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March 15, 2013

Honorable Members of the  
Los Angeles City Council  
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**SUBJECT: NEIGHBORHOOD COUNCIL FUNDING PROGRAM**

Honorable Members:

As requested by your Honorable Body, this department submits this report to the City Council on the status of the Neighborhood Council Funding Program.

Background

The Neighborhood Council Funding Program is administered by the Department of Neighborhood Empowerment (Department) for the ninety-five (95) Neighborhood Councils. Because of recent cuts to the Department staffing, an evaluation of the current system was undertaken for the past three (3) months to determine the strengths and weaknesses of the program and to propose possible solutions. In January of 2013, the Department hired retired City employee, Barker Khorasanee, to review and make recommendations on the program. The Department is also working with the Neighborhood Councils and the Offices of the Controller, City Administrative Officer, Chief Legislative Analyst and Finance in its efforts to create a more efficient and accountable financial system for the Neighborhood Councils.

Current Neighborhood Council Funding Program System

At the start of the fiscal year, the yearly allocation for the Neighborhood Councils is moved into a special fund where each individual Neighborhood Council's allocation is placed into its own subaccount. To access these funds, the Neighborhood Councils use a check request, called a demand warrant, which is submitted to the Department for processing, or a purchase card (P-card) that is used like a credit card. The yearly allocation is split equally over the four (4) quarters, but Neighborhood Councils can request more funds in a quarter if they have special events or big expenditures, such as

a yearly lease payment. Every quarter, the Neighborhood Councils must submit a reconciliation of the purchase card receipts for those three (3) months for the Department to audit. The complete details for the Neighborhood Council Funding Program can be found in Attachment A - Neighborhood Council Funding Program Manual.

The Department's focus on the Funding Program is to process the nearly 200 demand warrants for payment monthly and to audit the P-card reconciliations. Every month, the Department also pays the P-card bills for each Neighborhood Council separately and offers a training session on the Funding Program for Neighborhood Council Board members. Three (3) staff, a Senior Management Analyst I, Accountant II, and Accounting Clerk, are assigned to the Funding Program. In addition, eight (8) Neighborhood Empowerment Analysts (NEA) are assisting with funding work with one (1) NEA moved full time to the Funding Program. The Department has also brought on a 120 day hire from the Controller's Office to catch up on the audits and hired as needed staff to support the processing of demand warrants.

#### Major Issues with the Current Neighborhood Council Funding Program

The current Neighborhood Council Funding Program is unsustainable for the following reasons:

##### **Staffing**

The current Neighborhood Council Funding Program was developed and grew into a system that was originally run by twelve (12) staff who were assigned full time to the program. Even then, the mostly manual system often suffered from delayed demand warrant payments, untimely audits and lost paperwork because of the volume of work involved with overseeing so many Neighborhood Councils' funding documents. When the Department was cut nearly 60% two (2) years ago, only three (3) staff full time staff were left to manage the program. Now, staff have been pulled from administrative and field services to assist with the funding work, which has left the other areas of work that the Department is mandated to do by City ordinance less supported or not addressed entirely.

##### **Demand Warrants**

Demand warrants require substantial paperwork to process, and the majority of the demand warrants received by the Department are incomplete. Rather than hold the paperwork and wait for the documents from the Neighborhood Councils, the Department began returning incomplete demand warrants to the Neighborhood Councils. Currently, the Department is returning between fifteen (15) to twenty (20) demand warrants each week at a cost of \$10-\$15 per demand warrant, not including staff time. Often, the returned demand warrants are rejected by the Neighborhood Council so they come back to the Department until staff can track down the Board members to return the documents again. The Department is considering charging

Neighborhood Councils a \$20 return fee to cover the ongoing expenses of returning incomplete demand warrants.

Once demand warrants are complete, the information is entered into the City's Financial Management System (FMS) where paperwork is then checked by staff for accuracy and any violations of policies and procedures, such as conflicts of interest. If the vendor is not in the system, it may take a few days to add the vendor. After two (2) levels of review, the demand warrant is paid if it is accurate and complete. If there is a mistake in the paperwork or a violation, staff works with the Neighborhood Council to correct it.

This entire process can take between thirty (30) to sixty (60) days and is the same whether the amount is for \$20 or \$2000. With over 50% of demand warrants coming in at less than \$500, which includes Board member reimbursements because there is no longer a petty cash system, the demand warrant process is burdensome and time consuming for not only Department staff, but Neighborhood Council Board members as well. The delayed payments results in frustration from the Board members, and from the vendors, who sometimes wait months to get paid, resulting in liability and a bad reputation for the Neighborhood Councils and the City. In order to cut down on the number of demand warrants, the Department is asking Neighborhood Councils to move any expenses they currently submit via demand warrant to the P-card if allowable.

### **Purchase Cards**

Because P-cards are easier to use, Neighborhood Councils have increasingly relied on them to access their funds. Current policies and procedures, however, prevent the use of P-cards for personal services, such as web service providers, and for providing grants. In addition, the merchant codes for the P-cards are outdated and often reject purchases from certain stores that in addition to other products that Neighborhood Councils legally use, sells prohibited items, e.g. alcohol. This typically results in a Board member having to pay out of pocket and then submitting a demand warrant for reimbursement.

The major issue with P-cards is the ability of the Department to manage its oversight of prohibited purchases because of the delayed audits.

### **Audits**

The Department is charged to audit the Neighborhood Councils' quarterly reconciliation submissions of their P-card purchases. Because, however, the Department has focused most of its resources in getting demand warrants paid on time, there has been no staff to perform the audit function. In order to bring the Department's records up-to-date, the Department asked the Office of the Controller for a 120 day hire just to focus on the reconciliations and audits. After several months of examining all the submissions, the auditor determined that 71 of the 95 Neighborhood Councils are behind in their quarterly reconciliations. The Department has since sent letters to those Neighborhood Councils in order to bring them into compliance by April 1, 2013 or risk the freezing of their funds per current policies and procedures.

A sample screening of the P-card purchases has also shown that P-cards are being used to purchase disallowed items, such as personal services. The Department is in the process of notifying those Neighborhood Councils of the issue. The response is typically that the Neighborhood Council did not know this was a disallowed purchase because they have been paying for a long time in this manner and were not notified earlier of the problem.

Also, because the submissions are approved and submitted quarterly if at all by the Neighborhood Councils, any suspicious activity cannot be identified immediately by the Board members, public or the Department until long after it has occurred.

### **Encumbrances**

Prior to the current fiscal year, Neighborhood Councils were allowed to encumber funds for various reasons, such as election outreach, outside of regular City encumbrance policies. Incomplete and inaccurate record keeping on the Department side of such encumbrances over a period of many years has led to a potential shortfall of between \$700,000 to \$1 million in the Neighborhood Council funding account depending on how much of their current fiscal year allocation the Neighborhood Councils spend down by June 30, 2013.

Until the Department is able to set up an accurate system for encumbrances, it has eliminated encumbrances for the current fiscal year.

### **Accounting Record**

The manner in which the accounting records are submitted to the Department by the Neighborhood Councils do not provide for a single document that shows the total expenditures for the Neighborhood Council between both demand warrants and the P-card quarterly reconciliations. Demand warrants are submitted separately from the P-card quarterly reconciliations so there are no statements that show the complete financial picture of a Neighborhood Councils expenses.

### **Manual System**

Aside from a few shared Google documents and the FMS system, the majority of the Funding Program is still executed manually via paper, which can be lost and takes longer to sort and track. Because of the manual nature of the current system, the Department cannot provide an updated database of the expenditures online for public accountability.

### **Transparency**

As noted above, because of the missing reconciliations, incomplete accounting record and the manual system of record keeping, it is difficult to get an accurate view of how the Neighborhood Council funds are being spent. In addition, because of inaccurate

Board rosters, the Department also has difficulty determining at times who is voting on the use of public funds because the Department does not know who is on the Neighborhood Council Board.

After the 2012 elections, the Department created a new database of the Board rosters and will be monitoring the Neighborhood Councils to provide updates on any changes in their Board structure.

#### Proposed New Neighborhood Council Funding Program

With consideration to the volunteer Neighborhood Council Board members' valuable time and the small funding staff, the Department proposes changing the current Neighborhood Council Funding Program to a checking account system where Neighborhood Councils would take charge of the payments side of the work in order to allow the Department to focus on the audit and compliance portion. Based on conversations with the Office of Finance, the Department is confident that the current Neighborhood Council funding subaccounts can be converted into checking accounts with consistent monitoring and oversight from the Department.

The specifics of the structure are still being worked out by the Department, Neighborhood Councils and other City departments, but the basic framework is as follows:

Neighborhood Councils would be assigned a checking account where funds would be provided on an as requested basis after initial seed money is transferred at the start of the fiscal year. Neighborhood Councils would have online banking access to issue checks, and a debit card associated with the account. If necessary, physical checks can also be provided. The Department will have access to view the checking account activity and to transfer and suspend the funds.

At the start of the fiscal year, the Department would transfer the initial seed money in an amount to be determined, but likely between the amounts of \$2000 - \$4000. The Neighborhood Council would spend that money pursuant to City policies and procedures and would handle the payments themselves via checks or debit cards. When the Neighborhood Council needs more funds for its operations, the Treasurer would submit a request for funds and the amount requested to the Department for transfer. There would be a monthly cap unless the Board approved funds for a special event that went over the monthly cap.

On a monthly basis, the Neighborhood Council would approve a funding statement with supporting documentation, such as receipts, at their Board meeting to be submitted in a timely manner to the Department. In order for any subsequent transfers of funds from the Department to be approved, the Neighborhood Council must submit this monthly statement, which will be reviewed by staff immediately upon receipt. If there is an error in the document, then the Neighborhood Council will have time to correct the document. If it is not corrected, the amount in question will be deducted from the Neighborhood Council's future transfers for that year. Ongoing errors will subject the Neighborhood

Council to possible freezing of their funds while the Department works with the Neighborhood Council to resolve the problem.

Because there is no roll over policy, at the end of the fiscal year, any funds left in the Neighborhood Council checking account after the fiscal year deadline will be deducted from the first month's seed money of the new fiscal year and removed from that year's total allocation. The Department recommends, however, that certain accounts be set up within the Neighborhood Council system's main fund, which would address ongoing Neighborhood Council expenses that cross fiscal years. For instance, Neighborhood Councils have expressed interest in contributing funds from this fiscal year to their Congress of Neighborhoods and Neighborhood Council budget advocacy work that will be held this September.

The Department plans to standardize the monthly reports via an electronic platform to create more efficiencies in the Neighborhood Council submissions and the posting of funding information for the public to view. The Department also recommends tying Board member contact information updates and funding education to their access to public funds for further accountability and transparency.

This proposed new system provides easy accessibility of the Neighborhood Councils to their funds, audit oversight for the Department and accountability and transparency for the use of public funds. It also provides a viable platform for Neighborhood Councils to potentially raise money and receive donations in the next evolution of the Funding Program.

#### Proposed Implementation Timeline

The Department hopes to close out the existing system this fiscal year and start the new checking system on July 1, 2013. In order to do this, the City Council must pass a new ordinance permitting the opening of such checking accounts. The Department proposes the following implementation timeline:

**March:** Complete proposed checking account structure, rules and regulations

**April:** Discuss proposed checking account structure, rule and regulations with Neighborhood Councils for feedback and make any necessary revisions; finalize ordinance language for City Council submission and approval

**May:** Begin educational workshops on the new funding structure

**June:** Continue educational workshops on the new funding structure and set up checking accounts to be active on July 1, 2013

#### Recommendation

In order to meet the timeline, the Department recommends the City Council request the Office of the City Attorney to prepare and present an ordinance which allows

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Neighborhood Councils to set up checking accounts pursuant to City policies and procedures and with Department oversight and control.

The Department also recommends the City Council authorize the Controller's Office to create a Congress/Budget Advocacy account in the Neighborhood Council's main fund this fiscal year for Neighborhood Councils to transfer Board approved amounts for the LA Congress of Neighborhoods and the Neighborhood Council Budget Advocacy work. See Attachment B for proposed motion language.

#### Fiscal Impact Statement

There is no general fund impact inasmuch as this report is provided for information only. Future costs for the Department funding staff will be considered as part of the Fiscal Year 2013-14 Budget.

#### Conclusion

The Department will continue to work with the Neighborhood Councils and the Offices of the Controller, City Administrative Officer, Chief Legislative Analyst and Finance to develop acceptable policies and procedures for the proposed new Neighborhood Council Funding Program. It is anticipated that the new program will provide a stable foundation for the Neighborhood Council system to begin exploring other sources of grant funding in the future to continue its work for the community.

If you have any questions regarding this matter, please contact me at (213) 978-1551.

Very truly yours,

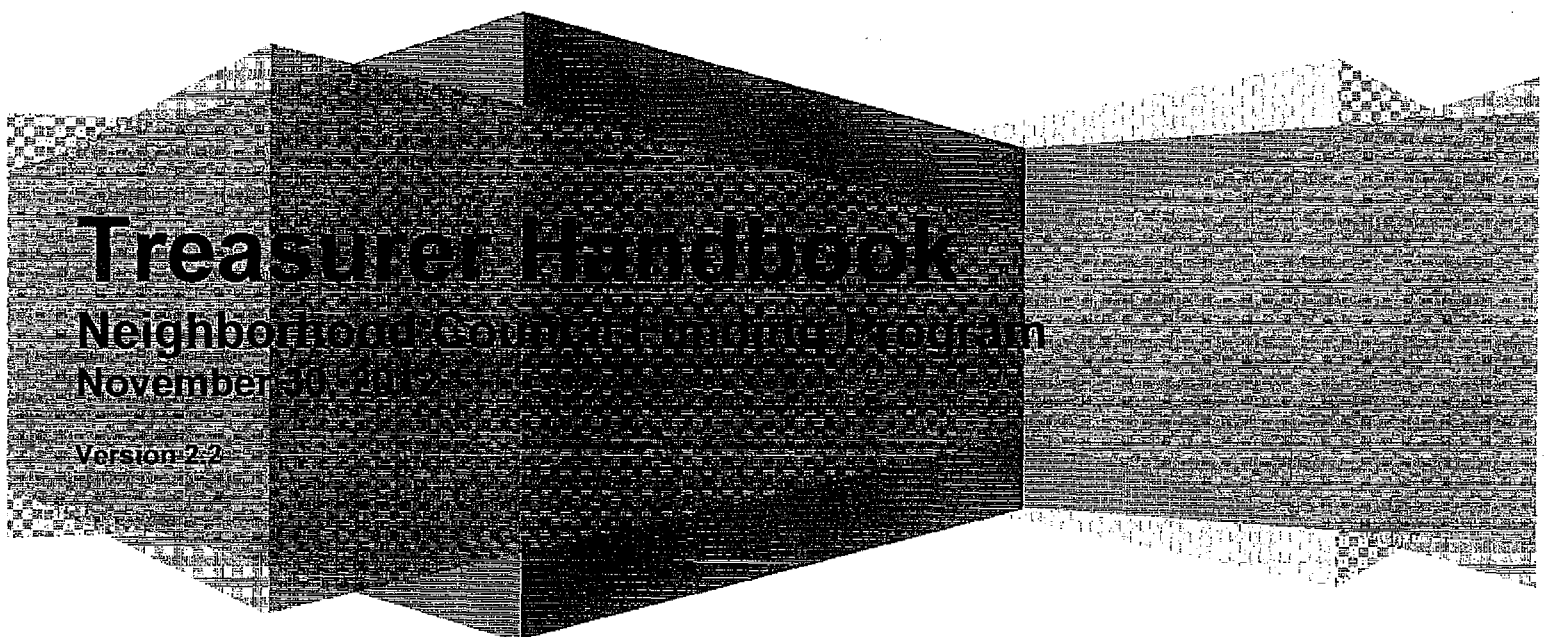
  
GRAYCE LIU  
General Manager

Attachments

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# EMPOWER LA™

Department of  
NEIGHBORHOOD EMPOWERMENT





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## **NEIGHBORHOOD COUNCIL FUNDING PROGRAM**

### **PURPOSE**

*The purpose of the Citywide System of Neighborhood Councils is to promote more citizen participation in government and make government more responsive to local needs. Neighborhood Councils shall include and represent the many diverse interests of its community and shall have an advisory role on issues of concern to their neighborhood.*

*The funding that Neighborhood Councils receive should reflect its intended impact within its community and support its purpose, mission and goals.*

### **INTRODUCTION**

In 1999, voters approved changes to the City Charter adding Section 900, to create the Department of Neighborhood Empowerment (Department) and a citywide system of Neighborhood Councils. A plan detailing the system and its functions was developed and vetted by Department staff and the community. The resulting Plan for a Citywide System of Neighborhood Councils (Plan) was approved by the City Council on May 30, 2001. Thereafter, the implementing ordinance was adopted on July 17, 2005.

Enrollment in the Neighborhood Council Funding Program began in March 2003. Neighborhood Councils (NC) were required to select a Treasurer, a second signatory, attend Treasurer training and complete all of the necessary documents. Funds were disbursed to NCs enrolled in the program on a quarterly basis. Funds remaining at year-end rolled over into the next fiscal year for use by the respective NCs.

