



Accounting & Financial Policies & Procedures Manual

Effective Date(s) of Accounting Policies

Editor's Note: After this policies manual is implemented, it is likely that individual policies will subsequently be modified or added on a policy-by-policy basis. For Audit and documentation purposes, it is essential to keep a record of effective dates of specific policies. As an alternative to the preceding policy of noting effective dates parenthetically, users may wish to include a header above each policy that includes the following information:

Effective Date of Policy: 3/20/13

Date Last Amended: 2/18/2013

Date of Next Review (if policy requires periodic Review): February 2014

Superseded policy statements should be retained for future reference in connection with any audits or investigations (likely for a period of 5 to 7 years).



**Tom Hughes, Board Chair Person
Scott Gardner, Board Treasurer
Jerralynn Ness, Executive Director
Betty Lou Morrow, Chief Financial &
Operations Officer
March 20, 2013**

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INTRODUCTION

The following accounting manual is intended to provide an overview of the accounting policies and procedures for Community Action Organization, which shall be referred to as “Community Action,” “The Agency,” or “the Organization” throughout this manual.

Community Action is incorporated in the state of Oregon. Community Action is exempt from Federal income taxes under IRC Section 501(c)(3) as a nonprofit corporation. Community Action’s tax-exempt mission is to:

Community Action leads the way to eliminate conditions of poverty and creates opportunities for people and communities to thrive.

This manual shall document the financial operations of the Organization. Its primary purpose is to formalize accounting policies and selected procedures for the accounting staff and to document internal controls.

The contents of this manual were approved as official policy of the Organization by the Board of Directors, Executive Director, and Chief Financial and Operations Officer. All Community Action staff members are bound by the policies herein, and any deviation from established policy is prohibited unless the Executive Director or Chief Financial and Operations Officer grant exception or change via written approval.

Definitions

The following definitions shall be found in the Accounting & Financial Policies and Procedures Manual, and are provided to aid the reader’s understanding of the material.

- a) Shall – Must do.
- b) Board of Directors – The Board of Directors of Community Action Organization as established in the Article of Incorporation and current Agency Bylaws.
- c) GAAP – Generally Accepted Accounting Principles.
- d) OMB – Office of Management and Budget Executive Branch, Federal Government.
- e) GAO – General Accounting Office Legislative Branch, Federal Government.
- f) CFR – Code of Federal Regulations Federal Government.
- g) Sole Source – Purchases obtained from only one source with no competition or attempt to contact other sources for said purchase. (Documentation required).

Regulations

The Agency shall adhere to all applicable State and Federal Licenses, licensing and regulations, IRS codes, Grant and Sub-grant regulations as stated in grant and sub-grant contracts duly signed by the Executive Director and mandated by the Board of Directors. In addition, the Agency shall adhere to 45 CFR part 74; OMB Circulars A-110, A-122, A-133; 45 CFR parts 1301 through 1311; Generally Accepted Accounting Principles as defined by the Board of Directors. Supplemental to these policies will be the Fiscal Procedures necessary to enforce the defined laws, licensing and regulations as defined by the grants and sub-grants, State and Federal Laws, licensing and regulations.

GENERAL POLICIES

ORGANIZATIONAL STRUCTURE

The Role of the Board of Directors

See current Bylaws.

Committee Structure

See current Bylaws and page 12.

Finance and Audit Committee

The purpose of the Finance and Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the Agency's process for monitoring compliance with laws and regulations and the code of conduct. The Finance and Audit Committee of the Community Action Board of Directors will perform audit committee functions and responsibilities. The Finance and Audit Committee will consist of at least three members of the Board of Directors who must be financially literate or become financially literate; at least one financially literate member from the community and representation from Head Start Policy Council. The Board will appoint the committee members. The committee chair will be the board treasurer who is elected by the Board.

The principal functions and responsibilities of the Finance and Audit Committee are:

- To see that appropriate accounting policies and internal controls are established and followed, and that the Agency issues financial statements and reports on time and in accordance with all regulatory obligations.
- To review the Agency's financial reports with management monthly and to submit those reports to the Board of Directors for acceptance.
- To recommend to the Board the appointment of external auditors.
- To review and approve the scope of the annual external audit.
- To participate in the pre and post audit meetings with the external auditor.
- To review the annual financial statements and external auditors' reports and submit to the Board for action.
- To review significant findings and management letters resulting from external audits, including management responses and plans to address the resulting recommendations and submit to the Board for action.
- To interview the external auditors concerning the strengths and weaknesses of the Agency's staff, systems, internal controls, and other factors that pertain to the integrity of the published financial reports.
- To review the administration of the Agency's conflict of interest policy.
- To review HS credit card transactions on a monthly basis.

Other functions and responsibilities are:

- To establish procedures for receiving and investigating complaints regarding financial accountability and related ethical issues.
- To annually review and assess the adequacy of this committee charter.
- To provide an open avenue of communications between management, external auditors, and the Board of Directors.

- To establish a written requirement that management report any instances of fraud or major control issues to the committee.
- To perform other functions relative to this charter as may be designated by the Board of Directors.

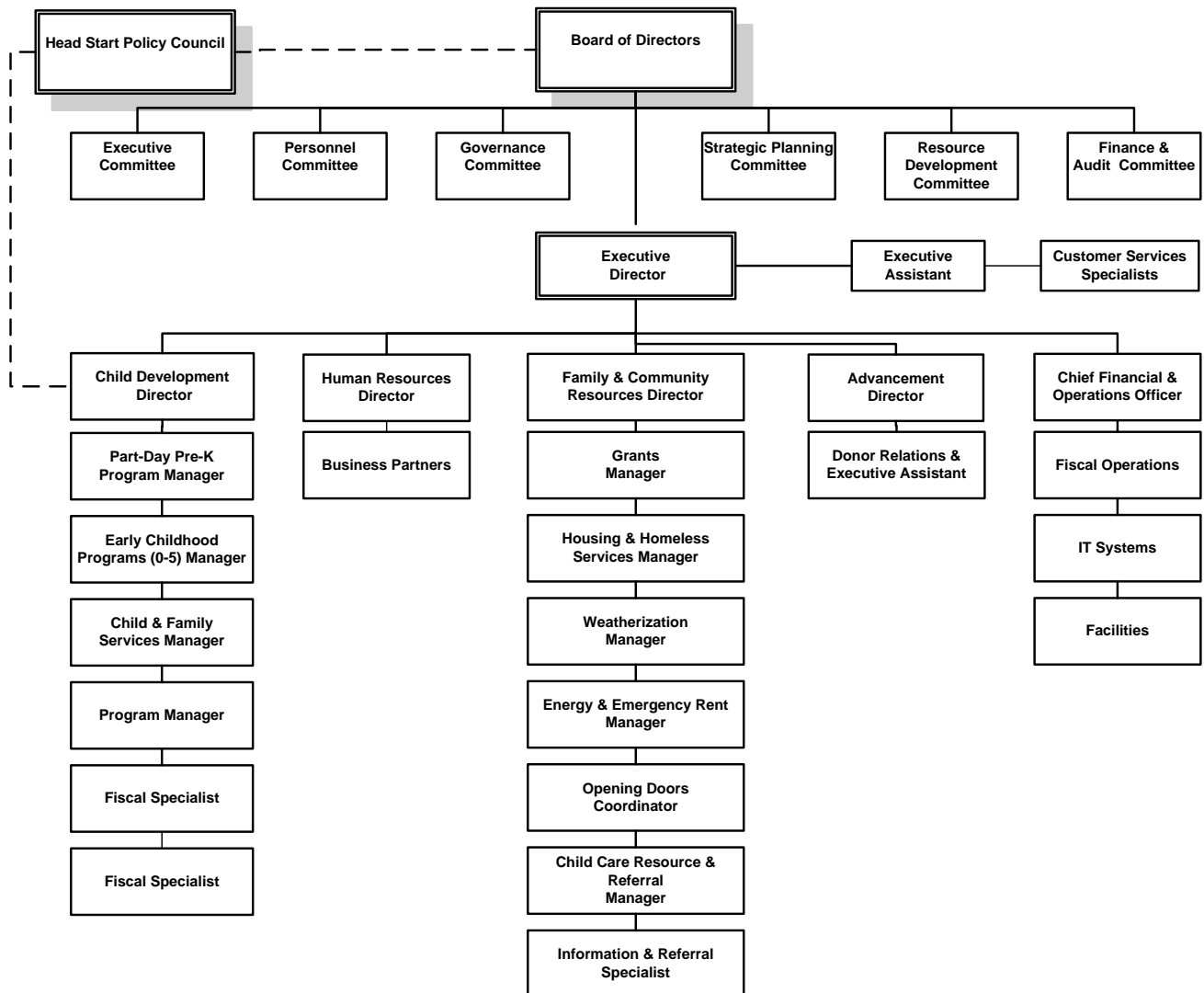
The Roles of the Executive Director and Staff

See Community Action Personnel Policies and current Bylaws.

The Board of Directors hires the Executive Director, who reports directly to the board. The Executive Director is responsible for hiring and evaluating Directors for each of the Organization’s departments. Each Director reports to the Executive Director.

Directors are responsible for hiring employees to work in that department in conjunction with Human Resources. Second level managers and first line supervisors may be responsible for hiring their own staff with the assistance of Human Resources. All employees within a department shall report directly to that department’s Executive Manager or their assigned second level manager, who shall be responsible for managing and evaluating all employees within their respective programs or department.

The following is the Community Action’s organizational chart.



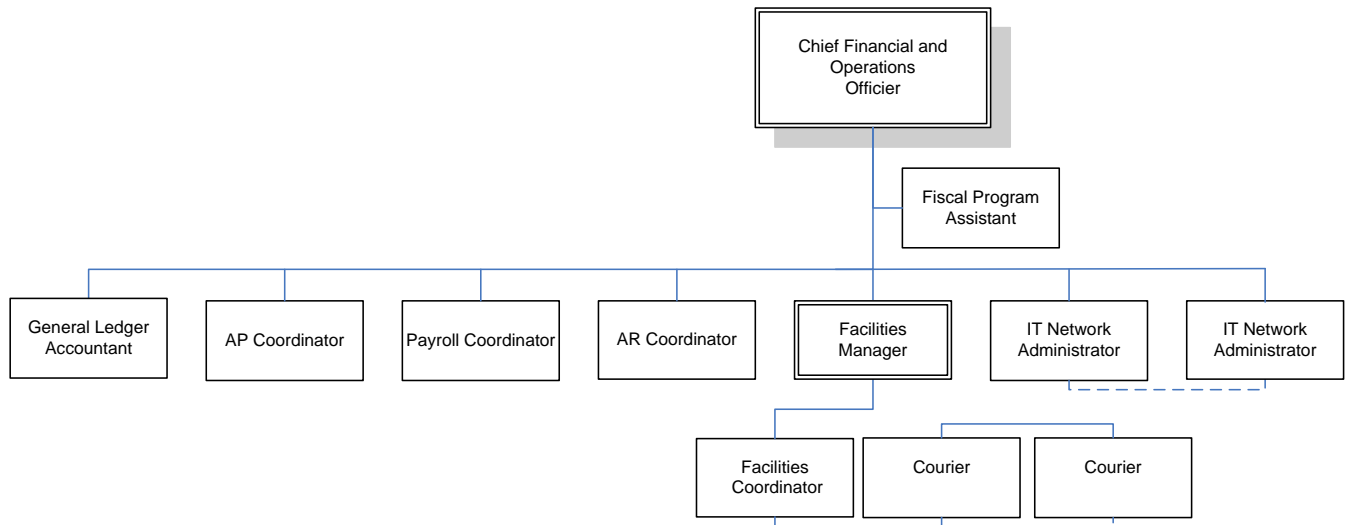
FISCAL DEPARTMENT OVERVIEW

Organization

The Fiscal Department consists of staff members who manage, process, and report on financial information for Community Action. The following positions comprise the Fiscal Department:

- Chief Financial and Operations Officer
- General Ledger Accountant
- Accounts Receivable Coordinator
- Payroll Coordinator
- Accounts Payable Coordinator
- Fiscal Program Assistant

Following is the organizational chart for the Fiscal Department.



Other officers and employees of Community Action who have financial responsibilities are as follows:

- Executive Director
- Directors
- Program Managers
- Treasurer – Board level
- Finance and Audit Committee – Board level
- Executive Committee – Board level
- Full Board of Directors

Responsibilities

The primary responsibilities of the Fiscal Department consist of:

- General ledger
- Budgeting
- Cash and investment management
- Asset management
- Grants and contracts administration
- Procurement Management
- Accounts receivable and billing
- Cash receipts
- Accounts payable
- Cash disbursements
- Payroll and benefits
- Financial statement Preparation
- External reporting of financial information
- Bank reconciliation
- Reconciliation of subsidiary ledgers
- Compliance with government reporting requirements
- Annual audit
- Leases
- Insurance
- Liaise with Finance Committee
- Contract Review

Standards for Financial Management Systems

In accordance with 2 CFR Part 215 (OMB Circular A-110), *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*, and 2 CFR Part 230 (OMB Circular A-122), *Cost Principles for Non-Profit Organizations*, Community Action maintains a financial management system that provides for the following. Specific procedures to carry out these standards are detailed in the appropriate sections of this manual.

1. Accurate, current, and complete disclosure of the financial results of each Federally-sponsored project or program in accordance with the reporting requirements of 2 CFR Part 215 and/or the award. Where no guidance is provided by the grant or sub-grant contracts, OMB regulations shall be followed.
2. Records that identify adequately the source and application of funds for Federally-sponsored activities. These records shall contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, outlays, income, and interest. Documentation at a minimum shall contain a reason or purpose, authorizing signature, to who and what grant or sub-grant funds are to be used for.
3. Effective control over and accountability for all funds, property, and other assets. Community Action shall adequately safeguard all such assets and assure they are used solely for authorized purposes.

4. Comparison of outlays with budget amounts for each award. Written procedures to minimize the time elapsing between the transfer of funds to Community Action from the U.S. Treasury and the issuance or redemption of checks, warrants, or payments by other means for program purposes by the recipient.
6. Written procedures for determining the reasonableness, allocability and allowability of costs in accordance with the provisions of the applicable Federal cost principles and the terms and conditions of the award.
7. Accounting records that are supported by source documentation.

BUSINESS CONDUCT

Confidentiality

The Finance and Audit Committee and the Chief Financial and Operations Officer treat all information received confidentially. Any employee who suspects dishonest or fraudulent activity will notify the Chief Financial and Operations Officer or the Finance and Audit Committee Chair immediately, and should not attempt to personally conduct investigations or interviews/interrogations related to any suspected fraudulent act.

Disclosure to Outside Parties

Allegations of and information related to allegations of suspected misconduct shall not be disclosed to third parties except under the provisions described in this policy (such as disclosure to outside investigators hired by the Organization to aid in an investigation).

However, all known frauds involving the Executive Director, executive management, or members of the Board of Directors, as well as all material frauds involving employees below the executive management level, shall be disclosed by the Finance and Audit Committee to the Organization's external auditors.

SECURITY

Fiscal Department

A lock will be maintained on the door leading into the Community Action Fiscal Department. This door shall be closed and locked in the evenings and whenever the Fiscal Department is vacant. The key/combination to this lock will be provided to authorized personnel and the Executive Director. Keys are signed for when issued to personnel. The lock will be changed in the event that any of these keys would be lost or unaccounted for.

Community Action's blank check stock shall be stored in a locked cabinet in the Fiscal Department. All unclaimed or undistributed checks shall likewise be secured. Keys are held by G/L Accountant; A/P Coordinator and Fiscal Assistant.

Petty cash is stored in a locked box. The petty cash box is stored within a locked cabinet. The Petty Cash Custodian is the only employee with the key on a daily basis.

Access to Electronically Stored Accounting Data

Community Action utilizes passwords to restrict access to accounting software and data. Only duly authorized accounting personnel with data input responsibilities will be assigned passwords that allow access to the system.

Accounting personnel are expected to keep their passwords secret and to change their passwords on a regular basis, no less frequently than every 180 days. The accounting software will force changing passwords on a regular basis.

Each password enables a user to gain access to only those software and data files necessary for each employee's required duties.

Storage of Back-Up Files

Community Action maintains back-up copies of electronic data files off-site in a secure, fire-protected environment. Access to back-up files shall be limited to individuals authorized by management. Multiple copies of accounting data are maintained on-site, then transferred to an off-site location with a third-party vendor. Weekly, monthly, and annual copies of backup files are maintained.

The Organization semi-annually tests its capability to restore from backup media.

Storage of Sensitive Data

In addition to accounting and financial data stored in the Fiscal Department, other sensitive data, such as social security numbers of employees or clients, etc. may be stored in areas other than the Fiscal Department, such as in program, Human Resources offices, etc. Therefore, the Organization:

1. Minimizes the storage of sensitive data outside the Fiscal Department by shredding documents with such data or deleting the sensitive data from documents that are stored outside the Fiscal Department whenever possible; and
2. Requires that all sensitive data that is stored in areas other than the Fiscal Department be secured in locked filing cabinets that are placed in offices that are locked after hours.

Further, the Organization restricts access to sensitive data to persons with a legitimate need for such access. The Organization also requires employees to claim print jobs which contain sensitive information immediately upon printing.

Destruction of Consumer Information

As stated earlier, all sensitive data must be securely stored and shredded when no longer needed. Community Action will also shred all consumer information obtained by the Organization for any reason. Shredding will be performed on a schedule determined by each department that possesses such data and the schedule shall be made a part of the Record Retention policy (see the "Fiscal Management" policies section of this manual).

General Office Security

During normal business hours, all visitors are required to check in with the Fiscal Program Assistant. After hours, a key is required for access to the offices of Community Action. Keys are issued only to employees of Community Action.

GENERAL LEDGER AND CHART OF ACCOUNTS

The general ledger is the collection of all asset, liability, net assets, revenue and expense accounts. It is used to accumulate all financial transactions and is supported by subsidiary ledgers that provide details for certain accounts. The general ledger is the foundation for the accumulation of data and production of reports.

Chart of Accounts Overview

The chart of accounts is the framework for the general ledger system and the basis for the accounting system. The chart of accounts consists of account titles and account numbers assigned to the titles. General ledger accounts are used to accumulate transactions and the impact of these transactions on each asset, liability, net asset, revenue, expense, and gain and loss account.

