



FINANCIAL MANAGEMENT HANDBOOK
FOR
PRIVATE RETURN-TO-CUSTODY FACILITIES



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STATE OF CALIFORNIA
DEPARTMENT OF CORRECTIONS
JULY 1985

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FINANCIAL MANAGEMENT HANDBOOK
FOR
PRIVATE RETURN-TO-CUSTODY AND PAROLE VIOLATOR PROGRAM FACILITIES

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Department of Corrections
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Deputy Director

FINANCIAL MANAGEMENT HANDBOOK
PRIVATE RETURN-TO-CUSTODY FACILITIES

The Financial Management Handbook is to be used by the contractor for the effective and efficient operation of their Return-to-Custody Program. This handbook is not a substitute for the contractor's accounting manual, but provides specific guidelines and state requirements.

As a result of issuing a three year contract, the Financial Management Handbook will change from time to time. As revisions are issued, it becomes essential that they be inserted correctly and obsolete material removed and destroyed. Handbook revisions have the same affect as the original Financial Management Handbook attached to the contract. Handbook revisions can be made without a contract amendment. The handbook revisions become effective on the date stipulated in the transmittal letter.

The date initials of the employee inserting the revisions should be entered below for proper control and maintenance of this handbook.

<u>Revision Number</u>	<u>Date Inserted</u>	<u>Employee Initials</u>	<u>Revision Number</u>	<u>Date Inserted</u>	<u>Employee Initials</u>
RTC-FMH1	_____	_____	RTC-FMH6	_____	_____
RTC-FMH2	_____	_____	RTC-FMH7	_____	_____
RTC-FMH3	_____	_____	RTC-FMH8	_____	_____
RTC-FMH4	_____	_____	RTC-FMH9	_____	_____
RTC-FMH5	_____	_____	RTC-FMH10	_____	_____

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I. General

The Director of Corrections is authorized by law under Penal Code Section 6250-6256 to enter into contracts, with the approval of the Director of General Services, with appropriate public or private agencies, to provide housing, sustenance, supervision, counseling and other correctional programs for persons eligible for placement in Community Correctional Center facilities. Selected parole violators ordered "Returned-to-Custody" may be assigned to such facilities. Parole violators ordered returned to custody are those who have violated their conditions of parole and have been ordered by the Board of Prison Terms to serve an additional period of time in custody. The Legislature annually appropriates funds to the Department of Corrections for this purpose.

II. Financial Management of Funds

The contractor is required to follow sound financial management practices including the following Department of Corrections' requirements. Funds awarded are subject to the following general stipulations:

- . Department of Corrections' obligations under the contract are contingent upon, and subject to, the availability of funds being appropriated for the purpose of the contract.
- . Funds awarded must be used to supplement rather than supplant funds already available from other sources for the contracted services.
- . The award of funds does not imply or assure ongoing funding beyond the contract period.
- . Funds are awarded for reimbursement for actual costs for the initial start up period and thereafter all costs will be reimbursed on a per diem rate for services rendered with a minimum level of reimbursement guaranteed.

A. Contract Amendments

Any changes in contract terms require advance approval from the Department of Corrections Administrative Services Division staff. Any changes which materially alter the intent of the program or exceed the contract amount requires a contract amendment which must be approved by the State control agencies and all parties to the contract.

For an initial start up budget, which reimburses the contractor for actual costs incurred, any budget category overexpenditure exceeding ten percent or \$5,000 requires a contract amendment. (See Section III A (§ 5) for a listing of the required budget categories.) Except for profit and facility lease costs, a budget category fund transfer of less than ten percent or \$5,000 can be made without a contract amendment when it does not materially alter the intent of the program or exceed the total amount budgeted in the contract. The contractor shall identify such budget category fund transfers when submitting an invoice for reimbursement to the Department of Corrections with appropriate justification before payment will be made.

If average inmate occupancy falls to 70 percent or less for one month, the contractor and the Department of Corrections will initiate negotiations to determine a new per diem rate based on a bed size change. A bed size change requires a contract amendment which should be initiated by the contractor. If average inmate occupancy is 90 percent or more for the month following that month in which occupancy fell to 70 percent or less, no bed size change and contract amendment shall be deemed necessary.

B. Contract Cancellation

1. A contract may be cancelled by either party by giving prior written notice to the other party as specified in the body of the contract. In addition, the Department of Corrections may immediately terminate the contract under any of the following conditions:

- . Nonperformance by contractor.
- . Noncompliance with audit findings.
- . Replacement of key personnel with a person or persons who are inimical to the best interest of the State.
- . Conflict of interest.

Further, when the contractor fails to perform according to the covenants contained in the contract in the manner and at the time described in the contract, any costs incurred by the State for termination and recontracting shall be deducted from any amount due the contractor under this agreement.

2. If the contract is cancelled and it was not the fault of the contractor as identified above, contract termination costs may be reimbursed by the State as specified in the contract.

C. Fire Clearance

Section 13143.6 of the California Health and Safety Code requires that any governmental agency which places in or refers persons under their jurisdiction to a community care facility obtain verification that the physical facility meets the applicable fire and safety requirements as promulgated by the State Fire Marshal. Organizations contracting with the Department of Corrections must obtain an appropriate fire clearance report. This fire clearance report must be obtained from the local fire marshal and the report must state that contractor's facility conforms to all existing life and safety requirements of the State Fire Advisory Board. The report must be certified by the State Fire Marshal prior to submittal to the Department of Corrections. The Department of Corrections may disallow costs claimed for any services rendered prior to the obtaining of the fire clearance.

D. Personnel Policies

The contractor's Project Director will be directly responsible for the implementation of the program activities and for compliance with the Department of Corrections' administrative and fiscal regulations relating to the contract.

In conjunction with the Project Director, the Fiscal Officer is responsible for administering and maintaining adequate fiscal records to determine allowable and applicable program costs in accordance with generally accepted accounting principles.

The contractor must report in writing to the Parole and Community Services Division the resignation or dismissal of key personnel who are an essential part of the successful operation of the contracted program. The contract may be immediately terminated by the Department of Corrections if the replacement of key personnel is detrimental to the program as determined by the Department of Corrections.

The contractor must maintain a written personnel policy manual which will include, but is not limited to: 1) employee's work hour policy; 2) employee benefit policy (e.g., vacation, sick leave, holidays, retirement/pension, insurance coverage); 3) promotion and pay increase policies; 4) duty and position statements; 5) the required qualifications for each classification; 6) complaint and redress policies and procedures; 7) hire and termination policies and procedures; and 8) nondiscrimination policy. Personnel policies must be in conformance with applicable rules, law and regulations dealing with the employment of individuals.

E. Nondiscrimination Clause

During the performance of this contract, the recipient, contractor and its subcontractors shall not deny the contract's benefits to any person on the basis of religion, color, ethnic group identification, sex, age, physical or mental disability, nor shall they discriminate unlawfully against any employee or applicant for employment because of race, religion, color, national origin, ancestry, physical handicap, mental disability, medical condition, marital status, age or sex. Contractor shall ensure that the evaluation and treatment of employees and applicants for employment are free of such discrimination.

Contractor shall comply with the provisions of the Fair Employment and Housing Act (Government Code, Section 12900 et seq.), the regulations promulgated thereunder (California Administrative Code, Title 2, Section 7285.0 et seq.), the provisions of Article 9.5, Chapter 1, Part 1, Division 3, Title 2 of the Government Code (Government Code, Sections 11135-11139.5) and the regulations or standards adopted by the awarding state agency to implement such article.

Recipient, contractor and its subcontractors shall give written notice of their obligations under this clause to labor organizations with which they have a collective bargaining or other agreement.

The contractor shall include the nondiscrimination and compliance provisions of this clause in all subcontracts to perform work under the contract.

F. Conflict of Interest

An organization will not be considered for a contract award if any Department of Corrections employee or a member of a Department of Corrections employee's family has a financial interest in the program and occupies a decision-making position in the organization.

In addition, the officials and employees of the contractor's program shall also avoid actions resulting in or creating an appearance of:

1. Using an official position for private gain.
2. Giving preferential treatment to any particular person.
3. Losing independence or impartiality.
4. Affecting adversely the confidence of the public in the integrity of the program.

G. Internal Control

It is the responsibility of the Project Director and the Fiscal Officer to implement adequate internal control procedures. The Project Director and the Fiscal Officer will be held personally responsible for any misappropriation of contracted funds.

The characteristics of a satisfactory internal control system would include, but are not limited to the following:

1. A plan of organization that provides for a separation of duties appropriate for proper safeguarding of the entity's resources.
2. A system of authorization and record procedures adequate to provide effective accounting control over assets, liabilities, revenues and expenses.
3. An established system of practices to be followed in performance of duties and functions of each of the organizational departments.
4. Personnel of a quality commensurate with their responsibilities.
5. An effective system of internal review.

