



FINANCE OFFICE

ACCOUNTING POLICIES AND PROCEDURES MANUAL

April 1, 2019

ACCOUNTING POLICIES AND PROCEDURES MANUAL

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I. GENERAL ACCOUNTING

General Information

- 1) Fresno County Economic Opportunities Commission's, [doing business as Fresno Economic Opportunities Commission (Fresno EOC or the Agency)], Board of Commissioners, through the Finance Committee, formulates financial policies, delegates administration of the financial policies to the Chief Executive Officer, and reviews fiscal operations and activities.
- 2) The Chief Executive Officer has responsibility for all operations and activities, including financial management.
- 3) Fresno EOC operates on a fiscal year that begins on January 1 and ends on December 31.
- 4) Finance Office oversees the Agency's fiscal budget, payroll, accounts payable, general accounting, treasury, external reporting of financial information, and the accounting system. Human Resources Office (HR) is responsible for the Fresno EOC employees and personnel files. Officers are responsible for the operations of Finance, Human Resources, and Information Technology (IT) and report to the Chief Executive Officer.
- 5) Finance Office staff will manage and process financial information. The following positions comprise the Finance Office:
 - Chief Financial Officer
 - Financial Officer
 - Finance Director
 - Assistant Finance Director
 - Accounts Payable Manager
 - Payroll Manager
 - Accounting Supervisor
 - Senior Accountant
 - Accountant II
 - Accountant I
 - Senior Account Clerk
 - Account Clerk II
- 6) All employees will follow the lines of authority on the Agency's organization chart.

- 7) Current job descriptions will be maintained for all employees, indicating duties and responsibilities.
- 8) Financial duties and responsibilities must be separated so that no one employee has sole control over cash receipts, cash disbursements, payroll, and reconciliation of bank accounts.
- 9) All employees are required to take annual vacations.
- 10) Separate bank accounts and accounting records will be maintained as required by funding source regulations. All funds are tracked so that all awards funds received and expended can be identified by source and any Federal program under which they were received.
- 11) The Agency and its programs adhere to the Federal Office of Management and Budget (OMB) Guidance for Grants and Agreements (Uniform Guidance for Federal Awards 2 CFR Part 200), unless contracts stipulate otherwise.

Head Start and Early Head Start comply with 45 CFR Part 75 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards.

Overall Accounting System Design

Fresno EOC 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, accounts receivable, and fixed assets modules interface with the General Ledger System. The general ledger is the collection of all asset, liability, net asset, revenue, and expense accounts used to accumulate all financial transactions and produce reports. 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 at a program level.

Procedures

- 1) Only duly authorized personnel will be granted user access that allows specific access into the system in accordance with the job duties of that individual. Passwords are utilized to further restrict access to accounting software and data. Personnel are instructed to not share their passwords.
- 2) 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, and the last five identify the program or contract. The last five digits are referred to as the project or cost center.
- 3) Employees involved with account coding or budgetary responsibilities will be issued a current chart of accounts and project listing, or section of the chart of accounts and project listing applicable to their program. As these lists are updated, the updated listings shall be made available.
- 4) The Financial Officer and Assistant Finance Director are authorized to set up all projects. When a new project is needed, an assessment is made to determine the program number that should be used based on available numbers and proper grouping within the existing project structure for ease of reporting.
- 5) The Program Accountant also reviews the chart of accounts to determine if any additional accounts are needed based upon approved budgets. Requests for new accounts are made to either the Financial Officer or the Assistant Finance Director. When an account number is created, an Account Code must first be established within the Configuration area. Once complete, a new Account may be added within Records. The system records the date and user who added the account within the properties of that account.

General Ledger Transactions

Purpose

To ensure that all General Ledger (G/L) entries are current, accurate and complete.

Policy

All entries will be made as soon as possible after the underlying accounting event occurs to ensure the financial records and reporting are 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 Financial Officer or Assistant Finance Director prior to being posted to the general ledger. Journal entry numbers are system generated.
- 2) The five types of entries posted to the G/L are as follows:
 - a. Accounts Payable (A/P) Journal Entry - Reports may be generated to include all "Not yet posted" transactions so all transactions entered into the system can be captured timely. Prior to posting, a validation report is run and reviewed to verify items such as dates, transaction type, fund, and project. Posting to G/L occurs weekly.
 - b. Payroll Journal Entry - Bi-weekly journal entry is created by the external payroll processor (Ascentis) and imported via an Excel worksheet to Financial Edge on a bi-weekly basis.
 - c. Accounts Receivable Journal Entry - See Cash Receipts (Section II).
 - d. Fixed Asset Entry – See Property, Plant, and Equipment (Section VI).
 - e. General Journal Entry
 1. Accountants prepare journal entries as necessary. Financial Edge assigns batch numbers automatically.
 2. Completed journal entries with proper supporting documentation are submitted to either the Financial Officer or Assistant Finance Director for review and posting.

General Ledger Closing Procedures

Purpose

To ensure the accuracy of financial records and reports.

Procedures

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

- 1) Balance sheet accounts are reviewed and analyzed and necessary journal entries are posted by the Financial Officer or Assistant Finance Director.
- 2) Revenue and expense accounts are reviewed for necessary revenue accruals or deferrals by Program Accountants.
- 3) Indirect charges are computed based upon budget and year-to-date (YTD) expenses.
- 4) After all journal entries are recorded, the Program Accountant prepares any applicable program billings and then prepares and submits monthly Progress Reports to the Financial Officer and appropriate Program staff. The report provides a comparison of YTD revenues and expenses against YTD budget based upon the program-funding period.
- 5) Balance Sheet and Income Statement are generated for Assistant Finance Director and Financial Officer's review.
- 6) 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 Agency 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 storage devices. The IT Office is not responsible for the backup of files located on employee computer hard drives.

Procedures

Physical and virtual servers have a backup agent (Symantec) responsible for starting the daily backup of data per server located at 1920 Mariposa Mall and one server located at 3110 W. Nielsen Ave. Backups of “off-site” servers located at program sites are the responsibility of IT Office staff as well. Data is backed up to a Buffalo backup device.

For each physical server backup, there are 15 backup copies available within a 15-day (3 week) rotation. Each copy is labeled with the date of the backup. After the 15th backup occurs, the 3-week rotation begins again deleting/overwriting the oldest backup file.

For virtual servers, the backup agent takes a snapshot of the server and stores this locally to the storage array.

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. Incremental backups run Monday through Thursday. Full backups run every Friday.

Once all physical and virtual backups are complete, a secondary backup begins copying all backup files/images to private cloud storage at a remote location. Cloud backup storage only serves as a backup to the primary backup.

- 1) For each physical server, responsible IT staff will, no later than the close of the business day, check the backup log to determine the status representing the previous business day's backup.
- 2) Responsible staff will complete the Backup Log on a daily basis, recording backup dates and any issues that arise from the previous night's backup.
- 3) 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.
- 4) Any errors will be acted upon in a manner commensurate with the type of error.
- 5) Responsible IT staff will use contract technical support (VMWare) as needed to resolve problems and ensure the validity of backup data.
- 6) The IT Office will perform file/data restores from the shadowed backup copies on the virtual file server 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 staff will use contract technical support (VMWare) 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 ensure that all records necessary for business and compliance reasons will be retained for a period of time that will reasonably assure their availability when needed, but for no period of time longer than reasonably necessary. This policy is intended to supplement, but not replace, any state and federal laws governing the destruction of documents and records.

Policy

It is the policy of the Agency to retain and manage 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. (2 CFR 215.53) "Records" means all documents, files, or records created by any Agency personnel while acting within the course and scope of his or her duties pertaining to Agency business or operations, including, but not limited to: computer records, electronic mail ("e-mail"), voicemail messages, handwritings, photographs, photocopies, or facsimile, regardless of the manner in which the record has been stored.

Procedures

- 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, e-mails, memos, or notes;
 - b. Proposals (received or submitted) that were not acted on;
 - c. Phone books, notebooks, unused office supplies;
 - d. Hanging folders, empty binders, binder clips (these should be removed and reused if worthy, discarded if not); and
 - e. Duplicated items should be purged before they are boxed.

3) Retention time guidelines:

- a. Most business records have suggested retention times of no more than six years. Multi-year contracts may require longer time to prevent the earliest records from being destroyed prior to the contract closeout and audit.
- b. Records must be retained long enough to comply with grant/contract requirements.
- c. Records for real property and equipment shall be retained for three years following asset disposition. (2 CFR 215.53(2))
- d. No records will be destroyed or deleted if pertinent to any ongoing or anticipated government investigation or proceeding or private litigation.
- e. No records will be destroyed or deleted as required to comply with government auditing standards.

4) Labeling guidelines:

- a. A standard box with dimensions of: 10"H x 12"W x 15"D are acceptable, provided they have a lid.
 - 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 width and depth to provide the best strength and stability.
- b. 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.
- c. Enter the destroy date in the top-right corner as a year only. This date should be in RED marker. Boxes marked with the current year (i.e. if you want the box retained for any portion of 2013, enter 2014 as the destroy date) will be destroyed annually.

- d. 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.
- e. 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.
- f. The box should display the above information as shown below:

Box #		Destroy date
Program Name / Contents description		

- 5) Programs will 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 or unit, Contents Description, 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 recordkeeping and retrieval easier. Boxes will be stored at the warehouse in box # order.

Example:

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

- 6) Custodian assigns box number when boxes have been delivered.
- 7) Custodian returns to Program the Excel file with box numbers filled in.

Example:

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

- 8) Requests for retrieval from storage will be made by referencing the box number.
- 9) 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.
- 10) Custodian will complete the catalog by adding columns to record when boxes are returned to the Program or destroyed.

Example:

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	Treasury	Bank reconciliations 2007, all accounts	2013		

II. CASH MANAGEMENT

Cash Receipts

Purpose

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

Policy

All cash received will be deposited a minimum of twice per week.

Procedures

Receipts Received by Mail:

- 1) Checks received in the mail are logged by the front desk staff noting date received, payee, check date, and amount. Checks and supporting documents are scanned by the Front Desk staff. Checks, check logs, and scanned documents are provided to the Treasury staff who add any cash receipt activity to the logs. Treasury staff then submits documentation to the program accountants for coding and, if needed, bank account identification on a daily basis.
- 2) Program Accountants note the client ID and charge or invoice 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 / Account Clerk who then runs a tape of checks by bank account and prepares a deposit for each account.
- 3) Any funds that are received by the Finance Office that are not deposited are stored in the safe within 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.
- 4) To the extent possible, checks are deposited electronically into either Fresno EOC's CAP account or Access Plus Capital's checking account. The Treasury Accountant / Account Clerk use the bank software and check scanner associated with each of these accounts 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 Financial Officer or Assistant Finance Director.

- 5) Checks which need to be deposited to other accounts, checks that could not be read by the scanner, and all cash received are deposited at the bank. The Treasury Accountant / Account Clerk groups items by bank account and prepares a duplicate deposit ticket for each deposit.
- 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 taken to the bank. All items received are confirmed as either being deposited or available for deposit.
- 7) Prepared deposits are dual counted and verified before they are sealed in a bank deposit bag. The bag is given to an individual authorized by either the Chief Executive Officer or the Chief Financial Officer who delivers the sealed deposit bags to the bank. Cash received is generally deposited on a weekly basis.
- 8) The Treasury Accountant / Account Clerk enters the deposit in the A/R module of the accounting system. A print out of items entered by bank account is generated and attached to supporting documentation.
- 9) The yellow copy of the deposit slip is attached to the supporting deposit documentation and then the deposit batch is filed by batch number.
- 10) Accounts receivable is generally validated and posted weekly. Financial Edge assigns the journal entry batch number sequentially.
- 11) The receipt log is reconciled to the deposit documentation by an individual who does not perform Treasury duties to verify all received funds are deposited into the bank.

Cash received at the Programs:

Health Services Center

- 1) Checks received at the Health Services Center are processed by the Revenue Cycle Manager. Payments are applied and posted to the appropriate patient accounts in the Health Services Center's Practice Management System Accounts Receivable software. Accounts Receivable transactions are recorded, posted, adjusted, written off, and reconciled with the summary listed on the Insurance Explanation of Benefits attached to the checks received.
- 2) Checks are recorded in a summary of deposit form then 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 the accounting software.

Also see: Fresno EOC Health Services Clinic Revenue Cycle Management Policies and Procedures.

Food Services

- 1) Checks received at the Nielsen location are forwarded to the Treasury Accountant / Account Clerk who will follow the same procedures as with checks received in the mail.
- 2) The Treasury Accountant / Account Clerk counts the cash received from the Café at the end of each day. A receipt is given to the cafe sales clerk for the amount of cash received. Reports from the credit card / cash drawer system, Square, is subsequently used by the Program Accountant to reconcile the amount of cash received to the sales activity.

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 administrative office at Fresno Executive Plaza. 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 staff 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 no less than semi-weekly basis by School Age Child Care program staff. The duplicate deposit slip and the summary worksheet are submitted to Program Accountant for entry into the Accounts Receivable system.

Transit Systems

Drivers

- 1) Fares are collected in a locked fare box.
- 2) Cash is turned in to the Transit Systems office on a daily basis in sealed plastic tamper-proof bank deposit bags.

- 3) Daily log of fares collected are turned in to the Transit Systems office at the end of each day.

Transit System Office

- 1) The sealed bags are opened and the count is verified by two Transit Systems staff.
- 2) Cash counted is agreed to cash collected per the daily log sheet and a deposit ticket is prepared. Both staff initial the deposit slip and seal the consolidated deposit into a new sealed bank deposit bag.
- 3) Deposit is made by the Business Manager at the bank daily.
- 4) Copy of the deposit slip is attached to cash count sheet and sent to Accountant for entering in to the A/R system.
- 5) Cash is kept in a secure place at all times.

Access Plus Capital

- 1) The Business Development Officer (BDO) ensures that repayment of loans are made in accordance with the promissory note.
- 2) For payments received directly by Access Plus Capital staff, a copy of the borrower's receipt is delivered to the Treasury Accountant / Account Clerk along with the cash and/or check by Access Plus Capital staff. An original receipt is issued by the Finance Office staff to the Access Plus Capital staff for the amount of money received in accordance with the standard procedures followed for checks received in the mail that is matched to the copy of the borrower's receipt.
- 3) For clients who opt to have their payment deducted directly from their bank accounts via ACH Autopay, the payments will be scheduled for deduction on either the first or the tenth of the month. Approximately a week prior to the processing of the ACH payments, the Treasury Accountant will review the Monthly Payments Recap worksheet with Access Plus Capital staff to verify that any changes to borrowers, borrower bank accounts, and/or payment amounts are updated. The updated information is entered into the Batch Summary Report template within Citibank. The Treasury Accountant then validates the batch and submits it to either the Assistant Finance Director or Financial Officer for approval. Batches must be approved one business day prior to the scheduled processing date.
- 4) A copy of the loan payment(s) is routed to the Program Accountant for entry into the appropriate loan database and into the financial system.

Local Conservation Corps (LCC) Recycling Program

Purpose

To document the procedures which are unique to the operations of Local Conservation Corps' (LCC) grant funding from the California Department of Resources Recycling and Recovery (Cal Recycle) in terms of collecting / receiving recyclable materials and the redemption of those materials into cash. Expenditure and cost allocation of these funds are to be in compliance with the policies and procedures described later in this manual, as well as with the grant guidelines.

Friant Buyback Center (Redemption Center):

1. A cash request is initiated by the Buyback Supervisor. The request is submitted by email via Cash Request Form, with amount and denominations specified. Program Assistant (PA) goes to the bank and makes the cash withdrawal. The cash is double counted upon return with another PA. Both Program Assistants initial the count and cash is placed in a bank bag, inside of a sealed security bag with amount and initials, and placed in the safe (located in office of Program Manager). Staff log their initials, date, and time each time the safe is opened.
2. Buyback Supervisor takes sealed security bag to Buyback Center, opens sealed security bag at business location, enters daily deposit into register, begins daily Reconciliation Form, and opens for business.
3. At the end of business day, Buyback Supervisor balances register, counts cash, and places it in sealed security bag.
4. Buyback Supervisor double counts cash with PA and both initial daily Reconciliation Form (accompanied by receipts from daily sales) and then place cash in a new security bag, initialed and dated by both staff.
5. Reconciliation Forms are sent to the Finance Office with all End of Business (EOB) receipts and Sales Transaction Summaries for the month.
6. Files are kept on site at LCC of all copies of daily sales, Reconciliation Forms, and all bank activity.

Off-Site Accounts at Friant Buyback Center:

Off-Site Accounts are non-profit or school accounts that have entered into agreement with LCC's Recycling Program Friant Buyback Center. An off-site agreement is secured and the Off-Site Account is set-up as an Accounts Payable Vendor with the Finance Office and at the Buyback Center.

1. The non-profit or school sites receive regular collection and materials are sorted and processed at the Buyback Center.
2. Materials are sorted and weighed, and the Buyback Supervisor processes the materials on behalf of the Off-Site Account.
3. Transactions are logged in the software and receipts are kept at the Buyback Center and daily copies are brought to Program Assistant.
4. Program Assistant completes an Accounts Payable report and submits to the Finance Office for checks to be issued to Off-Site Accounts following the month of collection.
5. Copies of receipts are kept at the Buyback Center and quarterly receipts are mailed to the Off-Site Account.
6. Checks are mailed by the Finance Office.

Redemption Center Sales:

1. Sales of bottles and cans are tracked in the Powersell Software System.
2. Purchase summaries are printed to match weight and amount to be sold to LCC's contracted recycler.
3. Buyback Supervisor initiates sale of product by indicating when a truck is full and ready for processing.
4. Buyback Supervisor completes Shipping Report (DR-6) requests form (indicating dates and amounts of each commodity that will be on the truck), and submits to Program Assistant (PA).
5. PA logs into CalRecycle's DORIIS Portal and enters Shipping Report (DR-6) which contains information for each commodity on the loaded truck.

