

FIDP

Financial Management

Procedures

September 2009

FIDP
FINANCIAL MANAGEMENT PROCEDURES
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FIDP FINANCIAL MANAGEMENT PROCEDURES

Contract Preparation

The contract between your community and the State will be a very important document throughout the life of the project. It identifies the description of the activities funded, budgeted costs (total and FIDP), general terms and conditions and any special conditions which must be met before the State will release funds. No costs should be incurred prior to the date of the release of funds, unless special written permission is obtained from the State to do so.

Preparation of ACH (Automated Clearing House) Credits and Authorized Signature Cards

Before requests for payment may be made on the FIDP contract, you must complete two forms: ACH (Automated Clearing House) Credits (Exhibit 1) and Authorized Signature Card (Exhibit 2). Detailed line by line instructions are on the back of Exhibit 2. These forms must be completed carefully with no erasures or corrections. Two copies with original signatures on each must be submitted to the State.

ACH (Automated Clearing House) Credits tells the State where you want your FIDP checks deposited. While cities have the option of establishing a separate bank account for FIDP funds, counties must deposit funds in the Trustee's account.

The Authorized Signature Card tells the State who is going to be permitted to sign your community's Request for Payment. Your request for payment must be signed by two individuals.

If you need to change these forms – you decide to use a different financial institution or staff members change – you can change the information by simply providing the State with two copies of revised forms with original signatures. Copies of these forms are available from the Grants and Loans Division-Program Management.

Requests for Payment

You may not draw down on your FIDP account until you have received written State authorization. You request funds using the Request for Payment of FIDP Funds (Exhibit 3). The form must be completely and accurately filled in or it cannot be processed. If you have questions, please contact a staff person in the financial section of the Grants and Loans Division-Program Management.

If the request is in order and can be approved, you should allow twenty working days after the Grants and Loans Division-Program Management receives the Request for Payment for a transfer of funds to be processed by the Department of Finance and Administration. If the request is not in order, you will be contacted with an explanation

of the deficiencies which must be corrected. Drawdowns should be made only in amounts necessary to meet current disbursement needs.

The Request for Payment of FIDP Funds should be prepared in duplicate. Submit the original (to the State) and retain one copy for your records. The request should be signed by two of the persons on the Authorized Signature Card, with original signatures sent to the State. Section A provides general information needed in processing the request. Section B provides a detail of actual costs of the program by line item. Detailed support for each line item, in the form of actual invoices, must also be attached. The following are additional instructions for completing this form.

The Total Project Costs Column is used to list the total costs billed on a particular Request for Payment, including amounts paid from sources other than FIDP grants. (Do not use total budget or cumulative drawdown figures in this column.)

The FIDP Cost Column is used to list the amounts that will be paid with FastTrack Infrastructure Development Program funds; the total of this column should equal the total of your Request for Payment. To obtain the figures for this column, multiply the Total Cost Column by the percentage of the project paid by FIDP funds for each item. This percentage may be obtained from the approved line item budget in your contract.

Appropriate documentation must be submitted in order to process your request for payment. The following is a brief summary of the documentation which must be received before we can process requests:

Construction – An item description, quantity, unit price and total amount of each of the items as approved in the construction contract must be submitted. The engineer must certify that the work has been completed. Five percent (5%) retainage must be deducted from the contractor's invoice until the project has been finished. The notice of completion of the project should be publicly advertised with a request that any one having a claim against the project should notify the city or county. If no claims are made within **ten days** from the date of advertisement, the release of liens from the contractor may be accepted and submitted to the state with the contractor's final pay estimate so that final retainage may be released. A copy of the advertisement of the notice of completion should also accompany this request for payment. If any of the project has been approved to be done using force account, copies of the payrolls and materials invoices must be submitted. **No force account work will be reimbursed unless the State has given prior approval of the force account.**

Engineering Design, Other Engineering Services – A detailed invoice from the firm stating specific tasks done, detail of costs and date of services. These items should be billed on a cost plus fixed fee or lump sum basis.

