



**Economic Security
Corporation of Southwest
Area**

Fiscal Policies & Procedures

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Accounting Procedures

The Agency accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions, or limitations.

The software for the computerized accounting system uses a Fund - Function method to keep each grant separate. Each grant administered by the Agency falls under this definition of a fund and is accounted for with a separate, self-balancing set of accounts. This method also facilitates budgeting and financial reporting.

Only the accounts that are applicable to a specific program are included in its ledger. The five-digit account number was designed to meet the needs of every program with the flexibility to add new account titles when needed. Starting from left to right, the first digit indicates major classification; Assets, Liabilities, Fund Balance, Revenues, and Expenditures as follows:

- 1-Assets
- 2-Liabilities
- 3-Fund Balance
- 4-Revenues
- 5-Expenditures

For example, the account number 110-01 would be an asset and the account number 450-01 would be a revenue account. The second digit is also used in the Asset, Liabilities, Fund Balance, Revenue, and Expenditure accounts to further identify one asset from another or one liability from another, etc.

The third-digit further separates and identify accounts within a classification group.

- 501 Salaries and Wages
- 502 Fringe Benefits
- 503 Consultant and Professional Service
- 504 Travel
- 505 Space Cost
- 506 Consumable Supplies
- 507 Lease and Purchase of Equipment and Property
- 508 Other Direct Cost
- 509 Indirect Cost

The fourth and fifth digits identify a particular object. Each expense can be identified individually within a sub-category by the fourth and fifth digit. Each sub-category has the capacity to account for 99 objects within a sub-category and can be added if needed.

Budgets prepared by Division Directors must agree with the chart of account classifications. Should additional accounts be required, Division Directors must consult the Fiscal Director so

that the chart of accounts can be updated to meet the needs of each program. A copy of our chart of accounts is available from the fiscal department.

Basis of Accounting

The organization uses the modified accrual basis of accounting. The accrual basis is the method of accounting whereby revenue and expenses are identified with specific periods of time, such as a month or year, and are recorded as incurred. This method of recording revenue and expenses is without regard to date of receipt or payment of cash.

Journal Entries

General ledger entries created by the fiscal staff will be reviewed by the Fiscal Director. General ledger entries created by the Fiscal Director will be reviewed by the Chief Executive Officer.

Bank Reconciliations

All bank statements are sent to the Fiscal Director unopened. The Fiscal Director will open the statements and review them.

Reconciliations for all bank accounts except the payroll account are prepared monthly by the Payroll Clerk or someone that does not prepare or record checks. The payroll account is reconciled by the Accounts Payable Clerk or someone that does not prepare payroll.

Bank reconciliation procedures are: Account for check numbers used; Compare all checks, including voided ones, with a check register to verify date, number, amount and payee; Inspect signatures and endorsements; Investigate checks outstanding for over 90 days and report them to the Fiscal Director; Trace and review bank transfers; Itemize outstanding checks.

The person that reconciles the account will initial and date the top page of the document. All reconciliations are reviewed by the Fiscal Director and he/she will also initial and date the reconciliation within 30 days.

Monthly Close

Throughout the fiscal year, expenses are accrued into the month in which they are incurred. The books are closed no later than the 20th day after the end of the month. Invoices received after closing the books will be counted as a current-month expense.

At the close of the fiscal year or end of a program year, this rule is not enforced. All expenses that should be accrued into the prior fiscal (program) year are so accrued, in order to ensure that year-end financial statements reflect all expenses incurred during the fiscal year. Year-end books are closed no later than 90 days after the end of the fiscal year.

Revenue is always recorded in the month in which it was earned or pledged.

Recordkeeping

The Agency should collect, transmit and store award-related information in open and machine-readable formats rather than paper. There is no need to print electronic records and we can scan paper records if there are quality controls, the electronic records can't be changed and are readable (2 CFR 200.335).

All awarding and pass-through entities have access to records as long as they exist (2 CFR 200.336).

The Freedom of Information Act does not apply to records under a non-Federal entity's control. Unless required by statute, non-Federal entities are not required to permit public access to their records (2 CFR 200.337).

All records must be retained in accordance with funding source regulations. All destroyed or discarded paper should be recycled if possible.

All file folder boxes put in storage must have an original date, a description of the contents, and a notation whether they must be destroyed, discarded, or permanently retained and a destroy/discard date. Division Directors will be responsible for this information.

Records that do not contain any confidential information (employee, client, etc.) may be disposed of without destroying them.

Any records that contain private information must be destroyed. An ESC employee must witness the destruction of the records or get a certification from shredding company.

Except as provided below, records must be retained for at least three years from the date the final report is submitted to the funding source.

If any litigation, claim or audit by or on behalf of the Federal government involving the records has not been fully resolved before the expiration of the three-year period, the records shall be retained until resolution or until the end of the regular three-year period, whichever is later.

In order to avoid duplicate record keeping, the funding source may make special arrangements with the grantee to retain any records which are continuously needed in joint use. The funding source will request transfer of records to its custody from grantees when it determines that the records possess long-term retention value. When the records are transferred to or maintained by the funding source, the three-year retention requirements is not applicable to the grantee.

The retention period on records for non-expendable property starts from the date of disposition of the property. However, for property that has been replaced, the retention period starts with the disposition of the replaced property.

