

FINANCE OFFICE

ACCOUNTING POLICIES AND PROCEDURES MANUAL

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ACCOUNTING POLICIES AND PROCEDURES MANUAL

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I. GENERAL ACCOUNTING PROCEDURES

General Information

- 1) The board of commissioners, through the Finance Committee formulates financial policies, delegates' administration of the financial policies to the finance staff, and reviews operations and activities.
- 2) The Executive Director has responsibility for all operations and activities, including financial management.
- 3) Finance Office oversees the Agency's fiscal budget, payroll, accounts payable, general accounting, and the accounting system. Human Resource Office is responsible for the FCEOC employees and personnel files. An Assistant Executive Director is responsible for the operations of Finance, Human Resources, and Information Technology and reports to the Executive Director.
- 4) All employees will follow the lines of authority on the Agency's organization chart.
- 5) Current job descriptions will be maintained for all employees, indicating duties and responsibilities.
- 6) Financial duties and responsibilities must be separated so that no one employee has sole control over cash receipts, disbursement, payroll, and reconciliation of bank accounts.
- 7) All employees are required to take annual vacations.
- 8) Separate bank accounts and accounting records will be maintained as required by funding source regulations.

Overall Accounting System Design

FCEOC utilizes the Blackbaud automated accounting system, called Financial Edge, which is designed to separate the activities of each program into separate reporting units. The accounts payable, cash receipts, and fixed assets modules interface with the General Ledger System. The system is designed for maximum flexibility in reporting. Reports can be generated that include activity for the fiscal year or for the contract period. The reporting tree allows reports to be generated at a detail cost center level or a program level

Procedure

- 1) Each general ledger account is assigned an eleven-digit account number. The first two digits are used to identify the fund or company, the second set of four digits is to identify the general ledger account (Exhibit I-1), and the last five identify the program or contract. The last five digits are referred to as the cost center (Exhibit I-2).
- 2) The Assistant Finance Director is authorized to set up all cost centers. When a new cost center is needed, the Program Accountant meets with the Assistant Finance Director to determine the program number that should be used. The Assistant Finance Director adds the cost center to the proper “tree” for reporting.
- 3) The Program Accountant then adds the necessary line items to the chart of accounts based upon the approved budget. When an account number is created, the system records the date and user in the chart of accounts file maintenance.

General Ledger Transactions

Purpose

To ensure that all General Ledger entries are current, accurate and complete.

Policy

All entries will be made soon after the underlying accounting event to ensure the financial records and reporting is current. Adequate documentation and authorization for the transaction will support all entries.

Procedures

- 1) Each entry in the accounting system will be reviewed and approved by the Assistant Finance Director prior to being posted to the general ledger. Journal entry numbers are system generated.
- 2) The four types of entries posted to the G/L are as follows:
 - a) Accounts Payable Journal Entry - A distribution to G/L is run weekly for invoices posted in the A/P module. This is a temporary file for invoices posted in A/P, but not yet posted to the G/L. The distribution to G/L allows access to A/P data before the weekly A/P journal entry is created. Posting to G/L occurs weekly.
 - b) Payroll Journal Entry - Bi-weekly journal entry is created by the external payroll processor (EBS) and imported via an Excel worksheet to Financial Edge on a bi-weekly basis.
 - c) Cash and Invoicing Journal Entry - See Cash Receipts (Section II).
 - d) General Journal Entries -
 - 1) Accountants prepare journal entries as necessary. Financial Edge assigns batch numbers automatically.
 - 2) Completed entries are submitted to Assistant Finance Director for review and posting.
 - 3) Further documentation is created per system's requirements, identified in the systems manuals.

General Ledger Closing Procedures

Purpose

To ensure the accuracy of financial records and reports

Procedure

Prior to running the monthly Agency Balance Sheet and Income Statement, the following procedures are performed:

- 1) All entries on the monthly Journal Entry checklist (Exhibit I-3) are completed by accountants.
- 2) Balance sheet accounts are reviewed and analyzed and necessary journal entries are posted by the Internal Auditor.
- 3) Revenue and expense accounts are reviewed for necessary revenue accruals or deferrals by Program Accountants and Assistant Finance Director.
- 4) Indirect charges are computed based upon budget and YTD expenses.
- 5) After all journal entries are recorded; the Program Accountant prepares and submits monthly Progress Reports to the Finance Director. The report provides a comparison of monthly and YTD revenues and expenses against monthly and YTD budget based upon the program-funding period. The individual progress reports are summarized on the Progress Report Recap.
- 6) Balance Sheet and Income Statement are generated for Assistant Finance Director and Finance Director's review.
- 7) After review, reports are submitted for presentation and distribution to the Finance Committee.

Data Backup and Recovery

Purpose

To ensure data stored on agency file servers is backed up on a daily basis and to be able to recover the data in case of a disaster or other event causing data loss.

Policy

It is the policy of the Information Technology Office to perform a backup of each server after the close of business, each night Monday through Friday, and to perform a test restore for each server at least quarterly to ensure the recoverability of the data on the backup tapes.

Procedure

Designated IT Office staff is responsible for performing daily backups of the servers located at 1920 Mariposa Mall. Backups of “off-site” servers located at program sites are the responsibility of designated program staff. Data is backed up onto tape media (cartridges) loaded into tape drive devices attached to the servers.

For each tape drive device there are 15 individual tape cartridges to be used in a 15-day (3 week) rotation. Each tape is numbered 1-15 with the day of the week, i.e. #1 Monday, #2 Tuesday...#6 Monday, etc. After tape #15 Friday is used, the rotation begins again from tape #1 Monday, overwriting the data previously backed up onto tape #1 Monday. All tape cartridges are thus overwritten every 15 days. The tape cartridges are stored next to the tape drives in a secure area.

Through the configuration of the backup software application, backups are scheduled to run each night after the close of business, and are completed by the beginning of the next business day.

1. For each tape drive device, responsible staff will, no later than the close of the business day, remove the backup tape cartridge representing the previous business day's backup from the tape drive and insert the tape cartridge to be used for the next backup process. For example, on Monday, staff will remove the tape used for Friday night's backup (i.e. #5 Friday), and insert Monday's tape (#6 Monday).
2. Responsible staff will take the removed tape cartridge offsite. Staff will return the tape cartridge on the third business day following the date of backup. For example, a tape containing Monday night's backup will be taken offsite by the end of the day on Tuesday, and returned on Thursday. The returned cartridge will then be ready for its next turn in the rotation. This will ensure that there will always be at least one tape backup cartridge offsite at all times.

For the tape drives located at 1920 Mariposa Mall, responsible IT staff will place the removed tape cartridges in a locked, fireproof cabinet located at 1900 Mariposa Mall, Suite 121. The tape cartridges will be then be retrieved from the cabinet and returned on the third

business day following the date of backup.

1. Responsible staff will complete the Backup Tape Log on a daily basis, recording backup dates and initialing the removal and returning of the tape cartridges.
2. Responsible IT staff will use the backup software's reporting utilities at the start of each business day to validate the accuracy, completeness, and integrity of the backup performed the previous night.
3. Any errors will be acted upon in a manner commensurate with the type of error. Responsible IT staff will use contract technical support as needed to resolve problems and ensure the validity of backup data.
4. Responsible personnel will clean the tape drive device at least twice a month, using appropriate tape cleaning cartridges.
5. Responsible IT and/or program staff will ensure replacement of backup tape cartridges as needed.
6. The IT Office will perform file/data restores from the tape cartridges as requested by staff, and log successful restore functions. Any problems identified during the restore function must be acted on in a timely fashion. Responsible personnel will use contract technical support as needed to resolve problems and ensure the validity of backup data.
7. The IT Office will ensure that restores, whether test or for actual data loss, are performed for each server at least quarterly.

Document Storage and Retention Policy

Purpose

To provide structured retention times, destroy dates, and labeling descriptions for boxes of documents stored; and to create a perpetual inventory of boxes that are currently in the Agency storage facility.

Policy

It is the policy of the Finance Office to retain financial records, supporting documents, statistical records, and all other records pertinent to an award for a period of time no less than is required by Federal and contract regulations. Documents which include sensitive personal information will be kept secure. (Citation OMB A-110 C.53)

Procedure

1. Items should be sent to storage after the contract has been closed and audits have been completed. Records should remain accessible for grantor/auditor reviews.
2. What not to store:
 - a. Informal correspondence, emails, memos, notes
 - b. Proposals (received or submitted) that were not acted on
 - c. Phone books, note books, unused office supplies
 - d. Hanging folders, empty binders, binder clips (these should be removed and reused if worthy, discarded if not)
 - e. Duplicated items should be purged before they are boxed.
3. Labeling and retention time guidelines:
 - a. Most business records have suggested retention times of no more than 6 years. Multi-year contracts may require longer time to prevent the earliest records from being destroyed prior to the contract closeout and audit.
 - b. Be sure you are keeping records long enough to comply with grant/contract requirements.
 - c. Bankers Box® #703 is the approved standard box. Equivalent boxes or other manufacturers boxes are acceptable provided they have a lid and these dimensions: 10"H x 12"W x 15"D
 - If the box does not meet the standards set, the Custodian will not assign a box number nor take custody. The Program will need to re-box the records.
 - It is important that all boxes have the same footprint (that is width x depth) to provide the best strength and stability.
 - d. The top-left corner of the box face is reserved for the box #. This area will be filled in by the Custodian when the boxes are delivered for storage.
 - e. Enter the destroy date in the top-right corner as a year only. This date should be in **RED** marker. We will annually destroy boxes marked with the current year, (i.e. if you want the box retained for any portion of 2013, then enter 2014 as the destroy date).
 - f. Provide a description of the box contents in **BLACK** marker.

- Program name can be abbreviated to conserve space
 - Include type of documents (intake, contract, timesheet)
 - Date, date range, document number range, or portion of the alphabet, etc.
- g. Use permanent markers, not regular pens, to label boxes. Do not tape or staple a printed document on the box face as it does not stay attached.

box#	destroy date
Contents description.	

4. Program to prepare an Excel file that is given to Custodian, listing the boxes that are ready for storage. This file will have five columns: Box #, Program, Contract, Contents, and Destroy date, see table below.
- a. The Custodian will assign a box number in the order they appear in this list.
 - b. The contents description entered here can be more detailed than what is written on the box face. Up to 255 characters can be used to provide keywords and other descriptions that will make the search process better.
 - c. Hint: Keep like boxes listed in order to make record keeping and retrieval easier. Boxes will be stored at the warehouse in box # order.

Box#	Program	Contract or unit	Contents Description	Destroy date
	Finance	A/P	A/P Checks 2007, #96000-96655	2013
	Finance	A/P	A/P Checks 2007, #96656-97435	2013
	Finance	P/R	P/R Timesheets Period End 7/7/07	2013
	Finance	P/R	P/R Timesheets Period End 7/21/07	2013
	Finance	Treasury	Bank reconciliations 2007, all accounts	2013

5. Custodian assigns box number when boxes have been delivered.
6. Custodian returns to program the Excel file with box numbers filled in.

Box#	Program	Contract or unit	Contents Description	Destroy date
187	Finance	A/P	A/P Checks 2007, #96000-96655	2013
188	Finance	A/P	A/P Checks 2007, #96656-97435	2013
189	Finance	P/R	P/R Timesheets Period End 7/7/07	2013
190	Finance	P/R	P/R Timesheets Period End 7/21/07	2013
191	Finance	Treasury	Bank reconciliations 2007, all accounts	2013

7. Requests for retrieval from storage will be made by referencing the box number

8. If documents are needed, the entire box will be returned to the program, individual documents will not be removed. The box can be returned to storage after the review is completed.
9. Custodian will complete the catalog by adding columns to record when boxes are returned to the program or destroyed.

Box#	Program	Contract or unit	Contents	Destroy date	Retrieved/ Returned	Destroyed
187	Finance	A/P	A/P Checks 2007, #96000-96655	2013		
188	Finance	A/P	A/P Checks 2007, #96656-97435	2013		
189	Finance	P/R	P/R Timesheets Period End 7/7/07	2013		
190	Finance	P/R	P/R Timesheets Period End 7/21/07	2013		
191	Finance	Treas	Bank reconciliations 2007, all accounts	2013		

II. CASH MANAGEMENT PROCEDURES

Cash Receipts

Policy

All cash received will be deposited on a minimum of weekly basis.

Purpose

To ensure amounts received are deposited timely and are credited to the proper bank account and general ledger account.

Procedure

A. Receipts Received by Mail:

- 1) Treasury staff opens mail and stamps "Received" with date. Checks are endorsed "For Deposit Only." Checks are logged by date received, payee, check date, and amount. Checks and supporting documents are copied by the Treasury staff. Copies are submitted daily to program accounting for coding and, if needed, bank account identification.
- 2) Program Accountants note the customer Accounts Receivable (A/R) document numbers on the check copy and also set up any miscellaneous receipts in the A/R system. Check copies and supporting documentation are returned to the Treasury Accountant who then runs a tape of checks by bank account and prepares a deposit for each account.
- 3) Receipts that are received by the Finance Office are stored in the safe in a secured room. Access to the receipts requires dual-custody for one person to unlock the secured room and a second person to open the safe. Deposits are made on a daily basis.
- 4) Checks to be deposited to the CAP account may be deposited via the Remote Check Deposit service. The Treasury accountant uses the bank software and scanner to create a deposit. The total number of checks and the total deposit amount are verified. The Deposit Detail report is approved and submitted to the bank by the Finance Director or Assistant Finance Director.
- 5) Checks being deposited to other accounts, checks that could not be read by the scanner, and all cash received are delivered to the bank by IT staff acting as couriers. The Treasury accountant groups items by bank account and prepares a duplicate deposit ticket for each. Deposits are counted and verified before they are sealed in a bank deposit bag. The bag is given to the

IT staff for delivery to the bank. Cash received is deposited the same day received.