This handbook discusses the authority and responsibilities of the Department and NCs in relation to the Neighborhood Council Funding Program. We begin with the pertinent governing laws and regulations, and then continue with the NC budget and the methods by which NCs may access their funds. Also included is information about the processes that NCs must abide by to ensure transparency and accountability in spending the funds.

The Plan requires each Certified NC that receives funding to account for its expenditures (Article III, Section 2[d]). Following is the Plan language and City Council actions pertaining to the Funding Program:

#### **Financial Accountability**

- (d) A system of financial accountability shall be established that governs a Certified Neighborhood Council's use of its funds. Each Certified Neighborhood Council shall:
  - (i) Prescribe a method for keeping a book of accounts that complies with applicable local, state, and federal laws, which includes any or all provisions of Generally Accepted Accounting Principles that apply to a Certified Neighborhood Council, according to the type of entity established by a Certified Neighborhood Council.

- (ii) Discuss its finances at a regularly scheduled or special meeting, prior to submitting an account statement to DONE (as prescribed below), in order to gather input from Neighborhood Council Community Stakeholders.
- (iii) Ensure that each Certified Neighborhood Council's book of accounts shall be open to all Community Stakeholders of any Certified Neighborhood Council.
- (iv) Establish a process by which each Certified Neighborhood Council member can review the Certified Neighborhood Council's book of accounts.

Each Certified Neighborhood Council's Governing Body shall include an officer named the Treasurer, whose duties shall include maintaining the Neighborhood Council's book of accounts, as prescribed by DONE and submitting account statements to DONE no less than once and no more than twice during each fiscal year, the date(s) of which shall be prescribed by DONE. Refusal to submit accounting information as required by DONE shall be grounds for consideration of de-certification as defined in Article VI, Section 5 of the Plan.

***November 1, 2002: Program approved (C.F. 02-0699)***

At the beginning of each fiscal year, the Mayor and Council shall appropriate money for Certified Neighborhood Councils for costs related to the functions, operations, and duties of being a Certified Neighborhood Council. Such functions, operations, and duties include, but are not limited to, meeting and office space, office equipment, computers, supplies, and communications, such as costs associated with newsletters, postage, or printing written materials. At the discretion of each neighborhood council, and as approved by the DONE, all or part of the money so appropriated may be used for neighborhood improvement projects.

***June 9, 2004: NC Funding cycles modified from calendar year to fiscal year (C.F. 04-1115)***

To conform to the City's budget process, NC funding cycles were modified from a calendar year to a fiscal year.

***June 24, 2004: NC's to Encumber Funds (C.F. 04-1072)***

"Neighborhood councils...were informed...that they could keep funds from the previous year if they were "encumbered" or earmarked by Wednesday, June 14, 2004." This action was taken to prevent NCs from losing any funds due to the switch from a calendar year to fiscal year.

***June 22, 2005: Three year rollover policy defined (C.F. 02-0699)***

This policy allows unspent Neighborhood Council Fund balances to rollover at the end of each fiscal year for a period of time not to exceed three years from the date of initial allocation." The three years noted in the previous sentence were considered fiscal years, and "initial allocation" refers to the initial budget appropriation for each NC.

Any funds that exceed the maximum allowable rollover amount of \$100,000 shall be deducted from each NC account at the end of the fiscal year or at any other time as determined by the Mayor and City Council.

**October 23, 2006: Plan Amendment (C.F. 02-0699)**

**Financial Accountability and Technical Assistance Policy**

**1. Preliminary Review of Expenditures**

The DONE may make a preliminary review of any expenditure or financial transactions contemplated by a Certified Neighborhood Council to ensure that it is acceptable, appropriate, and comports with DONE guidelines and laws that pertain. Where a Certified Neighborhood Council is unsure whether a proposed expenditure is appropriate, it shall make a written request for guidance from the DONE on the matter before any commitment to expend funds is made or the transaction is completed.

**2. Expenditure Oversight**

The DONE may monitor and review any and all financial transactions made by a Certified Neighborhood Council as follows:

- (a) Computer based [on-line] review of any information concerning Commercial Prepaid Card transactions, negotiable instruments, or any other applicable method by which Certified Neighborhood Councils may access City funds and make financial transactions.
- (b) On-site review of any Certified Neighborhood Council's accounts, statements, books, records, receipts, invoices, or any other document that evidences any financial transaction.
- (c) A DONE in-house review of any Certified Neighborhood Council's accounts and business records prior to releasing funds to the Certified Neighborhood Council for the conduct of its business.

**3. Admonition**

When DONE determines that a Certified Neighborhood Council has failed to account for its funds or has misused its funds, then the Department may issue a Fiscal Responsibility Admonition Letter informing the Certified Neighborhood Council of the problem. Where the DONE deems it necessary, the Financial Responsibility Admonition Letter may request as follows:

- (a) That the Certified Neighborhood Council take specific corrective action to comply with Generally Accepted Accounting Principles or those prescribed by DONE under the Neighborhood Council Funding Program.
- (b) That the Treasurer, or any other Certified Neighborhood Council representative, shall meet with DONE staff to discuss accounting practices or any other financial matter involving the Certified Neighborhood Council and, thereafter, follow a remedial plan as prescribed by the DONE.

#### **4. Corrective Action and Remedial Measures**

If the DONE determines that a Certified Neighborhood Council has misused its funds, then the DONE may impose corrective action or remedial measures on the Certified Neighborhood Council. The DONE's decision to impose corrective action or remedial measures, or both, is final unless de-certification is initiated as set forth in Section 22.810.1 (e)(2) of the Los Angeles Administrative Code.

#### **5. Corrective Action**

As outlined in the DONE's Fiscal Responsibility Admonition Letter, the corrective action prescribed by the DONE may include, but is not limited to, the following:

- (a) Denying funding requests for payment of purchases or transactions deemed unacceptable or a misuse of public funds.
- (b) Suspending all access to and the use of Certified Neighborhood Council funds, including Commercial Prepaid Cards or City issued demand warrants.
- (c) Reducing funding to a Certified Neighborhood Council in amounts that equal or approximate the amount necessary to compensate for, or remedy, any unacceptable purchase or financial transaction, or to redeem misused public funds; including any administrative or incidental costs associated therewith.

#### **6. Remedial Measures**

The DONE is authorized to impose remedial measures on any Certified Neighborhood Council when the Department determines that an unacceptable purchase, financial transaction, or misuse of public funds has occurred, or may occur, in violation of accounting principles, DONE guidelines, or laws that pertain. Any remedial measures imposed by DONE will be identified in a Fiscal Responsibility Admonition Letter and may include any combination of corrective actions and remedial measures that the DONE deems appropriate under the circumstances. In an effort to insure that the Certified Neighborhood Councils operate in a fiscally responsible manner and to support the financial integrity of the Neighborhood Council Funding Program, the Department may impose the following remedial measures:

- (a) Require mandatory supplemental training for any treasurer or fiscal agent of a board or, if necessary, the entire board of the Certified Neighborhood Council.
- (b) Require that the Certified Neighborhood Council develop and commit to a written remedial action plan within 45 days from the date when the DONE mails a Fiscal Responsibility Admonition Letter imposing such a measure.
- (c) Require that the Certified Neighborhood Council be placed on formal probation when the DONE determines that a Certified Neighborhood Council has been repeatedly deficient in its accounting practices or has consistently mishandled or misused its funds.
- (d) Require that the Certified Neighborhood Council immediately relinquish all access to, and tender all control of its business records and funds to the DONE. The DONE may impose this measure when it determines that the Certified Neighborhood Council has not complied with the corrective or remedial measures outlined in a previous Financial Admonition Letter, the

prospect of rectifying the problem is unlikely, or the circumstances require immediate action to safeguard public funds.

- (e) Refer the matter to the Commission with a recommendation that the Certified Neighborhood Council be involuntary decertified as set forth in section 22.810.1(e) (2) of the Los Angeles Administrative Code. DONE may recommend decertification when it determines that a Certified Neighborhood Council is incapable of handling its accounts, its Governing Body refuses to follow the advice, corrective action, or remedial measures outlined by the DONE, or the circumstances require immediate action to safeguard public funds.
- (f) Refer the matter to the appropriate department, commission, or law enforcement agency when the Department has reasonable cause to believe that someone has engaged in unlawful or criminal activity involving a Certified Neighborhood Council's public funds.

***January 19, 2007: US Bank selected as vendor for new NC Purchasing Card (C.F. 02-0699)***

NC board designees are eligible to apply for one (1) US Bank Purchasing Card to assist them with the conduct of official NC business. Payment of NC Purchasing Card balances is accomplished via a Demand Warrant generated by the Department of Neighborhood Empowerment and sent directly to US Bank at the closing of the statement period for all expenditures incurred by the individual NCs within the respective time period. Individual Purchasing Card expenditures are posted on the Department's website as well as the demand warrant (check) generated by the Department to pay for the monthly expenses.

***July 13, 2007: Council adopts the Neighborhood Purposes Grant Program (C.F. 02-0699)***

Neighborhood Councils that wish to grant a portion of their funds to a nonprofit corporation (excluding religious institutions) organized under 26 United States Code (U.S.C.) section 501 (c)(3) or to a public school, as authorized by Los Angeles Administrative Code sections 22.801 (p) and 22.817, may commit and disburse funds to a grantee upon completion of the following:

**1. Governing Body Approval**

Any grant contemplated by a Certified Neighborhood Council shall be approved by action of the Certified Neighborhood Council's governing body and shall be reflected in a written motion or resolution adopted by that body containing, in substance, the following details:

- (a) The precise legal name of the recipient or grantee
- (b) The dollar amount of the grant
- (c) A description of the public purpose served by the grant

## **2. Administrative Processing**

After a Certified Neighborhood Council has approved a grant, evidenced by a written motion or resolution, a member of the Governing Body shall submit the following to DONE's administrative office within 45 days:

- (a) A written motion or resolution adopted by the Governing Body evidencing the body's intention to make a grant.
- (b) A Neighborhood Purposes Grant Program Application, as prescribed by DONE, which contains the information set forth in Section 1 (a)-(c), above.
- (c) Any additional information requested by DONE for it to evaluate the terms and legality of the proposed grant and a written grant agreement pursuant to the City's contracting procedures.

## **3. Grant Application Evaluation**

After receiving the Neighborhood Purposes Grant Program Application and documentation as set forth in Section 2 above, DONE shall forthwith evaluate the Certified Neighborhood Council's proposed grant to determine as follows:

- (a) Whether the proposed award or grant is being made to a nonprofit organization (excluding religious institutions) organized under 26 U.S.C section 501 (c)(3), or to a public school.
- (b) Whether the proposed grant is for an identifiable public purpose, is consistent with the allowable expenditures under the Neighborhood Council Funding Program, and comports with all laws.

## **4. Grant Application Determination**

- (a) A decision by DONE to approve or deny a Certified Neighborhood Council's proposed grant is final.
- (b) DONE shall keep a record of all grants and, on behalf of the Certified Neighborhood Councils, prepare written contracts for all grants exceeding five thousand dollars (\$5,000)
- (c) The Commission shall approve all proposed grant contracts that exceed twenty-thousand dollars (\$20,000).
- (d) Each grant application approved by DONE shall be treated as a separate neighborhood purposes grant.
- (e) DONE shall ensure that the grant application process is transparent and that the identity of each grantee is retained and posted on the DONE website.

### ***January 23, 2008: Donations Ordinance (C.F. 03-1260)***

Council adopted an Ordinance to create a Neighborhood Empowerment Trust Fund and to grant authority to the Department of Neighborhood Empowerment and Neighborhood Councils

to accept gifts. This ordinance included a sunset clause repealing the ordinance three years after its effective date.

### **February 18, 2010 Limited Access to Rollover Funds (C.F. 09-0600-S159)**

As a result of the fiscal crisis, the City Council eliminated the rollover policy, transferring uncommitted funds accrued through fiscal year 2008-2009 into the City's Unappropriated Balance account. Additional information and the claim period are found in the Department's Info Bulletin 2010-03.

### **May 18, 2011: FY 2011-12 Budget - Recommendation (C.F. 11-0600-S58)**

In the process of closing out FY 2010-11 and adopting the FY 2011-12 City budget, the Department encumbered NC FY 2010-11 funds in order to pay for committed expenses including office leases and contracts, and outstanding demand warrants and P-card purchases.

## **FIDUCIARY RESPONSIBILITY**

The role of the Treasurer is to oversee and conduct the day-to-day bookkeeping responsibilities such as keeping track of expenses, making purchases, reconciling documents and providing reports to the board and public. It is the responsibility of the entire Neighborhood Council Governing Board to manage the funds of the council.

All transactions must be included on a board agenda and discussed and approved at a public meeting. The board should include enough information on the agenda regarding a funding item so that the public can make a reasonable decision whether they would like to attend and testify on the matter. At a minimum, the information on the agenda should include the name of the vendor and/or organization requesting the funding, the amount being requested and the intended purpose. Once a decision is made by the board, it should be confirmed in the minutes or by a board resolution and kept in the official file of the Neighborhood Council.

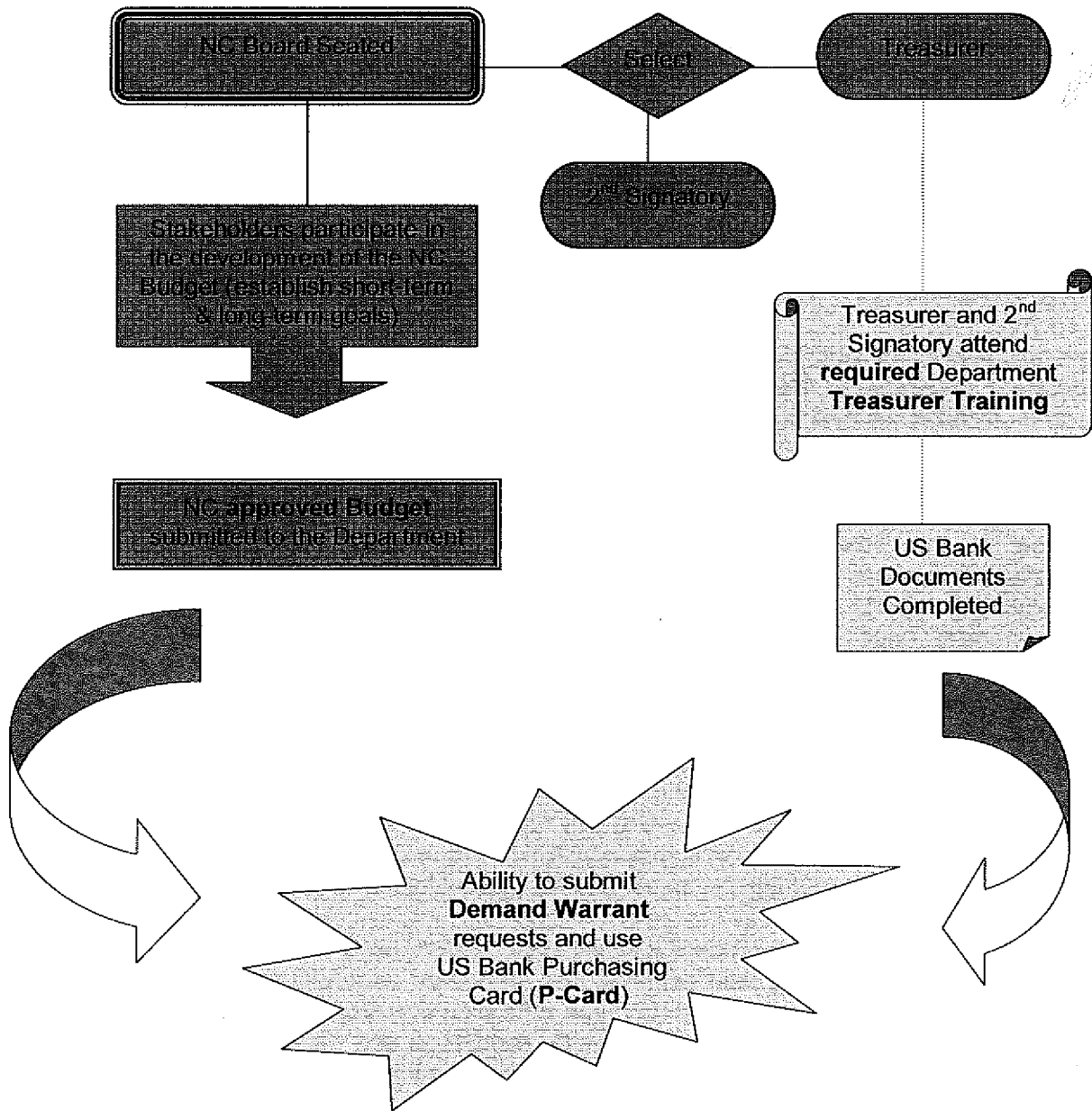
Treasurers are to report to the board and its stakeholders on a monthly basis regarding the status of its funding including paid expenditures, approved expenditures that are outstanding and the total remaining balance. If at any time a funding discrepancy is discovered, the board should be notified immediately so that it may be discussed and corrected. If the discrepancy cannot be resolved or is of a nature that may involve criminal activity; the board should notify the Department immediately.