The following records must be retained permanently:

- | | |
|----------------------------|--|
| (1) Audits | (7) Incorporation Records |
| (2) Board Election Records | (8) Employee Withholding Records |
| (3) Patents & Copyrights | (9) Inventory Records |
| (4) Tax Returns & Records | (10) Legal Documents |
| (5) Grants & Contracts | (11) Property & Real Estate |
| (6) Retirement Plans | (12) Charters, Constitutions, bylaws
& amendments |

The following records must be kept at least 30 years:

- (1) Blood borne Pathogen records

The following records must be kept at least 7 years:

- | | |
|----------------------------------|--------------------------------|
| (1) Accounts payable/receivable | (8) Time documents |
| (2) Expense records | (9) Withholding tax statements |
| (3) Inventory records | (10) Expired contracts |
| (4) Purchase orders | (11) Expired mortgages |
| (5) Canceled checks (routine) | (12) Expired notes |
| (6) Personnel files (terminated) | (13) Expired leases |
| (7) Payroll records | (14) IUD patient files |

Women's Health Services patient files are to be kept at least 7 years.

CSBG and LIHEAP records must be retained as stated in their annual contract.

Internal Controls

The organization employs several safeguards to ensure that financial transactions are properly authorized, appropriated, executed and recorded. Internal controls are not just the responsibility of the fiscal department, but are the responsibility of everyone in the organization.

ESC's internal control policies and procedures assure that 1) boards and officers understand their fiduciary responsibilities, 2) assets are managed properly, and 3) the mission of the organization is carried out. Failure to meet these three obligations is a breach of fiduciary duty, and can result in financial and other liability for the board of directors and the officers. The external audits and management report closely examine ESC's internal control practices. Effective internal controls help protect and manage an organization's assets and address concerns raised by the external audit and program monitoring reports. Directors, officers and employees are responsible for ensuring that the organization is accountable to the public and government regulators.

Accountability requires that the organization: Comply with all applicable laws and ethical standards. Adhere to the organization's mission. Create and adhere to conflict of interest, ethics, personnel, and accounting policies. Protect the rights of members. Prepare and file financial reports with the IRS, state regulatory authorities and funding sources. Make the reports available to all board members and members of the public who request them. Internal controls help ensure accountability to the public and to funding sources.

Internal controls protect the assets of an organization, create reliable financial reporting, promote compliance with laws and regulations, and facilitate effective and efficient operations. They relate to accounting, to reporting, and to the organization's communication processes. Internal controls include procedures for handling funds received and expended by the organization. They also include preparing appropriate and timely financial reporting, conducting the annual audit of the organization's financial statements, evaluating staff and programs, maintaining inventory records of real and personal property and implementing personnel and conflicts of interest policies. The Fiscal Director is also responsible for maintaining passwords, back-ups and proper rights assignment for the accounting software.

Effective internal controls are imposed to protect both the employee and the employer against fraud, theft and errors.

The Agency must disclose, in a timely manner, in writing to the Federal awarding agency or pass-through entity all violations of Federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the Federal award. Failure to make required disclosures can result in any of the remedies described in §200.338 Remedies for noncompliance, including suspension or debarment (2 CFR 200.113).

Conflict of Interest

All employees and members of the Board of Directors are expected to use good judgment, to adhere to high ethical standards, and to act in such a manner as to avoid any actual or potential conflict of interest. A conflict of interest occurs when the personal, professional, or business

interests of an employee or Board member conflict with the interests of the organization. Both the fact and the appearance of a conflict of interest should be avoided.

Upon or before hire, election, or appointment each employee and Board member must provide a disclosure of all direct or indirect financial interests that could potentially result in a conflict of interest. Examples include employer, business, and other nonprofit affiliations, and those of family members or a significant other. This written disclosure will be kept on file and will be updated annually and as needed. Employees and Board members must disclose any interests in a proposed transaction or decision that may create a conflict of interest. After disclosure, the employee or Board member will not be permitted to participate in the transaction or decision. Should there be any dispute as to whether a conflict of interest exists: The Chief Executive Officer shall determine whether a conflict of interest exists for an employee, and shall determine the appropriate response. The Board of Directors shall determine whether a conflict of interest exists for the Chief Executive Officer or a member of the Board, and shall determine the appropriate response.

Segregation of Duties

ESC's financial duties are distributed among multiple people including employees outside of the fiscal department to help ensure protection from fraud and error. The distribution of duties aims for maximum protection of the organization's assets while also considering efficiency of operations.

Physical Security

ESC maintains physical security of its assets to ensure that only people who are authorized have physical or indirect access to money, securities, blank checks, real estate and other valuable property.

Loans

Interagency loans (between programs) will be approved by the Chief Executive Officer. Loans from programs that are unallowable will not be made. Interagency loans must be repaid prior to the end of the program year whenever possible.

Loans from outside sources (other agencies, banks, etc.) will be approved by the ESC Board of Directors. A resolution will be signed by the President of the Board. A promissory note will be signed by the Chief Executive Officer on behalf of the Board of Directors before funds are borrowed.

Financial Planning & Reporting

The organization's audit is prepared in accordance with Generally Accepted Accounting Principles (GAAP). The presentation of the audit shall follow the recommendation of the Financial Accounting Standards Board (FASB) No. 117, "Financial Statements of Not-For-Profit Organizations." Under GAAP, revenues are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the organization are classified as unrestricted, temporarily restricted and permanently restricted.

ESC's accounting reports and financial statements will be prepared according to funding sources guidelines and reporting requirements (i.e. expensing assets purchased with program funds rather than depreciating those assets).

Budgeting Process

ESC's annual agency-wide budget is prepared by the Fiscal Director and approved annually by the Chief Executive Officer and the Board of Directors. The budget is revised during the year only if approved by the Board of Directors. Individual program budgets are prepared by the appropriate Division Director with assistance from the Fiscal Director.

The Division Director will work together with the Fiscal Director to ensure that their annual budget is an accurate reflection of programmatic and infrastructure goals for the coming year.

The Fiscal Director will ensure that the budget is developed using the organization's standard revenue recognition and cost allocation procedures.

Internal Financial Reports

The Fiscal Director prepares regular financial reports on a monthly basis. All reports are finalized no later than 30 days after the close of the prior month.

