U.S. Department of the Treasury

**State Small Business Credit Initiative**
**APPLICATION ATTACHMENT**
**SECTION 4H – Internal Accounting and Administrative Controls Systems Used by the OCSP Staff**

**Section 1: Applicant Information**

***1A.*** *Enter the name of the Applicant:* City of Mandan and Co-Applicants

***1B.*** *Enter information below about the specific department, agency, or political subdivision of the Applicant that has been designated to implement the program(s) described in this application.*

Organization Name: City of Mandan Business Development & Communications Department

**Section 4: Other Credit Support Programs (OCSP)**. Complete this Section if applying for SSBCI funds to use for a State Other Credit Support Program

**4H.** *Applicants should use the space provided below to describe for each OCSP, the internal accounting and administrative controls systems used by the OCSP staff and the means they use to safeguard against (a) waste, (b) loss, (c) unauthorized use, and (d) misappropriation. If available, evidence cited should include, but need not be limited to:*

- *Periodic internal audits*
- *Annual independent audits (including management letters)*
- *Program financial statements current within the last 6 months.*
- *Accounting and financial reporting system compliant with OMB Circular A-127*

*In addition, if available, the Applicant must attach a copy of the most recent independent financial audit or program financial statements for each OCSP, dated within the last six months. If no independent financial audit or program financial statements exist for the OCSP, then the Applicant must attach a copy of the independent financial audit or program financial statements, dated within the last six months, for the entity implementing each OCSP as identified in the response to Section 1B or 1D of the application.*

Accounting System - Lewis and Clark Regional Development Council

The Lewis and Clark Regional Development Council has and does maintain its accounting records and reports in a manner that conforms to certain Federal Circulars e.g., A-87, A-128. LCRDC has hired an independent accounting firm, Mahlum and Goodhart P.C., to perform the accounting functions for the office as well as prepare all financial reports. Eide Bailly, LLP audits LCRDC on an annual basis. The audit is performed in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Further, the audit is performed as required by the U.S. according to U.S. Office of Management and Budget Circular A-133, “Audits of State, Local Governments, and Non-Profit Organizations.

Distribution of expenditures generated during an accounting period (monthly) are based on employees' time sheets and also recorded on personnel cards. Postings are made to unapplied funds, funds applied and expenditure accounts in general ledger form common or distributive costs i.e., rent, telephone, supplies, etc. are charged prorate, based on personnel costs applicable to the various funding resources. Trial balances, cash flow and bank statement reconciliation are prepared on a monthly basis.

Applicant Accounting

No funds will be deposited with the applicant. Rather, the applicant and other North Dakota cities that are part of the consortium will enter into a cooperative agreement with the City of Mandan, which will be the recipient of all funds awarded to the consortium based on its combined represented population. The applicant, as part of the consortium, will contract with the Lewis and Clark Regional Development Council (LCRDC) for administration of the loan participation program.

All funds for all municipalities and tribes participating in the consortium will be pooled and made available via loans to businesses in the participating cities. No funds will be set aside for use in any particular city, but rather will be available to qualified business applicants in participating cities on a first-come, first-served basis.

OVERSIGHT

The applicant -- through its representation on the consortium steering committee and, either directly or via election, on the Loan Committee -- will take steps to ensure that the LCRDC has adequate internal controls and compliance mechanisms and systems over the course of the allocation period to administer the loan participation program. The applicant will also ensure that the LCRDC maintains the operational and financial capacity to deliver on the consortium's program goals. Specifically:

- The applicant's representative on the Steering Committee will be responsible for reviewing quarterly and annual reports for accuracy and completeness and compliance with the requirements of the SSBCI Act and the allocation agreement prior to submission to Treasury.
- The applicant will maintain records of reports and financial documents provided by the contractor, including those required to verify the eligibility of loans and program expenditures. The applicant will also maintain records related to the performance of the LCRDC.
- An annual meeting of the steering committee will be held for purposes of reviewing the annual audit report, other financial reports, and a performance appraisal of the LCRDC to assure sound management of programs, appropriate risk management, adequate financial record-keeping and thorough reporting.
- In the event that the Loan Committee identifies deficiencies in the performance or financial capacity of LCRDC, the Loan Committee will set forth a plan of corrective action and a time-line for compliance that is commensurate with the nature of any such findings. If LCRDC fails to correct the deficiency the Loan Committee will make recommendation to the Steering Committee which , with a 2/3 majority vote, will take corrective action up to and including termination of the contract for services. The consortium will submit a written request to the United States Department of Treasury for approval of any modification.
- The Loan Committee will have the responsibility of conducting an annual performance appraisal of the LCRDC as the contractor and administrator for implementation of the loan participation program. The Loan Committee will provide a summary of the performance appraisal with a recommendation as to the continuation of the implementation contract to the Steering Committee at its annual meeting. A 2/3 majority vote of the Steering Committee membership would be required for any change in contractor. The consortium will submit a written request to the United States Department of Treasury for approval of any modification.