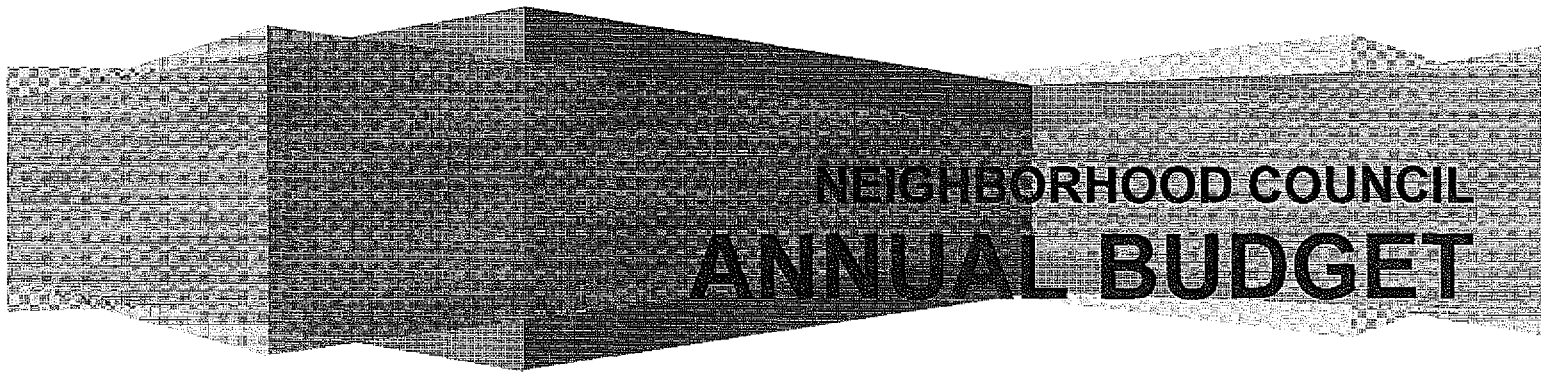
## **ACCESSING THE FUNDING**

A Neighborhood Council may access funding once there is a governing body in place and a Treasurer and 2<sup>nd</sup> signatory have been selected by the board and trained by the Department. Thereafter, the Treasurer and second signatory will be required to complete confidential documents in order to receive a US Bank Purchasing Card (P-Card). The Neighborhood Council will then be able to submit requests to process Demand Warrants (paper checks) for payment and use the P-Card.

The following is a flowchart of the process to access the funds:







## NEIGHBORHOOD COUNCIL ANNUAL BUDGET

The budget should be used as a strategic financial **road map** to conduct activities that will help the NC achieve its goals. It should include the input of stakeholders, be accessible and be accountable to the rules that govern the usage of public funds. It is also important to articulate the manner in which the Neighborhood Council's budget reflects its intended benefit to the community. A good budget outlines in reasonable detail: 1) operating expenses; 2) outreach activities; 3) neighborhood improvements and/or beautification projects; and 4) Neighborhood Purposes Grants.

The NC budget must be provided in the standardized format using the template provided on the Department's website. The different types of expenses are categorized and coded as listed below (a sample budget is provided on page 12):

### **100 OPERATIONS:**

These are NC operation expenses and include payments for translation and transcription, rent and maintenance related to facilities, space and storage rentals, supplies and copying for board meetings and committee meetings, staffing and temporary help, postage, mail service, business cards and letterhead, board retreats and training, and other expenses deemed necessary by the NC board.

AUD	Audio and Visual Services
EDU	Training and Board Retreat
FAC	Facilities Related and Space Rental
MIS	Miscellaneous Expense
OFF	Office Equipment and Supplies
POS	Postage
TAC	Temporary Staff
TRL	Translation and Transcription

### **200 OUTREACH:**

Outreach expenses include, but are not limited to, hosting and maintaining the NC website, newsletters, banners and advertising, stakeholder outreach events, elections, postage and mailings related to outreach efforts, and other general outreach expenditures as approved by the NC board. Outreach events include CERT training, disaster awareness and preparedness, neighborhood watch and life and safety programs; and should be approved by the NC board and reflected in the minutes.

ADV	Advertising
ELE	Election Outreach Expense
EVE	Event Expense / Food & Refreshments
MEE	Meeting Expense
NEW	Newsletter Expense
WEB	Website Maintenance/Enhancement/Creation

### **300 COMMUNITY IMPROVEMENT PROJECTS:**

Community Improvement Projects include costs associated with beautification projects such as tree plantings, graffiti abatement, sidewalk washing, median maintenance; and capital improvements to City owned facilities such as recreation centers, fire stations, police stations and parks.

CIP      Community Improvement Projects

### **400 NEIGHBORHOOD PURPOSES GRANTS:**

Public schools and 501(c)3 non-profit organizations are eligible to receive grants from NCs through the Neighborhood Purposes Grants program. Agencies receiving a grant must provide a benefit to the community with the grant funds, be approved by the NC Board and reflected in the agenda and minutes. For expediency, the NC may submit a board resolution.

GRT      Neighborhood Purpose Grant

### **ELECTRONIC BUDGET TEMPLATE**

Neighborhood Councils are **required** to submit a board approved budget at the beginning of each fiscal year. The budget must be submitted to the Department using the **electronic budget template** found on the DONE website, by the Treasurer. This must be done by the established deadline, in order to access the NC's funds.

The electronic budget template provides the budget categories that NC are to use, with the approved line item codes. It is set up to add and indicate the percentage of the total NC budget that is allocated under each category. The great majority of a NC's budget should be expended on activities and products that benefit the community. As such, it is recommended that the administrative expenses (Operations) be limited to no more than 20 percent of the total NC budget.

Once the electronic budget template has been completed in accordance with the approved NC budget, the Treasurer must submit the budget along with a Board Resolution or the meeting agenda and minutes indicating board approval of the budget, to the Department.

A copy of the approved electronic budget template can be found on the following page. The numbers inserted are a sample only. To access the template, follow this link:  
(<http://done.lacity.org/enet/funding/budgetallocation.aspx>)

For assistance in this process, please call the NC Help Line at (213) 978-1551. .

## NEIGHBORHOOD COUNCIL STANDARDIZED BUDGET TEMPLATE

**Los Angeles Neighborhood Council  
Budget for Fiscal Year 2011-2012  
APPROVED 6/15/11**

<b>Funds</b>		
Total Annual Allocation	\$	40,500.00

**Budget**

Code	Category				Total
<b>100 Operations</b>		%			
AUD	Audio and Visual Services				300
EDU	Training and Board Retreat				1,000
FAC	Facilities Related and Space Rental				1,200
MIS	Miscellaneous Expense				100
OFF	Office Equipment and Supplies				500
POS	Postage				200
TAC	Temporary Staff				1,000
TRL	Translation and Transcription				1,000
	<b>Sub Total</b>	13.05%	\$		5,300
<b>200 Outreach</b>					
ADV	Advertising				1,000
ELE	Election Outreach Expense				4,000
EVE	Event Expense / Food & Refreshments				3,000
MEE	Meeting Expense				500
NEW	Newsletter Expense				700
WEB	Website Maintenance/Enhancement/Creation				1,000
	<b>Sub Total</b>	25.19%	\$		10,200
<b>300 Community Improvement</b>					
CIP	Community Improvement Project				15,000
	<b>Sub Total</b>	37.04%	\$		15,000
<b>400 Neighborhood Purpose Grants</b>					
GRT	Neighborhood Purpose Grants				10,000
	<b>Sub Total</b>	24.69%	\$		10,000
<b>Grand Total</b>				<b>\$</b>	<b>40,500</b>

Budget Narrative:



**GUIDELINES & RESPONSIBILITIES**  
TREASURER and SECOND SIGNATORY

## PROCESS SUMMARY

After certification and the election of a Governing Body, NCs are eligible to receive City funds. The selected Treasurer and the board member designated the 2<sup>nd</sup> signatory must:

1. Attend the Department's Funding Program training and orientation session
2. Sign a Letter of Acknowledgment
3. Provide minutes or a board resolution confirming his/her appointment as Treasurer/2<sup>nd</sup> signatory

The NC will also determine which board member, who has participated in the Funding Program training, will be issued the **Purchase Card (P-Card)**. Once decided, the board member must complete and sign the **Charge Card Agreement of Responsibilities** and the **Charge Card Application**.

Once the above-mentioned documents are received and verified by the Department, staff will input the necessary data into the US Bank financial system in order for the cardholder to be issued the P-Card. Typically the P-Card is issued within ten (10) business days of the information being entered into the US Bank system.

The P-Card should be used for most routine NC expenses. However, there are situations in which the P-card will not work or is not an acceptable method of payment. Consequently, the City Controller has developed a demand warrant (printed check) system specifically for NCs.

Treasurers can access the demand warrant system by completing the **Request for Demand Warrant** form and submitting it along with the required supporting documentation as stated on the *Demand Warrant Checklist* to the Department. Due to reduced Department staff and the City's new Financial Management System (FMS), it will take 60 or more days from the time a complete DW request is submitted to the Department until the City Controller issues the demand warrant.

## PURCHASE CARD (P-Card)

Currently, each NC has access to one (1) P-Card with an annual spending cap of \$18,500 and a quarterly spending cap of \$4,625. There is a single transaction limit of \$2,500 for each purchase on the P-card. Split charges, or transactions split into multiple charges in order to circumvent the transaction limit amount, are not allowed. The sum total of the monthly expenses incurred by each NC will be paid by the Department via a demand warrant sent directly to US Bank. These expenditures will be deducted from the respective NC's funding account.

On a quarterly basis, all NCs are required to submit original receipts for all P-card expenses, along with any documents attesting to board approval for the expenditures. Any expenses that cannot be verified through proper documentation will result in the freezing of the NC's funds.

The P-Card provides many convenient benefits to Neighborhood Councils including the ability to view account information online and having wide merchant acceptability. In addition, using vendors on contract with the City may provide NCs the same cost savings afforded to the City.

## DEMAND WARRANT (PAPER CHECK)

Demand Warrant requests can be for any amount and for any item or service identified on the Department approved Acceptable Purchases List. All requests submitted must be signed by the Treasurer and authorized second signatory, and must be submitted with all the necessary documents and pertinent information described later in the handbook. **Incomplete Demand Warrant submissions will be returned to the NC** with a description and/or explanation of the documents or information needed in order to process the payment.

## PUBLIC FUNDS OVERSIGHT

The Department is responsible for ensuring the proper use of NC funds as prescribed in the Plan for a Citywide System of Neighborhood Councils. Safeguards have been implemented such as restriction of certain merchant codes for the P-card. An **Unacceptable Purchases List** has been developed to aid NCs in the proper use of public funds.

All requests for funding are subject to approval by the Department. Further, **it is required that the NC Governing Body vote and approve all uses of City funds** before requesting a Demand Warrant or charging an expense on the P-Card. NCs are required to submit supporting documentation with the Demand Warrant (DW) requests and with the P-card quarterly reconciliation report showing approval for all expenses incurred. Failure to do so will result in the Department's inability to process the DW or may result in the suspension of the NC's funds. The Department will make all reasonable efforts to accommodate the needs of the NC to ensure that NCs have the money they need when they need it.



**LETTER OF ACKNOWLEDGEMENT**

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The undersigned do hereby declare that as a result of an official action of the Governing Body of the Neighborhood Council named below: (1) they are authorized to request City funding to support NC general operations, (2) all items or services described or included in any related funding requests are exclusively intended to further the goals and objectives of the Neighborhood Council, and (3) that all reasonable precautions shall be exercised by the undersigned to fully safeguard, control and account for all use of the funds. Proper accountability of all City funds is critical to the success of the NC Funding Program.

THEREFORE, by the signature(s) below, and on behalf of the Neighborhood Council named below, WE HEREBY AGREE to the terms and conditions as set forth in this Letter of Acknowledgment and all related documents as provided by the City, agree to expend funds in accordance with any applicable City rules, policies or procedures, and specifically agree to expend monies received by the Department of Neighborhood Empowerment solely for public purposes relating to the goals and purposes of the Neighborhood Council named below, consistent with the scope and authority under the City Charter, the Plan for a Citywide System of Neighborhood Councils and any implementing ordinances. We have attended and participated in the City-provided training related to the Funding Program.

WE FURTHER ACKNOWLEDGE and WE AGREE to comply with any requirements regarding use of the Purchase Card. WE AGREE to provide NC financial reports and/or supporting documentation to the Department of Neighborhood Empowerment as requested and at a minimum monthly to the Governing Body and stakeholders of the NC named below. WE AGREE that the Department of Neighborhood Empowerment and other City representatives may make on-site visits to inspect and review all NC financial records, upon providing reasonable advance notice to the NC Treasurer or designated representative.

WE ACKNOWLEDGE THAT A NEW LETTER OF ACKNOWLEDGMENT MUST BE FILED IF THERE IS ANY CHANGE OF PERSONS WHO ARE AUTHORIZED TO APPROVE EXPENSES OR TO REQUEST FUNDING.

NEIGHBORHOOD COUNCIL NAME: \_\_\_\_\_ DATE: \_\_\_\_\_

Neighborhood Council Authorized Representative Names and Signatures. **Two signatures are required:**

\_\_\_\_\_  
(1) SIGNATURE OF TREASURER

\_\_\_\_\_  
(2) SIGNATURE OF SECOND SIGNATORY

\_\_\_\_\_  
(1) PRINT NAME OF TREASURER

\_\_\_\_\_  
(2) PRINT NAME OF SECOND SIGNATORY

\_\_\_\_\_  
(2) TITLE OF SECOND SIGNATORY

## PURCHASE CARD AGREEMENT OF RESPONSIBILITIES

This document outlines the responsibilities that I, as the Neighborhood Council Purchasing Cardholder have as the primary custodial holder of a City of Los Angeles Neighborhood Council (NC) Purchase Card referred herein as ("the Card") for the Neighborhood Council named below. My signature indicates that I have read and understand these responsibilities and further, that I agree to adhere to the guidelines established by the Department and approved by the City Controller for the use of City funding as it relates to the Neighborhood Council Funding Program.

1. I understand that the City of Los Angeles Neighborhood Council Card is intended to facilitate the purchase and payment of materials required for the conduct of official Neighborhood Council business only.
2. I understand that under no circumstances will I use the Card to make personal purchases, either for myself or for others. The Card is issued in the name of the Neighborhood Council and I serve as the Card custodian. I agree that should I willfully violate the terms of this Agreement and use the Card for personal use or gain that I will reimburse the City of Los Angeles for all incurred charges and any fees related to the collection of those charges.
3. Uses of the Card not authorized by the Department can be considered misappropriation of City funds. This could result in (a) immediate and irrevocable forfeiture of the Card, and/or (b) potential de-certification action. I understand that the Card must be surrendered upon termination of my official position with the Neighborhood Council to which the card is issued. I agree to maintain the Card with appropriate security whenever and wherever I or any other authorized person may use the Card. If the Card is stolen or lost, I agree to immediately notify the Department.
4. I understand that since the Card is the property of US Bank and authorized for issue by the City of Los Angeles, I am required to comply with internal control procedures designed to protect City assets. This may include being asked to produce the Card, receipts, and/or statements to validate its existence and to audit its use.
5. I understand that I will have access to the statement via the Internet. I understand that I am required to obtain a copy of the cash register receipt or packing slip and keep it until I perform my monthly reconciliation and verify the receipt(s) to the online statement. I will print and sign the online statement and have it approved by a second authorized individual before forwarding my documentation to the Department.
6. I understand that all transactions on the Card will reduce the funds available to the NC. I understand that US Bank will not accept any limit increases or merchant code restriction adjustments from me.
7. I agree to make only those purchases consistent with the type of purchases authorized by the Department and approved by the NC Governing Board.
8. I understand that the Card is solely provided to the designated NC cardholder and that assignment of the Card is based on the understanding that I need to purchase materials

required for the conduct of Neighborhood Council business. I understand that custodial possession of the Card is not an entitlement nor reflective of title or position.

9. I have signed and received a copy of the Letter of Acknowledgment regarding the Neighborhood Council Funding Program, have attended and completed the training regarding the Funding Program and the Card, and I understand the requirements and limitations regarding the Card's use.