Community Action's chart of accounts is comprised of the following segments:

Fund Type – 1 digits
Account Code – 5 digit
Program Code – 3 digits
Project Code – 3 digits

Distribution of Chart of Accounts

All Community Action employees involved with account coding or budgetary responsibilities will be issued a current chart of accounts. As the chart of accounts is revised, an updated copy of the chart of accounts shall be distributed.

Control of Chart of Accounts

The Chief Financial and Operations Officer monitors and controls the chart of accounts, including all account maintenance, such as additions and deletions. Any additions or deletions of accounts should be approved by the Chief Financial and Operations Officer, who ensures that the chart of accounts is consistent with the Organizational structure of Community Action and meets the needs of each division and department.

Account Definitions

General Ledger

Account Range

10000 - 19999

Category

Assets

Definition

Assets are probable future economic benefits obtained or controlled by the Organization as a result of past transactions or events. Assets are classified as current assets, fixed assets, contra-assets, and other assets.

Current assets are assets that are available or can be made readily available to meet the cost of operations or to pay current

liabilities. Some examples are cash, temporary investments, and receivables that will be collected within one year of the statement of financial position date.

Fixed assets (property and equipment) are tangible assets with a useful life of more than one year that are acquired for use in the operation of the Organization and are not held for resale.

Contra-assets are accounts that reduce asset accounts, such as accumulated depreciation and reserves for uncollectible accounts receivable

Other assets include long-term assets that are assets acquired without the intention of disposing them in the near future. Some examples are security deposits, property and long-term investments.

20000 – 29999

Liabilities and Net Assets

Liabilities are probable future sacrifices of economic benefits arising from present obligations of the Organization to transfer assets or provide services to other entities in the future as a result of past transactions or events. Liabilities are classified as current or long-term.

Current liabilities are probable sacrifices of economic benefits that will likely occur within one year of the date of the financial statements or which have a due date of one year or less. Common examples of current liabilities include accounts payable, accrued liabilities, short-term notes payable, and deferred revenue.

Long-Term Liabilities are probable sacrifices of economic benefits that will likely occur more than one year from the date of the financial statements. An example is the non-current portion of a mortgage loan.

Revenues

30000 – 39999

Net Assets is the difference between total assets and total liabilities.

40000 - 49999

Revenues are inflows or other enhancements of assets, or settlements of liabilities, from delivering or producing goods, rendering services, or other activities that constitute an organization's ongoing major or central operations. Revenues include grants received from government agencies, private foundations and corporations, and contributions received from donors.

50000 - 69999

Expenses

Expenses are outflows or other activities using assets, or incurrences of liabilities from delivering or producing goods, rendering services, or carrying out other activities that constitute Community Action's ongoing major or central operations.

Changes to the Chart of Accounts

The Chief Financial and Operations Officer shall approve additions to, deletions from, or any other changes to the standard chart of accounts.

Fiscal Year of Organization

Community Action shall operate on a fiscal year that begins on July 1 and ends on June 30. Any changes to the fiscal year of the Organization must be ratified by majority vote of Community Action's Board of Directors and approval from the Internal Revenue Service.

Accounting Estimates

Community Action utilizes numerous estimates in the preparation of its interim and annual financial statements. Some of those estimates include:

1. Useful lives of property and equipment
2. Fair market values of investments
3. Fair market values of donated assets and services (in-kind)
4. Joint cost allocations
5. Indirect cost allocations

The Chief Financial and Operations Officer will reassess, review, and approve all estimates yearly. All key conclusions, bases, and other elements associated with each accounting estimate shall be documented in writing. All material estimates, and changes in estimates from one year to the next, shall be disclosed to the Finance and Audit Committee and the external audit firm.

Journal Entries

All general ledger entries that do not originate from a subsidiary ledger shall be supported by journal vouchers or other documentation, including an explanation of each such entry. Examples of such journal entries are:

Recurring journal entries shall be supported by a schedule associated with the underlying asset or liability account.

Journal entries are entered and posted into Blackbaud by Fiscal staff in the course of their work. The Chief Financial and Operations Officer reviews posted journal entries for accuracy, completeness, and appropriateness weekly.

POLICIES ASSOCIATED WITH REVENUES AND CASH RECEIPTS

REVENUE

Revenue Recognition Policies

Community Action receives revenue from several types of transactions. Revenue from each of these types of transactions is recognized in the financial statements in the following manner:

1. **Grant income** - Monthly accrual based on incurrence of allowable costs (for cost-reimbursement awards) or based on other terms of the award (for fixed price, unit-of-service, and other types of awards).
2. **In-Kind Contributions** – Recognized as income when received whenever possible.
3. **Program Income** – Includes refunds and other applicable credits, and is recognized as revenue in the period in which it is received.
4. **Nongovernmental Cash Contributions** - Recognized as income when received, unless accompanied by restrictions or conditions (see the next section on contribution income).

Immaterial categories of revenue may be recorded on the cash basis of accounting (i.e., recorded as revenue when received) as deemed appropriate by the Chief Financial and Operations Officer.

Definitions

The following definitions shall apply with respect to the policies described in this section:

Contribution – An unconditional transfer of cash or other assets to the Organization, or a settlement or cancellation of the Organization's liabilities, in a voluntary nonreciprocal transfer by another entity or individual.

Condition – A donor-imposed stipulation that specifies a future and uncertain event whose occurrence or failure to occur gives the promisor a right of return of the assets it has transferred to the Organization or releases the promisor from its obligation to transfer its assets.

Restriction – A donor-imposed stipulation that specifies a use for the contributed asset that is either limited to a specific future time period or is more specific than the broad limits resulting from the nature of the Organization, the environment in which it operates, and the purposes specified in the Articles of Incorporation and current Bylaws. Restrictions on the use of an asset may be temporary or permanent.

Nonreciprocal Transfer – A transaction in which an entity incurs a liability or transfers assets to Community Action without directly receiving value in exchange.

Promise to Give – A written or oral agreement to contribute cash or other assets.

Exchange Transaction – A reciprocal transaction in which Community Action and another entity each receive and sacrifice something of approximately equal value.

ADMINISTRATION OF FUNDING AGREEMENTS

Definitions

Community Action may receive financial assistance from a donor/grantor agency through the following types of agreements:

Grant: A financial assistance award given to the Organization to carry out its programmatic purpose.

Contract: A mutually binding legal agreement where the Organization agrees to provide supplies or services and the funder agrees to pay for them.

Memorandum of Understanding (MOU): A legal agreement where the Organization implements a program with the direct involvement of the funder.

Third Party Legal Agreement: An agreement wherein Community Action provides services and receives non-financial benefits such as client referrals or mental health services for clients.

Throughout this manual, Federal assistance received in any of these forms will be referred to as a Federal “award.”

Preparation and Review of Contracts

Individual departments are responsible for preparing contracts for projects that the department intends to pursue. However, all contracts shall be reviewed by the Chief Financial and Operations Officer prior to submission to government agencies or other funding sources. Final contracts shall be reviewed and approved in writing by the Executive Director and through a consent agenda by the Board of Directors, where required by contract.

Post-Award Procedures

After an award has been made, the following steps shall be taken:

1. Verify the specifications of the grant or contract. The Fiscal Department shall review the terms, time periods, award amounts and expected expenditures associated with the award. A Catalog of Federal Domestic Assistance (CFDA) number shall be determined for each award. All reporting requirements under the contract or award shall be summarized.
2. Create new general ledger account numbers (when necessary). New accounts shall be established for the receipt and expenditure categories in line with the grant or contract budget.
3. Gather documentation. A file is established for each grant or contract. The file contains the proposal, all correspondence regarding the grant or contract, the final signed award document and all reports submitted to the funding sources.

Compliance with Laws, Regulations and Provisions of Awards

Community Action recognizes that as a recipient of Federal funds, the Organization is responsible for compliance with all applicable laws, regulations, and provisions of contracts and grants. To ensure that the Organization meets this responsibility, the following policies apply with respect to every grant or contract received directly or indirectly from a Federal agency:

1. For each Federal award, an employee within the department responsible for administering the award will be appointed as a "designee" to manage the award.
2. The "designee" shall take the following steps to identify all applicable laws, regulations, and provisions of each grant and contract:
 - a. Read each award and prepare a summary of key compliance requirements and references to specific laws and regulations.
 - b. Review the "OMB Circular A-133 Compliance Supplement" (updated annually) published by the Office of Management and Budget (OMB) for compliance requirements unique to the award and for compliance requirements common to all Federal awards.
 - c. Review the section of the Catalog of Federal Domestic Assistance (CFDA) applicable to the award.
 - d. The "designee" will communicate grant requirements to those who will be responsible for carrying them out, or impacted by them.
3. The "designee" and/or the Fiscal Department shall identify and communicate any special changes in policies and procedures necessitated by Federal awards as a result of the review of each award.
4. The "designee" and/or the Fiscal Department shall take all reasonable steps necessary to identify applicable changes in laws, regulations, and provisions of contracts and grants. Steps taken in this regard shall include, but not be limited to, reviewing subsequent grant and contract renewals, reviewing annual revisions to the "OMB Circular A-133 Compliance Supplement," and communications with awarding agency personnel.
5. The "designee" shall inform the independent auditors of applicable laws, regulations, and provisions of contracts and grants. The grant manager shall also communicate known instances of noncompliance with laws, regulations, and provisions of contracts and grants to the auditors.

Close Out of Federal Awards

Community Action shall follow the close out procedures described in OMB Circular A-110 and in the grant agreements as specified by the granting agency.

Community Action and all sub recipients shall liquidate all obligations incurred under the grant or contract within 90 days of the end of the grant or contract agreement.

COST SHARING AND MATCHING (IN-KIND)

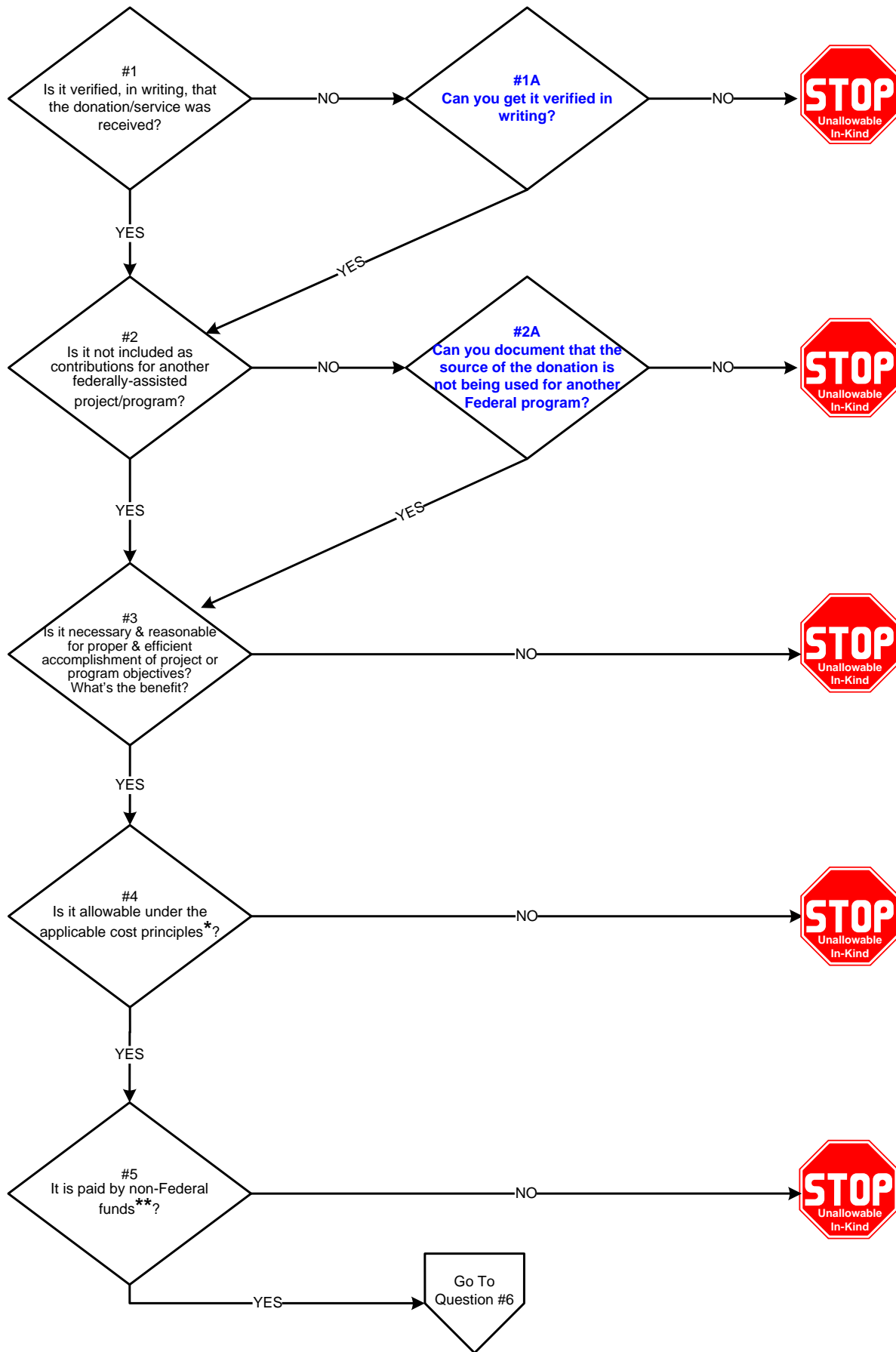
Overview

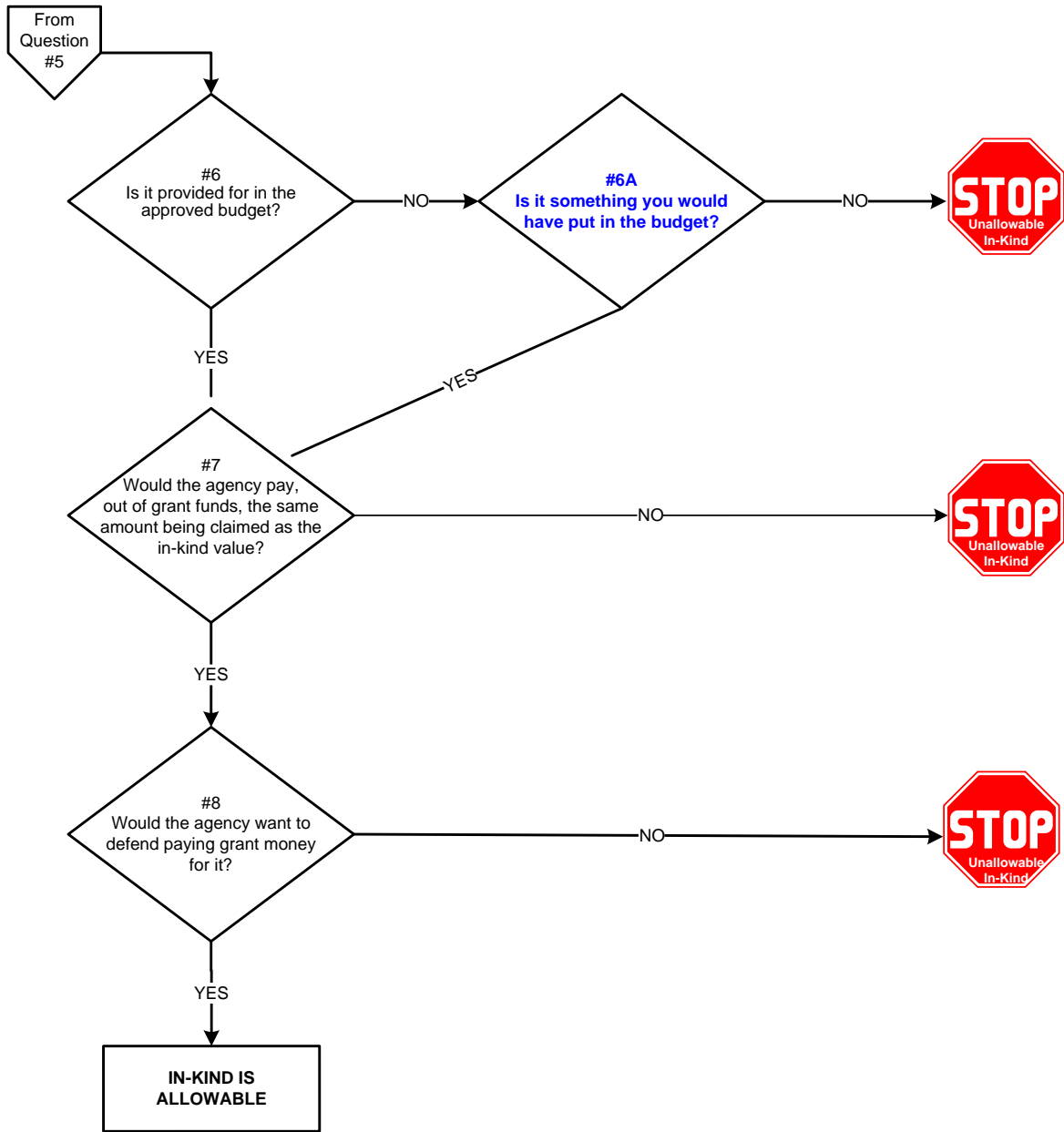
Community Action values contributed services and property that are to be used to meet a cost sharing or matching requirement at their fair market values at the time of contribution, unless award documents or Federal agency regulations identify specific values to be used.

Community Action shall claim contributions as meeting a cost sharing or matching requirement of a Federal award only if all of the following criteria are met:

1. They are verifiable from Community Action records.
2. They are not included as contributions for any other Federally-assisted project or program.
3. They are necessary and reasonable for proper and efficient accomplishment of project or program objectives.
4. They are allowable under OMB Circular A-122.
5. They are not paid by the Federal government under another award, except where authorized by Federal statute to be used for cost sharing or matching.
6. They are provided for in the approved budget when required by the Federal awarding agency.
7. They conform to all provisions of OMB Circular A-110.
8. In the case of donated space, (or donated use of space), the space is subject to an independent appraisal to establish its value; or a best estimate based on published market rates.

The following flowchart should be used to determine the allowability of in-kind.