- 6) At the end of each day, a second individual from the Finance Office reviews the daily receipts log, receipt books, cash and checks received, and deposits being couriered to the bank. All items received are confirmed as either being deposited or available for deposit pending review by the Program Accountants.
- 7) The Treasury Accountant enters deposit in the A/R system. A print out of items entered by bank account is generated and attached to supporting documentation.
- 8) The yellow copy of the deposit slip is attached to the supporting deposit documentation prior to filing.
- 9) Accounts receivable is validated and posted weekly. Financial Edge assigns journal entry batch number sequentially.
- 10) The receipt log generated by the front desk staff is reconciled to the deposit documentation by Internal Audit to verify all received funds are deposited into the bank.

B. Cash received at the Programs:

Health Clinic

- 1) Checks received at the Family Planning Clinic are received by the Office Manager. Copies of the payment documentation are forwarded to the Billing Clerk for review for any necessary billing adjustments. The checks are forwarded to the Finance Office staff and are processed following the same procedures as checks received in the mail. The Program Accountant will record all payments into both the Health Clinic billing software and the Accounting Software.

Food Services

- 1) Checks received at the Nielsen location are forwarded to the Food Services Accountant, who forwards the checks to Finance Office staff who will follow the same procedures as with checks received in the mail.
- 2) The cash box for the Fresno County Economic Opportunities Commission Cafe is kept in the Finance Office safe. The Front Desk staff counts the cash

at the end of each day. A receipt is given to the cafe sales clerk.

School Age Child Care

- 1) Parent fees are collected at each school site. Staff completes a receipt in triplicate. The original is given to the parent, one copy remains at the site and the third copy is submitted weekly to the School Age Child Care office at Fresno County Economic Opportunities Commission. When parent fees are also collected at the School Age Child Care Program Office, a copy of the receipt is sent to the appropriate school site's Teacher Director to record the payment into the proper participant file.
- 2) Payments and receipts are collected by the Program Office. The Program Office then prepares a summary worksheet that is submitted to the Finance Office with the supporting documentation and receipts.
- 3) Parent fees are deposited in the bank on a weekly basis by either the School Age Child Care Program Assistant or by the Program Director in the Program Assistant's absence. The duplicate deposit slip and the summary worksheet are submitted to G/L Accountant for entry into the Accounts Receivable system.

Transit Systems

Drivers

- 1) Fares are collected in a locked fare box.
- 2) Cash is turned into the Transit Systems office on a daily basis.
- 3) Daily log of fares collected are turned in to office at the end of each day.

Transit System Office

- 1) Two Transit Systems staff present counts cash at the same time.
- 2) Cash counted is agreed to cash collected per the daily log sheet. Staff initials daily log sheet to confirm cash recorded was received.
- 3) Amounts are recorded on a cash count sheet.
- 4) Deposit is made at the bank daily.
- 5) Copy of the deposit slip is attached to cash count sheet and sent to G/L

Accountant for entering in to the A/R system.

- 6) Cash is kept in a secure place at all times.

Refugee Services

- 1) The Refugee Operations Director and Business Development Assistant (BDA) ensure that repayment of refugee loans are made in accordance with the promissory note.
- 2) The BDA schedules collection at the participant's place of business and/or their home. Upon collection, the BDA records the loan payment and issues an original receipt to the participant.
- 3) Two copies of the receipt are delivered to the Finance Office front desk staff along with the cash and/or check by the BDA. Finance stamps the two receipt copies as having been received and returns one of the receipt copies to the BDA. Additionally, an original receipt is issued by the Finance Office staff to the BDA for the amount of money received in accordance with the standard procedures followed for checks received in the mail.
- 4) The loan payment is entered by the BDA and the program accountant into the respective Micro-MIS and EXCEL databases.

Accounts Receivable System

Policy

Program Accountant will record amounts due to the Agency from funding sources and Fee for Service contracts in the accounts receivable system on a monthly basis after completion of fiscal reports.

The Internal Auditor and Assistant Finance Director will review the A/R aging report monthly. Amounts outstanding over 90 days will be investigated.

Purpose

To accurately reflect amounts due to the Agency in a timely manner.

Procedure

A/R File Maintenance

- 1) Each contract is assigned a customer ID that is in a combination of alpha and numeric sequence. The first two letters represent the funding source (AA for FMAAA) and the last three digits represent the cost center for the program. The billing address and contact person are recorded in the customer ID.
- 2) The name of the program accountant responsible for the contract is entered in the "salesperson" field. This will allow reports to be sorted by program accountant.
- 3) The funding source is entered into the territory field, which will allow an A/R report to be generated that reflects all amounts due for all programs from each funding source.
- 4) Payments are applied to a specific debit memo using the open item method.
- 5) A miscellaneous vendor is set up for each program that receives miscellaneous receipts (Donations, catering revenue, parent fees, fundraising, etc.).

A/R Invoicing

- 1) Each month the program accountant will set up the current amount due on the contract using either a "Charge" or "Invoice". The A/R amount should tie to the monthly billing per report to the funding agency. When a monthly billing is not required for a program (Head Start) the revenue will

be accrued at the time the progress report is prepared.

- 2) Debit memos for miscellaneous receipts are recorded in the A/R system when payment is received.

Reconciling A/R Accounts and Posting to G/L

- 1) Posting of the A/R module occurs weekly or on an as needed basis, if required sooner.
- 2) At the end of the month, A/R reports are processed and reconciled to the G/L.
- 3) The Aged Receivables Report and the Open Item Report are run and reviewed by the Internal Auditor. Outstanding items over 90 days are investigated and cleared.
- 4) The Internal Auditor will prepare a Receivable report and submit to the Finance Director at the end of each month.

Cash Disbursements/Accounts Payable

Purpose

To safeguard the disbursement of Agency funds for authorized purposes.

Policy

All invoices over \$25.00 must be approved by authorized Agency personnel. See Purchasing Procedures for list of authorized signatures.

Persons authorized to sign checks will not have access to blank check stock in accordance with check signing procedures.

Checks written for over \$2,500.00 will have two authorized signatures.

Checks registers must be approved by the Internal Auditor and Finance Director.

Procedure

- 1) New vendors are approved by the Accounts Payable Supervisor prior to entering into Financial Edge. After approval computer set up is done by the Accounts Payable Clerk. When required by the IRS, a Form W-9 is completed by new vendors and is kept on file in Accounts Payable. (See Exhibit II-1 and 1a)
- 2) Invoices are date stamped by the Accounts Payable Clerk and are matched with the purchase order (if applicable) and supporting documentation (receiving report, packing slip, etc.). All invoices are to be stamped with the "Coding and Approval" stamp. If the G/L account coding is not on the P.O., the invoice package will be routed to Program Accounting for coding. A purchase order is not required for recurring items such as utilities, water, rent or other contract payments.
- 3) The quantity and price of the goods ordered per the P.O. are matched against the receiving documents and invoice. Amounts and extensions are recalculated when necessary.
- 4) Invoices are entered into the A/P system. Daily edit reports are printed of all invoices keyed. Program accountants review for any input errors.
- 5) Program Accountants' return edits to accounts payable for any necessary changes. On Tuesdays, after all changes have been made, selection of checks is processed and a check register is printed. Minimum check amount will be \$25.00 unless approved by the Assistant Finance Director. The Assistant Finance Director prior to printing checks approves the register.

- 6) Amounts under \$25.00 payable to employees should be drawn from the program petty cash fund.
- 7) Checks and check register listings are printed and all check numbers are accounted for on the check log by the accounts payable supervisor. Checks are signed with facsimile (see check signing procedure).
- 8) Backup documents are attached to the checks. The Internal Auditor reviews checks and backup.
- 9) Checks are separated by over and under \$2,500.00. The overs are forwarded to the Finance Director for a second review and signature.
- 10) The Assistant Finance Director, Finance Director and Assistant Executive Director for further review select samples of checks and pertinent backup.
- 11) Checks are filed in numerical order.
- 12) The Finance Office will mail all checks.

CREDIT CARD PROCEDURES

Use of Agency Credit Cards

Purpose

To establish uniform procedures regarding the appropriate use of Agency credit cards.

Procedures

Credit cards are the responsibility of the cardholder. Only charges for Agency activities are allowed – No personal charges are allowed.

Monthly, each cardholder will submit receipts for purchases made to Accounts Payable at the end of the billing cycle, including identification of the program to be charged and the nature of, or reason for, the charge.

The monthly statement of activity will be received and approved by the Assistant Executive Director - Corporate Affairs. Payment of the total amount due is made to the card issuer by authorized direct debit. The payment confirmation number and date of the payment will be recorded on the statement. (This method of payment is preferred so that the account is paid without delay.)

The statement will then be forwarded to Accounts Payable to be reconciled with the receipts and expense reports received. Any charge not supported by appropriate documentation will be referred to the cardholder that incurred the charge.

A journal entry will be prepared to record the expenses and payment made. The journal entry will be reviewed and posted by the Assistant Finance Director.

Use of Retail Store Accounts

Purpose

To establish uniform procedures regarding the appropriate use of charge accounts established with various vendors.

Procedures

Charge cards that are issued by vendors are kept under lock in the Finance Office. The cards are issued to Fresno County EOC, individual names are not printed on the cards. Only charges for Agency activities are allowed – No personal charges are allowed.

When a program needs to make a purchase, program staff will sign-out the card from the Finance Office. A log is kept to record the issuance and return of each card, which shows

the date issued, program, phone number, purchase order number, and signature of the employee responsible for the card. Employees must bring a completed purchase order with an authorized signature in order to sign-out a card.

Without the written approval of a program director, the cards are not allowed to be signed-out over the weekend. The purchase is to be made the same day the card is issued.

When the employee has made the purchase, they return the card, purchase order (yellow A/P copy), and receipt to the Finance Office. The card is noted as returned in the log. The receipt and purchase order copy are given to Accounts Payable for processing.

If a card is lost, the vendor is notified immediately to prevent unauthorized charges from posting.

Charge cards are kept in the Finance Office in a secured location.

Check Signing Procedure

Purpose

Ensure adequate controls on the use of computer signatures and facsimile plates.

Procedures

A/P Generated Checks

- 1) Checks are prepared weekly when payment is required.
- 2) All checks are printed with one computer signature on the check.
- 3) Person without check processing capabilities maintains access to computer signature installation area.
- 4) The Internal Auditor reviews check and supporting documentation. Internal Audit initials the top invoice copy and forwards checks over \$2,500 and supporting documentation to authorized check signor. Assistant Finance Director, Finance Director or Assistant Executive Director must sign checks written over \$2,500.
- 5) Checks under \$2,500 are reviewed by a sample selection chosen individually by the Finance Director and the Assistant Executive Director.

Facsimile Possession (For use when computer signature fails)

- 1) Two people will be present during check signing process.
- 2) Facsimile plate will be kept in the Finance Office storage room safe when not in use.
- 3) A designated person or persons who do not have access to blank check stock will hold the key to the Finance Office storage room, and the safe combination.

Authorized Check Signer

- 1) Authorized Check Signor will go with the backup person to the plate custodian and request the facsimile plate.
- 2) Back up person remains with the authorized signer while facsimile plates are in their possession.
- 3) Plate custodian gives the plates to the authorized signer only if the backup person is present.

- 4) Authorized check signor signs the checks.
- 5) Authorized check signor and backup person returns the facsimile plate to the custodian.
- 6) Plate custodian returns the plates immediately to the storage room safe.

Imprest and Petty Cash Funds

A) Petty Cash

Purpose

A petty cash fund may be established for small vendor purchases, provided the amount of the fund does not exceed \$500.00.

Policy

Petty cash funds will be kept in locked cash box in a locked drawer or file cabinet.

The request for replenishment must be approved by the Program Director and will be reviewed by the Program Accountant prior to reimbursement.

Loans will not be made from petty cash funds.

The Internal Auditor will periodically perform unannounced cash counts.

Procedure

- 1) The Program Director will forward the request for a petty cash fund to the Finance Director for approval.
- 2) Once approved, the petty cash fund custodian will sign a petty cash affidavit form to acknowledge receipt of the funds. Funds not accounted for upon employee termination will be invoiced to the employee (See Exhibit II-2).
- 3) Program Directors will determine if advance authorization is required for petty cash disbursements and whether a petty cash voucher is needed.
- 4) The purchaser shall present the receipt and petty cash voucher (if applicable) to the petty cash custodian for payment. Payments up to \$50.00 will be disbursed from the petty cash funds.
- 5) On a monthly basis the custodian will total the disbursements by account classification, and submit the recap and all receipts to the Finance Office for reimbursement.
- 6) Petty cash fund reimbursement checks will be made out to the Petty Cash Custodian.
- 7) Any irregularities in the petty cash fund will be immediately reported in writing to the Finance Director and Program Director.

B) Head Start Imprest Account

Purpose

The Imprest Account will be used on an as needed basis for large quantities of small expenditures to avoid preparing manual checks through the Agency's automated Accounts Payable System.

Policy

Head Start will be issued an initial cash advance of up to \$10,000.00.

All checks will be printed in duplicate.

The maximum amount of any check will be \$1,000.00.

Amounts for advance payments will be paid from the Imprest Account. Advance checks will not be issued from accounts payable.

Each check will have acceptable documentation before the check is issued.

Each check will require two authorized signatures. One of the signatures must be the Head Start Assistant Executive Director and the other signature will generally be the Head Start Administrative Assistant.

At least once a month, Head Start will submit to Assistant Finance or Finance Director a request for replenishment consisting of the following:

- A summary of checks issued in numeric order, including vendor name, dollar amount, description and site.
- The duplicate check stapled to the proper supporting documentation.

