions to staff and SSA Commissioners.

### Procedures:

1. Executive Director and Board of Directors/Board of Trustees decide on authorized signers for the local service provider, which would be the same signers for SSA matters, with the Board of Directors/Board of Trustees giving final approval.
2. Types of obligations that individuals are authorized to sign for, and the period of time authorization level exists, are listed with their name.

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3. Board of Directors/Board of Trustees, in cooperation with the SSA Commission review list of authorized signers on an annual basis, at a minimum, or sooner when needed.

**Example:**

1. A typical dollar threshold is \$500. A check over this amount would typically require more than one authorized signature. This is only an example, as dollar thresholds often depend on size of the local service provider or Special Service Area program, and the type and volume of transactions entered into.

## BUDGETING

### Background:

*Budgeting is a process in which a plan to obtain and disburse funds is developed in an effort to better meet the goals and objectives of the local service provider and SSA program. The development of a budget, or plan or projection, requires assistance from all levels within an organization, from management to staff, and must be continually monitored and modified as needed or required. A budget represents a tool that can be used to monitor solvency, manage and control spending, reach and communicate goals and objectives, satisfy audit requirements, prevent shortfalls and deficits, identify needed and available resources, project a timeline, assign accountability, assess long-term and short term-financial health, plan for resource acquisition, and use and integrate financial and operational areas.*

### Procedures:

#### Best Practice(s)

- Local service provider should prepare, and have approved, an operating budget, cash flow projection, including timing of tax receipts and the effect of the tax collection rate, and program specific budgets prior to the start of every fiscal year. SSA budgets must be approved by the Commission in time for July submittal of the preceding year.
- All local service provider budgets should be reviewed and approved by Executive Director and Board of Directors/Board of Trustees prior to implementation. All SSA budgets should be reviewed and approved by Executive Director. SSA Commissioners are authorized by City ordinance to recommend budgets, prior to implementation.
- All budgets should be monitored at least monthly by Program Managers and Executive Director and adjusted if necessary, following approval of the Board of Directors/Board of Trustees or SSA Commissioners. Budgets should be revised due to changes in projected expenditures and tax collection rates. Revised SSA budgets should be date stamped and approved by Commissioners with accompanying meeting minutes.
- Variances between actual results and budgeted amounts should be clearly identified and explained on a monthly basis, and reviewed by Executive Director.
- Local service provider should also create long-term budgets, or strategic plans, by extending existing short-term budgets and taking into account foreseeable long-term capital expenditures and other objectives.

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Special Service Area Budget

1. Executive Director or designee meets with SSA Commissioners to discuss and agree on specific Special Service Area goals, work plan, and requirements.
2. Executive Director or designee prepares budget based on input from SSA Commissioners using the SSA Budget Instructions and Schedules provided by the City's Department of Planning and Development (See page 32).
3. Prepare Schedule A: Service Provider Compensation, which explains the local service provider's total SSA compensation and the percent allocated to direct and administrative services.
4. Prepare Schedule B: Budget Worksheet using information from Schedule A and adding researched program costs. Apply appropriate fund allocations from new levy or carry over.
5. Prepare Schedule C: Budget Summary which should automatically be created by the Budget Worksheet but should be reviewed for accuracy.
6. Executive Director or designee approves budget (and work plan) in draft, following any necessary revisions, and submits to Gina Caruso, City's Department of Planning and Development, via email ([gina.caruso@cityofchicago.org](mailto:gina.caruso@cityofchicago.org)) prior to SSA Commission approval. The City will not support budgets with Administrative Support at or exceeding 25% of the total budget; this cap is under review and will be reduced for the 2009 budget season.
7. Executive Director or designee submits budget to SSA Commissioners for review/approval. After SSA Commissioners approve, Executive Director or designee submits a digital and two hard copies of the final, approved budget to the City's Department of Planning and Development.
8. Executive Director or designee implement approved program budgets, monitor program budgets (monthly), and modify program budgets, if necessary, following review and approval from the SSA Commissioners. Per City ordinance, during the budget period, budget dollars may be moved between funded programs with the approval of the SSA Commissioners provided the total amount of the budget does not increase. City approval is not required; however, a revised budget must be submitted to the City's Department of Planning and Development.
9. "Surplus Funds", also referred to as "Carry-Over Funds", means those Service Tax Funds already collected and disbursed to the local service provider in prior years for the provision of Special Services in the Area which remain unspent, including any interest earned thereon. Budgets should take into account the projected amount of interest earnings to be received in the program year.

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Local Service Provider Budget

1. Executive Director and Finance meet to discuss and finalize a budgeting strategy.
2. Executive Director and Finance establish budgeting goals, and any limitations or guidelines that must be followed, including time period budget will cover.
3. Finance creates a timeline for the preparation, finalization, and implementation of the budget.
4. Finance creates budget materials, including worksheets, forms, and instructions that will be distributed to budget team.
5. Finance orients Program Managers and staff to budgeting process, materials, goals, and requirements.
6. Program Managers draft program budgets according to budget goals and submit to Executive Director for review and approval.
7. Finance uses approved program budgets submitted to formulate an organization-wide budget, taking into consideration additional budget requirements associated with administrative costs and overhead.
8. Executive Director approves organization-wide budget, following any necessary revisions, and submits to Board of Directors/Board of Trustees for final approval.
9. Board of Directors/Board of Trustees reviews, revises, and provides final budget approval.
10. Finance, Executive Director, and Program Managers implement budget, monitor budget (monthly), and revise budget if necessary, following approval from Board of Directors/Board of Trustees.

**Examples:**

1. See pages 33 to 40 for the following sample 2008 Program Year forms and templates relating to the budget preparation (subject to annual updates):
  - SSA Program Packet Checklist
  - SSA Budget Instructions
  - Schedule A: Service Provider Compensation
  - Schedule B: Budget Worksheet
  - Schedule C: Budget Summary
2. See page 41 to 44 for unallowable transactions.

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3. Revenue/expenditure reconciliation:

Budgeted expenditures:	<u>\$100,000</u>
Funding sources:	
Carry Over:	\$10,000
Bank interest:	\$500
Current year tax levy:	<u>\$89,500</u>
	<u>\$100,000</u>

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**2008 SSA PROGRAM PACKET CHECKLIST**

City of Chicago, Department of Planning and Development

**SUBMITTAL DEADLINE: FRIDAY, JULY 13, 2007**

- Email DRAFT Mid-Year 07 Performance Assessment and 08 Work Plan and Budget to DPD PRIOR to Commission approval. Allow approx. 5-7 business days for City review.
- Attach Checklist to your Packet. Incomplete Packets or revisions/corrections not completed in a timely manner may result in missed tax funding or penalties.
- Submit original, one copy, and a digital version to: Gina Caruso, DPD, 121 N. LaSalle Rm. 703, Chicago, IL 60602. Email: gina.caruso@cityofchicago.org Fax: 312-744-0759

Prepared by:		Date Prepared:
<b>Submittal Date</b>	<b>Work Plan Documents</b>	
1	Mid-Year 2007 Performance Assessment	
2	2008 Work Plan	
3	2008 Services Summary	
<b>Budget Documents</b>		
4	NEW: Cost Allocation Plan	
5	Schedules A, B, C	
<b>Service Provider Vetting Documents</b>		
6	<b>Economic Disclosure Statement (EDS) with the following attachments:</b>	
6a	Service Provider Organization Board of Directors List (one with contact information, one redacted)	
6b	List of Retained Parties for the SSA (NOTE: include contact information; should match SSA Budget; identify Local Benefit Vendors)	
7	<b>Good Standing Statement with the State of Illinois</b> To check your organization, visit <a href="http://www.sos.state.il.us">www.sos.state.il.us</a> and follow this path: Departments > Business Services > Annual Reports > LLC Annual Report Filings. Print out results. For status other than "Good Standing", contact the Secretary of State's office immediately for remedies. "Good Standing" required.	
8	<b>Principle Profile Form</b> (3 people on one form): 1) President 2) Treasurer 3) Executive Director or CEO	
<b>NOTE ON DEBT:</b> For individuals with City debt, DPD, with Service Provider assistance, will instruct them to contact the Department of Revenue immediately for remedy. Cleared debt required for all three individuals.		
9	<b>City of Chicago Grants List</b> awarded in 2007, including grant name and grant amount.	
10	<b>Current Certificates of Insurance</b> as required by the Service Provider Agreement	
<b>Approvals &amp; Support</b>		
11	<b>SSA Commission Meeting Minutes at which the following were approved:</b> 1) 2008 Work Plan/Scope of Services 2) 2008 Budget 3) 2008 Service Provider All three items must be voted on and recorded in the SSA Meeting Minutes to be accepted.	
12	<b>Aldermanic Support Letters stating review/support of the following about your SSA:</b> 1) 2008 Work Plan 2) 2008 Budget 3) 2008 Service Provider Address letters to: Gina M. Caruso, Assistant Commissioner, DPD, 121 N. LaSalle Rm 703, Chicago, IL 60602 Fax copies if not included in Packet to: Gina Caruso Fax 312-744-0759 Service Provider responsible for securing letters; incomplete letters not accepted; letters expire 90 days from letter date.	
13	<b>SSA Supporters List and/or Letters</b> Min. three supporters other than SSA Commissioners or Service Provider Board of Directors. Include contact information and reason for support. Address letters to: Gina M. Caruso, Assistant Commissioner, DPD, 121 N. LaSalle Rm 703, Chicago, IL 60602.	
<b>Supplemental Documents</b>		
14	<b>Duly Appointed SSA Commissioner List</b> (one with contact information, one redacted)	
15	<b>SSA Materials</b> - SSA Annual Report and other SSA-related program materials	

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<b>2008 SSA Budget Instructions</b> City of Chicago, Department of Planning and Development	
<b>Step 1</b>	Prepare your <b>Cost Allocation Plan</b> in conjunction with the SSA Budget.
<b>Step 2</b>	Prepare <b>Schedule A: 2008 Service Provider Compensation</b> to explain the Service Provider's requested compensation for direct management and administration of the SSA.
<b>Step 3</b>	Using Schedule A, prepare <b>Schedule B: 2008 Budget Worksheet</b> . SSA Budget sources: 1) New Levy and 2) Carry Over (unspent levy in your SSA bank accounts). If actual Carry-Over is higher than estimated next year, your Service Provider Agreement will need City Council amendment. Determine program costs and allocate New Levy and/or Carry Over funding. For example, Holiday Decorations cost \$20,000 funded by \$15,000 in New Levy and \$5,000 in Carry Over. Remember only <u>funded</u> Categories can be used in the 2008 Program Year.
<b>Step 4</b>	<b>Schedule C: 2008 Budget Summary</b> auto-creates from Schedule B data, but check it for accuracy.
<b>Step 5</b>	The City will not support SSA budgets with combined Administrative Support and Operational costs at or exceeding 25% of the total budget.
<b>Step 6</b>	Email Draft Budget Documents to DPD <u>prior</u> to Commission approval to <a href="mailto:gina.caruso@cityofchicago.org">gina.caruso@cityofchicago.org</a> .
<b>Step 7</b>	See 2008 SSA Program Checklist for submittal details.