The Fiscal Director is responsible for producing the following year-to-date reports within 30 days of the end of each month: Statement of Financial Position (Balance Sheet) and Statement of Activities (Income Statement) for the Corporations and Budget v. Actual expenditure reports for each program.

The Chief Executive Officer and Board Finance Committee review financial reports each month, and the Finance Committee presents reports to the full Board of Directors.

On a quarterly basis, the Fiscal Director will meet with each individual Division Director to review all of their program budgets.

Audit

Each year an audit will be completed by an independent CPA firm for Economic Security Corporation of Southwest Area. Unless otherwise specified the audits will be conducted using the guidelines of OMB Uniform Grant Guidance. Audits will also be completed for individual programs for any funding source that requires it.

Tax Compliance

The Fiscal Director will be responsible for completing Federal and State payroll tax forms and reports such as IRS-941, State withholding forms and State unemployment reports and workers compensation reports.

The Fiscal Director will also be responsible for timely IRS-990 reports, IRS-5500 and IRS-1120 reports for Economic Security Corporation of Southwest Area, Economic Security Community Development Corporation, Zahn Apartment Management 2006, Inc., Drake Hotel Properties, Inc. and any other entities that may fall under these laws. These reports may be completed by an independent CPA firm.

All IRS-990 reports must be available to the public. This may be accomplished by having them available on the ESC web-site.

Revenue & Accounts Receivable

Invoice/Grants Receivable Preparation

Upon receipt, copies of all grants and contracts will be forwarded to the Fiscal Office. The Fiscal Director will prepare a general journal entry to record each award and will list each award on the grant and contract register. A copy of all grants and contracts will be maintained in the Fiscal Office files by funding sources. These grants may be stored electronically as long as they meet the guidelines in the recordkeeping policy.

All grants and programs are invoiced according to the individual funding sources to capture all revenues to ensure a regular healthy cash flow for the organization. In some cases the funding source requires monthly invoices and some funding sources require quarterly invoices.

The Fiscal Director, his/her designee or the Division Director, gathers relevant expense documentation, prepares all invoices, and submits to the funding sources according to the contract with the funding source. If the funding source requires the signature of the Chief Executive Officer or Board President that must be obtained by the Fiscal Director before the invoice/report is submitted.

The Agency must minimize the time between transfer of funds and disbursement. Advance payments are limited to the minimum amount needed and timed with actual, immediate cash requirements. Time and amount of advances must be as close as administratively feasible to actual disbursements (2 CFR 200.305) (45 CFR 74.21(b)(5)).

As part of the monthly close process, the Fiscal Director reviews an Accounts Receivable/Grants Receivable Aging report and alerts the Division Director of invoices more than 60 days overdue. The Fiscal Director determines appropriate collection efforts for long outstanding invoices. The Chief Executive Officer is also notified of any receivables that are more than 90 days outstanding.

Revenue Recognition

All revenues and contributions will be recorded in accordance with the funding source's standards or in accordance with FASB 116, if applicable, and must be credited to the appropriate revenue lines as presented in the budget and coded as designated in the Chart of Accounts.

The Fiscal Director or his/her designee is responsible for posting revenue to the general ledger.

Cash/Checks/Direct Deposit Receipts

All checks received in the mail are stamped "for deposit only" by the Receptionist. Two copies of the checks are made and the original check and both copies are then forwarded to the Fiscal Office for deposit. Fiscal will forward the second copy to the appropriate Division Director. Checks received directly in the fiscal department will have two copies made and one will be kept in the fiscal department and the other one will be forwarded to the Division Director.

All cash receipts will be taken to the Fiscal Director or Accounts Receivable Clerk who will verify amount and sign cash receipt for money received. Cash will be deposited in the bank account of the appropriate funding source.

The check log is updated daily by the Human Resources Director and it will be compared to bank statements to insure all receipts are deposited intact and timely.

Funds advanced/reimbursed to the Agency are deposited in a bank with FDIC coverage. Cash balances exceeding FDIC coverage are collaterally secured.

Deposits

A deposit slip is prepared in duplicate and includes the source, account number, and the amount of each receipt. Documentation for all receipts (copy of check, letter, etc.) will be filed by program. All deposits will be made within 5 working days and will be deposited intact.

All checks will be endorsed as follows:

"For Deposit Only"

Economic Security Corporation of the Southwest Area

The deposits will be taken to the bank by an employee other than the person that completed the deposit slip and the employee that records the deposit in the accounting system.

Expense & Accounts Payable

Payroll

All timesheets must be entered into the web-timesheet system unless there is a reason that cannot be accomplished. In the case of an employee that cannot use the web-timesheet they must submit a paper timesheet to their supervisor. Before a web timesheet is submitted to their supervisor all leave requested must be submitted as described in the Personnel Policy Handbook. Employees using the web-timesheet system must submit their vacation and sick leave requests to their supervisor via the web-based system.

If an employee is off work on bereavement leave, jury duty, Family Medical Leave Act (FMLA) or leave of absence they must submit a **paper leave request** to their supervisor. If they are off due to bereavement leave or jury duty they must enter their time on the **web-based system** and enter that leave as “earnings” and add a comment in the comment box that they were on bereavement leave or jury duty. If the employee is on FMLA or leave of absence the supervisor must submit a **paper timesheet** to the Human Resource Director for approval.

Employees must have their timesheets submitted to their Supervisor by 10:00 AM the Monday following the end of the pay period. Supervisors must check timesheets to verify that sick leave, vacation, leave without pay and local mileage are recorded correctly. Supervisors must have their employee’s timesheets submitted to the Payroll Clerk by Tuesday at 8:30 AM.

All staff payroll will be direct deposited into the employee’s bank account.