Treasury Accountant will issue all stop payments after receiving a written request from the Head Start Program Director.

Procedures

- 1) Each program site requests checks from Head Start Central Administration with proper documentation.
- 2) Head Start Central Administration ensures each check has acceptable documentation and prepares the check for signatures.
- 3) An authorized signor reviews the documentation and signs the check.

- 4) The Head Start Director reviews the documentation and signs the check.
- 5) On an “as needed” basis a request for replenishment is submitted to the Finance Office.
- 6) Treasury Accountant reviews the documentation for accuracy and completeness and issues a replenishment check to Head Start through the bank’s funds transfer system.
- 7) Treasury Accountant reconciles the Imprest Account on a monthly basis and notifies the Assistant Finance Director of any discrepancies noted.
- 8) If a stop payment is needed for lost or stolen check, Head Start will send the request to the Treasury Accountant in writing, who will request the stop payment from the bank after obtaining proper approvals.

C) Employment & Training Imprest Account

Purpose

The Imprest Account will be used on an as needed basis for purchase of client services and supplies of small expenditures to avoid preparing manual checks through the Agency’s automated Accounts Payable System.

Policy

Employment & Training will be issued an initial cash advance of up to \$5,000.00.

All checks will be printed in duplicate.

The maximum amount of any check will be \$500.00.

Each check will have acceptable documentation before the check is issued.

Each check will require two authorized signatures. One of the signatures must be the Assistant Executive Director and the other signature will generally be the Employment & Training Program Director.

Once a month, Employment & Training will submit to the Program Accountant a request for replenishment consisting of the following:

- A summary of checks issued in numeric order, including vendor name, dollar amount, description, and program charged.

- The duplicate check stapled to the proper supporting documentation.

Treasury Accountant will issue all stop payments after receiving a written request from the Employment & Training Program Director.

Procedures

- 1) Each program site request checks from Employment & Training Administration with proper documentation.
- 2) Employment & Training Administration ensures each check has acceptable documentation and prepares the check for signatures.
- 3) An authorized signor reviews the documentation and signs the check.
- 4) The Assistant Executive Director reviews the documentation and signs the check.
- 5) On an “as needed” basis a request for replenishment is submitted to the Finance Office.
- 6) Treasury Accountant reviews the documentation for accuracy and completeness and replenishes the account through the weekly transfer.
- 7) Treasury Accountant reconciles the Imprest Account on a monthly basis and notifies the Assistant Finance Director of any discrepancies noted.
- 8) If a stop payment is needed for lost or stolen check, Employment & Training will send the request to the Assistant Finance Director in writing. Treasury Accountant will request the stop payment from the bank

Bank Account Transfer Procedure

Purpose

To transfer funds timely and accurately between the Agency's various bank accounts.

Policy

Separate bank accounts will be maintained as required by funding source regulations.

The time elapsed between the transfer of funds from the U.S. Treasury and disbursement by FCEOC should be minimized and limited to the actual, immediate cash requirements of FCEOC (Treasury Circular 1075).

Advances of Federal funds will be deposited in an interest bearing account unless the following three conditions are met:

- Recipient is to receive less than \$120,000 in Federal awards per year.
- The best reasonably available interest bearing account would not be expected to earn interest in excess of \$250 per year on Federal cash balances.
- The depository would require an average or minimum balance so high that it would not be feasible within the expected Federal and Non-Federal cash resources (OMB Circular A-10).

Interest earned on advances in excess of \$250 per year will be returned to the funding source, or used in the program in accordance with applicable regulations.

Procedure

- 1) The journal entry from each weekly accounts payable run is downloaded into an Excel spreadsheet.
- 2) The cash status report is updated, indicating which bank accounts have funds available. The amount is placed on hold until reimbursement is received from the funding source. Agency unrestricted cash will be used as a short term means to meet the obligations.
- 3) Transfers are done weekly to transfer funds between Agency's bank accounts through bank's electronic system. Original transfer is entered by Treasury Accountant and verified and sent by the Assistant Finance Director.
- 4) The weekly transfers are recorded through journal entry into Financial Edge.

- 5) Other items requiring cash transfer include health insurance and other insurance premiums, indirect charges and audit costs and other miscellaneous journal entries. For these items, an inter-company receivable/payable is recorded through the journal entry. At the end of the month, a listing of the inter-company receivables (1170 accounts) and payables (2015 accounts) is run. Amounts are transferred via the weekly bank transfer and the receivable/payable accounts are cleared through journal entry. The 1170/2015 accounts are only used for transactions that involve more than one bank account.

Methods for Obtaining Federal Cash

Purpose

To obtain funds from various federal funding sources.

Policy

Recipients receive funds via three financing mechanisms, 1) Treasury Check, 2) Automated Clearinghouse (ACH), and 3) Fedwire. Treasury checks are sent via U.S. Mail within thirteen business days of receipt of the recipient's request. ACH is an Electronic Funds Transfer (EFT) direct deposit method. Fedwire is generally a "same day" direct deposit system, reserved for emergency payment use only.

There are currently three payment methods by which recipients may request funds. These include: 1) the PMS-270 cash request, 2) SMARTLINK II, and 3) CASHLINE. New recipients typically begin with the PMS-270 cash request method, until a draw pattern is established. Once a pattern has been established, the recipient may be switched to a payment method that suits its draw down frequency. The selection of payment method is also based upon account structure (i.e. presence of sub accounts), which favor the use of Smartlink II payment method.

Recipients with access to a personal computer (PC) and modem may be eligible to use SMARTLINK II, a dial-in computer application specifically designed for frequent draw down requests. Other recipients with touch tone-dialing capabilities and no sub-accounts may use the CASHLINE system, a voice response computer application accessible by phone. The decision regarding the payment method to use is made on a recipient-by-recipient basis.

Procedure

- 1) Financing of recipient programs is normally made by advance payments. These will be either through Treasury check, ACH, or Fedwire. Recipients, who have not been notified to the contrary, are paid by Treasury check.
- 2) Recipients are expected to mail their cash draw downs based on "Pre-Issuance." That is, cash draws are scheduled to arrive at the time when checks are released.
- 3) Recipients using ACH are expected to draw down only the funds needed for actual immediate disbursements needs, since funds are normally available the next business day after making a request.
- 4) Reimbursement financing is used for a few specifically designated programs and for those recipients who have, in the past, abused advanced funding

privileges. Special instructions are issued when this funding method is to be used.

- 5) Certain programs for some recipients are designated for other than “Pre-Issuance” draw down techniques. These include: 1) Estimated Clearance, which uses the expected clearing time as the basis for cash draw downs, and 2) “Zero Balance Account (ZBA)”, which uses the actual bank clearings as the basis for making cash draws. Recipients with programs designated for other than “Pre-Issuance” will be specifically notified by the Department.

Procedures

SMARTLINK

- 1) Recipients with access to a PC and modem are eligible for the Smartlink II method of drawing down funds. Recipients assigned to Smartlink II will use a PC to dial into a computer system at the National Institute of Health (NIH). The applications permit the data entry of account and draw down information (i.e. account number and amount requested), and then generate a message indicating the outcome of the transaction. In a matter of seconds, the paper-free transaction is complete, and funds are direct deposited into the recipient’s account on the next business day.
- 2) Recipients interested in converting to Smartlink II may contact their DPM representative, whose name may be found at the bottom of page of their PMS 272 reports. Recipients assigned to this method will receive complete documentation of the request procedure at the time of assignment.

CASHLINE

- 1) Some recipients may be eligible for Cashline, a voice-response application accessible from a touch-tone phone, which allows a quick, paper-free transaction.
- 2) The recipient simply dials the Cashline number, which is answered by a voice response computer system. The voice instructs the recipient, step by step, when to enter information (i.e. account number and amount requested), with the keypad on their phone. The voice indicates the outcome of the transaction; and depending on which payment method the recipient is assigned, requested funds will be direct deposit into the recipient’s bank account, or the recipient will be mailed a Treasury check. This request method is currently only available to recipients with PMS accounts that do not contain sub-accounts.
- 3) Recipients interested in converting to this method may contact their DPM representative, whose name may be found at the bottom of page 1 of their PMS 272 Report. Recipients assigned to Cashline will receive complete documentation of the request procedure at the time of assignment.

DIRECT DEPOSIT

- 1) Recipients must use the Direct Deposit Sign-Up Form (SF 1109A). This form collects the information necessary for DPM to have Federal funds electronically deposited into the recipient's bank account.
- 2) Sections 1 and 2 of the 1199A are to be completed by the recipient; the recipient's financial institution completes Section 3. The recipient's financial institution is responsible for disseminating copies of the three-part form in accordance with copy designation stamped at the foot of the form. The "Government Agency Copy" will be forwarded to DPM. The Payee(s) Copy" will be sent to the recipient and recipient's financial institution will keep the "Financial Institution Copy".

Investments

Purpose

Provide the maximum return while recognizing the preservation of Capital funds for the Agency.

Policy

Standard of Care - Observe the “prudent person” principle to assure that decisions are reasonable and prudent.

Diversification -

- Appropriate diversification to minimize potential loss associated with credit, liquidity, and interest rate risk.
- Except for U.S Government or U.S agency securities and Certificates of Deposit with major commercial banks, and mutual funds backed by U.S. agency securities and Certificates of deposit with major commercial banks, not more than 25% of the total assets shall be invested in any one mutual fund or 5% in any one company.

Procedures

General Restrictions

- 1) Fixed income securities shall be purchased where issued by the U.S. Government, or corporate bonds, which are rated “AA” or better by Moodys or Standard and Poors. Corporate bonds may continue to be held as long as their rating does not fall below “AA”.
- 2) Short term money market investments should be limited to funds rated A1/P1 by Standard and Poors or Moodys with no more than \$2 million invested in a single name fund that included commercial paper and bankers acceptances.
- 3) No direct investments shall be made in foreign securities, however, U.S. organized and managed mutual funds that do not include foreign securities and bonds as balanced, minority portion of their investment portfolio may be considered. Such foreign investments should not exceed 25% of the fund’s portfolio.
- 4) Investments in equity security shall be made only in corporations listed on the New York Stock Exchange, the American Exchange, or NASDAQ.

Investment Activity

- 1) Unrestricted Agency funds, which are not needed to meet current obligations, are invested in a money market account or are invested in a money market or short-term treasury account in accordance with Agency policy. The funds are transferred via the weekly transfer via bank's electronic system. Interest is credited directly to the account and is recorded monthly from the bank statement.
- 2) The Agency also maintains a short-term investment account with an authorized agent. An authorized signor on the account initiates all transactions. (Executive Director, Board Chair or Treasurer).
- 3) Investment sales gains or losses will be calculated from the broker's statement.
- 4) The receipt of all investment sales proceeds will be reconciled with the investment sales authorization.
- 5) Investment account balances will be reconciled with the General Ledger control account on a monthly basis.
- 6) The investment account support detail will be reconciled with bank/broker statement.

Investment Earnings

- 1) A worksheet will be prepared monthly listing the interest and dividends earned in the previous period so that a journal entry to the various investment incomes General Ledger accounts can be prepared and posted.
- 2) Premiums and discounts on bonds and notes receivable will be amortized over the applicable holding period for each investment according to a schedule prepared by the Assistant Finance Director. This will be used to prepare the journal entry to the various investment premium / discount General Ledger accounts.
- 3) Using the investment schedule of marketable equity securities, the market value of each security will be updated on a monthly basis and an adjustment will be prepared to record the difference between cost and market value of such securities on a monthly basis.

Investments with Significant Influence

- 1) For all voting stock investments to be reported under the equity method of accounting a proportionate share of such companies reported earnings/losses will be recorded on an annual basis as income/loss and recognized as an increase/decrease in the Agency's investment.
- 2) An entry will be made annually in the General Ledger for earnings /losses on investments with significant influence.

Restricted Assets

FCEOC is required to maintain assets in a Trust Account under agreement with First Trust of California for Agency Certificates of Participation issued by the City of Fresno. Interest and activity is recorded from monthly statements.

Prepaid Items

Purpose

To ensure proper accounting for prepaid expenses.

Procedure

- 1) The Senior Accountant will identify invoices that need to be classified as prepaid items (insurance, travel advances, maintenance agreements).
- 2) For payment of prepaid items, an entry will be made to reflect the appropriate portion of the payment representing an asset.
- 3) An amortization schedule will be prepared to reflect the incurring of an expense for prepaid items.
- 4) A standard journal entry will be prepared to record the monthly expenses.
- 5) Reconciliation will be performed between the subsidiary ledger and the prepaid asset General Ledger control account.

Bank Reconciliation Procedure

Purpose

To safeguard the Agency's assets.

Policy

Bank reconciliation's will be performed on a monthly basis.

The person responsible for bank reconciliations will not record cash receipts, cash disbursements, or adjusting entries to the accounting records.

Procedure

- 1) Bank statements are reviewed by the Assistant Finance Director and Finance Director when received from bank and are then forwarded to the Treasury Accountant or Internal Audit staff.
- 2) Treasury Accountant or Internal Audit staff will perform bank reconciliations on a monthly basis.
- 3) The Assistant Finance Director and Finance Director will review all reconciliation's.
- 4) All checks outstanding over 180 days shall be investigated and reissued, where possible, or voided.
- 5) Bank reconciliations are filed with bank statements for permanent record.
- 6) Outstanding checks will be reviewed annually for submission to the State Controllers Office. Amounts are due November 1st of each year.

III. PURCHASING PROCEDURES

General Policies and Procedures

Purpose

To establish uniform procedures applicable to all forms of purchases for the Agency.