Legal Services - An invoice stating specifically the service performed and the date of service.

Appraisals - An invoice from the appraiser stating the date the appraisal was done, the address and/or description of the property that was appraised.

Acquisition - A written offer to purchase accepted by the property owner.

Clearance - A description of the work performed and location of property cleared.

Administration - Detail of administrative costs must be included in Section C. Any salaries being charged to the grant must be listed with inclusive payroll dates, name of employee, percentage of time spent on FIDP and amount of each salary charged.

In addition, any salaries or consultant billings must be further documented by task performed. Claims for time spent on administrative activities will not be paid without this documentation.

Other documentation of administrative costs must be submitted (e.g., telephone bills, supply invoices, travel claims).

All travel and per diem costs to be charged to FIDP must conform to the Comprehensive Travel Regulations of the State of Tennessee.

Establishing Procedures for Financial Management of Contract Funds

FIDP project funds should be accounted for separately within a community's accounting system; a separate fund should be established similar to a water fund.

Accounting requirements for local government are established by the Comptroller of the Treasury, State of Tennessee. If you have any questions relating to your system, FIDP requirements and State accounting requirements, telephone a staff person in the financial section of the Grants and Loans Division – Office of Program Management who can refer you to the proper source of information.

PROCUREMENT REQUIREMENTS

General Procurement Requirements

Conflicts of Interest and the Code of Conduct

Many times competition can be restricted by organizational conflict of interest or non-competitive practices amount contractors. You should be alert to issues of this nature which may adversely affect your procurement practices.

T.C.A. 12-4-101 states that it shall not be lawful for any officer, committeeman, director, or other person whose duty it is to vote for, let out, overlook, or in any manner to superintend any work or any contract in which any municipal corporation, county, state, development district, utility district, and other political subdivision created by statute shall or may be interested, to be directly interested in any such contract.

They also may not be indirectly interested in any such contract unless the officer publicly acknowledges his interest.

Tennessee State Purchasing Laws

All cities, towns, and counties in the State of Tennessee are governed by some sort of procurement policy; policies vary from city to city , or county to county. If your city or county does not have charter provisions or private act requirements governing competitive bidding and purchasing, the County Purchasing Law of 1983, or the Municipal Purchasing Law of 1983 will apply.

IMPORTANT NOTE: You, the grantee, must find out what your local policy or law regarding procurement is. If *local* procurement *standards* are *stricter*, *local* procurement *standards must be followed*. If the provisions of the state are *stricter* than local standards, the appropriate *purchasing laws of the State must be followed*.

Procurements That Do Not Require Formal Bidding

Unless there are charter provisions or private act requirements governing procurement for your city or county, all purchases with expenditures of less than \$2,500, but more than \$1,000, may be made in the open market without public advertisement, but shall, whenever possible, be based upon at least three (3) competitive bids. Purchases of \$1,000 or less do not require any public advertisement or competitive bidding.

Professional services contracts should be awarded on the basis of recognized competence and integrity, and should not be based upon competitive bids.

If a good or service is only available from a single source, the formal bidding process is not required. **Sole source procurement requires the prior approval of ECD.**

Procurements That Require Formal Bidding

Procurement of equipment, non-professional services and construction contracts costing in the aggregate more than the strictest bidding limit, \$2,500 in most cases, must be formally advertised in a newspaper of general circulation with sealed bids and a public bid opening.

Publication Requirements for Invitations to Bid

We require that the invitation to bid must be published in a **daily** newspaper of general circulation at least **14 days prior** to the public bid opening. The wider circulation will reach more contractors and increase your chances of receiving multiple bids. The cost of publication of the invitation to bid is a grant reimbursable expense.

SUGGESTION: An easy way to increase the circulation of your invitation to bid is to require your engineer to advertise in the Dodge Report [Knoxville, Nashville, Chattanooga, and Memphis]. Advertisement in the Dodge Report is free of charge; advertisement in the Dodge Report is not an acceptable substitute for advertisement in the newspaper, however.

