



Office of Inspector General
Legal Services Corporation

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August 24, 2017

Ms. Anne Milne
Executive Director
Utah Legal Services, Inc.
205 North 100 West
Salt Lake City, UT 84103-1125

Dear Ms. Milne:

Enclosed is the Legal Services Corporation's Office of Inspector General's (OIG) final report for our audit of Selected Internal Controls at Utah Legal Services, Inc. Your comments are included in the final report as Appendix II.

The OIG considers your proposed actions to address Recommendations 1 through 6 as responsive. Recommendation 4 will remain open until revisions are made to the contracting policy based on anticipated updates to the PAMM/45 CFR Part 1630. The actions taken and planned with respect to fixed assets and contracting should correct the other issues identified in the report.

Please provide us with your written response to close out the open recommendation along with the revised Accounting Manual within six months of the date of this final report.

Recommendations 1, 2, 3, 5 and 6 are considered closed.

Sincerely,

Jeffrey E. Schanz
Inspector General

Enclosure

cc: Legal Services Corporation
Jim Sandman, President

Lynn Jennings, Vice President
For Grants Management

Utah Legal Services. Inc.
Bart J. Johnsen
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Sent by E-mail to Board of Directors

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**LEGAL SERVICES CORPORATION
OFFICE OF INSPECTOR GENERAL**

**FINAL REPORT ON SELECTED INTERNAL
CONTROLS**

**UTAH LEGAL SERVICES, INC
RNO 745000**

Report No. AU 17-09

August 2017

www.oig.lsc.gov

TABLE OF CONTENTS

INTRODUCTION	1
BACKGROUND	1
OBJECTIVE	2
AUDIT FINDINGS	2
FIXED ASSETS.....	2
Recommendation 1	3
Recommendation 2.....	3
Recommendation 3.....	3
WRITTEN POLICIES AND PROCEDURES.....	3
Recommendation 4.....	5
CONTRACTING.....	5
Recommendation 5.....	6
Recommendation 6.....	6
SUMMARY OF GRANTEE MANAGEMENT COMMENTS.....	7
OIG EVALUATION OF GRANTEE MANAGEMENT COMMENTS	7
APPENDIX I – SCOPE AND METHODOLOGY	I-1
APPENDIX II – GRANTEE MANAGEMENT COMMENTS.....	II-1

INTRODUCTION

The Legal Services Corporation (LSC) Office of Inspector General (OIG) assessed the adequacy of selected internal controls in place at Utah Legal Services, Inc. (ULS or grantee) related to specific grantee operations and oversight. Audit work was conducted at the grantee's administrative office in Salt Lake City, UT and at LSC headquarters in Washington, DC.

In accordance with the Accounting Guide for LSC Recipients (2010 Edition) (Accounting Guide), Chapter 3, an LSC grantee "...is required to establish and maintain adequate accounting records and internal control procedures." The Accounting Guide defines internal control as follows:

[T]he process put in place, managed and maintained by the recipients' board of directors and management, which is designed to provide reasonable assurance of achieving the following objectives:

1. safeguarding of assets against unauthorized use or disposition;
2. reliability of financial information and reporting; and
3. compliance with regulations and laws that have a direct and material effect on the program.

Chapter 3 of the Accounting Guide further provides that each grantee "must rely... upon its own system of internal accounting controls and procedures to address these concerns" such as preventing defalcations and meeting the complete financial information needs of its management.

BACKGROUND

Utah Legal Services, Inc. (ULS) is a non-profit law office incorporated in 1976 committed to equal justice by providing free legal help in non-criminal cases to low-income Utahans as well as groups with special legal needs to include farm workers, Native Americans and senior citizens. With offices in Salt Lake City, Ogden, Provo and St. George, ULS serves the entire state with over 360,000 persons eligible for legal help from this grantee.

ULS is predominately funded by the Legal Services Corporation but also receives funding from the State of Utah, Victims of Crime Act, the "And Justice For All" campaign and various other sources. According to the audited financial statements for calendar year 2016, ULS received a total of \$4,198,946 in overall funding. Approximately 62 percent or \$2,624,269 of the grantee's total support was provided by LSC.