Policy

Agency procedures must be followed in purchasing goods and services; however, additional requirements may be necessary to conform to contract provisions for specific funding sources. Each program's funding terms and conditions must be reviewed to ensure individual purchases are in compliance with the applicable funding source.

No member, officer, employee or agent shall participate in the selection, award, or administration of a contract if a real or apparent conflict of interest would be involved. Failure to adhere to this policy may result in disciplinary action up to and including termination of services or employment.

All procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, open and free competition. When possible, affirmative steps must be taken to assure that small businesses, women's business enterprises and minority-owned firms are utilized as sources of supplies, equipment, construction and services.

Any person making an unauthorized purchase shall be personally and financially responsible for the total purchase. All purchases must be approved by the Executive Director and/or Assistant Executive Director, or designated staff approved by the Assistant Executive Director.

Procedures

- 1) Where appropriate, an analysis shall be made of lease and purchase alternatives to determine which would be the most economical and practical procurement, including a cost and price analysis. Purchases of unnecessary items must be avoided.
- 2) Solicitations for goods and services shall provide for all of the following:
 - a) A clear and accurate description of the technical requirements for the material, product or service to be procured. In competitive procurement, such a description shall not contain features, which unduly restrict competition.
 - b) Requirements which the bidder/offer or must fulfill and all other factors to be used in evaluating bids or proposals.

- c) The specific features of “brand name or equal” descriptions that bidders are required to meet when such items are included in the solicitation.
 - d) The acceptance, to the extent practical and economically feasible, of products and services dimensioned in the metric system of measure.
 - e) Preference, to the extent practicable and economically feasible, for products that conserve natural resources and protect the environment and are energy efficient.
- 3) Approved staff to request cost quotations must be identified by each department. Purchases, contracts for equipment, materials, supplies or services, including professional or technical services (for legal services, see III – 10 for additional requirements), shall be made in the following manner:
- a) Purchases and contracts under \$2,500.00 shall be made in the open market after such inquiry as is necessary to insure that the price is advantageous.
 - b) Purchases and contracts of \$2,500.00 and less than \$10,000.00 shall include cost quotations solicited orally by telephone from at least three (3) suppliers. A tabulation of the solicitations made and responses shall be kept on file (see Exhibit III-1 for suggested format).
 - c) For purchase and contracts over \$10,000.00 but less than \$50,000.00, written cost quotations shall be solicited from at least (3) suppliers. Technical specifications are required to be clearly stated.
 - d) For purchases and contracts over \$50,000.00 a formal bid process must be utilized (See Formal Bid Procedures).
- 4) For purchases and contracts in excess of \$50,000.00 but less than \$100,000.00, the Executive Director will purchase from or award contracts to the qualified bidder submitting the cost proposal which complies with the condition of the Invitation to Bid, providing that the bid is reasonable and that it is in the best interest of the Agency to accept the bid.
- 5) For purchases and contracts in excess of \$100,000 the Executive Director will purchase from or award contracts to the qualified bidders submitting the lowest responsible bid proposal, which complies with the conditions of the Invitation for Bids upon acceptance and approval by the Agency’s Board.

- 6) All contracts involving consulting services must be approved by the Executive Director or the Assistant Executive Director. Additionally, the Board of Commissioners must approve any consulting services contract in excess of \$100,000 dollars.
- 6) Lack of competition for purchases and contracts is permissible only under certain circumstances as stated in the Sole Source Procedures. (See Sole Source Procedures)
- 7) Competitive negotiations may be used for procurement of professional and/or technical services when exact specifications are not defined and the Agency desires the supplier to provide a proposal to furnish an item that meets a general requirement, subject to negotiation of fair and reasonable compensation.
- 8) Petty cash fund transactions should be limited to purchases under \$50.00 and for items of a non-routine nature. Petty Cash Vouchers must be signed by the individual receiving the funds and approved by the program director. The replenishment of a petty cash fund must be in accordance with Agency procedures and approved by the Director or Program Manager.
- 9) In the procurement of legal services, approval from the Board of Commissioners on the selection of outside counsel (attorney) is required.

Purchase Order Procedures and Processing

Purpose

To establish uniform procedures for processing Purchase Orders. In an effort to control processing costs and to obtain the most favorable pricing, smaller purchases should be combined when feasible. The goal is to limit, when possible, processing checks for individual purchases under \$50.00.

Procedures

- 1) A purchase order will be completed to authorize the purchase of supplies or services in excess of \$50.00. A purchase order is not required for recurring items such as utilities, water, rent or other contractual payments. (Sample PO, Exhibit III-2).
- 2) Only approved personnel may sign purchase orders in accordance with limitations as contained within the Agency's Purchasing Policies and Procedures Guidelines (See Authorized Staff Memorandum, Exhibit III-3). Multiple purchase orders will not be allowed for the same items as a means to avoid obtaining required authorized.
- 3) The source of funding for the purchase must be clearly identified with verification that the funds are available in the program budget.
- 4) The purchase order must be completed in full to include the following information:
 - a) Date, name and address of the vendor or contractor.
 - b) The applicable program issuing the purchase order and the location where items will be shipped.
 - c) General Ledger Account coding to charge the purchase.
 - d) Complete description of the purchase, quantity, etc.
 - e) Amount of the purchase and applicable terms.
 - f) Authorized signature of agency personnel.
- 5) Distribution of the Purchase Order Form:
 - a) White Copy - Given to the vendor
 - b) Yellow Copy - Forwarded to the Accounts Payable Department.

- c) Golden Copy - to be retained by the issuer.
 - d) Pink Copy - Forwarded to Finance Office.
-
- 6) Only properly authorized and completed purchases will be set up for payment within the Agency authorized accounts payable disbursement schedule.
 - 7) The results of obtaining competitive bids must be included with the completed yellow copy of the purchase order form. The memorandum should summarize the results including the vendor name, date price was quoted, costs provided, and the reason for awarding the bid to the vendor selected. Supporting bid documentation as required by the Agency's purchasing policies, and/or funding source, must also be attached.
 - 8) All new vendors and suppliers must complete IRS Form W-9 as required by Federal regulations before a payment will be processed.

Formal Bid Procedures

Purpose

The purpose of this procedure is to provide guidelines to be followed when formal bids are required. All formal bids are to be handled uniformly and in accordance with Agency policies and applicable purchasing regulations.

This procurement process is necessary to ensure technical provisions, regulatory requirements, and competitive pricing is obtained when soliciting requests for formal bids.

Due to the time involved to complete the formal bid process, programs are requested to make their purchase requests a minimum of thirty (30) days in advance.

Procedures

- 1) All purchases over \$50,000.00 require that a formal bid process is utilized.
- 2) The formal bid process is as follows:
 - a) The program initiating the procurement must complete a bid specification worksheet, which provides the minimum technical requirements for the material, product or service to be procured. (Example: for a copier, the expected volume, speed, features, date needed and other relevant data must be provided).
 - b) The technical bid specifications are then forwarded to the Director for approval.
 - c) An "Invitation to Bid" or proposal will be completed by the Director in accordance with the Agency's standard form and submitted to the Program's Assistant Executive Director for the assignment of a bid number to the procurement and to coordinate a bid opening date.
 - d) The individual Program's office will then publish the invitation to bid in the "Public Notice" section of the newspaper and other appropriate sources. A copy of the "Invitation for Bid" proposal will be provided to anyone responding to the public notice.
 - e) If a Pre-Bidders conference is to be held to provide technical aspects of the procurement the meeting details must be included in the "Public Notice" announcement.
 - f) All bids received by the closing date will be time and date stamped and placed in a sealed box. The bids are then forwarded to the individual program. The Assistant Executive Director will then prepare a summary of the bids received including vendor name, date and time received.

- g) The Assistant Executive Director will open the bids in accordance with the “Invitation for Bid” instructions and will record each bidders price.
- 3) The approval process for formal bids is as follows:
 - a) The Director will review the bids submitted in conjunction with designated staff and a recommendation will then be forwarded to the Executive Director to award the contract to the successful bidder. The basis for the selection and recommendation will be fully documented.
 - b) Upon approval by the Executive Director, the Assistant Executive Director will send a notice of award to the successful bidder for those bids under \$100,000.00. If the bids exceed \$100,000.00 the Executive Director will submit to the Board for approval.
- 4) A purchase order/or services contract will then be prepared and completed in accordance with Agency policy and procedures.
- 5) No disbursements will be processed until the purchase order or contract is executed and the formal bid process is completed.

Sole Source Contracts

Purpose

The purpose of this procedure is to provide guidance if competitive bids are not obtained. Sole Source purchases and contracts are only permissible when an emergency exists, only one source of supply is available, if the awarding agency authorizes noncompetitive proposals, or after solicitation of a number of sources competition is determined to be inadequate.

The key requirement for the use of noncompetitive proposals is that the other methods of procurement are not feasible and one of the above circumstances exists.

Procedures

- 1) If an emergency exists which does not permit any delays because of the possibility of loss of life or destruction of property, then the Assistant Executive Director shall so certify and a report will be prepared summarizing the situation and the action taken. After the Agency's immediate needs have been provided for, then one of the competitive procurement methods should be used for the Agency's long term/ongoing needs.
- 2) When an award is made without competition, the following procedure will be followed:
 - a) A statement detailing the unique nature of the purchase request and the justification for requesting a sole source contract with a cost analysis attached.
 - b) A recommendation will be made by the Assistant Executive Director to the Executive Director to dispense with the competitive bidding requirement and purchase the requested goods or services on a sole source basis.
 - c) Purchases from \$50,000 to \$100,000 will be approved by the Executive Director and the Board must approve over \$100,000 unless an emergency exists. Upon approval, the Assistant Executive Director will notify the vendor of the intent to award the contract.
 - d) The above purchasing documentation will be then filed with the yellow copy of the purchase order form.
- 3) The Assistant Executive Director's office will maintain a file for each noncompetitive procurement, which describes the specific circumstances supporting the use of this method and the results of any negotiations with the vendor.
- 4) If an award is made without competition, a report of such award will be made to the Agency's Board of Commissioners. The report will include a certification or statement justifying the lack of competition.

IV. PAYROLL PROCEDURES

Personnel Requirements

Purpose

To ensure that all information processed through the payroll system is authorized at the appropriate level and is supported by written documentation.

Reference

Specific hiring procedures are provided in the Fresno County Economic Opportunities Commission's Personnel manual.

Procedures

New Employee

- 1) Requests for new employees will be initiated by the Program Director.
- 2) An Employee Form (Exhibit IV-1) is completed and approved by the Program Director.
- 3) The prospective employee will complete all of the applicable forms in the Employee Hiring package as well as an Employee Data Card containing emergency information (See Exhibit IV-2 for checklist of forms in Employee Hiring package).
- 4) The Employee Form, Hiring Checklist and supporting documentation will be forwarded to the Human Resources Department for approval.
- 5) Upon approval by Human Resources Director, all documents are routed to the Assistant Executive Director for final approval.
- 6) After final approval, the documents are returned to the Human Resources Department. A personnel file is created and the employee is set up in the Payroll and HR system. Documents are filed in employee's personnel file.

Termination

- 1) A Personnel Termination Form (Exhibit IV-3) will be completed at the Program level and will be signed by the employee, Program Director and Assistant Executive Director.

- 2) The Termination Form and final timesheet will be forwarded to Human Resources for approval and processing. The Executive Director will sign the termination form.
- 3) Personnel Termination Form is filed in employee's personnel file and a copy is forwarded to the Payroll Department.
- 4) Payroll Department will prepare final paycheck and will calculate any vacation balance due the employee. Final check will be signed and forwarded to Human Resources. Copy of Termination Form is filed in employee's payroll file.
- 5) The Human Resources Director will conduct an exit interview with the employee and will ensure that all keys have been returned and petty cash and travel advances have been cleared, if applicable.

Payroll Changes

- 1) Changes to existing data will be initiated when the appropriate form is submitted to the Payroll or HR Department. The agency uses the following forms to process payroll changes:
 - a) Employee Form. Used primarily for changes in employee's status or pay rate.
 - b) Change of Address Form.
 - c) Health and Welfare Benefit Enrollment Form.
 - d) IRS Form W-4. Used for changes to tax withholding status (form processed by Payroll Department only).
 - e) Direct Deposit Authorization Form. Used to set an employee up for automatic payroll check deposit (processed by Payroll Department only).
- 2) All changes to payroll data are summarized on the Master File Audit Report, which is generated each pay period. The Assistant Finance Director and Human Resource Director will review the Master File Audit Report for changes made to employee files.

Timekeeping and Labor Distribution

Purpose

To ensure that payment for salaries and wages is made in accordance with documented time records and that employee time is properly allocated.

Policy

Each new employee will receive an orientation program on proper timekeeping and labor charging practices.

Labor hours will be accurately recorded and any corrections to timekeeping records, including the appropriate authorizations and approvals, are documented.

All labor transfers or adjustments of the labor distribution are documented and approved.

The employee's overtime will be approved in advance by his/her supervisor and Program Director.

Procedure

Timesheet Preparation

- 1) Each employee will submit a timesheet on a biweekly basis. The timesheet will be prepared in ink and will be signed by the employee and his/her immediate supervisor. The Program Director/Director may also approve the timesheet.
- 2) Any corrections to the timesheet will be made in ink by crossing out the error and initialing the change.
- 3) Each employee's total hours will be posted to an excel grid recap by pay type (regular, vacation, sick hours). The program timekeeping clerk will verify that employee's have sufficient available vacation or sick hours to offset vacation or sick leave taken. In accordance with Agency policy, annual vacation leave may be taken in advance after one year of employment. The clerk will enter any reimbursements for mileage or uniform allowances on the Recap after checking for clerical accuracy and approval.
- 4) Batch totals for each pay type and reimbursement amounts (if applicable) will be computed and entered on the recap.