6. The Shipping Report (DR-6) are printed and placed in a folder for a field supervisor to take to the contracted recycler.
7. Once sold to LCC's contracted recycler, a check issued to the program is prepared within a few days.
8. Program Assistants picks up the check(s) and delivers check(s) to the Finance Office for deposit following the standard deposit procedures.
9. Files of each month's sales are kept on-site at Local Conservation Corps.

Special Projects Sales:

1. All CRV and non-CRV beverage containers are sorted and processed (baled) on-site.
2. When the hoppers are full, or bales are made, staff takes product to the contracted recycler to sell.
3. Trucks are weighed on the scales, dumped for sales, and a weight ticket is issued.
4. LCC's contracted recycler, creates a single Shipping Report (DR-6) at the end of the month, with a combined total of all of the special project sales for the month. This total weight should match the cumulative weight tickets.
5. A single check is issued to the program for the entire month.
6. Program Assistants pick up the check, files a copy, and sends original to the Finance Office.
7. All files of recorded sales, weight tickets, and copies of checks are kept on-site.

Electronic Waste (E-waste):

1. E-waste is collected at drop off events, businesses, and residential pick-ups.
2. Field staff track all product on an in-house E-waste collection form, which indicates name, address, and items collected.

3. Once enough items have been collected to deliver to the recycler, the Field Supervisor and Program Assistant close the load. Each load is identified by a number and date range.
4. All of the field collection logs for that load are submitted to the Program Assistant, a Collection Log (CL) and Transfer Receipts (TR) are completed, and will be reviewed and signed by the Program Manager.
5. The Collection Log and Transfer Receipts are sent to LCC's contracted recycler for an appointment request.
6. The contracted recycler review and approve the CL and TR, approve the load, confirm an appointment with LCC, and a shipping number is then generated.
7. Load is delivered at appointment time and a receipt and count of all items collected are issued.
8. SB20 incentive is paid out for Covered Electronic Waste (CEWs) and Cathode-ray Tubing (CRT) containing devices, while the program is charged for other items.
9. LCC keeps an account with Electronic Recyclers International (ERI) and credits are paid in the form of a check.
10. When a check is received, a copy is kept on-site and the original is forwarded to the Finance Office.
11. All documents related to collection and delivery are identified by Load numbers and corresponding shipping numbers, with all documentation kept on-site in an E-waste binder.

Accounts Receivable System

Purpose

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

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 designated Accountant, Accounting Supervisor, and Financial Officer will review the A/R aging report monthly. Amounts outstanding over 90 days will be investigated.

Procedures

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 client record.
- 2) The name of the Program Accountant responsible for the contract is entered in the designated field. This will allow reports to be sorted by Program Accountant.
- 3) Payments are applied to specific charges or invoices using the Add/Edit Applications function.
- 4) 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 reported to the funding agency. When a monthly billing is not required for a program, the revenue will be accrued at the time the progress report is prepared or as cash reimbursement requests are prepared.
- 2) Charges for miscellaneous receipts are recorded in the A/R system when payment is received, unless prior knowledge of those receipts is available.

Reconciling A/R Module 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. Outstanding items over 90 days are investigated and cleared.
- 4) A receivable report is prepared and submitted to the Financial Officer at the end of each month.

Account Receivable Write-Offs:

All available means of collecting accounts receivable will be exhausted before write-off procedures are initiated. Write-offs are initiated by the program associated with the amount to be written off, in conjunction with their Program Accountant. If an account receivable is deemed uncollectible, the following approvals are required before the write-off is processed:

<u>Amount</u>	<u>Authorized in writing by</u>
Less than \$10,000	Financial Officer and Program Director
\$10,000 – \$ 74,999	Officer (CFO, CPO, HR, COO)
\$75,000 – \$ 99,999	Chief Executive Officer
\$100,000	Finance Committee

Customers listed as poor credit risks will be extended future credit only if the back debt is paid and the customer is no longer deemed a collection problem.

If write-off procedures have been initiated, the following accounting treatment applies:

- 1) Current year invoices that are written-off will either be charged against an appropriate revenue or revenue adjustment account, or against the original account credited.
- 2) Invoices written-off that are dated prior to the current year will be written-off as bad debt expense.

Cash Disbursements/Accounts Payable

Purpose

To safeguard the disbursement of Agency funds for authorized purposes in a timely manner.

Policy

All invoices over \$25 must be approved by authorized Agency personnel. The Financial Officer maintains the master 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 \$5,000 will have two authorized signatures.

Checks registers must be approved by the Assistant Finance Director and Financial Officer. Internal Audit will also sign-off on the register to signify completion of their review.

Procedures

- 1) New vendors are reviewed and approved by the Accounts Payable Manager prior to entering into Financial Edge. The review process includes a search of the Excluded Parties List System (EPLS) within the System for Award Management (SAM) to ensure the vendor is not excluded from providing services. As applicable, the contractor's state license status will be reviewed online with the Department of Consumer Affairs Contractors State License Board. After approval, the vendor record is set up by the Accounts Payable Manager. When required by the IRS, a Form W-9 is completed by new vendors and is kept on file in Accounts Payable. (See Appendices I and II)
- 2) Invoices are date stamped by the Account Clerk and are matched with the purchase order (P.O.), 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. Designated Accountant and/or Accounts Payable Manager review for any input errors.

- 5) Any necessary changes are made by the Account Clerk. Checks are printed on Tuesdays after all changes have been made. Electronic Fund Payments (EFT) are processed on Mondays. The minimum check amount will be \$25 unless approved by the Assistant Finance Director of Financial Officer. The Assistant Finance Director prior to the payments being prepared, reviews and approves the Pre-Disbursement Report. The approved payments are then prepared by the Accounts Payable Manager or designated Accountant.
- 6) Amounts under \$25 payable to employees should be drawn from the program petty cash fund. Checks shall never be made payable to "bearer" or "cash".
- 7) Checks and check register listings are printed and all check numbers are accounted for on the check log by the Accounts Payable Manager. Checks are signed with facsimile (see check signing procedure).
- 8) Backup documents are attached to the checks. The Quality Assurance Accountant(s) reviews checks and backup.
- 9) Checks are separated by over and under \$5,000. The overs are forwarded to the Financial Officer, or other designated check signer, for a second review and signature.
- 10) Payments under \$5,000 are reviewed on a sample basis chosen individually by the Financial Officer, Chief Financial Officer, and Internal Auditor.
- 11) Checks and EFTs are filed separately in numerical order.
- 12) The Finance Office will mail all checks, unless otherwise instructed.
- 13) A Positive Pay system is utilized so that a listing of all the checks written, including check number, amount, and payee, is electronically transmitted to the bank. Any discrepancies noted by the bank are noted in the daily banking reports run by the Treasury Accountants each morning.
- 14) Checks may be voided due to processing errors by making proper notations in the check register and defacing the check by clearly marking it as "VOID." All voided checks are retained for bank reconciliation purposes.

Credit Card Procedures

Use of Officers and Directors' Agency Credit Cards

Purpose

To establish uniform procedures regarding the appropriate use of Agency credit cards held in Agency officers' and Directors' names.

Policy

Credit cards are the responsibility of the cardholder. In addition to Officers, Program Directors may have credit cards issued to them following approval of their appropriate Officer based upon business needs and ability to comply with the record keeping requirements. Only charges for Agency activities are allowed – No personal charges are allowed. In the event that any personal charges are made in error, repayment of the amount must be promptly made to the Agency. If such instance becomes pervasive or significant in amount, appropriate disciplinary actions along with removal of credit card access will occur. Any fraudulent use of the credit cards, or inappropriate disclosure of the credit card information, will result in disciplinary actions.

Procedures

- 1) Account and project coding will be entered into the online banking system by the cardholder, or their designee, for each charge that is incurred along with any relevant notes for that transaction. 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.
- 2) The monthly statement of activity will be approved by the Chief Executive Officer, or designee. Payment of the total amount due is made monthly.
- 3) The Accounts Payable Manager will reconcile the statement with the receipts and expense reports received. Any charge not supported by appropriate documentation will be referred to the cardholder that incurred the charge.
- 4) A journal entry will be prepared to record the expenses in accordance with the receipts and supporting documentation received. The journal entry will be reviewed and posted by the Assistant Finance Director.
- 5) If a card is lost or stolen, this must be immediately reported to the Finance Office so that the card may be deactivated to prevent fraudulent activity.

Use of Agency A/P Credit Cards and Retail Store Credit Cards

Purpose

To establish uniform procedures regarding the appropriate use of Agency A/P credit cards and charge accounts established with various vendors.

Policy

Charge cards that are issued by vendors are kept in a secured location within the Finance Office. The cards are issued to Fresno EOC; individual names are not printed on the cards. Only charges for Agency activities are allowed – No personal charges are allowed. In the event that any personal charges are made in error, repayment of the amount must be promptly made to the Agency. If such instance become pervasive or significant in amount, appropriate disciplinary actions along with removal of credit card access will occur. Any fraudulent use of the credit cards, or inappropriate disclosure of the credit card information, will result in disciplinary actions.

Procedures

- 1) When a program needs to make a purchase using the charge card, the Treasury Accountant / Account Clerk signs out the card to the responsible employee. A log is kept to record the issuance and return of each card, which shows the date issued, program, phone number, and purchase order number. Employees must submit a completed purchase order with an authorized signature in order to sign-out a card.
- 2) Without the written approval of a Program Director, the cards are not allowed to be signed-out over the weekend or overnight. The purchase is to be made the same day the card is signed-out.
- 3) After the employee has made the purchase, they must return the card and original 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.
- 4) If a card is lost or stolen, the Finance Office must be notified immediately so that action is taken to prevent unauthorized charges.

Check Signing Procedures

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.

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 signer will go with the backup person to the plate custodian and request the facsimile plate.
- 2) Backup 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 signer signs the checks.
- 5) Authorized check signer and backup person returns the facsimile plate to the custodian.
- 6) Plate custodian returns the plates immediately to the storage room safe.

Petty Cash Funds

Purpose

A petty cash fund may be established for small vendor purchases, provided the amount of the fund does not exceed \$500.

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 announced and unannounced cash counts.

Procedures

- 1) The Program Director or Officer will approve the "Petty Cash Affidavit" request for a petty cash fund that has also been signed by the Petty Cash Custodian denoting responsibility for the funds entrusted to that individual. The original form will be submitted to Human Resources for retention in the employee file and a copy will be provided to Accounts Payable and Internal Audit. (See Appendix III)
- 2) Funds not accounted for upon employee termination will be invoiced to the employee.
- 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 will be disbursed from the petty cash funds. Amounts in excess of \$50 should be submitted to A/P for reimbursement by check.
- 5) On a regular basis, that is not less than semi-annually, the custodian will total the disbursements by account classification and submit the recap and all receipts to the Finance Office for reimbursement. Custodians must also submit recap and receipts prior to closing the fiscal years of both their program and of the Agency at December 31st.
- 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 Financial Officer and Program Director.
- 8) When a new petty cash custodian is appointed or the petty cash fund is closed, all receipts and remaining cash is to be submitted for reconciliation and deposit. A Petty Cash Release of Liability form is to be completed and will be forwarded to Human Resources and Internal Audit to record the release of liability.

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.

All checks will be printed in duplicate.

The maximum amount of any check will be \$1,000.

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 Fiscal Compliance Manager and the other signature will be one of the authorized personnel from the list on file in the Finance Office. In general, the second signature will be the Information System Administrator.

At least once a month, Head Start will submit to the Assistant Finance Director or the Financial Officer 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.

When needed, the Treasury Accountant will issue all stop payments after receiving a written request from the Head Start Program Director or Fiscal Compliance Manager.

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 signatory reviews the documentation and signs the check.
- 4) The Head Start Program 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.

Bank Account Transfer Procedures

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 Fresno EOC should be minimized and limited to the actual, immediate cash requirements of Fresno EOC (2 CFR 200.305(b)).

Advances of Federal funds will be deposited in an interest bearing account, unless the following apply:

- Recipient receives 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 \$500 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.
- A foreign government or banking system prohibits or precludes interest bearing accounts. (2 CFR 200.305(b)(8))

Interest earned on advances in excess of \$500 per year will be returned to the funding source. (2 CFR 200.305(b)(9))

Procedures

Fresno EOC:

- 1) Reports showing the invoices and credit memos processed, summarized by bank account are ran weekly. Payroll costs are summarized by bank account based on the payroll journal entry.
- 2) Programs with specific bank accounts associated with them are also reviewed on a monthly basis for the impact of journal entry and accounts receivable transactions. Based on the intercompany activity incurred within the programs, cash is transferred between the respective bank accounts. Supporting documentation for this review is included within the backup for the cash transfer.
- 3) Funds requested and received through the Payment Management System (PMS), which are for programs not banked in the Head Start bank account, are identified for transfer once the request has been processed.

- 4) Cash needs as identified in the previous steps are compared to cash available. Cash in the interest-bearing money market accounts is transferred to the CORE account in amount less than or equal to the cash needs. The balance in the CORE account is used to pay checks in the Accounts Payable, Payroll, and Health Benefits accounts.
- 5) Transfers are done weekly through the online access service provided by the bank. The Treasury Accountant enters each transfer and they are approved by the Assistant Finance Director or Financial Officer.
- 6) The weekly transfers are recorded into Financial Edge via a journal entry.

Access Plus Capital:

Access Plus Capital receives lending capital from a variety of sources which each have unique restrictions on the types of loans that can be issued with those funds. Loans issued to borrowers may be multi-funded from several sources of lending capital. In order to accurately account for the lending and repayment activities by source of lending capital, all transactions are tracked and reconciled on a monthly basis.

- 1) All loans issued to borrowers are initially funded by the primary checking account for Access Plus Capital. Similarly, all repayments from borrowers are initially deposited into this same account.
- 2) On a monthly basis, the Program Accountant for Access Plus Capital runs a report from the loan software that shows the net activity which occurred within each specific source of lending capital.
- 3) This report is reconciled by the Treasury Accountant to the banking transactions for the month.
- 4) Once reconciled, cash is transferred to/from the various bank accounts.

Methods for Obtaining Federal Cash

Purpose

To obtain funds from various federal funding sources.

Policy

When funds are to be received directly from the United States Treasury, the methods and policies concerning the request and receipt of funds is governed by the grantor agency. Fresno EOC receives funds directly from Federal Agencies using two payment request systems: Payment Management System (PMS) and electronic Line of Credit Control System (eLOCCS). PMS is utilized by a number of Federal funding agencies such as: Health and Human Services (HHS), Department of Labor (DOL), and Corporation for National and Community Services (CNCS); whereas, eLOCCS is utilized solely for Housing and Urban Development (HUD). The Financial Officer and Assistant Finance Director have been granted access to make cash requests from these agencies via the services they have established.

Requests using the online Payment Management System (PMS) include program areas such as Head Start, Early Head Start, Sanctuary, and Foster Grandparent. The majority of funds requested using this account are directly deposited into the Head Start money market account. The Foster Grandparent program (FGP) funded by CNCS also uses this system, but since a separate account has been created, funds are directly deposited to the FGP money market account.

Requests from HUD are made using the online electronic Line of Credit Control System (eLOCCS). Program areas include the Sanctuary Housing Projects. All funds requested are directly deposited into the CAP money market account.

Procedures

Payment Management System (PMS):

- 1) Recipients must use the Direct Deposit Sign-Up Form (SF 1199A). This form collects the information necessary for the Division of Payment Management (DPM) to have Federal funds electronically deposited into the recipient's bank account. Sections 1 and 2 of the 1199A are to be completed by the recipient; the recipient's financial institution completes Section 3.
- 2) Financing of recipient programs is normally made by advance payments for the Head Start and Early Head Start program and by expense reimbursement for the other programs. PMS is fully automated to receive payment requests, edit them for accuracy, and transmit the payment into the grantee's bank account.

- 3) Using ACH, cash drawdown requests are limited to only the funds needed for actual immediate disbursements needs. Funds requested by 2:00 PM are normally received in the bank and made available on the next business day.
- 4) Reimbursement financing may also be used. Programs prepare monthly billings following the month end to request the funds already spent.

HUD eLOCCS:

- 1) Program Activity reports showing the costs incurred during the previous month are prepared. The total costs are grouped into appropriate budget line items and the report is reviewed for accuracy and approved.
- 2) The Financial Officer and Assistant Finance Director are individually authorized to make cash request using this online system. Cash requests for each grant is tracked by the grant number within the system. Amounts requested are entered by budget line item ensuring that approved budgets are not exceeded.
- 3) Funds are wired to the Agency bank account after the request has been reviewed by the grantor.

Investments

Purpose

To invest funds in a manner which will provide maximum return, while preserving capital funds for the Agency. This policy sets forth the standards and guidelines governing the investment and management of the Agency's financial assets, defines the responsibilities of the governing parties involved in managing the Agency's investments, and identifies target asset allocations, permissible investments, and diversification requirements.

Policy

This investment policy applies to all surplus funds not required for the immediate operating needs of the Agency.

Standard of Care - Observe the Prudent Person Principle to assure that decisions are reasonable and prudent. This principle states that the fiduciary shall act with care, skill, prudence, and diligence, under the circumstances then prevailing, that a prudent person, acting in a like capacity and familiar with those matter, would use in the conduct of funds of a like character and with like aims to safeguard the principal and to maintain the liquidity needs of the Agency.