H. Accounting Principles

The contractor will maintain written accounting policies which outline the type of accounting system and identifies the accounting procedures used in accordance with generally accepted accounting principles as promulgated by the American Institute of Certified Public Accountants (AICPA). It should include but not be limited to personnel, travel, procurement, petty cash, chart of accounts, cost reporting, year-end adjustments, resident trust fund and internal control system.

I. Cost Reports

The contractor must submit quarterly and annual cost reports (see Appendices C and D) to the Audit/Rate Development Section, California Department of Corrections, P. O. Box 714, Sacramento, CA 95803. Upon request and approval by Administrative Services Division, the contractor can utilize computerized cost reports to meet their needs as long as the required information is provided. Quarterly cost reports must be submitted for the "first complete reporting quarter after the start up period ends". If cost reports are not completed within 45 days of the period, the Department of Corrections can withhold future contract payments until the completed cost reports are received. Guidance for the completion of the attached cost reports will be provided by contacting the Department of Corrections, Audit/Rate Development Section at (916) 324-1211.

III. Accounting Systems/Financial Records

A. General

The accounting system maintained by the vendor must be in conformance with generally accepted accounting principles as stipulated by the American Institute of Certified Public Accountants (AICPA) to ensure that the accounting records will provide information necessary to identify receipt and expenditure of all project funds. This information must be reported on Department of Corrections cost reporting forms or on equivalent cost reporting forms specifically approved by the Department of Corrections, Administrative Services Division. (See Appendices C and D). Program expenditures and income for each facility must be identifiable.

The financial records maintained for a start up period must be in conformance with the approved budget. All costs must be applicable and allowable to the contracted program. If there is noncompliance with the approved budget, reported costs can be disallowed.

When maintaining financial records under the Department of Corrections' per diem rate reimbursement system, recorded costs must accurately reflect the financial condition of the contracted program. Questioned costs can occur when nonapplicable or nonallowable costs are included in the program's financial statements. Unresolved questionable costs will be considered an offset against reported costs (Appendix C) which will be used as a basis for determining future Department of Corrections' per diem rates. When reimbursement is made on an actual cost basis, questioned costs can be disallowed and offset against monthly reimbursements (Appendices B and E).

Under the Department of Corrections' per diem rate reimbursement system, it is essential that accurate financial records be maintained so that the contractor can determine if allowable and applicable program expenditures are being covered by the Department of Corrections' monthly reimbursement payments that are issued by the State Controller's Office.

Expenditures of contract funds must be recorded in general ledger accounts which parallel the following budget categories:

- . Personnel Costs
- . Staff Benefit Costs
- . Transportation Costs
- . Contracted Services/Consultant Costs
- . Equipment Costs
- . Facility Lease/Use Costs
- . General Operating Costs
- . Food Costs
- . Administrative Overhead Costs
- . Contingency Reserve (for nonprofit contractor)

B. Subsidiary Records/Documentation

Source documents (e.g., invoices, time and payroll records, indirect cost computations and change orders) are the instruments which bring about the actual expenditure of funds.

These transactions are recorded in subsidiary accounting records (e.g., cash receipts and disbursement ledgers, cost analysis reports, technical cost appraisals) and then summarized in the general ledger accounts.

All general ledger account entries must be supported by both the subsidiary records and the original source documentation. All costs recorded will be supported by sufficient, competent and relevant source documentation. Adequate internal control procedures will be implemented so that the accounting system described can provide accurate and current financial reporting information.

C. Allowability of Cost

When a contractor is reimbursed for program services performed under the start up budget, allowable costs are those expenditures which: (1) are in conformance with the approved contract budget and have specific prior approval when required; and (2) are for goods and services necessary to the project's operation at the time the costs are incurred. Any expenditure not meeting both these criteria can be disallowed.

Under the Department of Corrections' per diem rate reimbursement system, costs are allowed for goods and services necessary to the project's operation that are expended in an efficient and effective

manner at the time the costs are incurred. Costs are not restricted to an approved budget. If nonallowable program costs are noted during the review of the contractor's financial records, they can be questioned. Unresolved questioned costs will be considered an offset against the contractor's reported costs under the unified quarterly cost reporting system which is used as a basis for determining future per diem rates. Only in a case of misappropriation or unresolved questioned costs when the contractor is reimbursed on actual costs in lieu of the per diem rate reimbursement as a result of low occupancy will a contractor's questioned costs be directly disallowed and offset against monthly reimbursements.

Any savings which may result from the contractor's efficient operation of the program under a per diem rate reimbursement system can be retained by the contractor if program needs are complied with in accordance with the contract terms. See Appendix A, item 26 and 27 regarding proprietary fee and/or a contingency reserve requirements for profit and nonprofit organizations.

1. Personnel Costs

- a. Personnel salary costs should be commensurate with the level of responsibility and experience necessary to perform contracted program obligations. Recommended salary levels were outlined in the request for a proposal and will be updated annually.
- b. Salaries or wages of personnel who are involved in more than one program must be charged to each program on a proportional basis. Therefore, time sheets must show how much time each employee spent on various programs and salary costs must be prorated accordingly.

Salaries and wages are allowable only for the time the employee is exclusively assigned to the contracted program.

- c. Job descriptions and duty statements must be maintained for all staff paid through the Department of Corrections' contract. In addition, all affected employee personnel files will indicate the date of employment, rate of pay, funding source, pay increases, promotions and status changes, employee benefits, withholding and salary deduction information, and the date and reason for termination of employment.
- d. Salaries will be adequately documented by time cards signed by the employee and the immediate supervisor and by payroll register, payroll warrant, employee personnel file, and the program's general ledger accounts. All reported salary costs will be based on actual expenditures.
- e. Each staff person to be employed in the contracted program must be cleared in advance by a designated Department of Corrections' Regional Office staff before their salaries can be allowed.

- f. When occupancy is at or under 70 percent, staff costs and funded positions must be reduced as requested by the department to prevent excessive costs when facility occupancy is low. At no time can staff be reduced to an unsafe level to protect the surrounding community and facility residents.

2. Staff Benefit Costs

Fringe Benefits/Payroll Taxes are allowable in accordance with governmental rules, laws and regulations. In order for employee retirement plan costs to be allowable, the plans must be a "qualified" plan meeting the requirements as set forth under Section 401(a) of the Internal Revenue Code and Section 17501 of the California Revenue and Taxation Code. Employee benefits should be commensurate with the level of responsibility and experience of the affected employees. The recommended contractor's average employee benefit rate is 21.06 percent for nonsecurity personnel and 28.89 for security personnel.

3. Contracted Services/Consultant Costs

A consultant is defined as an individual or a firm with which a program contracts for professional services. A contract for professional services must be in writing. Professional services include, but are not limited to, accounting, auditing, legal and training services. Employees of the contracted program are not included in this designation.

Under a start up budget, the contractor must obtain prior written authorization from the Department of Corrections, Business Services Section if consultant costs for a service exceeds one thousand dollars (\$1,000). Before approval can be granted, the contractor must submit: (1) three competitive bids in writing from individuals or firms providing the same service which must provide a description of the service to be rendered, the proposed rate and total payment; or (2) in the event that three individuals or firms cannot provide the required consultant service(s), the contractor shall describe the service(s) required, his unsuccessful attempt to obtain written bids for such services and the selected consultants' unique qualifications to provide such service along with the consultant contract rate and total payment. The contractor must make an attempt to negotiate a reasonable rate.

Under a per diem rate system, consultant contracts do not need Department of Corrections' approval.

4. Transportation Costs

- a. Only costs for travel which is directly related to the program are allowable. This includes, but is not limited to, visits by the Project Director or facility staff to a Department of Corrections' district, regional or headquarters office.

- b. Program transportation costs should not exceed the rates currently in effect pursuant to State Board of Control Rules at the time the costs were incurred when contract reimbursements are made based on actual costs.
- c. All program transportation costs shall be supported by a Department of Corrections participant location control log or by a travel expense voucher showing purpose, location, dates, time of travel, rates claimed, and/or mileage logs and any applicable receipts.

5. Nonexpendable Equipment Cost

Equipment is identified as nonexpendable or expendable minor equipment. For expendable minor equipment requirements see Expenses, Section III. C. 7. Nonexpendable equipment is defined as movable articles of nonexpendable property which have all of the following characteristics:

- . A normal life (including extended life due to repairs) of two years or more.
- . An identity which does not change with use (i.e., is not consumed by use...).
- . A nature that makes formal property accountability practical.
- . An approximate unit cost of \$150.00 or sensitive items with value less than \$150.00 (i.e., a calculator).

a. Nonexpendable Equipment Purchases (Start Up Period)

A contractor has the option of either using all vendor-owned nonexpendable equipment, all state-owned nonexpendable equipment or a combination thereof. A contractor can budget and request the purchase of all state-owned nonexpendable equipment items during the start up period. The acquisition of new state nonexpendable equipment is not allowable when suitable nonexpendable equipment required for the project is already available in the contractor's facility. If the vendor selects to use all or part of its own nonexpendable equipment in the operation of the program, it must meet the standard nonexpendable equipment complement and will be paid depreciation costs through the per diem rate based on that standard.