# City of Chicago Department of Law - Internal Audit Special Service Area (SSA) Financial and Accounting Guide

**COST ALLOCATION PLAN**

For Year: 2008

Organization: Neighborhood Chamber of Commerce

Prepared by: Robin Smith

Date Prepared: May 15, 2007

PERSONNEL			TOTAL ANNUAL STAFF COSTS			COST ALLOCATION										TOTAL STAFF	% Total (cannot exceed 100%)
			Total Wages	Total Fringe	TOTAL STAFF	SSA # 01			DELEGATE AGENCY GRANT			OTHER					
Staff Title	FT, PT, Independent Contractor	Staff Name				Wages	Fringe	Basis of Allocation	Wages	Fringe	Basis of Allocation	Wages	Fringe	Basis of Allocation			
Executive Director	Full Time	Robin Smith	\$55,000	\$1,000	\$56,000	\$2,750	\$200	5%	\$23,000	\$1,000	60%	\$10,250	\$1,750	30%	\$40,000	100%	
SSA Mgt Program Asst	Full Time	Chris Field	\$42,000	\$3,000	\$45,000	\$7,000	\$2,000	60%	\$4,200	\$300	10%	\$4,200	\$500	10%	\$45,000	100%	
Administrative Asst	Full Time	Pat Summers	\$35,000	\$2,500	\$37,500	\$5,500	\$200	10%	\$21,000	\$1,500	60%	\$10,000	\$500	30%	\$37,500	100%	
					\$0										\$0	0%	
					\$0										\$0	0%	
					\$0										\$0	0%	
					\$0										\$0	0%	
<b>TOTAL STAFF</b>			<b>\$132,000</b>	<b>\$11,500</b>	<b>\$143,500</b>	<b>\$39,650</b>	<b>\$3,100</b>	<b>\$41,900</b>	<b>\$41,200</b>	<b>\$6,800</b>	<b>\$63,730</b>	<b>\$13,950</b>	<b>\$2,500</b>	<b>\$16,280</b>	<b>\$143,500</b>		

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NON-PERSONNEL (equipment, if needed)	TOTAL ANNUAL ADMIN COSTS	COST ALLOCATION						Do Costs = allocated?	
		SSA #49	Basis of Allocation	DELEGATE AGENCY GRANT	Basis of Allocation	OTHER	Basis of Allocation		TOTAL
Auto/Bookkeeping	\$10,000	\$1,000	SSA #49 and 75 bookkeeping fee	\$4,000	City #49 and 75 bookkeeping fee	\$5,000	% of bookkeeping fee	\$10,000	yes
Meeting Expenses	\$1,700	\$200	approx \$5/mo/yr for reports based on 75	\$1,000	reports/panels to be worked on/ admin.	\$500	approx \$5/mo/yr and other org expenses	\$1,700	yes
Office Equipment	\$4,000	\$1,700	25% based on use by SSA	\$2,000	50% based on use by DA Grantee	\$300	10% based on other use	\$4,000	yes
Office Rent	\$10,000	\$1,000	based on 20% use	\$10,000	based on 80% use	\$5,000	based on 20% use	\$10,000	yes
Office Supplies	\$1,000	\$0	20% based on use	\$210	based on 70% use	\$200	based on 10% use	\$1,000	yes
Office Utilities/Telephone/Internet/Printer with internet	\$2,000	\$0	20% based on use	\$1,700	70% based on use	\$200	10% based on use	\$2,000	yes
Printing	\$4,000	\$1,000	approx 2 meetings/yr	\$2,000	approx 4 meetings/yr	\$200	1 meeting/yr	\$4,000	yes
Other Printing	\$1,000	\$0	highlight documents	\$2,000	highlights and general admin	\$200	word/letter and formatting	\$1,000	yes
								\$0	
								\$0	
<b>TOTAL ADMIN</b>	<b>\$47,000</b>	<b>\$4,700</b>		<b>\$27,000</b>		<b>\$6,300</b>		<b>\$47,000</b>	
<b>OVERALL TOTALS</b>	<b>STATE + ADMIN \$100,000</b>	<b>SSA # 49 \$4,700</b>		<b>DELEGATE AGENCY GRANT \$27,000</b>		<b>OTHER \$6,300</b>		<b>GRAND TOTAL \$138,000</b>	

The attached Cost Allocation Plan was approved by the Board of Directors on:

\_\_\_\_\_  
DATE Date

The attached Cost Allocation Plan was approved by the SSA # \_\_ on:

\_\_\_\_\_  
DATE Date

The attached Cost Allocation Plan was approved by the SSA # \_\_ on:

\_\_\_\_\_  
DATE Date

# City of Chicago Department of Law - Internal Audit

## Special Service Area (SSA) Financial and Accounting Guide

### SCHEDULE A: 2008 SERVICE PROVIDER COMPENSATION - SAMPLE -

Department of Planning and Development
Special Service Area Number & Name: SSA #49 ABC District
Budget Period: January 1, 2008 to December 31, 2008
Service Provider: Neighborhood Chamber of Commerce

Personnel - Direct Services:	\$30,180
Personnel - Admin Support:	\$13,000
<b>Total Personnel (must equal colls H30 &amp; J73):</b>	<b>\$43,180</b>
<b>Non-Personnel (Operational) (must equal call H86):</b>	<b>\$11,150</b>
<b>TOTAL SERVICE PROVIDER COMPENSATION FROM SSA:</b>	<b>\$54,330</b>
Total Admin (Personnel Admin + Operational):	\$24,150

#### Personnel Summary

PERSONNEL Title	TIME			SALARIES & WAGES		
	SSA %	Other %	Total (100%)	SSA Share (\$)	Other Share (\$)	Total Cost (\$)
Robin Smith, Executive Director	5%	95%	100%	\$2,750	\$42,250	\$55,000
Chris Field, SSA Mgr/Program Asst	80%	20%	100%	\$33,600	\$8,400	\$42,000
Pat Summers, Office Manager	10%	90%	100%	\$3,500	\$31,500	\$35,000
	0%	100%	100%	\$0	\$0	\$0
	0%	100%	100%	\$0	\$0	\$0
<b>SALARIES &amp; WAGES SUBTOTAL:</b>				<b>\$39,850</b>	<b>\$92,150</b>	<b>\$132,000</b>
PERSONNEL		FRINGE BENEFITS (Total Employer/Employee)				
Title	SSA Share (\$)	Other Share (\$)	Total Cost (\$)			
Robin Smith, Executive Director	\$250	\$4,750	\$5,000			
Chris Field, SSA Mgr/Program Asst	\$2,800	\$700	\$3,500			
Pat Summers, Office Manager	\$280	\$2,620	\$2,800			
0	\$0	\$0	\$0			
0	\$0	\$0	\$0			
<b>FRINGE BENEFITS SUBTOTAL:</b>				<b>\$3,330</b>	<b>\$7,970</b>	<b>\$11,200</b>
<b>TOTAL PERSONNEL:</b>				<b>\$43,180</b>	<b>\$100,120</b>	<b>\$143,300</b>

#### Personnel - Direct Services

Program & Brief Summary of SSA Direct Services (use all that apply)	SSA Share (\$)
<b>Advertising &amp; Promotion</b>	<b>\$8,500</b>
Prepare cooperative ad campaigns including research media costs, participant recruitment, and ad design	
Update SSA web pages on organization site	
Organize a spring and fall special event	
<b>Public Way Maintenance</b>	<b>\$1,500</b>
Bi-monthly field checks of vendor performance	
Monthly check-in with Dept of Streets & Sanitation	
<b>Public Way Aesthetics</b>	<b>\$2,500</b>
Banner mgmt, including light pole inventory and monthly damage checks	
Bi-monthly field checks of vendor performance (landscape)	
<b>Tenant Retention/Attraction</b>	<b>\$7,500</b>
Prepare retail site marketing kit Research/analyze demographic data	
Monthly field checks to update vacancy list	
Conduct tenant recruitment events	
<b>Façade Improvements</b>	<b>\$3,580</b>
Research/create SSA Façade Application and Guidelines	
Design Façade recruitment brochure and web page	
Application processing and management	
<b>Parking/Transit/Accessibility</b>	<b>\$3,500</b>
On-street parking conditions inventory	
Bicycle rack inventory	
Organize a bicycle special event	
<b>Safety Programs</b>	<b>\$3,000</b>
Create panhandling abatement program, including designing brochures and web page	
Coordinate security camera site selection and monitoring	
<b>District Planning</b>	<b>\$0</b>
<b>PERSONNEL - DIRECT SERVICES:</b>	<b>\$30,180</b>

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<b>Personnel - Admin Support</b>				
<b>Brief Summary of SSA Administrative Services</b>				<b>\$13,000</b>
Open Meetings Act compliance for SSA Commission, including meeting schedules, minutes, reports, and bylaw revisions				
Coordinate finances and reports with bookkeeper				
Prepare SSA-related meetings				
Monitor compliance with Service Provider Agreement, including work plan and budget monitoring and preparation				
<b>PERSONNEL - ADMIN SUPPORT:</b>				<b>\$13,000</b>
<b>TOTAL PERSONNEL COMPENSATION:</b>				<b>\$43,180</b>
<b>Non-Personnel (Operational)</b>				
Non-Personnel Item	SSA Share (%)	SSA Share (\$)	Other Share (\$)	Total Cost (\$)
Audit/Bookkeeping	29%	\$3,000	\$7,500	\$10,500
Meeting Expense	14%	\$250	\$1,500	\$1,750
Office Equipment Lease/Maintenance	25%	\$1,200	\$3,800	\$4,800
Office Rent	20%	\$3,600	\$14,400	\$18,000
Office Supplies	20%	\$600	\$2,400	\$3,000
Office Utilities/Telephone	20%	\$500	\$2,000	\$2,500
Postage	38%	\$1,500	\$2,500	\$4,000
Printing (minutes, reports, etc)	17%	\$500	\$2,500	\$3,000
	#DIV/0!	\$0	\$0	\$0
	#DIV/0!	\$0	\$0	\$0
<b>NON-PERSONNEL (OPERATIONAL):</b>		<b>\$11,150</b>	<b>\$36,400</b>	<b>\$47,550</b>
			<b>GRAND TOTAL</b>	<b>\$190,850</b>

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**SCHEDULE B: 2008 BUDGET WORKSHEET - SAMPLE -**

Department of Planning and Development

Special Service Area Number & Name: SSA #49 ABC District		
SSA Chairperson: Jane Doe	PH: 773-555-1234	Email: jane@company.com
Service Provider: Neighborhood Chamber of Commerce		
SSA Program Manager: Chris Field	PH: 773-555-7890	Email: chris@neighcc.org
Budget Period: January 1, 2008 to December 31, 2008		

<b>PROGRAMS</b>	<b>2007 Levy</b>	<b>+</b>	<b>Carry Over</b>	<b>=</b>	<b>2008 Budget</b>
<b>1.00 Advertising &amp; Promotion</b>					
1.01 Display Ads (Print, Billboards, Transit, etc.)	\$10,000		\$5,000		\$15,000
1.02 Holiday/Seasonal Promotions (Shopper's Rebate, etc.)	\$20,000		\$0		\$20,000
1.03 Print Materials (Directories, Maps, etc.)	\$3,000		\$5,000		\$8,000
1.04 Public/Media Relations Services	\$10,000		\$0		\$10,000
1.05 Special Events	\$15,000		\$0		\$15,000
1.06 Website/Technology	\$2,000		\$0		\$2,000
1.07 Service Provider Direct Services	\$8,500		\$0		\$8,500
1.08 Other					\$0
1.09 Other					\$0
<b>TOTAL</b>	<b>\$68,500</b>	<b>+</b>	<b>\$10,000</b>	<b>=</b>	<b>\$78,500</b>

<b>2.00 Public Way Maintenance</b>					
2.01 Equipment Purchase and Maintenance					\$0
2.02 Gate/Fence Maintenance					\$0
2.03 Graffiti Removal					\$0
2.04 Liability/Property Insurance					\$0
2.05 Sidewalk Cleaning	\$37,000				\$37,000
2.06 Sidewalk Power Washing					\$0
2.07 Sidewalk Snow Plowing	\$15,000				\$15,000
2.08 Staff Wages and Fringe Benefits					\$0
2.09 Storage Rental					\$0
2.10 Supplies					\$0
2.11 Trash Removal Service					\$0
2.12 Vermin Abatement Program (Rats, Pigeons, etc.)					\$0
2.13 Window Washing					\$0
2.14 Service Provider Direct Services	\$1,500				\$1,500
2.15 Other					\$0
2.16 Other					\$0
<b>TOTAL</b>	<b>\$53,500</b>	<b>+</b>	<b>\$0</b>	<b>=</b>	<b>\$53,500</b>

<b>3.00 Public Way Aesthetics</b>					
3.01 Decorative Banner Purchase/Installation/Maintenance	\$7,500				\$7,500
3.02 Holiday Decorations	\$25,000		\$0		\$25,000
3.03 Landscaping (Plants, Watering, Pruning, Street Medians, etc.)	\$15,000				\$15,000
3.04 Property Insurance					\$0
3.05 Streetscape Elements Purchase/Install/Maintenance					\$0
3.06 Wayfinding/Signage					\$0
3.07 Service Provider Direct Services	\$2,500				\$2,500
3.08 Other					\$0
3.09 Other					\$0
<b>TOTAL</b>	<b>\$50,000</b>	<b>+</b>	<b>\$0</b>	<b>=</b>	<b>\$50,000</b>

