

**CORTLAND COUNTY COMMUNITY  
ACTION PROGRAM, INC.**

**FISCAL PROCEDURES  
MANUAL**

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**TABLE OF CONTENTS**

Responsibility and Authority .....	5
Budgeting and Cost Allocations .....	5
Accounting System .....	6
Fiscal Control .....	6
Purchasing .....	6
Responsibility for Purchasing .....	7
Non-Discrimination Policy .....	7
Use of Purchase Orders .....	7
Credit Cards .....	8
Fixed Assets .....	11
Procurement Policies .....	14
Ethical Conduct in Purchasing .....	18
Conflicts of Interest Prohibited .....	18
Compliance .....	19
Policies Associated with Federal Awards .....	23
Charging of Costs to Federal Awards .....	23
Segregating Unallowable From Allowable Costs .....	23
Criteria for Allowability .....	24
Procurement under Federal Awards .....	25
Disbursement Procedure .....	26
Storing of Checks .....	27
Out of Town Travel .....	27
Accounting Transactions .....	28
Ledgers and General Journal .....	29

Bank Statements.....	30
Non-Federal Share .....	30
Personnel Procedures .....	31
Consultants and Contractors .....	32
Financial Reporting.....	33
Appendix.....	35

## **INTRODUCTION**

The following manual has been established to ensure a uniform fiscal management of Cortland County Community Action Program, Inc.

This system covers all aspects of fiscal control, from budgeting to the final program audit.

The procedures outlined in this manual have been documented and must be in effect at all times in order to provide an adequate internal control system which is necessary for the safeguarding of the assets of the Cortland County Community Action Program.

## **I. RESPONSIBILITY AND AUTHORITY**

1. The Board of Directors of the Grantee is ultimately responsible for all fiscal matters of the agency.
2. The Executive Director is responsible to the Board to see that the agency staff is competent in performing their assigned duties.
3. The Board employs a full time Finance Department to carry out the actual day to day fiscal responsibilities.
4. In order for an internal control system to work, there must be a concerted effort on the part of all program directors and staff through their participation and cooperation.

In the event that the Executive Director is unable to perform in his/her capacity as described in the job description due to illness, etc., it is clearly understood that the duties and functions will be separated as follows:

1. In any and all matters related to fiscal operations of the agency, the CAPCO Finance Director is responsible for all decisions regarding such.
2. In any and all matters related to administrative and programmatic functions of the agency that would be discussed/determined by the Executive Director, will be delegated to the CAPCO WIC Director unless otherwise determined by the Board of Directors.
3. Should the Executive Director no longer be employed at the agency due to death or departure, the abovementioned shall be in force until such time as the Board of Directors employs someone in this capacity.

## **II. BUDGETING AND COST ALLOCATIONS**

The application process for all agency programs involves drawing up a budget for the use of federal and other funds for the ensuing year. A budget is a plan for the future and the main purpose is coordination and control. Budgeting requires a careful analysis of the previous year's expenditures and an in-depth review of the program plans for the future.

The Board of Director's Executive Committee and the Policy Council Budget/Administrative Committee review and comment on budget projections. These committees normally begin

work 5 to 6 months prior to the submission of a budget application. Ideally, coordinators and support staff have input into budgeting.

The CSBG Budget Draft is reviewed by the C.A.P.C.O. Planning Committee and after any further recommendations, will be presented for approval at a regular meeting of the C.A.P.C.O. Board of Directors. For Head Start, a draft budget is developed by the time of Pre-Review. The Head Start draft budget is submitted for review by Policy Council Administrative Committee with final approval to be given at the regular meetings of Policy Council and of the C.A.P.C.O. Board of Directors.

Following a review of income and sources of this income (including any designated use prescribed by the donor), an allocation of expense accounts to income sources is developed. This is generally calculated on a percentage basis based on staff responsibilities and amounts of time spent administering the individually funded program.

### ***III. ACCOUNTING SYSTEM***

C.A.P.C.O. utilizes a double entry bookkeeping system for all programs. The books are maintained through the use of three journals: Cash Receipts Journal, Cash Disbursement Journal, and General Journal. All programs are maintained on a cash basis throughout the program year. At the end of the year the accrual basis is utilized in order to afford recording of each contract year's expenses and revenues in the proper year.

Transactions are posted to the General Ledger on a monthly basis by the Finance Director via in-house General Ledger System. Each Program Director receives copies of their monthly budget and/or financial statements and balance sheet. The Executive Director receives copies of all monthly statements.