An employee of the fiscal department that does not have any payroll duties will record the information into the accounting program and upload the information for transmission to the bank. The information will be transmitted to the bank by one of the Agency check signers. The Fiscal Director will initial and date all of the direct deposit forms.

The payroll account is reimbursed by each program for gross payroll and fringe.

Employees, including those using paper timesheets, can access their paystub on the web-based system by the pay date. No stubs will be mailed unless there are extenuating circumstances.

Agency personnel will be paid every other Friday (except where requirements of individual funding sources are different).

If a supervisor is not going to be able to approve their employee’s timesheets they can assign a backup in the web-based system.

Payroll Additions, Deletions, and Changes

In order to maintain internal control any pay rate adjustment, changes to employee’s direct deposit bank information or changes to employee’s benefits must be made by the Human

Resources Department. Any adjustments to vacation, sick leave or other balances must be approved by the Human Resources Director or Fiscal Director and entered by the Assistant Human Resources Director.

Employee Retirement Accounts

All full-time and part-time employees are eligible to participate in the Agency's 403(b) plan. After one year of employment the agency will match the employee's contribution up to 4% of their gross pay. After 5 years the Agency will match up to 5%, after 10 years the Agency will match up to 6%. When the employee has worked at the Agency 15 years ESC will match up to 7% of their pay and after 20 years the Agency will match up to 8% of their gross pay.

There are many options available included in the regular tax deferred program and a ROTH (taxed) plan.

The employee's contribution must be from a payroll deduction.

Pay Upon Termination

Wages and vacation due (in accordance with the Personnel Policy Handbook) will be paid upon termination of the employee on the next regularly scheduled payday.

Purchases & Procurement

Cost Principles

The total cost of a Federal award is the sum of the allowable direct and allocable indirect costs less any applicable credits. (2 CFR 200.402)

Costs charged to a Federal award must be necessary and reasonable, conform to limitations, be consistent with other organization activities and be treated consistently. Costs must be determined in accordance with generally accepted accounting principles, as appropriate. They cannot be included as cost or match in any other federally funded program. They also must be adequately documented. (2 CFR 200.403)

Purchase Order Policy/Requisitions

The basis for purchase orders are purchase requisitions which shall be prepared and signed by the Division Director or his/her designee and forwarded to the Fiscal Office. If we have not previously used the vendor the requester must acquire a completed IRS W-9 form and forward it to the fiscal department before the vendor will be paid.

Each requisition must list the vendor, vendor's address, a description of the purchase, quantity of purchase, price for each item, extended amount for items, and total amount of purchase. It must include the account number and program to be charged and be signed by the Division Director or his/her designee.

For purchases less than \$1,000 a signed requisition is all that is needed (unless the purchase is equipment).

If the requisition is less than \$1,000 one copy is retained by the person making the request until the goods are received. When goods are received the copy of the requisition is attached to the invoice. The invoice will be signed by two people who will verify the purchase. They will then be sent to the Fiscal Office for payment. If a check is requested to be picked up in the fiscal office someone other than the requester must pick up the check.

The other copy of the requisition is retained by the person making the request.

Purchase Order

If the requisition totals \$1,000 or more one copy is sent to the Fiscal Office for a purchase order.

A four part purchase order will be typed. It will be signed by the Fiscal Director and if it totals \$3,000 or more it will be signed by the Chief Executive Officer. The top of the perforated yellow copy will be returned to the Fiscal Office and filed in numerical order until the material is received. The three remaining copies will be returned to the person making the request. The

white copy will be sent to the vendor. The bottom of the yellow perforated copy will be retained by the purchaser.

When the goods are received, the invoice will be signed by two people and the bottom of the yellow copy will be attached to the invoice and sent back to the Fiscal Office for payment. If a partial shipment is received it will be noted on the yellow copy of the purchase order and sent to the Fiscal Office. A copy will be made of the purchase order and the copy and signed invoice will be forwarded to the Fiscal Office when the balance of the order is received.

If a program has several small purchases per month with a vendor, they should obtain an open purchase order for the month with the average amount it has been spending per month as the amount encumbered. The employee that requested the purchase order is responsible for keeping very close track of the expenditures during the month. If they see that they are going to exceed the amount by more than \$250, they must request an additional purchase order for the balance of expenditures for the month. When the yellow copy is forwarded to the Fiscal Office it must have all signed receipts attached.

When the yellow copy of the purchase order or the white copy of the requisition is received by the Fiscal Office it will be held until the statement is received. After the statement is received it will be attached to the purchase order or requisition and an accounts payable voucher will be made. The voucher will be initialed by the person making the voucher, Fiscal Director, the Division Director and the check signer.

The top part of the yellow copy of the purchase order is maintained in a vendor file in the Fiscal Office.

All purchases of equipment must be approved by the Chief Executive.

Purchase of Equipment/Supplies/Services

All procurement transactions must comply with guidelines established in OMB Uniform Grant Guidance except where our procedures or those of the funding source are more restrictive.

The following will be used as a guide in determining when competitive quotations should be obtained. If similar items are purchased over a period of three months these procedures must be followed (except where the funding source's regulations are more stringent).

Orders under \$3,000 – The order may be placed on a personal judgment. Sources of supply on the requisition will serve as a guide.

Orders between \$3,000 and \$25,000 -- Quotations from at least three sources of supply should be obtained by telephone (must be followed up in writing), a written record made of the company, the person giving the quote, the telephone number and the prices quoted, before the request is made. This notation should be attached to the request or requisition and will be approved by the Chief Executive Officer or his designee prior to purchase.

Orders of more than \$25,000 – A formal advertised competitive bid process will be required. Quotations will be obtained from at least two suppliers on a sealed bid basis or Invitation for Bid. The bids shall be opened by the Division Director, Fiscal Director and the Chief Executive Officer or their designee. A bid sheet must be made up to present to the Executive Committee listing all specifications and bid prices. The Executive Committee will review the bid sheets in committee and submit their choice for the lowest/best bid to the Board of Directors for approval. Copies of the bids will be submitted to the funding source (if required) for approval, prior to purchase.