OBJECTIVE

The overall objective was to assess the adequacy of selected internal controls in place at the grantee as they relate to specific grantee operations and oversight, including program expenditures and fiscal accountability. Specifically, the audit evaluated select financial and administrative areas and tested related controls to ensure that costs were adequately supported and allowed under both the LSC Act and LSC regulations.

AUDIT FINDINGS

To accomplish the audit objective, the OIG reviewed and tested internal controls related to cash disbursements, credit cards, contracting, fixed assets, cost allocation, derivative income, internal reporting and budgeting, general ledger controls, employee benefits and payroll. While some of these areas had adequate written policies and procedures, some controls need to be strengthened and formalized in writing as they relate to specific grantee operations and oversight. The OIG identified the following areas that need improvement.

FIXED ASSETS

Property Records

The grantee's property records do not include check number, funding source, identification number/serial number, tag or inventory control number, and location of the asset as required by LSC's *Fundamental Criteria of an Accounting and Financial Reporting System (Fundamental Criteria)* contained in the LSC Accounting Guide. Grantee management was unaware that all the elements were required to be on their property listing. Failure to maintain adequate property records may result in the inability to fully account for fixed asset purchases and to support depreciation amounts and property asset balances.

The *Fundamental Criteria* section 3-5.4 (c) lists all the elements that should be included in the property records. Grantee property records should include all required elements stated on that list.

Tracking of Assets

The grantee recorded assets as a group under one line item on the property records instead of individually. For example, the grantee recorded all the ball chairs under one asset ID on the inventory records. The grantee also did this for the computers. This was not done for all assets, but just for certain items. Grouping items in the property records, does not allow for the grantee to adequately track individual items, especially sensitive items such as computers.

Although grantee management assisted the OIG in locating certain assets, there was no sure way to identify that they were the actual items shown on the property listing because

it did not list the tag number, inventory control number, serial number/identification number, or location of each asset.

Also, the OIG did not locate any tags on any of the grantee's property. Our fixed asset test work requires that we physically observe the property and the associated tags to see if the property records are accurate. We observed property within the grantee's office in Salt Lake City, but saw no tags.

The grantee did not follow its own policies and procedures for tagging inventory. The grantee's Accounting Manual states that all capital additions over \$5,000 are to be tagged, inventoried and depreciated. Purchases or donated assets with cost or value over \$5,000 will be tagged and inventoried. Property valued in excess of \$1,000 is to be tagged with a ULS inventory control tag and added to the fixed asset record, including manufacturer, model number, serial number, cost, funding source, location and useful life.

Failure to maintain adequate property records may result in the inability to fully account for fixed asset purchases, and to support depreciation amounts and property asset balances.

Section 2-2.4 of the *Fundamental Criteria* states that grantees, for financial statement purposes, must capitalize and depreciate all nonexpendable items costing \$5,000 or more, with a useful life of more than one year. Grantees have the discretion to capitalize items with a lower value. In addition, the grantee should be mindful of items that may contain sensitive information (e.g., a computer with client confidential information) valued less than \$5,000 and the need to inventory these items and dispose of them appropriately.

Recommendations: The Executive Director should:

Recommendation 1: update the property records to meet the requirements of the *Fundamental Criteria*, to include the required elements of the property record and specifically include the elements listed above.

Recommendation 2: ensure that assets are individually recorded in the property records.

Recommendation 3: ensure that the grantee follows its own policies and procedures for the tagging of inventory.

WRITTEN POLICIES AND PROCEDURES

Overall, the grantee's written policies and procedures in the areas of general ledger and financial controls, derivative income, budgeting, and contracting need to be strengthened or established to properly describe the controls and procedures. Section 3-4 of the LSC Accounting Guide states that each grantee must develop a written accounting manual

that describes the specific procedures to be followed in order to comply with LSC's *Fundamental Criteria*. The grantee was either unaware of the detail required or didn't realize the need for the policies in the areas mentioned below.

Without proper written policies and procedures, there could be a lack of transparency and consistency in the application methodology. Approved, documented policies and procedures represent grantee management's intentions on the handling of processes and serve as a method of documenting the design of controls, communicating them to the staff and ensuring that proper controls are followed.