* OMB Circular A-21 - Colleges and Universities - OMB Circular A-87 - State and Local Units of Government - A-122 - Non-Profit Organizations

** Except where authorized by Federal statute to be used for cost sharing or matching:

Determinations have been made on a case-by-case basis on whether Federal funds from other programs are allowable match for an ACF program. These determinations are based on specific requirements of ACF programs and language in applicable statutes. Specifically:

1. USDA funds are of Federal origin and, therefore, cannot be counted as match.
2. Bureau of Indian Affairs - Indian Self-Determination and Education Assistance Act (P.L. 93-638, as amended). The Act authorizes the use of funds for matching purposes as long as the identified use is specifically related to the approved grant activities.
3. Title XX Social Services Block Grant funds are considered to be Federal funds and, therefore, may not be used as match for ACF programs.
4. Expenditure of funds from the Housing and Community Development Act of 1974, P.L. 93-383 may count as allowable match for a Head Start program for renovation of a building. The determination is dependent on whether or not the Head Start grant is included as part of the "Community Development Program," as required by the Housing and Community Development Act.
(Grants Administration Manual, Section 3.05.408(b)(1-4))

Valuation and Accounting Treatment

In-kind typically falls into one of the following categories:

- Non-federal awards
- Cash
- Space, buildings, land and equipment
- Volunteer time and services
- Supplies such as food, clothing and toys

The following sections discuss the valuation and accounting treatment for each category.

Discounts

- Any discounts received on goods or services are recognized as in-kind only if such discounts are not available to the general public.

Space, Buildings, Land and Equipment

Buildings and Land

If the purpose of the contribution is to assist the Organization 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.

If the purpose of the donation is to support activities that require the use of equipment, buildings or land, depreciation or use charges (e.g. rent) may be claimed at matching, unless the awarding agency has approved using the full value as match.

Equipment, buildings or land are valued at its fair market value as determined by an independent appraiser. Information on the date of donation and records from the appraisal will be maintained in a property file.

Space:

- Will be valued at 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
- Information on the date of donation and records from the appraisal will be maintained in a property file
- If less than an arms-length transaction, will be valued based in actual allowable costs not to exceed fair market value

Volunteer Time and Services

Volunteer services furnished by professional and technical personnel, consultants, and other skilled and unskilled labor will be included in in-kind if the services are an integral and necessary part of the program.

Examples of contributed services received and recorded as income and expense by Community Action include professional services; and dental and mental health care for clients.

Volunteer services will be valued at rates consistent with those paid for similar work in the Organization. For skills not found in the Organization, rates will be consistent with those paid for similar work in our labor market. Rates should include gross hourly wages plus fringe benefits calculated based on fringe benefits received by employees in similar positions, or on agency average.

Volunteers must possess qualifications and perform work requiring those skills in order to be valued at greater than an unskilled labor rate.

Community Action requires volunteers to document and account for their contributed time in a manner similar to the timekeeping system followed by employees. Each program that uses volunteers will provide the volunteers a sign-in sheet which collects the following information:

- Date service was performed
- Volunteer name and address
- Hours donated
- Service provided
- Signature of volunteer

The sign-in sheets will be delivered to the Resource Development Department monthly so they can be tallied, and valued. The Fiscal Department records in-kind in the accounting records as required by funding sources. At the end of the fiscal year, certain types of in-kind journal entries may be reversed in order to maintain compliance with Generally Accepted Accounting Principles (GAAP).

Supplies

Donated supplies must be used in the program and shall be valued at fair market value at the time of donation. Supplies can be counted as match only if the program would have purchased such items itself.

CONTRIBUTIONS RECEIVED

Overview

Community Action shall accept charitable contributions of all types of assets from any type of donor, with the following exceptions:

1. Contributions of non-liquid assets or assets possessing legal or other characteristics rendering the asset difficult to sell or convert to liquid assets, as determined by the Chief Financial and Operations Officer ;
2. Contributions with donor-imposed restrictions that provide excessive control to the donor over future uses of the donated asset(s), as determined by the Chief Financial and Operations Officer ;
3. Contributions with donor-imposed restrictions that violate or involve uses that go beyond the Organization's current mission statement and tax-exempt purpose, as determined by the Chief Financial and Operations Officer ; and
4. Contributions from donors involved in businesses or activities that are deemed inconsistent with Community Action's mission, as determined by the Executive Director.
5. Fund-raising expenses are unallowable costs for Federal and state grants unless specifically allowed by the award.

Distinguishing Contributions from Exchange Transactions

Community Action receives income in the form of contributions, revenue from exchange transactions, and income from activities with characteristics of both contributions and exchange transactions.

Community Action shall consider the following criteria, and any other relevant factors, in determining whether income will be accounted for as contribution income, exchange transaction revenue, or both:

1. Community Action's intent in soliciting the asset, as stated in the accompanying materials;
2. The expressed intent of the entity providing resources to Community Action (i.e., does the resource provider state that its intent is to support Community Action's programs or that it anticipates specified benefits in exchange?);
3. Whether the method of delivery of the asset is specified by the resource provider (exchange transaction) or is at the discretion of Community Action (contribution);
4. Whether payment received by Community Action is determined by the resource provider (contribution) or is equal to the value of the assets/services provided by Community Action, or the cost of those assets plus a markup (exchange transaction);
5. Whether there are provisions for penalties (due to nonperformance) beyond the amount of payment (exchange transaction) or whether penalties are limited to the delivery of assets already produced and return of unspent funds (contribution); and

6. Whether assets are to be delivered by Community Action to individuals or organizations other than the resource provider (contribution) or whether they are delivered directly to the resource provider or to individuals or organizations closely connected to the resource provider.

Unconditional Promises to Give

- Unconditional promises to give shall be recorded as assets and increases in temporarily restricted net assets (contribution income) in the period that Community Action receives the promise.
- Unconditional promises to give that are to be collected within one year shall be recorded at their face value, less any reserve for uncollectible promises, as estimated by management.
- Unconditional promises to give that are collectible over time periods in excess of one year shall be recorded at their discounted net present value.
- Accretion of discount on such promises to give shall be recorded as contribution income in each period leading up to the due date of the promise to give. The interest rate that shall be used in calculating net present values of unconditional promises to give is the risk-free rate of return available to Community Action at the time the Organization receives a promise from a donor.
- When the final time or use restriction associated with a contributed asset has been met, a reclassification between temporarily restricted and unrestricted net assets shall be recorded.

Receipts and Disclosures

Community Action and its donors are subject to certain disclosure and reporting requirements imposed under the Internal Revenue Code and the underlying regulations. To comply with those rules, Community Action shall adhere to the following guidelines with respect to contributions received by the Organization.

The Resource Development Department shall provide a receipt to the donor for every separate contribution received. All receipts shall include the following information:

1. The amount of cash received and/or a description (but not an assessment of the value) of any noncash property received;
2. A statement of whether Community Action provided any goods or services to the donor in consideration, in whole or in part, for any of the cash or property received, and
3. If any goods or services were provided to the donor by Community Action, a description and good faith estimate of the value of those goods or services.

When Community Action receives cash in excess of \$75, or noncash property with a value in excess of \$75, as part of a quid pro quo transaction, the Organization shall follow additional disclosure procedures. For purposes of this paragraph, a "quid pro quo transaction" is one in which Community Action receives cash or property in a transaction that is part contribution and part exchange transaction (i.e., the value of the goods or services provided to the donor by Community Action is less than the value of cash or property provided by the donor). In such instances, Community Action shall provide to the donor a receipt stating that only the amount contributed in excess of the fair market value of the goods or services provided by Community Action may be deducted as a charitable contribution. The receipt shall also include a good-faith estimate of the fair market value of the goods or services provided to the donor by Community Action.

All estimates of the fair market value of goods or services provided by Community Action shall be prepared by the Resource Development Department.

Community Action complies with all current Federal and state rules regarding solicitation and collection of charitable contributions, whether specifically addressed in this manual or not, as well as all future revisions to those rules.

Disclosures of Promises to Give

As stated earlier, Community Action shall record an asset and an increase in net assets for unconditional promises to give. In addition, in connection with its annual financial statements, Community Action shall prepare a schedule of unconditional promises to give that discloses the annual amounts to be collected in each of the next five fiscal years, and a total amount due thereafter, less the amount representing interest as a result of discounting long-term promises to give to net present value.

In connection with conditional promises to give, which shall not be recorded on the financial statements, Community Action shall nonetheless prepare a similar schedule of future payments for disclosure in the Organization's annual financial statements.

BILLING/INVOICING POLICIES

Overview

The Organization's primary sources of revenue are:

- Federal, state and county reimbursement grants – billed monthly, based on allowed, incurred expenses
- Miscellaneous non-government reimbursement grants – billed according to their contracts
- Fee-for-service income – client tuition billed according to contract requirements
- Other special arrangements for services provided

Responsibilities for Billing and Collection

Community Action's Fiscal Department is responsible for the invoicing of funding sources and the collection of outstanding receivables. (Note: Cash receipts, credit memo, and collection policies will be discussed in subsequent sections.)

Billing and Financial Reporting

Community Action strives to provide management, staff and funding sources with timely and accurate financial reports applicable to all awards. These reports include monthly and cumulative expenditures, a project budget, and a balance remaining column.

Community Action shall prepare and submit financial reports as specified by the financial reporting clause of each grant or contract award document. Preparation of these reports shall be the responsibility of the Chief Financial and Operations Officer and A/R Coordinator.

The following policies shall apply to the preparation and submission of billings to Federal agencies under awards made to Community Action:

1. The Organization will request reimbursement after expenditures have been incurred, unless an award specifies another method.
2. Community Action will strive to minimize the time between receipt and disbursement of grant.
3. Each award normally specifies a particular billing cycle. Therefore, a schedule is established for each grant and contract to ensure that reimbursement is made on a timely basis along with any other reporting that is required in addition to the financial reports.
4. Requests for reimbursement of award expenditures will use the actual amounts as posted to the general ledger as the source for all billing amounts.

5. All financial reports required by each award will be prepared and filed on a timely basis. To the extent Community Action's year-end audit results in adjustments to amounts previously reported, revised reports shall be prepared and filed in accordance with the terms of each award.

Community Action shall maintain an accounts receivable sub ledger. This sub ledger shall be reconciled to the general ledger on a monthly basis.

At the time billings (requests for reimbursement) are prepared, revenue and accounts receivable shall be recorded on the books of Community Action by the AR Coordinator.

Cash Drawdowns Under Letters of Credit

Head Start and Early Head Start are funded by State and Federal funds. State funds are drawn down on the first of the month as advances at a rate of 1/12 of the total grant per month. During the month, Head Start's cash balance can be positive or negative; depending on how much of the State draw has been used. Therefore, Cash drawdowns under letters of credit from Federal agencies shall be made as needed to pay disbursements. Typically, federal funds are drawn down for payroll under the following process.

All Federal funds shall be deposited into an approved Agency Bank Account under the cash receipts policies and procedures described in this manual. Community Action requires that Federal funds will be disbursed within 24 hours of receipt as follows:

1. On Wednesday of payroll week, the payroll is posted to the programs and funds in the general ledger
2. After payroll has been posted, the AR Coordinator runs a report on the cash status of the Head Start fund. The amount drawn down from the federal cash management system is determined by cash needs, that is, to cover a negative balance in the account.
3. On Wednesday afternoon, the AR Coordinator draws down cash as needed from Head Start funds
4. The funds are transferred to the agency bank by Federal & State agencies account for direct deposit paychecks, and paychecks that are printed, signed and disbursed in accordance with cash disbursement policies.

Classification of Income and Net Assets

All income received by Community Action is classified as "unrestricted," with the exception of the following:

1. Grants and other awards received from government agencies or other grantors, which are classified as temporarily restricted.
2. Special endowments received from donors requesting that these funds be permanently restricted for specific purposes.

3. Contributions received from donors that have a restricted purpose as stipulated by the donor.

From time to time, Community Action may raise other forms of contribution income which carry stipulations that the Organization utilize the funds for a specific purpose or within a specified time period identified by the donor of the funds. When this form of contribution income is received, Community Action shall classify this income as Temporarily Restricted income.

As with all Temporarily Restricted net assets, when the restriction associated with a contribution has been met (due to the passing of time or the use of the resource for the purpose designated by the donor), Community Action will reclassify the related net assets from "Temporarily Restricted" to "Unrestricted" in its Statement of Financial Position and reflect this reclassification as an activity in its Statement of Activities.

From time-to-time, the Community Action Board of Directors may determine that it is appropriate to set funds aside for specific projects. Such funds shall be classified as "unrestricted," labeled "Board-Designated," and reported as a separate component of unrestricted net assets.

CASH RECEIPTS

Overview

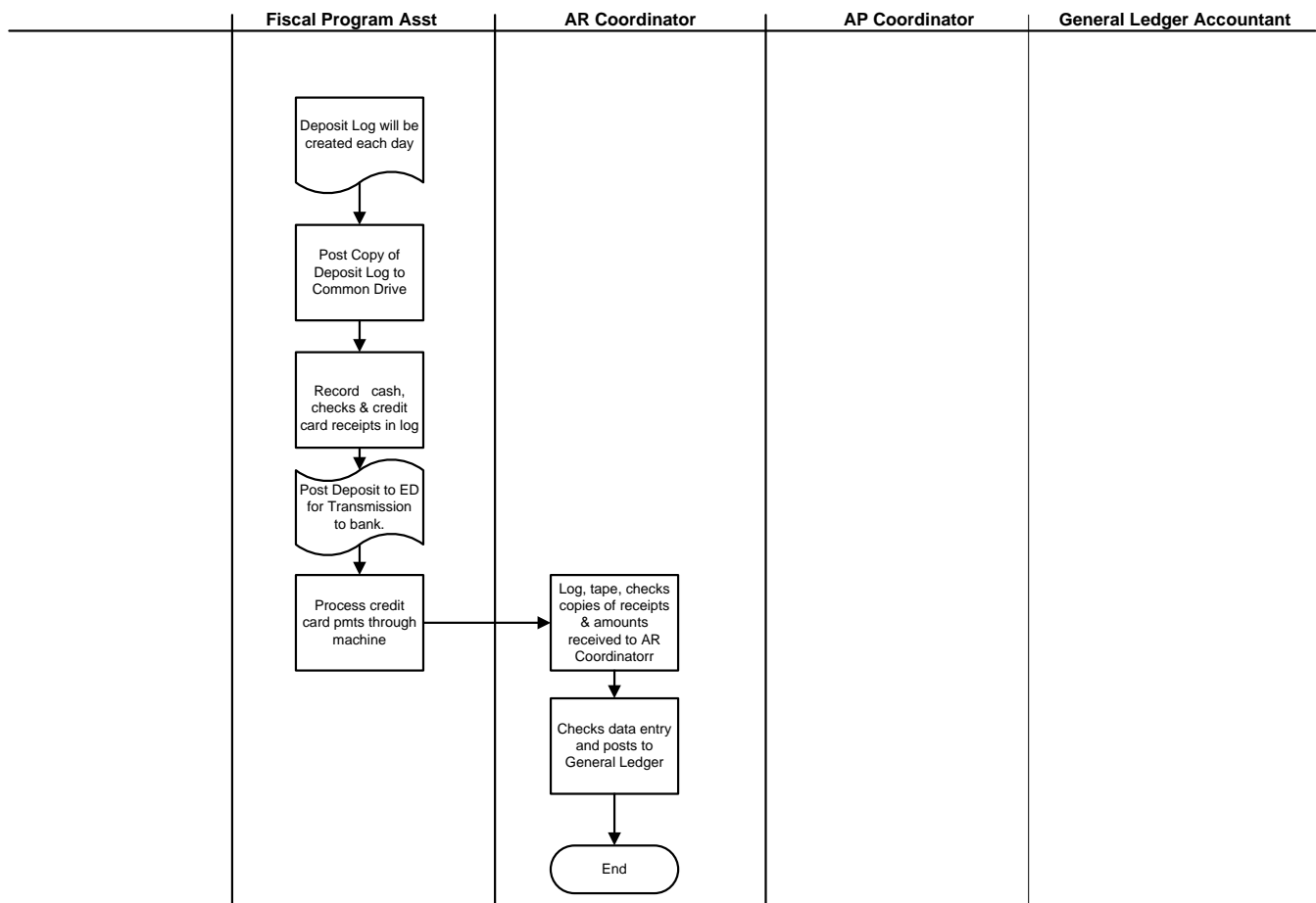
Cash (including checks payable to the Organization) is the most liquid asset an organization has. Therefore, it is the objective of Community Action to establish and follow the strongest possible internal controls in this area.

Processing of Checks and Cash Received in the Mail

Following is a flowchart of the cash receipt process:

Community Action Organization Cash Receipts Process

Page 1



Checks

All checks received via USPS that are payable to the Organization shall be opened at HMSC.

1. Two People at HMSC need to open the mail
2. Checks will be endorsed at HMSC when they open the mail
3. A tape of all checks is to be made at HMSC and kept with the checks
4. All checks and tape are to be placed in a locked bank bag in a locked drawer at the HMSC until it is picked up by the Courier in the AM

Timeliness of Bank Deposits

Bank deposits will be made on a daily basis as appropriate. Cash deposits will be picked up on the last working day of the month by a courier service employed by the bank or when the cash is greater than \$500, whichever comes first.

Credit Card Processing

Credit card payments will be processed on the day received. If a payment is received too late in the day to process, it will be placed in a locked drawer and processed the next morning.

In order to protect confidentiality, written receipts will contain only the last 4 digits of the credit number, and the number will be blacked out as soon as the batch is processed.

GRANTS RECEIVABLE MANAGEMENT

Monitoring and Recognition

Community Action records grants receivable and income as it is billed during the contract year.

ACCOUNTS RECEIVABLE MANAGEMENT

Monitoring and Reconciliations

On a monthly basis, the Fiscal Department will reconcile a detailed accounts receivable report (showing aged, outstanding invoices by customer) to the general ledger. The Chief Financial and Operations Officer will review the reconciliation and ensure that all differences are immediately investigated and resolved.

Credits and Other Adjustments to Accounts Receivable

From time to time, credits against accounts receivable from transactions other than payments and bad debts will occur. Examples of other credits include returned products and adjustments for billing errors..

Note that bad debt write-offs are not allowable costs for Federal grants.