The following exceptions to these procedures may be allowed but must be reviewed by the Executive Committee of the Board of Directors:

- A. The item is only available from one source.
- B. The need is urgent enough not to permit the delay necessary for the required competitive purchasing procedures.
- C. The items or services are of such a nature that long range purchasing plans cannot be made.

ESC must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.

Employees must avoid acquisition of unnecessary or duplicative items. Consideration should be given to consolidating or breaking out procurements to obtain a more economical purchase. Where appropriate, an analysis will be made of lease versus purchase alternatives, and any other appropriate analysis to determine the most economical approach.

To foster greater economy and efficiency, and in accordance with efforts to promote cost-effective use of shared services across the Federal Government, ESC should enter into state and local intergovernmental agreements or inter-entity agreements where appropriate for procurement or use of common or shared goods and services.

ESC should use excess and surplus property in lieu of purchasing new equipment and property whenever such use is feasible and reduces costs.

No employee, officer, or agent may participate in the selection, award, or administration of a contract supported by an award if he or she has a real or apparent conflict of interest. Such a conflict of interest would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract. The officers, employees, and agents of ESC may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts (more than \$30). At no time will an employee, officer, or agent accept any cash from any vendor, contractor or potential contractor. Violators of this policy will be subject to disciplinary action up to and including termination of employment.

Employees involved in the procurement of articles for this Agency shall be alert to organizational conflicts of interest or non-competitive practices among contractors that may restrict or eliminate competition or otherwise restrain trade. In order to ensure objective contractor performance and eliminate unfair competitive advantage, contractors that develop or draft specifications, requirements, statements of work, invitations for bids, and/or requests for proposals should be excluded from competing for such procurement, unless authorized by the Chief Executive Officer or Board of Directors because of the complexity of the article to be procured.

Positive efforts shall be made by the Agency to utilize small business and minority-owned business sources of supplies and services. Such efforts should allow these sources the maximum feasible opportunity to compete for contracts utilizing Agency funds.

General Ledger

All equipment will be recorded in the general ledger by the Fiscal Office. An entry must be made whenever property is disposed of or acquired. This control record will be reconciled annually to the inventory list.

Independent Contractors

Consultants

Consideration will be made of in-house capabilities to accomplish services before contracting for them.

Written contracts clearly defining work to be performed will be maintained for all consultant and contract services. The contractor should provide ESC with copies of insurance certificates including liability and workers compensation unless there are extenuating circumstances. A checklist of the items necessary for the contractor files may be obtained from the Fiscal Director.

The qualifications of the consultant and reasonableness of fees will be considered in hiring consultants.

The Chief Executive Officer or his/her designee will approve proposed contracts.

Cash Disbursements

All original invoices will be immediately forwarded to the fiscal department. When material ordered has been received, the person receiving the order initials the yellow copy of purchase order (or the white copy of the requisition if it is under \$1,000) and forwards to the Accounts Payable Clerk. An employee other than the requester must sign the PO or requisition.

The invoice is matched with the yellow copy of purchase order (or a copy of the requisition) and an accounts payable voucher form is attached. Voucher is completed and coded with an account number.

Prepared vouchers are signed by the Division Director approving payment. Vouchers are posted weekly using the invoice number as a reference. After posting, the Accounts Payable Clerk or Accounting Assistant initials and dates in designated place on voucher. Invoices will be paid the next week after receipt.

Checks and direct deposits are prepared from vouchers every week by the Accounts Payable Clerk. A fiscal employee other than the Accounts Payable Clerk prints the checks and uploads the batch for direct deposits. The Accounts Payable Clerk then prepares the checks and direct deposits, dates and puts check numbers and direct deposit numbers in designated spaces on the vouchers and stamps the vouchers and invoices with a date-paid stamp. Vouchers are checked and signed by the check-signer prior to signing the checks.

Checks will have one original signature and one computer generated signature from the Chief Executive Officer, Human Resources Director, Assistant Human Resources Director or an authorized member of the Board of Directors. HUD Housing Choice Voucher checks will have two signatures that may be either computer generated or original signatures. The printing of the checks with the computer generated signature(s) will be initiated by someone other than an employee that has access to the accounting system or the person that is signing the checks.

A designated check signer will transmit the direct deposits to the bank. Vouchers are filed by vendor after bills are paid each week.

Balance in accounts payable is verified at the end of each month.

All checks are pre-numbered.

Voided checks are defaced and retained. All checks are pre-printed "Void if not cashed within 60 days."

Blank checks and undelivered checks are locked up and are only accessible by those employees that are authorized to make entries in the accounting system but are not authorized to sign checks.

Checks payable to cash are prohibited.

Petty Cash

The following petty cash funds will be maintained on an imprest basis by the Agency:

<u>Location</u>	<u>Custodian</u>	<u>Amount</u>
Central Office	Acct Clerk	\$200.00
Head Start & EHS	Area Supervisor	\$15.00/class
Family Planning	Nurse/Nurse Asst	\$40.00/person
Home Repair Dept.	Home Repair Director	\$100.00

All petty cash funds will be kept in a locked petty cash box. Only the petty cash custodian will have keys to the petty cash box.

Disbursements of less than \$ 15.00 may be made from the petty cash fund for allowable program expenditures. Purchases in excess of \$15.00 must be approved by the Chief Executive Officer of Fiscal Director.

The purchaser shall present the petty cash slip to the petty cash fund custodian for payment. A receipt for all purchases must be attached to the petty cash slip.

The petty cash fund custodian shall insure that the petty cash slip is properly completed, approved, and that a proper receipt is attached before payment is made.