Deductible and Additive Alternates

It is advised that construction project bid specifications contain deductible alternates.

A deductible alternate is a portion of the project that can be deleted to bring construction costs within the budget if all bids received exceed the funds available for construction.

If all bids received exceed the amount budgeted for construction, deductible alternates must reduce the bid price in the order in which they are listed in the bid specifications.

The use of additive alternates is allowed for FIDP projects; as with deductible alternates, additive alternates must be applied to the bid price in the order in which they are listed in the bid specifications.

Bid Opening Requirements

Sealed bids must be opened publicly at the time and place specified in the invitation to bid.

Rejection of Improper Bids

Any and all bids may be rejected when there are sound documented business reasons for rejecting bidders.

Award to Low Bidder

A firm fixed price contract must be awarded to the lowest responsive, responsible bidder whose bid conforms to all bid specifications.

Allowable Alternatives If All Bids Exceed the Amount of the Construction Budget

If all bids come in over the amount of the construction budget, you have three alternatives:

1. you can provide the additional funds needed to pay for the contract from local funds;
2. you can rebid the project;
3. or you can:

- a. consult with your engineer and decide which items would be feasible to eliminate from the construction bid specifications;
- b. submit a letter detailing all changes you wish to make in the bid specifications to our office for approval;

NOTE: Changes to the bid specifications must not change the project's scope.

- c. after you receive written approval of the changes you wish to make, contact all bidders who submitted bids for the initial bidding by certified mail and request that they resubmit sealed bids without the items that you wish to delete;

NOTE: Bidders must be informed that they have the right to change the unit price of any of the line items in their original bid, as long as they conform to the revised bid specifications.

- d. award the contract to the bidder submitting the lowest bid that conforms to the revised bid specifications (i.e., the original bid specifications less the items you wish to delete).

Budget Revisions and Program Amendments

If you should need to revise your line item budget, you must submit a letter detailing the reason for any changes and a copy of the revised line item budget (Exhibit 5). If contingency funds are to be used, a budget revision is required.

A budget revision should be submitted on all construction projects once a bid has been accepted to adjust the construction budget to actual dollars required. A copy of the bid tabulation should be submitted with this budget revision. If the lowest bid exceeds the amount available in the budget for construction, a revised total cost budget must be submitted with a verification of the source of the additional funds.

If there are any change orders on construction contracts, these must be approved by the State prior to work being done. A budget revision must accompany all change orders.

Any change in the scope of the project requires prior written approval by the State. Accompanying a letter explaining the reason for the scope change, there should be a budget revision and a revised description of contractor activities (**Scope of Services in your contract**).

Major reductions in the scope of the proposed work can result in adverse State action – grant reduction, termination or a finding of ineligibility for subsequent funding. Grantees were selected for funding based on their proposed program and are expected to carry it out as proposed. You are strongly urged to contact the **Grants and Loans Division**-Office of Program Management if problems emerge which might lead to program modifications.

FIDP Program Reports

Yearly reports will be required regarding the status of the jobs created **for 5 years** and **other** information may be requested as needed.. **The Employment Summary Form** will be sent to the community thirty days prior to the report due date.

INSTRUCTIONS

Block
Number

1. Enter name of your project.
2. Enter name, address and ZIP code of financial institution designated to receive State FIDP checks.
3. Enter Account Number into which you want your State FIDP checks deposited.
4. Enter your Employer Identification Number.
5. Enter Community name.
6. Enter complete address of Community.
7. Enter title of Authorized Official for Community.
8. Signature of Authorized Official for Community.
9. Enter date form signed by Authorized Official for Community.
10. Enter name of financial institution and Community's designated account number.
11. Enter Agency insuring financial institution's deposits (FDIC, FLIC).
12. Enter name of Community's financial institution.
13. Enter complete address of Community's financial institution where State FIDP checks are to be mailed.
14. Enter name and title of authorized bank officer for Community's financial institution.
15. Enter signature of authorized bank officer for Community's financial institution.
16. Enter date form signed by authorized bank officer for Community's financial institution.