NEIGHBORHOOD COUNCIL NAME: \_\_\_\_\_ DATE: \_\_\_\_\_

Neighborhood Council Authorized Representative Names and Signatures. **Two signatures are required:**

\_\_\_\_\_  
(1) SIGNATURE OF TREASURER

\_\_\_\_\_  
(2) SIGNATURE OF SECOND SIGNATORY

\_\_\_\_\_  
(1) PRINT NAME OF TREASURER

\_\_\_\_\_  
(2) PRINT NAME OF SECOND SIGNATORY

\_\_\_\_\_  
(2) TITLE OF SECOND SIGNATORY





**DEMAND WARRANTS**

## PROCEDURE FOR PROCESSING DEMAND WARRANT REQUESTS

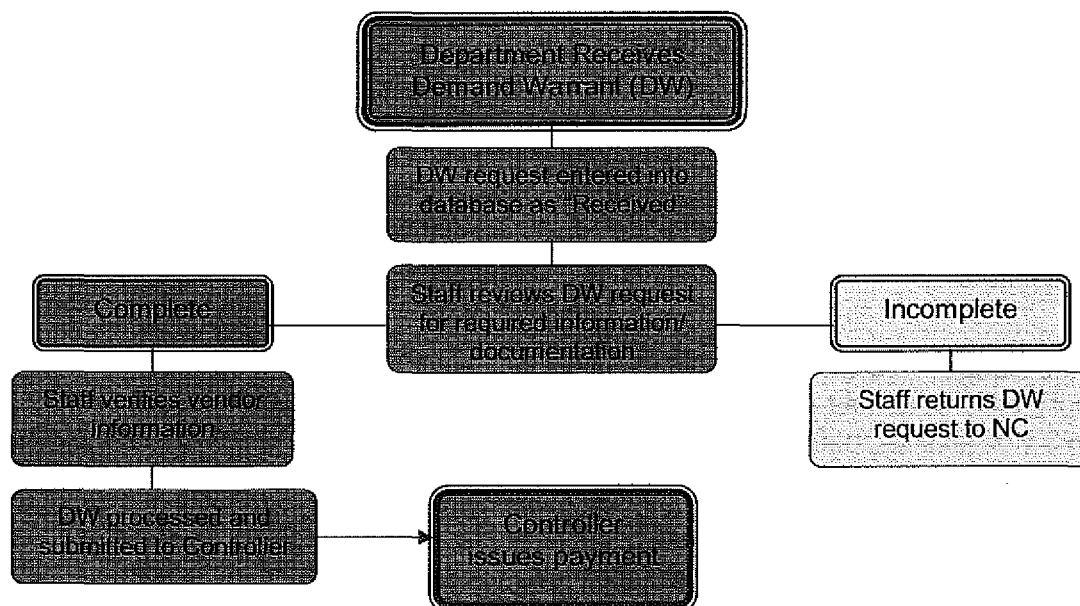
Requests from Neighborhood Councils to process demand warrants (including for Neighborhood Purposes Grants) should be submitted to the Department with all the required information and documentation in one of the following ways:

1. Mail or fax:
  - o Department of Neighborhood Empowerment, 200 North Spring Street, Suite 2005 , Los Angeles, CA 90012; Fax: (213) 978-1751, Attention: Funding Unit
2. Hand deliver:
  - o Department of Neighborhood Empowerment, 200 North Spring Street, Suite 2005, Los Angeles, CA 90012, Monday thru Friday 8:00 a.m. to 5:00 p.m.
3. Email:
  - o [Done.funding@lacity.org](mailto:Done.funding@lacity.org)

Once staff receives the request, it will be entered into the database and reviewed for completeness and the inclusion of all the required documentation. If the vendor is in the system, the Department can process the Demand Warrant within 15-30 days from when it was received. Thereafter, the Controller may take up to 30 days to issue payment for a total of 60 days.

If the Demand Warrant request is incomplete, or was submitted missing any of the required documentation, it will be returned to the Neighborhood Council as “Incomplete” with a letter identifying all of the missing information and/or documentation (the following section provides a list of what is needed). The request can be resubmitted once the NC has the missing information/documentation.

The following is a flowchart of the Demand Warrant Process:



## **DEMAND WARRANT REQUIRED SUPPORTING DOCUMENTATION CHECKLIST**

### **General Information and Instructions**

Demand Warrants are paid on the basis of an invoice for goods and/or services that have been received. All expenditures must be approved by the Neighborhood Council (NC) Governing Board prior to submitting the request to the Department. NCs must also have an approved budget for the current fiscal year on file with the Department in order for requests to be processed.

The information below will help you determine the appropriate supporting documentation to submit along with the request for a demand warrant form. Any requests not containing all the required documentation will be returned to the requesting Neighborhood Council and deemed canceled until resubmitted with all of the required documentation. DW Requests must be submitted upon receipt of goods and services.

### **Invoices**

All invoices **must** include the following:

- Vendor:
  - Name
  - Address (must be same as listed on BTRC and W-9 form)
  - Phone number
- Invoice number
- Description of item or service (including exhibits if applicable)
- Date services rendered or items received
- Amount due
- Neighborhood Council's name in the "Bill to" section of the invoice

### **Vendor**

All vendors who do business with the City **must** have a Taxpayer ID number and a Los Angeles Business Tax Registration Certificate (BTRC) number. If a vendor has not previously conducted business with the City, the vendor will not appear on the City's system, and a DW cannot be processed until the following documents are provided **in addition** to the invoice and required supporting documentation of governing board approval:

- Completed and signed Request for Taxpayer ID (W-9 form)
- Los Angeles Business Tax Registration Certificate (BTRC) number

**For out-of-state vendors, please contact the Department prior to securing goods and services.**

### **Joint NC Payments to a Single Vendor**

Two or more NCs may hold a joint event or activity and share the expenses. If the cost for a single vendor or item is shared between two or more NCs, each NC must receive a **separate invoice** showing **only** the individual NC's portion of the expenditure.

### **Expenditure for Food or Refreshments**

NCs may purchase food or refreshments for meetings or events, but must include the following in order to receive payment:

- Sign-in sheet or other form of documentation indicating the number of people in attendance

- Meeting agenda or event flyer
- Board action approving expenditure

### **Outreach and Publicity**

One of the core functions of a NC is to promote its activities and recruit stakeholders to participate actively in the NC. When making expenditures for this purpose, the following are needed:

- Advertisement
  - Copy of Advertisement
- Promotional Item
  - Copy of the design/artwork
- Participation in a Community Event
  - Flyer showing the NC's participation (i.e. logo or name on flyer)
  - If NC is lead organizer of the event, contact the Department for information regarding proof of adequate insurance

### **Neighborhood Improvement Project**

Generally, Neighborhood Improvement Projects involve the purchase of equipment and other tangible items or payment for services related to a community project. Depending on the expenditure, the following are needed:

- Equipment/Tangible Items
  - Community Benefit Statement on DW
  - Letter of Acknowledgement on the recipient's letterhead recognizing and accepting the action of the board (i.e. letter from a local school acknowledging the purchase of computers for an after-school public program)
- Payment for Services
  - Copy of final reports, studies, surveys and/or comparable documents
- Landscape/Hardscape Projects
  - Proof of insurance
  - Required licenses and/or permits

### **NC Board Member Reimbursement**

NC activities should be well planned, with needed expenditures thought out well in advance to determine whether the P-card can be used or a DW will be needed. If a board member makes an approved expenditure with personal funds, reimbursement can be requested via a DW and include the following:

- Original receipt/invoice showing items/services were paid
- Any additional supporting documentation required based on the type of purchase that was made (for example, a reimbursement for flyers would require a copy of the flyer to be attached)
- Board action approving expenditure
- Copy of front and back of endorsed check
- Copy of Credit Card with bank statement

### **City Department Transfer**

If the NC has approved to expend funds on equipment for or services provided by a City department, the Department can transfer the funds from the NC's account to the corresponding City department with the following information:



- Department Number
- Fund Number
- Account Number or Fund to which monies are to be transferred
- Accounting staff contact to assists with the transfer

### **Travel Expenses and Purchase Orders**

NC fund expenditures for these items were suspended on July 1, 2010.

### **Neighborhood Purposes Grants (NPG)**

A grant of NC funds to non-profits and public schools is a donation of public funds. In order to grant the funds, the NC must make a finding of a community benefit as a result of the grant. The NPG application is completed by the grantee, which is submitted by the NC along with a DW. If the grant amount is over \$5,000, the City requires a contract between the Department, on behalf of the NC, and the grantee. Keep in mind that the contracting process can take up to six (6) months to issue the DW. The items listed below must be completed and submitted to the Department in order to process the NPG application:

- Grantee Items
  - NPG Application
  - Request for Taxpayers ID (W-9 form)
  - Copy of Los Angeles Business Tax Registration Certificate (BTRC)
  - IRS Determination Letter – 501 c(3) non-profit
  - Official letterhead – public school
  - Project budget
  
- NC Items
  - Demand Warrant
  - Community Benefit Statement
  - Board Resolution or meeting agenda and minutes indicating board action

### **Advance Payment**

NCs are discouraged from requesting an advance payment, but they will be considered on a case-by-case basis. Please contact the Department for instructions and approval prior to awarding funds. Advance payments can only be issued within 30 days of receipt of a service or product.

If the Neighborhood Council is interested in engaging in a joint project with a 501(c)(3) non-profit organization or a public school, a Neighborhood Purposes Grant (NPG) may be a more appropriate method of payment. (See GRANTS)  
(Revised: 10/15/10)

### **ROLLOVER**

- **How does the rollover process work?**

The rollover policy is no longer in effect. (Revised 8/04/11)

### **STAKEHOLDER DEFINITION**

Certified Neighborhood Councils shall be diverse, inclusive, and open to all Community Stakeholders. A Community Stakeholder is defined as any individual who lives, works, or owns property in the neighborhood and any individual who declares a stake in the neighborhood and affirms the factual basis for it. (Article II, 1 of the Plan)

### **STAFFING/PERSONNEL**

- **Can NCs hire staff?**

No. The Department has developed a special program for NCs with three temporary personnel services organizations; AppleOne Employment Services, Lloyd Staffing Services, and Partners in Diversity, Inc., which have contracts with the City. Through the Demand Warrant or Auto Deduction process, you may use your funds to pay for temporary clerical and/or accounting services.

(Revised 10/4/12)

- **How do these staffing services programs work?**

To acquire services through any of the four agencies, simply contact any of the following agencies below:

#### **APPLEONE EMPLOYMENT SERVICES**

Contact Person: Cora Calagna

Tel No. (213) 892-0234

Fax No. (213) 892-0682

#### **LLOYD STAFFING SERVICES**

Contact Person: Luly Santana

Tel No. (562) 860-2555, Ext. 101

#### **PARTNERS IN DIVERSITY, INC.**

Contact Person: Arlene M. Apodaca

Tel No. (626) 793-0020

## RECONCILIATION- QUATERLY

NCs must submit the Charge Card Reconciliation form along with all the required supporting documentation on a quarterly basis to the Department.

(Revised: 10/15/10)

- **Will there be a “grace period” for submission of receipts for reconciliations?**

Yes. The Department wants to provide the Neighborhood Councils with maximum flexibility in accessing their funds, so a grace period of thirty (30) days will be honored.

If however, a Neighborhood Council is more than two quarters in arrears, the Department **reserves the right to suspend funding** until the reconciliation documentation is submitted.

(Revised 10/15/10)

## REIMBURSEMENTS

- Can Neighborhood Councils use budgeted funds to reimburse board members for expenses related to their NCs?

*Yes, and only to existing board members and alternates acting as board members.* Items to be reimbursed must be for pre-approved expenditures identified in the adopted budget or by board action. Please click here for demand warrant supporting documentation guidelines.

(Revised: 10/15/10)

- **Can Neighborhood Council board members be reimbursed on the basis of photocopied receipts?**

No. City policy is that **only original receipts** will be accepted as a basis for reimbursement.

(Revised: 10/15/10)

- **Are reimbursements allowed to third parties or stakeholders for payments made on behalf of the NC?**

No. While we recognize individuals not on the board of the Neighborhood Council may sincerely want to help the Neighborhood Council with facilitating their purchases, the City can issue authorized reimbursements **only** to a Neighborhood Council board member.

(Revised: 10/15/10)

- **Can Neighborhood Councils reimburse an organization or individual for expenses pertaining to an event or program?**

No. Payments are to be issued, on the basis of an invoice, directly to vendors for the goods and/or services they've provided. Lump sum payments to organizations and/or individuals for items needed to procure an event or program are not permissible.

## PERSONAL SERVICE CONTRACTS

- **Can NCs use city funding to enter into personal service contracts?**

No. Neighborhood Councils cannot unilaterally enter into contracts. Contracts are processed through the Department in accordance with City of Los Angeles legal requirements and with the approval of the General Manager and/or the Board of Neighborhood Commissioners.

Services can be purchased on a fee-for-service basis. Once the services have been provided, the vendor/service provider will present the Neighborhood Council with an invoice for payment. The Neighborhood Council should follow the regular guidelines for processing a demand warrant to secure payment for the vendor/service provider. (Revised: 10/15/10)

## PURCHASES

- **Can purchases of food be made with the card?**

Yes. Food may be purchased when it clearly supports the goal for the Neighborhood Council to encourage public participation in its activities, e.g., board or committee meetings, training, community forums, neighborhood fairs, etc. Please keep in mind that these are public funds and should be used judiciously.

Also, please remember to include a flyer which shows your Neighborhood Council's participation if providing food for an event or an agenda if for a board meeting. Please also indicate the number of people in attendance on the Demand Warrant Form in the space provided.

(Revised: 2/4/11)

- **What if the NC board meets in a restaurant?**

If the NC chooses to have a meeting or a related function in a restaurant, the Treasurer can use the NC charge card. Purchases should be limited to light refreshments, not full meals. An agenda for the meeting and an itemized receipt are to be submitted with the quarterly reconciliation. A general receipt that fails to list what restaurant items were specifically paid for will not meet the City policy guidelines. In addition, if any of the council board members chose to purchase alcohol, such items **cannot be included on the same receipt and cannot be paid for with the NC charge card.**

(Revised 2/4/11)

- **Can month-to-month payments be made for internet service, telephone or electricity bills, etc?**

Yes. The Department encourages the use of the NC purchasing card for payment of monthly bills.

(Revised: 10/15/10)

- **Does this discount program work at any local Office Depot?**

Although Office Depot has informed store district managers and most of the store managers, the retail clerks may not be fully aware of this program. The pricing and discounting is done through the purchasing card link and thus all purchases **must** be completed via the purchasing card in order to receive the discount.

(Revised 10/15/10)

- **Will Office Depot deliver to the Neighborhood Council designated location?**

Yes. Free delivery is available. The NC cardholder must first have the NCs address entered into the Office Depot Computer system, and then an order can be made online with free next day delivery.

(Revised 02/09/06)

- **What if the NC wants to purchase items, e.g., furniture or computer equipment costing more than the \$2,500.00 purchasing card limit?**

Office Depot can invoice the NC on an open account basis through the Department of Neighborhood Empowerment. However, **prior authorization is required** from the Funding Program before the order can be processed.

(Revised 10/15/10)

## **OUTREACH ITEMS**

Neighborhood Councils may purchase outreach items such as t-shirts, pens, pencils, etc. The NC must have its name and/or logo affixed to these items so that the item becomes outreach in nature rather than a gift of public funds or donation. Outreach items can be an effective tool for advertising your Neighborhood Council. If the NC decides to pay for toys for an event (i.e. holiday gift drive), have the vendor affix a tag or sticker to the item identifying your Neighborhood Council.

(Revised: 10/15/10)

## **PAYMENT METHODS**

There are three options for you in making your purchases:

1. Use the purchasing card, which can be used like a VISA card for transactions of up to \$2,500 at a time;
2. Use the demand warrant check process
3. Use auto-deductions; in which a contract vendor sends an invoice directly to the Department for payment

(Revised: 10/15/10)

Grants are issued in the form of City checks, (demand warrants), not charge card transactions. Any grant issued by an NC must be for a public purpose.

Grants issued by Neighborhood Councils will be posted on the Department website so that stakeholders can monitor the progress of the program. Click here for Neighborhood Purposes Grant guidelines and application.

(Revised: 10/15/10)

### **JOINING CHAMBER OF COMMERCE OR OTHER ORGANIZATIONS**

- **Can the Neighborhood Council join a chamber of commerce or other such organization?**

No. Under the City Charter an NC is an advisory body and cannot join private organizations such as chambers of commerce. However, Neighborhood Councils can interact with private organizations in activities, such as implementing neighborhood improvement projects. NCs are encouraged to participate with other organizations as much as possible.

An individual stakeholder or board member of the Neighborhood Council is free to join any private organization.

(Revised: 10/15/10)

### **NON-PROFIT STATUS**

- **Can Neighborhood Councils establish non-profit entities?**

No. Neighborhood Councils are City entities and therefore cannot establish independent 501(c)(3) non-profit organizations.

### **NEIGHBORHOOD COUNCIL BOARD MEMBER**

A Neighborhood Council board member is an elected, selected or appointed voting member of the NC governing board.

(Revised 10/15/10)

### **OFFICE DEPOT**

Office Depot offers Neighborhood Councils a variety of discounts, and NCs are encouraged to take advantage of this program.

- **How does an NC qualify for discounted pricing at Office Depot?**

The best way is to be set up online by contacting Ken Meyer, Account Manager (Office Depot Business Services Division) at (818) 557-1724 or email him at [Ken.meyer@OfficeDepot.com](mailto:Ken.meyer@OfficeDepot.com) and he and his staff can assist with accessing the website.