At all times, the petty cash box will contain receipts and cash totaling the amount of the fund.

When the balance in the fund falls below \$ 15.00, the custodian will total disbursements by program and account classification and submit the recap and all receipts to the Fiscal Office for reimbursement.

Petty cash fund reimbursement checks will be made out to:
(Employee Name) Petty Cash

The Fiscal Office will audit all petty cash funds at least once during the program year or when any custodian leaves the employment of the Agency. Head Start petty cash will be turned in to the Fiscal Office at the end of each school year.

Any irregularities in the petty cash fund will be immediately reported to the Chief Executive Officer.

Loans will not be made from petty cash funds and money will not be provided from petty cash before a purchase is made.

Employee Expense Reimbursements

Out-of-Town Travel

All Board members, agency personnel, Policy Council members, and other authorized persons, who are traveling out of the four county service area must submit a Travel Advance Report in duplicate. This request for travel authorization must be submitted at least five days in advance of the departure date. Management Personnel, Administrative Personnel, Board members, and other persons not under the supervision of a Division Director will submit the Travel Advance Report directly to the Fiscal Office. Division Directors will approve appropriate travel for their subordinates and for Policy Council members and will forward the Travel Advance Report to the Fiscal Office. The Fiscal Office will determine whether funds are available for travel. If funding

is available, the Fiscal Director will then sign the Travel Advance Report for final approval by the Chief Executive Officer. After final approval, the duplicate copy of the request will be returned to the person requesting travel, and the original copy will be retained by the Fiscal Office until the Out-of-Town Travel Expense Voucher is turned in upon completion of travel.

If the employee or other authorized individual would like an advance of the estimated travel cost they must indicate that on the Travel Advance form. If the employee/authorized individual requests an advance both copies of the form will be retained until the check is issued and the copy of the Travel Advance form will be sent to them along with the advance check.

Within five days after completion of travel, the employee/authorized individual must submit a completed Out-of-Town Travel Expense Voucher for approval and payment. When traveling by public transportation, a ticket duplicate or receipt must be attached to the voucher. Receipts for lodging and miscellaneous expenses such as auto parking, registration fees, etc., **must** also be attached to the voucher in order to receive reimbursement. If an individual funding source requires more information (such as receipts for meals, etc.) those must be attached also. If the advance exceeds the amount of Out-of-Town Travel Expense Voucher, the difference will immediately be paid by the employee for deposit in the appropriate bank account. If the advance does not exceed the amount of the Out-of-Town Travel Expense Voucher, the difference will be paid to the employee on Friday of the next week. The Out-of-Town Travel Expense Voucher will be attached to the traveler's copy of the Travel Advance Report and submitted to the Division Director (if appropriate) for verification of travel and then forwarded on to the Chief Executive Officer for final approval. After final approval, the Out-of-Town Travel Expense Voucher and Travel Advance Report will be forwarded to the Fiscal Office for payment.

When a nonexempt employee is required to travel away from home overnight, that employee is entitled to compensation for all regularly scheduled work hours and mileage spent traveling, even if the hours fall on non-working days, such as Saturday or Sunday. For all hours spent traveling outside of regular work hours, the nonexempt employee is not entitled to pay as long as he or she is merely a passenger in a car, bus or other vehicle. If that employee drives a vehicle, he or she is entitled to be paid for the time and mileage spent driving. However, if that employee is given the option of taking public transportation or driving his or her vehicle, the employee will be paid for the hours the employee would have had to count as hours worked if he or she had taken public transportation. Mileage will be paid at the lower rate of the mileage or the cost of the public transportation.

When traveling out-of-town in a privately owned vehicle, mileage will be paid the shorter of from home, or office, to the point of destination and return, at the rate currently approved by the Board of Directors. Mileage will only be paid to and from the destination and for legitimate agency business. However, in cases where two or more employees are traveling to the same area and their departure and return times coincide, only one vehicle mileage will be paid.

Per Diem

Please be advised of a new Per Diem Policy that will become effective for travel incurred beginning August 3, 2019; and applies to Board members, Policy Council members, staff, or authorized persons who are in an overnight out-of-town travel status. These individuals will be paid \$45.00 or \$60.00 per day for their meals depending on their destination. The following is a list of frequently traveled locations with the associated per diem rates.

Kansas City, MO (Jackson/Clay/Cass/Platte)	\$60.00
St. Louis, MO (St. Louis Co. & St. Charles)	\$60.00
All other destinations in Missouri	\$45.00
All destinations in Kansas except Wichita (Sedgwick) and Kansas City (Wyandotte/Johnson/Leavenworth)	\$45.00
Wichita (Sedgwick) & KC (Wyandotte/Johnson /Leavenworth)	\$60.00
Washington, D.C.	\$60.00

The Fiscal Director maintains a comprehensive list of other locations published in the Federal Register, effective January 2019, which are high cost of travel locations. Therefore, the employee's supervisor/director may check with the Fiscal Director to see if a location is on the list. If it is the employee would receive the sixty dollar (\$60.00) per day rate.

Travelers will be paid 75% of their per diem on the days that they are traveling, regardless of what time they leave or return.

Per Diem for Day Trips

An employee making a day trip of one hundred twenty-five (125) miles or less round trip, with no overnight stay, will receive no Per Diem reimbursement.

An employee making a day trip of more than one hundred twenty-five (125) miles round trip, with no overnight stay, will receive a Per Diem reimbursement of thirty dollars (\$30).

This will require the employee to fill out an OUT-OF-TOWN TRAVEL EXPENSE VOUCHER until we can get it automated.

Local Travel Expenses

Employees will enter their local mileage in the web based timesheet system for all travel within our four county service area. Mileage to and from their residence will not be paid by the Agency unless their residence has been designated as a work station.