- 5) The Payroll Recap will be submitted to the Payroll Department with time sheets and other supporting documentation attached (i.e., mileage reimbursement forms, doctor's notes, jury duty notices, etc.).

Labor Distribution

- 1) The cost center(s) to which an employee's wages and benefits will be allocated to is indicated on the Employee Form at time of hire.
- 2) Changes to the allocation will be requested in writing on the Payroll Allocation Change Form (Exhibit IV-4), which must be approved by the Program Director. The form must be submitted to HR at least one week before the effective date of the requested change. The form will be retained in the employee's payroll file.

Payroll Processing

Procedure

- 1) Recorded hours and dollars (mileage or uniform allowance) are keyed from each recap by the Payroll Department. Additionally, any retroactive pay increases or other pay amounts are keyed in a separate batch.
- 2) Full Pay data Report is run and batch totals are compared to the recaps and to the grids.
- 3) The Pay Data Summary, Full Pay Data Report and Master File Audit Report are submitted to the Payroll Supervisor for review and approval prior to submission to external payroll processor (EBS).
- 4) Upon approval, information is transmitted via modem to the external payroll processor. Total hours by pay type are verified over the phone with the external payroll processor prior to printing payroll reports.
- 5) The Payroll Supervisor downloads data via modem. Payroll checks are delivered via courier. Total numbers of checks and EDS vouchers are compared to Payroll Register (generated by EBS) and total hours paid are verified prior to being released to Accounting Secretary for distribution.
- 6) Final payroll reports and batch totals are reviewed and approved by the Assistant Finance Director.
- 7) Payroll download is completed once all totals are reconciled. At this point, payroll records reflect all activity from the previous pay period and the system is set up for the next cycle.
- 8) Payroll information is posted to General Ledger through download to excel and imported into Financial Edge.

Payroll Payment

Purpose

To ensure payment for salaries and wages is made only to employees entitled to receive payment.

Policy

Payroll checks will not be distributed by any person having the ability to set up employees on the payroll system.

Payroll checks will not be left unattended at any time.

Procedure

- 1) Payroll reports, checks and EDS (direct deposit) stubs are delivered to FCEOC by courier. EDS stubs are counted by a payroll clerk and the total is compared to total per the Payroll Check Register. The Finance Office will mail the EDS stubs.
- 2) The Payroll Clerk counts the checks and the total is compared to the Payroll Check Register. The checks are sorted by program and the total checks to be distributed are tallied on a biweekly check distribution log.
- 3) The Finance Office is responsible for mailing the checks. Checks that are distributed by hand are picked up by the designated program staff who accounts for all of the checks and signs the check distribution log.
- 4) The total dollar amount of EDS transactions processed through direct deposit per the Payroll Register Recap is compared to the total dollar amount of transactions processed through the Agency's payroll bank account. Any differences are investigated immediately. A report is generated that indicates any EDS transactions that were unable to be processed. The bank generates a biweekly report of EDS transactions processed (by employee name), which is reviewed by the Assistant Finance Director.

Payroll Deductions

Purpose

To ensure that payroll deductions are authorized and paid to the appropriate third parties.

Policy

Employee's calculating payroll deductions will be different from those who make payments of payroll deductions to third parties and review payroll deduction payments to third parties.

Payroll deductions will be recorded in appropriate General Ledger control accounts and reconciled with payments made to third parties.

Procedures

- 1) Employee will complete the applicable Voluntary Deduction Authorization form and submit it to the Payroll Department. Voluntary deductions include health insurance, parking fees, contributions to pension plan and savings accounts.
- 2) Deduction will be set up for the appropriate payroll cycle (biweekly or monthly) by the Payroll Department. Deduction will continue until employee notifies Payroll by completing a Stop Payment Deduction Request Form.
- 3) After payroll has been processed, an edit of all deductions is generated and reviewed. The deductions are set up on a recurring voucher through accounts payable. A deduction report is generated for each payee, which is used as supporting documentation for the check.
- 4) Payments will be processed through the Accounts Payable System. The general ledger control accounts will be analyzed monthly and reviewed by Senior Accountant.
- 5) Deductions mandated by federal or state agencies or a court of law will be processed in the above manner. The employee will receive a copy of the withholding order, if applicable. The deduction will be set up for either a flat dollar amount or percentage. An accumulator will track the deductions and will indicate when the required dollar amount has been withheld. Deductions that have met the requirements will be flagged on the Payroll Register and will be deleted by the Payroll Department. Once a deduction meets the specified requirements, withholding will be discontinued.

- 6) Employees who choose direct deposit for their paychecks will complete a Direct Deposit Authorization Form and forward it to Payroll. Direct Deposit will commence once information is verified by the employee's bank (Pre-note verification is sent from the bank).

V. AGENCY TRAVEL

Purpose

To ensure that employee travel is consistent with the business objectives of the Agency. It also ensures fair and equitable treatment of employees by defining procedures for authorized business travel and guidelines for expense reimbursement. The policy applies to all Agency travel, exceeding 100 miles from traveler's program office, including travel funded under federal and non-federal grants and contracts.

Policy

Employee travel should be via the lowest cost alternative, consistent with good business practices. All official agency travel must be properly authorized, reported, and reimbursed; under no circumstances shall expenses for personal travel be charged to, or be temporarily funded by the Agency. The traveler is responsible for reporting travel expenses, in accordance with the regulations set forth in the Policy. The Program Director is responsible for ensuring that all employee travel complies with the Policy. Any expense submitted which does not comply with the guidelines of this procedure will not be reimbursed, unless accompanied by a valid explanation approved by the Executive Director or designee.

All employees traveling on Agency business will be required to complete the Travel Form (Exhibit V-1) which includes obtaining an approval signature from the Executive Director or Assistant Executive Director in advance of the travel. If an advance is requested, the approved, original Travel Form is to be submitted to Accounts Payable. The traveler will retain a copy that will be completed following the trip with the actual information and reconciliation of expenses signed by the Assistant Executive Director, and submitted to the Finance Office as the final expense report. If no advance is requested, the traveler may retain the approved Travel Form until the conclusion of the travel when this form will be reconciled, approved, and submitted for payment. The Travel Form, Affidavit for Lost Receipt Form and instructions for requesting advances are available on the Intranet.

Procedures

The traveler and/or Program Director are responsible for making all travel arrangements including determining the most cost effective travel options and completing all sections as indicated on the Travel Form.

- 1) Documentation: A document must be attached to the Travel Form stating the purpose, date, time, and location of the trip. Such documentation could include seminar, conference or meeting brochures or a memo/letter.
- 2) Date and Time: To determine proper per diem allowance, Departure/Return Dates and Times must be stated on the Travel Form.

3) Per Diem: The allowance for meals, including gratuities and incidentals shall be limited to actual cost or the maximum daily rates allowed by the IRS. The daily rate for most cities in Continental United States is provided on the Intranet and can be accessed from http://www.gsa.gov/HP_01Trvl_perdiem . The federal per Diem amount is a daily rate and does not require submission of receipts. An employee may spend the allowance in any combination for meals, so long as the daily allowance is not exceeded. In the event that a sponsor of a seminar, conference, etc provides a meal, the daily allowance would be reduced by the following amounts:

- a) Breakfast - 20%
- b) Lunch - 30%
- c) Dinner - 50%

For example, if travel to a city where the daily rate is \$59 and lunch is provided, \$17.70 would be deducted from the allowance leaving \$41.30 to be used for the remaining meals etc.

4) Reimbursable Hours: Per Diem is calculated and paid to employees for time during travel exceeding 100 miles from traveler’s program office to a destination on authorized Agency business. For travel lasting 24 hours or more, employees may claim meals (as noted above) based on the following timeframes:

First day of Travel	
Trip begins at or before 7 am	Breakfast may be claimed
Trip begins at or before 11 am	Lunch may be claimed
Trip begins at or before 5 pm	Dinner may be claimed
Continuing after 24 hours	
Trip ends at or after 8 am	Breakfast may be claimed
Trip ends at or after 2 pm	Lunch may be claimed
Trip ends at or after 7 pm	Dinner may be claimed

5) Actual Cost Option: With appropriate approval by the Executive Director or designee, actual meal receipts may be submitted for reimbursement in lieu of using per diem rates. Individual reimbursement under the actual cost option may exceed the amounts indicated above, if so approved.

6) Restrictions: No allowances, under either option shall be made for in-flight meals, meals included within registration fees paid by the Agency or meals otherwise provided by someone else. No advances for meals will be allowed for travel lasting one day (24 hours) or less.

7) Transportation:

- a) Commercial Airlines – Coach Class or other discounted class shall be used for all travel regardless of purpose or funding source.
 - 1. Use of business or first-class or other higher-cost services may be authorized by the Assistant Executive Director under the following circumstances:

- Business or first-class is the only service offered between two points;
- The use of coach class would be more expensive or time consuming, e.g., when, because of scheduling difficulties, traveling by coach would require an unnecessary hotel expense, circuitous routing, or an unduly long layover when making connections;
- The use of business or first-class travel is necessary to reasonably accommodate a disability or medical need of a traveler.

Documentation of such circumstances should be attached to the Travel Form.

- b) Tickets for transportation on a commercial carrier may be purchased from a travel agency, direct from carrier, or an online travel service and billed directly to the Agency after receiving the proper approval. The invoice from the vendor must be sent directly to Accounts Payable Office.
- c) Any corresponding personal travel taken in conjunction with an authorized trip is the responsibility of the traveler.
- d) If the employee is to travel by private vehicle, the employee shall be reimbursed mileage at the established rate set by the Internal Revenue Service. Mileage reimbursement will also be made for all documented business travel incurred at the destination. Employees must document miles traveled on the Travel Form.
1. Mileage should be computed between the traveler's office and the destination.
 2. Accounts Payable Office may compare miles claimed to a Standard Mileage Chart.
- 8) Registration: If registration is to be paid by Accounts Payable Office, attach the original registration form to a copy of the Travel Form. Accounts Payable will mail the original registration form with the registration check. If the check and registration form need to be carried by the employee to the conference, the request to have the check released to the employee must be noted.
- 9) Hotel: Hotel expenses are paid at no more than single occupancy rate unless otherwise authorized. Please allow for taxes and other associated costs when computing hotel rates for advance purposes.
- 10) Lodging Allowance: When an employee is able to obtain lodging at no-cost to the Agency (for example, with a friend or relative) while attending a conference or other out-of-town function, the employee may be reimbursed a flat rate of \$50 per night.

- 11) Vehicle Rental/Taxi: Expenses such as taxi, shuttle service, bus, and commercial transportation companies will be reimbursed when travel is directly related to Agency business. The Agency will pay employee's taxi fare, car rental, or appropriate mileage reimbursement to and from the airport, hotel, conference, or other business destination as approved by the Assistant Executive Director. All transportation expenses must be documented by receipts.
- 12) Phone Calls: Telephone, internet and FAX charges properly supported with receipts will be reimbursed only for official calls and communications.

Issuance of Travel Advances

- 1) Travel advances may be requested electronically or via hardcopy by a traveler. A Travel Form should be completed by the traveler indicating the items for which an advance is requested. The Travel Form is to be sent to the traveler's Supervisor and Assistant Executive Director for approval. The approved Travel Form should then be sent to Accounts Payable. Instructions for completion of the Travel Form are available on Intranet. All Travel Forms received by the Accounts Payable Office by the weekly cutoff date (noon Friday), will have checks mailed to the employee's home address by the following Friday.
- 2) A traveler can have only one outstanding travel advance at a time. Each advance should be accounted for before another advance is granted.

Expense Report Reconciliation

Within 10 days of return or upon cancellation of a trip, the employee must complete and submit to Accounts Payable Office the Travel Form, duly reconciled and signed by the traveler, supervisor, and Assistant Executive Director. If an advance was requested, the amounts received as advance should be updated with the actual amounts incurred for reconciliation.

- 1) Following original receipts validating travel are required:
 - a) Airline Receipt / Invoice.
 - b) Registration receipt.
 - c) Lodging Invoice / Documentation.
 - d) Taxi/bus/commercial carrier receipts, car rental agreements, parking receipts.
 - e) Other receipts as necessary to document other costs. If other costs are included on your hotel bill, designate which ones are Agency business expenses and initial as such.
 - f) Actual receipts submitted in lieu of per diem, if approved.
 - g) Reimbursement of travel expenses for which the original receipts have been lost or are not available must be approved by the Program Director and a Missing Receipt Affidavit must be submitted.

- 2) Documentation should also include a travel report, agenda, or brochures to document attendance of the event.
- 3) The reconciled and approved Travel Form must be submitted even if employee is not owed any additional reimbursement so that the travel advance may be cleared and the travel expenses charged.
- 4) Employees receiving an advance in excess of the actual cost are responsible for repayment of any excess amount. A check made payable to FCEOC should be submitted to the Finance Office, in accordance with the Cash Receipts policy, along with a copy of the approved and reconciled Travel Form.

Unrecovered Advances

- 1) Thirty days after a trip is completed, the Finance Office shall initiate proceedings for the recovery of any outstanding travel advances.
- 2) If an employee fails to substantiate expenses and return any unused cash advance amounts within 60 days of the end of a trip, the Agency, under IRS regulations, will report the travel advance amount through the payroll system as additional wages to the employee.
- 3) Payments, such as registration fees, airline tickets, etc., made directly to a vendor on behalf of an employee will not be included in the travel advance amount being reported as additional wages in the event the advance is not cleared within 60 days.

Reimbursement from Outside Source

If any reimbursement for an employee's travel is expected from an outside source, it is the traveler's responsibility to ensure that all required documentation is submitted to the outside source and that the reimbursement is received by the Agency.

Payment of Expenses on Behalf of Others

Agency travelers will not be reimbursed for expenses paid by them on behalf of his/her spouse, family member, or friends.