General Ledger and Financial Controls

Bank Reconciliations

The grantee's written policy is for bank reconciliations to be reviewed and approved by an authorized person. However, the grantee's Accounting Manual does not detail that the reviewer of the bank statements document evidence of the review by signing and dating the bank reconciliations. The grantee uses a monthly summary sheet as part of their approval process, which lists all the bank accounts. The reviewer should initial each summary sheet after reviewing all of the reconciliations on that particular summary sheet. Because there is no written requirement regarding this procedure, two of the three bank reconciliation summary sheets were not signed and dated by the reviewer. There were a combined total of 19 bank reconciliations on the three summary sheets. One reconciliation summary sheet was signed and dated, however it was not completed timely. The grantee's written policy and current practices do not appear to be in accordance with LSC's *Fundamental Criteria* in this area because there is a lack of evidence documenting review.

Derivative Income

The grantee's written policies and procedures generally adhere to the *Fundamental Criteria* for derivative income. However, the grantee's Accounting Manual does not include the written methodology on how interest income is allocated to the different funding sources. Our test work revealed that the grantee does collect interest and the allocation practice appears reasonable and in accordance with LSC *Fundamental Criteria*.

Contracting

The grantee's Accounting Manual details policies and procedures for private attorney and consultant contracts, but lacked detail in regards to other types of contracts. The manual does not include:

- procedures for procuring various types of contracts such as personal service and sole sourced contracts.
- the type and dollar value of contracts that require competition.

- the requirement that all contract actions be maintained in a central file.

The grantee's contracting practices did not fully comply with LSC requirements because all contract documentation is not centrally filed and for one contract, bids and quotes were not maintained.

Internal Reporting and Budgeting

The grantee does not have a written policy in its Accounting Manual on budgeting, although the practices in place are adequate. The written policy on budgeting should include budget formulation procedures, timing of the budget process, budgeting responsibilities and the budget approval process. The grantee has a solid budgeting process in place that includes the items detailed above but needs to have it reduced to writing.

Recommendation 4: The Executive Director needs to establish or update written policies which are approved by the Board of Directors for:

- a. General Ledger and Financial Controls (bank reconciliations)
- b. Derivative Income (Interest Income)
- c. Contracting
- d. Internal Reporting and Budgeting

The written policies put into place should adequately describe the current grantee processes and controls in sufficient detail and be in accordance with LSC's Accounting Guide and *Fundamental Criteria*.

CONTRACTING

Lack of Contract Documentation

The OIG found that of the seven contracts tested, the grantee did not maintain the bids used to secure one contract, a technology consultant contract, due to over 10 years having passed since the contract was secured on February 6, 2007. The grantee did maintain adequate documentation for the remaining six contracts. If there were bids, quotes or a proposal to provide this service, they could not be located by the grantee. The Deputy Director stated that since it was so long ago, the original documentation could not be found. The consultant was paid \$5,700 in 2016.

The *Fundamental Criteria* provides that the process used for each contract action should be fully documented and the documentation maintained in a central file. Any deviations from the approved contracting process should be fully documented, approved, and maintained in the contract file. Furthermore, it provides that the type and dollar value of contracts that require competition should be included in the policies of the grantee. Documents to support competition should be retained and kept with the contract files.

Proper documentation helps ensure that the approved contract was awarded in accordance with established procedures.

Failure to Rebid Contract

The above technology consultant contract has been held by the same consultant for an extended period without opening the contract up for rebidding. The consultant is engaged to perform technical support services for computer hardware and software. According to the grantee, the consultant has not raised its prices since the inception of the contract, so they didn't feel the need to open it up for rebid. However, it is best practice that all contracts, especially older contracts, be reopened to bid to ensure that the grantee is receiving the best price and service available, especially if LSC funds are being used.

Contracting is a high-risk area for potential abuse. If not properly conducted, weak contracting practices can result in a waste of scarce funds and subject the grantee to questioned cost proceedings.

The *Fundamental Criteria* states that for large contracts, competition helps ensure the best value for the grantees.