(Revised 01/04/08)

- Missing artwork for outreach items, print samples of newsletters or tear sheets for advertising
- Submitting a Demand Warrant with only one signature.

Please refer to the Demand Warrant Guidelines Checklist for a complete listing of all required supporting documentation.

(Revised: 10/15/10)

### **DONATIONS**

The Donations Ordinance has been approved by the Mayor and City Council; however, implementation is pending the outcome of a logistical plan of receiving, banking and dispersing donations that may be received by Neighborhood Councils.

(Revised: 10/15/10)

### **EQUIPMENT LEASE**

- **How can Neighborhood Councils best obtain photocopiers?**

Neighborhood Councils may contact the Department of General Services to take advantage of the City's contract for lower-priced copiers. The explanation and related contact information is available on the General Services website at <http://lacity.org/GSD/pubcopier.htm>. The advantage of the City Wide Copier Program is cost efficiency and it saves the Neighborhood Council maintenance and repairs costs.

(Revised: 02/09/06)

### **FISCAL YEAR**

- ***When does the Neighborhood Council's fiscal year begin?***

The Neighborhood Council's fiscal year is aligned with the City's fiscal year (July 1 through June 30) and is divided into four quarters:

- **1<sup>st</sup> Quarter** July 1 – September 30;
- **2<sup>nd</sup> Quarter** October 1 – December 31;
- **3<sup>rd</sup> Quarter** January 1 – March 31; and
- **4<sup>th</sup> Quarter** April 1 – June 30.

(Revised: 01/08/09)

### **GRANTS**

- **Can the Neighborhood Council make a grant?**

Yes. The Neighborhood Purposes Grants (NPG) program allows NCs to issue grants to 501(c)(3) non-profit organizations and to public schools.

### **Questions? Who to contact:**

Should there be any questions regarding the Neighborhood Council Funding Program, please contact the NC Support Helpline at (213) 978-1551 or via email at [done.funding@lacity.org](mailto:done.funding@lacity.org).  
(Revised: 10/15/10)

### **CONTRIBUTING TO A PROJECT**

- ***If Neighborhood Councils wish to collaborate on a project, what is the procedure?***

Prepare a demand warrant including all of the required supporting documentation as outlined in the Demand Warrant Checklist. Indicate on the demand warrant that it is a joint project and list the additional entities that are financially supporting the project if they are City Departments or Neighborhood Councils. Please note, the invoice submitted to the Department must only contain the amount for individual NC requesting the payment.  
(Revised: 10/15/10)

### **CREDIT LIMITS**

The quarterly purchasing credit limit is \$4,625.00 with a \$2,500.00 per transaction limit. Any deviation from normal credit limits requires pre-approval from the Department and is handled on a case by case basis. Demand warrants do not have limits. However, certain dollar amounts may require additional Department approvals and/or contracts.  
(Revised: 10/15/10)

### **DEMAND WARRANT OR CHECK REQUEST**

A demand warrant is a request for a City of Los Angeles paper check.

- **How long does it take to process a Demand Warrant?**

Processing a demand warrant normally requires about 30 business days from the time the Funding Program staff receives **all** necessary supporting documentation until the time City Controller issues and mails the check.  
(Revised: 10/15/10)

- **What can delay the processing of a Demand Warrant?**

There are several common situations that can result in processing delays. The following are the most common situations that occur:

- No original invoice submitted for services or goods received or the invoice is not billed directly to the NC and does not include an invoice number. An invoice must accompany the demand warrant.
- Missing vendor documentation such as a W-9 form and/or Los Angeles Business Tax Registration Certificate (BTRC) which are all required per City expenditure policies.



(1) operating expenses; (2) outreach activities; (3) neighborhood improvements and/or beautification projects; and, (4) Neighborhood Purposes Grants. It is used as a roadmap to achieve the NCs mission and goals.

Neighborhood Councils are required to submit a board-approved budget at the beginning of each fiscal year (July 1). The budget must be submitted to the Department on the standardized template by the established deadline in order for a Neighborhood Council to continue to have access to funding.

(Revised: 10/15/10)

### **CHARGE CARD**

Each Neighborhood Council is eligible to receive a US Bank Purchasing Card to assist in the conduct of official Neighborhood Council business. The board must identify who the cardholder will be (usually the Treasurer) and that person must attend the Department's Treasurer Training. Upon completion of all the required documentation a US Bank purchasing card will be issued. The designee will receive the card within 10 business days after their information is entered into the system.

(Revised: 10/15/10)

- ***Can an NC request an additional charge card?***

No. Currently the Department only allows one board member to have a purchasing card.

(Revised: 10/15/10)

- ***Should the card be given to other people to use?***

No. This practice is strongly discouraged, as the card is encoded with personal information provided by the cardholder. In addition, the cardholder bears the responsibility for all transactions incurred on the card and may choose to safeguard it by not allowing others to borrow it.

(Revised: 10/15/10)

- ***What if the NC wishes to split a payment for an item priced more than the \$2,500 card limit?***

City policy does not allow split payments (purchase in excess of the \$2,500.00 limit being made with more than one transaction) with the purchasing card. Therefore the treasurer must submit a Demand Warrant for any expenditure exceeding \$2,500.00.

(Revised: 10/15/10)

- ***What happens when the Credit Card is lost?***

First: Immediately **notify US Bank at (800) 344-5696**, 24 hours a day, to report a lost or stolen card. Second: Notify the Department by phone at (213) 978-1551 . (Revised: 10/15/10)

### **CONTACT INFORMATION**

## FREQUENTLY ASKED QUESTIONS

### ACKNOWLEDGEMENT LETTER

An acknowledgement letter is a letter addressed to the Neighborhood Council that confirms a board action to participate or fund a request presented to them by an organization. It must be included when submitting certain requests for payment to the Department. Please refer to the Demand Warrant Checklist for details.

(Revised: 10/15/10)

### ADVANCE PAYMENT

City policy is to pay for goods and services after they have been rendered on the basis of an invoice. Advance payments should be avoided whenever possible. The Department will handle requests for advance payments on a case-by-case basis.

(Revised: 10/15/10)

### ANNUAL FUNDING

- ***How much funding can the Neighborhood Council receive annually?***

Currently the annual appropriation for each Neighborhood Council is \$37,000. The appropriation is split between the use of the purchasing card and demand warrants evenly. Neighborhood Councils are not allowed to roll over prior year funds.

(Revised: 10/15/10)

### AUTO-DEDUCT

If NCs are unable to pay their bills on time, a request can be made of the utility or vendor to forward the bills in the NC's name to the Funding Section at the Department of Neighborhood Empowerment's mailing address, 200 N. Spring Street, 20<sup>th</sup> Floor, Los Angeles, CA 90012 . The Department will then send the NC an automatic deduction notice. This action can help to avoid late charges. Please remember that these are public funds and it would be a waste to have taxpayer dollars paying late fees when they can be used for your community.

(Revised 10/15/10)

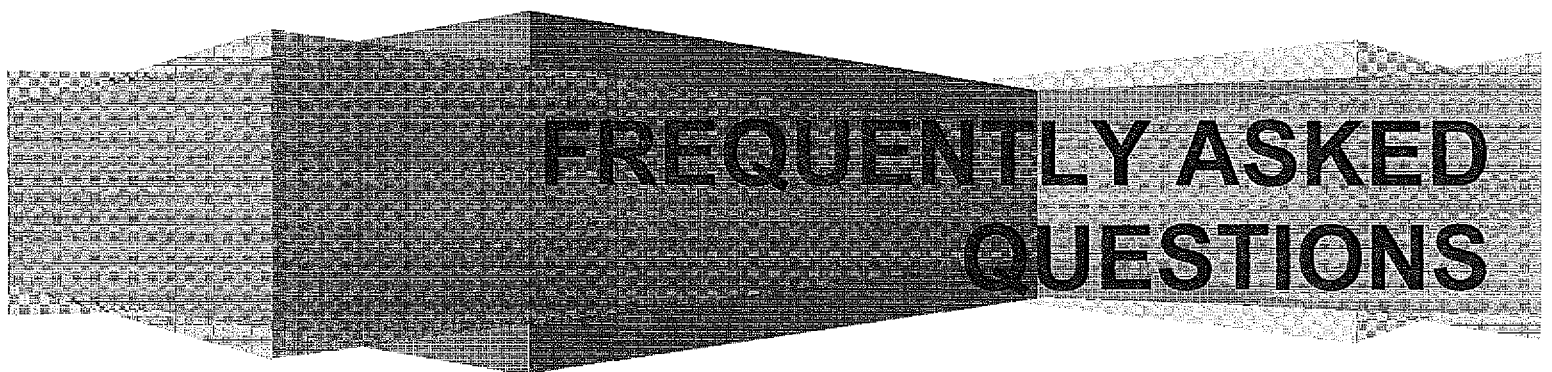
### BENEFIT STATEMENT

A Benefit Statement is the Neighborhood Council's statement explaining how the approved expenditure/project will benefit the community. The Neighborhood Council is required to state on the demand warrant form how they believe this expenditure will benefit their community. This helps make the transaction transparent to stakeholders, the Department and the City Controller.

(Revised: 10/15/10)

### BUDGET

The budget process is an opportunity for the NC to learn what the community wants to see happen and/or improved in the fiscal year ahead. A good budget outlines in reasonable detail;





- k. Stolen (indicate date and Police Report number in "item description")
- l. In possession of current board member (state name in "item description")
- m. Other (please describe in "item description")

- 2. Date Purchased
- 3. Vendor Name
- 4. Description of Item
- 5. Description of Use
- 6. Dollar Amount Paid
- 7. Inventory Tracking Number

## NEIGHBORHOOD COUNCIL INVENTORY PROCESS

The Neighborhood Council Funding Program, administered by the Department of Neighborhood Empowerment (Department), enables Neighborhood Councils to use City funds for operating expenses and neighborhood improvements. Such expenses include purchasing office furniture and equipment, among other items.

Neighborhood Councils using City funds to purchase items that qualify as inventory under the City's inventory policy must track those items. Inventory as defined per City policy is:

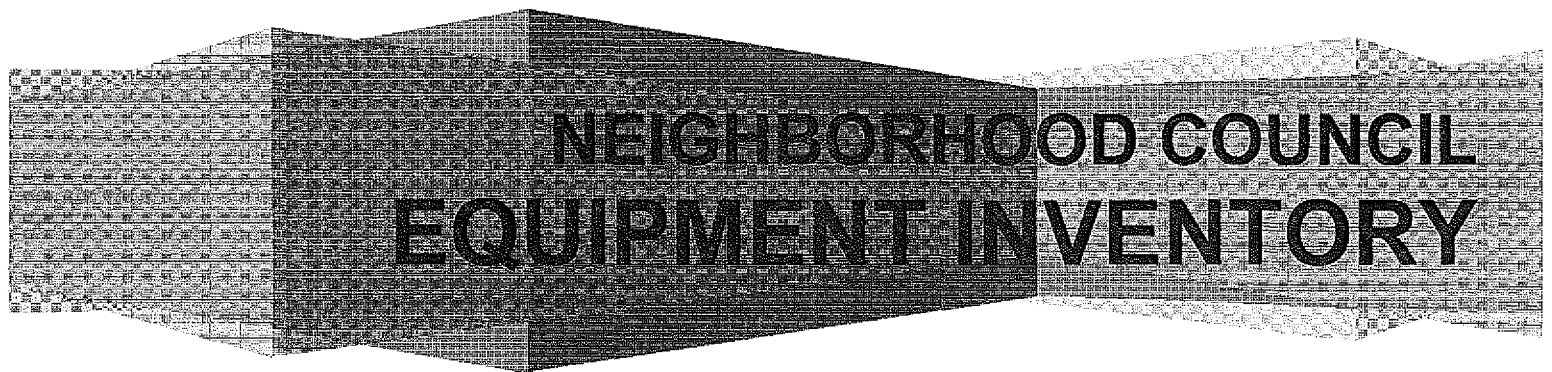
- *Any item with an acquisition or assigned value of at least \$1,000.00 and an estimated useful life of at least three years.*
- *Any computer hardware, including desktop or laptop computer(s), regardless of cost.*
- *Any digital cameras, regardless of cost.*
- *Any electric or electronic office and communications equipment, such as printers and copying machines, regardless of cost.*

Aside from complying with the City requirement, the inventory tracking system protects Neighborhood Councils by ensuring that all expenditures and inventory items are properly accounted for and identified.

At this time of financial uncertainty for the City of Los Angeles, there is increased scrutiny over the use of public funds. The fact that board members change with each election does not free the NC from its responsibility to track its purchases and inventory.

Each NC shall maintain a list of its inventory and affix an inventory tag with a unique number (e.g. WANC10-001) for any item that falls under the City's inventory policy as stated above. Each NC shall also submit its inventory list to the Department along with its year-end reconciliation report or as prescribed by the Department. The inventory list must include the following information:

1. CODES - Must be used to identify the status of each item in the NCs inventory:
  - a. Broken/Damaged (state location in "comments")
  - b. City Salvage
  - c. In possession of LAFD (state location in "comments" )
  - d. In possession of LAPD (state location in "comments")
  - e. In possession of LAUSD (state location in "comments")
  - f. In possession of Recreation and Parks (state location in "comments")
  - g. Located at the NC's office
  - h. Located at the NC's storage locker/container (state location of storage locker/container in "comments")
  - i. Lost (describe efforts taken to find the item and its last known location in "comments")
  - j. Obsolete/no longer used (state location in "item description")



**NEIGHBORHOOD COUNCIL  
EQUIPMENT INVENTORY**



**CITY OF LOS ANGELES - NEIGHBORHOOD COUNCIL FUNDING PROGRAM**  
**PURCHASE CARD QUARTERLY RECONCILIATION FORM**



Instructions: This form is for **Purchase Card Transactions ONLY**. Please list each transaction **CHRONOLOGICALLY**. **SAVE ALL ORIGINAL RECEIPTS AND INVOICES** and paste them on 8 1/2 X 11 sheet of paper and attach to this form. If no transactions occurred during in the quarter, please write "NONE". This form must contain **TWO SIGNATURES**.

NEIGHBORHOOD COUNCIL NAME:		Last 4 digit Card Account #:				
TREASURER NAME: (PRINT)		TREASURER PHONE NUMBER	TREASURER E-MAIL		Quarter Ending:	Fiscal Year:
					<input type="checkbox"/> Sept. <input type="checkbox"/> Dec.	
					<input type="checkbox"/> March <input type="checkbox"/> June	
Date Of Purchase	VENDOR NAME	ITEM DESCRIPTION	BUDGET LINE ITEM	BUDGET CODE	TRANSACTION NUMBER	TOTAL
<b>TOTAL PAYOUTS FOR THIS QUARTER</b>						<b>\$0.00</b>

I, the TREASURER affirm that the items listed above were approved by the governing board of the above listed Neighborhood Council and comply with all policies and procedures set forth by the Department of Neighborhood Empowerment. I further affirm that all appropriate documentation is attached verifying the materials purchased, nature of the service(s); including identification of the company or vendor, the total cost and the original receipt(s).	I, second authorized signatory, affirm that I have verified the above listed items/services and that they were approved by the governing board of the above named Neighborhood Council. The items listed above are for express purpose of furthering the Neighborhood Council's representation within its community and are in compliance with the policies and procedures set forth by the Department of Neighborhood Empowerment.
DATE	DATE

Neighborhood Council Treasurer

Neighborhood Council Board Member

2011-12



## P-CARD RECONCILIATION GUIDELINES (continued)

### Proof of Payment - Acceptable Documents:

- Online purchase receipts/invoices/confirmations
  - Must include all essential information (date, invoice number, billing and shipping addresses, quantity, description, amount, etc.)
- Faxed invoices should be stamped "Original Invoice," initialed and dated by treasurer.

### Additional Supporting Documentation

If the purchase is in relation to a meeting or event, these documents should be submitted in addition to board resolutions or minutes:

- Event flyers
- Meeting Agendas

The Department of Neighborhood Empowerment will review NC reconciliations and provide audit findings and recommendations when necessary. A grace period of 30 days is provided for the submittal of quarterly reconciliations. However, failure to submit timely P-card Reconciliations may result in a lapse or revocation of funding.

## QUARTERLY P-CARD RECONCILIATION GUIDELINES

### I. Assumption of Responsibility

The entire Neighborhood Council (NC) Board shares the fiduciary responsibility for the use of its funds; including auditing, managing and reconciling its records. All financial transactions must be reviewed and approved by the Board in a public meeting and shall be in compliance with all Department policies and procedures.

### II. Requirements:

At the end of each month, financial documents for purchasing card (P-card) transactions must be reconciled with the monthly P-card invoice and submitted to the Department for review, on a quarterly basis. Purchase Card Reconciliations are **due at the end of September, December, March and June** and must include the Purchase Card Reconciliation Form (CRD), bank statements, original receipts corresponding to the transactions on the P-card statement and minutes or a board resolution approving the transaction. In addition, NCs must also provide proof that the P-card monthly statements were also approved by the board.