Reimbursement Policy – Head Start

Policy

Head Start Policy members who meet reimbursement requirements are eligible to be reimbursed for allowable expenses, which are incurred in connection with, authorized participation in grantee-approved Policy Council activities.

Procedures

- 1) Members desiring to claim reimbursement must complete Policy Council “Reimbursement for Child Care and Mileage” (Exhibit V-2) form. This form is confidential and will be maintained by Head Start for audit purposes only.
- 2) Reimbursement – Actual expenses, reimbursement for actual allowable expenses incurred shall be afforded to eligible members for attendance, participation in approved Policy Council meetings, activities when such meetings/activities are specified as reimbursable for actual allowable expenses in the Policy Council By-Laws.

Reimbursement for actual allowable expenses shall be made in accordance with the following:

Transportation – will be reimbursed for costs associated with traveling to and from grantee-approved Policy Council meeting/activity location(s).

- a) Additional necessary mileage may be claimed when picking up other Policy Council member(s).
- b) Parking fees incurred for the purpose of attending an approved policy. Council meeting/activity may be claimed of actual costs incurred. All claims for parking fees must include a dated parking receipt when reimbursement is requested.
- c) Bus fares may be claimed, in lieu of mileage, when it is necessary for members to utilize public transportation to attend Policy Council meetings/activities. Receipts are required.
- d) Mileage reimbursement will be consistent to that of FCEOC’s mileage reimbursement rate.

Babysitting Expenses

- 1) Babysitting expenses will be reimbursed for child-care costs incurred in order for a member to attend approved Policy Council meetings/activities.
- 2) Babysitting expense will be limited to a rate of \$10.00 per meeting.

Out-of-County Travel

- 1) Head Start Policy members who travel out-of-county on Head Start business are entitled to receive travel advances, payment in advance for the expenses of the trip. Additionally, Head Start parents can be reimbursed for child-care costs.
- 2) Reimbursement for actual allowable expenses incurred shall be affected to eligible members for out-of-county travel. This includes money for: travel, tickets, mileage, food, lodging, and registration fees.
- 3) Members on approved travel, which requires overnight lodging, shall be provided with advance payment to cover necessary meal costs when meals are not provided as official parts of the Convention, Conference, or meeting sessions.
- 4) Reimbursement for ground travel (i.e. taxi, shuttle, bus) may be claimed for actual and necessary costs incurred; a dated receipt must accompany all claims.
- 5) Reimbursement for the cost of telephone calls which are made to the claimant's home or babysitter to inquire of their family's welfare may be claimed for actual costs incurred up to a maximum of \$3.75 per day for in-state travel and \$7.50 per day for out-of-state travel for each day in travel status.
- 6) Payment for lodging and public transportation will be handled by the grantee's office.
- 7) Reimbursement for use of private vehicle will be consistent to that of FCEOC's mileage reimbursement and procedure.
- 8) Upon returning from all such trips, the traveler must submit to this office a "Travel Report" (Exhibit V-3) with an agenda of the meeting, conference, etc. This is to inform the agency and auditors and on file what the traveler gained from the trip. The "Travel Report" should include a brief summary and evaluation of the speakers (name and title) heard and the workshop sessions (topics) attended. Also, immediately upon returning, all receipts are due and must be submitted to this office. This is to substantiate the expenses for which your advance check was written.

The following are due within five (5) working days from your travel-end date:

- a) Expense receipts
- b) Travel Report

c) Conference Agenda with Travel Report

- 9) After “Travel Report” and receipts have been turned in, Head Start parents can request reimbursement for child-care in the amount of \$15.00 per day and \$20.00 for an overnight stays using CWPC Reimbursement form.

Lost or Stolen Reimbursement Checks

- 1) Questions regarding lost or stolen checks shall be directed to the Parent Involvement Coordinator for immediate attention.
- 2) Once a check is reported lost or stolen, it will take up to two months to re-issue a replacement check.
- 3) Checks misplaced, lost or stolen more than once will not be replaced.
- 4) Reimbursement checks lost by Head Start staff will not be replaced by Head Start. Staff will be responsible for replacing lost check.

VI. PROPERTY, PLANT & EQUIPMENT

Acquisitions

Purpose

To accurately record fixed asset additions and safeguard assets from loss.

Policy

All property acquisitions shall follow Agency Purchasing Procedures (See Section III).

Purchases of grantee owned assets would be reflected in the program budget as approved by the funding source.

“Depreciable Equipment” is defined as all tangible, non-expendable personal property with a useful life of one year or longer and an acquisition cost of \$5,000 or more per unit. The unit cost includes taxes, freight and installation charges and any modifications, attachments or accessories necessary to make the equipment usable for the purpose for which it was acquired.

For inventory tracking purposes, all equipment items with a unit cost of \$1,000 or more will be inventoried, tagged and included in Agency fixed asset records. Equipment with a unit cost of \$1,000 to \$4,999 will be recorded in the asset system as non-depreciable equipment.

Procedure

- 1) The Program Accountant will submit a copy of invoice for equipment acquisition to Fixed Asset Accountant, who will prepare a Fixed Asset Maintenance Form (Exhibit VI-1). An Agency property tag and form will be forwarded to the program. The program staff will affix the tag to the property and return the completed form to the Fixed Asset Accountant.
- 2) The Fixed Asset Accountant will record the purchase in the fixed asset inventory system and record the assigned tag number.
- 3) The Fixed Asset Accountant will reconcile the fixed asset inventory listing to the general ledger property accounts on a monthly basis.

Record Keeping and Inventory

Purpose

To accurately record fixed asset acquisitions, transfers and dispositions.

Policy

Equipment records shall be maintained accurately and shall include the following information:

- A description of the equipment.
- Manufacturer's serial number, model number, Federal stock number, national stock number, or other identification number.
- Source of the equipment, including the award number.
- Whether title vests in the recipient or the Federal Government.
- Acquisition date (or date received, if the equipment was furnished by the Federal Government) and cost.
- Information from which one can calculate the percentage of Federal participation in the cost of the equipment (not applicable to equipment furnished by the Federal Government).
- Location and condition of the equipment and the date the information was reported.
- Unit acquisition cost.
- Ultimate disposition data, including date of disposal and sales price or the method used to determine current fair market value where a recipient compensates the Federal awarding agency for its share.
- Equipment owned by the Federal Government shall be identified to indicate Federal ownership.

A physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the cause of the difference.

Any loss, damage, or theft of equipment shall be investigated and fully documented; where equipment is owned by the Federal Government, the recipient shall promptly notify the Federal awarding agency.

Adequate maintenance procedures shall be implemented to keep the equipment in good condition.

Procedure

- 1) Accounting Department will record required property information in the fixed asset inventory system.
- 2) Finance Office will conduct annual inventories at various program sites in accordance with Federal Regulations using the fixed asset report.
- 3) If a funding source requires an inventory of all grantee owned assets (regardless of acquisition cost), these assets will be included in the inventory.
- 4) Lost, destroyed, or transferred equipment will be reported to the Assistant Finance Director for entry into the Fixed Asset System and preparation of required journal entries.
- 5) Theft of Agency or grantee owned assets should be immediately reported to the Assistant Finance Director. If equipment has become obsolete or is no longer in use, the program will follow agency or funding source disposal guidelines and will notify the Accounting Department of disposition, so that it may be accurately reflected in the inventory system.

Depreciation

Purpose

To record depreciation of assets in accordance with Generally Accepted Accounting Procedures.

Policy

Property and equipment purchased with grant funds are recorded as expenditures in the year of acquisition in accordance with grant requirements. They are also capitalized and depreciated using the straight-line method over the useful life of the asset. The depreciation of these assets is charged against grant-funded assets in the Statement of Activities.

Property and equipment purchased with other Agency funds are capitalized at cost and depreciated over the useful life of the asset using the straight-line method. Depreciation is charged against operations.

Procedure

- 1) Each new capital asset will be properly classified according to the type of asset and useful life. The estimated useful lives for the various Agency assets are as follows:

- Buildings	30 years
- Improvements	10 - 20 years
- Equipment	3 - 5 years
- 2) Depreciation is calculated and posted on a monthly basis by running the Depreciation Expense Report, in the Fixed Asset module in Financial Edge. After the report is reviewed and approved by the Assistant Finance Director, expense is posted to the G/L.

Disposal of Property, Plant and Equipment

Purpose

To ensure that assets no longer in use will be disposed of in accordance with Agency and/or funding source policies.

Policy

The disposition of fixed assets shall be in accordance with OMB Circular A-110 as follows:

- Nonexpendable property with a unit acquisition cost of less than \$5,000.
 - The property may be retained by the grantee or sold and the proceeds retained. The grantee may use the property however they see fit or use the funds obtained from the sale as unrestricted funds.
- Nonexpendable property with a unit cost of \$5,000 or more.
 - If the grantee has another use for the property, the grantee may retain the property if they compensate the Federal Government for its share of the market value.
 - If the grantee does not have a need for the property, the grantee shall request instructions from the federal or state agency as to the disposition of the property.
 - If the property is to be sold, the grantee may keep \$500 or 10% of the proceeds, whichever is greater, for the grantee's selling and handling expenses. The grantee must compensate the federal government for its share of the remaining portion of the proceeds of the sale.

All funds in excess of the \$500 or 10% must be remitted to the federal or state agency along with documentation detailing the sale of the asset.

If a funding source requires prior approval for the sale or disposal of an asset, regardless of value, written approval shall be obtained in accordance with contract guidelines.

Procedure

- 1) Appropriate program staff will notify the funding source of the need to dispose of an asset (if prior approval is required).
- 2) After written authorization is obtained, the asset shall be scrapped or donated (if of little or no value) or sold, using sales procedures, which provide for competition to the extent practicable and result in the highest possible return.

- 3) Program will notify the Assistant Finance Director of disposition of asset so that disposition data may be recorded in the fixed asset inventory system.
- 3) Fixed Asset Accountant will complete fixed asset maintenance form and will enter the disposal date, method of disposal, cash proceeds and related expenses in the fixed asset inventory system.

VII. INVENTORY

Purpose

To ensure that inventory of supplies, parts and vouchers are not diverted for unauthorized use.

Policy

Inventory will be contained in locked storage areas, where possible, and access to inventory will be limited to applicable Program Manager and necessary staff.

Procedure

Materials and Supplies:

- 1) Food and paper supplies are recorded as expenses when purchased. Parts and materials for Transit Systems are recorded as inventory when purchased and reductions to inventory accounts when used.
- 2) A physical inventory of Food Services and Transit Systems parts and materials will be conducted annually to coincide with Agency fiscal year end.
- 3) Copies of count sheets will be forwarded to applicable Program Accountant, who will prepare journal entry to adjust General Ledger control accounts to physical inventory for Assistant Finance Director's review.
- 4) Copies of count sheets will be provided to external auditors, who may also observe the year-end inventory count.
- 5) Any material inventory shrinkage will be investigated.

VIII. COST ALLOCATION PROCEDURES

Purpose

To ensure all costs allocated to federal and other grants are allowable costs.

Policy

Costs charged to federal and other grants will meet the following requirements:

- Be reasonable for the performance of the award.
- Conform to any limitations or exclusions under OMB Circular A-122 or in the award as to types and amount of cost items.
- Be consistent with policies and procedures that apply uniformly to both federally financed and other Agency programs.
- Be determined in accordance with generally accepted accounting principles.
- Be adequately documented.
- Not be included as a cost or used to meet cost sharing or matching requirements of any other federally financed program in either the current or prior period (applicable only to federal funds).

Procedures

Direct Cost Allocation

- 1) Each program accountant is assigned a number of programs for which he/she is responsible. The program accountant plays an active role in preparation of the program budget. The accountant codes or reviews the coding of all invoices charged directly to each grant (See Accounts Payable Section II).
- 2) Program Accountant reviews salary and benefits charged to each grant during preparation of monthly program invoices and progress reports to ensure that payroll costs allocated to each grant are appropriate and authorized.
- 3) Program Accountant reviews each contract for his/her assigned programs to ensure that costs charged are in accordance with grant requirements.
- 4) Program Accountant is familiar with OMB A-122 (cost principles for nonprofit organizations) and attends specific program training when possible.

- 5) Program Accountant prepares a monthly progress report for each program, which provides a comparison of actual vs. budgeted revenues and expenses. The Finance Director and Assistant Finance Director review monthly progress reports generated. Any significant variances between actual and budgeted revenues or expenses are investigated by program accountant and discussed with the Finance Director.

Indirect Cost Allocation

- 1) Indirect costs are charged to each grant based upon the approved Indirect Cost Rate. The rate is calculated annually and is submitted to the appropriate agency (Department of Health and Human Services) for approval. The approved rate is a final rate for the year audited and a provisional rate for the following year. "Provisional Rate" or billing rate means a temporary indirect cost rate applicable to a specified period which is used for funding, interim reimbursement, and reporting indirect costs on awards pending the establishment of a rate for the period. The Indirect Cost Proposal (ICP) is submitted to HHS along with a copy of the Single Audit, a reconciliation of the audit report to the ICP, lobbying Cost Certification, and the ICP checklist.
- 4) The Agency uses the simplified allocation method to develop the indirect cost rate, which is defined in OMB Circular A-122, Appendix D, as follows:
 - a) Where an organization's major functions benefit from its indirect costs to approximately the same degree, the allocation of indirect costs may be accomplished by (i) separating the organization's total costs for the base period as either direct or indirect, and (ii) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base. The result of this process is an indirect cost rate, which is used to distribute indirect costs to individual awards. The rate should be expressed as the percentage, which the total amount of allowable indirect costs bears to the base selected. This method should also be used where an organization has only one major function encompassing a number of individual projects or activities, and may be used where the level of Federal awards to an organization is relatively small.
 - b) Both the direct costs and the indirect costs shall exclude capital expenditures and unallowable costs. However, unallowable costs, that represent activities, must be included in the direct costs if they represent activities, which (i) include the salaries of personnel, (ii) occupy space, and (iii) benefit from the organizations indirect costs.
 - c) The distribution base may be total direct costs (excluding capital expenditures and other distorting items, such as major subcontracts or

sub-grants), direct salaries and wages, or other base which results in an equitable distribution. The distribution base shall generally exclude participant support costs as defined in paragraph 29 of Attachment B.