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<b>PROGRAMS</b>		<b>2007 Levy</b>	<b>+</b>	<b>Carry Over</b>	<b>=</b>	<b>2008 Budget</b>
<b>4.00 Tenant Retention/Attraction</b>						
4.01 Property Owner/Broker/Tenant relations						\$0
4.02 Pre-Development Costs		\$20,000		\$4,000		\$24,000
4.03 Site Marketing Materials		\$3,000		\$0		\$3,000
4.04 Technical Assistance to Businesses		\$2,000		\$0		\$2,000
4.05 Technical Assistance to Residents						\$0
4.06 Service Provider Direct Services		\$7,600		\$0		\$7,600
4.07 Other						\$0
4.08 Other						\$0
<b>Total</b>		<b>\$32,600</b>	<b>+</b>	<b>\$4,000</b>	<b>=</b>	<b>\$36,600</b>
<b>5.00 Façade Improvements</b>						
5.01 Façade Enhancement Program		\$25,000		\$8,000		\$33,000
5.02 Awning Rebate Program						\$0
5.03 Signage Removal Program						\$0
5.04 Service Provider Direct Services		\$3,580		\$0		\$3,580
5.05 Other						\$0
5.06 Other						\$0
<b>Total</b>		<b>\$28,580</b>		<b>\$8,000</b>		<b>\$36,580</b>
<b>6.00 Parking/Transit/Accessibility</b>						
6.01 Bicycle Advocacy (racks, promotions, etc.)		\$2,000				\$2,000
6.02 On-Street Parking Mgmt (meter/loading zone audits)		\$500				\$500
6.03 Parking Facility Enhancement Program						\$0
6.04 Parking Facility Insurance						\$0
6.05 Parking Facility Maintenance Reserves						\$0
6.06 Parking Facility Maintenance/Staffing						\$0
6.07 Parking Facility Staff and Fringe Benefits						\$0
6.08 Parking Fee Subsidy						\$0
6.09 Parking Wayfinding/Signage		\$15,000				\$15,000
6.10 Public Transit Enhancements		\$7,500				\$7,500
6.11 Shared Valet Program						\$0
6.12 ADA (American with Disabilities Act) compliance						\$0
6.13 Service Provider Direct Services		\$3,500				\$3,500
6.14 Other						\$0
6.15 Other						\$0
<b>Total</b>		<b>\$28,500</b>	<b>+</b>	<b>\$0</b>	<b>=</b>	<b>\$28,500</b>
<b>7.00 Safety Programs</b>						
7.01 Public Way Surveillance Cameras/Maintenance		\$10,000				\$10,000
7.02 Security Rebate Program		\$10,000				\$10,000
7.03 Parahanding Abatement Programs						\$0
7.04 Police Bicycle Purchase						\$0
7.05 Lighting, Tree Pruning (Avoid Duplication in Section 2.00)						\$0
7.06 Safety seminars (Avoid Duplication in Section 4.00)						\$0
7.07 Security Subcontractor						\$0
7.08 Juvenile/Adult Court and CAPS Community Service						\$0
7.09 Service Provider Direct Services		\$3,000				\$3,000
7.10 Other						\$0
7.11 Other						\$0
<b>Total</b>		<b>\$23,000</b>	<b>+</b>	<b>\$0</b>	<b>=</b>	<b>\$23,000</b>
<b>8.00 District Planning</b>						
8.01 SSA Work Plans, Visioning, etc.						\$0
8.02 District Branding, Identity Development		\$15,000				\$15,000
8.03 District Market Study, Impact Analysis, etc.		\$25,000				\$25,000
8.04 District Master Plan, Corridor Plans, Streetscape Plans, etc.		\$25,000				\$25,000
8.05 Parking Studies		\$15,000				\$15,000
8.06 SSA Start-Up Costs						\$0
8.07 Service Provider Direct Services						\$0
8.08 Other						\$0
8.09 Other						\$0
<b>Total</b>		<b>\$80,000</b>	<b>+</b>	<b>\$0</b>	<b>=</b>	<b>\$80,000</b>
<b>Services Subtotal</b>		<b>\$364,680</b>	<b>+</b>	<b>\$22,000</b>	<b>=</b>	<b>\$386,680</b>

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<b>ADMINISTRATION</b>		2007 Levy	+	Carry Over	=	2008 Budget		
<b>9.00 Operational &amp; Administrative Support</b>								
9.01	Audit/Bookkeeping	\$2,500		\$500		\$3,000		
9.02	Meeting Expense	\$250				\$250		
9.03	Office Equipment Lease/Maintenance	\$1,200				\$1,200		
9.04	Office Rent	\$3,100		\$500		\$3,600		
9.05	Office Supplies	\$600				\$600		
9.06	Office Utilities/Telephone	\$500				\$500		
9.07	Postage	\$1,500				\$1,500		
9.08	Office Printing	\$500				\$500		
9.09	Service Provider Administrative Support	\$13,000				\$13,000		
9.10	Subscription/dues					\$0		
9.11	Other					\$0		
9.12	Other					\$0		
<b>Total</b>		<b>\$23,150</b>	<b>+</b>	<b>\$1,000</b>	<b>=</b>	<b>\$24,150</b>		
<b>LOSS COLLECTION</b>		% Paid by SSA	2007 Levy	+	Carry Over	=	2008 Budget	
<b>10.00 Loss Collection % of total budget=</b>		<b>5.0%</b>	<b>Total</b>	<b>\$18,000</b>	<b>+</b>	<b>\$2,450</b>	<b>=</b>	<b>\$20,450</b>

	2007 Levy	+	Carry Over	=	2008 Budget
<b>GRAND TOTAL:</b>	<b>\$405,830</b>	<b>+</b>	<b>\$25,450</b>	<b>=</b>	<b>\$431,280</b>

Personnel - Admin Support:	\$13,000				
Non-Personnel (Operational):	\$11,150				
<b>Total Admin (Personnel Admin + Operational):</b>	<b>\$24,150</b>			<b>% Total Budget:</b>	<b>5.6%</b>
Personnel - Direct Services:	\$30,180			The City will not approve Admin Costs at or exceeding 25%.	
<b>Total Service Provider Compensation:</b>	<b>\$54,330</b>				

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**SCHEDULE C: 2008 BUDGET SUMMARY - SAMPLE -**

Department of Planning and Development

Special Service Area Number and Name: SSA #49 ABC District

SSA Chairperson: Jane Doe

Service Provider: Neighborhood Chamber of Commerce

SSA Program Manager: Chris Field

Budget Period: January 1, 2008 to December 31, 2008

Service	2007 Levy	+	Carry Over	=	2008 Budget
Advertising & Promotion	\$ 68,500		\$ 10,000		\$ 78,500
Public Way Maintenance	\$ 53,500		\$ -		\$ 53,500
Public Way Aesthetics	\$ 50,000		\$ -		\$ 50,000
Tenant Retention/Attraction	\$ 32,600		\$ 4,000		\$ 36,600
Façade Improvements	\$ 28,580		\$ 8,000		\$ 36,580
Parking/Transit/Accessibility Initiatives	\$ 28,500		\$ -		\$ 28,500
Safety Programs	\$ 23,000		\$ -		\$ 23,000
District Planning	\$ 80,000		\$ -		\$ 80,000
<b>TOTAL SERVICES</b>	<b>\$ 364,680</b>		<b>\$ 22,000</b>		<b>\$ 386,680</b>
Administration	\$ 23,150		\$ 1,000		\$ 24,150
Loss Collection 5.0%	\$ 18,000		\$ 2,450		\$ 20,450
<b>GRAND TOTAL</b>	<b>\$ 405,830</b>	<b>+</b>	<b>\$ 25,450</b>	<b>=</b>	<b>\$ 431,280</b>
<b>ADMIN/TOTAL BUDGET RATIO</b>					5.6%

DPD USE ONLY	
Estimated 2008 EAV	\$92,636,815
Authorized Tax Rate Cap	0.430%
Estimated Tax Rate for 2007 Levy	0.438%
Estimated 2007 Levy	\$405,830

**SIGNATURE PAGE**

Special Service Area Name & Number: \_\_\_\_\_

Budget Period: January 1, 2008 to December 31, 2008

The attached budget is recommended and approved by the SSA Commission:

\_\_\_\_\_  
SSA Chairperson Signature

\_\_\_\_\_  
SSA Chairperson Printed Name

\_\_\_\_\_  
Date



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**SSA Expenditures**

When determining SSA expenditure, the SSA Commission and local service provider should ask:

- **Is it allowable?**
- **Is it reasonable?**
- **Is it allocable?**

1. **Allowable:** A local service provider and SSA Commission should familiarize themselves with applicable State Acts, Municipal Codes, and the authorized scope of services set forth in their SSA establishment ordinance, which frames the scope of authority for that particular SSA. The annual work plan and budget frame the specific scope of authority on an annual basis.

**Example:** An SSA may be authorized to provide parking/transit programming in the establishment ordinance, but unless this program is expressly listed in an annual work plan and budget, there is no authority in that year to perform parking/transit programming.

2. **Reasonable:** 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. What is reasonable depends upon a variety of considerations and circumstances involving both the nature and amount of the cost in question. In determining the reasonableness of a specific cost, the contracting officer shall consider:
  - a. Whether it is the type of cost generally recognized as ordinary and necessary for the conduct of the local service provider's business or the SSA contract performance;
  - b. The restraints or requirements imposed by such factors as generally accepted sound business practices, arms-length bargaining, State and City laws and regulations, and contract terms and specifications;
  - c. The action that a prudent business person, considering responsibilities to the SSA taxpayers, the Government, and the public at large, would take under the circumstances; and
  - d. Any significant deviations from the established practices of the contractor that may unjustifiably increase the contract costs.

**Example:** A local service provider takes a trip to another city to research a special event under consideration by their community. The local service provider desires to charge the entire cost of the trip to the SSA. A more reasonable cost to the SSA would be the local service provider staff's time contacting event organizers in several other cities and preparing a summary report for SSA Commission review.

3. **Allocable:** 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

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within the SSA work plan and budget. A cost is allocable to a Service Provider contract if it:

- a. Is incurred specifically for the contract;
- b. Benefits both the contract and/or other work (e.g. banner program, shared office space), and can be distributed to both SSA and non-SSA costs in reasonable proportion to the benefits received; or is necessary to the overall operation of the business, although a direct relationship to any particular cost objective cannot be shown; and
- c. Meets standards set by generally accepted accounting principles and practices appropriate to the SSA contract and the SSA Commission.

**Example:** A local service provider prepares cost allocation plan based upon reasonable assumptions for each program's contributions to the agency's overall costs.

4. **Questionable costs:** Following are a sampling of costs that depending on the circumstances may or may not pass the Allowable/Reasonable/Allocable test:

- a. **Alcohol:** under no circumstances shall alcohol be purchased with SSA revenues.

**Example:** Alcohol is an integral part of a program the SSA is wholly or partially funding (e.g. special event), so non-SSA funding sources are to be used for the purchase of alcohol.

- b. **Subscriptions/Dues/Training:** the local service provider would need to explain how the SSA taxpayers would directly benefit from the subscription, membership, or enhanced staff capacity.

**Examples:**

**(Allowable)** As part of a tenant retention/attraction program, the local service provider staff purchases a membership with the International Council of Shopping Centers to gain access to brokers and prospective tenants. The provider charges 50% of the membership to the SSA and 50% to non-SSA sources, since the agency also does non-SSA tenant attraction/retention services.

**(Unallowable)** A local service provider staff person purchases membership to the International Parking Institute and charges the SSA. The SSA they manage is not authorized to provide parking/transit services and therefore this membership is not of direct benefit to the SSA taxpayers

- c. **Travel:** Since SSA benefits are place-based, the local service provider would need to explain how the SSA taxpayers would directly benefit from paying for staff travel expenses.

**Examples:**

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*(Allowable)* As part of a tenant retention/attraction program, the local service provider staff conducts a field study of Chicago and metro Chicago commercial districts and charges a prorated car cost to the SSA.

*(Unallowable)* As part of a tenant retention/attraction program, the local service provider staff travels to Denver for four days to meet with Denver BID representatives and conduct field studies. The service provider charges the entire trip to the SSA. This is an egregious use of travel expenses since equivalent information could be gathered with much less cost via phone/email correspondence and internet research.