Diversification - To attain safety of principal funds, appropriate diversification is required to minimize potential loss associated with credit, liquidity, and interest rate risk. Diversification will be utilized in terms of maturity, as well as security type and issuer. The portfolio will be well diversified to avoid undue exposure to any single economic sector, industry group, or individual security.

- Except for U.S Government or U.S agency securities and Certificates of Deposit with major commercial banks, 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.

Delegation of Authority - The Board is responsible for the prudent management and oversight of the investments. The Finance Office shall monitor and review investments for consistency and compliance with this investment policy. The Board delegates the daily investment decision making execution authority to the Chief Executive Officer, Chief Financial Officer, or designee. The Chief Executive Officer, Chief Financial Officer, or designee shall follow this policy and such other written instructions as provided.

Authorized Financial Dealers and Institutions - Investment services may be provided only by institutions and security broker/dealers authorized by the Board.

Where applicable, the broker/dealer will facilitate a competitive pricing approach when purchasing securities and communicate in a timely fashion of changes in the economic outlook that may affect the investment policy or portfolio assets.

Procedures

Authorized and Suitable Investments:

- 1) Fixed income securities shall be purchased where issued by the U.S. Government, or corporate bonds, which are rated "AA" or better by Moody's or Standard and Poor's (S&P). Corporate bonds may continue to be held as long as their rating does not fall below "AA." If they fall below "AA," the bonds shall be reviewed by the Agency's investment advisors for recommendation on continued holding within the portfolio.
- 2) Short term money market investments should be limited to funds rated A1/P1 by Moody's or Standard and Poor's 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 include foreign securities and bonds as a 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 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 signatory on the account initiates all transactions (Chief Executive Officer or Chief Financial Officer).
- 3) Gains or losses from the sale of investments 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 statements.

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.

Reporting:

The Finance Office is charged with the responsibility of providing a quarterly market report on investment activity and returns to the Board and trustees. The quarterly report shall verify that the investment portfolio is in compliance with the investment policy and be rendered to Chief Executive Officer, the Internal Audit Office, and the Board within 90 days following the end of the quarter.

Prepaid Items

Purpose

To ensure proper accounting for prepaid expenses. Payment of expenses that have a time-sensitive future benefit will be treated as prepaid expenses for amortization over the corresponding period of benefit.

Procedures

- 1) Accountants will identify invoices that need to be classified as prepaid items (e.g.: insurance, travel advances, subscriptions, 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.

Bank Reconciliation Procedures

Purpose

To safeguard the Agency's assets.

Policy

Bank reconciliations 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 for those accounts.

Procedures

- 1) Bank statements are reviewed by the Assistant Finance Director and Financial Officer when received from the bank and are then forwarded to the Treasury Accountant or Quality Assurance staff.
- 2) Treasury Accountant or Quality Assurance staff will perform bank reconciliations on a monthly basis.
- 3) The Assistant Finance Director and Financial Officer will review all reconciliations.
- 4) Listing of all checks outstanding over 180 days will be provided to Accounts Payable for investigation and reissuance, where possible, or will be voided.
- 5) Bank reconciliations are filed with bank statements for permanent record.
- 6) Outstanding checks will be reviewed annually for submission to the State Controller's Office, as appropriate.

III. PURCHASING

General Policies and Procedures

Purpose

To establish uniform procedures applicable to all forms of purchases for the Agency which are in compliance with OMB 2 CFR Part 200 and other applicable federal statutes and grant requirements and that will support the Agency's credit worthiness.

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. Procedures related to purchasing, contracts, and all related forms of commitment must support ethical, responsible, and reasonable actions.

Competition

All procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, open and free competition. To promote open and full competition, purchasers will:

- Be alert to any internal potential conflicts of interest.
- Be alert to any noncompetitive practices among contractors that may restrict, eliminate, or restrain trade.
- Not permit contractors who develop specifications, requirements, or proposals to bid on such procurements.
- Award contracts to bidders whose product or service is most advantageous in terms of price, quality, and other factors.
- Issue solicitations that clearly set forth all requirements to be evaluated.
- Reserve the right to reject any and all bids when it is in the Agency's best interest.
- Not give preference to state or local geographical areas unless such preference is mandated or permissible under Federal statute (2 CFR Part 200.319(b)).
- "Name brand or equivalent" description may be used as a means to define the performance of requirements (2 CFR Part 200.319(c)(1)).

Affirmative Consideration of Minority, Small Business, Women-Owned Businesses, and Labor Surplus Area Firms

When possible, affirmative steps must be taken to assure that small businesses, women's business enterprises, minority-owned firms, and labor surplus area firms are utilized to the fullest extent practicable (2 CFR Part 200.321). Such firms are to be included in all solicitation lists and are to be contacted when relevant solicitation opportunities arise. Consideration in the contract process shall be made as to if firms competing for larger contracts tend to subcontract with such firms. When economically feasible, total requirements should be divided into smaller tasks or quantities to permit maximum participation by small and minority-owned businesses, and women business enterprises. Additionally, consideration is to be made for contracting with a consortium of such firms when a contract is too large for one of these firms to handle individually. Service and assistance, as appropriate, of such organizations as the Small Business Administration and the Department of Commerce's Minority Business Development Agency in the minority-owned firms and women's business enterprises will be utilized.

Code of Conduct in Purchasing (2 CFR 200.318 (c)(1))

Ethical conduct in managing purchasing activities is essential. No board 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. Conflict of interest may be financial (where an interested party benefits financially directly or indirectly) or non-financial (such as seeking preferential treatment or using confidential information). Such a conflict of interest would arise if a board member, officer, employee or agent, or any member of his/her immediate family, his or her spouse or partner, or an organization which employs or is about to employ one of these individuals, or a company where an employee or director either individually or in combination with his/her immediate family collectively possess a 35% or more ownership/beneficial interest has a financial or other interest in a firm considered for a procurement.

Employees/officers may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts with the exception of unsolicited items of nominal value of \$25 or less. Staff shall notify their immediate supervisor if they are offered such gifts. Failure to adhere to this policy may result in disciplinary action up to and including termination of services or employment.

Any person making an unauthorized purchase shall be personally and financially responsible for the total purchase. All purchases must be approved by the Chief Executive Officer or designated Officers, or designated staff approved by the Officers. The listing of individuals so authorized will be maintained within the Finance Office and is made available upon request.

Additional guidance regarding conflict of interest and the potential disciplinary actions are located within the "Personnel Policies and Procedures Manual" within sections 5060 "Code of Ethics and Business Conduct" and 7030 "Counseling and Corrective Action."

Procedures

- 1) Purchases of unnecessary or duplicative items must be avoided. (2 CFR 200.318(d))
- 2) All individuals with authority to approve purchases will receive a copy of this policy and be familiar with 2 CFR Part 200.400 – 475, Cost Principles, or the equivalent guidelines applicable to his/her purchases.
- 3) 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 documented cost and price analysis. This analysis should only be made when both lease and purchase alternatives are available to the program.
- 4) Purchasers are encouraged to enter into state and local inter-governmental or inter-entity agreements where appropriate for procurement of use of common or shared goods and services (2 CFR Part 200.318(e)).
- 5) Purchasers are encouraged to use Federal excess and surplus property in lieu of purchasing new equipment and property whenever such use is feasible and reduces project costs. (2 CFR Part 200.318(f)).

The California Federal Surplus Personal Property Program (CFSP) (www.dgs.ca.gov) is responsible for obtaining federal surplus personal property for qualifying non-federal organizations within California for their business and operational needs. All property must be picked up directly from where the item is stored and is subject to service and handling charges. The property may be subject to restrictions. Program is only available to eligible programs as described at the following website: <http://www.dgs.ca.gov/ofam/Programs/StSurplus/CFSP/Eligibility.aspx>

- 6) 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 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 practicable 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, protect the environment, and are energy efficient.
 - f) Contractors who develop or draft specifications, requirements, statement of work, and invitations for bids or requests for proposals must be excluded from competing for such procurements.
- 7) Purchases, contracts for equipment, materials, supplies or services, including professional or technical services (for legal services, see III - 16 for additional requirements), shall be made in the following manner:

Amount of Purchase	Required Solicitation	Required Documentation
< \$5,000 (or < \$2,000 if Davis Bacon applies)	Purchases and contracts shall be made in the open market, after such inquiry as is necessary to ensure that the price is reasonable	<ul style="list-style-type: none"> • Documentation of proper approval of purchase
\$5,000 - \$9,999	3 oral cost quotations	<ul style="list-style-type: none"> • Tabulation of the oral solicitations made and responses received, including the price or rate quotation (see Appendix IV for suggested format) • Reasoning for how decision was made
\$10,000 - \$74,999	3 written cost quotations	<ul style="list-style-type: none"> • Written cost quotations from at least 3 suppliers (see Appendix V for summary form) • Reasoning for how decision was made • Technical specifications are required to be clearly stated
\$75,000 - \$149,999	3 written cost quotations	<ul style="list-style-type: none"> • Written cost quotations from at least 3 suppliers (see Appendix V for summary form) • Reasoning for how decision was made • Technical specifications are required to be clearly stated
> \$150,000	Formal bid process must be utilized	<ul style="list-style-type: none"> • See Formal Bid Procedures

- a) The OMB has established the micro-purchase threshold at \$10,000 and the simplified acquisition threshold at \$250,000. Micro-purchase means a purchase of supplies or services using simplified acquisition procedures, the aggregate amount of which does not exceed the micro-

purchase threshold. (2 CFR Part 200.67) Simplified acquisition threshold means the dollar amount which a non-Federal entity may purchase property or services using small purchase methods in order to expedite the purchase of items costing less than the threshold. (2 CFR 200.88). The thresholds in the above table were established with consideration of the OMB thresholds along with common requirements within existing grant terms and conditions. Purchases must be distributed equitably among qualified suppliers. If the procurement is subject to the Davis-Bacon Act, then the amount is adjusted to not exceed \$2,000. (2 CFR Part 200.320(a))

- b) For purchases and contracts of \$150,000 or more, the Chief Executive Officer will purchase from or award contracts to the qualified bidders upon approval by the Agency's Board following completion of the appropriate Formal Bid process. Purchases in excess of \$150,000 are defined as "significant expenditures."
 - c) All contracts involving consulting services must be approved by the Chief Executive Officer or designated Officer. Additionally, the Board of Commissioners must approve any consulting services contract at or above \$150,000.
- 8) When prequalified lists of persons, firms, or products are used in acquiring goods and services, those lists must be kept current and include sufficient qualified sources to ensure maximum open and free competition. (2 CFR Part 200.319(d))
 - 9) When awarding contracts to responsible contractors, factors such as contractor integrity, compliance with public policy, record of past performance, and financial and technical resources will be evaluated to ensure the contractor possess the ability to comply with the terms and conditions of the procurement.
 - 10) A contract must not be made to parties listed on the government-wide exclusions in the System for Award Management (SAM), in accordance with OMB 2 CFR 180.
 - 11) Documentation detailing the history of each procurement is to be submitted as support for the payments being issued, which includes items such as: the rationale for method of procurement, selection of contract type, contractor selection or rejection, and the basis of the contract price. (2 CFR Part 200.318(i))
 - 12) Procurement files will be made available for inspection upon request by an awarding agency.
 - 13) Lack of competition for purchases and contracts is permissible only under certain circumstances as stated in the Noncompetitive Procurement procedures. (See Noncompetitive Procurement)

- 14) 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
- 15) Petty cash fund transactions should be limited to purchases under \$50 and for items of a non-routine nature. The replenishment of a petty cash fund must be in accordance with Agency procedures and approved by the Program Director or Program Manager. (See Petty Cash policy at II - Cash Management)
- 16) In the procurement of legal services, approval from the Board of Commissioners or Chief Executive Officer on the selection of outside counsel (attorney) is required.
- 17) Vendor performance surveys will be utilized either periodically, or upon contract completion, as applicable, to document that satisfaction with contractor conformance with the terms, conditions, and specifications of the contracts occur.
- 18) For construction or facility improvement contracts or subcontracts in excess of \$150,000, bonds will be secured from the vendors to adequately protect any Federal interest (2 CFR Part 200.325). Bonding requirements may include:
 - a. A bid guarantee from each bidder equivalent to five percent of the bid price to assure that if awarded and accepted, that the bidder will execute (sign) the contract within the time specified.
 - b. A performance bond on the part of the contractor for 100 percent of the contact price to secure the fulfillment of all the contractor's obligations.
 - c. A payment bond on the part of the contractor for 100 percent of the contact price to assure payment of all persons supplying labor and material in the execution of work provided for in the contract.

Approved Vendor List

Purpose

To enhance efficiency within the procurement process for commonly purchased items, such as supplies, approved vendor lists may be developed for use.

Procedures

- 1) Develop a list of similar, commonly-purchased items that can be acquired from a single vendor.
- 2) Determine the desired period for the approved vendor list to be in effect taking into consideration the frequency of price fluctuations, and changes in available vendors for the commonly purchased items. Generally, the period would be for one year.
- 3) Get cost estimates for the list in total, not for each item. Include shipping costs, if necessary. The list should be inclusive of the most frequently ordered items as well as the items with higher unit prices.
- 4) Follow the bid procedures appropriate for the expected level of spending for the effective period of the approved vendor list, generally one year, to get bids (such as: 3 written bids or a Formal Bid process).
- 5) Compare the quotes.
- 6) The vendors with lowest prices, including shipping, will be approved for use during the designated period.
- 7) This process could result in multiple approved vendors if the prices are within 5% of each other.
- 8) Documentation of the process as well as the quotes received will be forwarded to Accounts Payable for retention and communication throughout the Agency.
- 9) This process will be repeated once the designated effective term has concluded. Potential bidders may not be precluded from qualifying during the solicitation period.

Purchase Order Procedures and Processing

Purpose

To establish uniform procedures for processing purchase orders.

Policy

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. Purchase orders are not utilized for travel which require the preparation of a separate form (See V - Agency Travel).

Procedures

- 1) A purchase order will be completed to authorize the purchase of supplies or services in excess of \$50. A purchase order is not required for recurring items such as utilities, water, rent, or other contractual payments. (See sample P.O. at Appendix VI).
- 2) Only approved personnel may sign purchase orders in accordance with limitations, as approved by the Chief Executive Officer or other Officer. Multiple purchase orders will not be allowed for the same items as a means to avoid obtaining required authorization.
- 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) Description of the purchase, quantity, etc.
 - e) Amount of the purchase and applicable terms and any special conditions.
 - f) Authorized signature of Agency personnel.
 - g) Date purchase order was prepared.

- 5) Distribution of the Purchase Order form:
 - a) White Copy - Given to the vendor.
 - b) Yellow Copy - Forwarded to Accounts Payable.
 - c) Pink Copy - Retained by issuer.
- 6) Only properly authorized and completed purchases will be set up for payment within the Agency authorized accounts payable disbursement schedule.
- 7) Blanket purchase orders can be established at the start of the fiscal year to authorize purchases from a vendor up to a set amount, thereby eliminating the need for monthly purchase orders for standard purchases.
- 8) 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 the 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.
- 9) See II - Cash Disbursements/Accounts Payable for procedures required to begin procurements from a new vendor.
- 10) Purchase orders shall be pre-numbered, kept in a secure area in the Executive Office, and issued in sequential batches to a designated program for utilization by authorized purchasers within that program. A log is maintained to track which programs have been provided which purchase order numbers.

Formal Bid Procedures

Purpose

To provide guidelines to be followed when formal bids are required. Formal bids are to be handled in accordance with Agency policies and applicable purchasing regulations for all procurements in excess of \$150,000.

This procurement process is necessary to ensure technical provisions, regulatory requirements, and competitive pricing is obtained when soliciting requests for formal bids. Formal bids are completed using either a Procurement by Sealed Bids (Formal Advertising) or a Procurement by Competitive Proposals, depending on the procurement type.

A cost or price analysis is required within every formal bid, which will vary by each procurement situation. An independent estimate of cost/pricing is to be made prior to receiving bids or proposals so that the reasonableness of those bids and proposals can be assessed. Profit is to be negotiated as a separate element of the price for each contract. Consideration must be given to the complexity of work being performed, the risk borne by the contractor, the contractor's investment, the amount of subcontracting, the quality of past performance, and standard profit rates for similar work in the same industry and geographical area.

Due to the time involved to complete the formal bid process, programs are requested to make their purchase requests a minimum of ninety (90) days in advance.

Any bidder may file a grievance following a competitive bidding process. Once a selection is made, bidders must be notified in writing of the results. The written communication sent to bidders must also inform them that they may have a right to appeal the decision. Information on the appeal process must be made available to all prospective contractors upon request, including the name and address of a contact person, and a deadline for filing the grievance. Grievances are limited to violations of federal laws or regulations, or failure of the Agency to follow the procurement policies in this manual.

Procedures

Procurement by Sealed Bids (Formal Advertising):

- 1) This formal bid process is generally used when procuring construction but is considered feasible for use when:
 - a) A complete, adequate, and realistic specification or purchase description is available and is documented within a bid specification worksheet completed by the program.

- b) Two or more responsible bidders are willing and able to compete.
 - c) Procurement is made for a firm, fixed price and vendor selection can be made based on pricing.
- 2) The requirements for a Sealed Bid are:
- a) An “Invitation to Bid” will be drafted to include any specifications and attachments required to define the item(s) or service(s) in order for the bidder to properly respond, and will note the date, time, and location for when the bids will be publically opened. The invitation to bid will include all requirements which the bidder must fulfill and all other factors to be used in evaluating the bids or proposals. Technical requirements for functions to be performed, including the range of acceptable characteristics or minimum acceptable standards, is to be included. The format in which proposals are to be submitted, the submission deadline and the person to whom the proposals should be sent need to be clearly stated within the Invitation to Bid.
 - b) The “Invitation to Bid” is submitted to the Chief Executive Officer, or designated Officer, for approval and review of the procurement timeline.
 - c) Each “Invitation to Bid” will be publically advertised and bids must be solicited from an adequate number of known suppliers, providing them with sufficient response time. A full copy of the “Invitation to Bid” will be provided to anyone responding to this public notice.
 - d) 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.
 - e) All bids will be date and time stamped as they are received and will be stored in a secure location.
 - f) All bids will be publicly opened at the time and place stated within the “Invitation to Bid.”
 - g) A firm, fixed price contract award will be made in writing to the lowest responsive and responsible bidder, following approval by the Board. If specified in the “Invitation to Bid,” items such as discounts, transportation/shipping, and life cycle costs may be factored into the determination of the lowest price.
 - h) Any, or all, bids may be rejected if there is a sound documented reason.