All information on the CRD form must be complete and all transactions must be recorded including bank and customer service fees. All transactions should be numbered on the bank statement and linked through the same number to the receipt and the board resolution or minutes. The following is a sample submission:

#### Example CRD Form Transaction:

Date	Vendor	Item	Purpose	Budget Line Item	Transaction #	Total
9/28/2010	Starbucks	Creamer	Board Mtg	100	2010-01	4.38

#### SAMPLE Receipt with Corresponding #

\*\* STARBUCKS COFFEE COMPANY \*\*  
 2010-01  
 EASTGATE-BELLEVUE #02983  
 BELLEVUE WASH007  
 V.VT. ICD LATTE 3.40  
 ADD VANILLA 0.30  
 ADD HAZELNUT 0.30  
 PUMPS nc  
 PUMPS nc  
 SUBTOTAL 4.00  
 TAX 9.5 0.38  
 TOTAL 4.38  
 DISCOVER 4.38  
 CARD#: XXXXXXXXXXXX6823  
 CHANGE DUE 0.00  
 02983 0382 701763 001962097E  
 07/24/08 11:05  
 Make a purchase prior to 2pm  
 Bring receipt in today after 2.  
 Grande cold drink for \$2 + tax  
 At select SEA, CHI, MIA stores  
 Same day only. Value 1/20 cent

**TREAT RECEIPT**  
 Bring this in after 2 p.m. today  
 and get any grande cold drink  
 for just \$2 (plus tax).

2010-01	
<b>SAMPLE Board Resolution</b>	
The [Name] Neighborhood Council has voted, approved and adopted the proposed budget at [Date] meeting with a vote of [# Yeas to # Nays] for the [quarter/fiscal year] for the amount of [\$0.00] in accordance with the Neighborhood Council bylaws and within the guidelines set forth by the City of Los Angeles and the Department of Neighborhood Empowerment.	
<i>Treasurer Signature</i>	<i>Board Member Signature</i>



**QUARTERLY P-CARD  
RECONCILIATION GUIDELINES**

## NEIGHBORHOOD PURPOSES GRANT PROJECT COMPLETION FORM

Please complete the following information regarding the Neighborhood Purpose Grant your organization received from the Neighborhood Council listed below.

Awarding Neighborhood Council: \_\_\_\_\_

Applicant Name: \_\_\_\_\_

Grant Amount: \$ \_\_\_\_\_

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

Please answer the following questions regarding the grant funding referenced above. Attach additional pages if necessary.

1. Please provide a summary of the overall project for which funding was granted.

2. Please describe in detail the projected community benefit and the actual outcome.

3. Please describe any challenges and solutions, if applicable.

\_\_\_\_\_  
*Submitted by*

\_\_\_\_\_  
*Date*

\_\_\_\_\_  
*E-mail*

\_\_\_\_\_  
*Phone*

## NEIGHBORHOOD PURPOSES GRANT PROJECT COMPLETION FOLLOW-UP

Neighborhood Councils (NC) providing a grant to 501(c)(3) organizations or to public schools should require the grantee to be accountable for the progress and/or completion of the proposed project.

As a best practice, the NC should request project status reports from the grantee as the project moves toward completion.

After the project comes to a close, the NC Treasurer should obtain a Project Completion Report from the grantee for the Board to review.

One source of information that should be requested and obtained is the non-profit's tax returns which can show any patterns in income and expenses.

Some points to keep in mind:

- Neighborhood Councils are accountable for the funds
- Maintain organized records and keep them available for review
- Have scheduled or periodic inspections and audits
- Review project receipts
- Review progress of the project
- Review Project Completion Report from grantee to NC  
(See Appendix A - Project Completion Report)
- Obtain project photos throughout the process and/or at the project's completion

Should issues arise, the Department of Neighborhood Empowerment reserves the right to request all supporting documentation and to review the grant approval process as well as the project's progress and completion.

## NEIGHBORHOOD PURPOSES GRANT BOARD RESOLUTION TEMPLATE

**Instructions: Please place on your neighborhood council letterhead and fill-in the information between the brackets.**

<DATE>

We, <board officer name 1> and <board officer name 2>, declare that we are the <title of board officer 1> and <title of board officer 2> respectively of the <nc name> and that on <date of nc meeting where resolution was adopted> a Brown Act noticed public meeting was held by the <nc name> with a quorum of <number> board members present and that by a vote of; <number> yes, <number> no, and <number> abstentions the <nc name> adopted the following resolution:

The Neighborhood Purposes Grant (NPG) application submitted by <applicant name> has been available for review and comment by the public and duly evaluated by the <nc name> Board.

Therefore be it resolved that the <nc name> approves the NPG submitted by <applicant name> in the amount of <grant amount> for the following purposes and community benefits:

<Itemize Approved Budget Expenses Here>

The abovementioned expenditure will have an impact on <insert who> for <insert purpose>.

\_\_\_\_\_  
Authorized Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Authorized Signature

\_\_\_\_\_  
Date

**NEIGHBORHOOD PURPOSES GRANT SAMPLE IRS DETERMINATION LETTER**

INTERNAL REVENUE SERVICE  
P. O. BOX 2508  
CINCINNATI, OH 45201

DEPARTMENT OF THE TREASURY

Date: **AUG 31 2005**

Employer Identification Number:  
95-XXXXXXX  
DLN:  
17XXXXXXXXXXXX

INITIATING CHANGE IN OUR  
NEIGHBORHOODS COMMUNITY DEV CORP  
12502 VAN NUYS BLVD STES 113 & 114  
PACOIMA, CA 91331

Contact Person:  
JOHN DOE ID# XXXXX  
Contact Telephone Number:  
(213) 555-1212

Public Charity Status  
170(b) (1) (A) (vi)

Dear Applicant:

Our letter dated JUNE 2002, stated you would be exempt from Federal Income tax under section 501(c)(3) of the Internal Revenue Code, and you would be treated as a public charity, rather than as a private foundation, during an advance ruling period.

Based on the information you submitted, you are classified as a public charity under the Code section listed in the heading of this letter. Since your exempt status was not under consideration, you continue to be classified as an organization exempt from Federal Income tax under section 501(c)(3) of the Code.

Publication 557, Tax-Exempt Status for Your Organization, provides detailed information about your rights and responsibilities as an exempt organization. You may request a copy by calling the toll-free number for forms, (800) 829-1676. Information is also available on our Internet Web Site at [www.irs.gov](http://www.irs.gov).

If you have general questions about exempt organizations, please call our toll free number shown in the heading between 8:30 a.m. and 5:30 p.m. Eastern time.

Please keep this letter in your permanent records.

Sincerely yours,

Jane Doe  
Director, Exempt Organizations  
Rulings and Agreements

**PART V: ATTACHMENTS**

Which of the following items were included as attachments to the proposal?

Project Budget

IRS Determination Letter [for 501 (c)(3) organizations]

Board of Directors Roster (including officers, telephone numbers, professional affiliations and terms of office)

Agency Operating Budget (current year)

Form 990 (most recently submitted)

Audited Financial Statement (most recently completed)



**Section E: Merit of Proposal**

The overall merit of the proposal illustrates a project that aligns with one of the primary objectives of the Neighborhood Council : (1) improving the physical infrastructure of the community or, (2) improving community engagement and problem-solving capacity.

\_\_\_\_\_ / Out of 4

**Total Points:** \_\_\_\_\_ / Out of 20

**Section F: Overall Comments**

Please offer the applicant any comments, suggestions or feedback in the areas below.

*(Note: This information will be utilized to provide applicants with general feedback on their overall proposal.)*

1. Positive aspects of the proposal:

2. Areas for improvement:

3. General impressions and/or feedback:

Name of Reviewer: \_\_\_\_\_ Date: \_\_\_\_\_

6. Is the requested project amount \$20,001 or more (also requires approval from the Board of Neighborhood Commissioners)?  
 Yes \_\_\_\_\_ No \_\_\_\_\_

**PART III: CONFLICT OF INTEREST**

1. Does any Neighborhood Council board member have a conflict of interest with the grant applicant?  
 Yes \_\_\_\_\_ No \_\_\_\_\_

**PART IV: SCORING FORM**

**Instructions:** Please use the rating scale below to score the elements in Sections A-E. A score should be assigned to the statement to indicate the extent to which the proposal addresses the corresponding statement.

**Rating Scale**

1 - Poor	2 - Fair	3 - Good	4 - Excellent
The proposal has serious deficiencies. Not likely to recommend for funding.	The proposal somewhat addresses this element and is lacking some information. Likely to recommend for funding.	The proposal addresses this element in a satisfactory manner and provides adequate information. Recommend for funding.	The proposal fully addresses this element and is well articulated. Strongly recommend for funding.

**Score / Max. Score**

**Section A: Agency Experience**

The organization possesses expertise in working with the specified target population(s) and has a history working in the identified target area(s). \_\_\_\_\_ / Out of 4

**Section B: Identified Need**

The organization clearly identified the proposed need for the project and provided relevant information on the target population(s) and target area(s) to be served by the project. \_\_\_\_\_ / Out of 4

**Section C: Measurable Objectives and Expected Outcomes**

The organization clearly articulated the measurable objective(s) and expected outcome(s) for assessing the progress of the proposed project. \_\_\_\_\_ / Out of 4

**Section D: Project Timeline**

The organization clearly described the project activities and necessary steps for completing the proposed project within the indicated period or time. \_\_\_\_\_ / Out of 4

**NEIGHBORHOOD PURPOSES GRANT PROPOSAL EVALUATION FORM**

Use this form to evaluate the merit of each Neighborhood Purposes Grant application.

Grant Applicant's Name: \_\_\_\_\_

Date: \_\_\_\_\_ Reviewer's  
Name: \_\_\_\_\_

**PART I: ELIGIBILITY**

1. Is the organization a nonprofit agency with tax-exempt status under Section 501(c)(3) of the Internal Revenue Code?  
Yes \_\_\_\_\_ No \_\_\_\_\_
2. Do the programs and services of the organization primarily serve residents of your Neighborhood Council area?  
Yes \_\_\_\_\_ No \_\_\_\_\_
3. Does the organization have an office/staff located in your Neighborhood Council area?  
Yes \_\_\_\_\_ No \_\_\_\_\_

**PART II: FUNDING PRIORITIES**

1. Which of the following priority areas does the proposed project align with:  

<input type="checkbox"/> Education	<input type="checkbox"/> Civic Engagement
<input type="checkbox"/> Health	<input type="checkbox"/> Neighborhood Improvements
<input type="checkbox"/> Human Services	<input type="checkbox"/> Other
<input type="checkbox"/> Arts/Culture	
2. Does the proposed project primarily serve residents of your Neighborhood Council?  
Yes \_\_\_\_\_ No \_\_\_\_\_
3. Will the proposed project be completed within the current fiscal year (July 1-June 30)?  
Yes \_\_\_\_\_ No \_\_\_\_\_
4. Is the requested project amount \$5,000 or less (does not require City contract)?  
Yes \_\_\_\_\_ No \_\_\_\_\_
5. Is the requested project amount \$5,001 or more (requires City contract)?  
Yes \_\_\_\_\_ No \_\_\_\_\_

## **NPG REFERENCE PACKET SUBMISSION CHECKLIST**

Please review the application and ensure that the following required documentation is included prior to submitting the application to the Department:

- Demand Warrant (DW)** - completely filled out by NC
- NPG Application** - completely filled out by Applicant
- W-9 Form** - completely filled out by Applicant
- Los Angeles Business Tax Registration Certificate (BTRC)** - from Applicant
- Signed Board Resolution** (including Public Benefit Statement if not using newly revised Demand Warrant form)
- Project Budget** - from Applicant

Please select the item that corresponds to the entity requesting the Grant:

- 501(c)3 Non-Profit**
  - IRS Determination Letter**
- Public School**
  - Letter from School on Official School Letterhead**



**NEIGHBORHOOD PURPOSE GRANT**  
**NC REFERENCE PACKET**

## Summary.

Any time any City business is before a neighborhood council board member that involves:

- A business in which he or she or a member of his or her family has an investment;
- An entity of which he or she is an officer or director or holds some position of management;
- Property in which he or she or a member of his or her family has an interest;
- A source of income to him or her or a member of his or her immediate family;
- A source of gifts to him or her; or
- Any person or entity with which he or she has a relationship other than in his or her capacity as a City official (*e.g.* a friend, person with whom he or she has a business relationship or an organization in which he or she holds some position of importance),

board members should contact the Department of Neighborhood Empowerment with the pertinent facts, and the Project Coordinator for the board member's neighborhood council will confer with the City's attorney for advice to assist the board member.<sup>9</sup> The information will be communicated either directly from the Office of the City Attorney or through the Department of Neighborhood Empowerment's Project Coordinator, orally or in writing, depending upon the complexity of the board member's inquiry.

You may also seek advice from the Fair Political Practices Commission (FPPC) at their toll free help line at 1-866-ASK-FPPC, or may ask for a formal written opinion.<sup>10</sup>

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<sup>9</sup> The Project Coordinator generally will not provide information relating to allegations of conflict of interest matters relating to third persons (persons other than those making the inquiry); only the board member who is concerned about his/her own economic or common law conflict of interest should contact the Department. The one exception is that any board member can and should inquire about the ability of its board to enter into a contract that might implicate Govt Code § 1090.

<sup>10</sup> Formal written opinions take a minimum of 21 days but *only written advice from the FPPC* provides immunity from prosecution if acting consistent with that advice.

Violations of the Political Reform Act can result in civil actions, criminal prosecution and/or administrative sanctions, injunctive relief or in some cases, prohibition against holding future elective office, depending upon the nature of the violation and the jurisdiction of the enforcement agency.

Violations of Govt Code § 1090 are prosecuted as a felony and a conviction could, in addition to the imposition of a criminal fines and potential imprisonment, result in a lifetime ban from holding any public office in the State of California. In addition, contracts that are entered into in violation of this statute are void as a matter of law.

Finally, any person can file suit in civil court alleging violations of the Act.

### **Identifying Conflicts and Disqualification.**

Because severe penalties may apply to a neighborhood council board member for violations of the conflict of interest laws it is important that board members identify their economic interests that may pose potential conflicts. The eight part test set forth earlier should help board members identify what type of economic interests they have.

If a board member has either an economic interest in a decision that requires disqualification or is disqualified due to the application of the common law doctrine of a conflict of interest, the board member must disclose the interest which is the subject of the conflict as well as the fact that he or she is disqualifying himself or herself from any participation in the decision. The board member also may not do anything to influence the decision.

If a board member is disqualified from acting on a meeting agenda item and he or she is present at the meeting, he or she should make a public announcement identifying the economic interest which is the subject of the conflict and the fact that he or she is disqualified from any participation. After announcing the recusal from participation, the board member should excuse himself or herself and leave the room while that item is pending.

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regarding the attorney-client privilege, the privilege applies to confidential communications between the attorney and the client. Although the City Attorney is the legal advisor to the neighborhood council board, the City's client is the municipal corporation, the City of Los Angeles, and not to any individual board member. While the City Attorney's Office is willing and able to assist individual neighborhood council board members with legal advice, the advice given may be disclosed to the neighborhood council board and to any other City entity.

## Common Law Conflict of Interest Rules.

Although Los Angeles City Charter § 222, contains its own conflict of interest provisions based on an appearance standard, these standards for disqualification are not applicable to neighborhood council board members. However, neighborhood councils are free to develop their own appearance standards and ethics rules in their bylaws.

Furthermore, basic principles of bias and conflict of interest rules that the courts have developed over time (common law) also apply to the board's decisions even if the statutory rules may allow a board member to participate in an action. As the Attorney General has concluded, [t]he common law doctrine against conflicts of interest . . . prohibit public officials from placing themselves in a position where their private, personal interests may conflict with their official duties. 64 Ops. Cal. Atty Gen 795. As put by the court of appeal, [a] public officer is impliedly bound to exercise the powers conferred on him with diligence and primarily for the benefit of the public. *Noble v. City of Palo Alto* (1928) 89 Cal. App. 47, 51.

This doctrine applies in situations involving both financial *and* nonfinancial interests. This means that simply having a personal relation to the matter could be construed as tainting a board member's decision-making because he or she is perceived to be biased or making the decision based on his or her personal interest, rather than for the good of the public.<sup>7</sup>

However, having general personal views and opinions about a matter is generally not sufficient to show bias. *Andrews v. Agricultural Labor Relations Board* (1981) 28 Cal. 3d 781. The mere appearance of bias is generally not sufficient for disqualification; but a disqualifying bias may be found if a showing can be made that a public officer has a specific prejudice against a person affected by a decision or a showing that a public officer's decision making ability is so impaired such that s/he cannot render a decision based on appropriate grounds. *Id.* at 792. Thus, neighborhood council board members should always be alert to whether their private interests, whether financial or otherwise, would be enhanced by any particular action they take on an item before them. Although not legally required, neighborhood council members should avoid even the appearance of bias to avoid allegations that might cause the integrity of the neighborhood council and its members to be questioned.