- d. **Food/hospitality:** Food and hospitality expenses should be extremely limited, serve a broad audience (e.g. not two-person lunches), and be incidental to conducting SSA business.

**Examples:**

*(Allowable)* To ensure quorum, an SSA Commission can only meet after regular business hours. The local service provider orders a modest dinner for them from a restaurant in the SSA boundaries and charges the cost to the SSA.

*(Unallowable)* The local service provider staff has an incidental conversation with a colleague over lunch about SSA business that could otherwise have occurred during regular business hours and charges the lunch to the SSA.

- e. **Prizes/gifts:** Prizes, gifts, honorariums and other such offers should be extremely limited, be a critical part of an SSA program, and come from businesses within the SSA boundaries. In general, such items should be funded with non-SSA sources or offered as an in-kind contribution.

**Examples:**

*(Allowable)* As part of a district planning program, the SSA Commission asks the local service provider to conduct a community survey. The local service provider suggests purchasing \$10 gift certificates SSA businesses (totaling \$300) to motivate people to complete the survey. The local service provider pays the businesses directly through the SSA account and documents who received the certificates.

*(Unallowable)* The local service provider's executive director purchases \$2,000 worth of Macy's gift cards for the staff working on the SSA and charges the SSA. However, Macy's is not in the SSA boundaries, this is not in the budget, and no direct benefit to the SSA taxpayers.

- f. **Sponsorship:** Sponsorship should be extremely limited and for the direct benefit of organizations/initiatives within the SSA boundaries.

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*(Allowable)* The SSA Commission approves sponsoring a local arts organization located within the SSA boundaries to provide free art workshops in a plaza located in the SSA boundaries.

*(Unallowable)* A national civic organization seeks sponsorship from an SSA for a special event the organization is holding three miles west of the SSA boundaries.

- g. **Programs/initiatives exceeding SSA boundaries:** For programs or initiatives that go beyond, but include, the SSA boundaries, the SSA should either a) only pay for the share occurring in the SSA boundaries or b) pay the degree the program/initiative is directly related to the SSA.

*(Allowable)* The SSA Commission approves funding a float for a parade that is 80% within the SSA boundaries. Because the float promotes the community generally, the SSA pays 80% of the cost. Another example would be an SSA Commission approving the installation of a security camera on a building adjacent to the SSA boundary facing the SSA district.

*(Unallowable)* The local service provider uses SSA funds to maintain the portion of light pole banners outside the SSA boundary.

## COST ALLOCATION PLAN

### Background:

*A cost allocation plan is a systematic approach to spreading direct and indirect costs among organization programs and functions that contribute to such costs. Direct costs contribute directly to a particular program and often include such costs as salaries, materials, and equipment. Indirect costs (including overhead costs) do not contribute directly to a particular program but are needed to run agency operations, and often include such costs as rent, utilities, and fringe benefits. A cost allocation plan increases the likelihood that organization programs and functions reflect true operating costs. As a result, management is more capable of financial analysis and of making well-informed decisions. In addition, local service providers may be more receptive to providing needed funds if costs can be supported by such a plan.*

### Best Practice(s)

- Any local service provider agency with more than one program or function that shares costs should establish and maintain a cost allocation plan.
- Cost allocation plan should include the following elements:
  - Contributing programs and functions
  - Direct and indirect costs to be allocated
  - Method for allocating allowable costs
  - Organizational chart
  - Copy of financial statements that were used for devising allocation method
- Only costs that meet the following criteria should be allocable:
  - Consistent with Generally Accepted Accounting Principles
  - Consistent with Federal, State, Local, and/or awarding agency policies and regulations, if applicable
  - Related to program or function objective and considered necessary and reasonable.
- Cost allocation plan should be immediately updated to reflect any changes in programs and/or functions.

### Procedures:

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1. Identify and document all cost accounts that are shared by more than one program and/or function.
2. Identify and document all programs and/or functions that share such costs.
3. Document and maintain a cost allocation method for all shared costs identified and assign rate/amount of allocation to each identified program and/or function.
4. Update cost allocation plan for any changes in programs and/or functions.

**Examples:**

1. Examples of commonly used cost allocation methods include the following:

Personnel

- Per the SSA Service Provider Agreement, the service provider shall maintain records showing actual time devoted and costs incurred. Methods for maintaining records include:
  - Actual time: Personnel costs are allocated to programs and/or functions based on actual time spent on respective program and/or function as reported on time sheets.
  - Time studies: Amount of time spent by personnel on programs and/or functions is studied and documented. These documented rates are then used to allocate current and future personnel costs incurred.
  - Work load: Personnel costs are allocated to programs and/or functions depending on amount of work performed under each program and/or function (e.g. number of clients served).

Non-Personnel

- Actual use: Non-personnel costs are allocated to programs and/or functions based on how much the program and/or function used (documented in logs).
- Space-usage: Non-personnel costs are allocated to programs and/or functions depending on how many square feet the respective program and/or function uses to operate.

If the local service provider receives federal money, the Office of Management and Budget Circular A-122, *Cost Principles for Nonprofit Organizations*, should be consulted for Federal guidance on choosing a cost allocation rate (*see* <http://www.whitehouse.gov/omb/circulars/a122/a122.html>). In addition, other Federal, State, Local, and/or awarding agencies must be consulted, if applicable, for additional guidance.

2. Different allocation methods may be used for different costs. However, for each cost type, the same allocation method must be used and applied uniformly across

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all sharing programs and/or functions. No more than 100% of the cost can be allocated.

3. Personnel should indicate on time sheet how many hours were spent during pay period working on each respective program and/or function. A pre-formatted time sheet should be utilized to track by program and/or function.
4. A cost allocation plan determines the rate(s) at which the actual shared costs incurred are to be distributed among the contributing programs and/or agencies. A budget indicates the expected costs, in dollars, to be incurred by each program and/or function based on expected total costs and this approved allocation rate(s).
5. See Sample Cost Allocation Plan on pages 48 to 56.

## *Cost Allocation Plans*

To illustrate how to perform a functional expense allocation, assume the following expense account are to be allocated using the indicated allocation methods:

<b><i>Account</i></b>	<b><i>Allocation Method</i></b>
Salaries & wages	Time sheets/time study
Employee health insurance	Salaries and wages
Employee retirement	Salaries and wages
Employee disability insurance	Salaries and wages
Employer portion FICA	Salaries and wages
Office rent	Square footage
Utilities	Square footage
Janitorial	Square footage
Building Maintenance	Square footage
Building Supplies	Square footage



***Cost Allocation Plans – cont’d.***

**Also assume that time studies performed indicate the following time spent by employees on each program and function.**

<i>Employee</i>	<b>Program 10</b>	<b>SSA</b>	<b>Mgmt. &amp; General</b>	<b>Fund- raising</b>	<b>Total</b>
Program Director	50%	40%	10%	--	<b>100%</b>
Program Assistant I	50%	50%	--	--	<b>100%</b>
Program Assistant II	40%	40%	20%	--	<b>100%</b>
Executive Director	10%	20%	40%	30%	<b>100%</b>
Administrative Assistant	20%	20%	40%	20%	<b>100%</b>

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***Cost Allocation Plans – cont'd***

The first allocation step should be to allocate salaries and wages by function based on the results of the time studies (assuming the total salary amounts as presented by employee):

<i>Employee</i>	<b>Program 10</b>	<b>SSA</b>	<b>Mgmt. &amp; General</b>	<b>Fund- raising</b>	<b>Total</b>
Program Director	\$ 17,000	\$ 13,600	\$ 3,400	--	\$ 34,000
Program Assistant I	\$ 14,500	\$ 14,500	--	--	\$ 29,000
Program Assistant II	\$ 6,400	\$ 6,400	\$ 3,200	--	\$ 16,000
Executive Director	\$ 4,800	\$ 9,600	\$ 19,200	\$ 14,400	\$ 48,000
Administrative Assistant	\$ 3,600	\$ 3,600	\$ 7,200	\$ 3,600	\$ 18,000
<b>Total</b>	<b>\$ 46,300</b>	<b>\$ 47,700</b>	<b>\$ 33,000</b>	<b>\$ 18,000</b>	<b>\$145,000</b>
<b>Allocation % by Function</b>	<b>32%</b>	<b>33%</b>	<b>23%</b>	<b>12%</b>	<b>100%</b>

***Cost Allocation Plans – cont’d.***

**Calculation of Program Director salary allocation:**

	<b>Annual Salary</b>	<b>X</b>	<b>Allocation Percentage</b>	<b>Total</b>
Program 10	\$ 34,000	X	50 %	\$ 17,000
SSA	\$ 34,000	X	40 %	\$ 13,600
Management & General	\$ 34,000	X	10 %	\$ 3,400
				<u>\$ 34,000</u>

***Calculation of Executive Director salary allocation:***

Program 10	\$ 48,000	X	10 %	\$ 4,800
SSA	\$ 48,000	X	20 %	\$ 9,600
Management & General	\$ 48,000	X	40%	\$ 19,200
Fundraising	\$ 48,000	X	30 %	\$14,400
				<u>\$ 48,000</u>

***Cost Allocation Plans – cont’d.***

**After completing the allocation of salaries and wages, the benefits accounts can then be allocated based on salaries:**

<i>Account</i>	<b>Total (100%)</b>	<b>Program 10 (32%)</b>	<b>SSA (33%)</b>	<b>Mgmt. &amp; General (23%)</b>	<b>Fund- raising (12%)</b>
Employer portion FICA	\$ 11,238	\$ 3,596	\$ 3,708	\$ 2,585	\$ 1,349
Employee health insurance	\$ 9,000	\$ 2,880	\$ 2,970	\$ 2,070	\$ 1,080
Employee Retirement	\$ 7,250	\$ 2,320	\$ 2,392	\$ 1,668	\$ 870
Employee disability insurance	\$ 2,900	\$ 928	\$ 957	\$ 667	\$ 348

*Cost Allocation Plans – cont'd.*

To allocate occupancy expenses, assume the following square footage usage by function:

	<b>Square Footage</b>	<b>%</b>
Program 10	240	17%
SSA	240	17%
Management and General	822	58%
Fundraising	120	8%
	1,422	100%

***Cost Allocation Plans – cont’d.***

**Based on the square footage usage by function, occupancy expenses can be allocated as follows:**

<i>Account</i>	<b>Total (100%)</b>	<b>Program 10 (17%)</b>	<b>SSA (17%)</b>	<b>Mgmt. &amp; General (58%)</b>	<b>Fund- raising (8%)</b>
Office rent	\$ 15,600	\$ 2,652	\$ 2,652	\$ 9,048	\$ 1,248
Utilities	\$ 3,360	\$ 571	\$ 571	\$ 1,949	\$ 269
Janitorial	\$ 1,080	\$ 184	\$ 184	\$ 626	\$ 86
Building maint.	\$ 2,280	\$ 388	\$ 388	\$ 1,322	\$ 182
Building supplies	\$ 925	\$ 157	\$ 157	\$ 537	\$ 74

*Cost Allocation Plans – cont'd.*

**Calculation of Office Rent**

	<b>Total Rent</b>	<b>X</b>	<b>Allocation Percentage</b>	<b>Total</b>
Program 10	\$ 15,600	X	17 %	\$ 2,652
SSA	\$ 15,600	X	17 %	\$ 2,652
Management & General	\$ 15,600	X	58 %	\$ 9,048
Fundraising	\$ 15,600	X	8 %	\$ 1,248
				<u>\$ 15,600</u>

***Calculation of Building Maintenance***

Program 10	\$ 2,280	X	17 %	\$ 388
SSA	\$ 2,280	X	17 %	\$ 388
Management & General	\$ 2,280	X	58 %	\$ 1,322
Fundraising	\$ 2,280	X	8 %	\$ 182
				<u>\$ 2,280</u>

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***Cost Allocation Plans – cont’d.***

The following summarizes the total allocation of expenses by program and function based on the results of the individual allocation computations for salaries and wages, benefits, and occupancy expenses:

	Allocated Costs				
	Total Cost	Program 10	SSA	Mgmt. & General	Fund-raising
Salaries and wages	\$ 145,000	\$ 46,300	\$ 47,700	\$ 33,000	\$ 18,000
Employer portion FICA	11,238	3,596	3,708	2,585	1,349
Employee health insurance	9,000	2,880	2,970	2,070	1,080
Employee retirement	7,250	2,320	2,392	1,668	870
Employee disability insurance	2,900	928	957	667	348
Office rent	15,600	2,652	2,652	9,048	1,248
Utilities	3,360	571	571	1,949	269
Janitorial	1,080	184	184	626	86
Building Maintenance	2,280	388	388	1,322	182
Building Supplies	925	157	157	537	74
	<u>\$ 198,633</u>	<u>\$ 59,976</u>	<u>\$ 61,679</u>	<u>\$ 53,472</u>	<u>\$ 23,506</u>



## FINANCIAL STATEMENT, PREPARATION, REVIEW AND DISTRIBUTION

### Background:

*Financial statements are necessary for increased financial control, monitoring of financial objectives and the evaluation of an organization's financial health. Financial statements assist in the monitoring of expenses and income sources as well as financial strengths and weaknesses. Financial statements also assist in the comparison of actual financial performance with budgeted financial performance, helping to ensure sufficient cash flow and accurate budget forecasting. Financial statements also help mitigate the risk of financial fraud and in fulfilling third party requests for financial information, such as from auditors, SSA Commissioners/Board of Directors/Board of Trustees, awarding agencies, and regulatory authorities.*

### Best Practice(s)

- Monthly financial statements should include a Statement of Financial Position, Statement of Activities, and Statement of Cash Flows.
- A comparison of actual to budgeted income and expenses should also be prepared monthly.
- All SSA financial statements should be reviewed and approved by Executive Director and/or designee and SSA Commissioners of.
- Monthly financial statements should be prepared, reviewed, approved, and distributed within 10 working days after the close of the month.