All nonexpendable equipment to be purchased or leased that is under the start up period budget must have prior approval from the Department of Corrections, Business Services Section. The request for approval must be submitted with at least three competitive bids on a price quotation form (Appendix F). The bids must stipulate the same specifications for the nonexpendable equipment items to be purchased. After the purchase of the nonexpendable equipment, the contractor must

attach to the monthly invoice a stock received report (Appendix G) with a copy of the invoice which shall indicate the type and kind of nonexpendable equipment purchased.

In certain categories of items such as office copiers and filing cabinets, control agency approval is required and only certain types of nonexpendable equipment can be purchased.

The nonexpendable approved budgeted equipment items were developed for a model facility. Changes to the model facility nonexpendable equipment list can be made as a result of the unusual characteristics of some facilities. Prior approval from the Department of Corrections, Parole and Community Services Division and Business Services Section is required.

Nonexpendable equipment purchased under the start up budget will remain the property of the State and shall be properly identified as such. The contractor will be accountable for all nonexpendable equipment purchased; if the nonexpendable equipment is missing during the Department of Corrections' review, the applicable cost can be disallowed. The nonexpendable equipment will be returned to the State when services are no longer provided to the Department of Corrections by the contractor.

b. Equipment Replacement Fund

Nonexpendable equipment that is used by the contractor for a Department of Corrections' program will be replaced when obsolete by establishing an equipment replacement fund. Equipment is obsolete when the cost of repair is more than half its current purchase value. The equipment replacement fund shall be an interest bearing account that is insured by an Agency of the U.S. Government. Funds will be deposited in the equipment replacement fund as stipulated in the contract. The equipment replacement will be maintained by and be the responsibility of the contractor. The equipment replacement fund can only be used by the contractor to purchase replacement equipment and other needed equipment upon the specific approval of the Department of Corrections, Business Services Section.

The request for approval must be submitted with at least three competitive bids on a price quotation form (see Appendix F). Equipment costs can be disallowed if prior approval was not obtained. The equipment replacement fund would then be replenished by the contractor in the amount of the disallowance. After the purchase of the nonexpendable equipment, the contractor must attach to the quarterly Statement of Changes in Equipment Replacement Fund form (Appendix C) a stock received report (Appendix G) and a copy of the invoice which shall indicate the type and kind of nonexpendable equipment purchased.

Any nonexpendable equipment purchased with monies from the equipment replacement fund will remain state property and all remaining funds, both principle and interest, will be returned to the Department of Corrections upon request or when services are no longer provided to the Department of Corrections by the contractor.

Only in the case of a catastrophic emergency will the Department of Corrections directly purchase replacement equipment. A catastrophic emergency is one which in the opinion of the Department of Corrections prevents the placement of parole violators in the facility because of lack of proper nonexpendable equipment.

In the event that a parole violator destroys or damages nonexpendable equipment, he/she will be responsible for replacing or repairing the equipment. In this instance, the Department of Corrections will pay for replacement equipment only after all other recourse has been exhausted and the contractor has presented documentation of such to the Department of Corrections, Business Services Section. To provide for payment of destroyed nonexpendable equipment, either a contract amendment is required or the equipment replacement fund can be used.

The contractor will report the status of the equipment replacement fund on a quarterly basis on the Department of Corrections Cost Reports (Appendix C).

Only facilities that use state-owned nonexpendable equipment must establish an equipment replacement fund.

c. Contractor-Owned Nonexpendable Equipment

Equipment that is purchased by the contractor and not paid for through the equipment replacement fund or the start up period budget is the contractor's own equipment. The contractor does not need prior approval nor does he/she have to follow the State purchase procedures for contractor-owned nonexpendable equipment. The contractor can purchase any nonexpendable equipment that is deemed beneficial to the program if it is the contractor's own nonexpendable equipment.

The contractor that uses vendor-owned nonexpendable equipment receives depreciation costs for the use of their nonexpendable equipment in the program under the per diem rate system based on a nonexpendable equipment list. When the facility is operated with vendor-owned equipment, it will be the responsibility of the contractor to maintain an adequate equipment complement necessary to operate the program based on the nonexpendable equipment list.

If the contractor deems that the approved nonexpendable equipment is insufficient for their operation, they can purchase a more expensive model. The increase in cost will be paid by the contractor and will not be reimbursable under the start up period or by the equipment replacement fund nor through equipment depreciation.

The contractor is required to take a yearly inventory of state and contractor-owned nonexpendable equipment utilized in the program which must be submitted to the Department of Corrections, Audit/Rate Development Section (Appendix D).

6. Facility Lease/Use Costs

The Department of Corrections will reimburse a contractor for the actual cost of leasing or, when it is contractor-owned, for using the facility designated in the contract. Lease/use costs cannot exceed the contracted amount. The lease/use cost reimbursement is calculated to provide the lessor or owner with a fair return on his investment in the facility.

Prior written notification and approval for facility lease/use costs is required if a facility is contractor-owned or if it is owned by an individual or corporation that has a vested interest in and/or is related to the contractor.

Reasonable lease cost can be determined by a fair rent appraisal. An appraisal of the property's fair rental market value must be submitted to the Department of Corrections, Financial Management and Support Services Branch for approval.

To be acceptable, such appraisals of the facility designated in the contract must be supported by an appraisal report. Both the appraisal, if separate from the appraisal report, and the appraisal report must be signed by a certified appraiser. An appraiser must be certified as a "MAI" (Member, American Institute) by the American Institute of Real Estate Appraisers, Chicago, Illinois; or "SRPA" (Senior Real Property Analyst) or "SREA" (Senior Real Estate Analyst) by the Society of Real Estate Appraisers, Chicago, Illinois.

The appraisal report must include the following conflict of interest disclaimer:

I (name) _____, California Real Estate Broker's license number _____, certify that neither I, my family nor my firm, (name of firm), have any financial interest in the above appraised property or the lease of such property or the organization under contract with the Department of Corrections.

Information on the total square footage occupied by the total program and that percentage allocated to the Department of Corrections' contracted program (where applicable) must be submitted with the appraisal.

Facility lease/use cost for a contracted program should not exceed the fair rent appraisal amount. In special cases when it is difficult to obtain a facility that meets program criteria within a given location, a written request with justification for an exemption from this guideline will be considered when it is in the best interest of the State.

When a facility lease ends during the contract period the new lease should be limited to the consumer price index "Rent, Residential" increases based on the prior lease cost or it should be limited to the fair rent appraisal amount. In special cases when it is difficult to retain the facility that meets program criteria within a given location, a written request with justification for an exemption from this guideline will be considered when it is in the best interest of the State.

Some additional guidelines to use in assessing the reasonableness of a facility's lease/use cost are:

- . The allowance for approximately 103-250 square feet per inmate; at a cost range of 77¢ to 94¢ per square foot. However, there is some flexibility. For example, the number of square feet per inmate could exceed the upper limit of 250 if the cost per square foot falls below the lower limit of 77¢ and vice versa.
- . The monthly lease/use cost at one percent of the facility purchase price/market value.
- . The proposed monthly lease/use cost in comparison to the average lease cost per inmate for existing re-entry facilities.

When a facility is partially used by the Department of Corrections program, lease cost will be allocated according to program usage.

As a guideline, facility lease escalator clauses should be limited to the percentage increase in the most applicable item within the Consumer Price Index (CPI), "Rent, Residential" within the major category, "Housing" for the Standard Metropolitan Statistical Area (SMSA), Class A, in which the facility is located. If the facility is not located within one of the Class A SMSA's within California as designated by the U.S. Bureau of Labor Statistics, lease costs should increase no more than the average percentage increase in "Rent, Residential" in the California CPI. In special cases of inequity or particular difficulty, written requests with justification for exemption from this guideline will be considered when it is in the best interest of the State.