Contracts Documentation Not Centrally Filed

The contracts, bids, quotes, proposals, sole source justifications and other evaluation documentation were not filed in a central location for any of the seven contracts we tested.

Through our discussions with grantee management, the contracting documentation appears to be filed in different places. The grantee's Controller stated that the contracts were filed in a cabinet with the Executive Administrative Assistant. However, when the OIG spoke to the Deputy Director he said the contract documentation was filed electronically. There appears to be confusion between grantee management on how contracts are filed and maintained.

Proper documentation helps to ensure that the approved contract has followed all established procedures.

Recommendations: The Executive Director should:

Recommendation 5: ensure that all documentation for each contract and contract action be filed in a central location.

Recommendation 6: determine if the grantee is receiving a competitive price for consultant services, and if not, consider rebidding the contract to the public to ensure the grantee is receiving the best price and service available.

SUMMARY OF GRANTEE MANAGEMENT COMMENTS

Grantee management agreed with all the findings in the report and accepted all six recommendations. ULS updated its property records to meet the requirements of the *Fundamental Criteria*. They will ensure that assets are individually recorded in their property records and follow their tagging policies and procedures. ULS agreed to update their Accounting Manual for the deficient policies identified in the report. The Executive Director will ensure that all contract documentation is maintained and filed in a central location. In addition, the grantee has implemented procedures to ensure they are receiving competitive prices for technology related contracted services. Grantee management's formal comments can be found in Appendix II.

OIG EVALUATION OF GRANTEE MANGEMENT COMMENTS

The OIG considers the proposed actions to address Recommendations 1 through 6 as responsive. The actions taken and planned by the grantee management to revise and update its Accounting Manual are adequate. The grantee explained that further revisions to their contracting policy are anticipated when the PAMM/45 CFR Part 1630 updates become final. As such, Recommendation 4 will remain open until such revisions are made and the Board of Directors' approval is obtained. The actions taken and planned with respect to fixed assets and contracting should correct the other issues identified in the report.

Recommendations 1, 2, 3, 5 and 6 are considered closed.

SCOPE AND METHODOLOGY

To accomplish the audit objective, the OIG identified, reviewed, evaluated and tested internal controls related to the following activities:

- Cash Disbursements;
- Credit Cards;
- Contracting;
- Cost Allocation;
- Derivative Income;
- General Ledger and Financial Controls;
- Internal Management Reporting and Budgeting;
- Property and Equipment;
- Employee Benefits; and
- Payroll.

To obtain an understanding of the internal controls over the areas reviewed, grantee policies and procedures were reviewed including manuals, guidelines, memoranda and directives, setting forth current grantee practices. Grantee officials were interviewed to obtain an understanding of the internal control framework. Management and staff were interviewed as to their knowledge and understanding of the processes in place. To review and evaluate internal controls, the grantee's internal control system and processes were compared to the guidelines in the *Fundamental Criteria* contained in the LSC Accounting Guide. This review was limited in scope and not sufficient for expressing an opinion on the entire system of grantee internal controls over financial operations.

The OIG assessed the reliability of computer generated data the grantee provided by reviewing available supporting documentation for the entries selected for review, conducting interviews and making physical observations to determine data consistency and reasonableness. We determined the data sufficiently reliable for the purposes of this report.

To test for the appropriateness of expenditures and the existence of adequate supporting documentation, disbursements from a judgmentally selected sample of employee and vendor files were reviewed. The sample consisted of 93 disbursements totaling \$271,651.14. The sample represents approximately 12 percent of the grantee's total expenses of \$2,217,877.47 other than for payroll during the period January 1, 2016 to December 31, 2016.

To evaluate and test internal controls over contracting, fixed assets, internal management reporting and budgeting, cost allocation, general ledger and financial controls, employee benefits and payroll, we interviewed appropriate program personnel, examined related policies and procedures and selected specific transactions to review for adequacy.

Controls over derivative income were reviewed by examining current grantee practices and reviewing the written policies contained in the grantee's accounting manual, where applicable.