Accounts Receivable Write-Off Authorization Procedures

All available means of collecting accounts receivable will be exhausted before write-off procedures are initiated. Write-offs are initiated by the department associated with the amount to be written off, in conjunction with the Fiscal Department. If an account receivable is deemed uncollectible, the Chief Financial and Operations Officer will approve.

Once a write-off has been processed, appropriate individuals in the originating department will be advised.

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 against net assets.

POLICIES ASSOCIATED WITH EXPENDITURES AND DISBURSEMENTS

PURCHASING POLICIES AND PROCEDURES

Overview

THE POLICIES DESCRIBED IN THIS SECTION APPLY TO ALL PURCHASES MADE BY Community Action.

Community Action requires the practice of ethical, responsible, and reasonable procedures related to purchasing, agreements and contracts, and related forms of commitment. The policies in this section describe the principles and procedures that all staff shall adhere to in the completion of their designated responsibilities.

The goal of these procurement policies is to ensure that materials and services are obtained in an effective manner and in compliance with the provisions of applicable Laws & Regulations, Federal statutes and executive orders.

Responsibility for Purchasing

All department Directors or their designees shall have the authority to initiate purchases on behalf of their department, within the guidelines described here. Department Directors shall inform the Fiscal Department of all individuals that may initiate purchases or prepare requisitions for disbursement. The Fiscal Department shall maintain a current list of all authorized purchasers.

Within 5 days of purchase, the purchaser will submit receipts along with the requisition for disbursement form ("Green Sheet") providing detailed information on the charges.

The Fiscal Department shall be responsible for processing requisitions for disbursement. The Chief Financial and Operations Officer has approval authority over all purchases and contractual commitments, and shall make the final determination on any proposed purchases where budgetary or other conditions may result in denial.

Code of Conduct in Purchasing (A-110_40)

Ethical conduct in managing the Organization's purchasing activities is absolutely essential. Staff must always be mindful that they represent the Board of Directors and share a professional trust with other staff and the public.

- Staff shall discourage the offer of, and decline, individual gifts or gratuities of value in any way that might influence the purchase of supplies, equipment, and/or services.
- Staff shall notify their immediate supervisor if they are offered such gifts.
- No officer, board member, employee, or agent shall participate in the selection or administration of a vendor if a real or apparent conflict of interest would be involved. Such a conflict would arise if an officer, board member, employee or agent, or any member of his/her immediate family, his/her spouse/partner, or an organization that employs or is about to employ any of the parties indicated herein, has a financial or other interest in the vendor selected.

- Officers, board members, employees, and agents shall neither solicit nor accept gratuities, favors, or anything of monetary value from vendors or parties to sub-agreements.
- Unsolicited gifts of a nominal value of \$50 or less may be accepted.

Competition (A-110_43)

In order to promote open and free 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/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 Organization's best interest.

Non-Discrimination Policy

All vendors/contractors who are the recipients of Organization funds, or who propose to perform any work or furnish any goods under agreements with Community Action, shall agree to these important principles:

1. Vendors/contractors will not discriminate against any employee or applicant for employment because of race, religion, color, sexual orientation or national origin, except where religion, sex, or national origin is a bona fide occupational qualification reasonably necessary to the normal operation of the vendors/contractors. Community Action reserves the right to reject any and all bids when it is in the Organization's best interest.
2. Vendors/contractors agree to post in conspicuous places, available to employees and applicants for employment, notices setting forth the provisions of this nondiscrimination clause. Notices, advertisement and solicitations placed in accordance with Federal law, rule, or regulation shall be deemed sufficient for meeting the intent of this section.

Procurement Procedures

The following are Community Action's procurement procedures:

1. Community Action shall avoid purchasing items that are not necessary for the performance of the activities required by a Grant award. (A-110_44(1))
2. Where appropriate, an analysis shall be made of lease and purchase alternatives to determine which would be the most economical and practical procurement for the Federal government. (A-110_44(2)) This analysis should only be made when both lease and purchase alternatives are available to the program.

3. Some form of cost or price analysis shall be made for procurements, where reasonable and appropriate. Price analysis may be made in various ways, including comparison of price quotations submitted or market prices. Cost analysis is the review and evaluation of each element of cost to determine reasonableness, allocability, and allowability. (A-110_45)
4. Documentation of the cost and price analysis associated with each procurement decision shall be retained in the procurement files pertaining to each Federal award. (A-110_46)
5. For all procurements in excess of the small purchase acquisition threshold (\$100,000), procurement records and files shall be maintained the include all of the following:
 - a. The basis for contractor selection.
 - b. Justification for lack of competition when competitive bids or offers are not obtained.
 - c. The basis for award cost or price.
6. Community Action shall make all procurement files available for inspection upon request by an awarding agency.

Use of Requisitions for Disbursement

Community Action utilizes a requisition for disbursement process. A properly completed requisition for disbursement form shall be required for each purchase decision (i.e., total amount of goods and services purchased, not unit cost), with the exception of client program payments (i.e., rent or electric utility bill payments) and mileage reimbursements, which require the preparation of a separate form described elsewhere in this manual. A properly completed requisition for disbursement shall contain the following information, at a minimum:

1. Specifications or statement of services required
2. Vendor name and address
3. Source of funding (account, program)
4. Delivery or performance schedules (date needed)
5. Special conditions (if applicable)
6. Catalog number, page number, etc. (if applicable)
8. Net cost per item, less discount, if any
9. Total amount of order
10. Authorized signature(s)
11. Date requisition for disbursement was prepared

Purchase Orders

Purchase orders are system generated and contain a unique, sequential number in the Fiscal Department, and issued upon request from an authorized purchaser via the requisition for disbursement form. Purchase orders are signed by a Fiscal department designee.

The Fiscal office processes purchase orders after an approved requisition and vendor approval form are received.

All purchase orders shall be recorded in the purchase order software. A periodic review is conducted of open purchase orders to ensure the database is updated and accurate.

Credit Card Reconciliation

This topic is addressed in another section of this manual.

Check Requisition

This topic is addressed in another section of this manual.

Authorizations and Purchasing Limits

All completed purchase orders must be signed by the preparer and approved by the Department Executive Manager. The following table displays required approvals and solicitations:

Amount of Purchase	Required Approvals	Required Solicitation
< \$500	Department Executive Manager or Designee	No documentation required
> \$500 - \$2,500	Department Executive Manager or Designee	Application of a method of comparison.
> \$2,500 - \$5,000	Department Executive Manager or Executive Director	Application of a method of comparison
> \$5,000	Department Executive Manager or Executive Director	Application of a method of comparison

Examples of a method of comparison are Catalog, Telephone and Internet Research to name a few.

Contracts must be reviewed and approved by the Department Executive Manager or Designee and the Chief Financial and Operations Officer, and require approval from the Executive Director and/or the Board of Directors. These policies shall also apply to renewals of existing contracts. The Executive Director is authorized to enter into any contract on behalf of Community Action. The Executive Director or Designee is the only staff member with the authority to sign contracts.

Required Solicitation of Quotations from Vendors

RFP is required for all goods and or services greater than \$25,000. Solicitations for goods and services (Requests for Proposals or RFPs) should provide for all of the following:

1. A clear and accurate description of the technical requirements for the material, product or service to be procured. Descriptions shall not contain features which unduly restrict competition. (A-110_44(a)(3)(i))
2. Requirements which the bidder/offeror must fulfill and all other factors to be used in evaluating bids or proposals (see the next section entitled "Evaluation of Alternative Vendors" for required criteria) (A-110_44(a)(3)(ii))
3. Technical requirements in terms of functions to be performed or performance required, including the range of acceptable characteristics or minimum acceptable standards. (A-110_44(a)(3)(iii))

4. The specific features of "brand name or equal" descriptions that bidders are required to meet when appropriate. (A-110_44(a)(3)(iv))
5. The acceptance, to the extent practical, of products and services dimensioned in the metric system of measurement. (A-110_44(a)(3)(v))
6. Preference, to the extent practical, for products and services that conserve natural resources and protect the environment and are energy efficient. (A-110_44(a)(3)(vi))
7. Preference for recycled products pursuant to EPA guidelines. (A-110_16)
8. A description of the format, if any, in which proposals must be submitted, including the name of the person to whom proposals should be sent.
9. The date by which proposals are due.
10. Required delivery or performance dates/schedules.
11. Clear indications of the quantity(ies) requested and unit(s) of measure.

Extensions of Due Dates and Receipt of Late Proposals

Solicitations should provide for sufficient time to permit the preparation and submission of offers before the specified due date. However, the Chief Financial and Operations Officer may grant an extension if a prospective bidder so requests.

Vendor proposals are considered late if received after the due date and time specified in the solicitation. Late proposals shall be so marked on the outside of the envelope and retained, unopened, in the procurement folder. Vendors that submit late proposals shall be sent a letter notifying them that their proposal was late and could not be considered for award.

Evaluation of Alternative Vendors

Vendors shall be evaluated on a weighted scale that considers the following criteria:

1. Adequacy of the proposed methodology
2. Skill and experience of key personnel
3. Demonstrated experience
4. Other technical specifications designated by department requesting proposals
5. Compliance with administrative requirements of the request for proposal (format, due date, etc.)
6. Vendor's financial stability
7. Results of communications with references supplied by vendor
8. Ability/commitment to meeting time deadlines
9. Cost
10. Minority- or women-owned business status of vendor
11. Locally owned businesses
12. Other criteria (to be specified by department requesting proposal)

Not all of the preceding criteria may apply in each purchasing scenario. However, the department 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.

After a vendor has been selected and approved by the department Executive Manager, the final selection shall be approved by the Executive Director upon entering into a contract.

Affirmative Consideration of Minority, Small Business & Women-Owned Businesses

(A-110_44(3)(b))

Positive efforts shall be made by Community Action to utilize small businesses, minority-owned firms, and women's business enterprises, whenever possible. The Agency shall follow OMB circular A-110 Administrative Guidelines, OMB Circular A-122 Cost Principles, and 45 CFR Part 74 Subpart O and Subpart P (74.130-74.176) including any amendments to the Circular published in the Federal Register. Therefore, the following steps shall be taken:

1. Ensure that small business, minority-owned firms, and women's business enterprises are used to the fullest extent practicable. *(A-110_44(3)(b)(1))*
2. Make information on forthcoming opportunities available and arrange time frames for purchases and contracts to encourage and facilitate participation by small business, minority-owned firms and women's business enterprises. *(A-110_44(3)(b)(2))*
3. Consider in the contract process whether firms competing for larger contracts tend to subcontract with small businesses, minority-owned firms and women's business enterprises. *(A-110_44(3)(b)(3))*
4. Encourage contracting with consortiums of small businesses, minority owned firms and women's business enterprises when a contract is too large for one of these firms to handle individually. *(A-110_44(3)(b)(4))*
5. Use the services 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. *(A-110_44(3)(b)(5))*

Availability of Procurement Records *(A-110_44(3)(e))*

Community Action shall, on request, make available for the Federal awarding agency, pre-award review and procurement documents, such as requests for proposals, when any of the following conditions apply:

- The process does not comply with the Community Action's procurement standards *(A-110_44(3)(e)(1))*
- The procurement is expected to exceed the small purchase threshold (\$100,000) and is to be awarded without competition or only one bid is received *(A-110_44(3)(e)(2))*
- The procurement exceeds the small purchase threshold and specifies a "name brand" product *(A-110_44(3)(e)(3))*
- The proposed award exceeds the small purchase threshold and is to be awarded to other than the apparent low bidder under a sealed bid procurement. *(A-110_44(3)(e)(4))*

- A proposed contract modification changes the scope of a contract or increases the contract amount by more than the amount of the small purchase threshold. (A-110_44(3)(e)(5))

Provisions Included in All Contracts (A-110 Appendix A)

Community Action includes all of the following provisions, as applicable, in all contracts charged to Federal awards (including small purchases) with vendors and subgrants to grantees:

1. **Equal Employment Opportunity:** All contracts shall contain a provision requiring compliance with E.O. 11246, "Equal Employment Opportunity," as amended by E.O. 11375, "Amending Executive Order 11246 Relating to Equal Employment Opportunity," and as supplemented by regulations at 41 CFR part 60, "Office of Federal Contract Compliance Programs, Equal Employment Opportunity, Department of Labor."
2. **Copeland "Anti-Kickback" Act (18 U.S.C. 874 and 40 U.S.C. 276c):** All contracts and subgrants in excess of \$2,000 for construction or repair awarded by Community Action and its subrecipients shall contain a provision for compliance with the Copeland "Anti-Kickback" Act (18 U.S.C. 874), as supplemented by Department of Labor regulations 29 CFR part 3, "Contractors and Subcontractors on Public Building or Public Work Financed in Whole or in Part by Loans or Grants from the United States." This Act provides that each contractor or subrecipient shall be prohibited from inducing, by any means, any person employed in the construction, completion, or repair of public work, to give up any part of the compensation to which he or she is otherwise entitled. Community Action will report all suspected or reported violations to the Federal awarding agency.
3. **Davis-Bacon Act, as amended (40 U.S.C. 276a to a-7):** If included in the Federal agency's grant program legislation, all construction contracts of more than \$2,000 awarded by Community Action and its subrecipients shall include a provision for compliance with the Davis-Bacon Act (40 U.S.C. 276a to a-7) and as supplemented by Department of Labor regulations (29 CFR part 5, "Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction"). Under this Act, contractors are required to pay wages to laborers and mechanics at a rate not less than the minimum wages specified in a wage determination made by the Secretary of Labor. In addition, contractors shall be required to pay wages not less than once a week. Community Action will place a copy of the current prevailing wage determination issued by the Department of Labor in each solicitation and the award of a contract shall be conditioned upon the acceptance of the wage determination. Community Action shall also obtain reports from contractors on a weekly basis in order to monitor compliance with the Davis-Bacon Act. Community Action shall report all suspected or reported violations to the Federal awarding agency.

4. **Contract Work Hours and Safety Standards Act (40 U.S.C. 327-333):** [Where applicable] All contracts awarded by Community Action in excess of \$2,000 for construction contracts and in excess of \$2,500 for other contracts that involve the employment of mechanics or laborers shall include a provision for compliance with Sections 102 and 107 of the Contract Works Hours and Safety Standards Act (40 U.S.C. 327-333), as supplemented by Department of Labor regulations (29 CFR part 5). Under Section 102 of the Act, each contractor is required to compute wages of every mechanic and laborer on the basis of a standard work week of 40 hours. Work in excess of the standard work week is permissible provided that the worker is compensated at a rate of not less than 1-1/2 times the basic rate of pay for all hours worked in excess of 40 hours in the work week. Section 107 of the Act is applicable to construction work and provides that no laborer or mechanic shall be required to work in surroundings or under working conditions that are unsanitary, hazardous, or dangerous. These requirements do not apply to the purchases of supplies or materials or articles ordinarily available on the open market, or contracts for transportation or transmission of intelligence.
5. **Clean Air Act (42 U.S.C. 7401 et seq.) and the Federal Water Pollution Control Act (33 U.S.C. 1251 et seq.), as amended:** Contracts and subgrants of amounts in excess of \$100,000 shall contain a provision that requires the recipient to agree to comply with all applicable standards, orders or regulations issued pursuant to the Clean Air Act (42 U.S.C. 7401 et seq.) and the Federal Water Pollution Control Act, as amended (33 U.S.C. 1251 et seq.). Violations shall be reported to the Federal awarding agency and the Regional Office of the Environmental Protection Agency (EPA).
6. **Byrd Anti-Lobbying Amendment (31 U.S.C. 1352):** For all contracts or subgrants of \$100,000 or more, Community Action shall obtain from the contractor or subgrantee a certification that it will not and has not used Federal appropriated funds to pay any person or organization for influencing or attempting to influence an officer or employee of any agency, a member of Congress, officer or employee of Congress, or an employee of a member of Congress in connection with obtaining any Federal contract, grant or any other award covered by 31 U.S.C. 1352. Likewise, since each tier provides such certifications to the tier above it, Community Action shall provide such certifications in all situations in which it acts as a subrecipient of a subgrant of \$100,000 or more.
7. **Debarment and Suspension (E.O.s 12549 and 12689):** For all contracts in excess of the small purchase threshold fixed at 41 U.S.C. 403(11) (\$100,000), Community Action shall obtain from the contractor a certification that neither the contractor nor any of its principal employees are listed on the General Services Administration's *List of Parties Excluded from Federal Procurement or Nonprocurement Programs*.
9. **Remedies:** All contracts in excess of the small purchase threshold fixed at 41 U.S.C. 403(11) (\$100,000) shall contain contractual provisions or conditions that allow for administrative, contractual, or legal remedies in instances in which a contractor violates or breaches the contract terms.

10. **Termination:** All contracts in excess of the small purchase threshold fixed at 41 U.S.C. 403(11) (\$100,000) shall contain suitable provisions for termination by Community Action, including the manner by which termination shall be effected and the basis for settlement. In addition, such contracts shall describe the conditions under which the contract may be terminated for default as well as conditions where the contract may be terminated due to circumstances beyond the control of the contractor.

Special Purchasing Conditions

Emergencies:

Where equipment, materials, parts, and/or services are needed, quotations will not be necessary if the health, welfare, safety, etc., of staff and protection of Organization property is involved.

Single Distributor/Source:

Sole source purchases will be made only when solicitation of multiple vendors is not feasible and one of the following conditions apply:

- The item or service is only available from one source,
- The situation is a public emergency,
- The awarding agency approves the purchase, or
- Competition is deemed inadequate (insufficient bidders)

A cost/price analysis is required and approval from the funding agency may be necessary if the purchase is over the small purchase threshold.

Right to Review Clause

Community Action requires a "Right to Review" clause in all contracts between the Organizations and vendors that either:

1. Take any form of temporary possession of assets directed for the Organization, or
2. Process data that will be used in any financial function of the Organization.

This Right to Review clause shall permit access to and review of all documentation and processes relating to the vendor's operations that apply to Community Action, as well as all documents maintained or processed on behalf of Community Action, for a period of three years. The clause shall state that such procedures may be performed by Community Action employees or any outside auditor or contractor designated by the Organization.

Vendor Files and Required Documentation - Revision

The requestor completes the vendor authorization form, including the tax ID or social security number, for the future vendor. This form is sent to Fiscal and kept on file. New vendors are entered into the financial system if approved.