### Procedures:

1. At the close of each month, accounting personnel gather all information, such as the General Ledger, necessary for preparing financial statements, including Statement of Financial Position, Statement of Activities, and Statement of Cash Flows (see specific procedures below for each type of statement).
2. Actual year-to-date revenues and expenses are compared with year-to-date budgeted amounts. Significant variances are identified and analyzed within one week following preparation of financial statements.
3. Executive Director or designee and Director of Finance review and approve completed financial statements and budget variance analysis.

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4. Approved financial statements and budget variance analysis are distributed to individuals on approved distribution list by the 10<sup>th</sup> day of the following month. The distribution list should include all individuals with financial and budgetary decision making responsibilities, including the Executive Director, Director of Finance, Program Managers, and SSA Commissioners.

Statement of Financial Position

- List all assets in order of liquidity (ability to convert to cash), starting with current assets first.
- List net assets in order of restriction.
- List and deduct accumulated depreciation, if any, for fixed assets.
- List liabilities in order of maturity, starting with current liabilities due to mature in one year or less.
- Total all assets, liabilities, and net assets. Total assets should equal total net assets plus liabilities. If not, recalculate and verify amounts are accurate.
- Indicate period reviewed and date completed.

Statement of Activities

- List SSA revenues received during period under review, including grants and individual contributions.
- Total all revenues and label this Total Revenue.
- List all SSA expenses incurred during the period under review. Expense descriptions must correspond to the expense description approved by the city and/or the amended budget as approved the SSA Commission.
- Total all expenses and label this Total Expenses.
- Subtract Total Expenses from Total Revenue; this becomes the increase/decrease in net assets, or net income (for-profit organizations).
- Indicate period reviewed and date completed.

Statement of Cash Flows

- List the increase/decrease in net assets, followed by necessary adjustments for changes in assets and liabilities. Total these numbers, resulting in a net increase/decrease of cash and cash equivalents.

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- Add in cash and cash equivalent total for the beginning of the period. The final total is total cash and cash equivalents for the period end. A cash equivalent is typically an investment that has a maturity of 3 months or less.
  
- Indicate period reviewed and date completed.

## ANNUAL AUDIT

### Background:

*An overall annual audit of a local service provider's financial statements in addition to the required annual SSA audit by an outside, independent accounting firm supports accountability and financial disclosure to external parties, including existing and potential funding entities, as well as the public. A quality and useful audit depends on the quality of the accounting firm employed, and the agency's level of preparation achieved prior to the audit beginning.*

### Best Practice(s)

- Per the Service Provider Agreement, an audit by a qualified, licensed, independent accounting firm must be conducted annually for the SSA. For each fiscal year audit, the Executive Director at the direction of the Commissioners of the SSA shall hire an accounting firm to perform an annual audit of the SSA's financial statements. The annual audit report shall be addressed to the SSA Commissioners.
- Audit results, including audited financial statements and management letter/letter of recommendations, should be communicated directly to Executive Director and the SSA Commissioners.
- A change in auditors should be considered based on: results of annual evaluation of the independent accounting firm, any agency dissatisfaction with the accounting firm, or when a new approach is desired.
- Qualities to consider in an independent accounting firm include: level of experience, industry knowledge, timeliness of performance, and communication skills.
- The Executive Director or designee should assist accounting firm with the annual SSA audit during all phases as requested, review the audited financial statements and provide any necessary management feedback at the completion of the audit.

### Procedures:

1. Annually evaluate current accounting firm to determine if a new accounting firm should be considered. The Executive Director or SSA Commissioners should consider issuing a Request for Proposal (RFP) to at least three qualified independent accounting firms and then select one by fiscal year end, if not sooner.

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- Accounting firm's level of experience, industry knowledge, timeliness of performance, and communication skills should be considered.
2. Request and review copies of the following documents from current or new accounting firm:
    - Valid, current professional license
    - Years, quality, and appropriateness of experience
    - Continuing education of partners and key staff
    - Peer review report
  3. Once the SSA Commissioners select an accounting firm, the Executive Director should review, and consult with legal counsel regarding the contract for audit services. The contract, or engagement letter, will be provided by the accounting firm and will typically include scope of services, timing, fees, and staff to perform work. The contract for audit services is entered into by the service provider using the agency's contract selection procedures.
  4. Once SSA audit is complete, the CPA firm should present audited financial statements and any audit findings to the SSA Commissioners.
  5. Per the Service Provider Agreement, the audit must be submitted to the City's Department of Planning and Development no later than 120 days after the end of the year.

**Example:**

1. Special Service Area - Additional Audit Requirements (see pages 62 to 64).

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Special Service Area - Additional Audit Requirements

Accounting System

The Department requires that the Contractor maintain its accounting system in a manner which allows the Contractor's expenditures to be categorized in its statement of activities according to the categories listed in the budget approved by the City for each Area.

Guidance for the Contractor's Selection of a CPA Firm (Independent Auditor)

The Contractor must use the following guidelines for engaging a qualified CPA Firm:

1. Issue a Request for Proposal ("RFP") that sets forth all of the terms and conditions of the engagement, evaluation criteria, and scope of the work required.
2. Distribute and publicize the RFP sufficiently to ensure full and open competition.
3. Request in the RFP that bidders provide detail on:
  - a. How the CPA Firm will conduct the audit in the first and subsequent years.
  - b. Qualifications of the CPA Firm, management, and staff, including experience in auditing like entities.
  - c. Policies on notification of changes in key personnel.
  - d. Whether the proposed staff has received continuing professional education during the previous 2 years.
  - e. Whether the CPA Firm has received a positive peer review within the last 3 years
  - f. Whether the CPA Firm is independent, as defined by applicable auditing standards.
  - g. Whether the CPA Firm has been the object of any disciplinary action during the past 3 years.
  - h. Whether the CPA Firm maintains an active license in the State of Illinois
  - i. The audit fee.
4. Evaluate the proposals based on:
  - a. The CPA Firm's understanding of the audit requirements, including the needs of the Area and the final products to be delivered.
  - b. Soundness of technical approach to the audit, including the meeting of the Contractor's specific deadlines and other requirements.
  - c. Qualifications of the CPA Firm.
  - d. Qualifications of the audit team.
  - e. The information provided by respondents in response to the RFP, including cost and independence.
5. Rate the proposals as follows:
  - a. Proposals should be evaluated as submitted.
  - b. Make a list of strengths and weaknesses for each to support its technical rating.
  - c. Review the proposed fees offered by the bidders after completion of the technical evaluation.
  - d. Ask questions of the bidders to eliminate any ambiguities.
  - e. Select a proposal that is most advantageous to the Area based on the evaluation criteria set forth in the RFP.

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6. Once a CPA Firm is chosen based upon the foregoing criteria, require a written engagement letter to avoid misunderstandings that specifies:
  - a. Audit scope, objectives, and purposes.
  - b. Deadlines for the work to be performed.
  - c. Audit fees.
  - d. Report format, including providing a digital version of the final audit.
  - e. Type and timing of support to be provided to the CPA Firm by the Special Service Area Commission ("SSAC").
  - f. Professional auditing standards to be followed in performing the audit.
  - g. Independence of the CPA Firm to the SSAC.
  - h. Terms of making changes to the scope of the agreement.
  - i. CPA Firm's ownership of the work papers, retention period, and requirement for availability to the City upon request.

### Summary Schedule of Findings

In order to properly conduct the certified audit of the books and records of the Contractor, it is necessary for the CPA Firm to read and understand the requirements contained in the Agreement. Particular attention should be given to Sections 3 and 5 of the Agreement.

The CPA Firm must test the Contractor's compliance with the requirements contained in the Agreement. Should the CPA Firm find exception to the requirements of the Agreement, it must disclose all exceptions in a separate schedule, which shall be entitled "Summary Schedule of Findings". Each finding shall be listed separately. The schedule shall be incorporated with the other required financial statements.

If the CPA Firm finds no exceptions to the Agreement requirements, it shall still include a "Summary Schedule of Findings". On that schedule the CPA Firm shall make an affirmative statement indicating it has read the Agreement and, after conducting the audit, has determined that no exceptions were noted.

Subsections to note in Section 5 include:

- a. Section 5.01, Basis of Payment, describes "carry over" as the amount of Service Tax Funds collected for prior tax years which remain previously unspent.
- b. Section 5.02, Budget for Services, restricts the maximum amount that may be spent in a calendar year to the amount stated in the Agreement.
- c. Section 5.03, Method of Payment, states that the Contractor shall establish a separate checking account and that Area funds shall not be commingled with other sources.

### Audit of Financial Statements

As discussed in Section 3.07, "Records and Audits", the Contractor shall provide annual audited financial statements of the tax revenues to the Department and SSAC within 120 calendar days after the end of the calendar year and the system of accounting shall be in accordance with generally accepted accounting principles and practices, consistently applied throughout.

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Audit Documents

The City requires an audit conducted in accordance with generally accepted accounting principles to include the following documents:

1. Statement of Financial Position.
2. Statement of Activities: Budget and Actual (period being audited compared to the previous year, e.g. columns should be 2004 Budget, 2004 Actual, Variance, 2003 Budget, 2003 Actual, Variance).
3. Statement of Cash Flows.
4. Notes to the Financial Statements.
5. Summary Schedule of Findings.

Expense descriptions included in the Statement of Activities must correspond to the expense descriptions in the budget submitted to the City.



## IRS Form 990

### Background:

*IRS Form 990 (Return of Organization Exempt From Income Tax) and IRS Form 990-EZ (Short Form Return of Organization Exempt From Income Tax) are informational returns filed with the IRS. These forms must be made available by a not-for-profit organization to the public upon request pursuant to Section 6104 of the Internal Revenue Code. A not-for-profit organization must file Form 990 or Form 990-EZ if they do not meet any of the exceptions listed in General Instruction B of the IRS Form 990 Instructions, and its annual gross receipts are normally more than \$25,000.*

### Best Practice(s)

- Local service provider should determine if they should file IRS Form 990 by consulting with IRS Form 990 filing instructions and with a certified public accountant or IRS representative, if necessary, annually at the conclusion of Special Service Area's fiscal year. **Note: The completion of the local service provider's Form 990 is not a requisite for the performance of the financial audit of the SSA.**
- Special Service Area should maintain at least one signed copy of signed and filed Form 990 in their files.