- 3) A purchase order, services contract, or notice to proceed (construction projects) will be prepared and completed in accordance with Agency policies and procedures.
- 4) No disbursements will be processed until the purchase order or contract is executed and the formal bid process is completed.

Procurement by Competitive Proposal:

- 1) Procurement by Competitive Proposal is generally used when the use of sealed bids is not considered to be feasible. Competitive Proposals involve more than one source submitting an offer and either a fixed price or a cost-reimbursement type contract may be awarded.
- 2) The requirements of a Competitive Proposal are:
 - a) Request for Proposals (RFP) are to identify all factors on which the proposals will be evaluated and the weighting of each factor. Technical requirements for functions to be performed, including the range of acceptable characteristics or minimum acceptable standards, is to be included. The format in which proposals are to be submitted, the submission deadline, and the person to whom the proposals should be sent need to be clearly stated within the RFP.
 - b) The factors which are to be used to evaluate the RFPs using a weighted scale may consider some, or all, of the following criteria:
 - Adequacy of the proposed methodology
 - Skill and experience of key personnel
 - Demonstrated experience
 - Other technical specifications designated by the program requesting proposals
 - Compliance with administrative requirements of the request for proposal (format, due date, etc.)
 - Contractor's financial stability
 - Contractor's demonstrated commitment to the nonprofit sector
 - Results of communications with references supplied by vendor
 - Ability/commitment to meeting time deadlines
 - Cost
 - Minority- or women-owned business status of vendor
 - Other criteria (to be specified by the program requesting proposal)

Not all of the preceding criteria may apply in each purchasing scenario. However, the program responsible for the purchase shall establish the relative importance of the appropriate criteria prior to requesting proposals and shall evaluate each proposal on the basis of the criteria and weighting that have been determined.

- c) The RFP is submitted to the Chief Executive Officer, or designated Officer, for approval and review of the procurement timeline.
 - d) Notice of the Request for Proposals (RFP) must be publicized and proposals must be solicited from an adequate number of qualified sources.
 - e) A full copy of the RFP is to be made available in response to a request from a potential bidder.
 - f) If a pre-bidders conference is to be held to provide technical aspects of the procurement, the meeting details must be included in the RFP.
 - g) The date and time of receipt of each proposal will be appropriately documented.
 - h) A ranking panel, with sufficient knowledge of the technical areas within the RFP, will be assembled to complete the evaluation of the RFP, in accordance with the evaluation criteria established in the RFP which may include the evaluation of the proposal submission as well as an interview of the bidder's representatives. The ranking panel will include a combination of employees, Commissioners, community representatives, and independent technical experts, as deemed appropriate.
- 3) Award of a Competitive Proposal is to be made to the responsible firm whose proposal is most advantageous to the program with price and other factors as identified in the Request for Proposal considered. The recommendation of the ranking panel will be forwarded to the Chief Executive Officer, or designee, for approval to forward the recommendation to the Board for approval.
 - 4) Following the approval of the Board, all bidders will be notified that the procurement decision has been made either favorably or unfavorably to them.
 - 5) A contract, or purchase order, is to be executed with the awarded bidder in accordance with Agency policies and procedures. No disbursements will be issued until the contract or purchase order has been finalized and submitted to Accounts Payable.

- 6) Competitive Proposals may be utilized for qualifications-based procurement of architectural/engineering professional services where the qualifications of the bidders are evaluated. This method, where price is not evaluated, can only be used in procurement of architectural/engineering services. Funding source requirements should be reviewed to ensure the permissible use of this method prior to implementation.

Noncompetitive Procurement

Purpose

To provide guidance for special purchasing circumstances, in which competitive bids are not obtained. Noncompetitive procurement (purchases and contracts) are only permissible in the following circumstances (2 CFR 200.320 (f)):

- An emergency exists that does not permit delay,
- Only one source of supply is available,
- If the awarding agency expressly authorizes noncompetitive proposals in response to a written request from the Agency,
- Or after solicitation of a number of sources, competition is determined to be inadequate.

The key requirement for the use of noncompetitive procurement is that the other methods of procurement are not feasible and one of the above circumstances exists. Applicable funding terms and conditions must be reviewed to determine if approval from the funding agency is required regardless of which of the above circumstances apply.

Procedures

- 1) If a public exigency or emergency exists which does not permit any delays for reasons, such as the possibility of loss of life or destruction of property, then 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 any of the Agency's related 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 noncompetitive contract with a cost analysis attached.
 - b) A recommendation will be made by the Officer to the Chief Executive Officer to dispense with the competitive bidding requirement and purchase the requested goods or services on a noncompetitive basis.
 - c) Consideration must be given to the complexity of work being performed, the risk borne by the contractor, the contractor's investment, the amount of subcontracting, the quality of past performance, and standard profit rates for similar work in the same industry and geographical area. Profit must be negotiated as a separate element of the price for each noncompetitive contract, as there is no price competition.

- d) Purchases up to \$150,000 will be approved by the Chief Executive Officer and the Board must approve purchases of \$150,000 and over, unless an emergency exists. Upon approval, the Officer, or designee, will notify the vendor of the intent to award the contract.
 - e) The above purchasing documentation will be then filed with the yellow copy of the purchase order form.
- 3) Each program 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 that will be shared with Accounts Payable.
 - 4) All noncompetitive procurements will be included in a report listing such award(s) to the Finance Committee of the Agency's Board of Commissioners. The report will include a certification or statement justifying the lack of competition.

IV. PAYROLL

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.

Policy

The Agency operates on a bi-weekly payroll. A personnel file is established and maintained within Human Resources (HR) for all employees with current documentation, as described throughout this section and more fully described in the Agency's Personnel Policies and Procedures.

If required by specific grants, the employee's personnel file must also include a pre-employment background check.

Procedures

New Employee:

- 1) Requisitions for a new employee are initiated by the program and Human Resources recruiting personnel.
- 2) Once the new hire criteria(s) have been met, the HR Office continues the new hire process by assigning the new hire a unique employee number and entering their applicable information, including the rate of pay, into the Human Resources system.
- 3) Because the payroll system does not share an integrated database with Human Resources, an interface is manually processed to update the data within the payroll system. The pertinent employee information related to payroll is sequestered into a temporary transfer file (the connector), verified against the employee form(s) for accuracy, "approved," and then imported.

The import will simultaneously push the pertinent new hire data for the new hire into the connecting Electronic Timesheet, Time Clock Software, and Employee Self-Service (ESS).

- 4) Payroll staff reviews the import history in the Employee Master Changes Audit report to ensure the information was imported as intended and investigates any exceptions. The most common issues are duplicated social security numbers, which may require a change to the assigned employee number, and failed verification of social security numbers through the Social Security Number Verification System (SSNVS), which verifies the employee's first and last names,

date of birth, and the social security number against the Social Security Business Services Online.

- 5) For programs with work-study participants, the Payroll Office assigns the participants with a five-digit employee number. Wages paid to these participants are exempt from California State Disability Insurance tax and California State Unemployment Insurance.

Payroll Changes:

- 1) Changes to existing data will be initiated when the appropriate form is submitted to either the Payroll or the HR Office by the program or employee, as applicable. Such changes include transfers, status, increments, promotions, and Temporary Payroll Notices (TPN).
- 2) The Agency uses the following forms to process payroll changes:
 - a) Employee Form - Used primarily for changes in employee's status, increments, promotions, transfers, or pay rate. Form is initiated by the employee's supervisor and once the form has been reviewed and approved, it is forwarded to the HR Office where it is entered into the Human Resources system.
 - b) IRS Form W-4 and State of California DE-4 - Used for changes to tax withholding status and allowances. Submitted to the Payroll Office and processed in the Payroll system.
 - c) Direct Deposit Authorization Form - Used to set up an employee for automatic payroll check deposit. Submitted to the Payroll Office and processed in the Payroll system.
 - d) Employee Temporary Payroll Notice (TPN) - Used for an employee's temporary rate change or temporary program transfer. Submitted to the HR Office and processed in the HR system.
 - e) Change of Address Form - Used to report address changes for both current and terminated employees.
- 3) Employees may also initiate changes to their personal information through the online Employee Self-Service (ESS) portal, including how they receive their payroll check or check stub, report a change of address, and changes to federal and state tax withholding status. Additionally during open enrollment, employees may use the Employee Self-Service portal to enroll in or drop health and supplemental insurance coverage or enroll in other benefits.

- 4) Changes are manually brought into the payroll system by the payroll staff as discussed under the New Employee procedures. The Payroll Administrators routinely (often daily) generate and review the Master File Audit Report(s) to verify that the intended data changes imported correctly into the Payroll system. All shared data is compliant with state privacy rules and HIPAA.

Termination:

- 1) A Personnel Termination Form (Appendix VIII) will be completed at the program level and will be signed by the appropriate Program Director, Officer, and HR personnel. All terminations are treated with Fresno EOC confidentiality policies.
- 2) The signed Termination Form and final printed timesheet are forwarded to the Payroll Office for processing of the final paycheck. The date posted on the Termination Form determines when the manual check(s) will be issued.
- 3) All earnings, reimbursements, and unused vacation balance are due to the employee upon the last day worked, or the date listed on the Termination Form. Payroll generates the manual check(s) which are reviewed within Finance for accuracy and signed. The signed final check is forwarded to the HR Office.
- 4) After termination, the HR Office enters the employee status and termination date into the Human Resources system. Following the same procedures as for a new hire, the data is then imported to the Payroll system. This import will simultaneously flow into the electronic clock system and ESS.

Timekeeping and Labor Distribution

Purpose

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

Policy

The Agency follows the requirements in 2 CFR 200.430(i), Standards for Documentation of Personnel Expenses, as well as requirements in specific grants. Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated (2 CFR 200.430(i)(i));
- Be incorporated into the official records of the Agency (2 CFR 200.430(i)(ii));
- Reasonably reflect the total activity for which the employee is compensated (2 CFR 200.430(i)(iii));
- Encompass both federally assisted and all other activities compensated by the Agency on an integrated basis (2 CFR 200.430(i)(iv));
- Comply with the established accounting policies and practices of the Agency (2 CFR 200.430(i)(v)); and
- Support the distribution of the employee's salary or wages among specific activities or cost objectives (project codes) if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect cost activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity (2 CFR 200.430(i)(vii)).

Each new employee will receive a program-specific orientation on proper timekeeping and labor charging practices. Labor hours will be accurately recorded and all timesheets must have the appropriate authorizations and approvals before they can be processed for payment. All hours must be allocated to one or more project codes. The total hours distributed to the projects is reconciled to the total hours paid per the timesheet.

Timesheets are legal source documents used to record all worked and non-worked hours paid. Any timesheet that was submitted and paid incorrectly requires that Payroll be notified in a timely manner. The Program Supervisor or Director should submit a revised timesheet, with the corrections initialed and dated or clearly noted. The Payroll Office will follow up with the appropriate corrective action.

All labor transfers or adjustments of the labor distribution (i.e. changes to home department project codes) are processed through the Human Resources Office. After proper HR approval, the change in home project is interfaced to the Payroll system and

updated in the electronic timesheets system. Temporary changes to project or labor distribution are noted on the timesheet and/or on the payroll grids. This will ensure the hours paid are charged to the proper funding source.

When possible, the employee's overtime will be approved in advance by his/her supervisor and Program Director. When overtime hours are not foreseeable but worked, the hours must be noted and accounted for on the employee timesheet.

Procedures

Paper Timesheet Preparation:

- 1) Each employee is responsible for completing and submitting for approval their own timesheet on a biweekly basis. The timesheet must be prepared in ink or typed, be legible, and be signed by the employee and his/her immediate supervisor in ink. The Program Director may also approve the timesheet.
- 2) When timesheet corrections are necessary, the employee and the employee's supervisor will make the corrections to the original or copy of the original timesheet; by crossing out the error, initialing, and dating the change, indicating when the correction was made.
- 3) Each program will designate an employee to be responsible for collecting, organizing, and accurately reviewing the staff's timesheets in preparation of sending timesheets and mileage reimbursement forms to the Payroll Office. The total daily hours from the timesheets are collectively summarized on an Excel spreadsheet grid, listing the hours to be paid for each employee and by each pay type (regular, vacation, sick hours). Mileage reimbursement are also included on the Excel spreadsheet grid. When complete, the paper timesheets and mileage reimbursement forms are sent to the Payroll Office, with a signed, printed copy of the Excel spreadsheet grid, and any other required supporting documentation, such as: doctor's excuse notes, jury duty, or bereavement notices. The electronic file of the Excel spreadsheet grid is sent to the Payroll Office via e-mail.
- 4) Employees and their supervisors are responsible for ensuring that the employee has sufficient available vacation or sick hours accrued to offset vacation or sick leave taken. No unapproved time off should be posted to an employee's timesheet. In accordance with Agency policies, annual vacation and sick leave may not be taken in advance of earning the vacation or sick accrual.

Electronic Timesheet Preparation:

- 1) Programs using electronic timesheet recordkeeping are required to have employees clock in at the beginning of each shift, clock in/out for meal breaks, clock in/out for any other non-work time (such as a doctor appointment), and clock out at the end of their shift using the appropriate online electronic

timekeeping system and/or mobile application with enabled GPS. It is against Agency policy to have an unauthorized person clock in or out on someone else's behalf or to use the mobile application to inappropriately capture time worked.

- 2) Employees are required to “submit” their electronic timesheet at the end of each pay period.
- 3) Requests for time off is the employee's responsibility and should be submitted online through the electronic timekeeping system and directed to their immediate supervisor for approval. In accordance with Agency policy, annual vacation and sick leave may not be taken in advance of earning the vacation or sick accrual.
- 4) Supervisors review their staff's electronic timesheets on a regular basis, reviewing for exceptions, missed clock ins/outs, and meal break penalties. Any exceptions must be corrected prior to the timesheet submission and any exceptions not corrected should be brought to the Payroll Office's immediate attention. Supervisors are required to “approve” their staff's electronic timesheets at the end of each pay period.
- 5) On the Tuesday following the end of each payroll, access to all electronic timesheets are locked. Employees and supervisors no longer have access to change or adjust timesheets. Permission to re-open or unlock a pay period or timesheet is granted by the Payroll Office. These procedures are to guard against unauthorized adjustments to timesheets. However, employees are still able to view past and present timesheets, and supervisors can still view and print timesheets and reports after the pay period is locked.



Labor Distribution:

- 1) The home project/cost center(s) to which an employee's wages and benefits will be allocated to is assigned on the Employee Form at time of hire.
- 2) The Payroll Office creates a census sheet on a bi-weekly basis that summarizes all active employees and employees on leave of absences (LOA) by home project/cost center.
- 3) When an employee transfers to another program, a change to the employee home project/cost center is required. The program must submit an Employee Form to the HR Office. Once the change has been approved, the change is interfaced to the Payroll system and the Payroll Office will review that the program change is valid.
- 4) When multiple project codes are required by the program, their Program Accountant will complete a Payroll Allocation Change Form (Appendix IX), which must be approved by the Program Director. The form must be submitted to the Payroll Office. The form will be retained in the employee's payroll file. Alternatively, the Program Accountant may note percentage allocation to multiple charge codes on a special program-specific payroll spreadsheet grid. The Payroll Office updates and maintains these grids.
- 5) The responsible program personnel will review these allocations for update based on the actual time incurred, or periodic time studies completed, by the staff during that pay period before submitting timesheets and/or payroll spreadsheet grids to the Payroll Office.

Payroll Processing

Policy

For timely payroll processing, timesheets, mileage reimbursement forms, and payroll spreadsheet grids are due at the end of each pay period, usually on the Monday following the end of the pay period by 10:00 AM. If this Monday falls on a holiday, items are due the prior Friday, where possible.

Procedures

Payroll Grids:

Payroll grids are Excel spreadsheets unique to each program. The grid lists the employee home department (project code), employee number, employee name, temporary project code, regular hours, overtime, double, sick, vacation, jury duty, bereavement, PSL, and mileage. The grid may also list special allocations by percentages. For electronic time records, the Time and Attendance report is utilized for this purpose. Programs with short-term contract participants will have a grid that also includes social security numbers to better identify participants.