Completed, signed Forms W-9 or substitute documentation shall be kept on file. Vendors who do not comply with this request shall be issued a Form 1099 at the end of each calendar year in accordance with the policies described in the section of this manual on "Government Returns." See the section on "Payroll and Related Policies" for guidance on determining whether a vendor should be treated as an employee.

Community Action Organization

Vendor Authorization Form

- Required for all vendors and new vendors. Must be on file with Fiscal before vendor can be used.

Vendor Name: _____

Address: _____

Remit Address: _____

City: _____

State: _____ Zip: _____

Phone Number: _____

Contact Name: _____

Fax Number: _____

Tax Payer ID Number or Social Security Number: _____

Person/Program requesting Authorization: _____

Is this vendor related in any way to an Agency Staff or Board Member? Yes: No:

Is this vendor: Local Out of Area

Does the Agency or Vendor need a contract in place: Yes: No:

Program Approval: _____

For Fiscal Use Only:

Accepted: Rejected:

Fiscal Approval: _____

Accounts payable processed date: _____

Notes: _____

Reason Rejected: _____

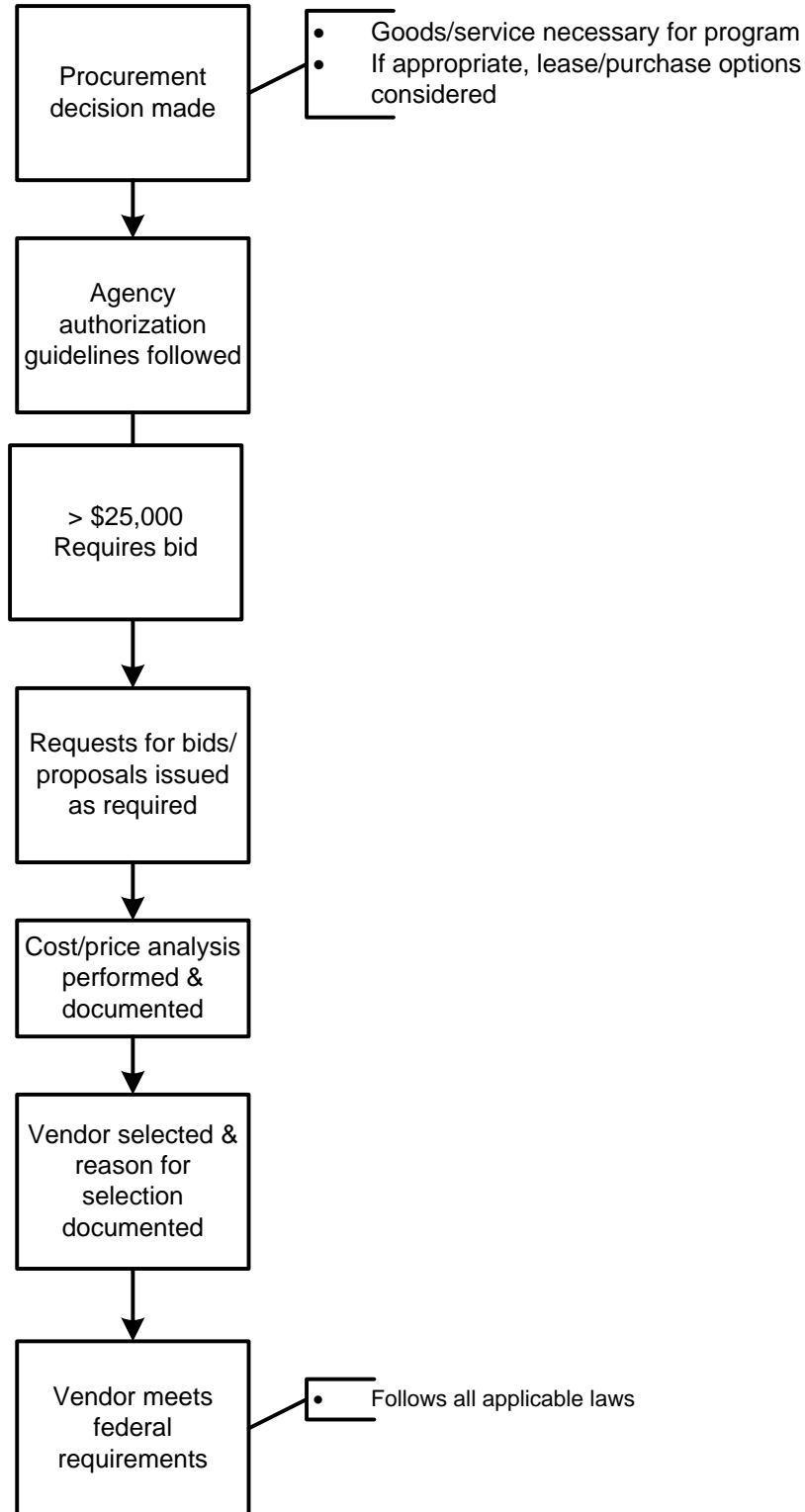
Vendor acceptable Terms: Net 30 Net 20 Due on Invoice

Instructions:

1. Form required for all vendors paid out of Agency Accounts Payable System Except Staff.
2. Local = Washington County Area.
3. Out of Area = Out side Washington County.
4. Contracts = Does Either Vendor or Agency need Contracts in Place.
5. Program Approval is any authorized Program representative.

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The following flowchart summarizes the procurement process under Federal regulations:



Receipt and Acceptance of Goods

Upon receipt of any item from a vendor, the following actions shall immediately be taken:

1. Review bill of lading for correct delivery point
2. Verify the quantity of boxes/containers with the bill of lading
3. Examine boxes/containers for exterior damage and note on the bill of lading any discrepancies (missing or damaged boxes/containers, etc.)
4. Sign and date the bill of lading
5. Remove the packing slip from each box/container
6. Compare the description and quantity of goods per the purchase order to the packing slip
7. Examine goods for physical damage
8. Count or weigh items, if appropriate, and record the counts on the purchase order
9. The packing slip will be forwarded to the Fiscal department.

The requestor shall inspect all goods received. This inspection must be performed in a timely manner to facilitate prompt return of goods and/or communication with vendors.

SUBRECIPIENTS

Making of Subawards

From time to time, Community Action may find it practical to make subawards of Federal and/or other funds to other organizations. All subawards in excess of the small purchase threshold shall be subject to the same procurement policies described in the preceding section. In addition, all subrecipients must be approved in writing by the Federal awarding agency and agree to the subrecipient monitoring provisions described in the next section.

With respect to subrecipients with whom Community Action has not recently had a subaward relationship, the Fiscal Department shall determine an appropriate level of pre-award inquiry that shall be performed. The purpose of such inquiry, which may involve a site visit to a potential subrecipient, is to gain assurance that a potential subrecipient has adequate policies and procedures in place to provide reasonable assurance that it is capable complying with all applicable laws, regulations and award provisions. In addition, Community Action shall obtain the following documents from all new subrecipients:

1. Articles of Incorporation
2. Current Bylaws or other governing documents
3. Determination letter from the IRS (recognizing the subrecipient as exempt from income taxes under IRC section 501(c)(3))
4. Last three years' Forms 990 or 990-EZ, including all supporting schedules and attachments (also Form 990-T, if applicable)
5. Copies of the last three years' audit reports and management letters received from subrecipient's independent auditor (including all reports associated with audits performed in accordance with OMB Circular A-133, if applicable)
6. Copy of the most recent internally-prepared financial statements and current budget
7. Copies of reports of government agencies (Inspector General, state or local government auditors, etc.) resulting from audits, examinations, or monitoring procedures performed in the last three years

Monitoring of Subrecipients

When Community Action utilizes Federal funds to make subawards to subrecipients, Community Action is subject to a requirement to monitor each subrecipient in order to provide reasonable assurance that subrecipients are complying, in all material respects, with laws, regulations, and award provisions applicable to the program.

In fulfillment of its obligation to monitor subrecipients, the following policies apply to all subawards of Federal funds made by Community Action to subrecipients:

1. Subaward agreements shall include all information necessary to identify the funds as Federal funding. This information shall include:
 - a. The applicable Catalog of Federal Domestic Assistance (CFDA) title and number
 - b. Award name
 - c. Name of Federal agency
 - d. Amount of award

2. Subaward agreements shall identify all applicable audit requirements, including the requirement to obtain an audit in accordance with OMB Circular A-133, if the subrecipient meets the criteria for having to undergo such an audit.
3. Subawards shall include a listing of all applicable Federal requirements that each subrecipient must follow.
4. Subawards shall require that subrecipient employees responsible for program compliance obtain appropriate training in current grant administrative and program compliance requirements.
5. Subawards shall require that subrecipients submit financial and program reports to Community Action on a basis no less frequently than Quarterly.
6. Community Action will follow up with all subrecipients to determine whether all required audits have been completed. Community Action will cease all funding of subrecipients failing to meet the requirement to undergo an audit in accordance with OMB Circular A-133. For subrecipients that properly obtain an audit in accordance with OMB Circular A-133, Community Action shall obtain and review the resulting audit reports for possible effects on Community Action's accounting records or audit.
7. Community Action shall assign one of its employees the responsibility of monitoring each subrecipient on an ongoing basis, during the period of performance by the subrecipient. This employee will establish and document, based on her/his understanding of the requirements that have been delegated to the subrecipient, a system for the ongoing monitoring of the subrecipient.
8. Ongoing monitoring of subrecipients will vary from subrecipient to subrecipient, based on the nature of work assigned to each. However, ongoing monitoring activities may involve any or all of the following:
 - 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 technical assistance where needed.
 - f. Maintaining a system to track and follow up on deficiencies noted at the subrecipient in order to assure that appropriate corrective action is taken.
 - g. Establishing and maintaining a tracking system to assure timely submission of all reports required of the subrecipient.
9. Documentation shall be maintained in support of all efforts associated with monitoring of subrecipients.

CHARGING OF COSTS TO FEDERAL AWARDS

Overview

Community Action charges costs that are reasonable, allowable, and allocable to a Federal award directly or indirectly. All unallowable costs shall be appropriately segregated from allowable costs in the general ledger in order to assure that unallowable costs are not charged to Federal awards.

Segregating Unallowable from Allowable Costs

The following steps shall be taken to identify and segregate costs that are allowable and unallowable with respect to each Federal award:

1. The budget and grant or contract for each award shall be reviewed for costs specifically allowable or unallowable.
2. Accounting personnel shall be familiar with the allowability of costs provisions of 2 CFR Part 230 (OMB Circular A-122), "Cost Principles for Non-Profit Organizations," particularly:
 - a. The list of specifically unallowable costs found in Attachment B (Selected Items of Cost), such as alcoholic beverages, bad debts, contributions, fines and penalties, lobbying, etc.
 - b. Those costs requiring advance approval from Federal agencies in order to be allowable in accordance with Attachment B, such as foreign travel, equipment purchases, etc.
3. No costs shall be charged directly to any Federal award until the cost has been determined to be allowable under the terms of the award and/or 2 CFR Part 230.
4. For each Federal award, an appropriate set of general ledger accounts (or account segments) shall be established in the chart of accounts to reflect the categories of allowable costs identified in the award or the award budget.
5. All items of miscellaneous income or credits, including the subsequent write-offs of uncashed checks, rebates, refunds, and similar items, shall be reflected for grant accounting purposes 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).

Criteria for Allowability

All costs must meet the following criteria from 2 CFR Part 230, Attachment A, in order to be treated as allowable direct or indirect costs under a Federal award:

1. The cost must be “reasonable” for the performance of the award, considering the following factors:
 - a. Whether the cost is of a type that is generally considered as being necessary for the operation of the Organization or the performance of the award;
 - b. Restraints imposed by such factors as generally accepted sound business practices, arm’s length bargaining, Federal and state laws and regulations, and the terms and conditions of the award;
 - c. Whether the individuals concerned acted with prudence in the circumstances;
 - d. Consistency with established policies and procedures of the Organization, deviations from which could unjustifiably increase the costs of the award.
2. The cost must be “allocable” to an award by meeting one of the following criteria:
 - a. The cost is incurred specifically for a Federal award;
 - b. The cost benefits both the Federal award and other work, and can be distributed in reasonable proportion to the benefits received; or
 - c. The cost is necessary to the overall operation of the Organization, except where a direct relationship to any particular program or group of programs cannot be demonstrated.
3. The cost must conform to any limitations or exclusions of 2 CFR Part 230 or the Federal award itself.
4. Treatment of costs must be consistent with policies and procedures that apply to both Federally financed activities and other activities of the Organization.
5. Costs must be consistently treated over time.
6. The cost must be determined in accordance with generally accepted accounting principles.
7. Costs may not be included as a cost of any other Federally financed program in the current or prior periods.
8. The cost must be adequately documented.

Direct Costs

Direct costs include those costs that are incurred specifically for one award or non-Federal function. Community Action identifies and charges these costs exclusively to each award or program.

Each invoice shall be coded with the appropriate account number reflecting which program received direct benefit from the expenditure. Invoices are approved by the appropriate project manager and reviewed by the Chief Financial and Operations Officer .

Time sheets or personnel activity reports are also submitted on a regular basis, reflecting employees' work and which programs directly benefited from their effort. Time sheets or personnel activity reports shall serve as the basis for charging salaries directly to Federal awards and non-Federal functions. See the Payroll section of this manual for detailed procedures.

Shared Costs

Shared costs are those that have been incurred for common or joint objectives and cannot be readily identified with a particular grant or program. Shared costs benefit more than one, but not necessarily all, awards.

Examples of shared costs that benefit all programs are:

- The Fiscal Department
- The Human Resources Department
- The Board of Directors

Examples of shared costs that benefit more than one but not all programs are:

- Shared space
- Vehicle insurance

Per Federal guidelines, each grant will be charged its fair share of costs. Any costs not reimbursed by a particular funding source will be charged to corporate or other funds that may cover shared costs after the allocation process is complete.

Cost Pools

Direct and shared costs are allocated to the benefiting programs using cost pools under the following methodology:

1. Costs will be allocated to all programs on an equitable basis regardless of any limits imposed by funding sources.
2. As much as possible, costs will be charged directly to benefiting programs.
3. There are several administrative departments in the Agency. They are the following:

910	IT
911	Human Resources
912	Fiscal
914	Agency
915	Executive
916	Office Management HMSC
917	Facilities-HMSC

Facilities expenses at HMSC are allocated on a project square footage calculation; or the administration schedule. For the rest of the admin departments, costs will be allocated based on the administration schedule (see description below).

Administration Schedule:

Each month, a report will be printed that will show the department code, program name and amount of program expenses for the month. For each department, program expenses will be divided by total program expenses for the month to get a percentage. The actual administration expenses for the month will be multiplied by the percentage, to get each programs share of administration expenses. A journal entry will be made to record each programs share of administration costs each month.

4. Program-related costs will be allocated based on relevant activity measures, such as number of meals served, number of children or clients.

ACCOUNTS PAYABLE MANAGEMENT

Overview

Community Action strives to maintain efficient business practices and good cost control. A well-managed accounts payable function can assist in accomplishing this goal from the purchasing decision through payment and check reconciliation. The following are general policies for accounts payable:

- Assets or expenses and the related liability are recorded by an individual who is not responsible for ordering and receiving.
- The amounts recorded are based on the vendor invoice for the related goods or services.
- The vendor invoice will be supported by a requisition for disbursement with proper authorization and an approved purchase order where necessary.
- Invoices and related general ledger account distribution codes are reviewed prior to posting to the subsidiary system by the Accounts Payable coordinator.

The primary objective for accounts payable and cash disbursements is to ensure that:

1. Disbursements are properly authorized
2. Invoices are processed in a timely manner
3. Vendor credit terms and operating cash are managed for maximum benefits

Recording of Accounts Payable

All valid accounts payable transactions, properly supported with the required documentation, shall be recorded as accounts payable in a timely manner.

Accounts payable are processed on a daily basis. Information is entered into the system from approved invoices or disbursement vouchers with appropriate documentation attached.

Only original invoices will be processed for payment unless duplicated copies have been verified as unpaid by researching the vendor records. No vendor statements shall be processed for payment.

Accounts Payable Cut-Off

For purposes of the preparation of the Organization's monthly financial statements, all vendor invoices that are received, approved and supported with proper documentation by the sixth working day of the following month shall be recorded as accounts payable as of the end of the immediately preceding month if the invoice pertains to goods or services delivered by month-end.

Establishment of Control Devices

The AP Coordinator establishes control of invoices as soon as they are received. Vendors will be instructed to mail all invoices directly to the Accounts Payable Department.

Upon receipt, each invoice shall be stamped "date received" and matched to existing purchase orders or requisitions, as applicable.

Preparation of a Voucher Package

Prior to any accounts payable being submitted for payment, a package called a “voucher package” shall be assembled. Each voucher package shall contain the following documents:

1. Vendor invoice and requisition for disbursement
2. Packing slip (where appropriate)
3. Purchase order as required by procurement policies
4. Any other supporting documentation deemed appropriate

Processing of Voucher Packages

The following procedures shall be applied to each voucher package by the AP Coordinator:

1. Check the mathematical accuracy of the vendor invoice.
2. Compare the nature, quantity and prices of all items ordered per the vendor invoice to the purchase order, packing slip.
3. Document the general ledger distribution, using the Organization’s current chart of accounts.
4. The AP Coordinator verifies the following:
 - Approvals by authorized designees to indicate their acknowledgement of satisfactory receipt of the goods or services invoiced
 - Agreement with all terms appearing on the vendor invoice
 - Agreement with general ledger account coding
 - Agreement to pay vendor in full.
 - Approvals are documented with initials or signatures of the approving individual
 - Review of the appropriateness of the expense

Employee Expense Reimbursement

Reimbursements for travel expenses, business meals, or other approved costs will be made only upon the receipt of a properly approved and completed requisition for disbursement (the “Green Sheet”) and/or mileage form (see further policies under “Travel and Business Entertainment”). All required receipts must be attached, and a brief description of the business purpose of trip or meeting must be noted on the form. Expenses older than ninety days will not be reimbursed.