If he/she must travel to a location other than their assigned location on their way to work or on the way home from work they will paid the difference in the mileage to the location they are traveling to less the mileage from their house to their assigned work location. For example, if

you live in Neosho and you work at the ESC central office which is 20 miles and you stop at the Neosho center and the total miles traveled to the center and to the ESC office is 25 miles you will be paid for 5 miles (25 miles – 20 miles).

When a nonexempt employee that is usually assigned to work in a fixed location is given a special assignment to work in another city for one day, that employee is entitled to be paid for all time spent traveling and working during the day, less the amount of time required for normal home-to-work travel and meal time.

When a nonexempt employee does **not** work at a fixed location and instead travels from job to job site during the course of a regular day that employee is entitled to be paid for time and mileage from the time he or she arrives at the first job site until he or she finished work at the last job site.

Exempt employees will be paid mileage for all the above circumstances but will not be paid any wages above their fixed salary.

Employees using paper timesheets must complete the Local Travel Expense Voucher form (on the back side of the time sheet), be signed by the employee and sent to their supervisor with their time sheet. At least one of the signatures must be an original signature. No local mileage forms will be accepted by the fiscal office after 3:00 PM on the Monday following the end of a pay period.

Board members that travel to meetings and trainings from outside Joplin must submit a Local Travel Expense Voucher Form. They will be paid the following Friday after the meeting. Reimbursement will be based upon 45 cents per mile.

Division Directors/Supervisors may set limits on the number of miles driven by their employees and any unauthorized mileage may not be reimbursed.

Credit Cards

MasterCards

The primary purpose of the first MasterCard is to purchase airline tickets and to make reservations for hotels, etc. The first MasterCard should not be used for purchasing anything other than travel expenses.

If an employee must purchase anything other than travel expenses the second MasterCard must be signed out with a brief description of the purchase and the name of the vendor.

When purchasing anything with the credit cards you must follow the purchasing policy in the Fiscal Procedures Manual (requisitions, purchase order and bid procedures). You will then fill out the purchase requisition with the vendor name as MasterCard and the company that you are making the purchase from under the description of the items you are purchasing.

The MasterCard must be kept in the safe in the fiscal office except when the card is signed out.

When you bring the card back you must sign the card back in.

Wal-Mart Cards

The Fiscal Director will check out one Wal-Mart card to each division for each location except the main office. There will be three cards kept in the safe in the fiscal office to be checked out whenever there is a need for a Wal-Mart purchase. The cards for the other locations will be checked out to the person designated by the Division Director.

All Wal-Mart requisitions, receipts and supporting documentation must be turned in to the fiscal office before they will be paid. The person making the purchase must sign the receipts. Another employee must also sign the receipt to verify the purchase before bringing it to the fiscal office. All employees making purchases with their Wal-Mart credit card must follow their program's procedures if they are more stringent.

Gasoline Cards

The Fiscal Director will order a gasoline credit card for each agency vehicle. The Fiscal Director or his/her designee will assign a pin number to each employee that their Division Director thinks will need to drive an agency vehicle or operate agency equipment.

All gasoline credit cards must be locked in a secure location at all times except when in use. Gasoline credit cards may only be used to purchase gas or oil for agency vehicles or agency equipment. When making a gasoline purchase using a gasoline credit card the driver must input their pin number and the odometer reading of the vehicle at the pump. The employee must not use a different card than the one that is assigned to that vehicle unless it is approved by the Division Director, Fiscal Director or Chief Executive Officer.

Violators of this policy will be subject to disciplinary action up to and including termination of employment.

Expense Allocations

Direct Costs

There is no universal rule for classifying certain costs as either direct or indirect under every accounting system. It is essential that each item of cost incurred for the same purpose be treated consistently in like circumstances either as a direct or indirect cost. (2 CFR 200.412)

Direct costs are those that can be easily and accurately assigned to a specific award. Costs can be charged as direct cost if they are integral to the project, specifically identified with the project, explicitly included in the budget or have prior written approval and not recovered as indirect. (2 CFR 200.413)

Insurance

Hospitalization and Life Insurance forms will be maintained in insurance files by the Human Resources Director.

All Agency insurance policies will be maintained in insurance files by the Fiscal Director. Insurance policies will be carefully reviewed by the Fiscal Director and Chief Executive Officer before renewal.

Coverage should be maintained for workers compensation, motor vehicle, property, fire and theft, accident, officers and directors, child care, professional liability and other liability insurance. The Agency must also maintain adequate crime insurance.

Leases

All leases will be approved and signed by the Chief Executive Officer or his/her designee. Leases will correspond to program years whenever possible. If a lease extends beyond the program year end, a clause should be included regarding payment contingent upon availability of grant funds.

Copies of all leases will be immediately forwarded to the Fiscal Director to keep on file in Fiscal Office. The Fiscal Director will list each lease on the lease register and he/she will inform Chief Executive Officer of all expiring leases.

Beneficiary Expenses

The individual incurring expenses while carrying out duties for the Agency will complete and sign a requisition. The requisition will be signed by the individual in charge of the meeting or activity.

The requisition will be verified by the Fiscal Office. The Fiscal Director and the appropriate Division Director will approve the requisition for payment. Checks will be prepared according to the next check disbursement schedule.

Direct Client Services

All direct client services will be paid according to the rules and regulations of that program's funding source. Before payment is made, all direct client services forms must be filled out completely (including all signatures).

Any equipment purchased for a client must follow the Agency's purchase order & procurement policies.

Direct client services will be paid on the same schedule as other payables.

