We Need Your Input on the New Neighborhood Council Funding Program!

After much hoping, dreaming and hard work, the new Neighborhood Council Funding Program checking accounts are finally on the horizon. Many thanks to Barker Khorasanee, the newly minted LACERS Commissioner, for his leadership and guidance in helping us to set this system up. Without the wonderful collaboration with the Office of the Controller, CAO, Councilmember Parks, Office of Finance, City Attorney's Office and Wells Fargo, we would not have been able to get to this point.

Much appreciation to the City Council for directing the City Attorney's Office to draft the necessary ordinance to allow for Neighborhood Council checking accounts. The draft will hopefully go back to City Council very soon for the required two readings before passing. That will allow us to start opening accounts in June while we conduct workshops on the new program.

We'd like your input on some of the policies and procedures we are considering. Please remember that with the increased freedom of directly making your Neighborhood Councils payments comes increased responsibilities not only for the Neighborhood Councils, but for our department as well. This new system will also require more strategic budgeting from the Neighborhood Council, including knowing what ongoing monthly expenses are and planning ahead of time for funding expenditures.

The dos and don'ts for how public monies can be used and for what will remain the same.

Here is an overview of the proposed changes and program:

1. **Checking Accounts** - Checking accounts will replace the majority of the current demand warrant system. The Treasurer and second signatory will provide the necessary identification and paperwork to us so we can open checking accounts with Wells Fargo Bank. The City, via the Department of Neighborhood Empowerment, will be added to the account as a controller for all 95 Neighborhood Council checking accounts.

2. **Treasurer/Signer Roles** - The duties carried out currently by the Treasurer and Second Signatory will be more clearly defined and required as a means of "checks and balances" to ensure transparency as well as appropriateness of all funding activities. The Treasurer will collect all the necessary paperwork (receipts, flyers, resolutions,

etc.) and prepare all financial reports submitted to the Board as well as the Department. The "Signer" will be the Board member that holds the debit card as well as being the responsible party to issue check payments online to vendors. They will both sign-off on all reports submitted to the Department, confirming the accuracy and validity of the information.

3. **Issuing Payments** - Neighborhood Councils will be able to go online to issue checks much like your personal accounts. These checks typically take 2-3 days to get to a local vendor. Mailing costs are covered by the bank. Electronic funds transfers are also available for vendors who are in the bank's database. The Neighborhood Councils can also set recurring payments for ongoing vendor services, such as storage, lease, etc., for their convenience. There will be no physical checks issued. Checks cannot be made to "cash." Neighborhood Purposes Grants and any other expenses, whose amount exceeds $2,500, will likely need Department approval and may have to go out via demand warrant if they are connected with a contract or grant.

4. **No More Purchase Cards** - Purchase cards will be eliminated. Instead, there is an option of distributing debit cards. We are, however, trying to determine the necessity of debit cards given the ease in which Board reimbursements can now be provided with the new system so please weigh in on this matter in particular.

As with purchase cards, if a debit card is issued, it would only be for incidentals, such as small payments for food, office supplies, etc. We understand that purchase cards are now being used by Neighborhood Councils widely for a lot of items because of the delay in processing demand warrants, but that is not how they are intended to be used. Debit cards would have a daily limit of $200, and cash cannot be withdrawn. The majority of payments should be via online checks.

5. **Necessary Paperwork** – Every expenditure must be supported by an original receipt/invoice, Purchase Request and Board resolution (signed prior to the expenditure). We are trying to make the paperwork significantly less. In addition to these items:

- Outreach events/products - would need supporting flyer or picture of item with the NC logo attached.
- Personal Services - 1st time through would need approved contract and W-9 so that we can track the 1099s the City is required to issue per state mandates

6. **Monthly Reconciliations** - In the first week of July, the Department will provide initial seed money in the amount still to be determined, but somewhere between $2000-$3000. At each monthly Board meeting beginning in August, Boards must approve a reconciliation of the previous month's expenses, including all original receipts and necessary paperwork. We will provide the reconciliation template to the Board, which includes a built in Board resolution and will likely be online. The template will be more robust than the current template and will include columns to track specific types of budget items (to tie it to the approved budget) and whether the expense is for someone the City must issue a 1099 to in order to avoid state fines.

7. **Requests for Funding** - At the Board meeting, the Board will also need to decide how much funding they will need the next month. This request, along with a list of the proposed expenditures, will also be on a template, which includes a built in Board resolution. Once we receive the request, we will transfer funds within one business day so long as a timely reconciliation has been turned in as well.. A Board may submit additional requests for funding during the month after a special meeting. Funds will only be replenished if the Neighborhood Council is in good financial standing, i.e. is following all Funding Program policies and procedures.

8. **Monthly Reconciliations Due Dates**- The reconciliation must be turned provided to the department within 5 days of the regular Board meeting date. After that, the Department may freeze the account. Any request for more funds can also be turned in at that time.

9. **Funding Violation Remedies** - Reconciliations will be reviewed immediately upon receipt. Any missing paperwork or questionable items will be followed up on with the Neighborhood Council by staff. If the information is not resolved by the next months reconciliation submission, the expense will be deducted from the Neighborhood Council's yearly allocation. Depending on the severity of the reason for the deduction, i.e. unlawful activity, the Department will have the ability to freeze funds and take further correction action from Board education up to removal. If the Department must freeze the account, the Department will continue to pay ongoing operational expenses for the Neighborhood Council by hiring an Apple One book keeper and billing the Neighborhood Council for as long as the services are needed.

10. **Required Education** - As Board members voting on the use of public funds, we will require that those voting on the funds will need to complete their ethics training and take a 20-30 minute training on funding training. We have had growing issues of conflict of interest in Board votes on funding expenditures, which is discussed in the ethics training. We will work to ensure these workshops are available live and online. In addition, the Treasurer and second signatory will need to take a more comprehensive Funding Program training to learn the technical aspects of the online banking system and proper paperwork much like the current Treasurer Training.

11. **Board Rosters** - Because the Board manages public funds, we must have accurate rosters of Board members and their contact information. We are starting a Board member registration program so we can more accurately track the Board members. The ability to vote on public funds will require prior Board member registration as well as education before participating on funding matters. The monthly reconciliations will have a section on whether there have been any changes to the Board members and/or their contact information.

12. **End of Fiscal Year Reconciliations** - At the end of the fiscal year in mid-June (the final date is to be determined), the Department staff will review the total amount of funds in the checking account. Because there is no rollover, that amount will be deducted from

the next fiscal year funds instead of sweeping the funds and then providing new funds in July. This will hopefully create a smoother fiscal transition into the next fiscal year.

We hope that this overview provides you with a good understanding of the new Funding Program. Please provide us feedback on any of the proposed policies and procedures from dollar amounts to time periods by Friday, May 17, 2013. We'll review the suggestions with the Controller and the CAO to create the final policies and procedures.

Thank you very much for all of your patience with our existing Funding Program and your understanding of the necessary safeguards we must put into place for this new checking account system to work.

Please send all of your questions, comments and suggestions to done.funding@lacity.org.