Reconciliation of A/P Subsidiary Ledger to General Ledger

At the end of each monthly accounting period, the total amount due to vendors per the accounts payable subsidiary ledger shall be reconciled to the total per the accounts payable general ledger account (control account). All differences are investigated and adjustments are made as necessary. The reconciliation and the results of the investigation of differences are reviewed and approved by the Chief Financial and Operations Officer.

Also on a monthly basis, the AP Coordinator shall perform the following procedures:

1. Check all statements received for unprocessed invoices.
2. Check the purchase order file for open purchase orders more than 60 days old and follow up.

Management of Accounts Payable Vendor Master File

Accounts Payable expects to receive a completed Vendor Authorization form for every new vendor.

All vendor files shall include the following data:

1. Vendor's legal name and any DBA name(s)
2. Street address (payments may be mailed to a P.O. Box, but a street address must be in the file)
3. Federal employer identification number
4. Telephone number (and FAX number if available)
5. Contact name

Payments shall not be made to any vendor whose file does not comply with the preceding requirements 1-5 above.

On an periodic basis, vendors that have not been utilized over the preceding 24 month period shall be made inactive from the master vendor file.

Verification of New Vendors

The Chief Financial and Operations Officer will perform additional procedures to validate the legitimacy of new vendors that shall be paid one-time or cumulative payments in excess of \$100,000. For such vendors, the Chief Financial and Operations Officer shall perform a limited public records search and shall contact the vendor to validate the vendor's existence.

TRAVEL AND BUSINESS EXPENSES

Travel Advances

Funds will be advanced for upcoming travel only upon receipt of a completed and properly approved travel requisition for disbursement. Travel advances are generally limited to the per diem rate multiplied by the number of days, unless there is an extraordinary need for additional funds. Travel advances are to be used only for the purpose intended. Travel expenses are to be made in accordance with the Organization's travel policies as explained later in this section. Employees may opt to purchase meals at cost in lieu of per diem travel advances or use agency Visa to cover costs.

Employee and Director Business Travel

At the conclusion of an Community Action business trip, an employee or member of the Board of Directors that has incurred business-related expenses should complete an requisition for disbursement in accordance with the following policies:

1. Identify each separately incurred business expense (i.e., do not group all expenses associated with one trip together).
2. With the exception of tips, tolls, reimbursed mileage, and per diems, all business expenses must be supported with invoices/receipts.
3. Vendor receipts/invoices must be submitted for all lodging.
4. For airfare, airline-issued receipts should be obtained. If a traveler fails to obtain a receipt, other evidence must be submitted indicating that a trip was taken and the amount paid (for example, a combination of an itinerary, a credit card receipt, and boarding passes).
5. Mileage may be reimbursed at the standard Federal rates currently in effect as of the beginning of the Community Action fiscal year, as published each year by the IRS (or as modified by Chief Financial and Operation Officer).
6. The business purpose of each trip must be adequately explained on each report.
7. General ledger account coding must be identified for all expenditures.
8. All requisition for disbursement forms must be signed and dated by the employee.
9. All requisition for disbursement forms must be approved by the employee's approved designee.
10. Within 5 days of purchase, the purchaser will submit receipts along with the requisition for disbursement form ("Green Sheet") providing detailed information on the charges.

An employee will not be reimbursed for expense reports not meeting the preceding criteria. If the expense report results in a balance due to Community Action (as a result of receiving a travel advance greater than actual business expenditures), the employee must attach a check or sign a statement indicating authorization to settle the balance due through a payroll deduction.

No further travel advances will be issued to any employee who has an outstanding balance due to Community Action from previous business trips.

Reasonableness of Travel Costs

Community Action shall reimburse travelers only for those business-related costs that are reasonably incurred. Accordingly, the following guidelines shall apply:

1. Ask hotels for any available discounts – nonprofit, government or corporate rates.
2. When utilizing rental cars, travelers should rent midsize or smaller vehicles. Share rental cars whenever possible.
3. Business-related long-distance telephone calls while away on business travel are permitted, but should be kept to a minimum. Expense reports should explain long-distance charges.
4. Personal long-distance calls while away on business are reimbursable if kept to a minimum, such as one nightly call home to family. Personal calls in excess of this shall not be reimbursed.
5. Reasonable tips for baggage handling shall be reimbursed. No receipts are required.
6. Foreign travel charged to Federal grants must be approved in writing by the funding source prior to travel.

Special Rules Pertaining to Air Travel

The following additional rules apply to air travel:

1. Air travel should be at coach class or the lowest commercial discount fare at the time the ticket is purchased except when this fare would:
 - a. Require circuitous routing
 - b. Require travel during unreasonable hours
 - c. Excessively prolong travel
 - d. Result in additional costs that would offset the transportation savings, or
 - e. Offer accommodations not reasonably adequate for the traveler's medical needs.
2. First class air travel shall not be reimbursed unless there is a documented medical reason, and such use must be documented.
3. Memberships in airline flight clubs are not reimbursable.
5. When returning on a Sunday or departing on a Saturday in order to obtain a cost savings in airfare due to the Saturday-night stay-over, travelers should provide a total cost comparison (showing that the lower airfare plus extra night lodging, meals & incidentals is less costly than airfare without the Saturday night stay-over).
6. Cost of upgrade certificates is not reimbursable.
7. Cost of canceling and rebooking flights is not reimbursable, unless it can be shown that it was necessary or required for legitimate business reasons (such as changed meeting dates, etc.).
8. Travelers must identify and pay for all personal flights, even if such flights are incorporated into a flight schedule that serves business purposes (i.e., Community Action will not reimburse for the personal legs of a trip).

Spouse/Partner Travel

Community Action does not reimburse any employee or board member for separate travel costs (air fare, etc.) associated with his/her spouse or partner. The cost of a shared hotel room need not be allocated between employee/director and spouse/partner for purposes of this policy.

CASH DISBURSEMENTS (CHECK-WRITING) POLICIES

Check Preparation

Community Action prints vendor checks and expense reimbursement checks on a bi-weekly basis. Exceptions to this schedule are payroll, client services, and other time sensitive requests for payment. Checks shall be prepared by persons independent of those who initiate or approve expenditures, as well as those who are authorized check signers.

All vendor and expense reimbursement checks shall be produced in accordance with the following guidelines:

1. Expenditures must be supported in conformity with purchasing, accounts payable, and travel and business entertainment policies described in this manual.
2. Timing of disbursements should be made when feasible to take advantage of early-payment discounts.
3. Generally, all vendors shall be paid within 30 days of submitting a proper invoice upon delivery of the requested goods or services.
4. Total cash requirements associated with each check run is monitored in conjunction with available cash balance in bank prior to the release of any checks.
5. All supporting documentation is attached to the corresponding check prior to forwarding the entire package to an authorized check signer.
6. Checks shall be utilized in numerical order and unused checks are stored in a locked cabinet in the Fiscal Department.
7. Checks shall never be made payable to "bearer" or "cash."
8. Checks shall never be signed prior to being prepared.
9. Upon the preparation of a check, vendor invoices and other supporting documentation shall immediately be canceled in order to prevent subsequent reuse.

Check Signing

Checks of less than \$2,500 require a single signature. Checks of \$2,500 or more require two signatures. No check shall be signed prior to the check being completed in its entirety (no signing of blank checks).

Checks shall be signed by an approved check signer. Check runs are prepared in batches and this may result in the signing of a check by the transaction approver. The routing of the batch of checks is random (among the list of approved signers) based on signer availability.

Department Executive Managers, Executive Director, and designated Board Members have check signing authority.

Check signers should examine all original supporting documentation to ensure that each item has been properly checked prior to signing a check. Checks should not be signed if supporting documentation appears to be missing or there are any questions about a disbursement.

Use of Positive Pay System

Community Action utilizes a “Positive Pay” system with its financial institution for all checks drawn on the operating account. With this system, the AP Coordinator electronically communicates to the financial institution a list of check numbers, amounts, and vendors in connection with each check run. The financial institution shall then notify the A/P Coordinator or designee if any check is presented for payment that does not match the three characteristics for valid checks provided by the AP Coordinator.

Mailing of Checks

After signature, checks are returned to the individual who prepared them, who then mails checks immediately.

Voided Checks and Stop Payments

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.” The signature area of the check is physically removed from the check. All voided checks shall be retained to aid in preparation of bank reconciliations.

Stop payment orders may be made for checks lost in the mail or other valid reasons. Stop payments are processed online by A/P Coordinator or designee.

Recordkeeping Associated with Independent Contractors

Community Action shall obtain a completed Form W-9 or equivalent substitute documentation from all required vendors to whom payments are made (see “Accounts Payable Management” policies). A record shall be maintained of all vendors to whom a Form 1099 is required to be issued at year end. Payments to such vendors shall be accumulated over the course of a calendar year.

CREDIT CARDS

Issuance of Corporate Credit Cards

A credit card may be requested by a supervisor for staff that will have necessity to employ that form of payment. Cardholders will be required to sign a statement (see the Fiscal Visa check out form later in this section) acknowledging that the card shall be used exclusively for legitimate Organization-related business purposes and that the cardholder agrees to take reasonable precautions to protect the card from loss or theft by storing it in a secure location. Upon approval from the credit card company, a card will be issued bearing the names of both the individual and Community Action.

Cardholder Responsibilities

Within 5 days of purchase, Cardholders will submit charge receipts along with the requisition for disbursement form ("Green Sheet") providing detailed information on the charges. Cardholders must reimburse the Organization for any inadvertent personal charges within the same five-day period or approval of a Payroll Reimbursement. In the event of the loss of a receipt, cardholders are required to complete the "VISA Lost Receipt" form.

Any fraudulent or other unauthorized charges shall be immediately pointed out to the Chief Financial and Operations Officer for further investigation with the credit card provider.

Personal use of corporate credit cards is strictly prohibited.

Documentation of meals, travel and valid business expenditures shall include all of the same elements as described in the earlier policy on "Travel and Business Expenses" (i.e., names of people involved, business purpose, etc.).

Community Action requires the following review and approval procedures:

- Refer to the "Purchasing Policies and Procedures" section of this manual.

Cardholders shall report the loss or theft of a corporate credit card immediately by notifying the Chief Financial and Operations Officer or designee.

Revocation of Corporate Credit Cards

Failure to comply with any of these policies associated with the use of Community Action's corporate credit cards shall be subject to possible revocation of credit card privileges. The Chief Financial and Operations Officer shall determine whether credit cards are to be revoked.

Credit Card Requirements

Employee Credit Cards

With approval of dept. manager, employees may be authorized to use personal credit cards for Organization expenditures. Exceptions to this require prior authorization from the Chief Financial and Operations Officer .

VISA Cardholder Responsibilities

Initiating purchase of Goods or Services:

1. Any and all contracts obligating the Agency for distribution of funds shall require pre-approval from the Executive Director or his or her designee by signature of said contract.
2. Requisitions shall be filled out before goods or services are obtained to request Purchase Order, for use of VISA, or use of Petty Cash.
3. Gift Certificates, Postage Stamps, or other items of cash value may be purchased for distribution to clients as required by funding sources.
4. Requisitions shall be approved by an authorized program representative, and if over \$2,500.00, and no contract is in place, then approval by the Executive Director or his or her designee is required.

Payments

1. In order for timely processing, staff members shall submit Invoices and or other documentation for payment to Fiscal within five (5) workdays of receipt.
2. Documentation may be initiated by faxed documents, but checks shall not be issued unless original documents are received and verified by program and Fiscal. If original documents are not available from the Vendor, the program needs to certify that faxed documents are accurate and complete for use to issue check.
3. Before payments can be processed backup documentation must be received including, but not limited to:
 - *Approval of vendor for usage.*
 - *Properly completed requisition form with proper approvals.*
 - *Invoice*
 - *Packing Slip*
 - *Acknowledgement from staff of receipt of goods and services. (Signed packing slip or initials on invoice of receipt of goods or services)*
 - *Other documentation provided by Vendor.*

4. Goods over \$5000.00 should be inventoried and identified in an Agency inventory database containing the data required by Federal funding sources.
5. Unless predetermined by programs and Fiscal in advance, disbursements (Payments) will occur based on accounts payable aging of Net 30 Grace 10 from date of Invoice and the availability of funds from the funding source paying for the funds being disbursed.
6. Payments will be processed on a two-week basis in conjunction with the payroll cycle.
7. Vendor Contracted terms for payments will be honored if they are pre-approved by Fiscal.
8. Emergency payments on behalf of clients and Policy Council checks will be made on a pre-arranged basis as required by funding source / Program.
9. Exceptions to the above are not allowed unless approved by the Chief Financial and Operations Officer or designee.
10. Employees shall understand that they are responsible for the use of, and care of, their Agency Visa Card. Employees will ensure they, and all those using their card, will follow Agency policy and procedures. If the card is lost or stolen the employee will immediately report it to the Fiscal Office.

VISA Lost Receipt Form



On _____ I, _____, made a purchase at _____ in
the amount of \$ _____ and have misplaced the receipt.

Signature of Employee

Date

PAYROLL AND RELATED POLICIES

Classification of Workers as Independent Contractors or Employees

If an individual qualifies for independent contractor status, the individual will be sent a Form 1099 if total compensation paid to that individual for any calendar year, on the cash basis, is \$600 or more. The amount reported on a Form 1099 is equal to the compensation paid to that person during a calendar year (on the cash basis). Excluded from “compensation” are reimbursements of business expenses that have been accounted for by the contractor by supplying receipts and business explanations.

If an individual qualifies as an employee, a personnel file will be created for that individual and all documentation required by the Community Action Personnel Policies shall be obtained. The policies described in the remainder of this section shall apply to all workers classified as employees.

Payroll Administration

Community Action operates on a bi-weekly payroll. A personnel file is established and maintained by the Human Resource Department for all employees with current documentation, as described throughout this section and more fully described in the Community Action Personnel Policies.

Refer to the Community Action Personnel Policies for a description of the forms, documents and information included in the personnel files of all new employees.

Each employee payroll file shall also indicate whether the employee is exempt or non-exempt from the provisions of the Fair Labor Standards Act.

If required by specific grants such as Head Start, the employee personnel file must also include a pre-employment background check.

Changes in Payroll Data

All of the following changes in payroll data are to be authorized in writing:

1. New hires
2. Terminations
3. Changes in salaries and pay rates
4. Voluntary payroll deductions
5. Changes in income tax withholding status
6. Court-ordered payroll deductions

New hires, terminations, and changes in salaries or pay rates shall be authorized in writing by the appropriate department Director.

Voluntary payroll deductions and changes in income tax withholding status shall be authorized in writing by the individual employee.

Payroll Taxes

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

Withholding of Federal income taxes shall be based on the most current Form W-4 prepared by each employee.

Personnel Activity Reports

Community Action follows the guidelines in OMB Circular A-122, Attachment B.8, *Compensation for Personal Services*, as well as requirements in specific grants. Therefore, salaries and wages charged to Federal grants will be supported as follows:

1. Charges will be based on documented payrolls approved by responsible officials of the Organization.
2. Every staff member supported by multiple funding sources will code time spent related to multiple funding sources on their electronic time sheet.
3. Time sheets must be signed electronically by the individual employee and by a responsible supervisor who has first-hand knowledge of the activities performed by the employee.
4. The time sheets will be prepared on the same basis as the pay periods bi-weekly.
5. Charges for non-exempt employees will also be supported by records required by the Fair Labor Standards Act.
6. Salaries and wages of employees used in meeting cost sharing or matching (in-kind) are supported in the same manner as salaries and wages charged to Federal awards.

Preparation of Timesheets

Fiscal Department must receive each Community Action employee's signed and approved timesheet no later than 12:00pm Noon on the Monday following the close of each pay period. Timesheets shall be prepared in accordance with the following guidelines:

1. Each timesheet shall reflect actual hours worked during the pay period (time actually spent on the job performing assigned duties), whether compensated or not.
2. Compensated absences (vacation, holiday, sick leave, etc.) should be clearly identified as such;
3. Timesheets shall be electronically signed and approved by the employee and Supervisor prior to submission.
4. Hours should be allocated to the appropriate funding project

Processing of Timesheets

The Payroll Coordinator will process the timesheets.

The Payroll Coordinator may correct timesheet errors after consulting the appropriate supervisor or employee, but not change or correct timesheets without authorization. When errors are noted, the Payroll Coordinator contacts the supervisor or employee directly and attempts to clarify the possible error. If the Payroll Coordinator is unable to resolve the error, Community Action will pay the timesheet as it is written and continue efforts to resolve the possible issue after the payroll is issued.

The G/L Accountant reviews the payroll and prepares/posts the payroll journal entry.

Distribution of Payroll

Payroll checks are mailed directly to employees via US Mail by the Payroll Coordinator or Designee.

Direct Deposit Earning Statements for electronic deposits are distributed via the Organization's internal mail system.

Review of Payroll Data

Community Action will conduct on-going reviews of payroll data. This is performed by Payroll staff and management. The purpose of this review is to determine the integrity of the Organization's payroll records. The process shall include the following procedures:

1. Review of salaries, withholdings, deductions, and direct deposit information to supporting documentation in each selected employee's payroll file.
2. Cross-checking the payroll master files for employees with identical addresses, social security numbers, or direct deposit bank account information.

Any unexplained deviations found as a result of these review procedures shall be reported to the Chief Financial and Operations Officer.

POLICIES PERTAINING TO SPECIFIC ASSET ACCOUNTS

CASH AND CASH MANAGEMENT

Cash Accounts

General Checking Account (operating account):

The primary operating account provides for routine business check disbursements. All cash and credit card deposits are made to this account.

Cash transfers are done on an as needed basis to cover disbursements.

Payroll Account:

The payroll account is separate from the operating account. The payroll account is a zero-balance account (ZBA). As such, only the amount needed to cover each payroll is transferred into this account from the operating account, based on the amount required to zero the account.

Transfers from the operating account into the payroll account are controlled by the Agency's financial institution.

ACH Account:

The Organization also maintains an account to receive ACH deposits from non-government organizations such as United Way. The AR Coordinator monitors activity in this account and transfers receipts to the operating account as they are received.

Capital Fund:

The Capital Fund is an interest-bearing account for payments from Washington County earmarked to maintain agency-owned buildings.

Merchant Account:

The account is for the use of Advancements Donation Software.