7. General Operating Expenses

Allowable operating expenses are defined as necessary expenditures, exclusive of personal service costs, contract/consultant service costs, program transportation costs, facility lease/use costs, food costs, administrative overhead costs and nonexpendable equipment costs, but includes expendable

equipment costs. Operating expenses shall be direct charges, based on actual costs substantiated by source documentation, such as purchase orders, requisitions, bills of lading, stock received reports, invoices and warrants issued. Operating expenses are allowable as follows:

a. Utility Costs

Utility costs can include, but are not limited to, gas, electric, water and trash collection costs.

b. Communication Costs

Communication costs can include, but are not limited to, telephone service, messenger service and postage costs.

c. Office Expenses

Office expenses include office supplies and other sundry expenses. The items purchased should be comparable in price to the office supplies per unit in the surrounding area.

d. Program Supplies

Program supplies include items purchased which directly benefit the participants of the program. Program supplies include, but are not limited to, newspapers, brochures, magazines, books and other related publications.

e. Household Supplies

Household supplies are those items necessary for the operation of a residential facility. Household supplies include, but are not limited to, linen, kitchen utensils, and cleaning supplies.

f. Linen Service

Linen services consist of outside services obtained to provide clean linen to the facility. Prior written approval from the Department of Corrections, Business Services Section is required when the cost of linen service exceeds \$1,000 under the start up period budget. No approval is required when reimbursed under the per diem rate system.

g. Maintenance and Repair

Allowable maintenance and repair costs are those that are necessary for the upkeep of the facility, but which neither adds to the permanent value nor appreciably prolongs the intended life of the facility but keeps it in an efficient operating condition. Prior written approval from the Department of Corrections, Business Services Section is required when the cost of maintenance exceeds \$1,000 under the start up period budget. No approval is required when reimbursed under the per diem rate system.

h. Insurance

Fidelity, liability and fire insurance for the operation of the program are allowable. When a facility is also utilized by other programs, the allowable insurance costs must be allocated according to usage.

i. Expendable Minor Equipment

Expendable minor equipment is defined as all other equipment items that do not meet the nonexpendable definition in Section III. C. 5. For specific guidelines in determining expendable versus nonexpendable equipment contact the Department of Corrections Contract Services Unit at (916) 324-4914.

Expendable minor equipment can be purchased by the contractor without prior departmental approval during the start up period out of the operating expense category. Expendable minor equipment purchased through the start up budget remains state property until the useful life of the item has expired. Expendable minor equipment under the per diem rate system will be purchased by the contractor and will be the contractor's property. The contractor is reimbursed for expendable minor equipment purchases through depreciation that is included in the rate.

j. Permits and Appraisal Costs

Licenses, permits, local government use fees and fair market appraisal costs are allowable. Prior approval by the Department of Corrections, Financial Management and Support Services Branch is required before costs are incurred for a fair market rent appraisal and it should meet the Department of General Services' standards. These costs can be incurred prior to the effective date of the start up budget.

k. Other Operating Expenses

For the allowability of other operating expenses (see Appendix A.

8. Food Costs

When appropriate, food items should be purchased in bulk orders at wholesale prices. Surplus food programs such as the Department of Education's program should be utilized whenever possible. Food costs can only be allowed for residential facilities that provide food for their residents.

The food cost category should only include food stuffs used in the preparation of a meal. It does not include eating utensils, pots, pans, cleaning detergents, etc.

Food served must comply with prescribed nutritional standards. Prepared meals must be handled in accordance with applicable State and local health codes. Noncompliance with state and local health codes can result in the immediate cancellation of the contract.

9. Administrative Overhead Costs

Administrative overhead costs are costs incurred for the services provided to the contracted program by the administrative branch of the organization. Such services rendered must be measurable and applicable to the contracted facility program. Administrative costs include direct central supportive services for personnel, accounting and purchasing costs that cannot be directly claimed.

Administrative costs that are directly allowable in the program's approved start up budget cannot be included in the computation of the administrative overhead rate.

A cost allocation plan must be submitted to Department of Corrections, Financial Management and Support Services Branch according to the attached cost reports (see Appendix C). The cost allocation plan must include written justification for the method used in allocating administrative overhead costs to the contracted program. Documentation supporting the administrative overhead rate is subject to audit.

A cost allocation plan is not required when the contracted program does not maintain a central service branch in their organization. Administrative cost would be directly recorded in the facility's accounting records.

10. Contingency Reserve

Nonprofit organizations who experience excess revenue over expenses under the per diem rate system of reimbursement must utilize those funds to establish a contingency reserve. Contingency reserve funds shall be used for unforeseen and/or nonrecurring costs necessary to sustain the contracted program, for the continuation of the contracted program and/or a similar program to assist ex-offenders. It is recommended that profit organizations also establish a contingency reserve or make some other financial arrangement for unforeseen and/or nonrecurring costs necessary to sustain the contracted program.

D. Program Income

Program income consists of, but is not limited to, contract revenues, other contributions, donations and funds received for reimbursement of services rendered to federal, state, county and local governmental agencies.

Program income must be recorded and identified to offset specific program costs. Adequate internal control procedures will be implemented and will be outlined in the contractor's accounting manual to protect program revenues.

Compensation from more than one source for more than the total cost of a service is not allowable. A contractor cannot receive compensation from two or more funding sources for more than the full cost of the services performed even though both funding sources could benefit. Allowable program costs in such cases are limited to the proportionate share of the program utilized by the Department of Corrections. However, other funding sources can be used to supplement the program as long as the additional funds are used to cover those costs for services which exceed the cost reimbursed under the contracted rate.

Under the per diem rate, the contractor can realize excess revenue over expenses. A reasonable contingency reserve fund shall be established by nonprofit organizations to fund unforeseen program expenditures (see Appendix A, item 26 and 27). Although a profit organization need not establish a contingency reserve fund, it has the same responsibility to fund unforeseen program expenditures.

E. Trust Fund Accountability

Contractors having an inmate trust account system will maintain those accounting records necessary to provide for the recording of all transactions affecting the inmate trust accounts. This accounting system should also provide accurate and current information relative to each individual inmate trust account included within the trust account system. All entries to the individual trust accounts should be supported by sufficient and relevant source documentation. Monthly reconciliations should be performed to ensure the accuracy of the accounting records. Inmate trust funds will not be utilized for expenditures relative to the operation of the facility or any other expenditure not authorized by the inmate(s) and approved by an assigned Department of Corrections' staff.

IV. Payment of Program Services

There are two basic ways in which the contractor is reimbursed. The first is on an actual cost basis during the initial start up period. The second is on the contracted per diem rate plus facility lease/use cost; however, a special arrangement becomes effective when average occupancy for a month is 70 percent or less.

a. Start Up Reimbursement

The contractor will be reimbursed for services rendered for the initial start up period of the program on an actual cost basis according to the contract budget. Actual costs will be reported on a "Monthly Expenditure Statement" and be accompanied by a "Monthly Invoice" and "Register of Participation" (see Appendix E).

b. Per Diem Reimbursement

After the completion of the start up period, the contractor will be reimbursed for services rendered according to the contracted per diem rate when occupancy is greater than 70 percent. A contractor's total monthly payment request on a per diem basis will be reported on a "Monthly Invoice" accompanied by a "Register of Participation" (see Appendix B).

c. When Occupancy is 70 Percent or Less

If average occupancy for a month is 70 percent or less, the contractor uses the figure of 70 percent of facility capacity in place of the actual (if lower) occupancy in completing the "Monthly Invoice" form for the first month of 70 percent (or less) occupancy (see Appendix B).

If the facility's average monthly occupancy remains at 70 percent or less for any subsequent consecutive month(s), the contractor will be reimbursed on the basis of actual cost. For such month(s), the contractor will submit a "Monthly Expenditure Statement" accompanied by a "Monthly Invoice" and "Register of Participation" (see Appendix B). This actual cost reimbursement arrangement will remain in affect until average occupancy for a month is 90 percent; at that time, reimbursement will revert to the contract per diem rate plus facility lease/use costs.

Incomplete or improperly prepared monthly reports will be returned for correction before payments will be made.

The contractor will request reimbursement on a monthly basis using the "Monthly Invoice" form specified by the Department of Corrections. Monthly invoices not received by the Department of Corrections, Accounting Office within forty-five (45) days after the end of the month in which the costs were incurred may be discounted by 1.5 percent. In addition, if monthly invoices have not been received by the Department of Corrections, Accounting Office within ninety (90) days after the end of the month in which the costs were incurred, such invoices may be disallowed in their entirety.

The contractor will submit the "Monthly Invoice" to a designated Department of Corrections' representative in the field who is monitoring the program. The Department of Corrections' representative will verify that each participant listed on the "Register of Participation" received the services as described in the contract. The contractor can only include in the "Register of Participation" the first day of participation, but not the last day, unless adequate documentation is provided and attached to the invoice. The monthly invoice should be forwarded by the Department of Corrections' field representative to the Department's Accounting Office, P. O. Box 714, Sacramento, CA 95803 within five (5) days after receipt so that it can be processed to the State Controller's Office for payment to the contractor.

The contractor will not provide nor be paid for services until the contract is approved by the required state agencies -- Department of Corrections, Department of Finance, Department of General Services and the State Personnel Board when required.

V. Fiscal Control, Cost Reporting and Accounting Records Assistance

Assistance and advice regarding fiscal control, cost reporting and accounting records will be provided to contractors upon request to the extent feasible. Clarification and interpretations of the contents of this handbook may be obtained by contacting the following:

Chief, Audit/Rate Development Section
Department of Corrections
P. O. Box 714
Sacramento, CA 95803
Phone No. (916) 324-1211

VI. Fiscal Audits

Audits of the contractor's financial records will be performed on a time schedule to be determined by the Department of Corrections, Audit/Rate Development Section.