- 1) In advance of the pay period end date, the Payroll Office sends each program a payroll grid dated for the current pay period ending, with a listing of all the program's active employees and employees on LOA; terminated employees are not included. Each grid includes a hash total for the number of employees and formulas for each pay code column which are used to reconcile total hours paid by pay code. The grids are sent via e-mail to the designated program personnel listed as the contact for payroll purposes. This contact list is on file and updated as necessary.
- 2) Upon completion, the programs e-mail the grid back to the Payroll Office. If submitting paper timesheets, programs must also include a signed hard copy of their program payroll grid and submit it along with the timesheets to the Payroll Office. Upon receipt, the Payroll Office prints grids that were received electronically and notes the date/time of receipt of the electronic or hard-copy submission. If any adjustments or corrections are needed to the grid, those changes will be made and the grids are re-printed. This printout should tie to the downloaded import file, matching the regular, sick, and holiday hours as reported.
- 3) The review process begins when Payroll has both the time sheets and payroll grid. The review process verifies that:
 - There is a timesheet for each employee listed on the grid;
 - The employee number is correctly listed;
 - Employees are active employees – no ghost employees;
 - Timesheet reflects the current pay period dates;

- The hours in/out are correct and that it totals to what is stated on the timesheet;
 - Overtime hours are captured properly;
 - Meal time premiums are correctly applied/not applied;
 - Sick, PSL, and vacation balances are not exceeded;
 - The grid correctly represents what is on the timesheets;
 - All employee and supervisor approvals are noted; and
 - Program codes are active projects.
- 4) After the review and any adjustments are made, the file is saved, verified, and assigned a batch number. The Payroll Office will then import the file with the assigned batch number into the Payroll system. It is then noted that the program files are downloaded and complete; the folder is then initialed and filed as complete.

Payroll Processing:

A journal is created for each Program containing all the payroll grids and timesheets received from each Program. Once all Program journals are complete, the journals are merged into a single Master Journal file. This Master Journal file is reviewed by Payroll for all types of exceptions (see Payroll Exception Review for more details). After the file is reconciled and verified to be correct (to best of Payroll's knowledge), it is sent to the Third Party vendor for processing.

Payroll Exception Review:

The Payroll Exception Review includes review of:

- The information that will be printed on the check;
- Pay period beginning and ending dates;
- Special program messages;
- Pay codes and deduction codes;
- Health insurance deductions; and
- Employer health insurance contributions.

Payroll also reviews and verifies the following reports generated when the Master Journal is created:

1. Tax Audit Transaction Report - Summarizes all the manual checks that were processed during the pay period.
2. Tax Exception Report - List tax exceptions, variances in paid hours, employee status receiving check, type of check, and review for excess hours over limit; terminated employees being issued a check, deductions that produce a zero check, duplicate pay entries.

3. Audit Report - Detailed report of each employees hours paid, and deductions. This report has subtotals by program and overall grand total hours paid. It includes a complete listing of all deductions, voluntary and involuntary, and employer tax and contributions.
4. Vacation Sick Reports - Review for hours being paid exceeding their accrued limit.
5. TPC-Pre-Processed Items Report - Review of Third Party Checks and child support EFT being processed.

Following completion of the Payroll Exception Review, the Master Journal is submitted to the Third Party vendor for processing. Payroll information is posted by downloading the General Ledger file from the third party payroll provider into Excel and importing it into Financial Edge. Posting of the payroll journal entry occurs following review by either the Assistant Finance Director or Financial Officer.

After Payroll Processing:

There are several reports generated by the Payroll Office that are used internally and distributed to the program after each payroll processing. Due to the confidential information within the reports, the program will designate who is authorized to receive these reports. These reports include:

- 1) Payroll Control Report (PCR) - The Payroll Control Report is a summary report reconciled against the Earnings Report and Audit Report. The PCR lists all employees paid, by employee name, number, home department, and hours, or units paid. The PCR also lists each of the programs total hours imported from the timesheet grid (Excel spreadsheet or import), the hours requested, and the hours paid. This report accounts for every pay type, by hours paid by program. Adjustments to timesheet hours paid are also included.
- 2) STAT Report - Lists all active employees within each program, by employee number, rate of pay, health insurance status, job title, date, accrual status, and date of hire.
- 3) Vacation, Sick, and PSL Report - Lists all active employees, by program, employee number, along with the hours or days accrued and taken for vacation, sick, and paid sick leave (PSL) and lists the ending available balance for each employee.
- 4) Employer Contribution Report (ECR) - This Payroll related report summarizes the Employer Payroll Liability by listing all employees paid for the pay period by employee number, home program, and program charged. Included in this report is the employer tax liabilities (Social Security, Medicare, and SUI), Workers' Comp, Pension, and the employer health and life insurance contributions. The report is reconciled to the General Ledger import file before it is distributed to

the assigned Program Accountants. This report contains confidential information, therefore the reports are distributed to secure online files to each designated Program Accountant.

- 5) Affordable Care Act (ACA) Report - ACA reporting requirements are enforced by Sections 6055 and 6056 of the Internal Revenue Code. Together, they ensure that employers (and health insurance providers) report health coverage information to the IRS and provide statements to employees. This report summarizes all specified hours by each month, within the specified look back period by employee, and Program. This information is sent to HR Office (Benefits personnel).

Payroll Payments and Distribution

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 in the payroll system.

Signed payroll checks will not be left unattended at any time.

Procedures

Printed Checks and Paystubs:

- 1) Payroll checks and direct deposit check stubs are delivered to the Fresno EOC Payroll Office by courier. For tracking purposes, checks are counted upon receipt.
- 2) The checks are sorted by program and the total checks to be distributed are tallied on a biweekly check distribution log.
- 3) The Payroll Office is responsible for mailing the checks. Checks that are distributed by program are picked up by the designated program staff who accounts for all of the checks and signs the check distribution log.

Employee Debit Card:

- 1) Employees may request to have their payroll check deposited onto a debit card, a service which Fresno EOC contracts out.

Manually Processed Checks:

- 1) Manual checks may be processed for the following situations, or as needed:
 - a. Received an Affidavit for Lost or Stolen Payroll Check
 - b. Correction to hours paid, including overtime hours
 - c. Termination
 - d. Receipt of late or revised timesheet after payroll transmittal

Payroll Deductions

Purpose

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

Policy

Employee's voluntary and non-voluntary payroll deductions may be different from those 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 Office. Voluntary deductions include health insurance, Agency activities and/or merchandise, and contributions to retirement plans.
- 2) Deduction will be set up for the appropriate payroll cycle by the Payroll Office. Voluntary deductions will continue until employee notifies Payroll by completing a Stop Payment Deduction Request Form (See Appendix X).
- 3) After payroll has been processed, a review of all deductions is generated and reviewed. The third party deduction report is generated for each payee, which is used as supporting documentation for the third party check.
- 4) Non-voluntary deductions, such as garnishments, union dues, and tax levies, mandated by federal or state agencies or a court of law will be processed in payroll as a third party check. Third party checks are verified using the deduction register before mailing, California Child Support payments are processed and transmitted as Electronic File Transfer (EFT). The child support deductions are verified before transmission using the deduction register. Such deductions are stopped in accordance with instructions received by the appropriate regulatory body.

Payroll Taxes

The Finance Office is responsible for ensuring all required tax forms are properly completed and submitted, and that all required taxes are withheld and paid. The Finance Office may utilize the services of an outside payroll service center for the processing of payroll, remittance of payroll taxes, and payroll tax reporting.

Honoraria Acceptance

An Agency employee shall not accept an honorarium for an activity conducted where Agency-reimbursed travel, work time, or resources were used or where the activity can be construed as having a relationship to the employee's position with the Agency; such activity would be considered official duty on behalf of the Agency. A relationship exists between the activity and the employee's position with the Agency if the employee would not participate in the activity in the same manner or capacity if they did not hold their position with the Agency. The employee should make every attempt to avoid the appearance of impropriety.

An employee may receive an honorarium for activities performed during regular non-working hours or while on leave if the following conditions are met:

- All expenses are the total responsibility of the employee or sponsor of the activity in which the employee is participating.
- The activity has no relationship to the employee's Agency duties.

Nothing in this policy shall be interpreted as preventing the payment to the Agency by an outside source for actual expenses incurred by an employee in an activity, or the payment of a fee to the Agency (in lieu of an honorarium to the individual) for the services of the employee. Any such payments made to the Agency should be deposited to the Agency account and an appropriate entry should be made coded to the same program or department to which the employee's corresponding time was charged.

V. AGENCY TRAVEL

General Policies and Procedures

Purpose

To clarify the means by which travel should be arranged, to ensure that travel is consistent with the business objectives of the Agency, and also to ensure fair and equitable treatment by defining procedures for authorized business travel and guidelines for expense reimbursement. The policy applies to all Agency travel by employees, Board members, and other agents of the Agency for ordinary, necessary, and reasonable business purposes. Eligible travel is defined as trips which either exceed 100 miles from traveler's program office or are less than 100 miles but still require an overnight stay, including travel funded under federal and non-federal grants and contracts. Travel under 100 miles with no overnight stay is eligible for mileage reimbursement or car rental costs only.

Policy

Those traveling on Agency business are expected to exercise prudent business judgment regarding expenses covered by this policy. Travel related expenses includes, but are not limited to: hotel accommodations, transportation to and from the destination, and meals. Travel should be via the lowest cost reasonable alternative, consistent with good business practices. All official Agency travel must be properly authorized and reported to be 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 this 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 policy will not be reimbursed, unless accompanied by a valid explanation approved by the Chief Executive Officer or designee.

Travel Form

All employees traveling on Agency business will be required to complete the Travel Form (Appendix XI), which includes obtaining an approval signature from the Chief Executive Officer or applicable Officer 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 be provided a copy of the Travel Form with the advance payment that is to be completed following completion of the trip. The traveler should input to the Travel Form the actual expense information, reconcile those actual amounts to the amounts advanced, obtain approval signature by the Officer, and submit 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 reimbursement payment.

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 on behalf of his/her spouse, family members, friends, or other guests. However, a guest may share accommodations so long as there is no additional cost to the Agency as a result.

Procedures

The traveler and/or Program Director are responsible for making all travel arrangements including determining the most cost effective reasonable travel options and completing all sections as indicated on the Travel Form. Travel arrangements made less than 15 days prior to the start of travel must be justified and approved by the traveler's Officer prior to purchase.

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General Procedures:

- 1) Documentation - Supporting documentation must be attached to the Travel Form stating the business purpose, date(s), time(s), and location of the trip. Such documentation could include: seminar, conference or meeting brochures, or a memo/letter. Documentation is to support that that travel is necessary to the associated grant and that costs are reasonable and consistent with this travel policy (2 CFR Part 200.474(b) (1) and (2)).
- 2) Date and Time - To determine proper per diem allowance, Departure/Return Dates and Times must be stated on the Travel Form.
- 3) Lodging
 - a) Hotel expenses are paid at no more than standard, single occupancy rate, unless otherwise authorized (such as for a medical accommodation). Please allow for taxes and other associated costs when computing hotel rates for advance purposes. Ask hotels for any available discounts, such as nonprofit, government, or corporate rates.
 - b) When a program's funding is subject to maximum rate limitations, such as the Federal or State rates, then efforts to identify available lodging in compliance with the specified rates need to be documented.
 - c) If there is no reasonable lodging available within the specified rates, then lodging in excess of the maximum allowable federal per diem rate as listed per city on www.gsa.gov/perdiem or state per diem rate are permissible, but must be clearly indicated on the travel request form at the time of approval. Additionally, if a conference has arranged for a

discounted block of room rates at, or near, the conference location to minimize transportation cost and provide networking opportunities, utilization of that rate is also permissible.

- d) 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 business function requiring travel, the employee may be reimbursed a flat rate of \$50 per night.

4) Meals

- a) Per Diem - The allowance for meals, including gratuities and incidentals, shall be limited to either actual cost or the federal maximum daily rates allowed (when lower daily rates are required by a funder, the lower rate shall be utilized). The daily rate for most cities in the continental United States can be accessed from www.gsa.gov/perdiem. The 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. Amounts incurred in excess of the per diem will be the obligation of the traveler. Cost of alcoholic beverages will not be reimbursed.

In the event that a sponsor of a seminar, conference, etc. provides a meal, the daily allowance would be reduced by the following amounts:

- Breakfast - 20%
- Lunch - 30%
- Dinner - 50%

For example, if traveling to a city where the daily rate is \$61.00 and lunch is provided, \$18.30 would be deducted from the allowance leaving \$42.70 to be used for the remaining meals.

- b) Reimbursable Hours - Per diem is calculated and paid to employees on the following time frames:

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

- c) Actual Cost Option - With appropriate approval by the Chief Executive Officer 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. Notations should be made on receipts

to clearly list all names, organizations of all persons attending and the business purpose of the meal/business event, such as the topic discussed.

- d) Meal 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.
- 5) Registration - If registration is to be paid by Accounts Payable, 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.
- 6) Phone Calls - Telephone, internet, and fax charges properly supported with receipts and a description of the related business purpose will be reimbursed.
- 7) Airline Travel
 - a) Commercial Airlines – Coach class or other discounted class shall be used for all travel, regardless of purpose or funding source.

Use of business-class, first-class, or other higher-cost services may be authorized by the designated Officer under the following circumstances:

- Business or first-class is the only service offered between two points;
- The use of coach class would result in additional costs that would offset the transportation savings (e.g., when, because of scheduling difficulties, traveling by coach would require an unnecessary hotel expense);
- The use of coach class would require circuitous routing, travel during unreasonable hours, or excessively prolong travel;
- The use of business or first-class travel is necessary to reasonably accommodate a disability or medical need of a traveler;
- Traveler is using a free upgrade.

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. When selecting a flight, all available airline carriers must be reviewed. A flight on an employee's preferred airline carrier may not be selected if a reasonable, lower cost alternative flight is available through another airline carrier. Reimbursement from the Agency will occur after receiving the proper approval and supporting documentation in Accounts Payable.

- c) Baggage fees are allowable and reimbursable.
 - d) Rebooking or change fees will be reimbursed for emergency situations only, so long as proper Program Director and Officer approval is provided, or if deemed and documented as necessary (e.g. changed meeting dates).
 - e) Memberships in airline flight clubs are not reimbursable.
 - f) Any corresponding personal travel taken in conjunction with an authorized trip is the responsibility of the traveler.
- 8) Ground Transportation
- a) For ground travel, a rental car will be used from the Agency's contracted car rental company.
 - i. Reference the Agency's agreement number to receive the discounted rate. The car rental will be directly billed to the Agency.
 - ii. Rentals should be for compact size cars, but a mid-size may be appropriate if 2 or more people are traveling together or if an upgrade is provided by the rental company at no cost.
 - iii. No extra insurance needs to be purchased.
 - iv. For travel over 4 days, use the weekly rate.
 - v. Gas and parking charges can be paid with a checked out travel credit card (if provided, see Frequent Travelers below), or paid out-of-pocket and reimbursed.
 - b) Employees may choose to travel by private vehicle but the mileage reimbursement may not exceed the estimated cost of a rental vehicle plus gas.
 - c) Mileage shall be reimbursed at the lesser of \$0.53 per mile or 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.
 - i. Mileage should be computed between the traveler's office and the destination.
 - ii. Accounts Payable may compare miles claimed to a Standard

Mileage Chart or mapping tool, such as Google Maps which can be found at: <http://maps.google.com/>.

- iii. This mileage reimbursement is inclusive of all auto costs (e.g. gasoline, repairs, insurance, etc.), other than parking and tolls.
 - iv. Those who utilize personal vehicles for business purposes are required to have a valid driver's license and at least the minimum insurance coverage required by law. Primary insurance for employees shall be through their own personal automobile insurance policy, and employees are responsible for any damage to vehicle, liability, parking fines, and violation tickets.
- 9) Taxi/Ride Share - Expenses such as taxi, ride share, shuttle service, bus, and commercial transportation companies will be reimbursed when travel is directly related to Agency business. The Agency will pay employee's fare to and from the airport, hotel, conference, or other business destination as approved by the Officer. All transportation expenses must be documented by receipts.
- 10) Travel Agent - Use of a travel agent for travel reservations is at the discretion of the Program Director and Officer. Fees paid to the travel agent are allowable if so permissible by the program's funding source.
- 11) Award Point Programs - Individuals traveling for Agency business may retain award points and utilize the rewards for personal purposes. However, participation in these programs may not result in any incremental cost to the Agency related to transportation or lodging.

Guidelines for Frequent Travelers:

A travel credit card issued in the name of the traveler and of the Agency may be provided to those employees whose positions require a significant amount of travel. Employees requesting a travel credit card shall submit a written request with Officer approval to the Finance Office, setting forth the necessity for the travel credit card. Travel credit cards issued in the names of the employee and of the Agency are a privilege which may be revoked at any time. Organization-issued travel credit cards shall not be used for personal expenses. Traveler must take reasonable precautions to protect the card from loss or theft by storing it in a secure location, and is to immediately report theft or loss to the credit card company and to the Assistant Finance Director.

- 1) The corporate travel credit card will be securely kept in the Finance Office safe and may be checked out by the traveler whose name is on the travel credit card in order to register for conferences, reserve accommodations, bring on the trip, etc.
- 2) A fully completed and approved Travel Form is required to check-out a travel credit card. The completed Travel Form will indicate the credit limit at which the travel credit card will have for the trip. It is the responsibility of the traveler/card

holder to track expenses to ensure expenses do not exceed the credit limit and daily meals do not exceed per diem limits.

- 3) Within 10 days of the conclusion of travel, the traveler is required to return the travel credit card, along with a completed and reconciled Travel Form and receipts for all credit card expenses.
- 4) If actual meals costs charged on the credit card do not exceed the daily per diem, the difference will not be paid out to the traveler. If actual meals do exceed the daily per diem rate, the employee is responsible for repayment of any excess amount. A check made payable to Fresno EOC should be submitted to the Finance Office, in accordance with the Cash Receipts policy.
- 5) Inappropriate use of the credit card, or failure to submit receipts timely, will result in loss of credit card privileges and may result in disciplinary action.

Guidelines for Infrequent Travelers Requesting Travel Advances:

For those that do not travel a significant amount for Agency business, an advance of estimated travel expenses may be requested prior to travel, in lieu of a reimbursement request after the travel has taken place.