The on-site fieldwork was conducted from April 10, 2017 through April 14, 2017. Our work was conducted at the grantee's program administration office in Salt Lake City, UT and at LSC headquarters in Washington, DC. We reviewed documents pertaining primarily to the period January 1, 2016 through December 31, 2016.

This audit was conducted in accordance with generally accepted government auditing standards. Those standards require that the audit be planned and performed to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. The OIG believes the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

GRANTEE MANAGEMENT COMMENTS

ULS Response to
LSC OIG Draft Report on Selected Internal Controls
August 2017

Recommendations: The Executive Director should:

Recommendation 1: update the property records to meet the requirements of the *Fundamental Criteria* to include the required elements of the property record and specifically include the elements listed above.

ULS agrees that our property records do not meet all the requirements of LSC's *Fundamental Criteria* and has revised the format of our inventory to track the following criteria: description of the property; date acquired; check/voucher number; original cost; fair value (if donated); method of valuation (if donated); salvage value, if any; funding source; estimated life; depreciation method; identification number; and location. See attachment.

Recommendation 2: ensure that assets are individually recorded in the property records.

ULS agrees that assets meeting the threshold for tracking will be recorded individually in the revised form.

Recommendation 3: ensure that the grantee follows its own policies and procedures for the tagging of inventory.

ULS agrees that we must follow our policies for tagging inventory.

Recommendation 4: the Executive Director needs to establish or update written policies which are approved by the Board of Directors for:

- a. general ledger and financial controls (bank reconciliations)

We agree and have updated the ULS Accounting Manual to require that the reviewer sign and date the summary sheet used for the bank reconciliations. See attached section of the Accounting Manual, Bank Reconciliations, at Page 33.

- b. derivative income (interest income)

ULS agrees and has revised the Accounting Manual to include how interest income is allocated to funding sources. See attached section of the Accounting Manual, Revenue Recognition, at Page 53.

c. Contracting

ULS agrees and will revise the Accounting Manual and Contracting Policies and Procedure document to reference and include additional types of contract and dollar amount that require competition and establishing a central file location for contracts. A draft policy is attached but further revisions are anticipated when the PAMM/45 CFR §1630 updates become final. At that time the revised policy changes will be reviewed by the Board.

d. internal reporting and budgeting

Internal Reporting and Budgeting: ULS agrees and has added the attached policy to our Accounting Manual at Page 10.

The written policies attached are in accordance with LSC's Accounting Guide and *Fundamental Criteria* and were reviewed by the Board prior to the submission of this response.

Recommendation 5: ensure that all documentation for each contract and contract action be filed in a central location.

ULS agrees and as described in response 4c has established a central location for contracts and the related documentation. J:\ssu\contracts, J:\ssu\contract\RFP Process and J:\ssu\contracts\Approved Contracts

Recommendation 6: determine if the grantee is receiving a competitive price for consultant services, and if not, consider rebidding the contract to the public to ensure the grantee is receiving the best price and service available.

ULS agrees it must pay competitive price for consultant services. To ensure that we are receiving a competitive price for our IT consultant services, we contacted the Disability Law Center and Legal Aid Society, nonprofit agencies similar to our own based in the Salt Lake City area. They pay annual fixed IT rates of \$9,600 and \$17,000, respectively and both agencies have fewer users, locations and complexities than ULS. Our annual spending, \$5,700 in the past year with no fixed commitment for future expenditures is highly competitive. We have considered additional contract assistance in the technology area based on the need for expertise in other areas. If we decide to pursue that assistance we will use and document an RFP process.

Attachment 1. Physical Inventory

See Excel Spreadsheet.

Attachment II. Bank Reconciliations

Executive Staff will review the completed reconciliation per the check list, and sign and date the check list to show timely review of the reconciliation for every account listed on the check list.

Attachment III. Revenue Recognition

Interest income shall be allocated to LSC in proportion to its percentage of overall funding of the organization.

Attachment IV. Contracting. Draft Policy:

Contracting Policies and Procedures

Utah Legal Services enters into various contracts for goods and services. This policy sets forth ULS contracting policies and procedures, including competition requirements and exceptions, for certain contracts that involve specialized program services, litigation related services, private attorney contracting, technology development, and tenant improvement contracts. This policy is not intended to apply to regular on-going vendor agreements for office supplies, communications, copier maintenance, etc. It is also not intended to apply to corporate leases or corporate line of credit arrangements.