### Procedures:

1. Obtain IRS Form 990 instructions and determine if the service provider is required to file Form 990. Contact accountant or IRS directly with necessary financial information if necessary.
2. If Form 990 is required to be filed, complete form according to IRS instructions. Use the assistance of a CPA if necessary.
3. Executive Director signs Form 990 and submits to IRS office for filing, maintaining at least one signed copy for files and for public inspection.
4. File Form 990 by the 15<sup>th</sup> day of the 5<sup>th</sup> month after the organization's accounting period ends. Extensions are allowed .
5. File Form 990 with the Internal Revenue Service Center, Ogden, UT, 84201-002.

## CASH RECEIPTS

### Background:

*Cash receipts include all cash and checks received from such sources as contributions and fundraising efforts. Cash represents the most liquid of assets in any organization and, as a result, is highly susceptible to theft and mishandling. An organization must adopt strong policies and procedures surrounding cash receipts to minimize the risk of financial loss, and to facilitate the timeliness of cash receipt, recording, and deposit. Although the SSA tax levy cash is directly deposited into an SSA bank account and thus has its own internal controls, the following address handling non-SSA cash receipts.*

#### Best Practice(s)

- All cash receipts should be received and counted, deposited and recorded by separate individuals (i.e. segregation of duties).
- All cash receipts in the form of checks should be restrictively endorsed immediately upon receipt.
- All cash receipts should be deposited daily, unless total amount received is less than a specified threshold approved by the Commissioners. In such case, cash receipts should be deposited at least once per week.
- Checks should be deposited as quickly as possible to increase available funds for disbursement and to accrue interest on funds.
- Any discrepancies between the daily cash receipts listing and the amount deposited per bank statement should be investigated and resolved immediately.
- All cash on hand, including checks, should be stored in a secure location until deposited.

### Procedures:

1. Designate separate individuals to open, list, and count all cash receipts, prepare and deliver deposits, record entry in accounting system, review bank statement with check listing, and prepare and review bank reconciliations.

A small staff or restricted resources at the local service provider may prevent the ability to have proper segregation of duties. To compensate for this, local service providers may introduce more supervision during critical processes, such as cash receipts. Local service providers may also ask for more assistance from the SSA

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Commissioners/Board of Directors/Board of Trustees in the review process of key cash activities (i.e. receipts and disbursements). Local service providers may also want to consider the use of audits and third party reviews to verify that cash receipts are being appropriately handled.

2. Cash receipts (cash and checks) are listed and all checks are restrictively endorsed. Endorsement includes the following information:
  - “For Deposit Only”
  - Full Name of Agency
  - Bank Name
  - Bank Account Number

By restrictively endorsing a check “For Deposit Only”, a check cannot be used for anything other than deposit at agency’s bank and in agency’s account. This prevents the unauthorized use of check should the check get lost or mishandled.

3. Prepare a deposit slip based on cash and checks received. Compare deposit slip to cash receipts listing for accuracy before depositing at bank. Store cash receipts in a secure location until deposit is made.
4. Prepare and record appropriate journal entries in accounting system.
5. Deposit cash at bank and file deposit slips.
6. Compare monthly bank statement with daily cash receipt listings and investigate and resolve any variances.

## BANK ACCOUNT RECONCILIATIONS

### Background:

*The purpose of bank reconciliations is to reconcile the cash balance reported by the bank with the cash balance recorded by the Special Service Area. Bank reconciliations encourage the discovery of potential bank errors, bookkeeping errors, unaccounted cash, and bank fees charged. Focus is given to checks that are consistently outstanding and/or unusual in nature. Bank reconciliations are necessary for increased control over cash and the issuance and processing of inaccurate, improper or fraudulent checks.*

### Best Practice(s)

- Monthly bank statements for all cash accounts should be delivered unopened to Executive Director or designee for review of canceled checks, focusing on check payees, amounts and signatures.
- The Executive Director or designee should forward all bank statements to the staff accountant responsible for bank account reconciliations within 24 hours of receiving them. Staff accountant should not be a check signer or approver. Staff accountant should prepare the bank account reconciliation within five business days.
- Approved bank account reconciliations, in hard copy, should be distributed with the internal financial statements to the Executive Director and/or designee and SSA Commissioners.
- Bank reconciliation should be performed on all cash accounts, including petty cash.

### Procedures:

1. Unopened bank statement is received directly by Executive Director who reviews checks cleared in prior month for unusual occurrences such as checks out of sequence, checks for abnormally large amounts, inappropriate signatures, or unapproved payees.
2. Within the next 24 hours, the bank statement is forwarded to the staff accountant, or equivalent, responsible for bank account reconciliations. This person must be neither a check signer nor responsible for approving payment. The staff accountant completes the bank account reconciliation within five business days.

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3. Prepare a list of deposits in transit by comparing the deposits listed on bank statement with the bank deposits recorded in the cash receipts journal. Also, compare uncleared bank deposits from prior month's reconciliation to bank statement. Label any discrepancies on bank account reconciliation as deposits in transit.
4. Prepare a list of outstanding checks. In the cash disbursements journal, indicate all checks that are not shown as cleared on bank statement. Also indicate any uncleared checks from prior month's reconciliation that do not show as cleared on bank statement. Label all indicated checks on bank reconciliation as outstanding checks.
5. Investigate and resolve any checks that have remained outstanding for more than 60 days, or are unusual in nature.
6. Enter any bank charges or credits in general ledger that have not already been recorded.
7. Compute the cash balance per your books. Total the amounts in the general ledger cash account to arrive at the ending cash balance, entered at the bottom of the bank account reconciliation.
8. Enter end of month bank balance at the top of the bank account reconciliation.
9. Compute book balance per the bank account reconciliation. Subtract the total outstanding checks from the subtotal in step 8 above, and add the total outstanding deposits. The result should equal the book balance shown in your General Ledger (and in step 7 above).
10. An investigation should be conducted into any unexplained differences. Some possible causes are:
  - All outstanding checks not listed or added correctly.
  - All deposits in transit not listed or added correctly.
  - Failed to record all items that cleared the bank.
  - General Ledger added incorrectly.
  - Failed to record a check or deposit.
  - Failed to list a bank charge or credit.
  - Incorrectly recorded an amount.
11. Maintain a log of all voided checks. Document every check that has been voided on a voided check log. If voided checks are physically available, tear signature off and stamp "VOID" before filing in the voided checks file. Follow state regulations surrounding treatment of unclaimed property as outlined in Uniform Disposition of Unclaimed Property Act (765 ILCS 1025).

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- 12.** If voided checks are not physically available, file copy of bank's stop-payment order in a Stop-Payment Order File.
- 13.** Bank reconciliations should be initialed and dated by the preparer documenting who prepared the reconciliation and when it was prepared.
- 14.** Submit completed bank account reconciliation to Executive Director for review and approval. Approval should be indicated with initials or signature of Executive Director.
- 15.** Distribute approved bank account reconciliation with financial statements to the Executive Director and SSA Commissioners.

**Examples:**

1. Bank Account Reconciliation Template (See page 71).
2. Voided Check and Stop-Payment Log (See page 72).

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**MONTHLY BANK ACCOUNT RECONCILIATION**

**Agency XYZ  
Monthly Bank Account Reconciliation  
Period Ending Month XX, 20XX**

Bank Statement Date: \_\_\_\_\_

Ending Balance from Bank Statement: \$ \_\_\_\_\_ -

Add Deposits in Transit:

<u>Deposit Date</u>	<u>Amount</u>	<u>Deposit Date</u>	<u>Amount</u>
_____	\$ _____ -	_____	\$ _____ -
_____	\$ _____ -	_____	\$ _____ -
_____	\$ _____ -	_____	\$ _____ -

**Total Deposits in Transit** \$ \_\_\_\_\_ -

**Subtotal** \$ \_\_\_\_\_ -

Subtract Outstanding Checks:

<u>Check Number</u>	<u>Amount</u>	<u>Check Number</u>	<u>Amount</u>
_____	\$ _____ -	_____	\$ _____ -
_____	\$ _____ -	_____	\$ _____ -
_____	\$ _____ -	_____	\$ _____ -

**Total Outstanding Checks** \$ \_\_\_\_\_ -

**Computed Book Balance** \$ \_\_\_\_\_ -

Balance per Your Books \$ \_\_\_\_\_ -

**Difference** \$ \_\_\_\_\_ -

(1) Difference should be \$0. Any difference other than \$0 should be investigated and resolved.

Completed By/Date: _____	
Distributed To (if applicable):	
Executive Director _____	SSA Commissioners _____
CFO _____	Finance Committee _____
	Audit Committee _____
Reviewed By/Date: _____	

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VOIDED CHECKS AND STOP-PAYMENT LOG

Agency XYZ  
Voided Checks and Stop-Payment Log  
Period Ending Month XX, 20XX

Check Number	Reason for Void	Check stamped "VOID" and filed (Y/N)?	Stop-payment Approved and Issued (Y/N)?

Completed By/Date: _____
Distributed To (if applicable):
Executive Director _____
CFO _____
SSA Commissioners _____
Finance Committee _____
Audit Committee _____
Reviewed By/Date: _____

**PETTY CASH**



**Background:**

*A petty cash fund (or imprest fund) is used to reimburse or pay for minor expenditures that are not paid for through the standard disbursement process. Petty cash should be used only for valid and approved expenditures. The average daily balance of the petty cash fund should remain at or below an approved threshold.*

**Best Practice(s)**

- The Executive Director at the direction of the SSA Commissioners should establish a maximum petty cash fund balance and maintain at a daily level equal to or below this balance. Maximum balance should usually not exceed \$200 to \$500 depending on the size of the Special Service Area.
- All petty cash disbursements should be supported by a petty cash fund disbursement request form, signed by both the petty cash fund custodian, as well as the petty cash fund requester. All supporting documentation from resulting purchase using petty cash funds should be attached to corresponding petty cash fund disbursement request form.
- Petty cash fund should be replenished from check written out directly to “Petty Cash”.
- All petty cash transactions should be recorded in a petty cash register and identified by requester name, reason, amount, and date.
- Petty cash fund should be reconciled monthly.
- Petty cash should be locked and stored in a secure location at all times.
- A primary and secondary petty cash fund custodian should be identified.

**Procedures:**

1. With the approval of the SSA Commissioners, establish a petty cash fund with a balance not to exceed \$200 to \$500, depending on the size of the Special Service Area, by writing a check out to “Petty Cash” and cashing.
2. Store petty cash funds in a lock box and in a secure location.
3. Requester of petty cash must complete a petty cash disbursement request form and submit to petty cash fund custodian. Both parties sign and date form following custodian approval before cash is released.

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4. Following purchase using petty cash funds, supporting receipt is forwarded to petty cash fund manager and attached to corresponding petty cash disbursement request form. Petty cash fund custodian reviews documentation for appropriateness.
5. Replenish petty cash fund, monthly or as needed, to reach fund maximum balance by writing a check out to "Petty Cash" and cashing.
6. Individual independent of petty cash fund custodian reconciles petty cash fund ensuring all petty cash has been accounted for and that expenditures were approved.

**Examples:**

1. Petty cash is used for minor office expenditures such as postage, copies, office supplies, transportation and other minor, incidental items of small value. Petty cash should not be used to cover large, recurring expenditures or to cash personal checks. Petty cash should also not be used for salaries or independent contractor fees.
2. Petty Cash Request Form (See page 75).

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Special Service Area

**Petty Cash Request Form**

*Date:* \_\_\_\_\_  
*Name:* \_\_\_\_\_  
*Amount:* \_\_\_\_\_

*Description of Expense*

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Receipt(s) attached.

\_\_\_\_\_  
Signature of Requestor

\_\_\_\_\_  
Signature of Approval

**IN-KIND CONTRIBUTIONS**

**Background:**

*In-kind contributions represent non-cash contributions of goods or services that can be readily determined, verified, justified, and secured by receiving organization without any reciprocal transfer of cash, goods or services. Common in-kind contributions include donations of time, space, or goods that would normally be compensated for. In-kind contributions must be appropriately valued, documented and accounted for by recipient organization per accounting and tax regulatory authorities, as well as any donor restrictions attached to in-kind contribution. Some SSA programs may have costs offset by in-kind contributions.*

**Best Practice(s)**

- Local service provider should document all in-kind contributions received, including donor contact information, contribution type and description and estimated value.
- Local service provider should use an independent source whenever possible to assign a fair value to in-kind contributions received.
- Local service provider should follow Generally Accepted Accounting Principles (GAAP) and the requirements of the awarding organization when accounting for in-kind contributions received.