- 1) Travel advances may be requested electronically or via hardcopy by a traveler. A Travel Form must be completed by the traveler indicating the items for which an advance is requested. The Travel Form must be signed by the traveler acknowledging agreement of these policies and be approved by the traveler's supervisor and Officer, then forwarded to Accounts Payable. Travel advance checks follow the same Accounts Payable procedures and deadlines as explained in Section II of the Accounting Policies and Procedures Manual. Checks will be mailed to the employee's home address or will be held for pick up in the Finance Office, if so requested in advance. Payment may also be made by EFT by coordinating with the Accounts Payable Manager for set up.
- 2) A traveler can have only one outstanding travel advance at a time. Each advance should be reconciled and accounted for before another advance is granted.

Expense Report Reconciliation:

Within 10 business days of return or upon cancellation of a trip, the employee must complete and submit to Accounts Payable the Travel Form, duly reconciled and signed by the traveler, supervisor, and Officer. If an advance was requested, the amounts received as advance should be updated with the actual amounts incurred for reconciliation. For federally funded awards, documentation must justify that participation of the traveler is necessary for the federal award and costs are reasonable and consistent with the Agency's travel policy. (2 CFR Part 200.474(b)(1-2))

- 1) The following original receipts validating travel are required:
 - a) Airline receipt/invoice, including reasonable baggage fees;

- b) Registration receipt;
 - c) Lodging invoice/documentation;
 - d) Transportation - Taxi/bus/shuttle/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 (See Appendix XII). Missing Receipts in excess of \$50 will only be paid up to \$50. Efforts should be made to obtain replacement receipts.
- 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 that received an advance in excess of the actual costs are responsible for repayment of any excess amount. A check made payable to Fresno EOC 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. No further travel advances will be issued to any employee who has an outstanding travel reconciliation from previous business travel.
 - 5) Employees with actual expenses in excess of the advance will be reimbursed through an Accounts Payable check or EFT.

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 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 Policy – Head Start

Policy

Head Start Policy Council 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 a Policy Council “Reimbursement for Child Care and Mileage” (Appendix XIII) form. This form is confidential and will be maintained by Head Start for audit purposes only.
- 2) Reimbursement for actual, allowable expenses incurred shall be afforded to eligible members for attendance or participation in approved Policy Council meetings, or 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:

- a) **Transportation Expenses**
 - i. Costs associated with traveling to and from grantee-approved Policy Council meeting/activity location(s).
 - ii. Additional necessary mileage may be claimed when picking up other Policy Council member(s).
 - iii. Parking fees incurred for the purpose of attending an approved Policy Council meeting/activity may be claimed for actual costs incurred. All claims for parking fees must include a dated parking receipt when reimbursement is requested.
 - iv. 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.
 - v. Mileage reimbursement will be consistent to that of Fresno EOC’s mileage reimbursement rate.
- b) **Babysitting Expenses**
 - i. Expenses for child-care costs incurred in order for a member to attend approved Policy Council meetings/activities will be

reimbursed.

- ii. Babysitting expense will be limited to a rate of \$15 per meeting, with the following exception:
 - Standing/Special Committee members when providing all day services for meetings and special functions shall be paid \$20 per day for babysitting expenses.

Out-of-County Travel:

- 1) Amounts for actual, allowable expenses incurred shall be afforded to eligible members for out-of-county travel. This includes out-of-pocket costs for: travel, tickets, mileage, food, lodging, and registration fees.
- 2) Head Start Policy Council members who travel out-of-county on Head Start business are entitled to receive travel advances for the estimated expenses of the trip, consistent with Fresno EOC's travel advances policy. Additionally, Head Start parents can be reimbursed for child-care costs.
- 3) Members on approved travel which requires overnight lodging may be provided with an 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 directly by the Agency.
- 7) Reimbursement for use of private vehicle will be consistent to that of Fresno EOC's mileage reimbursement and procedure.
- 8) Upon returning from all such trips, the traveler must submit a completed "Out-of-County Travel Report" (Appendix XIV) with an agenda of the convention, conference, meeting, etc. This is to inform the Agency and auditors and keep 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 the Head Start administration office. This is to substantiate the expenses for which the traveler's advance check was written.

The following are due within five (5) working days from the 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 \$20 per day and \$25 for an overnight stay, using the CWPC Reimbursement form.

Lost or Stolen Reimbursement Checks

- 1) Questions regarding lost or stolen checks shall be directed to the Head Start Parent Engagement Coordinator for immediate attention.
- 2) Once a check is reported lost or stolen and that check has not been cashed per the bank, a replacement check may be re-issued. If a check is reported lost or stolen but has been cashed per the bank, the report of the lost or stolen check will be further investigated prior to replacement.
- 3) Checks misplaced, lost, or stolen more than once will not be replaced.

VI. PROPERTY, PLANT AND EQUIPMENT

Acquisitions

Purpose

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

Policy

All property acquisitions shall follow Agency Purchasing Procedures (See III - Purchasing). Purchases of grantee owned assets are to be made in accordance with the program budget and grant requirements of the funding source.

“Equipment” is defined as all tangible, non-expendable personal property (including information technology systems) with a useful life of one year or longer and an acquisition cost of \$5,000 or more per unit (2 CFR 200.33). 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 and included in Agency fixed asset records. Equipment with a unit cost of \$1,000 to \$4,999 will be recorded in the fixed asset system as non-depreciable equipment. When required for compliance with grant awards, equipment with a cost less than \$1,000 will be tracked in the same manner.

Donated fixed assets are to be valued at the current fair market value. Contributed assets valued at \$5,000 or more per unit shall be capitalized and depreciated accordingly.

Software Acquisition

Certain costs incurred in connection with the acquisition of internal-use software shall be capitalized and reported as an asset of the Agency. The costs that shall be capitalized are those that are in excess of \$4,999 and that meet any one of the following criteria:

- External direct costs (i.e. amounts paid to vendors) of materials and services in obtaining internal-use software;
- Costs associated with upgrades and enhancements when it is probable that these expenditures will result in additional functionality.

Many costs associated with acquiring internal-use software are to be expensed as incurred, rather than capitalized including:

- External and internal costs incurred in the preliminary project phases;
- Research and development costs;
- General and administrative costs;
- Data conversion;
- Training costs; and
- Internal maintenance costs.

Procedures

- 1) The appropriate program staff will promptly notify the Finance Office upon purchase of any asset with a unit cost of \$1,000 or more using the Asset Acquisition Form (Appendix XV).
- 2) Additionally, the Accountant responsible for fixed assets reviews the Cash Disbursement Journal report following each check or electronic funds transfer (EFT) run for disbursements in excess of \$1,000 to identify potential fixed assets items that are to be captured in the system.
- 3) As required by the applicable funding agency, property tags are acquired and forwarded to the program. The program staff will affix the tag to the property.
- 4) The Accountant will record the purchase in the fixed asset module including any assigned tag number.
- 5) The Accountant will reconcile the fixed asset inventory listing to the general ledger property accounts on a quarterly basis.
- 6) Adequate maintenance procedures to keep property in good condition are to be implemented by the program staff.

Recordkeeping 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 in accordance with 2 CFR 200.313(d)(1):

- A description of the property;
- Manufacturer's serial number, model number, Federal stock number, national stock number, or other identification number;
- Source of the funding for the property, including the grant award or contract number;
- Whether title vests in the recipient or the Federal Government or other entity;
- Acquisition date (or date received, if the equipment was furnished by the Federal Government);
- Unit acquisition 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, use, and condition of the equipment and the date the information was reported;
- Ultimate disposition data, including date of disposal and sale 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. Equipment provided to subcontractors with Federal funds shall also be identified and tracked, as described above.

A physical inventory of equipment shall be taken by Internal Audit and the results reconciled with the equipment records in the fixed assets module 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 by the program to keep the equipment in good condition.

Repairs of Property, Plant and Equipment

Expenditures to repair capitalized assets shall be expensed as incurred if the repairs do not materially add to the value of the property or materially prolong the estimated useful life of the property. Expenditures to repair capitalized assets shall be capitalized if the repairs increase the value of the property, prolong its estimated useful life, or adapt it to a new or different use. Such capitalized repair costs shall be depreciated over the remaining useful life of the property. If repairs significantly extend the estimated useful life of the property, the original cost of the property shall also be depreciated over its new, extended useful life.

Procedures

- 1) The Accountant responsible for fixed assets will record required property information in the fixed asset module.
- 2) Internal Audit will conduct biennial inventories at various program sites in accordance with 2 CFR 200.313(d)(2).
- 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 with authorized approval from the program using the Asset Transfer Form (Appendix XVI) to the Accountant for entry into the fixed asset module and preparation of required journal entries. Disposal of an asset will also be reported with authorized approval from the program using the Asset Disposition Form (Appendix XVII) to the Accountant and noted in the fixed asset file to facilitate appropriate document retention.
- 5) Theft of Agency or grantee owned assets should be immediately reported to the Accountant responsible for fixed assets. An insurance claim, if appropriate, should be filed with the property insurance carrier. Additionally, the Accountant and the Agency's third-party insurance broker should be informed of such claim. If asset is not located, the property will be written off the books with proper notation specifying the reason.
- 6) If equipment has become obsolete or is no longer in use, the program will notify the Accountant responsible for fixed assets and follow Agency or funding source disposal guidelines for disposition, so that it may be accurately reflected in the Fixed Asset module. The Financial Officer must approve the write-off of all capitalized fixed assets that may be worn-out or obsolete.

Depreciation

Purpose

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

Policy

Property and equipment purchased with grant funds are recorded as expenditures in the year of acquisition in accordance with grant requirements. However, for the Agency's financial statements, they are also capitalized and all such assets, except land, are depreciated using the straight-line method over its useful life. The depreciation of these assets is charged against grant-funded assets in the Statement of Activities. These transactions will be reviewed at the time of the Agency's consolidated audit for proper presentation and disclosure within the financial statements.

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.

Procedures

- 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:

Type of Asset	Estimated Useful Life
Buildings	20 – 30 years
Improvements	7 – 15 years
Furniture and Fixtures	5 – 10 years
Equipment	3 – 10 years
Vehicles	5 years
Computer – Hardware	3 – 5 years
Computer – Software	2 – 3 years

- 2) Depreciation is calculated and posted on a monthly basis by running the Pre-Calculation Depreciation Report in the fixed asset module in Financial Edge. After reviewing the report, either the Financial Officer or Assistant Finance Director will generate the expense and post it to the General Ledger.

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 2 CFR 200.311 and 200.313, and with any applicable funding terms and conditions. Guidance from these sections follow:

- Real property 2 CFR 200.311:
 - Title to real property shall vest in the Agency subject to the condition that the Agency shall use the real property for the authorized purpose of the project as long as it is needed and shall not encumber the property without approval of the Federal awarding agency. (2 CFR 200.311(a) and 200.311(b))
 - May be used in other federally funded projects when it is no longer needed for the purpose of the original project when the use will be consistent with those originally authorized, upon receipt of written approval from the Federal awarding agency. (2 CFR 215.32 (b))
 - If no longer needed for the original or any similar purpose, then disposition instructions must be requested from the Federal awarding agency, or pass-through entity, which may opt to:
 - Allow title to vest in the Agency once payment of the proportionate share of the current fair market value of the property is paid to the Federal government or successor agency. If replacement real property is to be acquired, then the net proceeds from disposition may be used to offset the cost of the replacement property. (2 CFR 300.311 (c)(1))
 - Allow the property to be sold with payment of the proportionate share of the proceeds, less any expenses incurred to sell or fix the property, to be made to the Federal government or successor agency. Sales are to be made to support competition to the greatest extent possible and to achieve the highest possible return. (2 CFR 200.311 (c)(2))
 - Transfer title to the Federal government or eligible third party. Compensation for the Agency's proportionate share of the current fair market value shall be made. (2 CFR 200.311 (c)(3))
- Equipment with per unit fair market value 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 current fair market value. Priority is to be given to projects funded by the same Federal agency that funded the original project, followed by

- projects funded by other Federal agencies. (2 CFR 200.313 (c)(1))
 - 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 less, 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. (2 CFR 215.34 (d)(1))
 - Title may be transferred to the Federal government or to an eligible third party provided. Compensation for the Agency's share of the current fair market value is to be obtained.
- Equipment with a current per unit fair market value, or residual supplies with an aggregate value, of less than \$5,000:
 - Equipment may be retained, sold, or otherwise disposed with no further obligation to the Federal awarding agency. (2 CFR 200-313(c)(5)(e)(1))

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

Procedures

- 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 greatest extent practicable and result in the highest possible return.
- 3) Program will notify the Accountant responsible for fixed assets of disposition of asset using the Asset Disposition Form so that disposition data may be recorded in the fixed asset inventory system and note the date in the fixed asset records.
- 4) Any gain or loss on the disposal of the asset will be recorded through a journal entry based on the difference between the net book value of the asset and any sales proceeds. If applicable, any gain on disposal will be reported as program income to the funding source.

VII. INVENTORY

Purpose

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

Policy

The Agency maintains inventory of materials used in various programs, primarily Food Services, Transit Systems, and Health Services. Inventory will be contained in locked storage areas, where possible, and access to inventory will be limited to applicable Program management and necessary staff.

Procedures

Materials and Supplies:

- 1) Food and paper supplies for Food Services are recorded as expenses when purchased. Parts and materials for Transit Systems and medication for Health Services are recorded as inventory at cost when purchased and reductions to inventory accounts are recorded when used.
- 2) A physical count of inventory of food at Food Services will be completed at the Agency's year end. Inventory for Transit Systems parts and materials will be conducted semi-annually to coincide with Agency fiscal mid-year and year-end. A physical count of inventory of Health Services medication will be conducted quarterly. All inventories will be conducted by someone who does not have responsibility for ordering or approving purchases of such items.
- 3) Copies of count sheets will be forwarded to the applicable Program Accountant, who will prepare a journal entry to adjust the General Ledger control accounts balance to physical inventory.
- 4) Copies of count sheets will be provided to external auditors, who may also observe the inventory count(s).
- 5) Any material inventory shrinkage will be investigated.

VIII. COST ALLOCATION

Purpose

To ensure all costs incurred in federal and other grants are allowable, reasonable, and allocable either directly or indirectly.

Policy

Program staff involved with procurements, as well as accounting personnel, shall be sufficiently familiar with 2 CFR Part 200.400 – 475, Cost Principles, as to determine that a cost is allowable prior to the cost being charged directly to a grant. They shall also be aware of any restrictions on allowable costs within the funding guidelines for their programs, including knowledge of which costs require advance approval from funding agencies in order to be allowable.

All items of miscellaneous income or credits, including the subsequent write-offs of uncashed checks, rebates, refunds, and similar items, shall be reflected as reductions in allowable expenditures if the credit relates to charges that were originally charged to a federal award or to activity associated with a federal award. The reduction in expenditures shall be reflected in the year in which the credit is received (i.e., if the purchase that results in the credit took place in a prior period, the prior period shall not be amended for the credit).

Allowable 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 2 CFR Part 200 Subpart E Cost Principles as well as with any restrictions found within the funding guidelines;
- Be consistent with policies and procedures that apply uniformly to both federally financed and other Agency programs;
- Be accorded consistent treatment;
- Be determined in accordance with accounting principles generally accepted in the United States of America (GAAP);
- Be adequately documented; and
- 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) unless exempted.

Reasonable costs are those which do not exceed, in either nature or amount, those that would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost (2 CFR 200.414). This determination shall include an evaluation of the following factors:

- Ordinary and necessary for the operation and performance of the grant (2 CFR 200.414(a));
- Compliance with sound business practices, arms-length bargaining, Federal, state and other laws and regulations, and the terms and conditions of the grant award (2 CFR 200.414(b));
- Market prices for comparable goods or services for the geographic area (2 CFR 200.414(c));
- Incurred by an individual acting with prudence concerning their responsibility to the Agency, employees, clients, public at large, and applicable funding agency (2 CFR 200.414(d)); and
- Avoidance of unusual practices that would unjustifiably increase the cost. (2 CFR 200.414(e))

Allocable costs are those which provide a direct benefit to the grant, contract, or program to which it is charged in proportion to the benefit received (2 CFR 200.405(a)). Allocable costs must be treated consistently with other costs incurred for the same purpose and must meet one of the following criteria:

- Incurred specifically for that program (2 CFR 200.405(a)(1));
- Benefit both that specific program and other programs but the cost can be distributed in proportion to the benefits received using a reasonable method (2 CFR 200.405(a)(2)); or
- Be necessary to the overall operation of the Agency and is assignable in part to the award in accordance with the principles of 2 CFR 200. (2 CFR 200.405(c))

Procedures

Direct Cost Allocation:

Direct costs are those which are incurred to achieve a particular cost objective that can be linked to a particular funding award, program, service, or initiative, or that can be directly assigned to such activities relatively easily with a high degree of accuracy (2 CFR Part 200.413(a)). When a cost benefits a single cost objective for a program, the cost is charged exclusively to that grant award or program. If a cost benefits two or more programs in proportions that can be determined without undue effort or cost, the cost should be allocated to the programs based on the proportional benefit (2 CFR 200.405(d)).

- 1) Costs are allocated to a program or cost objective by using the appropriate 5-digit project code for that program within the accounting system.

- 2) 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.
- 3) The Accountants, in conjunction with program staff, review each budget and grant/contract for his/her assigned programs to ensure that costs charged are allowable and in accordance with grant requirements. General ledger detail reports are reviewed for each program to ensure that all costs are properly allocated and classified (coded) within the program and account structure. Additionally, the Program Accountants review the salary and benefits charged to each grant during preparation of monthly program invoices and variance reports to ensure that payroll costs allocated to each grant are appropriate and authorized.
- 4) Program personnel and Program Accountants shall be familiar with the allowability of cost provisions 2 CFR Uniform Administrative Requirements Cost Principles and attend specific program training when possible.
- 5) Program Accountants prepare a monthly variance report for each program, which provides a comparison of actual versus budgeted revenues and expenses. The Financial Officer, Assistant Finance Director and/or Accounting Supervisor review monthly progress reports generated. Any significant variances between actual and budgeted revenues or expenses are investigated by the Program Accountant to ensure the costs and any allocations are allowable, reasonable, and allocable. Narrative reports are developed for the progress reports that are shared with the Program Managers and their supervisor(s).