### ***IV. FISCAL CONTROL***

#### **A. PURCHASING**

##### **Overview**

**The Policies described in this section apply to ALL purchases made by CAPCO.**

Additional Policies applicable only to those purchases made under federal awards are described in the "POLICIES ASSOCIATED WITH FEDERAL AWARDS."

It is the policy of CAPCO to follow a 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. Failure to comply with any of the Fiscal Policies and Procedures may result in disciplinary action as indicated in the CAPCO Personnel Policies and Procedures, Sec. 4 Standards of Conduct.

Multiple purchase orders will not be issued to circumvent the Purchasing Policies.

**\* New York State Sales Tax generally will not be reimbursed on any Purchases.**

#### Responsibility for Purchasing

All Program Directors shall have the authority to initiate purchases on behalf of their department, within the guidelines described in this policy manual. In addition, Program Directors may delegate purchasing authority to responsible individuals within their department. Program Directors shall inform the Fiscal Department in writing of all individuals that may initiate purchases or prepare purchase orders. The Fiscal Department shall maintain a current list of all authorized purchasers of CAPCO.

#### 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 CAPCO 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.
2. Vendors/contractors agree to post in conspicuous places, available to employees and applicants for employment, notices setting forth the provisions of this non-discrimination 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.

#### Use of Purchase Orders

It is the policy of CAPCO to utilize a purchase order system. A properly completed purchase order shall be required for each purchase decision, with the exception of travel advances and expense reimbursements, which require the preparation of a separate form described elsewhere

in this manual. All purchase orders shall be completed and proper signatures obtained prior to or at the time of purchasing.

A properly completed Purchase Order shall contain the following information, at a minimum:

1. Description of product or service to be performed
2. Vendor name and address
3. Program elements to be charged
4. Delivery or performance schedules (if applicable)
5. Delivery, packing and transportation requirements (if applicable)
6. Net price per unit, less discount, if any
7. Total amount of order
8. Authorized signatures as referred to under Authorizations and Purchasing Limits as referred to in this manual
9. Date Purchase Order prepared

One (1) original and two (2) copies of Purchase Orders are prepared and used to begin and control purchases of goods and services whenever practical. Purchase Orders are originated in the program requesting the goods or services.

The original purchase order will become part of the purchase order packet that will be used by the fiscal office. All vendors must be provided with a valid purchase order number or copy of the purchase order at the time of purchase or at the placement of an order. The second copy of the Purchase Order is retained in the Division.

#### Credit Cards

Each Program Director (HS, ES, CDPAP, WIC) and the Executive Director have Agency Credit Cards. These cards are in the individuals names to track use/purchases. The expense limit on each of these cards is \$2000. The following requirements must be followed in the use of these credit cards:

- The corporate credit card may only be used for expenses allowed by the grant sources in the exceptional circumstance when a check cannot be reasonably prepared in advance or when a check is not the accepted manner of payment.

- When it is necessary to use the corporate credit card, staff must still follow all other fiscal procedures. A Purchase Order must be completed before ordering or committing agency funds. Receipts for items purchased with the credit card must be turned into the fiscal office immediately.
- The credit card is the responsibility of the Director to whom it is assigned.
- CAPCO may not be responsible for any purchases made with the credit card that have not been approved in advance.

Head Start, WIC and Energy Services have gas credit cards for vehicles used by these programs. A list of staff approved to use these credit cards is maintained by each Department. The use of these cards is tracked by authorizing purchases using the last four digits of staff social security numbers. Receipts for gas purchases are to be turned in as purchases are made and these are reconciled with the billing statement each month.

Other credit cards such as store cards (i.e. Wal-mart) are kept in the Fiscal Office and may be signed out by authorized staff for approved credit purchases. The requirements above apply to these cards.

### **Cardholder Responsibilities**

- Every month, each cardholder will be provided with a statement detailing the expenditures that were charged to their corporate credit card. The cardholder will review this statement within five days for any discrepancies.
- Any fraudulent or other unauthorized charges shall be immediately pointed out to the Finance Director for further investigation with the credit card provider.
- Personal use of corporate credit cards is strictly prohibited. Any personal use will subject the employee to the Organization's disciplinary proceeding as indicated in the Personnel Policies and Procedures Manual.
- Each cardholder shall indicate their approval of the statement by signing the statement. The statement shall then be forwarded to the cardholder's immediate supervisor, accompanied by original supporting documentation for all charges. Documentation of meals, travel and valid business entertainment expenditures shall include all of the same elements as described in the travel policy.

### **Authorizations and Purchasing Limits**

The agency operates a decentralized system in which Program Directors or their designees have the authority to execute purchase commitments. The system requires that two (2) separate individuals sign the Purchase Order. One (1) person requests and the program director or designee approves. If the program director or designee is requesting the purchase, they should sign as such and have the Program Director approve the purchase. If the Program Director is requesting the purchase then the Executive Director must approve the purchase.