**Procedures:**

1. Document donor contact information, including name, address, and phone number, along with contribution type and description and estimated value.
2. Create a standard report that can be updated for new in-kind contributions received.
3. Assign an estimated value to in-kind contribution based on information provided by donor, or an independent source such as fair market value listings or third party appraisals.
4. Maintain in-kind contribution documentation according to document retention standards and any pertinent regulatory requirements. Internal Revenue Service regulations may require donor to retain documentation supporting contributions received.

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5. As needed, consult with a certified public accountant to determine proper recording of in-kind contributions received. Consult with SSA Commission to adjust cost allocation due to in-kind contribution.

**Example:**

1. In-kind contributions may include services donated by a professional, such as an accountant, doctor, or counselor, or supplies donated by a company, such as books, paper, or paint. In-kind contributions may also include donated office space.

## CASH DISBURSEMENTS FOR GOODS AND SERVICES

### Background:

*Cash disbursements represent outflows of cash for the payment of goods or services received by a local service provider generally or as part of the SSA. With the exception of petty cash, all disbursements should be handled by check. It is critical that cash disbursement responsibilities be properly assigned to responsible employees. Disbursements should only be made for authorized purchases that are approved by management. Cash must be protected through effective policies and procedures that govern its disbursement.*

### Best Practice(s)

- Disbursement approval, check creation, signing, and recording should be performed by different individuals (i.e. segregation of duties).
- Checks should be:
  - pre-numbered and utilized in numerical order
  - stored in secured location
  - signed only by authorized signers according to established dollar thresholds
  - accompanied by supporting documentation before submitted for approval
  - mailed out in accordance with stated vendor payment terms to take advantage of any available payment discounts
- Checks should:
  - **not** be made out to “Cash”
  - **not** be signed prior to use
  - **not** be signed with a signature stamp
  - **not** be drawn for more than available cash balance

### Procedures:

1. Submit check request form with supporting documentation to appropriate personnel for approval.
2. Submit approved check request form with supporting documentation to individual responsible for writing or printing checks.
3. Submit check, check request form, and supporting documentation to check signers for appropriate signatures. Check signers are to follow any established dollar threshold requirements, which may require more signatures and/or approvals be obtained.

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4. Promptly mail check to appropriate vendor per their payment terms, and cancel by writing or stamping “paid” and check number and date on supporting documentation, and file in appropriate location.
5. Update accounting system to reflect disbursement.

**Examples:**

1. Checks should be approved according to established dollar thresholds. Capital expenditures, including construction projects, are often higher in dollar amount and require SSA Commissioner/Board of Directors/Board of Trustees approval.
2. The number of check signatures depends on established signature authorization guidelines, often driven by dollar amount. A check may require more than one signature if over a certain dollar amount. The number of authorized check signers on account should be kept to a minimum.
3. Special programs: In some cases, SSA programs may be able to offset costs through sponsorship or other income-generating opportunities. For example, banner programs and special events typically offset costs through sponsorship. In these case, the following procedures should be followed:
  - A Memorandum of Understanding (“MOU”) should be executed between the local service provider and SSA Commission that includes sources of funds, the financial contributions from the SSA, and uses/expenses.
  - Subsequent to the event/program, the local service provider must provide the SSA Commission with a summary of the budgeted vs. actual sources and uses for review within 30 days of the event/program conclusion.
  - All supporting documentation relating to the event/program should be made available to the SSA Commission, City or auditors upon their request.
  - SSA disbursements must be paid directly to the subcontractor/vendor, not the service provider, and follow the allowable expenses procedures in this manual.

## CASH DISBURSEMENTS FOR RENT - LEASE AGREEMENTS

### Background:

*Any agreement between an office or building owner (lessor) and a local service provider (lessee) that is to use the space for operations, as in the case of a lease agreement, whether for free or for a specified rate, should be documented in writing, including signatures from all parties involved. The existence of a written agreement detailing all significant terms and conditions provides cost justification to awarding agencies and indicates the level of independence that exists between the parties reflecting an arms-length transaction.*

### Best Practice(s)

- Local service provider should establish a written lease agreement between itself and the lessor of the building or office space at which the local service provider, acting as a lessee, conducts its operations, including SSA operations.
- Agreement should include all required terms and conditions so as to make the lease agreement legally binding, including all necessary signatures on each party's behalf.
- Lease agreement should be reviewed by an attorney prior to signing.

### Procedures:

1. Obtain a legally binding lease agreement form and complete with necessary details, including the lessor name, building location, lease term begin date, lease term end date, payment amount, payment frequency and timing, lessee name, special terms and qualifications (if necessary) and signatures from all appropriate parties involved. In most cases, the lessor will provide the lease. Engage the assistance of an attorney to review the lease agreement if necessary.
2. Maintain a copy of original signed lease agreement on file for use as supporting documentation.

### Examples:

1. Leases may be month-to-month, for one year, or multiple years.
2. Leases with related parties must be at market rates, disclosed to the City, and disclosed in the notes to the Special Service Area's financial statements.



## PAYROLL - EMPLOYEE vs. INDEPENDENT CONTRACTOR COMPENSATION AND DOCUMENTATION

### Background:

*In general, individuals receiving compensation that are managed by the local service provider are employees and those not managed are independent contractors. Internal Revenue Service (IRS) criteria should be considered before classifying a worker as an independent contractor versus an employee. Monetary penalties by the IRS can result if a worker is improperly classified. In either case, proper documentation should be retained as required by regulatory authorities. Such authorities also require proper reporting of compensation. See steps 1 and 2 below for additional guidance on proper classification.*

1. Evaluate the relationship between the worker and the local service provider and consider the degree of control and independence, as divided in the following three categories:

#### Behavioral Control

- Instructions local service provider gives worker, indicative of an employee relationship:
  - i. When and where to do the work
  - ii. What tools or equipment to use
  - iii. What workers to hire or to assist with the work
  - iv. Where to purchase supplies and services
  - v. What work must be performed by a specified individual
  - vi. What order or sequence to follow
- Independent contractors typically use their own methods to complete the work, whereas employees typically follow agency training.

#### Financial Control

- The extent to which the worker has unreimbursed business expenses (typically greater in the case of independent contractors).
- The extent of worker's investment (typically greater in the case of independent contractors).
- The extent to which the worker makes services available to the relevant market (typically greater in the case of independent contractors).
- How the agency pays the worker (typically a flat fee in the case of independent contractors).

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Type of Relationship

- Written contracts describing the relationship the parties intended to create.
  - Whether the agency provides the worker with employee-type benefits, including health insurance, pension, vacation or sick pay.
  - The permanency of the relationship (term of employment is usually defined for independent contractors).
  - The extent to which services performed by worker is a key aspect of the regular business of the local service provider (typically lesser in the case of independent contractors).
2. Also, review the document entitled “IRS Independent Contractor vs. Employee Guidelines” on page 57 for additional IRS guidance.

**EMPLOYEE COMPENSATION AND DOCUMENTATION**

**Best Practice(s)**

- Local service provider should collect and maintain all required tax and employment forms from new and existing employees, including IRS Form W-4 and INS Form I-9.
- Compensation should be based on employee salary or time sheets approved by management and accurately reported on IRS Form W-2 at calendar year end.
- Timesheets should reflect hours, by program or activity, worked by employee.
- Local service provider should consider using an automatic payroll service by comparing associated costs with benefits.

**Procedures:**

1. All candidates for employment should be offered employment only upon the final approval of the Executive Director.
2. Communicate new hirings (and terminations) to Board of Directors/Board of Trustees.
3. All employees are to complete and return to agency an IRS Form W-4 and an INS Form I-9 (if hired after November 6, 1986). Local service provider is to sign and verify both forms where required and retain forms on file.

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4. Retain INS Form I-9 on file for the later of 3 years following employee's hire date, or 1 year following termination date.
5. Collect and maintain on file all necessary documentation with INS Form I-9 and IRS Form W-4 per form instructions.
6. Collect and maintain on file all other applicable personnel forms, including, but not limited to, employee application, educational degrees, drug tests, assessment forms, resume, and insurance election forms.
7. All employees are to complete and sign time sheets for every pay period. Time cards or electronic time reading devices may also be instituted. Paychecks will not be distributed until time records have been submitted to supervisor and approved.
8. Compensation will be based on the number of hours worked, as stated on the approved time sheet (except for salaried employees whose wages are predetermined)
9. Tax withholdings from paychecks will be based on information provided by employee on respective IRS Form W-4 and on Federal, State, and Local tax regulations. Information on the IRS Form W-4 may be changed at any time per employee's request and be reflected in the next pay period to follow.
10. After calendar year-end, agency is to complete IRS Form W-2 for all employees and file copies as required per IRS Form W-2 instructions.
11. Supervisor or Executive Director issues performance evaluations to employees on a periodic basis and discusses individually with employee.

**INDEPENDENT CONTRACTOR COMPENSATION AND  
DOCUMENTATION**

**Best Practice(s)**

- Individuals qualifying as independent contractors should sign an Independent Contractor Agreement and be issued an IRS Form 1099 if compensation is \$600 or more during a calendar year.

**Procedures:**

1. If worker is classified as an independent contractor, and compensation paid to worker over calendar year was \$600 or greater, then an IRS Form 1099 must be completed and filed by the local service provider. Independent contractor must also complete an Independent Contractor Agreement before starting work. If worker is classified as employee, see procedures under "Employee Compensation and Documentation".

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**Examples:**

1. Utilize published IRS criteria in evaluating whether a worker should be classified as an employee or an independent contractor. Focus on extent of control and independence in agency/worker relationship.
2. A log should be kept of all payments made to independent contractors. Reimbursement of costs incurred, if paid, should be separately identified.
3. If the contractor receives \$600 or more in compensation over a calendar year, then IRS Form 1099-MISC must be submitted annually to the independent contractor and to the IRS. For further information, see form instructions on IRS website at *www.irs.gov*.
4. 1099-MISC forms on paper or magnetic media must be filed with IRS by February 28<sup>th</sup> (after year end). For further information, see form instructions on IRS website at *www.irs.gov*.

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The following twenty factors listed were prepared by the IRS to assist in determining whether an individual should be classified as an independent contractor or as an employee. For each factor, the greater the occurrence, the higher likelihood individual should be classified as an employee. See IRS website at [www.irs.gov](http://www.irs.gov) for more guidance.

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**IRS Independent Contractor vs. Employee Guidelines**

1. **Instructions.** A worker who is required to comply with other persons' instructions about when, where, and how he or she is to work is ordinarily an employee. This control factor is present if the person or persons for whom the services are performed have the right to require compliance with instructions.
2. **Training.** Training a worker by requiring an experienced employee to work with the worker, by corresponding with the worker, by requiring the worker to attend meetings, or by using other methods, indicates that the person or persons for whom the services are performed want the services performed in a particular method or manner.
3. **Integration.** Integration of the worker's services into the business operations generally shows that the worker is subject to direction and control. When the success or continuation of a business depends to an appreciable degree upon the performance of certain services, the workers who perform those services must necessarily be subject to a certain amount of control by the owner of the business.
4. **Services Rendered Personally.** If the services must be rendered personally, presumably the person or persons for whom the services are performed are interested in the methods used to accomplish the work as well as in the results.
5. **Hiring, Supervising, and Paying Assistants.** If the person or persons for whom the services are performed hire, supervise, and pay assistants, that factor generally shows control over the workers on the job. However, if one worker hires, supervises, and pays the other assistants pursuant to a contract under which the worker agrees to provide materials and labor and under which the worker is responsible only for the attainment of a result, this factor indicates an independent contractor status.
6. **Continuing Relationship.** A continuing relationship between the worker and the person or persons for whom the services are performed indicates that an employer-employee relationship exists. A continuing relationship may exist where work is performed at frequently recurring, although irregular, intervals.
7. **Set Hours of Work.** The establishment of set hours of work by the person or persons for whom the services are performed is a factor indicating control.