The Department of Corrections or any duly authorized representative shall have access and the right to examine, audit, excerpt and transcribe any books, documents, papers or records of the contractor which in the opinion of the State may be related or pertinent to this agreement. Such material must be retained for a period of three (3) years after the termination of the contract or until an audit is completed by the State and all questions arising therefrom are resolved, whichever is sooner. Noncompliance with financial management guidelines set forth herein can result in a disallowance of reported costs under the start up budget or when there is misappropriation of funds under the per diem rate system.

When payment is made under a per diem rate system, reported costs can be questioned. Unresolved questioned costs can result in a reduction in future rates developed by the Department of Corrections.

If substantive disallowances or questionable costs are found, a draft audit report will be issued to the contractor for review and comment. The contractor will have thirty (30) working days to submit written comments and/or supply additional source documentation for the auditor's consideration in preparing the final audit report.

The contract has thirty (30) day after he receives the final audit report to make a formal reply to the findings. The reply must indicate what action has been taken or is intended to be taken regarding each audit finding or recommendation. The reply to the final audit report will be reviewed by an Administrative Review Committee consisting of: (1) Deputy Director, Parole and Community Services Division; (2) Deputy Director, Administrative Services Division; and (3) Assistant Deputy Director, Financial Management and Support Services. The Administrative Review Committee findings will be the final departmental position on the facility's audit.

If the contractor does not reply in writing within the allotted time, the report will be considered accepted in full and the State will proceed accordingly.

The reply and any related questions to the final audit report should be made to the Department of Corrections, Financial Management and Support Services Branch, P. O. Box 714, Sacramento, CA 95803.

If audit findings as determined by the Administrative Review Committee result in disallowances for which the contractor should repay monies to the State of California and if payment for the audit findings is not received within thirty (30) days after the Administrative Review Committee findings are issued, the amount involved will be deducted from future monthly claims until the audit disallowance is fully paid. Nonpayment of audit disallowance may result in immediate cancellation of the contract as well as notification to the California Department of General Services that the contractor has refused to honor the audit findings and appropriate action will be taken to collect the amount due the State.

ALLOWABLE COST STANDARDS FOR SELECTED ITEMS

A. Purpose and Applicability

1. Objective. This attachment provides standards for determining the allowability of selected items of cost when a contractor is reimbursed actual costs under a start up budget. It also is intended to be a guide for the contractor's cost decisions and recordkeeping when under a per diem rate system.
2. Application. These standards will apply regardless of whether a particular item of cost is treated as a direct or indirect cost. Failure to mention a particular item of cost in these standards is not intended to imply that it is either allowable or unallowable, rather determination of allowability in each case should be based on the standards provided for similar or related items of cost. The allowability of the selected items of cost is subject to the general policies as stated in the Department of Corrections' Financial Management Handbook.

B. Allowable Costs

1. Accounting. The cost of establishing and maintaining accounting and other information systems required for the management of contracted programs is allowable. This includes cost incurred by central service agencies for these purposes.
2. Advertising. Advertising media includes newspapers, magazines, radio and television programs, direct mail, trade papers and the like. The advertising costs allowable are those which are solely for:
 - a. Recruitment of personnel required for the contracted program.
 - b. Solicitation of bids for the procurement of required goods and services.
 - c. Other purposes specifically provided for in the contract.
3. Audit Service. The cost of audits necessary for the administration and management of functions related to contracted programs is allowable.
4. Bonding. Costs for premiums of fidelity, surety and performance bonds are allowable.
5. Budgeting. Costs incurred for the development, preparation, presentation and execution of budgets are allowable.

6. Central Stores. The cost of maintaining and operating a central stores organization for supplies and materials used either directly or indirectly for contracted programs is allowable.
7. Disbursing Service. The cost of disbursing contract program funds by the contracting organization's treasurer or other designated officer is allowable. Disbursing services cover the processing of checks or warrants from necessary records of accountability and reconciliation of such records with related cash accounts.
8. Employee Morale, Health and Welfare Costs. The cost of health or first aid clinics and/or infirmaries, recreational facilities, employees' counseling services, employee information publications and any related expenses incurred in accordance with general state policy are allowable. Income generated from any of these activities will be offset against expenses.
9. Exhibits. Costs of exhibits relating specifically to the contract programs are allowable.
10. Legal Expenses. The cost of legal expenses required in the administration of contract programs is allowable. Legal expenses for the prosecution of claims against the State are unallowable.
11. Materials and Supplies. The cost of materials and supplies necessary to carry out the contract programs is allowable. Purchases made specifically for the contract program should be charged thereto at their actual prices after deducting all cash discounts, rebates and allowances received by the contractee. Incoming transportation charges are a proper part of material cost. Material and supplies purchases in excess of \$1,000 need prior written approval and the three bid process is required pursuant to State Administrative Manual, Section 1272, Paragraph 8.
12. Memberships, Subscriptions and Professional Activities. Memberships. The cost of membership in civic, business, technical and professional organizations is allowable provided: (1) the benefit from the membership is related to the contract program; (2) the expenditure is for contractor's membership; (3) the cost of the membership is reasonably related to the value of the services or benefits received; and (4) the expenditure is not for membership in an organization which devotes a substantial part of its activities to influencing legislation.

Meetings and conferences. Costs are allowable when the primary purpose of the meetings is the dissemination of technical information relating to the contract program and they are consistent with regular practices followed for the other activities of the contractor.
13. Payroll Preparation. The cost of preparing payrolls and maintaining necessary related wage records is allowable.
14. Personnel Administration. Costs for the recruitment, examination, certification, classification, training, establishment of pay standards and related personnel activities for contract programs are allowable.

15. Printing and Reproduction. Costs for printing and reproduction services necessary for program administration including but not limited to forms, reports, manuals and informational literature are allowable when such services are in support of the purpose of the Department of Corrections' contracted program.
16. Procurement Service. The cost of procurement services including solicitation of bids, preparation and award of contracts and all phases of contract administration in providing goods and services for contract programs is available.
17. Taxes. In general, taxes or payments in lieu of taxes which the contractor is legally required to pay are allowable.
18. Training and Education. The cost of in-service training, customarily provided for employee development which directly or indirectly benefits contract programs is allowable. Out-of-service training involving extended periods of time is allowable only when specifically authorized by the staff of the Department of Corrections, Parole and Community Services Division Regional Office.
19. Transportation. Costs incurred for freight, cartage, express, postage and other transportation costs relating either to goods purchased, delivered or moved from one location to another are allowable. When such allowable transportation costs occur in moving items from one of the contractor's Department of Corrections' contracted facilities to another, the cost shall be charged against the receiving facility's contract.
20. Depreciation. The contractor may be compensated for the use of buildings, capital improvement and equipment through depreciation.
 - a. The computation of depreciation will be based on acquisition cost. Where actual cost records have not been maintained, a reasonable estimate of the original acquisition cost may be used. Depreciation is not allowable if purchases are made with state, local government or federal funds.
 - b. Where the depreciation method is followed, adequate property records must be maintained and any generally accepted method of computing depreciation may be used. However, the method of computing depreciation must be consistently applied for any specific asset or class of assets for all programs and must result in equitable charges considering the extent of the use of the assets for benefit of the program.
21. Automatic Data Processing. The cost of data processing services to contracted programs is allowable. This cost may include rental of equipment or depreciation on contractor-owned equipment. The acquisition of equipment, whether by outright purchase, rental-purchase agreement or other method of purchase, is allowable only upon specific prior approval by the Department of Corrections, Financial Management and Support Services staff when under a start up budget. (See Equipment Purchases, Section III. C. 4.)

22. Insurance and Indemnification.

- a. Costs of insurance required or approved and maintained pursuant to the contract are allowable.
- b. Costs of other insurance in connection with the general conduct of activities are allowable subject to the following limitations:
 1. Type and extent and cost of coverage will be in accordance with state policy and sound business practice.
 2. Costs of insurance or of contributions to any reserve covering the risk of loss of or damage to state property is unallowable except to the extent that the State has specifically required or approved such costs.
- c. Contributions to a reserve for a self-insurance program approved by the State are allowable to the extent that the type of coverage, extent of coverage and the rates and premiums would have been allowed had insurance been purchased to cover the risks.
- d. Actual losses which could have been converted by permissible insurance (through an approved self-insurance program or otherwise) are unallowable unless expressly provided for in the contract. However, costs incurred because of losses not covered under nominal deductible insurance coverage provided in keeping with sound management practice and minor losses not covered by insurance such as spoilage, breakage and disappearance of small hand tools which occur in the ordinary course of operations are allowable excluding all items on the contract nonexpendable equipment list. Such items on the contract nonexpendable equipment list are state property and shall be replaced with funds from the Equipment Replacement Fund.
- e. Indemnification includes securing the State against liabilities to third persons and other losses not compensated by insurance or otherwise. The State is obligated to indemnify the contractor only to the extent expressly provided for by the contract except as provided in (d) above.

23. Management Studies. The cost of management studies to improve the effectiveness and efficiency of management for ongoing programs is allowable subject to such prior authorization as may be required by the State.