- d) The indirect cost rate developed under the above principles is applicable to all awards at the organization. If a special rate is required, appropriate modifications shall be made in order to develop the special rate.
- 3) The distribution base, as defined in the Indirect Cost Rate Agreement, is total direct costs excluding capital expenditures (buildings, individual items of equipment, and alterations and renovations) and that portion of each sub-award in excess of \$25,000.00.
- 4) All allowable indirect costs are charged to a separate administrative cost center. The provisional indirect cost rate is charged to each grant through a monthly journal entry. The indirect cost is calculated based on actual YTD expenses (less capital expenditures and subcontracts in excess of \$25,000.00).
- 5) Indirect costs are allocated to all Agency contracts. Occasionally, the indirect cost rate may exceed the amount allowed for administrative expenses under the contract. If this occurs, the Agency will attempt to recover the excess indirect costs from local funding sources.

Copier and Copy Cost Allocation

Policy

To ensure that copier cost and programs share of maintenance for copies are allocated properly.

Procedure

- 1) The Assistant Finance Director maintains the Schedule of copier machine cost. Amount is per contract negotiated with Wolco and/or IKON. Copier machine charge is not assessed for copiers purchased outright with grant funds.
- 2) Cost is allocated based on copiers held at the program locations.
- 3) A pre-negotiated rate for maintenance based on an average number of copies for the Agency will be charged by IKON. The same rate per page is charged for copies over the negotiated limit of 350,000 copies.
- 4) Copies are tracked by copier at the program level by the Finance Office. At the end of each month, programs fax the ending copy count to the Finance Office. The Senior Accountant enters the count on a spreadsheet.
- 5) An allocation is done and the program is charged a proportionate share of cost for the lease and maintenance of the copier at their location.
- 6) The Senior Accountant will prepare a monthly journal entry to be reviewed by the Assistant Finance Director. The entry will inter-company receivable / payables to transfer cash between bank accounts.

IX. CONTRACT APPROVAL PROCESS

Policy

To ensure the preparation and routing of contracts to all pertinent parties.

Procedures

- 1) Contract is forwarded to the Executive Office for routing.
- 2) The routing sign-off sheet is completed (Exhibit IX-I) and the contract is logged on the routing listing.
- 3) A copy of the contract and the sign-off sheet are forwarded to the Assistant Executive Director and or Program Director. The contract is reviewed by the appropriate staff, which initials the routing slip after review.
- 4) When the routing copy is returned, it is attached to the original and sent to the Executive Director for signature. All necessary attachments (i.e. Insurance Certificates, Board of Resolutions) should also be included.
- 5) Once the contract is signed by the Executive Director, it is forwarded to the Administrative Assistant for photocopying and distribution. The original is filed in the Finance Office.

Intergovernmental Clearinghouse

Policy

To ensure proper steps are utilized when being selected by a state for intergovernmental review (SPOC).

Procedure

- 1) You will need to know the Catalog of Federal Domestic Assistance (CFDA) number, found in the federal funding announcement.
- 2) Place a call to the Governor's Planning Office in Sacramento (916) 323-7480. Notify them, "We are planning to submit a grant application relating to CFDA Number _____. Are you that tracking number?" The person will let you know "yes" or "no". If the answer is "no," simply check the "Not being covered" box on the federal Form 424 (Exhibit IX-2) on (the cover sheet for all federal funding applications). Nothing further needs to be done.
- 3) If the answer is "yes," you will complete Section 16 of Form 424 with the date you plan to submit the application to the funding source. Forward a copy of Form 424 on that date to the Grants Coordinator, with a cover letter (Exhibit IX-3) addressed as follows:

Governor's Office
Office of Planning and Research
1400 Tenth Street, Room 121
Sacramento CA 95814

A copy of the proposal should not be included, however, a courtesy copy of the one-page summary prepared for the Council of Fresno County Governments (See below) could be included.

- 4) The Grants Coordinator disseminates this information statewide via a computer-generated list compiled and circulated weekly. A 30-60 day review process is instituted (usually 30 days). If there are no comments or concerns raised by the end of the review period, a document so stating will be forwarded to the FCEOC contact person. A copy of this letter should be forwarded to the federal funding source. Even though the document states that no further state or local review is required, the Council of Fresno County Governments requests that we observe their review process – which generally takes a bit longer.
- 5) The Council of Fresno County Governments (COFCG) has adopted procedures to facilitate local review relating to this federal Executive Order and requests the following:

In addition to sending a copy of the federal Form 424 to the state Single Point of Contact (SPOC) in Sacramento, we are requested to submit a copy to the COFCG along with a one-page summary of the project. It should be addressed as follows:

Council of Fresno County Governments
2100 Tulare Street Suite 619
Fresno CA 93721-2111

This summary is then posted countrywide and the matter is placed on the agenda of the next COFCG Policy Advisory Committee, which usually meets the third Friday of the month at 10 a.m.

The matter is also placed on the next COFCG full Board meeting, which generally meets in the EOC Board room the last Thursday of the month at 7 p.m.

Note: While these items are usually handled as “consent items” on the agenda (approved without comment with other agenda items), the COFCG requests that a representative from the applicant agency be present to respond to questions at both the Policy Advisory Committee and the Board meeting.

- 6) Upon completion of the COFCG Board review and receipt of the state response, a letter and copy of the state response should be sent to the funding source with information of the results. A sample letter is attached (Exhibit IX-4).

Note: Sometimes the request for funding proposal will require a statement regarding the intergovernmental review process to be included as part of the proposal. Attached is a sample document which can be included as part of the proposal. Attached is a sample document which can be included with your proposal describing the process for California and Fresno.

X. FINANCIAL REPORTING PROCEDURES

Budget Process

Policy

The Program Directors are responsible for preparing their respective program's budgets and programmatic goals. All budgets must be reviewed and approved by the Finance Director and Assistant Executive Director prior to submission to the appropriate agency. Program budgets will be used to prepare the annual Combined Agency Budget, which is approved by the Executive Director and Board of Commissioners.

Procedure

- 1) In preparation of the annual program budgets, the Finance Office will prepare a memorandum of guidance for Program Directors containing basic assumptions for the forthcoming budget period.
- 2) To support budget estimating, the Finance Office will prepare monthly progress reports by program, which contains monthly and year-to-date financial data. Any cost analysis will also be disseminated by the Accounting Department.
- 3) The program budget will be prepared with the assistance of and interaction with the appropriate Federal, State or funding agency staff, as well as assistance from Accounting staff.
- 4) Upon completion of the program budget, the Program Director will review all documents to determine compliance with applicable grant policies and regulations (sources: Federal Grants Management Handbook, OMB regulations, Code of Federal Regulations) and contract language. The Program Director will determine whether program goals can be attained within the budget constraints.
- 5) The annual administrative budget, will be prepared by Finance Office staff and submitted to the Finance Director and Assistant Executive Director and Executive Director for approval. The administrative budget will be combined with the program budgets to develop the combined agency budget. The combined agency budget will be submitted to the Finance Committee and AGENCY Board of Commissioners for approval.
- 6) Once adopted, the approved program budget will be entered in the General Ledger system, in order to track actual costs against budgeted figures.

Financial Report Preparation

Purpose

To ensure the accuracy, use of specified forms, completeness and timeliness to report financial information to funding agency.

Procedure

- 1) Upon completion of monthly closing procedures (See G/L closing procedures, Section I), detail G/L reports are generated by each Program Accountant.
- 2) The Program Accountant will prepare the monthly or quarterly financial report and submit it along with all backups to the Finance for review. The Finance Director prior to submission to the funding source will sign the report.
- 3) The report is mailed by the Accounting Secretary and the date mailed is indicated on the monthly Schedule of Financial Reports.
- 4) Closeout reports follow the same procedure as monthly financial reports; they are prepared by the Program Accountant and reviewed and signed by the Finance Director.

Financial Status Report – HHS

- 1) All HHS grantees shall use SF-269, “Financial Status Report” (or computer printouts with required information) to report status of funds for all non-construction grants. Each program shall report program outlays and program income on the same accounting basis, i.e. cash or accrual, which it uses in its overall accounting system. Information reported must be reconcilable to the grantee organization’s books of account. Financial data must be provided in the vertical columns (a) through (f) of the SF-269 for each grant function, activity, or program account in the budget. HHS will provide instructions to the grantee regarding the frequency of financial report submission. However, the report shall not be required more frequently than quarterly except as provided in paragraph 74.7 and 74.7(e) of Part 74. If the HHS granting office does not specify the frequency of the report, it shall be submitted annually. A final report shall be required upon expiration or termination of grant support.
- 2) When reports are required on a quarterly or semiannual basis, they shall be due 30 days after the reporting period. Final reports shall be due ninety (90) days after the expiration or termination of grant support. Unless otherwise instructed by the HHS Grants Officer, final reports are due 90 days after the end of each budget period for grantees with “indefinite” project periods.

- 3) In unusual circumstances, the deadline date for submitting a final report may be extended for a reasonable time period if requested in writing and approved by the Grants Officer. Failure to submit a final report within a reasonable period of time would be considered an example of poor financial management and taken into account when the fiscal performance of the grantee is evaluated. A resultant poor evaluation could result in denial or delay in refunding, grounds for tighter fiscal controls on other HHS grants, or other appropriate action.
- 4) Each financial report submitted by the grantee must reflect the proper amount of indirect costs applicable to the grant based on most current rates available at the time the report is submitted. If a provisional rate is used in the report, a subsequent adjustment will be necessary when a permanent rate applicable to the grant is established.
- 5) Grantees shall use the “Remarks” Section (Item 12) of this report to identify any reimbursements received during the period from other Federal agencies for grant-supported activities. This information shall include the amount of funds received and the source. If such funds replace HHS grant funds originally budgeted for the same purpose, they shall also be included in Item 10-m of the report.
- 6) Program income earned during the period shall be reported on the SF-269 in accordance with the instructions specified in Chapter 4.D.2.g of this manual.

Federal Cash Transaction Report

- 1) The Federal Cash Transaction Report – SF 272 (Exhibit X -2) is used to monitor cash advanced to grantees and to obtain disbursement or outlay information from grantees paid through either the Division of Accounting Operations (DAO) or the Regional Administrative Support Center (RASC). The Federal Cash Transaction Report is closely monitored by HHS grants management staff and the finance office to determine what cash balance and cash deficits the grantee maintains. Information contained on the Cash Transaction Report must be reconcilable to the grantee’s books of account.
- 2) Interest earned on grant funds shall be reported on the SF-272, line 13a, in accordance with the instructions provided in Chapter 4.D.1.b of the HHS manual. Program income required to be deducted shall be reported on line 11g of the SF-272. The SF-272 is submitted in addition to the Financial Status Report (SF-269). Grantees shall submit the report no later than 15 working days following the end of each quarter, unless otherwise instructed by the HHS Grants Officer.

Grantee Report of Expenditures / Federal Cash Transaction Report

- 1) All grantees paid through the Payment Management System (PMS) must submit the PMS-272 on either a monthly basis or quarterly basis (as determined by PMS). This report is in addition to the Financial Status Report (SF-269) submitted to the HHS granting office. Amounts represented on the final PMS-272 must be identical to those represented on the final SF-269. Interest and program income must be reported on the PMS-272 in accordance with the instructions provided in Chapter 4.D of the HHS manual.

Request for Advance of Reimbursement

- 1) HHS uses either Standard Form 270 or PMS-270, Request for Advance or Reimbursement, when (1) advance payments by Treasury check are not made for a non-construction grant on a predetermined basis, (2) a grantee is paid by reimbursement for a non-construction grant, or (3) a grantee is paid by advance or reimbursement for a construction grant. The frequency for submitting payment requests is discussed in Chapter 4.A of the HHS manual.

Performance or Progress Reporting Requirements

- 1) Recipients are responsible for monitoring and reporting program performance to assure that adequate progress is being made toward achieving the objectives of the grant or sub-grant program or activities.
- 2) Most HHS granting offices provide specific instructions for the completion of the performance report either in program regulations or guidelines. In some cases, more specific information to be included in these reports may be determined and agreed upon by the HHS granting office and the grantee at the time the grant is awarded. Dependent on the grant award terms and conditions, a performance report is generally submitted with the Financial Status Report (Exhibit X-1) to the appropriate HHS Grants Officer. The granting office may, however, waive the requirement for any performance report that is not needed.

Overdue Reports

It is HHS policy that administrative action is taken in discretionary grants programs to obtain overdue reports from grantees as indicated below. The term “reports” is meant to include financial, performance or other reports required by the HHS granting office.

Action on Overdue Financial Reports

Following reasonable notice to the grantee, the payment office shall make no further payments to the grantee until:

- 1) The overdue report is received.
- 2) The reporting requirement is waived.
- 3) A new due date is set.

The only acceptable reasons for waiving the reporting requirements or setting a new due date are that either the report cannot be submitted in a timely manner for reasons over which the grantee has no control or the purposes for which the report is to be used will be accomplished through other means.

Action on All Other Overdue Reports

Letter #1 – The cognizant HHS Grants Officer, in coordination with Federal Project Officer in the HHS granting office, will send a delinquency notification letter to the grantee requesting the report. The grantee shall submit the report or explain the reason for not sending it within 30 days of the date of the Grants Office’s letter.