Many of ULS's contracting arrangements are subject to specific regulatory or other funding requirements and other ULS policies, for example: Private Attorney Involvement (PAI) contracts are subject to ULS's contract attorney procedures and ULS's Board approved annual PAI Plan; ULS follows the LSC Property Acquisition Manual (PAMM) for contracts related to property funded with LSC funds; and LSC pre-approval is required for sub-grants and for PAI contracts exceeding \$25,000 of anticipated LSC funded expenditures. See LSC regulations 45 CFR Part 1614 and 1627. Special purpose grant funded projects may also be subject to grant specific contracting terms or specified contractors.

Contracts and contract history including RFP process documentation will be stored electronically at j:\ssu\contracts.

Contracting and Documentation Procedures for Contracts in Excess of \$25,000.

In addition to any other legal or funding requirements, the following procedures apply to covered contracts in excess of \$25,000:

- c. ULS will issue a Request for Proposals (RFP) to possible contract providers and will select from no less than three documented bids. In instances where an RFP and/or three bids may not be reasonable or practical an exception may be requested. Exceptions require approval by the Executive or Deputy Director.

An exception may be approved for reasons including but not limited to:

- The contract involves professional services of a specialized nature or involve reduced fee (PAI) client representation or subcontracts to support volunteer attorney referral services;
 - The number of qualified and available providers of goods or services is limited.
 - Lease agreements or landlords have in-house preferred contractors for Tenant Improvement work.
 - There is an unusual, compelling and time sensitive urgency related to the contract or the underlying project.
 - A special purpose grant funded project has its own specific contracting terms or a specified contractor or contractors are included as part of the special purpose grant.
 - The contract is for continuation of the provision of goods and services previously provided by the contractor and it is impracticable, unfeasible or inefficient to seek bids from other sources.
- d. As to matters other than direct client services and litigation related contracts the Chief Information Officer will normally initiate RFP's, develop selection criteria and process, document bids, document basis for final selection and present the contract and supporting documentation for execution and forward to the Directors for review. In addition, the Board's Finance Committee will meet these requirements for the Independent Public Account (IPA) selection process.
- e. The Controller will review documentation for completeness and assure that pricing appears reasonable and present for execution.
- f. The Executive or Deputy Director must review, approve and sign the final agreement or contract.
- g. The Controller will maintain and retain all relevant documents in the accounting department and in accordance with ULS document retention policies.

Contracts exceeding \$100,000 annually are to be detailed separately in the annual budgets submitted for Board consideration as part of the annual budget review and approval process.

Contracting and Documentation Procedures for Contracts over \$5,000 and less than \$25,000.

In addition to any other legal or funding requirements, the following procedures apply to applicable contracts between \$5,000 and \$25,000:

- e. Authorized ULS staff will secure a cost estimate or bid for the applicable services, construction work or development work to be performed.
- f. As to matters other than direct client services and litigation related contracts the Chief Information Office will normally be responsible to document the estimate, document the final contractor selection and assure that agreements or contracts are reasonable and forwarded to the Controller.
- g. The Controller will review documentation for completeness and assure that pricing appears reasonable and forward to the Executive or Deputy Director for review and approval.
- h. The Controller will maintain and retain all relevant documents in the accounting department and in accordance with ULS document retention policies.

Contracting and Documentation Procedures for Litigation Related and Other Contracts of \$5,000 or less.

In addition to any other legal or funding requirements, litigation contracts and other contracts of \$5,000 or less will comply with ULS's procedures, forms and approval processes regarding Distribution Authorizations submitted through Legal Server and approved for payment by the Executive or Deputy Director or the Chief Information Officer and ULS's Accounts Payable, Approval, and Check Signer process as applicable.

Temporary Services Through the Use of Independent Contractors:

In certain instances, it is appropriate for ULS to enter into contracts with individuals to provide direct client or program services for a short period of time. Temporary assistance of this nature may arise when a staff member is on an extended leave of absence, i.e., parent or medical, or to perform specialized functions on a limited time basis. When a temporary need arises the responsible Attorney should contact the Deputy Director to determine whether client service needs warrant a temporary services contract and whether an independent contractor or temporary employee is the most appropriate solution.