24. Professional Services. Cost of professional services rendered by individuals or organizations not a part of the State is allowable subject to such prior authorization as required under consultant costs category. Professional service that is to be provided must be in writing and conform to contract provisions.

25. Proposal Costs. Costs of preparing proposals on potential state contracts are allowable when specifically provided for in the agreement.

26. Proprietary Fee. Profit under the contract is allowable for the contractor only if the contract was awarded in the competitive bidding procedures pursuant to State Administrative Manual (SAM), Sections 1204, 1210, 1213 and 1241; per SAM, Section 1270, second paragraph. Prior approval is required.

C. Unallowable Costs

1. Contributions and Donations. Unallowable.
2. Entertainment. Costs of amusements, social activities and incidental costs relating thereto such as meals, beverages, lodgings, rentals, transportation, and gratuities are unallowable.
3. Fines and Penalties. Costs resulting from violations of or failure to comply with federal, state and local laws and regulations are unallowable.
4. Capital Expenditures. The construction, renovation, alteration, improvement or repair costs of privately-owned property which would enhance the value of such property to the benefit of the owner are unallowable pursuant to State Administrative Manual, Section 1272, Paragraph 7.

PER DIEM RATE
MONTHLY REIMBURSEMENT FORMS

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RETURN-TO-CUSTODY

MONTHLY INVOICE

(Official Name of Contractor)

(Address of Contractor)

TO:

FROM:

California Department of Corrections
Parole & Community Services Division

(Facility Name)

(Street Address)

(Facility Address)

(City, State, Zip Code)

(Contract Number)

In accordance with the above-numbered contract, payment is requested for satisfactory services provided in the month of _____.

- | | |
|--|----------|
| 1. Percent occupancy (See Note A) | _____ |
| 2. Total resident days (See Notes B and C) | _____ |
| 3. Reimbursement Rate Per Contract | \$ _____ |
| 4. Subtotal (See Note D) | \$ _____ |
| 5. Add: Actual Rent/Lease Costs (See Note E) | \$ _____ |
| 6. TOTAL PAYMENT REQUESTED: (See Note F) | \$ _____ |

The undersigned certifies that by review and verification of the attached 'Register(s) of Participation,' satisfactory service has been provided in accordance with the above-numbered contract.

(Signature of Program Director or Fiscal Officer) / /
(Date)

(Signature of P&CS Division Representative) / /
(Date)

Notes:

- A. Percent occupancy equals 'total resident days' from the attached Register(s) of Participation divided by days in the month times facility capacity.
- B. If occupancy is greater than 70 percent enter 'total resident days' from the attached Register(s) of Participation and compute the total (line 2 x line 3 = line 4 + line 5 = line 6) and enter it on line 6 as the Total Payment Requested.
- C. If occupancy is 70 percent or less enter 70 percent of facility capacity per month in 'total resident days' (line 2) and fill in lines 3, 4, 5 and 6.
- D. Multiple the contracted rate by 'total resident days' as determined in note 2 or 3.
- E. Actual lease costs (not to exceed contract amount).
- F. If occupancy for the previous monthly invoice equaled 70 percent or less, enter actual total expenditures from the Monthly Expenditure Statement. When occupancy averages 90 percent or more on a subsequent month, return to the normal use of this invoice for that month. (Attach previous monthly invoice if current invoice payment is based on actual expenditures due to 70 percent or less average occupancy.)
- G. If the monthly invoice is not received by P&CS Division staff within 45 days after the end of the month in which the costs were incurred, a 1 1/2 percent penalty may be discounted against the invoice.
- H. If the monthly invoice is not received by P&CS Division staff within 90 days after the end of the month in which the costs were incurred, the entire invoice may be disallowed.

RETURN-TO-CUSTODY
 MONTHLY EXPENDITURE STATEMENT^{A/}
 (Submit only if occupancy is 70% or less)

For the Month of: _____ Contract Number _____
 Name of Facility _____

Personnel Costs ^{B/}	
Staff Benefit Costs	
Transportation Costs	
Consultant/Contracted Services	
Equipment Costs	
Facility Lease/Use Cost	
General Operating Expenses	
Food Costs	
Administrative Overhead	
Contingency Reserve	
Proprietary Fee	
Total Program Expenditures	

^{A/} Submittal of a monthly expenditure statement is only required for the period following the invoice where occupancy averaged 70 percent or less.

^{B/} Personnel cost breakdown by classification and position/name is required. (See form RTC Fiscal 3.2 (2/85).)

RETURN-TO-CUSTODY
MONTHLY EXPENDITURE STATEMENT
(Submit only when occupancy is 70% or less)

For the Month of: _____ Contract Number _____
Name of Facility _____

Personnel Cost Breakdown		
Classification/Name	Salary & Wages A/	Total B/
Manager _____	_____	_____
Assistant Manager _____ _____	_____ _____	_____
Secretary/Administrative Assistant _____ _____	_____ _____	_____
Food Service Manager _____ _____	_____ _____	_____
Supervising Cook _____ _____	_____ _____	_____
Community Program Monitor II _____ _____	_____ _____	_____
Community Program Monitor I _____ _____ _____ _____ _____ _____ _____ _____ _____ _____ _____	_____ _____ _____ _____ _____ _____ _____ _____ _____ _____	_____
Total Personnel Costs		_____

A/ Report salary and wage costs incurred during the month.

B/ Only include total cost per classification in this column and forward total Personnel Costs to page one.

QUARTERLY COST REPORTS

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DEPARTMENT OF CORRECTIONS
RATE DEVELOPMENT UNIT

RWF-4
COST REPORT

Legal Name of Contractor		
Business Office Mailing Address	City	Zip Code
Contact Person	Title	Phone No. ()

Date of Organization	Type of Organization	___ Profit	___ Nonprofit
	___ Corporation	___ Partnership	___ Proprietorship

Report for the ___ 1st Qtr.	___ 2nd Qtr.	___ 3rd Qtr.	___ 4th Qtr.	198__ / 8
-----------------------------	--------------	--------------	--------------	-----------

Name of Facility Included in This Report	Contract Date	Bed Size	Contract No.
Address	City		Zip Code
Contact Person	Title		Phone No. ()

List other Facilities for which you have CDC contracts

Name of Facility	Address and Phone	Contract No.

STATEMENT OF PROGRAM INCOME AND EXPENSES

Contract Number _____

Name of Facility _____ For Quarter Ended _____

LINE NO.		CURRENT QUARTER	PRIOR QUARTER	LINE NO.
	Program Revenues:			
01	Federal Government Contracts			01
02	California Department of Corrections Contracts			02
03	County Government Contracts			03
04	Other Revenues (Specify):			04
05				05
06				06
07	Total Revenue			07
	Program Expenses:			
08	Salaries (From Schedule A)			08
09	Payroll Taxes and Fringe Benefits (From Schedule B and C)			09
10	Transportation Costs			10
11	Consultant/Contracted Services			11
12	Equipment			12
13	Lease/Use Costs			13
14	General Expenses			14
15	Food Costs			15
16	Administrative Overhead			16
17	Contingency Reserve (Nonprofit Organizations)			17
18	Other (Specify):			18
19				19
20	Total Program Expenses (add line 8 through 19)			20
21	Net Income (Loss) for the Quarter (subtract line 20 from line 7)			21

STATEMENT OF CHANGES IN EQUIPMENT
REPLACEMENT FUND

Name of Facility _____ For Qtr. Ended _____

LINE NO.		CURRENT QUARTER	PRIOR QUARTER	LINE NO.
01	Balance at Beginning of Quarter As Previously Stated			01
02	Adjustments to Prior Qtr. Balance (Describe):			02
03				03
04				04
05				05
06	Balance at Beginning of Quarter as Restated			06
	Add: Equipment Fund Appropriations From CDC			
07	Date Received: / /			07
08	Date Received: / /			08
09	Date Received: / /			09
10	Interest Earned			10
11	Other Additions to Equipment Fund (Note at bottom of page)			11
12	Total Additions to Equipment Replacement Fund			12
	Less: Equipment Purchases			
13		()	()	13
14		()	()	14
15		()	()	15
16		()	()	16
17	Total Equipment Purchases	()	()	17
18	Equipment Replacement Fund Balance at End of Quarter			18

NOTES: _____

SCHEDULE A: SALARIES AND WAGES OF FACILITY STAFF

NAME OF FACILITY _____

FOR THE QUARTER ENDED _____

LINE No.	NAME	JOB TITLE	TOTAL HOURS PAID ^{1/}	SALARY AND WAGES RECEIVED			QUARTER TOTAL	DATE HIRED	DATE TERMINATED	REASON FOR TERMINATION
				MONTH (1)	MONTH (2)	MONTH (3)				
01										
02										
03										
04										
05										
06										
07										
08										
09										
10										
11										
12										
13										
14										
15										
16										
17										
18										
19										
20										
21	Monthly Totals									
22	TOTAL SALARY AND WAGES FOR THE QUARTER									

35

^{1/} Report total hours paid in this quarter, or monthly salary rate if not paid by hourly rate.