Letter #2 – If neither the report nor an acceptable explanation is received, the HHS Grants Officer will send a follow-up letter to the grantee stating that the report must be received within 30 days and failure to do so may result in:

- 1) Suspension or termination of the grant.
- 2) Withholding of any additional awards.
- 3) Additional and more severe action.

Fund Cutoff – If neither the report nor an acceptable explanation is received by the HHS Grant Officer within 30 days of the second letter, no additional funds shall be awarded for the project while the report remains overdue and the grant, if still active, shall be suspended. The HHS Grants Officer, in coordination with the HHS granting office’s Federal Project Officer, will set a final date by which the report must be received. If the report or an acceptable explanation is not received by that date, the grant shall be terminated.

Exception: Prompt Suspension or Termination – A notice of suspension or termination may be issued as soon as the report becomes overdue if failure to submit the report on time constitutes a material violation of grant terms and prompt suspension or termination is necessary to protect the Federal government’s interest.

Waivers and Extension – If at any time the grantee does provide an acceptable explanation why the overdue report cannot be submitted promptly, the reporting requirement shall be waived or a new due date set. Further extensions of the due date will also be given, if justified.

Additional Actions

The HHS Grants Officer, in coordination with the HHS granting office’s Federal Project Officer, may take any of the following additional actions when a grantee is delinquent in submitting a report:

- 1) Withholding further grant payments.
- 2) Converting to the reimbursement method of paying the grantee.
- 3) Withholding any additional funds awards otherwise approved and pending for the specific project.
- 4) Requesting a special audit by the HHS Office of Audit.
- 5) Notifying other Federal granting agencies of the delinquency

so that precautionary measures to be taken.

- 6) Awarding no discretionary grant funds while the report is overdue for some or all of the other report eligible HHS projects conducted by the grantee organization.
- 7) Considering legal action with the HHS Office of General Counsel.

In-Kind Record Keeping

Purpose

To ensure that items used for cost sharing or matching requirements are fully documented and reflected in the general ledger on a timely basis.

Policy

All contributions, including cash and third party in-kind must meet all of the following criteria in order to qualify as cost sharing or matching funds (OMB Circular A-110):

- Are verifiable from the recipient's records.
- Are not included as contributions for any other federally assisted project or program.
- Are necessary and reasonable for proper and efficient accomplishment of project or program objectives.
- Are allowable under the applicable cost principles.
- Are not paid by the Federal Government under another award, except where authorized by Federal statute to be used for cost sharing or matching.
- Are provided for in the approved budget when required by the Federal-awarding agency.
- Conform to other provisions of OMB Circular A-110, as applicable.

Allowable costs to satisfy matching or cost-sharing requirements may include:

- Charges incurred by the grantee as project costs, including non-cash items such as depreciation or use charges.
- Project costs financed with cash contributed or donated to the grantee by non-Federal third parties or in the case of Federal funds: General Revenue-Sharing, Legal Services Corporation and other Federal funds specifically authorized by law for matching.
- Project costs represented by services and real or personal property donated to the grantee by non-Federal third parties provided such costs meet criteria listed in (A) above.
- Unrecovered indirect costs may be included, as part of cost sharing or matching only with the prior approval of the Federal-awarding agency.

Procedure

Documentation for in-kind contributions is completed at the program level and submitted to the Program Accountant on a monthly basis for review and preparation of general ledger journal entry. Procedures to record the various types of in-kind contributions are as follows:

Donated Services:

- 1) Volunteer records hours on a monthly time record (Exhibit X-3) and signed by the volunteer and approved by the site supervisor prior to submission to Volunteer Coordinator.
- 2) Volunteer Coordinator prepares a monthly summary of volunteer hours (Exhibit X-4). The donated hours are valued using current Agency hourly rates for the same or a similar position.
- 3) The recap and supporting documentation is submitted to Program Accountant for journal entry preparation (Head Start journal entry is submitted in Excel format and is imported into the general ledger via Financial Edge utility and housekeeping).
- 4) Journal entry and supporting documentation is filed in the Finance Office.

Donated Space:

- 1) Lease is negotiated with site owner. Market value of space and cost of space to Agency are indicated in the lease. In-kind valuation is the difference between market value and actual cost to program. Value of donated space is reflected by site on a recap (Exhibit X-5). A journal entry is prepared to record donated space on a monthly basis.
- 2) Space used for the Head Start home base programs is valued at \$15.00 per visit. HHS establishes the rates, during a site review visit. Use of space is documented by the donor on a space contribution form (Exhibit X-5) and is summarized on monthly in-kind contribution report (Exhibit X-6).

Mileage:

Volunteers are not reimbursed for travel costs incurred while in transit to volunteer site. Mileage is valued at Agency reimbursement rate and is recorded by classroom on a monthly recap (Exhibit X-7). The number of miles is summarized by site (Exhibit X-8) and is entered into a mileage recap spreadsheet (Exhibit X-9), which is used to prepare monthly journal entry.

Donated Goods:

- 1) Donated goods are valued at fair market value. Discounts are recorded as in-kind if the discount was extended because the Agency is operating a social service program. Volume discounts or discounts that are available to the general public are not allowable as matching funds. The vendor must document the amount of discount offered (and dollar amount) and sign the in-kind documentation form.

Program Income

Purpose

To ensure that income earned on projects financed in whole or in part with federal funds is accounted for in compliance with applicable Federal regulations.

Policy

In accordance with OMB Circular A-110 program income earned during the project period shall be retained by the recipient and, in accordance with Federal awarding agency regulations or the terms and conditions of the award, shall be used in one or more of the following ways:

- Added to funds committed to the project by the Federal awarding agency and recipient and used to further eligible project or program objectives.
- Used to finance the non-Federal share of the project or program.
- Deducted from the total project or program allowable cost in determining the net allowable costs on which the Federal share of costs is based.

If the awarding Agency does not specify in its regulations or the terms and conditions of the award, how program income is to be used, then item #3 above shall apply.

If authorized by Federal awarding agency regulations or the terms and conditions of the award, costs incident to the generation of program income may be deducted from gross income to determine program income, provided these costs have not been charged to the award.

Procedure

- 1) Per OMB Circular A-110 program income includes, but is not limited to, income from fee for services performed, the use or rental of real or personal property acquired under federally-funded projects, the sale of commodities or items fabricated under an award, license fees and royalties on patents and copyrights, and interest on loans made with award funds. Interest earned on advances of Federal funds is not program income. Except as otherwise provided in Federal awarding agency regulations or the terms and conditions of the award, program income does not include the receipt of principal on loans, rebates, credits, discounts, etc., or interest earned on any of them.
- 2) Program accountant shall review the terms and conditions of the award, to determine proper method to account for program income earned under the award.

- 3) Program income shall be reflected in the general ledger and reported on the program financial reports in accordance with the awarding agency regulations or the terms and conditions of the award.

XI. PENSION ACCOUNTING PROCEDURES

Policy

To ensure accurate tracking of employees eligible for the pension and that proper amounts are paid and applied to their accounts.

Procedures

Eligibility Tracking

- 1) Each employee is set up in the payroll / personnel system with a hire date and a birth date. Based on those date fields, a report is produced monthly through the Payroll Report Writer (PENELIG1 and PENELIG2). The report will reflect a detail of hours and gross pay information for the prior twelve months.
- 2) Once this report is generated, eligibility is determined based upon employees age (twenty-one years of age or older), and having worked at least 1000 hours in each of the two qualifying years. Any employee that has between 900 and 1,000 hours will be looked at closer to be sure eligibility is not missed.
- 3) Verification of hours worked is determined through the external payroll provider's database (Check View) which records all pay information. Using a range of one year beginning with the hire date will reflect how many hours that employee has worked. If the employee does not have the required hours in that particular year it is noted on the printed report and the process is repeated the next year. It is not required that the two qualifying years be consecutive.
- 4) Employees who did not meet the eligibility requirements for the past year will have their Eligibility date increased by one year.

Benefit Tracking

- 1) Employees with a "P" in their QPENSION indicator in payroll will have benefits calculated each pay period at a rate of 5% of their gross pay. The benefit amount is identified by a memo code "C" and accumulated in the Accumulator #50. Total benefits charged to programs are reconciled with the benefits added to employee's balances on an annual basis.
- 2) Employees who are eligible for participation can voluntarily contribute up to 10% of their gross pay to the Plan. A payroll deduction, Memo Code "V" is used to combine the deduction made each pay period. The total voluntary contributions are paid through an accounts payable check that is processed the week following payday.

- 3) Participant balances are tracked through a series of special accumulators in the payroll system. There are separate accumulators to track employee contributions, income earned on balances and withdrawals of contributions.
- 4) At the end of the year, the balances in the current year accumulators must be transferred to prior year accumulators in order to clear them for use in the coming year. The accumulators for the various pension amounts are as follows:

	Current Year	Last Year	All Prior Years
Employer contributions	50	51	52
Voluntary contributions	53	54	55
Employer income	56	57	58
Voluntary income	59	60	61
Employer withdraws	62	63	64
Voluntary withdraws	65	66	67

Following is a list of required pension tracking along with time frames. Step (b) is performed by EOC staff; the external payroll provider processes remaining steps.

- a) Following Last Payroll of the Year – balances in the “Current Year” accumulator will be transferred to the “Last Year accumulator. Prior to this “Last Year” is empty. Example - #50 to #51. When this process is complete, the “Current Year” accumulator should then be empty.
- b) Income Distribution is Approved – the income can be entered into the “Last Year” accumulator via special entries. Example - #57 and #60.
- c) Audit is Finalized – the balances in the “Last Year” accumulator are combined balances in the “All Prior Years” accumulator. Example - #51 + #52 = #52.
- d) Final Step – when this combination is verified, the “Last Year” accumulator can be emptied. Example - #51 = 0.

Distributions

Requests:

- 1) During the exit interview, the employee is requested to complete a Benefit Distribution Request Form (Exhibit XI-1). This form lists options for Terminated Participants under 65, Retired Participants over 65 and Beneficiaries of Deceased Participants. The options available are: 1) lump

sum payments made within thirty (30) days of termination, 2) stay in the plan until income has been distributed, 3) remain in the Plan until further notice, and 4) have their benefit rolled over into another qualifying plan.

A special tax notice summary form is attached to each request form explaining IRS tax rules.

- 2) When payments are processed, the check is made payable to the Participant or the Financial Institution they have chosen for the rollover. A complete IRS form 1099-R, is mailed to the Participant by January 31 of the following year.

Rollovers:

- 1) If the Participant chooses a Direct Rollover, they must provide the “Plan” with proper documentation from a qualifying Financial Institution. Upon receipt of this information, payment is made directly to the Financial Institution and the Participant will receive an acknowledgement of such transaction.

Minimum Distributions:

- 1) According to IRS regulations, all pension plan participants over 70½ are required to take annual distributions from the plan. Distributions are required for everyone by April 1 in the calendar year following attainment of age 70½ regardless of work status. For post-1996 years, employees working after age 70½ can defer the start of required distributions until April 1 of the year following retirement.

Participants affected are notified of their options following the close of the annual audit. Distributions then follow the normal process.

Liquidating Unclaimed Participant Balances:

- 1) Article IX, section 11 (as amended) requires that the Trustee in accordance with Plan requirements distribute Participant balances. The following procedures will be used to assure that these accounts are properly liquidated:
 - a) When the Participant ceases participation in the plan, the process described under distributions will be followed to determine how the proceeds will be distributed.
 - b) If the Participant fails to return the “Benefit Distribution Request Form” or is not available for an exit interview, a copy of the form will be mailed to the Participant’s last known address by certified mail.
 - c) If the Participant does not respond, two additional attempts will be made to locate the Participant.

- d) If the Trustee is not able to complete the distribution because the Participant cannot be located within three (3) years after the Participant ceased participation in the Plan, the Trustee shall presume that the balance has been abandoned and authorize that the undistributed balance be liquidated. The undistributed balance shall be liquidated by reporting the amounts on the attached forms to the State Controller's office, Division of Unclaimed property. (Exhibit XI-2)

Reporting

- 1) Quarterly financial and investment reports are prepared by the Assistant Finance Director and are approved by the Pension Committee. Information is gathered from the monthly statements received from the investment brokers. Distribution information is obtained from the payments made.

Investments are accounted for on a FIFO (First In – First Out) basis. Unrealized gains / losses at the end of a year are considered realized and added to the basis of the investments.

- 2) Annual 1099-R and IRS Form 945 are processed after reconciliation of distributions made to the participants.
- 3) Upon request, a report can be generated reflecting the balances in the plan by participant. Detailed information regarding employer and employee contributions, income, and withdraws, is included.
- 4) Net investment income is distributed to participant balances annually on a pro-rata basis. The effective date of the distribution is December 31st of each year.

Annual Reconciliation

The following reconciliation is performed annually to insure the accuracy of the information contained in the audited financial report:

- 1) Reconcile employer contribution amounts with EOC G/L.
Reconcile accumulator totals to Pension G/L.
Make necessary adjustments to Benefit Calculation report.
Make necessary adjustments to Participant Balance reports.
- 2) Create journal entries from monthly statements.
Prepare schedule of realized gains / losses for the ACCESS account.
Prepare schedule of realized gains / losses for the NWQ account.
Prepare schedule of realized gains / losses for the Mutual Funds.

- 3) Prepare 1099-R listing from annual distributions.
- 4) Calculate Income percentage.
Run Income Distribution report.
Run Participant Balances report (Post-Income Distribution).
- 5) Prepare Financial Report
Prepare 1099-R's.
Print annual Participant Statements.

XII. Appendix

(Exhibits)

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