Authorized Signers

The following Community Action personnel and Board members are authorized to sign checks drawn on the general operating and payroll accounts:

Members of the Board-level Executive Committee
Directors of the Organization

Chief Financial and Operations Officer will promptly notify the Organization's financial institutions of changes in authorized signatures upon the departure of any authorized signer. Refer to the section titled "Check Signing" for procedures.

A single signature is sufficient for checks of equal to or less than \$2,500. Two signatures are required for checks above \$2,500.

Bank Reconciliations

Bank account statements are received each month and forwarded to the Executive Director who reviews the statements and forwards the entire bank statement to the Chief Financial and Operations Officer. The reconciliation between the bank balance and general ledger balance is prepared by the General Ledger accountant. The bank reconciliation process will be completed by the 15th of the month.

Bank reconciliations and copies of resulting journal entries are filed in the current year's accounting files.

Cash Flow Management

The Chief Financial and Operations Officer monitors cash flow needs on a daily basis to eliminate idle funds and to ensure that payment obligations can be met. Cash transfers between accounts are performed on an as-needed basis.

Community Action adheres to the requirements of its grants which may prohibit loaning funds between programs (for example, Head Start), therefore, cash management and reporting is performed at the program level as well as for the Organization as a whole.

Stale Checks

For uncashed checks that are more than 6 months old, contact will be made with the payee to resolve the issue.

Community Action will also comply with the Oregon laws regarding unclaimed property. Accordingly, if uncashed checks are subject to a state reporting and transfer requirement, the Organization shall file all appropriate forms and remit unclaimed property to the appropriate jurisdiction. An encumbrance will be set up for these checks for ultimate payment to the state of Oregon regarding unclaimed property.

Petty Cash

1. Petty Cash should be utilized for Purchases under \$50.00. A request to use petty cash should be presented PRIOR to purchase, not after.
2. All disbursements from the Petty Cash Fund must be accompanied by a completed and approved Petty Cash Voucher. Receipts are required for all disbursements from Petty Cash.
3. The Agency does not normally reimburse employees for money spent out of pocket unless pre-approved in writing by their Director.
4. Agency staff assigned to distribute Petty Cash have the authority to deny a Petty Cash request if it does not fall within these guidelines.
5. If Petty Cash is being misused (ie. reimbursements to staff, non-emergent etc.) the petty cash fund may be closed by the Chief Financial and Operations Officer.

Petty cash locations & Amounts

Coffee Creek:	\$620.00
Policy Council:	\$500.00
HMSC:	\$500.00
BMSC:	\$100.00
Total:	\$1720.00

INVENTORY OF MATERIALS

Description of Inventory

Due to funder requirements, Community Action maintains an inventory of property and equipment with a cost greater than \$5,000.

Physical Counts

A physical count of inventory will be performed on a bi-annual basis. Any inventory items that appear damaged, obsolete or otherwise unable to be sold shall be excluded from the counts. A detailed record of the physical count shall be kept by the individuals involved in taking the inventory.

At the conclusion of the physical count, the inventory count sheets shall be extended by applying the most recent unit costs to the physical quantities of each item on hand.

PREPAID EXPENSES

Accounting Treatment

Community Action treats payments of expenses that have a time-sensitive future benefit as prepaid expenses and will amortize these items over the corresponding time period. For purposes of this policy, payments of less than \$1,000 or for which benefit will be consumed in the same fiscal year shall be expensed as paid and not treated as prepaid expenses, regardless of the existence of a future benefit.

Procedures

As part of the account coding process performed during the processing of accounts payable, all incoming vendor invoices shall be reviewed for the existence of time-sensitive future benefits. If future benefits are identified, the payment shall be coded to a prepaid expense account code.

The Fiscal Department shall maintain a schedule of all prepaid expenses. The schedule shall indicate the amount and date paid, the period covered by the prepayment, the purpose of the prepayment, and the monthly amortization. This schedule shall be reconciled to the general ledger balance as part of the monthly closeout process.

INVESTMENT POLICIES (When Authorized by Board of Directors)

Introduction

Community Action treats all assets of the Organization, including those funds that are legally unrestricted, as though they are held in a fiduciary capacity for the purpose of accomplishing the Organization's tax-exempt mission. As such, the policies described in this section are to be interpreted in light of that overall sense of stewardship, and the investment standards shall be those of a prudent investor.

Funds to be invested do not include those from Federal awards. Such funds will be spent on program requirements as budgeted, or returned to the awarding agency. Any advances of Federal funds will be maintained in an interest-bearing account. Interest earned on such funds will be allocated to federal grants based on a percentage of funds received during the month.

Delegation of Authority

The Board of Directors of Community Action has delegated supervisory authority over its investing activities to the Finance and Audit Committee. The Finance and Audit Committee is responsible for regularly reporting on the Organization's investments to the full Board of Directors.

The Finance and Audit Committee is authorized to retain one or more Investment Counselors to assume the investment management function. In that regard, the Finance and Audit Committee may enter into agreements with, delegate investment authority to, pay compensation to, and receive reports from one or more Investment Counselors.

Investment Objectives

Community Action's investment objectives are the preservation and protection of the Organization's assets, as well as the maintenance of liquid reserves to meet obligations arising from unanticipated activities, by earning an appropriate return on investments.

Allowable Investments

Investments of Community Action shall be made exclusively with the following securities:

1. Federally-insured Certificates of Deposit, not to exceed \$250,000, including interest, at commercial banks or savings and loan institutions;
2. U.S. Treasury securities and securities of Federal agencies and instrumentalities;
3. Repurchase agreements with financial institutions, collateralized by U.S. Treasury or Federal agency securities;
4. Corporate bonds and notes rated A or better by Moody's and Standard & Poors;
5. Commercial paper rated P-1/A-1 by Moody's and Standard & Poors;
6. Money market funds that invest in securities approved under these guidelines.

Community Action shall not engage in margin transactions, short selling, commodity transactions or use of derivatives.

Diversification

No more than ten percent of the investments of Community Action shall be in the securities of any one issuer, with the exception of obligations of the U.S. government, its agencies and instrumentalities, and Federally-insured certificates of deposit.

Accounting Treatment

All purchased investments shall initially be recorded at cost. All investments acquired by donation to Community Action shall initially be recorded at their fair market value as of the date of donation. Donated investments shall be recorded as unrestricted, temporarily restricted, or permanently restricted income and net assets based on the existence or absence of such restrictions, as defined earlier.

Subsequent to acquisition, Community Action carries all equity securities with readily determinable fair market values and all debt securities at their market values. Adjustments to market value shall be made in the accounting records and financial statements of Community Action on a semi-annual basis.

Adjustments to market value result in unrealized gains and losses on investments. Such gains and losses resulting from contributed investments (or from investments purchased with contributed funds) shall be classified as unrestricted, temporarily restricted, or permanently restricted based on the existence or absence of explicit restrictions on such appreciation and depreciation from the donor, as defined earlier. Such unrealized gains and losses from investments purchased with unrestricted funds shall be classified as unrestricted.

Procedures and Reporting

The following procedures will be followed to ensure that investments are properly managed and that these investment policies are consistent with the mission of Community Action and accurately reflect the current financial condition of the Organization:

1. The Chief Financial and Operations Officer shall maintain a schedule of investments and reconcile this schedule with the general ledger and with investment account statements on a monthly basis. The schedule of investments shall include the following information with respect to each investment:
 - a. Date acquired
 - b. Method of acquisition (purchase or donation)
 - c. Cost or basis at acquisition
 - d. Description of investment
 - e. Interest rate (if applicable)
 - f. Date of maturity (if applicable)
 - g. Holder/issuer of security
 - h. Current market value
 - i. Unrealized gain or loss
 - j. Accrued interest receivable (if applicable)
 - k. Income received, year-to-date (i.e., interest, dividends, etc.)

2. The Chief Financial and Operations Officer and investment advisor shall prepare a schedule of investments for presentation on a semi-annual basis for the Finance and Audit Committee and on an annual basis for the Board of Directors.
3. The quarterly investment reports shall detail the portfolio's composition and performance for the quarter and year-to-date, along with a comparison to budget and to the prior year.
4. The annual investment report shall be presented to the Board of Directors at the time the Community Action audit is presented, outlining in detail the investment portfolio's composition and performance for the fiscal year, along with a comparison to appropriate market indices. The report will show results for the most recently-completed fiscal year and for last three years.
5. Investment policies shall be reviewed annually by the Chief Financial and Operations Officer and the Executive Director, working with the Finance and Audit Committee, to determine any appropriate modifications.
6. Recommendations for any revisions or modifications to the investment policy will be made by the Finance and Audit Committee to the Board of Directors for their approval.

PROPERTY AND EQUIPMENT

Capitalization Policy

Physical assets acquired with unit costs in excess of \$5,000 are capitalized as property and equipment on the Organization's financial statements. Items with unit costs below this threshold shall be expensed in the year purchased.

If an awarding agency requires a lower amount for equipment, Community Action will adhere to that dollar amount only for that program or contract.

Capitalized property and equipment additions are accounted for at their historical cost and all such assets, except land, are subject to depreciation over their estimated useful lives, as described later.

Capitalized assets will be reported as expensed for grants if they were so budgeted in the grant application. However, for the Organization's financial statements, these assets will be capitalized and depreciated according to these policies.

Contributed Assets

Assets with fair market values in excess of \$5,000 (per unit) that are contributed to Community Action shall be capitalized as fixed assets on the financial statements. Contributed items with market values below this threshold shall be expensed in the year contributed.

Capitalized contributed assets are accounted for at their market value at the time of donation and all such assets, except land and certain works of art and historical treasures, are subject to depreciation over their estimated useful lives, as described later.

Equipment and Furniture Purchased With Federal Funds (A-110_34)

Community Action may occasionally purchase equipment and furniture that will be used exclusively on a program funded by a Federal agency. In addition to those policies on Asset Management described earlier, equipment and furniture charged to Federal awards will be subject to certain additional policies as described below.

For purposes of Federal award accounting and administration, "equipment" shall include all assets with a unit cost equal to the lesser of \$5,000 or the capitalization threshold utilized by Community Action, described under Asset Management.

All purchases of "equipment" with a cost in excess of \$25,000 using Federal funds shall be approved, in advance and in writing, by the Federal awarding agency. COA will include such items in its grant application if feasible and known. In addition, the following policies shall apply regarding equipment purchased and charged to Federal awards:

1. Adequate insurance coverage will be maintained with respect to equipment and furniture charged to Federal awards.
2. For equipment (or residual inventories of supplies) with a remaining per unit fair market value of \$5,000 or less at the conclusion of the award, Community Action shall retain the equipment without any requirement for notifying the Federal agency.
3. If the remaining per unit fair market value is \$5,000 or more, Community Action shall gain a written understanding with the Federal agency regarding disposition of the equipment. This understanding may involve returning the equipment to the Federal agency, keeping the equipment and compensating the Federal agency, or selling the equipment and remitting the proceeds, less allowable selling costs, to the Federal agency.
4. The Grant Manager shall determine whether a specific award with a Federal agency includes additional equipment requirements or thresholds and requirements that differ from those described above.
5. A physical inventory of all equipment purchased with Federal funds shall be performed at least once every two years. The results of the physical inventory shall be reconciled to the accounting records of and Federal reports filed by Community Action.

Establishment and Maintenance of a Fixed Asset Listing

All capitalized property and equipment shall be recorded in a property log. This log shall include the following information with respect to each asset: (A-110_34 (f)(1))

1. Date of acquisition
2. Cost
3. Description (including color, model, and serial number or other identification number)
4. Source of the equipment, including the Federal award number, if applicable
5. Whether the title vests in the Organization or the Federal Government
6. Information to calculate the Federal share of the cost of the equipment, if applicable
7. Location of asset
8. Depreciation method
9. Estimated useful life

A physical inventory of all assets capitalized under the preceding policies will be taken on a bi-annual basis by Community Action. This physical inventory shall be reconciled to the property log and adjustments made as necessary. All adjustments resulting from this reconciliation will be approved by the Chief Financial and Operations Officer .

Receipt of Newly-Purchased Equipment and Furniture

At the time of arrival, all newly-purchased equipment and furniture shall be examined for obvious physical damage. If an asset appears damaged or is not in working order, it shall be returned to the vendor immediately.

In addition, descriptions and quantities of assets per the packing slip or bill of lading shall be compared to the assets delivered. Discrepancies should be resolved with the vendor immediately.

Depreciation and Useful Lives

All capitalized assets are maintained in the special property and equipment account group and are not included as an operating expense. Property and equipment are depreciated over their estimated useful lives using the straight-line method.

In the year of acquisition, depreciation is recorded based on the number of months the asset is in service, counting the month of acquisition as a full month (Example: an asset purchased on the 15th day of the fifth month shall have eight full months of depreciation (eight-twelfths of one year) recorded for that year.)

Estimated useful lives of capitalized assets shall be determined by the Fiscal Department in conjunction with the department or employee that shall utilize the asset. The following is a list of the estimated useful lives of each category of fixed asset for depreciation purposes:

Buildings	40 years
General office equipment	3 – 5 yrs
Vehicles	7 years

For accounting and interim financial reporting purposes, depreciation expense will be recorded on an annual basis.

Dispositions of Property and Equipment

If equipment is sold, scrapped, donated or stolen, adjustments need to be made to the fixed asset listing and property log. If money is received for the asset, then the difference between the money received and the "book value" (purchase price less depreciation) of the asset will be recorded as a loss (if the money received is less than the book value) or a gain (if the money received is more than the book value).

Write-Offs of Property and Equipment

The Chief Financial and Operations Officer approves the disposal of all capitalized fixed assets that may be worn-out or obsolete. Property that is discovered to be missing or stolen will be reported immediately to the Chief Financial and Operations Officer. If not located, this property will be written off the books with the proper notation specifying the reason.

LEASES

Classification of Leases

Community Action classifies all leases in which the Organization is a lessee as either capital or operating leases. Community Action shall utilize the criteria described in Statement of Financial Accounting Standards No. 13 in determining whether a lease is capital or operating in nature. Under those criteria, a lease shall be treated as a capital lease if, at the time of entering into the lease, any of the following factors are present:

1. The lease transfers ownership to Community Action at the end of the lease term;
2. The lease contains a bargain purchase option;
3. The lease term is equal to 75% or more of the estimated economic life of the leased property;
or
4. The present value of the minimum lease payments is 90% or more of the fair value of the leased property (using, as the interest rate, the lesser of Community Action's incremental borrowing rate or, if known, the lessor's implicit rate).

All leases that do not possess any of the four preceding characteristics shall be treated as operating leases. In addition, all leases that are immaterial in nature shall be accounted for as operating leases.

Reasonableness of Leases

Community Action assesses the value of leases according to the requirements of 2 CFR Part 225 (A-122)_43 as follows:

- The rate is reasonable when compared to similar property in the same area,
- The rate of any alternatives, and
- The type, life expectancy, condition and value of the property leased.

Rental arrangements will be reviewed every 2 to 5 years, based on the lease or rental agreement, to determine if circumstances have changed and other options are available.

Accounting for Leases

All leases that are classified as operating leases shall be accounted for as expenses in the period in which the lease payment is due.

All leases that are classified as capital leases shall be treated as fixed asset additions. As such, upon the inception of a capital lease, Community Action shall record a capitalized asset and a liability under the lease, based on the net present value of the minimum lease payments (or the fair value of the leased asset, if it is less than the present value of the lease payments). Periodic lease payments shall be allocated between a reduction in the lease obligation and interest expense. The capitalized asset recorded under a capital lease shall be depreciated over the term of the lease, using the straight-line method of depreciation.

Community Action shall also maintain a control list of all operating and capital leases. This list shall include all relevant lease terms, including a schedule of future annual lease payments obligations.

POLICIES PERTAINING TO LIABILITY AND NET ASSET ACCOUNTS

ACCRUED LIABILITIES

Identification of Liabilities

The Fiscal Department shall establish a list of commonly incurred expenses that may have to be accrued at the end of an accounting period. Some of the expenses that shall be accrued by Community Action at the end of an accounting period are:

- Salaries and wages
- Payroll taxes
- Vacation pay (see policy below)

In addition, Community Action shall record a liability for deferred revenue (revenue received but not yet earned) in accordance with the revenue recognition policies described elsewhere in this manual. Adjustments to deferred revenue accounts shall be made monthly.

Accrued Leave

Community Action records a liability for accrued leave to which employees are entitled. The total liability at the end of an accounting period shall equal the total earned but unused hours of leave multiplied by each employee's current hourly pay rate.

Leave that does not "vest" with employees (i.e., leave that is not paid to employees if unused at the time of termination of employment), such as sick leave, shall not be accrued as a liability in the financial records.

NOTES PAYABLE

General Policy

Community Action requires that all notes payable be approved by the Board of Directors and signed by the Executive Director.

Recordkeeping

Community Action maintains a schedule of all notes payable, mortgage obligations, lines of credit, and other financing arrangements. This schedule shall be based on the underlying loan documents and shall include all of the following information:

1. Name and address of lender
2. Date of agreement or renewal/extension
3. Total amount of debt or available credit
4. Amounts and dates borrowed
5. Description of collateral, if any
6. Interest rate
7. Repayment terms
8. Maturity date
9. Address to which payments should be sent
10. Contact person at lender

Accounting and Classification

Financial institutions that issued the notes shall provide amortization schedules for each note payable. Based upon the amortization schedule, the principal portion of payments due with the next year shall be classified as a current liability in the statement of financial position. The principal portion of payments due beyond one year shall be classified as long-term/non-current liabilities in the statement of financial position.

Demand notes and any other notes without established repayment dates shall always be classified as current liabilities.

Unpaid interest expense shall be accrued as a liability at the end of each accounting period. Interest is not an allowable cost under federal cost principles, with the exception of interest related to acquisition of real property as approved by the funding source.

A detailed record of all principal and interest payments made over the entire term shall be maintained with respect to each note payable. Periodically, the amounts reflected as current and long-term notes payable per the general ledger shall be reconciled to these payment schedules and the amortization schedules, if any, provided by the lender. All differences shall be investigated.

NET ASSETS

Classification of Net Assets

Net assets of the Organization shall be classified based upon the existence or absence of donor-imposed restrictions as follows:

Unrestricted Net Assets - Net assets that are not subject to donor imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor imposed stipulations that may or will be satisfied through the actions of the Organization and/or the passage of time.