## Penalties.

Violations of the Political Reform Act and Government Code § 1090 can carry significant penalties.<sup>8</sup>

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<sup>7</sup> Even without a financial interest, the public officer must have some personal advantage or disadvantage at stake. See, e.g., *Clark v. City of Hermosa Beach* (1996) 48 Cal. App. 4th 1152; 88 Op. Atty. Gen. Cal 32 (2005).

<sup>8</sup> Note: The City Attorney's Office cannot defend or indemnify a board member who is charged, either civilly or criminally, with a violation of either the Political Reform Act or Govt Code § 1090. In addition, Department of Neighborhood Empowerment, City of Los Angeles  
Neighborhood Council Funding Program



employer of the board member or spouse. If a board member or his or her spouse owns 10% or more of a business, clients of that business may also be sources of income. However, if the source of income is indirectly involved in the decision, application of the state's regulations on the particular facts of this source is required to determine if the board member has to recuse himself or herself from acting on the matter.

***Distinguishable from the Public.*** Even if a board member's economic interest is foreseeable and material, he or she does not have a legal conflict of interest unless the decision's impact on his or her economic interest is *different* from the general public's impact. In other words, if a board member is participating in a decision on an issue that will affect the general public's financial interests in the same manner as his or her own interests, even though the decision will have a material economic impact on the board member's financial interest, it does not create a conflict of interest. Under this rule, the decision must affect the board member's interest in *substantially the same manner* as the interests of the public. An example of this would be if the City is embarking upon a plan amendment and zone change for a community plan area and a board member's property is subject to a zone change as is every other property within the community plan area. Although the board member's property is directly affected by the zone change, the property is impacted in substantially the same manner as other members of the public since all are being rezoned, so there is no conflict of interest requiring recusal. The state has developed specific percentage and numerical thresholds for determining when a group of people constitute a significant number to make a determination whether a decision affects the public in the same manner.

#### **Decisions Related to Contracts - Government Code § 1090, et seq.**

In addition to the requirements of the Political Reform Act, state law contains special rules governing conflicts of interest relating to government contracts. A neighborhood council board member may not be *financially interested* in *any City contract* that he or she is involved in making. Thus, any participation by a board member in the process by which a contract is developed, negotiated or approved, *including making a recommendation on the contract*, is a violation of Government Code § 1090 if the board member has a financial interest in that contract. **Also, if the board member has a financial interest in a contract, the entire neighborhood council board might not be able act on the matter.** However, there are some interests called remote interests which would disqualify a board member but not the entire neighborhood council board. Govt Code § 1090 prohibitions apply to oral as well as written contracts. Financial relationships in a contract would include, but are not limited to: employee of a contracting party, attorney, agent or broker of a contracting party, supplier of goods or services to a contracting party; landlord or tenant to a contracting party; officer, employee or board member of a nonprofit corporation of a contracting party.

direct interest is more likely to create a greater risk of a conflict of interest than an economic interest that is indirectly involved in the decision.

**Foreseeability and Materiality.** To have a conflict of interest the effect on the board member's economic interest must be foreseeable (in other words, likely to occur) and be considered material. In other words, a conflict of interest results if a board member can reasonably predict that his or her decision on a particular matter will have some economic impact (positively or negatively) on his or her economic interest. The Act sets up some basic thresholds to determine whether an economic interest is material:

*Business Investments and Business Positions.* As a general rule, if a decision directly involves a business entity in which the neighborhood council board member has an interest, the board member must disqualify himself or herself. However, if the only interest in the company is less than \$25,000 in stock, the board member may still be able to participate in the decision after a detailed examination of the state's regulations. If the decision indirectly involves a business entity in which the board member has an interest, a decision's impact would be material if, for large companies such as Fortune 500 companies, the impact on the interest would result in an increase or decrease of the business' gross revenue of **\$10,000,000** or more in a fiscal year; or results in the business entity incurring or avoiding additional expenses or reducing or eliminating existing expenses for a fiscal year in the amount of **\$2,500,000**; or results in an increase or decrease in the value of the business entity's assets or liabilities of **\$10,000,000** or more. At the other extreme, for smaller companies the impact is material if the decision would result in an increase or decrease in revenues of **\$20,000** or more or increase or reduce expenses by **\$5000** or more in a fiscal year, or result in an increase or decrease in the value of its assets or liabilities by **\$20,000** or more.<sup>6</sup>

*Real Property-* If the decision affects a board member's property which is located **within 500 feet** of the boundaries of the property subject to the decision; disqualification from acting is generally required *unless* the decision will have no financial impact on the property. If the board member's property is located **more than 500 feet**, there is a presumption that the decision will not have a material financial effect. However, that presumption can be rebutted by proof that there are specific circumstances that would make it reasonably foreseeable that a financial effect will result from the presumption. Leasehold interests may also implicate the conflict of interest rules and have to be evaluated on a case-by-case basis.

*Sources of Income -* If the decision will have **any** financial effect upon an individual who is a source of income for the board member and that source is directly involved in the decision, the effect is determined to be material. The most common source is the

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the decision potentially has an indirect impact on that economic interest, i.e., the business of the board member.

<sup>6</sup> The Political Reform Act also describes the impacts of other businesses that fall *between* these parameters, which are not discussed here.

- Any person or entity that is a source of income or loans to the neighborhood council board member or spouse;
- Any person or entity that has given the neighborhood council board member a gift within the last year; or
- A neighborhood council board member's personal expenses, income, assets or liabilities, including those of his or her immediate family.

*Business Investments and Business Positions.* An investment of **\$2000 or more** in a business entity by a board member, his or her spouse or dependent children is considered an economic interest. If a board member is a director, officer, partner, trustee, employee or holds a position of management in a business entity, that is also considered an economic interest.

*Real Property-* An investment of **\$2000 or more** in real property by a board member, his or her spouse, or his or her dependent children or anyone acting on his or her behalf, is an economic interest.

*Sources of Income and Gifts-* The receipt by a board member of income of **\$500 or more** from an individual or organization within 12 months prior to the decision in question is an economic interest. Gifts totaling **\$360** or more received from a single source within 12 months prior to the decision is an economic interest.<sup>4</sup>

*Personal Financial Effects-* Expenses, income, assets or liabilities of board members or their immediate family are considered an economic interest if those expenses, income, assets or liabilities are likely to go up or down by **\$250** as a result of the decision at issue.

Once a board member determines that he or she has an economic interest, the next step is to determine whether the decision will have a direct or indirect impact upon the board member's interest and whether it is reasonably foreseeable that the decision will have a material effect on the board member's economic interest.

***Direct v. Indirect Interest.*** Whether a particular impact is material or not also depends upon whether the economic interest is directly or indirectly affected by the decision. A direct interest is generally one that is the subject of the decision; an indirect interest is one that may be impacted because of some connection or relations to the decision.<sup>5</sup> A

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<sup>4</sup> Note: The gift limit is adjusted for inflation every two years. Govt Code § 89503(f).

<sup>5</sup> For example, if a neighborhood council board member owns a business that is subject to a permit or approval about which the Neighborhood Council is making a recommendation, that is a *direct* impact of that economic interest. If a neighborhood council board member owns a business that is located more than 500 feet away from a piece of property that is seeking, for example, to obtain conditional use approval to sell alcoholic beverages about which the Neighborhood Council is making a recommendation, Department of Neighborhood Empowerment, City of Los Angeles  
Neighborhood Council Funding Program

- The decision will affect the neighborhood council board member's economic interest in a way that is distinguishable from its effect on the public generally or a significant segment of the public. A neighborhood council board member who is disqualified must abstain from making, participating in making or attempting to use his or her official position in any way to influence the government decision.

**Persons Covered.** The Act treats members of local governmental agencies as public officials. Public officials who make, participate in the making of, or influence or attempt to influence a governmental decision must comply with the Act's provisions. Neighborhood Councils have been treated as local governmental agencies and board members as public officials for the purposes of the Act.<sup>2</sup>

**Participation in Decision-Making.** Neighborhood Councils are advisory bodies. Their role is to make recommendations to the various City decision-makers, including City boards, commissions, City Council committees and the City Council (City Charter § 907). This role falls within the ability to make, participate in making, or attempting to influence a government decisions provision of the Act. Since the Neighborhood Councils have been delegated the authority to make governmental decisions, even the board member's votes on non-governmental or purely advisory recommendations will be subject to the conflict-of-interest provisions.<sup>3</sup>

**Economic Interests Covered.** What is a financial interest is often complicated and fact-based, but there are basic types of economic interests that the Act covers:

- A business entity in which a neighborhood council board member, or his or her immediate family, owns an investment or in which the neighborhood council board members is an officer or director or holds a management position in that business entity;
- Real property in which a neighborhood council board member or his or her, immediate family, owns an interest;

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<sup>2</sup> Making *recommendations* as to whether the City should or should not enter into a contract will also trigger the Act's requirements. In this instance, this means making a recommendation about a *specific* contract which is coming before the City for action or recommending qualifications/specifications for a city contract. Merely advising the City as to whether, for example, the City should pave a certain street or install lighting, which decisions might ultimately result in the City entering into a contract for those services, would not trigger the Political Reform Act requirements for the neighborhood council providing this advice.

<sup>3</sup> Thus, a board member who makes governmental decisions must also be aware of, and comply with, the disqualification rules even when making a purely advisory recommendation, for example, to a City Council Committee or Area Planning Commission regarding a conditional use permit for a project located within the boundaries of that Neighborhood Council.

## STATE AND CITY CONFLICT OF INTEREST LAWS FOR NEIGHBORHOOD COUNCILS

### Conflict of Interest Laws Governing Neighborhood Councils

Board members of Neighborhood Councils who are given governmental decision-making authority, must be mindful of the following conflict of interest laws: The Political Reform Act of 1974, as amended (Government Code § 81000, *et seq.*), Government Code § 1090 *et seq.*, and the common-law conflict of interest rules. Because of the enactment of Ordinance No. 176477<sup>1</sup>, Neighborhood Councils are not required to have a conflict of interest code, are not required to fill out the state (Form 700) disclosure statement and no longer are subject to the City's Governmental Ethics Ordinance (Los Angeles Municipal Code § 49.5.1 *et seq.*) However, compliance with state and common law conflict of interest laws is still required. A brief explanation of these laws follows.

#### The Political Reform Act.

The Political Reform Act is a state law that sets up rules and regulations to ensure that governmental officials are free from bias caused by their own financial interests and act in an impartial matter.

**Basic Prohibition.** Under the Act, public officials are disqualified from participating in government decisions in which they have a financial interest. There are four basic tests to ascertain whether a neighborhood council board member might have a financial interest under the Act. When all of the following are true, the board member would have a disqualifying interest:

- The neighborhood council board member makes, participates in making, or uses his or her official position to influence the making of a decision;
- The neighborhood council board member has a statutorily defined economic interest (his or her own finances or those of members of his or her immediate family, investment in a business, interest in real property, source of income or gifts, management position in a business) that may be affected by the decision;
- It is reasonably foreseeable that the decision will have a *material financial effect* on the neighborhood council board member's economic interest;

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<sup>1</sup> See Los Angeles Administrative Code § 2.20.1.

## Factors to Consider

- Is this a capital improvement project?
  - It should be on public property within the Neighborhood Council's boundaries
  - There must be coordination with appropriate City agencies (i.e., Street Services, LAPD, LAFD, Recreation and Parks, etc.)
  - Required insurance and permits must be in place
- Is this for program services (i.e. after school program, graffiti removal, etc.)?
  - If services will be provided by a third party, did the applicant use a fair and open selection process?
- Is this for equipment and supplies?
  - Purchases made by public schools or 501(c)3 organizations need to ultimately benefit the local community
- Is this an event?
  - Events must be advertised and open to the public
  - Discuss appropriate liability issues

## NEIGHBORHOOD PURPOSE GRANTS - WHAT IS A PUBLIC BENEFIT?

A **Neighborhood Purpose Grant (NPG)** must provide a demonstrable benefit to the community. An activity or product funded through the NPG program should help build community cohesion during the implementation process and enhance the neighborhood once completed. Projects may address a wide range of identified needs such as:

- The Arts
- Community Beautification
- Community Services
- Education
- Community Improvement

The Department of Neighborhood Empowerment has the final discretion to determine whether or not the proposed project is clearly beneficial to the community.

If a requested project is part of a larger project, consider carefully whether it can be completed independent of the larger project, and whether additional funds must be secured.

### Considerations:

- The **budget** is realistic and supported with documentation
- The organization is **capable** of completing the project
- The **work plan** is detailed, specific, and feasible
- The project is **supported** by the community
- The **number** of stakeholders that will benefit from this project
- The project implementation process will **build community**
- The completed project will **enhance the community**
  
- **Credibility.** What does the organization want to accomplish? Is there evidence that the organization can achieve its goals? What kind of reputation does the group enjoy within and outside the community?
  
- **Capability.** Which skills do the organization's staff and/or board bring to the project? Are they relevant to the project's aims? Has the organization succeeded in similar endeavors of equal scale and scope to what is being proposed?
  
- **Feasibility.** The Neighborhood Council must determine whether the proposal is advancing a worthwhile project built upon a good idea that can be successfully implemented. Is the project budget sufficient to execute the various tasks and strategies described in the proposal?
  
- **Importance.** Should the project be done? Is it significant? Is there evidence that the community supports the project? Will it benefit the community it purports to serve?





**SECTION III - PROJECT BUDGET OUTLINE- Please outline the project budget below.**

6A) Personnel Related Expenses	Requested of NC	Total Projected Cost
	\$	\$
	\$	\$
	\$	\$
	\$	\$

6B) Non-Personnel Related Expenses	Requested of NC	Total Projected Cost
	\$	\$
	\$	\$
	\$	\$
	\$	\$

7) Is the implementation of this specific program or purpose described in box 4 above contingent on any other factors or sources or funding?  Yes, please describe below  No

Source of Funding	Amount	Total Projected Cost
	\$	\$
	\$	\$
	\$	\$
	\$	\$

8) What is the TOTAL amount of the grant funding requested with this application: \$ \_\_\_\_\_

9) What is the expected completion date? \_\_\_\_ / \_\_\_\_ / \_\_\_\_ (mm/dd/yyyy) (required)

**SECTION IV - PROJECT PRIMARY AND SECONDARY CONTACT INFORMATION**

Provide the name, telephone number, fax and e-mail address (if applicable) of the person(s) responsible for the funds and program(s) listed in Section II of this application.

10A) First Name \_\_\_\_\_ Last Name \_\_\_\_\_ MI \_\_\_\_\_  
Telephone Number \_\_\_\_\_ Fax Number \_\_\_\_\_ E-mail \_\_\_\_\_

10B) First Name \_\_\_\_\_ Last Name \_\_\_\_\_ MI \_\_\_\_\_  
Telephone Number \_\_\_\_\_ Fax Number \_\_\_\_\_ E-mail \_\_\_\_\_

**SECTION V - AFFILIATIONS**

11) Is there a former or existing relationship between your organization and a NC board member? Yes No

11A) If yes, did you and/or the board member consult the Office of the City Attorney? Yes No

Type of Relationship	Board Member Name
Example: Former board member	So Conflicted

# NEIGHBORHOOD PURPOSE GRANT APPLICATION

## Neighborhood Council Funding Program

### APPLICATION for Neighborhood Purposes Grant (NPG)



This form is to be completed by the applicant seeking the Neighborhood Purposes Grant and submitted to the Neighborhood Council from whom the grant is being sought. All applications for grants must be reviewed and approved in a public meeting. The Neighborhood Council, upon approval of the application, shall submit the approved application along with all required documentation to the Department of Neighborhood Empowerment.

Name of Neighborhood Council you are seeking the grant from: \_\_\_\_\_  
*Neighborhood Council Name*

#### SECTION I: APPLICANT VERIFICATION INFORMATION

1A) Organization Name Federal I.D. # (EIN#) State of Incorporation Date of 501(c)(3) Status (if applicable)

1B) Organization Mailing Address City State Zip Code

1C) Business Address (if different) City State Zip Code

1D) Address of Affiliated Organization (if applicable) City State Zip Code

Name and address of person designated to receive official/legal notices: Name: \_\_\_\_\_

2) Street City State Zip Code

3) Type of Organization- Please select one: *(Organizations must be located within the City of Los Angeles)*  
 Public School *(not to include private schools)* or  501(c)(3) Non-profits *(other than religious institutions)*

Attach Letterhead

Attach IRS Determination Letter.

#### SECTION II: PROJECT DESCRIPTION

4) Please describe the Neighborhood Improvement Project for which the grant is intended.

5) How will this grant be used to primarily support or serve a non-discriminatory, public purpose and benefit the public at-large.

The following are required from all organizations/entities seeking a NPG from a Neighborhood Council:

- NPG Application**
- W-9 Form**
- Los Angeles Business Tax Registration Certificate**
- Project Budget**
- 501(c)3 Non-Profit**
  - **IRS Determination Letter**
- Public Schools**
  - **Letter from Public School Official School Letterhead**

Applicants must submit the abovementioned items to the respective Neighborhood Council for consideration. The Neighborhood Council will evaluate all grant applications in a public meeting, deciding whether to approve or disapprove the proposed grant. If the application is approved, it must then be forwarded to the Department. If all documents are in compliance, the Neighborhood Council Funding Unit will process a check to the grant recipient.