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8. **Full Time Required.** If the worker must devote substantially full time to the business of the person or persons for whom the services are performed, such person or persons have control over the amount of time the worker spends working and impliedly restrict the worker from doing other gainful work. An independent contractor, on the other hand, is free to work when and for whom he or she chooses.
9. **Doing Work on Employer's Premises.** If the work is performed on the premises of the person or persons for whom the services are performed, that factor suggests control over the worker, especially if the work could be done elsewhere. Work done off the premises of the person or persons receiving the services, such as at the office of the worker, indicates some freedom from control. However, this fact by itself does not mean that the worker is not an employee. The importance of this factor depends on the nature of the service involved and the extent to which an employer generally would require that employees perform such services on the employer's premises. Control over the place of work is indicated when the person or persons for whom the services are performed have the right to compel the worker to travel a designated route, to canvass a territory within a certain time, or to work at specific places as required.
10. **Order or Sequence Set.** If a worker must perform services in the order or sequence set by the person or persons for whom the services are performed, that factor shows that the worker is not free to follow the worker's own pattern of work but must follow the established routines and schedules of the person or persons for whom the services are performed. Often, because of the nature of an occupation, the person or persons for whom the services are performed do not set the order of the services or set the order infrequently. It is sufficient to show control, however, if such person or persons retain the right to do so.
11. **Oral or Written Reports.** A requirement that the worker submit regular or written reports to the person or persons for whom the services are performed indicates a degree of control.
12. **Payment by Hour, Week, Month.** Payment by the hour, week, or month generally points to an employer-employee relationship, provided that this method of payment is not just a convenient way of paying a lump sum agree upon as the cost of a job. Payment made by the job or on a straight commission generally indicates that the worker is an independent contractor.
13. **Payment of Business and/or Traveling Expenses.** If the person or persons for whom the services are performed ordinarily pay the worker's business and/or traveling expenses, the worker is ordinarily an employee. An employer, to be able to control expenses, generally retains the right to regulate and direct the worker's business activities.

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14. **Furnishing of Tools and Materials.** The fact that the person or persons for whom the services are performed furnish significant tools, materials, and other equipment tends to show the existence of an employer-employee relationship.
15. **Significant Investment.** If the worker invests in facilities that are used by the worker in performing services and are not typically maintained by employees (such as the maintenance of an office rented at fair value from an unrelated party), that factor tends to indicate that the worker is an independent contractor. On the other hand, lack of investment in facilities indicates dependence on the person or persons for whom the services are performed for such facilities and, accordingly, the existence of an employer-employee relationship. Special scrutiny is required with respect to certain types of facilities, such as home offices.
16. **Realization of Profit or Loss.** A worker who can realize a profit or suffer a loss as a result of the worker's services (in addition to the profit or loss ordinarily realized by employees) is generally an independent contractor, but the worker who cannot is an employee. For example, if the worker is subject to a real risk of economic loss due to significant investments or a bona fide liability for expenses, such as salary payments to unrelated employees, that factor indicates that the worker is an independent contractor. The risk that a worker will not receive payment for his or her services, however, is common to both independent contractors and employees and thus does not constitute a sufficient economic risk to support treatment as an independent contractor.
17. **Working for More Than One Firm at a Time.** If a worker performs more than the minimal services for a multiple of unrelated persons or firms at the same time, that factor generally indicates that the worker is an independent contractor. However, a worker who performs services for more than one person may be an employee of each of the persons, especially where such persons are part of the same service arrangement.
18. **Making Service Available to General Public.** The fact that a worker makes his or her services available to the general public on a regular and consistent basis indicates an independent contractor relationship.
19. **Right to Discharge.** The right to discharge a worker is a factor indicating that the worker is an employee and the person possessing the right is an employer. An employer exercises control through the threat of dismissal, which causes the worker to obey the employer's instructions. An independent contractor, on the other hand, cannot be fired so long as the independent contractor produces a result that meets the contract specifications.
20. **Right to Terminate.** If the worker has the right to end his or her relationship with the person for whom the services are performed at any time he or she wishes without incurring liability, that factor indicates an employer-employee relationship.

## BIDDING FOR GOODS & SERVICES - OBTAINING A FAIR PRICE

### Background:

*The process of bidding helps to ensure that a local service provider receives fair price quotes, or bids, during the procurement of goods and services, including for items related to the SSA. This is accomplished by requesting bids from more than one vendor for the same goods or services. Oftentimes, bids provided by vendors offer a clearer understanding of the goods or services to be provided, including critical specifications like quantity, price terms, restrictions, etc. Additionally, many local service providers and/or SSA Commissions should consider mandating the use of a bidding process to obtain goods or services over a certain dollar amount.*

### Best Practice(s)

- Local service providers and SSA Commissions should establish bidding requirements for expenditure classes based on specified dollar thresholds. Expenditure requests that exceed these thresholds should require Request for Proposals (RFP)/written bids should be obtained from more than one vendor. Bids for annual audit services should be solicited regardless of the expected cost.
- The decision to approve a vendor should be made by the Executive Director or Board of Directors/Board of Trustees depending on dollar amount. Express written consent by the SSA Commission is needed for a service provider to enter into subcontracts as part of their SSA service provider agreement.
- Executive Director should disclose to SSA Commissioners/Board of Directors/Board of Trustees any potential related party transactions or any perceived, real or implied conflicts of interests with vendors bidding on goods and service contracts.

### Procedures:

1. Refer to established dollar thresholds based on expenditure class to determine need to solicit bids for goods or services being requested. If bid dollar thresholds do not exist, create dollar thresholds and solicit Executive Director or SSA Commissioners/Board of Directors/Board of Trustees approval.
2. If expected dollar amount of expenditure exceeds established dollar threshold for respective expenditure class, solicit at least three independent vendor bids. Bid request should outline specifications for goods or services being requested, including quantity, description and any additional requirements. If requesting annual audit services, solicit vendors for bids regardless of expected cost.



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3. Once all bids expected are received from vendors, Executive Director, or SSA Commissioners/Board of Directors/Board of Trustees, reviews, selects, and approves vendor.
4. Maintain copy of approved bid on file.

**Examples:**

1. Some examples of expenditure classes include capital expenditures, professional services (including annual audit services), office supplies, printing and audit services.
2. Executive Director and SSA Commissioners/Board of Directors/Board of Trustees shall determine tolerance level for goods or services requests that can be priced by a single vendor.
3. Some important information to cover in bid requests includes, among others:
  - Description of technical and functional requirements
  - Desired format of vendor bid
  - Due date for bid
  - Delivery/performance terms
  - Quantity and type
  - Vendor's experience and financial health
  - Cost of goods or services desired
  - Any relationship(s) with agency employees or members of the Board of Directors/Board of Trustees, etc.
  - Insurance must comply with terms of the Service Provider Agreement
4. The City has a SSA vendor list with numerous types of typical SSA products and services. This list does not represent a City endorsement of these vendors nor are SSA Service Providers required to use these vendors. The City identified these vendors through several sources, including SSA Service Providers, Mayor's Office of Workforce Development, and vendors who contacted DPD for inclusion on the list.

## RECORDS RETENTION

### Background:

*Record retention is necessary for providing proper audit and tax support, and to comply with established regulatory agency requirements, including the Internal Revenue Service (IRS), Employee Retirement Income Security Act (ERISA) of the United States Code, and the Uniform Commercial Code (UCC) of the Secretary of State. Records include both paper and electronic documents obtained by an organization during course of operations.*

### Best Practice(s)

- Local service provider should retain both general and SSA-related records as required by law and destroy records when appropriate.
- The destruction of records should be approved via a Records Destruction Request Form. Once the records have been destroyed, a copy of the Records Destruction Request Form will be included in the organization's Records Destruction Log.

### Procedures:

1. Develop and maintain a record retention schedule. The schedule should be based on internal and/or regulatory body guidelines. Refer to attached schedule for more guidance.
2. Retain current, active records on-site. All other, inactive records may be moved to an off-site storage area if desired.
3. Update files regularly, ensuring that records are being kept for the correct amount of time.
4. Records that no longer need to be retained should be destroyed. Before destroying a document, a Records Destruction Request Form is completed by requester and approved by Executive Director.
5. Once the document is destroyed, the Records Destruction Request Form is included in the organization's Records Destruction Log.

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**Examples:**

1. Record Retention Schedule (See page 92).
2. Records Destruction Request Form (See page 93).

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**Record Retention Schedule\*:**

<b>Document Type</b>	<b>Record Retention Period</b>
Audit Reports	Permanently
Accident Reports	Permanently
Accounting Ledgers Records	6 to 7 Years
Accounting Policies and Procedures	Permanently
Bank Statements	6 to 7 Years
Bank Reconciliations	3 Years
Board of Directors/Board of Trustee's minutes	Permanently
Cancelled Checks for important payments	Permanently
Charts of Accounts	Permanently
CPA Audited Financial Statements	Permanently
Deeds, Mortgages, Contracts and Leases	Permanently
Contracts and Leases (expired)	6 to 7 Years
Duplicate Deposit Slips	3 Years
Employee Personnel Records	Permanently
Employment Applications	3 Years
Expense Reimbursements	6 to 7 Years
Financial Statements	Permanently
General Correspondence	3 Years
Insurance Policies	3 Years
Inventory Records	6 to 7 Years
Minutes	Permanently
Payroll Records (W-2 forms, 1099s)	6 to 7 Years
Personell Records After Termination	6 to 7 Years
Petty Cash Records	3 Years
Purchase Orders	1 Year or Less
Legal Correspondence	Permanently
Tax Returns	Permanently
Vendor Invoices	6 to 7 Years

\*Note: This schedule is not intended to be all-inclusive. This schedule presents commonly accepted retention periods. Consult applicable awarding agency and regulatory guidelines for specific requirements, including, but not limited to, those issued by the IRS ([www.irs.gov](http://www.irs.gov)), ERISA and the UCC.

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**Records Destruction Request Form**

Requesting Employee:

\_\_\_\_\_

Date of Request:

\_\_\_\_\_

Name of Record:

\_\_\_\_\_

Age of Record:

\_\_\_\_\_

Employee Signature:

\_\_\_\_\_

Should this record be microfilmed?

Yes \_\_\_\_\_ No \_\_\_\_\_

Method of Destruction:

Trash \_\_\_\_\_ Shredded \_\_\_\_\_

Has the time requirement for retaining this record been met?

Yes \_\_\_\_\_ No \_\_\_\_\_

Approval:

Name: \_\_\_\_\_ Title: \_\_\_\_\_

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

I certify that this destruction has been completed.

Name: \_\_\_\_\_ Signature: \_\_\_\_\_

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

## COMPUTER SECURITY AND FILE BACK-UP

### Background:

*Computer systems store large quantities of local service provider and Special Service Area financial and operational information that, if lost or stolen, could cause a financial loss or efficiency loss. Types of information stored on an organization's computer system include accounting software and accounting data, contributor lists and contact information, awarding agency contract information, tax returns, correspondence, payroll data, bank information, and organization forms, policies and procedures. A secured method for accessing the computer system is necessary for securing such information, as well as specific methods to back up important information.*

### Best Practice(s)

- Local service provider should establish computer password rules to be adopted by all local service provider employees. Additionally, the local service provider should require and maintain a list of authorized computer users (with chosen passwords), especially ones specifically for SSA financial records.
- Computer passwords should be required to be changed at least every 90 days.
- Computer passwords should be deleted for all former local service provider employees.
- Local service provider should establish computer file back-up procedures to be adopted by all local service provider employees. Back-up procedures should be reviewed annually and updated, if necessary, for any changes.

### Procedures:

#### Passwords

1. Executive Director designates employees that should have certain levels of computer access based on employee's job duties and responsibilities. Access is limited to what computer resources employee needs to have access to in order to perform his or her assigned job responsibilities. Once decided, employee name should be added to list of authorized computer users, including level of access granted.
2. All names on authorized computer user list are assigned a unique password. Passwords are to be changed at least every 90 days and not shared between users.

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3. Delete all passwords that are assigned to former employees of the agency.

Back-Up

1. Develop a set of back-up procedures to cover back-up of critical computer applications and files, including accounting system, local service provider and Special Service Area financial information, payroll data, budgets, etc.
2. Review and update computer file back-up procedures at least annually, or when significant applications are acquired.
3. Maintain back-up files at an off-site location in case of local disaster.

**Examples:**

1. Passwords should be changed at least once every 3 months, kept in a secure location accessible only by password owner, not shared with anyone and assigned only to users that need such access.
2. Computer files can be backed up on other storage media, such as floppy disk, zip disk or as hard copies. It is recommended that all back-up copies be stored in a location different from the location where the corresponding original files are being stored.