Prorated Costs

The copy machines at the main office in Joplin have a counter that allows it to automatically keep track of all copies made for each program. All employees that need to make copies will be issued a three digit number for each program that they are making copies for. The number must be entered into the counter before the copying machine will operate. All other copying machines will have a list next to it to keep a total of all copies made and what programs that they are being charged to. The sheets start on the 24th of the month and end on the 23rd. On the 23rd of the month a clerk will total all of the copies made for each program. The program will be charged based on the cost of each copy. These total charges, by program, are given to the Fiscal Director or Assistant Fiscal Director to charge out on the monthly allocation sheet.

Postage is run through a postage meter machine daily by the Receptionist. On the 23rd of each month, charges are totaled by program, taken from the postage meter book, and submitted to the Fiscal Director or Assistant Fiscal Director to charge out on the monthly allocation sheet.

All consumable supplies are billed to the programs, as requested. These charges are kept by the Receptionist. On the 23rd of each month, the charges are totaled by program and given to the Fiscal Director or Assistant Fiscal Director to be posted on the allocation sheet.

Long distance telephone calls will be charged to each program based on a three digit code that is entered by the employee when they make the call. Personal long distance calls should only be made in an emergency. The employee must notify the Fiscal Office of the date, time and length of the call.

Each program is charged utility charges, **space costs**, and rent **and/or** use allowance prorated on the percentage of square footage occupied by the program. This is figured on a percentage of the total cost and allocated to each program monthly.

Liability: Liability insurance for the Agency is prorated on a square footage basis per location.

Automobile: Automobile insurance is charged per vehicle to each applicable program.

Indirect Costs

All indirect costs will be charged to the individual programs based on the Agency's Indirect Cost Rate. Allocable costs are defined in 45 CFR 75.405. The Indirect Cost Rate is based on a negotiated rate obtained from the Agency's Cognizant Agency. A Certificate of Indirect Costs must be included in the Indirect Cost Proposal. These charges are figured by the Fiscal Director, or his/her designee, and posted to the allocation sheet each month.

At least twice per year, all indirect costs are reassessed and any variances are allocated back to the various programs based on a percentage of what the program has paid in the quarter. These variances are posted on the allocation sheet for the month following the quarter just ended or a general ledger entry is made to adjust the totals.

Compensation

Personnel costs will be allocated per 45 CFR 75.430-Compensation-personal services and 45 CFR 75.431-Compensation-fringe benefits. Specifically, 45 CFR 75.430(g), Nonprofit organizations. For compensation to members of nonprofit organization, trustees, directors, associates, officers, or the immediate families thereof, determination must be made that such compensation is reasonable for the actual services rendered rather than a distribution of earnings in excess of costs.

Specific instructions for submitting and approving timesheets are detailed in another section of the Fiscal Policies and Procedures Manual titled "Expenses & Accounting Payable-Payroll".

Non-Federal In-Kind Contributions

Each Division Director is responsible for the in-kind required of the program.

In-kind will be received and recorded on a monthly basis.

The employee who receives the contribution will prepare the appropriate voucher for non-federal share requirement. The employee must have the donor sign the form and employee must sign and date the form.

The vouchers for non-federal share will be assigned a rate, by the Division Director, established by funding source.

An in-kind summary will be completed monthly by the Division Directors (or their designee) who are responsible for in-kind accumulation and routed to the Fiscal Office with vouchers attached. A copy of the in-kind summary should be kept by the Division Director.

The in-kind summary will be used by the Fiscal Office to make entries directly to the general ledger of the program.

In-kind vouchers will be filed in the Fiscal Office by program and year.

Asset Management

Capital Equipment

Property Control

Equipment shall be defined as all items (purchased, government excess, or donated) with a unit cost of \$5,000.00 or more and a useful life of more than one year will be added to the agency depreciation schedule.

The Fiscal Office will enter into a computer database all information concerning computer equipment purchased over \$1,000 and all other equipment over \$5,000 and mark all new equipment with a numbered tag when feasible.

Physical Inventory

The Division Directors will take a physical inventory every year of all equipment and indicate on the listing the condition and location of the equipment, and insure that all equipment is properly explained. They will report the inventory to the Fiscal Department.

The Fiscal Department will reconcile the physical inventory with the computer database and the prior year's inventory. All discrepancies must be properly explained.

Loss, Damage, or Destruction

The Fiscal Director will immediately be notified of all cases of loss, damage, or destruction of equipment and will make a report to the Chief Executive Officer and request relief of liability from the appropriate funding source.

Disposition of Property/Equipment

When property was purchased by a funding source, that funding source's regulations pertaining to the sale of property or equipment must be followed.

The sale of Agency property/equipment or where there are no guidelines from the funding source must be by sealed bid, public sale, or by auction. There must be a public notice of the sale.

All funds received from the sale of property/equipment (over \$5,000 per item) must be returned to the program or funding source that purchased that property.

Operating Reserve

The purpose of the Reserves policy for Economic Security Corporation of Southwest Area is to ensure the stability of the mission, programs, employment, and ongoing operations of the

organization and to provide a source of internal funds for organizational priorities such as building repair and improvement, program opportunity, and capacity building.

The Operating Reserve is intended to provide an internal source of funds for situations such as a sudden increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding, or uninsured losses. Operating Reserves are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. It is the intention of ESC for Operating Reserves to be used and replenished within a reasonably short period of time. The minimum amount to be designated as Operating Reserve will be established in an amount sufficient to maintain ongoing operations and programs measure for a set period of time, measured in months. The Operating Reserve will be reviewed and adjusted in response to both internal and external changes.

The target minimum Operating Reserve Fund is equal to one month of average operating costs. The calculation of average monthly operating costs includes all recurring, predictable expenses such as salaries and benefits, occupancy, office, travel, program, and ongoing professional services. Depreciation, in-kind, and other non-cash expenses are not included in the calculation. The calculation of average monthly expenses also exclude pass-through programs, one-time or unusual, capital purchases expenses.