Cost Allocation Methodology:

The methodology of the direct cost allocations will vary based on a program's operations and any specific requirements of the grant funder. Examples of direct cost allocation methodology utilized include, but are not limited to:

- Personnel: Staff time allocations vary between programs / grants based on the structure of the programs. Certain personnel are 100% allocated to a single project and have time directly allocated to that project. Other personnel have their time allocated based on actual time worked within each program / project which can be documented on the timesheet or by using a time allocation worksheet. Additionally, periodic time studies may also be used to support the allocation of staff whose duties do not fluctuate greatly between the months to which the time study is being applied.

- Fingerprinting / background checks are allocated based on how the related position is, or will be, funded. If costs are associated with a client, then they will be allocated based on the program under which the client receives services.
- Contract Services are allocated to the program who receives the benefit of the services. When multiple programs, or program areas, receive benefit, then the cost is allocated using a cost driver that best fits the services which may include: number of clients, number of employees, number of meals, etc.
- Audit fees are allocated by using the anticipated percentage rate of the annual audit and tax preparation fees divided by the anticipated adjusted direct cost base, as computed in the indirect cost rate.
- Space and space-related costs, if not attributable to a single site, are allocated based on the occupied square footage of each program. If further allocation is needed, costs are allocated based on the number of clients served and / or the number of hours of service provided at the shared space. The majority of the facilities within the Agency are utilized by a single program and there are no facilities which are utilized equitably by all programs. As a result, the only facility cost considered to be an indirect cost are the spaces occupied by the Administrative personnel within the Agency who serve all programs, such as the space occupied by the Executive, Finance, Human Resources, Information Technology, and Internal Audit offices. Additional cost procedures have been developed for the facility cost pool allocation utilized for the 1900 / 1920 Mariposa Mall location, commonly referred to as the "Fresno Executive Plaza" or "FEP," which assembles all costs associated with operating this facility into a single cost pool which is then distributed to all occupants based on the square footage occupancy of that space.
- Vehicles and vehicle related costs are allocated based on the program which utilizes the vehicle. If a single vehicle is being used for multiple program areas, this cost may be further broken down using miles driven as documented in a trip log.
- Mileage is allocated based on either the personnel allocation of the employee who drove the miles or on the allocation captured in the mileage log, depending on which is most appropriate given the reason for the mileage being incurred and the various duties / projects performed by the employee.
- Membership is based on individuals (clients/employee) served.

- Staff Training: In-service and trainings for large groups which cover multiple program areas are allocated based on the number of staff and / or parents associated with each program. Staff training that is completed individually or in small groups is allocated based on the purpose of the specific training along with the program with which the employee is associated.
- Food, snacks, and disposable supplies are tracked based on the program being served by the items being ordered, the site for which the purchasing is being completed, and based on who will utilize the items. If not directly attributed to a specific site, supplies are allocated based on the number of clients served.
- Copy machines, postage, and similar costs associated with shared equipment are allocated based on actual usage.
- Non-personnel insurance is allocated based on number of vehicles, square footage occupied, property valuation, or number of employees / volunteers, as appropriate for the type of coverage being allocated.
- Equipment, furniture, office supplies, and computer supplies are allocated to the programs where such items will be utilized and the benefit will be received. Items are generally ordered per funding source / program which allows the orders to be directly allocated to that program. When the ordered item will benefit multiple programs, then the cost is allocated based on factors such as: number of participants / users of the item. If the item is associated with a specific person, then the allocation of that person's time may also be selected as the appropriate basis.
- Telephone costs are allocated based on percentage of actual usage (call volume).
- Internet costs are allocated based on the number of connected computers.
- Software licenses are allocated based on the number of users and the users' personnel allocations.
- Client supportive costs (such as: bus passes, uniforms, etc.) are allocated based on the program under which the client is receiving such services.
- In-kind is allocated to programs in the same manner as when services / goods of a similar nature are procured.

Indirect Cost Allocation:

Indirect costs are the costs incurred to achieve a common, or joint, objective that cannot be readily associated with a program specific cost objective. In general, indirect costs are the costs that remain after all direct costs have been allocated to the programs for which they were incurred and to which benefits were received. (2 CFR 230 Appendix A (C)(1)) These costs represent the general administration expenses of the Agency, such as the salaries and operating expenses of the Executive Office, Finance Office, Human Resources Office, Information Technology Office, Internal Audit Office, and Board of Directors.

- 1) An annual indirect cost rate agreement is prepared and submitted annually to the U.S. Department of Health and Human Services (HHS), the Agency's cognizant agency, for approval by June 30th, unless a time extension is requested and awarded.
- 2) The cost groupings utilized within the indirect cost proposal are aligned with those presented within the Agency's annual independent audit. Prior to submission to HHS, the costs are reconciled to the Consolidated Statement of Functional Expenses included within the audit. The approved rate is a final rate for the year audited. During the same process, a provisional rate for the following year(s) is also established. "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 final rate for the period.
- 3) The Indirect Cost Proposal (ICP) is submitted to the cognizant agency along with a copy of the Single Audit, a reconciliation of the audit report to the ICP, lobbying Cost Certification, the ICP checklist, along with any other required certifications or information requests.
- 4) The approved indirect cost rate is used when determining the overhead applied to each grant, program, and/or function.
- 5) The Agency uses the simplified allocation method to develop the indirect cost rate, which is defined in 2 CFR 230, Appendix A, Subparagraph D.2, 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. (2 CFR 230, Appendix A (D)(2)(a))

- 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. (2 CFR 230, Appendix A (D)(2)(b) and 2 CFR 230, Appendix A (B)(3))
 - c) The distribution base may be total direct costs (excluding capital expenditures and other distorting items, such as major subcontracts or subgrants), 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 32 of Appendix B.
- 6) 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 subcontract in excess of \$25,000. (2 CFR 230 Appendix A (D)(3)(f))
 - 7) All allowable indirect costs are charged to a separate administrative cost center(s). The provisional indirect cost rate is charged to each grant through a monthly journal entry. The indirect cost is calculated based on actual year-to-date expenditures (less capital expenditures and subcontracts in excess of \$25,000).
 - 8) Except where a special rate is required, the indirect cost rate is applicable to all Agency awards and contracts (2 CFR 230 Appendix A (D)(2)(d)). 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 other funding sources. If a special rate is required, appropriate modifications shall be made in order to develop the special rate.

IX. CONTRACT APPROVAL AND ADMINISTRATION PROCESS

Contract Routing

Purpose

To ensure the preparation and routing of contracts to all pertinent parties and to maintain appropriate contract oversight over contractor(s) following contract execution.

Policy

Contracts will be routed to all appropriate staff for review and sign-off.

Procedures

- 1) Contract is forwarded to the Executive Office, where it is date-stamped as received, and prepared for routing.
- 2) Executive Office administrative staff keep log of the contract and prepare the routing sign-off sheet (Appendix XVIII) by completing the following information:
 - Document number for routing;
 - Project title;
 - Funding source;
 - Contract number;
 - Contract amount;
 - Contract term/period covered;
 - Due date;
 - Names of staff for routing; and
 - Any special notes or instructions, including any required attachments
- 3) A copy of the contract and the routing sign-off sheet are forwarded to the appropriate Officers, Program Director, and fiscal staff for review and sign-off initials.
- 4) When the routing copy of the contract and the routing sign-off sheet are returned to the Executive Office, it is attached to the original copy of the contract and sent to the Chief Executive Officer for signature. All necessary attachments (i.e. Insurance Certificates, Board of Resolutions, etc.) should also be included.
- 5) Once the contract is signed by the Chief Executive Officer, it is forwarded to the Executive Office administrative staff for distribution to appropriate staff and funding/contract source. The documents are also scanned for electronic recordkeeping. 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).

Procedures

- 1) The Catalog of Federal Domestic Assistance (CFDA) number, found in the federal funding announcement, will need to be known.
- 2) Call 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."
 - a. If the answer is "no," simply check the "Not being covered" box on the Application for Federal Assistance SF-424 (Appendix XIX). Nothing further needs to be done.
 - b. If the answer is "yes," 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 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.
- 3) 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 Fresno EOC 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 longer.

- 4) 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
Office of Planning & Research
2035 Tulare Street, Suite 201
Fresno, CA 93721

This summary is then posted countywide 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 10:00 AM.

The matter is also placed on the next COFCG full Board meeting, which generally meets in the Fresno EOC Board room the last Thursday of the month at 7:00 PM.

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.

- 5) 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.

Note: Sometimes the request for funding proposal will require a statement regarding the intergovernmental review process to be included as part of the proposal.

Contract Administration

Purpose

To maintain appropriate oversight over contractors to ensure performance with terms, conditions, and specification of their contracts or purchased orders

Policy

Contract administration shall be in accordance with 2 CFR Part 200.318(b), or other grant-specific requirement.

Procedures

All contract managers will adhere to the following procedures:

1. Contract administration files shall be maintained:
 - a. For each contract at or greater than \$150,000, a separate file shall be maintained.
 - b. For contracts less than \$150,000, contract records may be combined in a single file by grant or other funding source.
2. Contract administration files shall contain:
 - a. The required documentation specified in the contract or purchase order for the original scope of work and for all amendments.
 - b. Where the contract work is identified in the grant award or budget, the identification and scope of the work contained in the award or budget, and all approved changes.
3. Authorization of work:
 - a. No work shall be authorized until the contract for the work has been approved and fully executed.
 - b. No change in the work shall be authorized until an amendment to the contract for the work has been approved and fully executed, unless exception from this is approved for reason such as an emergency.
 - c. No amendment of a contract for work shall be executed until it has been properly approved, incorporated into the terms of the grant award or budget (as required), and approved by the funding source in advance (when required).

4. Conformance of work:
 - a. For each grant award, based on the applicable laws, regulations and grant provisions, the appropriate Officer or designated Program staff shall establish and maintain a system to reasonably assure contractor:
 - i. Conformance with the terms, conditions, and specifications of the contract, and
 - ii. Timely follow-up of all purchases to assure such conformance and adequate documentation.
5. The appropriate Officer or designated Program staff will authorize payment of invoices to contracts after final approval of work products.

X. FINANCIAL REPORTING PROCEDURES

Budget Process

Purpose

To design and direct the most efficient and prudent use of the Agency's financial and human resources.

Policy

The Program Directors are responsible for preparing their respective program's budgets and programmatic goals with assistance from the Finance Office. All budgets must be reviewed and approved by the Chief Financial Officer, Financial Officer, and/or Assistant Finance Director prior to submission to the appropriate funding agency. Program budgets will be used to prepare the annual consolidated Agency-wide budget, which is presented to the Chief Executive Officer and Board of Commissioners.

Procedures

- 1) To assist in preparation of the program and administrative budgets, the Finance Office will maintain a Budget Guidelines worksheet containing basic assumptions for the forthcoming fiscal year, such as payroll tax rates and fringe benefit rates.
- 2) Upon completion of the program budget, the Program Director will review all documents to determine compliance with applicable grant policies, regulations, and contract language. The Program Director will determine whether program goals can be attained within the budget constraints.
- 3) The annual administrative budget will be prepared on the accrual basis of accounting by Finance Office staff and submitted to the Financial Officer, Chief Financial Officer, and Chief Executive Officer for review and approval. The administrative budget will be combined with the program budgets to develop the consolidated Agency budget. The consolidated Agency budget, along with each programmatic budget, will be presented to the Finance Committee and Board of Commissioners for approval.
- 4) After a budget has been approved by the Board of Commissioners, reclassifications or budget modifications may be made with approval of the Financial Officer and funding Agency, if required by the contract.
- 5) The Agency monitors its financial performance by preparing monthly variance reports by program, which contains actual monthly and/or year-to-date financial data as compared to the program budget. A variance narrative containing any relevant cost analysis information will also be provided.

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 2 CFR 200.307(e), 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:

- 1) Addition: With prior approval from the awarding agency, program income may be added to funds committed to the project by the Federal awarding agency and recipient and used to further eligible project or program objectives (2 CFR 200.307(e)(2)).
- 2) Cost sharing or Matching: With prior approval from the awarding agency, program income may be used to meet the cost sharing or matching requirements of the project or program (2 CFR 200.307(e)(3)).
- 3) Deduction: Deducted from the total project or program allowable cost in determining the net allowable costs on which the Federal share of costs is based. Program income must be used for current costs unless the awarding agency authorizes otherwise. Program income that the Agency did not anticipate at the time of the award must be used to reduce the award and Agency contributions rather than to increase the funds committed to the project. (2 CFR 200.307(e)(1))

If the awarding Agency does not specify in its regulations, or in its 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 (2 CFR 200.307(b)). Unless regulations state otherwise, there is no Federal obligation on program income earned following the end of the project period (2 CFR 200.307(f)).

Procedures

- 1) Per 2 CFR 200.80, program income is gross income earned by the Agency that is directly generated by a supported activity or earned as a result of the award during the period of performance. Program income includes, but is not limited to, income from fees for services performed, the use or rental of real or personal property acquired under Federal awards, the sale of commodities or items fabricated under an award, license fees and royalties on patents and copyrights, and principal 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 statutes, regulations, or the terms and conditions of the award, program income does not include rebates, credits, discounts, and 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.

In-Kind Recordkeeping

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

Any shared costs or matching funds and all contributions, including cash and third party in-kind contributions, must meet all of the following criteria in order to qualify as cost sharing or matching funds per 2 CFR 200.306(b):

- Are verifiable from the recipient's records (2 CFR 200.306(b)(1));
- Are not included as contributions for any other Federal award (2 CFR 200.306(b)(2));
- Are necessary and reasonable for proper and efficient accomplishment of project or program objectives (2 CFR 200.306(b)(3));
- Are allowable under Subpart E Cost Principles of 2 CFR 200 (2 CFR 200.306(b)(4));
- Are not paid by the Federal Government under another Federal award, except where the Federal statute authorizing a program specifically provides that Federal funds made available for such program can be applied to matching or cost sharing requirements of other Federal programs (2 CFR 200.306(b)(5));
- Are provided for in the approved budget when required by the Federal awarding agency (2 CFR 200.306(b)(6)); and
- Conform to other provisions of 2 CFR 200 Subpart D Post Federal Award Requirements, as applicable (2 CFR 200.306(b)(7)).

Unrecovered indirect costs, including indirect costs on cost sharing or matching may be included as part of cost sharing or matching only with the prior approval of the Federal awarding agency (2 CFR 200.306(c)).

Procedures

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. For third-party in-kind contributions, the fair market value of goods and services must be documented and to the extent feasible supported by the same methods used internally by the Agency (2 CFR 200.306(j)).

Procedures to record the various types of in-kind contributions are as follows:

Donated Services:

Volunteer services furnished by third-party professional and technical personnel, consultants, and other skilled and unskilled labor may be counted as cost sharing or matching if the service is an integral and necessary part of an approved project or program (2 CFR 200.306(e)).

- 1) Volunteer records hours on a monthly time record (Appendix XX) which is signed by the volunteer and approved by the site supervisor prior to submission to the appropriate program personnel.
- 2) The responsible program personnel responsible for volunteer coordination prepares a monthly summary of volunteer hours. The donated hours are valued using current Agency hourly rates for the same or similar position, to include applicable payroll taxes and fringe benefits that are reasonable, allowable, and allocable (2 CFR 200.306(e)).
- 3) The summary and supporting documentation are submitted to the applicable Program Accountant for journal entry preparation, which may be entered manually or imported.
- 4) Journal entry with summarized supporting documentation is filed in the Finance Office. Additional detailed documentation records for the in-kind contributions are maintained at the programs.

Donated Space:

The value of donated space must not exceed the fair rental value of comparable space as established by an independent appraisal of comparable space and facilities in a privately-owned building in the same locality (2 CFR 200.306(i)(3)).

- 1) Lease is negotiated with site owner and shall contain the cost to the Agency and the square footage and/or land parcel being leased. The in-kind valuation is determined by computing the difference between the fair market value and the actual cost to program. Fair market value is to be determined by an independent appraisal of comparable space in the same locality.
- 2) For donated space used periodically, an In-Kind Contribution of Space form is used to document the value of donation (Appendix XXI).
- 3) A journal entry is prepared to record donated space on a monthly basis.

Donated Supplies:

Donated property from third-parties may include such items as: equipment, office supplies, laboratory supplies, or workshop and classroom supplies. Value assessed to donated property included in the cost sharing or matching share must not exceed the fair market value of the property at the time of the donation (2 CFR 200.306(g)).

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 (Appendix XXII).

Donated Land and Buildings:

If the purpose of the contribution is to assist the Agency in the acquisition of equipment, building, or land, the total value of the donated property may be claimed as matching with prior approval of the awarding agency (2 CFR 200.306(h)(1)).

If the purpose of the donation is to support activities that require the use of equipment, buildings, or land, depreciation may be claimed as matching, unless the awarding agency has approved using the full value as match (2 CFR 200.306(h)(2)).

The value of donated land or buildings must not exceed its fair market value at the time of donation as established by an independent appraiser. Information on the date of donation and records from the appraisal will be maintained in the property file.

Subrecipients

Purpose

To ensure that award funds passed-through to a subrecipient are used for authorized purposes and in compliance with statutes, regulations, and the terms and conditions of the award.

Policy

In certain situations, the Agency might find it practical to make subawards of funds to other organizations. As applicable, subrecipients must be approved in writing by the federal awarding agency and agree to the subrecipient monitoring provisions described in this section.