SCHEDULE B: PAYROLL TAXES

LINE NO.	ITEM	QUARTER TOTAL
01	FICA	
02	FUTA	
03	SUI	
04	Worker's Comp.	
05	Other (Specify):	
06		
07	TOTAL	

SCHEDULE C: FRINGE BENEFITS

LINE NO.	ITEM	QUARTER TOTAL
01	Medical Insurance	
02	Life Insurance	
03	Retirement	
04	Annuity	
05	Other (Specify):	
06		
07	TOTAL	

Questions About Non-Salary Compensation

If a pension expense is reported, was the plan(s) for which the expense was reported IRS approved?

___ YES ___ NO

2. Were all of the items on the schedules of payroll taxes and fringe benefits for which an expense is reported available to all employees on an equal basis? (Differences in the availability of benefits due to length of service or regular hours of employment need not be noted.)

___ YES ___ NO

A. If NO, please attach a list of those items which were not equally available to all employees, and for each identify: (1) the employees, or types of employees, who received it; and (2) the expense attributable to each employee or employee type.

3. Do any employees receive compensation in lieu of salary (other than the benefits included in schedule B or C above)?

___ YES ___ NO

A. If YES, please attach a sheet on which you: (1) state which employees receive compensation in lieu of salary; (2) describe what each receives; (3) give the approximate expense of the benefit; and (4) identify the reporting schedule(s) in which this expense is reported.

RETURN-TO-CUSTODY
STAFFING PATTERN
(Number of Positions)

AS OF _____
(Date)

Contract Number _____

FOR QUARTER ENDED _____

Facility _____		Facility Manager	Assistant Manager	Sec./Adm. Assistant	Food Services Supervisor	Supervising Cook	Crew Supervisor	Comm. Prog. Monitor II	Comm. Prog. Monitor I	Relief Monitor	Others	DAILY TOTALS
From _____ To _____ DAY SHIFT	Monday											
	Tuesday											
	Wednesday											
	Thursday											
	Friday											
	Saturday											
	Sunday											
	Totals											
*****		*****	****	****	****	****	****	****	****	****	****	*****
From _____ To _____ SWING SHIFT	Monday											
	Tuesday											
	Wednesday											
	Thursday											
	Friday											
	Saturday											
	Sunday											
	Totals											
*****		*****	****	****	****	****	****	****	****	****	****	*****
From _____ To _____ GRAVEYARD SHIFT	Monday											
	Tuesday											
	Wednesday											
	Thursday											
	Friday											
	Saturday											
	Sunday											
	Totals											
Total Staff Coverage												

CERTIFICATION

I, _____, certify as follows:

(Name of Individual)

That I am an official of _____ and am duly authorized to

(Name of Contractor (D.B.A.))

sign this certification; that to the best of my knowledge the financial

information provided in the accompanying Cost Reports under _____

(Contract Number)

are true and correct as prepared from the books and records of _____

(Facility Name)

_____ in accordance with applicable instruction.

(Facility Address)

If the report was prepared by a person other than the owner, partner or officer, his/her declaration is based upon all information of which he/she has any knowledge.

Owner, Partner or Officer (Type or Print)

_____ Last

_____ Initial

_____ First

Title _____

Signature of Owner, Partner or Officer _____

Date _____

Name of preparer, if other than Owner, Partner or Officer

_____ Last

_____ Initial

_____ First

Title _____

Signature of Preparer _____

Date _____

YEARLY COST REPORTS

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DEPARTMENT OF CORRECTIONS
RATE DEVELOPMENT UNIT

RWF-4
COST REPORT

Legal Name of Contractor		
Business Office Mailing Address	City	Zip Code
Contact Person	Title	Phone No. ()

Date of Organization	Type of Organization	<input type="checkbox"/> Profit	<input type="checkbox"/> Nonprofit
	<input type="checkbox"/> Corporation	<input type="checkbox"/> Partnership	<input type="checkbox"/> Proprietorship

Report for the	<input type="checkbox"/> 1st Qtr.	<input type="checkbox"/> 2nd Qtr.	<input type="checkbox"/> 3rd Qtr.	<input type="checkbox"/> 4th Qtr.	198 / 8
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Name of Facility Included in This Report	Contract Date	Bed Size	Contract No.
Address	City		Zip Code
Contact Person	Title		Phone No. ()

List other Facilities for which you have CDC contracts

Name of Facility	Address and Phone	Contract No.

BALANCE SHEET
AS OF _____

NAME OF FACILITY _____

Line No.	ASSETS	(1) Current Quarter	(2) Prior Quarter	Line No.
	CURRENT ASSETS			
01	Petty Cash			01
02	Cash			02
03	Short-Term Investments			03
04	Accounts Receivable: California Department of Corrections			04
05	Federal Bureau of Prisons			05
06	Local County Government			06
07	Inmate Contributions			07
08	Other A/R (Specify)			08
09	Other A/R (Specify)			09
10	Notes Receivable: Officers, Owners and related parties			10
11	Other N/R (Specify)			11
12	Prepaid Expenses			12
13	Total Current Assets (Sum of Lines 01 thru 12)			13
	LONG-TERM INVESTMENTS AND FUNDS			
14	Long-Term Investments: Bonds			14
15	Long-Term Investments: Real Estate (Net of Accum. Dep.)			15
16	Other Long-Term Investments:			16
17	Special Purpose Fund: (Specify)			17
18	Special Purpose Fund: (Specify)			18
19	Total Investments and Funds			19
	FIXED ASSETS			
20	Land			20
21	Land Improvements			21
22	Building and Improvements			22
23	Less: Accumulated Depreciation - building and improvements	()	()	23
24	Leasehold Improvements			24
25	Less: Accumulated Depreciation - leasehold improvements	()	()	25
26	Furniture and Equipment			26
27	Less: Accumulated Depreciation - furniture and equipment	()	()	27
28	Net Fixed Assets			28
	OTHER ASSETS (Specify)			
29				29
30				30
31				31
32	Total Other Assets			32
33	TOTAL ASSETS (Sum of Lines 13, 19, 28 and 32)			33

NOTE: If more space is needed to enter the requested information, use a separate sheet titled Page 1.1 and begin each entry with "Line No. ___:"

BALANCE SHEET
AS OF _____

NAME OF FACILITY _____

Line No.	LIABILITIES AND EQUITY	(1) CURRENT QUARTER	(2) PRIOR QUARTER	Line No.
	CURRENT LIABILITIES			
01	Accounts Payable	\$	\$	01
02	Notes and Loans Payable			02
03	Accrued Salaries and Wages Payable			03
04	Accrued Payroll and Withholding Taxes			04
05	Accrued Interest Payable			05
06	Accrued Income Taxes			06
07	Deferred Revenue			07
08	Current Maturities of Long Term Debt			08
09	Other Current Liabilities			09
10	TOTAL CURRENT LIABILITIES (Sum of Lines 01 thru 09)	\$	\$	10
	LONG TERM DEBT			
11	Bonds Payable			11
12	Mortgages Payable			12
13	Notes Payable			13
14	Other Noncurrent Liabilities			14
15	Total Long Term Debt (Sum of Lines 11 thru 14)			15
16	Less Amount shown as current liability (Line 08)	()	()	16
17	Net Long Term Debt (Line 15 minus Line 16)	\$	\$	17
18	CONTINGENT LIABILITIES			18
19	TOTAL LIABILITIES (Sum of Lines 10, 17 and 18)	\$	\$	19
	EQUITY (Non-Profit)			
20	Fund Balance			20
	EQUITY (Investor-owned)			
21	Preferred stock (par or stated value \$ _____ per share, _____ shares authorized _____ shares issued and outstanding)			21
22	Common Stock (par or stated value \$ _____ per share, _____ shares authorized _____ shares issued and outstanding)			22
23	Additional Paid-In Capital			23
24	Retained Earnings (capital account for partnership or sole proprietorship)			24
25	TOTAL EQUITY (Sum of Lines 20 thru 24)	\$	\$	25
26	TOTAL LIABILITIES AND EQUITY	\$	\$	26

STATEMENT OF CHANGES IN EQUITY

NAME OF FACILITY _____ FOR QTR. ENDED _____

LINE NO.		(1)	(2)	LINE NO.
		CURRENT QUARTER	PRIOR QUARTER	
	BALANCE AT BEGINNING OF QUARTER			
01	— AS PREVIOUSLY STATED			01
02	Adjustments to Prior Qtr. Balance (describe):			02
03				03
04				04
05				05
06	BALANCE AT BEGINNING OF QUARTER, AS RESTATED			06
	ADDITIONS (DEDUCTIONS):			
07	Net Income (Loss)			07
08	Capital Contributions			08
09	Donated Property and Equipment			09
10	Proceeds from Sale of Stock			10
11	Owner's Draw	()	()	11
12	Dividends Paid	()	()	12
	OTHER CHANGES			
13				13
14				14
15				15
16				16
17				17
18	EQUITY BALANCE AT END OF QUARTER			18

NOTES:

ADMINISTRATIVE COST ALLOCATION PLAN

FACILITY NAME _____ CONTRACT NUMBER _____

Please provide a brief description of the basis used for allocating the central office expenses (and any other appropriate overhead costs) to this Department of Corrections' contract and to all other projects or programs that your organization administers.