Net assets accumulated that are not subject to donor imposed restrictions, but which the Board of Directors of the Organization has earmarked for specific uses, shall be segregated in the accounting records as "board-designated" funds within the unrestricted category of net assets.

Restrictions may be associated with either a time period (e.g. a particular future time period) or a purpose (e.g. specific programs). A purpose stipulation will be considered a restriction only if it is more specific than the broad limits resulting from the nature of the Organization, the environment in which it operates, and the purposes specified in Community Action's Articles of Incorporation and current Bylaws.

Reclassifications from Restricted to Unrestricted Net Assets

The Organization shall report in its statement of activities a reclassification from restricted to unrestricted net assets if any of the following events occur:

1. Fulfillment of the purpose for which the net assets were restricted (e.g. spending restricted funds for the stipulated purpose)
2. Expiration of time restrictions imposed by donors
3. Death of an annuity beneficiary
4. Withdrawal by the donor (or by a court) of a time or purpose restriction

If a donor stipulates multiple restrictions (such as a purpose and a time restriction), reclassifications from temporarily restricted to unrestricted net assets shall be reported only upon the satisfaction of the final remaining restriction.

Reclassifications from Unrestricted to Restricted Net Assets

If the Organization receives a restricted contribution from a donor who further stipulates that the Organization set aside a portion of its unrestricted net assets for that same purpose, the Organization shall report in its statement of activities a reclassification of net assets from unrestricted to temporarily or permanently restricted, based on the specific nature of the restriction.

Disclosures

The Organization discloses in a footnote to the financial statements the different types of temporary and permanent restrictions associated with the Organization's net assets as of the end of each fiscal year.

POLICIES ASSOCIATED WITH FINANCIAL AND TAX REPORTING

FINANCIAL STATEMENTS

Standard Financial Statements of the Organization

Preparing financial statements and communicating key financial information is a necessary and critical accounting function. Financial statements are management tools used in making decisions, in monitoring the achievement of financial objectives, and as a standard method for providing information to interested parties external to the Organization. Financial statements may reflect year-to-year historical comparisons or current year budget to actual comparisons.

The basic financial statements that are maintained on an organization-wide basis shall include the following reports with a master set of reports maintained in the Fiscal office. Reports are targeted to be produced by the date of the monthly Finance and Audit Committee meeting (monthly).

1. **Budget status report** – provided to department Directors on a monthly basis to track actual-to-budget revenues and expenditures, accounts receivable and net gains/losses.
2. **Detailed expenditure reports** – provided to department Directors or managers upon request
3. **Policy Council expenditure report** – provided to the Head Start Executive Manager by 2nd Tuesday of month (prior to the monthly meeting of the Policy Council)
4. **Board reports:** submitted first to the Finance and Audit Committee and then to the full Board at its next regular meeting
 - **Statement of Financial Position** - reflects assets, liabilities, and net assets of the Organization and classifies assets and liabilities as current or non-current/long-term.
 - **Fiscal year summary of program surpluses and deficits**
 - **Cash management report** – cash balances, cash reserves, net cash, receivable and payable, cash flow, 12-month historical in graphical and numerical formats
 - **Statement of Activities** - presents support, revenues, expenses, and other changes in net assets of the Organization, by category of net asset (unrestricted, temporarily restricted and permanently restricted), including reclassifications between categories of net assets.
 - **Statement narrative document**

In addition, the Finance and Audit Committee may request additional financial information which is provided by the Chief Financial and Operations Officer at the next Committee meeting.

Head Start Reports to the Board and Policy Council

The following reports are required by to be furnished to Board and Policy Council by the Head Start Act:

- Monthly financial statements, including credit card expenditures;
- Monthly program information summaries;
- Program enrollment reports, including attendance reports for children whose care is partially subsidized by another public agency;
- Monthly reports of meals and snacks provided through programs of the Department of Agriculture;

- The financial audit;
- The annual self-assessment, including any findings related to such assessment;
- The communitywide strategic planning and needs assessment of the Head Start agency, including any applicable updates;
- Communication and guidance from the Secretary; and
- The program information reports.

The Board will use this information to monitor results against plans, to ensure that such information is provided to funding and government agencies as required, and as internal control checks.

Annual Financial Statements

A formal presentation of the Organization's annual financial statements shall be provided by the Independent Auditor to the full Board of Directors by the December Board meeting. This presentation will be preceded by a meeting with the Finance and Audit Committee, at which the Finance and Audit Committee will vote to accept or reject the annual financial statements. See separate policies regarding the annual audit under "Financial Management Policies."

GOVERNMENT RETURNS

Overview

To legitimately conduct business, Community Action must be aware of its tax and information return filing obligations and comply with all such requirements of Federal, state and local jurisdictions. Filing requirements of Community Action include, but are not limited to, filing annual information returns with IRS, state charitable solicitation reports, property tax returns, annual reporting of compensation paid, and payroll tax withholding tax returns.

Filing of Returns

The Chief Financial and Operations Officer shall be responsible for identifying all filing requirements and assuring that Community Action is in compliance with all such requirements. The Organization will file complete and accurate returns with all authorities and make all efforts to avoid filing misleading, inaccurate, or incomplete returns.

Filings made by Community Action include, but are not limited to, the following returns:

1. **Federal Form 990** - Annual information return of tax-exempt organizations, filed with IRS. Form 990 for Community Action is due on the fifteenth day of the fifth month following year-end. An automatic 3-month extension of time to file Form 990 may be obtained filing Form 8868. Upon expiration of the first 3-month extension, a second 3-month extension may be requested using Form 8868.
2. **State of Oregon CT-12** – Charitable activities filed with the Oregon Dept. of Justice, annually, filed after completion of the annual audit.
3. **Federal Form 5500** - Annual return for Community Action's employee benefit plans. Form 5500 is due July 31, but a request for extension of time to file may be filed.
4. **Personal Property Tax Return** - Filed with Washington County to report personal property. Community Action's personal property tax return is due April 1.
5. **W-2's and 1099's** - 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 31 and to Federal Government by February 28.
6. **Form 941** - Quarterly payroll tax return filed with 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.
7. **State SUTA** – Unemployment compensation report due quarterly
8. **Workers' Compensation Report** – required by the State to be filed with the workers' compensation insurance carrier quarterly

Community Action's fiscal and tax year-end is June 30. All annual tax and information returns of Community Action are filed on the accrual basis of reporting.

Federal and all applicable state payroll tax returns are prepared by the Fiscal Department.

Community Action complies with all state payroll tax requirements by withholding and remitting payroll taxes to the state of residency of each Community Action employee.

Public Access to Information Returns

Under regulations that became effective in 1999, Community Action is subject to Federal requirements to make the following forms "widely available" to all members of the general public:

1. The three most recent annual information returns (Form 990), excluding the list of significant donors (Schedule B) that is attached to the Form 990, but including the accompanying Schedule A, and
2. Community Action's original application for recognition of its tax-exempt status filed with IRS, and all accompanying schedules and attachments.

Community Action shall comply with the Federal requirements to make its forms widely available by referring requesters to the IRS or Guidestar websites.

UNRELATED BUSINESS ACTIVITIES

Identification and Classification

Community Action properly identifies and classifies income-producing activities that are unrelated to the Organization's tax-exempt purpose using the guidelines described in the Internal Revenue Code and underlying regulations. Such income accounts shall be segregated in separate accounts in the general ledger in order to facilitate tracking and accumulation of unrelated trade or business activities.

Allocation of Expenses to Unrelated Activities

In addition to segregating income associated with activities that are unrelated to Community Action's exempt purpose, the Organization's general ledger 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, in accordance with expense allocation policies described elsewhere in this manual.

Reporting

Community Action will file IRS Form 990-T to report taxable income from unrelated trade or business activities. Form 990-T is not subject to any public access or disclosure requirements. Accordingly, it is the policy of Community Action not to distribute copies of Form 990-T to anyone other than management of the Organization.

Community Action shall also report taxable income from unrelated trade or business activities that are subject to state or local income or franchise taxes on the appropriate return.

FINANCIAL MANAGEMENT POLICIES

BUDGETING

Overview

Budgeting is an integral part of managing any organization in that it is concerned with the translation of organizational goals and objectives into financial and human resource terms. A budget should be designed and prepared to direct the most efficient and prudent use of the Organization's financial and human resources. A budget is a management commitment of a plan for present and future organizational activities that will ensure survival. It provides an opportunity to examine the composition and viability of the Organization's programs and activities simultaneously in light of the available resources.

Budgets are also prepared for funding sources and each grant manager must be aware of budget modification requirements. Awarding agencies may or may not require approval for changes in line items. Community Action will document and follow all such requirements.

Preparation and Adoption

Community Action will prepare an annual budget on the accrual basis of accounting.

February/March:

- Directors receive administrative cost estimates from the Fiscal Department
- Directors develop budgets based on historical and projected information

April/May:

- The Board HR Committee makes recommendations on benefits and compensation
- After appropriate revisions and a compilation of all department budgets by the Chief Financial and Operations Officer, a draft of the Organization-wide budget, as well as individual department budgets, is presented to the Directors team for discussion, revision, and initial approval.
- Discrepancies are resolved

May:

- The revised draft is then submitted to the Finance and Audit Committee for review and approval.

June:

- The final budget is submitted to the entire Board of Directors for adoption.

Budget and Program Revisions

Community Action will request prior approval from Federal awarding agencies for any of the following program or budget revisions:

1. Change in the scope or objective of the project or program, even if there is no associated budget revision requiring prior written approval.
2. Change in a key person (Project Manager, etc.) specified in the application or award document.
3. The absence for more than three months, or a 25 percent reduction in time devoted to the project, by the approved Project Manager or principal investigator.
4. The need for additional Federal funding.
5. The inclusion, unless waived by the Federal awarding agency, of costs that require prior approval in accordance with OMB Circular A-122.
6. The transfer of funds allotted for training allowances (direct payment to trainees [i.e. clients]) to other categories of expense.
7. Unless described in the application and funded in the approved awards, the subaward, transfer or contracting out of any work under an award. (However, this provision does not apply to purchases of supplies, materials, equipment or general support services.)

Budget Modifications

After a budget has been approved by the Board of Directors and adopted by the Organization, reclassifications of budgeted expense amounts of less than 20% of the budget may be made by the Department Executive Manager. Reclassifications of budgeted expenses of greater than 20% but less than 30% require approval from the Chief Financial and Operations Officer . Reclassifications of budgeted expense amounts across departments of greater than \$10,000 or 30% may be made only with approval of the Executive Director.

Reclassifications of budgeted expenses in excess of the preceding thresholds or greater than \$100,000, shall be made only with approval of the Finance and Audit Committee

ANNUAL AUDIT

Role of the Independent Auditor

The Agency shall adhere to OMB Circular A-133 Audit Guidelines, Governmental Audit standards published by GAO plus any other additional grant or sub-grant contract requirements set forth by funding sources. Community Action will arrange for an annual audit of the Organization's financial statements to be conducted by an independent accounting firm. The independent accounting firm selected by the Board of Directors will be required to communicate directly with the Organization's Finance and Audit Committee upon the completion of their audit. In addition, members of the Finance and Audit Committee and Executive Committee are authorized to initiate communication directly with the independent accounting firm.

Audited financial statements, including the auditor's opinion thereon, will be submitted and presented to the Board of Directors by the independent accounting firm at the Organization's Annual Meeting, after the financial statements have been reviewed and approved by the Finance and Audit Committee.

How Often to Review the Selection of the Auditor

Community Action shall review the selection of its independent auditor in the following circumstances:

1. Anytime there is dissatisfaction with the service of the current firm
2. When a fresh perspective and new ideas are desired
3. Every 5 years to ensure competitive pricing and a high quality of service (this is not a requirement to change auditors every five years; simply to re-evaluate the selection)

Selecting an Auditor

The selection of an accounting firm to conduct the annual audit is a task that should be taken very seriously. The following factors shall be considered by Community Action in selecting an accounting firm:

1. The firm's reputation in the nonprofit community
2. The depth of the firm's understanding of and experience with not-for-profit organizations and Federal reporting requirements under OMB Circular A-133
3. The firm's demonstrated ability to provide the services requested in a timely manner
4. The ability of firm personnel to communicate with Organization personnel in a professional and congenial manner

If Community Action decides to prepare and issue a written Request for Proposal (RFP) to be sent to prospective audit firms, the following information shall be included:

1. Period of services required
2. Type of contract to be awarded (fixed fee, cost basis, etc.)
3. Complete description of the services requested (audit, management letter, tax returns, etc.)
4. Identification of meetings requiring their attendance, such as staff or Board of Director meetings
5. Organization chart of Community Action
6. Chart of account information

7. Financial information about the Organization
8. Copy of prior year reports (financial statements, management letters, etc.)
9. Identification of need to perform audit in accordance with OMB Circular A-133
10. Other information considered appropriate
11. Description of proposal and format requirements
12. Due date of proposals
13. Overview of selection process (i.e., whether finalists will be interviewed, when a decision shall be made, etc.)
14. Identification of criteria for selection

Minimum Proposal Requirements from prospective CPA firms shall be:

1. Firm background
2. Biographical information (resumes) of key firm member who will serve Community Action
3. Client references
4. Information about the firm's capabilities
5. Firm's approach to performing an audit
6. Copy of the firm's most recent quality/peer review report, including any accompanying letter of findings
7. Other resources available with the firm
8. Expected timing and completion of the audit
9. Expected delivery of reports
10. Cost estimate including estimated number of hours per staff member
11. Rate per hour for each auditor
12. Other information as appropriate

In order to narrow down the proposals to the top selections, the Chief Financial and Operations Officer shall meet with the prospective engagement teams from each proposing firm to discuss their proposal. Copies of all proposals shall be forwarded to each member of the Finance and Audit Committee. After the Chief Financial and Operations Officer narrows down the field of prospective auditors to three firms, final interviews of each firm are conducted by the Audit Committee, who makes the final recommendation to the Board of Directors for approval.

Preparation for the Annual Audit

Community Action shall be actively involved in planning for and assisting with the Organization's independent accounting firm in order to ensure a smooth and timely audit of its financial statements. In that regard, the Fiscal Department shall provide assistance to the independent auditors in the following areas:

Planning - The Chief Financial and Operations Officer is responsible for delegating the assignments and responsibilities to accounting staff in preparation for the audit. Assignments shall be based on the list of requested schedules and information provided by the independent accounting firm.

Involvement - Organization staff will do as much work as possible in order to assist the auditors and, therefore, reduce the cost of the audit.

Interim Procedures - To facilitate the timely completion of the annual audit, the independent auditors may perform selected audit procedures prior to the Organization's year-end. By performing significant portions of audit work as of an interim date, the work required subsequent to year-end is reduced. Organization staff will provide requested schedules and documents to assist the auditors during any interim audit fieldwork.

Throughout the audit process, Community Action will make every effort to provide schedules, documents and information requested by the auditors in a timely manner.

Concluding the Audit

Upon receipt of a draft of the audited financial statements of Community Action from its independent auditor, the Chief Financial and Operations Officer shall perform a detailed review of the draft, consisting of the following procedures:

1. Carefully read the entire report for typographical errors
2. Trace and agree each number in the financial statements and accompanying footnotes to the accounting records and/or internal financial statements of Community Action
3. Review each footnote for accuracy and completeness

Any questions or errors noted as part of this review shall be communicated to the independent auditor in a timely manner and resolved to the satisfaction of the Chief Financial and Operations Officer .

It shall also be the responsibility of the Chief Financial and Operations Officer to review and respond in writing to all management letter or other internal control and compliance report findings and recommendations made by the independent auditor.

In addition, the Single Audit Clearinghouse form shall be completed and a copy submitted to the Finance and Audit Committee.

Finance and Audit Committee Responsibilities

In accordance with the Community Action by-laws, there shall be a Finance and Audit Committee consisting of at least three members. See the "Board Governance" section of this manual, as well as the Finance and Audit Committee Charter, for a detailed description of the Finance and Audit Committee's responsibilities and its authority.

RECORD RETENTION

Policy

Community Action retains records as required by law and destroys them when appropriate. Record retention shall adhere to OMB Circular A-133 Audit Guidelines, Governmental Audit Standards published by GAO plus any other additional grant or sub-grant requirements set forth by the funding sources. All IRS regulations shall be followed for documentation retention. The formal records retention policy of Community Action is as follows:

Accident reports/claims (settled Cases)	7 Years
Accounts payable ledgers and schedules	7 Years
Accounts receivable ledgers and schedules	7 Years
Audit reports	Permanently
Bank reconciliations	3 Years
Bank Statements	3 Years
Chart of Accounts	Permanently
Cancelled Checks	7 Years
Contracts, mortgages, notes and leases:	
Expired	7 Years
Still in effect	Permanently
Correspondence:	
General	2 Years
Legal and important matters only	Permanently
Routine with customers and/or vendors	2 Years
Deeds, mortgages and bills of sales	Permanently
Depreciation schedules	Permanently
Duplicate deposit slips	3 Years
Employment applications	3 Years
Expense analyses/expense distribution schedule	7 Years
Financial statements:	
Year end	Permanently
Other	Optional
Garnishments	7 Years
General ledgers/year end trial balance	Permanently
Insurance policies (expired)	3 Years
Insurance records (policies, claims, etc.)	Permanently
Internal audit reports	3 Years +
Internal reports	3 Years
Inventories of products, materials and supplies	7 Years
Invoices (to customers, from vendors)	7 Years
Journals	Permanently
Minute books of Executive Managers, current Bylaws and charters	Permanently
Notes receivable ledgers and schedules	7 Years
Payroll records and summaries	7 Years
Personnel records (terminated)	7 Years
Petty cash vouchers	3 Years
Physical inventory tags	3 Years
Property records (incl. depreciation schedules)	Permanently

Purchase orders:	
Purchasing department copy	7 Years
Other copies	1 Year
Receiving sheets	1 Year
Retirement and pension records	Permanently
Requisitions	4 Years
Sales records	7 Years
Subsidiary ledgers	7 Years
Tax returns and worksheets, examination reports and other documents relating to determination of income tax liability	Permanently
Time sheets/cards	7 Years
Trademark registrations and copyrights	Permanently
Training manuals	Permanently
Voucher register and schedules	7 Years
Withholding tax statements	7 Years

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