#### **Grants Up to \$5,000**

Through the Neighborhood Purposes Grant (NPG), Neighborhood Councils will now have the legal authority to issue grants of public funds in amounts up to \$5,000 without a written contract.

#### **Grants of \$5,001 and Above**

Grants for amounts of \$5,001 and above will require valid contracts executed by the Department, on behalf of the NC. The contract will be drafted by the Department and approved by the Office of the City Attorney, to meet City contracting standards. Neighborhood Councils do not have the legal authority to enter into contracts.

Grants for amounts above \$20,000 will also require the approval of the Board of Neighborhood Commissioners.

#### **Posting Grants on the Department's Website**

Grants issued by Neighborhood Councils will be posted on the Department's website so that stakeholders can monitor the progress of the Program.

#### **Apply Now!**

If you meet the criteria as explained above, fill out the attached application and submit it to your local Neighborhood Council.

If you have any questions please contact the Department of Neighborhood Empowerment Funding Program at (213) 978-1551 or toll free at 3-1-1 or by email at [done.funding@lacity.org](mailto:done.funding@lacity.org).

## NEIGHBORHOOD PURPOSES GRANT APPLICANT INSTRUCTIONS

Dear Prospective Applicants:

The Department of Neighborhood Empowerment (Department) is pleased to announce that the City Council and the Mayor have given final approval to the ordinance establishing the Neighborhood Purposes Grant (NPG). This approval is the culmination of intense effort by the Department to provide Neighborhood Councils with greater flexibility in spending their allocated funds. Neighborhood Councils *in good fiscal standing* will enjoy a significantly enhanced ability to form partnerships with *501(c)(3) nonprofit organizations and public schools* in their communities. (Please note that grants cannot be issued to religious organizations or to private schools.)

### **Is your Neighborhood Council in Good Financial Standing?**

Only Neighborhood Councils in good financial standing will be eligible to participate in the NPG program. Good financial standing means the following:

- Neighborhood Council must have an approved current fiscal year budget on file with the Department; and
- Neighborhood Council must have submitted the previous two quarters of audit materials (including receipts/invoices)
- There are no other outstanding remedial measures being taken by the Department of Neighborhood Empowerment in accordance with the authority granted the Department general manager to ensure fiscal compliance

To check the status of your Neighborhood Council visit our website at [www.empowerla.org](http://www.empowerla.org).

### **Does it Benefit the Community?**

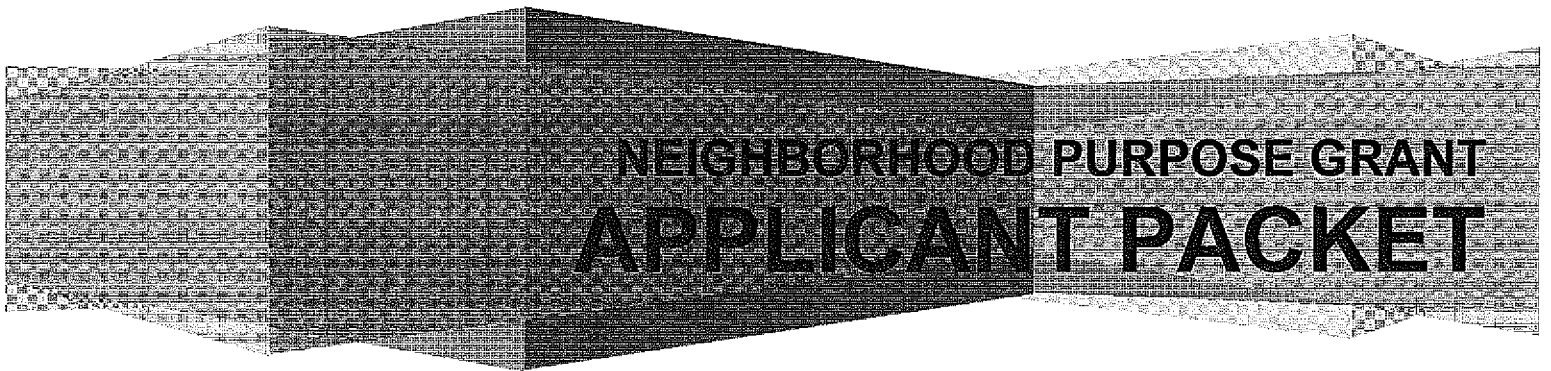
Any grant issued by a Neighborhood Council must be for a public purpose: in short, how will the grant help the community? Please refer to document entitled, *“What is a Public Benefit Project,” of the Application for Neighborhood Purposes Grant for more information.*

### **Conflict of Interest Laws Apply**

The state and local conflict of interest laws that apply to the Neighborhood Council Funding Program also apply to the Neighborhood Purposes Grant. Prior to taking any action on an application for a grant under the NPG program, any board member who at any time has had a relationship with the applicant organization must first consult with the Office of the City Attorney to ascertain whether a conflict of interest exists. There should be full disclosure and transparency in all the actions of a NC.

*Please refer to the document entitled, “Conflicts of Interest,” of the Application for Neighborhood Purposes Grant and/or the Project Coordinator assigned to the respective Neighborhood Council for more information.*

### **Application Process**



- Public Schools**
  - **Letter from Public School on Official School Letterhead**

Neighborhood Councils must evaluate all grant applications at a meeting held in accordance with the Brown Act, and decide whether to approve or disapprove the requested grant. If a grant application is approved for funding, the board must submit the following documents to the Department for the grant to be issued:

- Demand Warrant (DW)** - completely filled out by NC
- NPG Application** - completely filled out by Applicant
- W-9 Form** - completely filled out by Applicant
- Los Angeles Business Tax Registration Certificate (BTRC)** - from Applicant
- Signed Board Resolution** (must include the Public Benefit Statement)
- Project Budget** - from Applicant
- If 501(c)3 Non-Profit**
  - **IRS Determination Letter**
- If Public School**
  - **Letter from Public School on Official School Letterhead**

## NEIGHBORHOOD PURPOSES GRANT PROGRAM OVERVIEW

Neighborhood Councils have been authorized to award grants to 501(c)3 non-profits and public schools. Faith-based institutions and private schools are ineligible. **NCs cannot donate items or services to an individual or organization.** However, the NPG process allows the NC to grant funds to an eligible organization when the award will result in a public benefit. The grantee will need to complete the NPG application and provide the required documentation listed below. The NC will need to complete the DW request and provide the required documentation also listed below, and submit it along with the NPG application to the Department.

### Requirements

Neighborhood Councils must be in good financial standing to participate in the NPG program. To be considered in good financial standing, NCs must comply with the following requirements:

- Have an approved current fiscal year budget on file with the Department
- Have submitted the previous two quarters of P-card reconciliation reports and documents, including receipts and invoices

You can check your financial standing on our website at [empowerla.org](http://empowerla.org)

### Conflict of Interest Laws Apply

State and local conflict of interest laws apply to the Neighborhood Council Funding Program, including the Neighborhood Purpose Grants program. Prior to taking any action on an application for a grant under the NPG program, any board member who has any type of relationship with the applicant organization must first consult with the Office of the City Attorney to ascertain whether a conflict of interest exists. There should be full disclosure and transparency in all the actions of a NC.

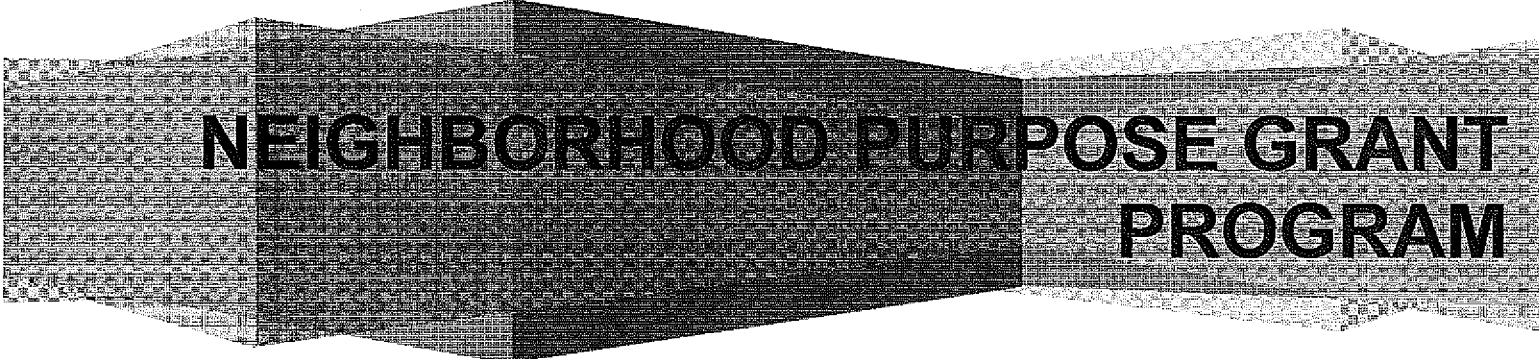
### Grant Limits

Any grant under this program that exceeds \$5,000 requires a valid contract executed by the Department on behalf of the NC. Contracts will be drafted by the Department and approved by the Office of the City Attorney, to meet the City's contracting standards. Grants for amounts greater than \$20,000 also require the approval of the Board of Neighborhood Commissioners. Grants will only be issued in the form of demand warrants (city checks). P-card transactions are prohibited. All grants issued by Neighborhood Councils will be posted on the Department's website so that stakeholders can monitor the progress of the Program.

### Application Process

501(c)3 non-profit organizations and public schools must complete a Neighborhood Purposes Grant Application and submit the following documents to the Neighborhood Council for review and consideration:

- NPG Application**
- W-9 Form**
- Los Angeles Business Tax Registration Certificate**
- Project Budget**
- 501(c)3 Non-Profit**
  - **IRS Determination Letter**



**NEIGHBORHOOD PURPOSE GRANT  
PROGRAM**





## **UNACCEPTABLE PURCHASES**

Below are transaction guidelines for the use of Neighborhood Council funds. Please contact the Neighborhood Council Funding Helpline at (213) 978-1551 or email [done.funding@lacity.org](mailto:done.funding@lacity.org) in the event you are unsure of the proper transaction method for any expenditure.

The following are prohibited:

1. Any purchases made without the approval of the Neighborhood Council governing body, and any purchases that are not identified in the NC approved budget.
2. Payment for services over an extended period of time that may require a personal services agreement executed by the Department. Treasurers should consult with the Department prior to using the P-card for this purpose.
3. Split charges - using multiple transactions for a single charge to circumvent the maximum single transaction amount allowed on the P-card.
4. Donations of money or goods to individuals or groups. State law prohibits public funds from being given as a gift.
5. Items or services from an entity that did not participate in a fair and open selection process.
6. Any purchases and/or capital improvement projects that increase the value of private property or do not benefit the general public.
7. Events or projects that do not have the required insurance and permits. Liability is always an important consideration with any project. Please contact the Department for further information.
8. Third-party reimbursement. Payments should be in the form of a DW for a particular vendor, not to a third party who will then pay the vendor.
9. Purchases of alcohol, tobacco, firearms, or adult entertainment products.
10. Purchases that violate the constitutional separation of church and state (City funds cannot be used to endorse religion and/or interfere with free religious exercise)
11. Purchases that violate City and/or State conflict of interest laws.
12. Supporting or opposing ballot measures or candidates, and political forums or debates unless following City Attorney guidelines.
13. Lawsuits against the City or City agencies, and appeals against any discretionary decisions made by any City agency.



## ACCEPTABLE PURCHASES LIST

Below is a list of acceptable P-Card purchase categories. As with all things, this list will change as Neighborhood Council needs change. A Neighborhood Council must request authorization from the Department to use a category for goods and services not listed below.

In addition, all equipment, supplies and services must be for the sole purpose of building the social capital of the Neighborhood Council to benefit the community. If you have any questions regarding any of the items on the list, please contact the Neighborhood Council Funding Helpline at (213) 978-1551 or email [done.funding@lacity.org](mailto:done.funding@lacity.org)

## ACCEPTABLE PURCHASE CARD USE CATEGORIES:

### **BUSINESS SERVICES**

- Automobile Parking Lots and Garages
- Equipment Rental
- Furniture Rental
- Photographic Developing, Studios
- Postal Services
- Reproduction and Blueprint Services
- Tool Rental

### **COMMUNICATIONS SERVICES**

- Telecommunication Equipment
- Telecommunication Service

### **PROFESSIONAL SERVICES**

- Associations, Civic, Social and Fraternal
- Schools, Elementary and Secondary
- Colleges, Professional Schools
- Charitable and Social Service Orgs.

### **REPAIR SERVICES**

- Electronic Repair Shops
- Furniture Repair, Refinishing
- Small Appliance Repair Shops

### **RETAIL SERVICES**

- Books, Periodicals, Newspapers
- Building Materials, Lumber Stores
- Candy, Nut, Confectionery Stores
- Caterers
- Computers, Computer Peripheral
- Equipment, Computer Software
- Computer Software Stores
- Department Stores
- Discount Stores
- Drug Stores, Pharmacies
- Eating Places, Restaurants
- Electronics Stores
- Fast Food, Restaurants

- Florist Supplies, Nursery, Flowers
- Glass, Paint, Wallpaper Stores
- Grocery Stores, Supermarkets
- Hardware Stores
- Home Supply Warehouse
- Lawn and Garden Supply Stores
- Music Stores
- Office and Commercial Furniture
- Office, Photographic and Photocopy
- Paints, Varnishes and Supplies
- Promotional Material Stores
- Second Hand Stores
- Stationery, Office Supplies, Printing
- Variety Stores
- Wholesale Clubs

### **TRANSPORTATION SERVICES**

- Charter Bus Service\*
- Courier Services
- Freight Forwarders
- Truck and Utility Trailer Rental\*

\*Requires advance approval



- **What if there is a specific candidate who I want to employ?**

If there is someone who meets the Neighborhood Council's needs and can qualify for employment with one of the contract agencies, have the candidate contact AppleOne Employment Services, Lloyd Staffing Services, or Partners in Diversity, Inc., **which have contracts with the City**. The agency will screen the candidate for the necessary skills, and if qualified, the contracting agency can enroll and assign them to your Neighborhood Council. The agency will handle all the paperwork and billing in order to ensure compliance with City, State, and Federal requirements.

(Revised 10/15/10)

### **TREASURER**

- **If there is a change in the treasurer position (new elections, resignations etc.), what is the procedure?**

Contact the Department via e-mail at [done.funding@lacity.org](mailto:done.funding@lacity.org) or by phone at (213) 978-1551 of your board's action to seat a new treasurer. Please include the name and contact information of the new treasurer and a board resolution or minutes confirming his/her appointment. The new treasurer must attend the Treasurer's Training provided by the Funding Program staff to ensure they are fully up to date with all new policies and programs before they may obtain access to their NC funding. Once the new treasurer completes the required funding forms (Charge Card forms 1-3) and the training, a new card will be issued and they will have complete access to their NC funding.

(Revised 10/4/12)

**ATTACHMENT B – MOTION LANGUAGE FOR  
CONGRESS/BUDGET ADVOCACY ACCOUNT SET UP**

The LA Congress of Neighborhoods is an annual event designed by Neighborhood Council leaders and coordinated with the partnership of the Department of Neighborhood Empowerment to reach out to stakeholders, and both new and seasoned board members. This event offers various workshops designed by Neighborhood Council members to be practical, how-to types of sessions that offer a broad overview of each subject that supports local action and civic engagement.

The Mayor's Community Budget Day in the fall, kicks off the annual budget advocacy process and the important role that Neighborhood Councils play in advising the Mayor and Council on the City Budget. This event is followed by several Neighborhood Council Budget Advocate events, including a Regional Budget Day in the Spring, whose end goal is to submit to the City a list of budget priorities as well as detailed recommendations.

To assist the Department of Neighborhood Empowerment and the Neighborhood Councils in coordinating both the LA Congress of Neighborhoods and the budget advocacy process, the Department of Neighborhood Empowerment is requesting authorization to create an account that will be used to pay for these events. Upon Neighborhood Council Board approval, funds will be transferred from each individual Neighborhood Council appropriation account to this new account which will be administered by the Department of Neighborhood Empowerment.

I THEREFORE MOVE that the City Council authorize the Controller's Office to create the Congress/Budget Advocacy account in Fund No. 44B, Department No. 4701, Account No. 47J220.

I FURTHER MOVE that the City Council authorize the transfer from various Neighborhood Council appropriation accounts, as approved by the Department of Neighborhood Empowerment, to the Congress/Budget Advocacy Account No. 47J220 for a maximum amount of \$100,000.

I FURTHER MOVE that the Chief Legislative Analyst be authorized to make clarifications or technical corrections as may be necessary to implement the intent of this motion.