Then include an annual cost schedule of the allocated administrative overhead expenses to include:

- Salaries and Wages
- Fringe Benefits
- Payroll Taxes
- Travel Costs
- Contracted Services
- Equipment
- Operating Expenses.

(A computer printout can suffice provided it presents the same cost information.)

FACILITY LEASE/USE COST QUESTIONNAIRE

FACILITY NAME _____ CONTRACT NUMBER _____

Section I: CONTRACTOR OWNED

1. On what date was the property purchased? _____
2. Was the property purchased from a related party?
____ No ____ Yes Relationship: _____
3. What was the purchase price? _____
4. What is the length of the mortgage? _____ years.
5. What is the interest rate? _____ %.
6. What is the monthly principal and interest payments? \$ _____/month.
7. What is the appraised market value of the property? \$ _____ Date _____
8. What is the name and address of the appraiser? _____
_____ Certification _____
9. What is the relationship of the appraiser to the contractor? _____
10. What is the appraiser's financial interest in the property appraised?

11. How much did you pay in property taxes for the last fiscal year? _____
12. What is the square footage of the facility? _____ Square Feet

Section II: LEASED

1. Who is the legal owner of the facility? Name: _____
Address: _____
City/State: _____
Phone No.: _____
2. Is the lessor a related party?
____ No ____ Yes Relationship: _____
3. What is the term of the lease? From _____ to _____
4. What is the monthly lease payment? \$ _____/month.
5. What is the appraised market value? \$ _____ Date _____
6. What is the name and address of the appraiser? _____

7. What is the relationship of the appraiser to the contractor? _____
8. What is the appraiser's financial interest in the property? _____
To the Lessor? _____
9. What is the square footage of the facility? _____ Square Feet
10. Attach a copy of the facility lease agreement (only if it has changed since the last reporting period).

EQUIPMENT LISTING

Name of Facility _____ For Year Ended _____

(1) Description of Items	(2) State-Owned (S) or Vendor- Owned (V)	(3) Purchased w/ Equipment Replacement Yes/No	(4) Date Acquired	(5) Quantity	(6) Unit Cost	(7) Total Cost (Col. 5 x Col. 6)	(8) State Decal No.
I. Office Equipment							
II. Office Furniture							
Living/Recreation Area III. Furniture							

EQUIPMENT LISTING

(1) Description of Items	(2) State-Owned (S) or Vendor-Owned (V)	(3) Purchased w/ Equipment Replacement Yes/No	(4) Date Acquired	(5) Quantity	(6) Unit Cost	(7) Total Cost (Col. 5 x Col. 6)	(8) State Decal No.
IV. Bedroom Furniture							
V. Kitchen/Dining Area Equipment							
VI. Kitchen/Dining Area Furniture							

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EQUIPMENT LISTING

(1) Description of Items	(2) State-Owned (S) or Vendor-Owned (V)	(3) Purchased w/ Equipment Replacement Yes/No	(4) Date Acquired	(5) Quantity	(6) Unit Cost	(7) Total Cost (Col. 5 x Col. 6)	(8) State Decal No.
VII. Recreation/Laundry Equipment							
VIII. Miscellaneous Equipment							

CERTIFICATION

I, _____, certify as follows:

(Name of Individual)

That I am an official of _____ and am duly authorized to

(Name of Contractor (D.B.A.))

sign this certification; that to the best of my knowledge the financial

information provided in the accompanying Cost Reports under _____

(Contract Number)

are true and correct as prepared from the books and records of _____

(Facility Name)

_____ in accordance with applicable instruction.

(Facility Address)

If the report was prepared by a person other than the owner, partner or officer, his/her declaration is based upon all information of which he/she has any knowledge.

Owner, Partner or Officer (Type or Print)

_____ Last

_____ Initial

_____ First

Title _____

Signature of Owner, Partner or Officer _____

Date _____

Name of preparer, if other than Owner, Partner or Officer

_____ Last

_____ Initial

_____ First

Title _____

Signature of Preparer _____

Date _____

START UP PERIOD
MONTHLY REIMBURSEMENT FORMS

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Register of Participation	54

RETURN-TO-CUSTODY
START UP PERIOD
MONTHLY INVOICE

(Official Name of Contractor)

(Address of Contractor)

TO:

FROM:

California Department of Corrections
Parole & Community Services Division

(Street Address)

(City, State, Zip Code)

(Facility Name)

(Facility Address)

(Contract Number)

In accordance with the above-numbered contract, payment is requested for costs incurred in the month of _____.

TOTAL PAYMENT REQUESTED: \$ _____

The undersigned certifies that, by review and verification of the attached 'Register(s) of Participation,' satisfactory service has been provided in accordance with the above-numbered contract. In addition, the facility Program Director certifies that the attached statement of expenses are substantiated by source documentation and are in compliance with the Financial Management Handbook and the contract budget.

_____/_____/_____
(Signature of Program Director or Fiscal Officer) (Date)

_____/_____/_____
(Signature of P&CS Division Representative) (Date)

Notes:

1. If the monthly invoice is not received by P&CS Division staff within 45 days after the end of the month in which the costs were incurred, a 1 1/2 percent penalty may be discounted against the invoice.
2. If the monthly invoice is not received by P&CS Division staff within 90 days after the end of the month in which the costs were incurred, the entire invoice may be disallowed.

RETURN-TO-CUSTODY
MONTHLY START UP EXPENDITURE STATEMENT

For the Month of: _____ Contract Number _____
Name of Facility _____

Actual Expenditures	Current Monthly Costs	Previously Reported Costs	Total Reported Costs to Date	Budgeted Costs
Personnel Costs				
Manager				
Assistant Manager				
Sec./Adm. Assistant				
Food Service Supervisor				
Supervising Cook				
Community Program Monitor II				
Community Program Monitor I				
	*****	*****	*****	*****
Total Personnel Costs				
Staff Benefit Costs				
Facility Lease/Use Cost				
Food Costs				
Equipment Costs				
Transportation Costs				
Consultant/Contracted Services				
General Operating Expenses				
Administrative Overhead				
Contingency Reserve				
Total Program Expenditures ^{A/}				

^{A/} Forward total of Current Monthly Costs to the monthly start up cover invoice.

RETURN-TO-CUSTODY
REGISTER OF PARTICIPATION
For the Month of _____

Name of Facility		Bed Size	Contract No.		Reason Codes		
Address of Facility		City	Zip Code		1. Paroled - 2. Discharged		
Signature of Facility Manager		Title	Phone No. ()		3. Escape		
					4. Disciplinary 115 Incident (Jail)		
					5. Disciplinary 115 Incident (Institution)		
					6. Transferred to another facility		
PARTICIPANT		PARTICIPATION PERIOD			DEPARTURE		
NAME	CDC NUMBER	FROM	TO	TOTAL RESIDENT DAYS A/	EFFECTIVE DATE	REASON CODE	
TOTAL RESIDENT DAYS (Page Total)					Page _____ of _____		

A/ The Total Resident Days column should include the first day of participation, but not the last day, unless adequate documentation is provided and attached to the invoice.

RETURN TO:

SHIP TO:

PRICE QUOTATION ONLY

VENDOR:	DATE:	PROGRAM:
	CONTRACT NO:	

LINE NO.	QUANTITY	UNIT	STOCK ITEM NUMBER	DESCRIPTION	PER UNIT	TOTAL	NO.

FOB POINT AND FREIGHT CHARGES

- FOB "Ship To" address, price to include freight.
- FOB Vendor's shipping point, as follows (show city & state) _____.
Ship freight collect via designated carrier(s) (see below), otherwise cheapest way, Calif. Intrastate not to exceed PUC minimums.

VENDOR SIGNATURE: _____

TITLE: _____

I HEREBY CERTIFY on my own personal knowledge that the articles or services requested hereon are necessary for use in my department.

SIGNATURE: _____

TITLE: _____

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STOCK RECEIVED REPORT

The following articles were received from

Date Received _____

SUB-PURCHASE ORDER OR PURCHASE ORDER No. _____

PARTIAL	COMPLETE
---------	----------

PURCHASE ESTIMATE No. _____

LINE NO.	DESCRIPTION	REMARKS	QUANTITY	PRICE	AMOUNT	✓
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17						

Certification of Receiving Officer

I HEREBY CERTIFY, That I have carefully weighed or counted the above articles received by me today; that they were in good order except as otherwise noted in column "Remarks."

STD. 106 (REV. 2-73)

Location _____

Receiving Officer _____