Classification as an Independent Contractor (IC) or as a Temporary Employee (Temporary on ULS payroll) is a determination that is to be made by a review of the facts of the relationship and consideration of the extent of ULS's right to direct and control the individual. The contract file should contain reasonable documentation of the factors used in coming up with this determination.

Sole Source Contracts or Purchases

There are occasions when products/services may be purchased from one specific source or manufacturer outside the usual RFP process described above. If a purchase or contract is to

proceed on a sole source basis the justification must be documented in writing, approved by the Executive or Deputy Director and stored in the contract file.

Commonly accepted sole source justifications include, but aren't limited to, instances where only one appropriate supplier can be identified to supply a product or service or where there are concerns with compatibility with existing equipment or software. For example when products or services are being purchased to directly interface with or attach to equipment of the same manufacturer or software, and no other manufacturer's products will seamlessly interface with existing equipment.

IRS - Independent Contractor General Rule

People such as lawyers, contractors and subcontractors who follow an independent trade, business, or profession in which they offer their services to the public, are generally not employees. However, whether such people are employees or independent contractors depends on the facts in each case.

The general rule is that an individual is an independent contractor if you, the person for whom the services are performed, have the right to control or direct only the result of the work and not the means and methods of accomplishing the result.

When ULS has made a determination that a consultant or other professional service provider is appropriately classified an independent contractor rather than as an employee, ULS' Contracting Policies and Procedures shall be followed and an agreement prepared as necessary. The contract or agreement is to reflect a comprehensive description of the duties, the rate of compensation or contract amount, the starting and ending dates, and the maximum payment allowed under the contract.

As services are rendered, an invoice and or other supporting documentation for the services must be to be submitted to the Accounting Department for payment. Payment will be issued when proper documentation and approvals are received by the Accounting Department indicating that the services have, in fact, been performed.

Debarment and Suspension Procedure:

Federal Requirements stipulate that entities receiving Federal sub-awards or contracts equal to or exceeding \$25,000 not be suspended or debarred by the Federal Government. To help ensure that ULS does not inadvertently sub-contract with a suspended or debarred party, ULS will verify that ULS vendors funded with Federal funds of \$25,000 or more will be crosschecked to the online Excluded Parties Listing System (<https://www.sam.gov/>). This crosscheck will be

documented in the vendor information record within the Microsoft GP Accounts Payable and in the annual audit file.

Attachment V. Internal Reporting and Budgeting

INTERNAL REPORTING AND BUDGETING

Budgeting Process:

The budgeting process includes long range forecasting as well as monthly review and planning for the current operational needs of the organization.

Financial Information – The budget shall display estimated beginning Fund Balances; estimated revenue and expenses; and the estimated year end Fund Balances.

Objective Estimates – ULS will take an objective and analytical approach to forecasting revenues and expenses accurately. Revenue forecasts will consider historical revenue, current grant receipts, and pending grants requests. Expenses for salaries and fringe will be based on current staff and balanced against the years anticipated revenue to anticipate annual increases to salaries and benefit increases. Additional increases in staff will also be considered (usually in concert with a new funding source), and will be accounted for in the same way as existing staff. All other expenses will be based on historical expenses with slight inflationary cost increases taken into consideration. The capital acquisitions budget is one line item in the budget with a separate tracking sheet for all expenses forecasted for the budget year, as outlined by the Executive Staff.

Board Presentation – ULS will submit a draft of the budget to the finance committee in April for the following fiscal year beginning July. After any modifications are made at the suggestion of the Finance Committee, the budget will be presented to the whole board for adoption or modification at its May meeting.

Tracking – The Controller will do a monthly comparison for review by the Executive Staff and the Finance Committee of actual revenue and expenses compared to budget. If there is a difference of more than 5% and \$5,000, those differences will be noted, analyzed and explained. The

Controller will also maintain an 18 month ongoing and rolling forecast to aid in management and planning of expenditures.