Procedures

The Agency, acting as a pass-through entity, must:

1. Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward (2 CFR 200.331 (a)):
 - a. Federal Award Identification;
 - b. All requirements imposed by the Agency on the subrecipient so that the award is used in accordance with statutes, regulations, and the terms and conditions of the award;
 - c. Any additional requirements that the Agency imposes on the subrecipient in order for the Agency to meet its own responsibility to the awarding agency including identification of any required financial and performance reports;
 - d. An approved federally recognized indirect cost rate negotiated between the subrecipient and the Federal government or, if no such rate exists, either a rate negotiated between the Agency and the subrecipient or a de minimis indirect cost rate as defined in 2 CFR 200.414;
 - e. A requirement that the subrecipient permit the Agency and auditors to have access to the subrecipient's records and financial statements as necessary for the Agency to meet the requirements of 2 CFR 200; and
 - f. Appropriate terms and conditions concerning closeout of the subaward.

2. Information required for reporting subawards of Federal funding in the FFATA Sub-award Reporting System (FSRS) will be collected from all subrecipients. Required information is to be entered into www.fsrs.gov. Reporting is to be in accordance with Public Law 109-282, the Federal Funding Accountability and Transparency Act of 2006 as amended (FFATA).
3. All subrecipients will be required to obtain a DUNS number and to have an account within the System for Award Management (SAM). Information from SAM will pre-populate as much of the reporting required at www.fsrs.gov as is possible. Information to be captured for the subrecipient includes:
 - a. The following data about sub-awards greater than \$25,000:
 - i. Name of entity receiving award;
 - ii. Amount of award;
 - iii. Funding agency;
 - iv. NAICS code for contracts/CFDA program number for grants;
 - v. Program source;
 - vi. Award title descriptive of the purpose of the funding action;
 - vii. Location of the entity (including congressional district);
 - viii. Place of performance (including congressional district);
 - ix. Unique identifier of the entity and its parent; and
 - x. Total compensation and names of top five executives (same thresholds as for primes).
 - b. The Total Compensation and names of the top five executives if:
 - i. More than 80% of annual gross revenues from the Federal government, and those revenues are greater than \$25M annually and
 - ii. Compensation information is not already available through reporting to the SEC.
4. Evaluate each subrecipient's risk of noncompliance with statutes, regulations and the terms and conditions of the subward to determine the appropriate monitoring. Evaluations may include such factors as (2 CRF 200.331 (b)):
 - The subrecipient's prior experience with the same or similar subawards;
 - The results of previous audits including whether or not the subrecipient receives a Single Audit, and the extent to which the same or similar subaward has been audited as a major program;
 - Whether the subrecipient has new personnel or substantially changed systems; and
 - The extent and results of Federal awarding agency monitoring (e.g. if the subrecipient also receives Federal awards directly from a Federal awarding agency).

5. Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring includes: (2 CFR 200.331 (d))
 - a. Regular contacts with subrecipients and appropriate inquiries regarding the program;
 - b. Reviewing programmatic and financial reports prepared and submitted by the subrecipient and following up on areas of concern;
 - c. Monitoring subrecipient budgets;
 - d. Performing site visits to the subrecipient to review financial and programmatic records and assess compliance with applicable laws, regulations, and provisions of the subaward;
 - e. Offering subrecipients training and technical assistance where needed;
 - f. Maintaining a system to track and follow-up on deficiencies noted at the subrecipient in order to ensure appropriate corrective action is taken; and
 - g. Establishing and maintaining a tracking system to ensure timely submission of all reports required of the subrecipient.
6. Subawards shall require that subrecipient employees responsible for program compliance obtain appropriate training in current grant administrative and program compliance requirements.
7. The Agency will follow-up with all subrecipients to determine whether all required audits have been complete. The Agency will cease all funding of subrecipients failing to meet the requirement to undergo an audit in accordance with 2 CFR 200.501. For all subrecipients that properly obtain an audit in accordance with 2 CFR 200.501, the Agency shall obtain and review the resulting audit reports for possible effects on the Agency's accounting records or audit.
8. Documentation shall be maintained in support of all efforts associated with monitoring of subrecipients.

9. In connection with any subrecipient that has been found to be out of compliance with provisions of its subaward with the Agency, responsive actions by the Agency may consist of the following:
 - a. Increasing the level of supporting documentation that the subrecipient is required to submit to the Agency on a monthly or period basis;
 - b. Requiring that subrecipient prepare a formal corrective action plan for submission to the Agency;
 - c. Requiring certain employees of the subrecipient undergo training in areas identified as needing improvement;
 - d. Requiring documentation of changes made to policies or forms used in administering the subaward;
 - e. Arranging for on-site (at the subrecipient's office) oversight on a periodic basis by a member of the Agency's Finance or program staff;
 - f. Providing copies of pertinent laws, regulations, federal agency guidelines, or other documents that may help the subrecipient;
 - g. Arranging with an outside party for periodic on-site monitoring visits;
 - h. Reimbursing after-the-fact, and not provide advances;
 - i. Requiring review and approval for each disbursement and all out-of-area travel; and
 - j. As a last resort, terminating the subaward relationship and seeking an alternative.

Financial Report Preparation

Purpose

To ensure the accuracy, completeness, and timeliness of reporting the Agency's financial information.

Policy

All required financial reports will be prepared and completed timely, in accordance with contract requirements. All financial reports require the approval of the Financial Officer or Assistant Finance Director.

Overdue reports should be avoided whenever possible. In the event that an overdue report cannot be avoided, a waiver and extension request from the funding agency should be requested, if possible. Overdue reports include financial, performance or other required reports. Prompt action to correct overdue reports must be taken as soon as possible.

Procedures

- 1) Upon completion of monthly closing procedures (See "General Ledger Closing Procedures," Section I), detail G/L reports are generated by each Program Accountant.
- 2) The Program Accountant will prepare the monthly, quarterly, or annual financial report and submit it along with all supporting documentation to the Chief Financial Officer, Financial Officer, or designee for review and signature to approve it for submission. A schedule tracking the date of report signature is maintained by the Financial Officer and Accounting Supervisors.
- 3) The financial reports are submitted by the Program Accountants in accordance with the method prescribed by the funding source. This may include standard mail, e-mail, online submission, or a combination.
- 4) Closeout reports follow the same procedure as monthly financial reports.

Federal Financial Status Report:

- 1) The Federal Financial Report (FFR) SF-425 (Appendix XXIII) is commonly used to report the status of funds for all non-construction Federal grants. Each program shall report program outlays and program income on the accrual basis, which is used in the overall accounting system. Information reported must be reconcilable to the supporting financial statements and general ledger reports. Financial data must be provided in Section 10 of SF-425. Federal agencies will provide instructions to the grantee regarding the frequency requirements of

financial report submission. 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 thirty (30) days after the reporting period. Final reports shall be due ninety (90) days after the project or grant period end date.
- 3) Each financial report submitted by the grantee must reflect the proper amount of indirect costs applicable to the grant based on most current indirect cost rate 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. (See Section VIII Cost Allocation)
- 4) Grantees shall use the "Remarks" (Section 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 grant funds originally budgeted for the same purpose, they shall also be included in Section 10-m of the SF-425 report.
- 5) Program income earned during the period shall be reported on the FFR.
- 6) Funding sources may provide other forms for use specific to their grant reporting of fiscal information. The grant funding terms and conditions should be consulted for specific requirements. Regardless of the form used, the amounts reported will be reconciled to the financial records and supported by appropriate backup documentation for each transaction.

Federal Financial Report (FFR) Cash Transaction Report:

- 1) The Federal Financial Report (FFR) is used to monitor cash advanced to grantees and to obtain disbursement or outlay information from grantees. The FFR is closely monitored by 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 accounting records.
- 2) Interest earned on grant funds shall be reported on the Federal Financial Report (FFR) Interest Income within the online Payment Management System (PMS), or other applicable system.
- 3) The expenditures on the final FFR must reconcile to the cash request and expenditures listed on the final FFR Cash Transaction Report once a grant cycle has been closed out.

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 Federal 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 Federal 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 to the appropriate Federal Grants Officer. The granting office may, however, waive the requirement for any performance report that is not needed.

Financial Statements

Purpose

To ensure communication of key financial information. Financial statements are management tools used in making decisions, in monitoring achievement of financial objectives, and as a standard method for providing information to interested parties external to the Agency.

Policy

The basic financial statements that are maintained on an Agency-wide basis shall include:

- Statement of Financial Position – Reflects assets, liabilities, and net assets of the Agency and classifies assets and liabilities as current or noncurrent and net assets by category (unrestricted, temporarily restricted, and/or permanently restricted).
- Statement of Activities – Presents support, revenues, expenses, and other changes in net assets of the Agency, by category of net asset, including reclassifications between categories of net assets.
- Statement of Functional Expenses – Presents the expenses of the Agency in a natural or objective format and by function (i.e., which program or supporting service was served).
- Statement of Cash Flows – Reports cash inflows and outflows of the Agency in three categories: operating activities, investing activities, and financing activities.

Procedures

1. Monthly financial reports, including a Statement of Financial Position and a Statement of Activities, are prepared and presented to the Finance Committee for approval. This includes the required monthly financial statements, including credit card expenditures, for Head Start and Early Head Start.
2. On an annual basis, the Agency shall prepare a complete set of GAAP consolidated financial statements, including footnotes addressing all disclosures required by GAAP. These are the financial statements from which the Agency's independent auditors will conduct their audit. Formal presentation of the Agency's annual audited financial statements shall be provided by the independent auditor to the Audit Committee.

Government Returns

Purpose

To ensure compliance with federal, state, and local jurisdiction requirements to file tax and information returns.

Policy

The Agency will file complete and accurate returns with all authorities and make all efforts to avoid filing misleading, inaccurate, or incomplete returns.

Procedures

The Agency's fiscal and tax year-end is December 31st. All annual and information returns of the Agency are filed on the accrual basis of reporting, unless otherwise indicated.

1. Form 990 – Annual information return of tax-exempt organizations, filed with the IRS. Form 990 for the Agency is due on the 15th day of the fifth month following year-end (May 15th). An automatic 3-month extension of time to file Form 990 may be obtained by filing Form 8868 (August 15th). Upon expiration of the first 3-month extension, a second 3-month extension may be requested using Form 8868 (November 15th).
 - a. A draft of the Agency's annual Form 990 information return shall be reviewed and approved by the Finance Committee prior to being filed with the Internal Revenue Service.
2. Form 990-T – Annual tax return to the Agency's unrelated trade or business activities, filed with the IRS. Form 990-T is due on the 15th day of the fifth month following year-end (May 15th). An automatic extension of time to file Form 990-T may be obtained by filing Form 8868 (November 15th).
 - a. The Agency properly identifies and classifies income-producing activities that are unrelated to the Agency's tax-exempt purpose using the guidelines described in the Internal Revenue Code and underlying regulations. Such income shall be segregated in separate accounts in the G/L in order to facilitate tracking and accumulation of unrelated trade or business activities.
 - b. In addition to segregating income associated with unrelated business activities, the Agency's G/L shall also provide accounts for expenses associated with each such unrelated activity. These expenses shall be offset against unrelated business revenue in arriving at unrelated

business taxable income. Expenses that shall be offset against gross unrelated business income shall be limited to those expenses directly associated with the production of such income, including reasonable allocation of indirect costs that benefit each activity.

3. Form 5500 – Annual return for the Agency’s employee benefit plans. Form 5500 is due on the last day of the seventh month after the end of the plan year (July 31st), but a 2 ½ month extension of time to file may be requested using Form 5558 (September 15th).
4. Various Other Statements – Filed with the County of Fresno to report activities such as: Landlord Report of Tenants (Form 3012), Business Property Statement (Form 571-L), and Claim for Welfare Exemption (Form BOE-264-A), due at various times throughout the year.
5. Form W-2 and Form 1099 – Annual report of employee and non-employee compensation, based on calendar-year compensation, on the cash basis. These information returns are due to employees and independent contractors by January 31st and to the federal government by February 28th. Generally, Form 1099 is required only if the organization has provided more than \$600 in compensation to an independent contractor during the calendar year.
6. Form 940 – Annual federal unemployment tax return filed with the IRS, due by January 31st.
7. Form 941 – Quarterly payroll tax return filed with the IRS to report wages paid to employees and federal payroll taxes. Form 941 is due by the end of the month following the end of each quarter, or 10 days later if all payroll tax deposits have been made in a timely manner during the quarter.
 - a. Federal and all applicable state payroll tax returns are prepared by the third party payroll provider. The Agency complies with all state payroll tax requirements by withholding and remitting payroll taxes to the state of residency of each Agency employee.

Public Access to Information Returns:

Under regulations, the Agency is subject to federal requirements to make “widely available” the three most recent annual information returns (Form 990 and Form 990-T, if applicable) and the Agency’s original application for recognition of its tax-exempt status filed with the IRS, to all members of the general public.

Anyone appearing in person at the offices of the Agency during normal working hours making a request to inspect the forms will be granted access to a file copy of the forms. Reasonable copying charges may be made to anyone requesting a physical copy of such forms, in advance of providing physical copies. Access may also be provided by posting such documents on the Agency’s website at www.fresnoeoc.org.

XI. RETIREMENT PLANS

Purpose

To ensure accurate tracking of employees as they become eligible for participation in any of the offered retirement plans and proper reporting on amounts paid into their accounts and distributions issued.

Policy

The Transamerica Adoption Agreements as amended, filed with the Internal Revenue Service remains the authority to which these procedures are subject.

Procedures

401(a) Pension Plan:

Eligibility Tracking:

- 1) To become a participant in the plan, an employee must:
 - a) Reach age 21, and
 - b) Complete two years of service. A year of service is defined as a year (counting from the hire date or from the anniversary of the hire date) in which the employee worked at least 1,000 hours.
- 2) Each employee record includes hire date, date of birth, projected eligibility date, and an accounting of the number of hours of service credited.
- 3) The Pension Eligibility Report is created monthly from the payroll software. The report includes all employees who are not yet eligible and who have a current month anniversary date. This report is used to determine if the employee should be credited with a year of service based on the number of hours they have been paid during the previous year.
- 4) For each employee in the report, one of the following actions are taken:
 - a. Credit the first year of service (no record changes are required)
 - b. Credit the second year of service. Indicate that the employee has met the eligibility criteria by two changes to the employee record:
 - Deductions tab - Adding the payroll Memo Code #576 which is used to calculate the 5% Employer Contribution,

- Tax tab - Checking the Pension box used for W-2 reporting
- c. Increase the projected eligibility date by one year when less than 1,000 hours were worked
 - d. Remove the projected eligibility date when a break has occurred.

Benefit Calculation:

- 1) After completing the eligibility requirements above, employees become participants and begin receiving benefits on the first day of the month following eligibility.
- 2) The memo code entered in the employee record performs the calculation to process the employer contribution benefit amount at 5% of gross pay each pay period.

403(b) Tax Sheltered Plan:

Eligibility Tracking:

- 1) All employees who normally work at least 20 hours per week are eligible to participate in the plan.
- 2) Employees submit their request for a payroll deduction through the Transamerica website. Transamerica relays these requests to Fresno EOC every two weeks.

Benefit Calculation:

- 1) There are no employer contributions to this plan; all contributions are employee voluntary contributions.
- 2) Contributions may be made as a percentage of pay or a fixed amount. Annual contributions are limited to the amounts allowed under IRC §415(b); catch-up contributions under IRC §414(v) are allowed for employees over age 50.
- 3) The plan offers both pre-tax Salary Reduction Contributions and an after-tax Roth Contributions option. Employees may divide their contributions between these options as they desire.
- 4) The deduction is added to the employee master file using these four codes:
 - 486 Pre-tax contribution
 - 487 Pre-tax catch-up contribution
 - 489 Roth contribution
 - 490 Roth catch-up contribution

457(b) Deferred Compensation Plan:

Eligibility Tracking:

- 1) This is a “top-hat” plan which restricts eligible participants to the exempt employees who receive compensation three times greater than the average compensation of the non-top-hat group.
- 2) Changes in eligibility are determined quarterly based on a census of active employee pay rates.

Benefit Calculation:

- 1) Eligible employees are allowed to make voluntary contributions to the plan up to the limits allowed under IRC §415(b); catch-up contributions are permitted under the 3-Year Special Catch-up rule.
- 2) Employer contributions that are non-elective and discretionary are allowed but must have appropriate approval.

Contribution Remittance (all plans):

- 1) After each payroll, a contribution report is submitted to Transamerica which details the amount and type of contributions being made for each employee. Payroll information including employee name, address, dates, gross pay, and contributions made are drawn from payroll records to prepare this report. A separate report is provided for each of the three plans.
- 2) Transamerica confirms that they have received the reports and that the total contributions agrees to the amounts in the employee listing.
- 3) Within a few days, funds are withdrawn from an Agency bank account by Transamerica and recorded to each employee’s individual account.

Plan Recordkeeping (all plans):

Transamerica performs the following recordkeeping functions:

- Account balance tracking;
- Discrimination testing;
- Beneficiary designation tracking;
- Distributions processing;
- Hardship withdrawals (403(b) plan only);
- Employee loans (403(b)_plan only);
- Operational fee allocation to participants’ accounts; and
- QDRO review and determination

Reporting (all plans):

- 1) Quarterly financial and investment reports are prepared and reviewed by the assigned Accountant, Assistant Finance Director, and Financial Officer and are approved by the Pension Committee. Transaction and balance activity is gathered from the monthly statements received from Transamerica.
- 2) Annual 1099-R and IRS Form 945 are processed by Transamerica.
- 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. These reports and others are available through the Transamerica Sponsor website.