- A. Purchases of \$100 or less may be approved by the Program Director or Designee and the Finance Director
- B. Purchases of greater than \$100 must be approved by Program Director, Executive Director and Finance Director.

Purchase orders are not recorded into the general ledger in the agency accounting system and represent commitments only. It is necessary for the staff approving the Purchase Order to:

1. Determine if the expenditure is budgeted.
2. Determine if the funds are available.
3. Determine if the expenditure is allowable and necessary.

A Contract for Services is used to acquire professional or technical services. Persons are considered to be Independent Contractors and not employees of the agency. The Contract for Services will include the following:

1. A W-9 Form signed by the contractor.
2. Generally, Current original Certificate of insurance showing Cortland County Community Action Program, Inc. as the Certificate Holder with policy limits for Workman's Compensation and Liability Insurance mailed directly from the insured's insurance company.

All contractual agreements must be executed by the Executive Director. In the absence of the Executive Director, the Finance Director is authorized to execute contractual agreements. Contracts for construction and or renovations equal to or greater than \$2,000 must comply with the Davis Bacon Act and other regulations that apply to the grant. See separate section on "**Policies Associated with Federal Awards**".

All purchase orders shall be recorded in a purchase order log and retained in the appropriate division.

### ***Petty Cash***

The petty cash funds are maintained to pay for small cash purchases made by program staff. The limit on the petty cash fund is \$100.00. The agency petty cash fund is maintained by the Bookkeeper. The Assistant Director reconciles the petty cash fund. Tax cannot be paid for out of this fund. Any person requesting reimbursement for a programmatic purchase will be personally responsible for any tax paid. Tax exempt certificates are available and can be picked up in the fiscal office.

A \$20.00 ceiling per purchase is allowed on petty cash to restrict large purchases to prior approval through the purchase order system. No purchase will be reimbursed unless accompanied by a Vendor's receipt. A petty cash voucher with authorized signature and account distribution must be completed for all petty cash expenses.

## **FIXED ASSET MANAGEMENT**

### Capitalization Policy

Physical assets acquired with unit costs of \$1,000 or greater are capitalized as fixed assets on the financial statements. Items with unit costs below this threshold shall be expensed in the year purchased.

Capitalized fixed assets are accounted for at their historical cost 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.

### Contributed Assets

Assets with fair market values of \$1,000 (per unit) or greater that are contributed to CAPCO 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.

### Establishment and Maintenance of a Fixed Asset Listing

All capitalized fixed assets shall be recorded in a property log. This log shall include the following information with respect to each asset:

1. Date of acquisition
2. Cost
3. Description (including color, model, and serial number)
4. Location of asset

5. Depreciation method
6. Estimated useful life

A physical inventory of all assets capitalized under the preceding policies will be taken on bi-annual basis by each department/program at each program year end. Such physical inventories shall be signed and certified as to their accuracy. 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 Fiscal Director.

**There is no requirement to record any property purchases less than \$1,000. Any department may inventory property and equipment purchases as required by contractual agreement or as they feel necessary for control purpose.**

**Each Department must have a process in place for the safe guarding of assets with a purchase price of less than \$1,000.**

#### **Receipts of Newly-Purchased Equipment and Furniture**

**At the time of arrival, all newly-purchased equipment and furniture shall be inspected for obvious physical damage. The receipt and acceptance of goods must be done by an employee independent of purchasing. 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 assets delivered. Discrepancies should be resolved with the vendor immediately.**

#### **Depreciation and Useful Lives**

**Fixed assets 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.**

**Estimated useful lives of capitalized assets shall be determined by the Fiscal office 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 purpose:**

**Furniture and fixtures**

**7 years**

General office equipment, appliances	7 years
Computer hardware and peripherals	3 years
Computer software	5 years
Leased assets	life of lease
Leased hold Improvements	remaining lease term
Vehicles	5 years

Alternatively, at the direction of the Fiscal Director, capitalized assets may be depreciated over useful lives expressed in terms of units of production or hours of service in place of the preceding useful lives expressed in terms of time.

For accounting and interim financial reporting purposes, depreciation expenses will be recorded on a monthly basis.

#### **Repairs of Fixed Assets**

Expenditures to repair capitalized assets shall be expensed as incurred if the repairs do not materially add to the value of the property or materially prolong the estimated useful life of the property.

Expenditures to the repair capitalized assets shall be capitalized if the repairs increase the value of property, prolong its estimated useful life, or adapt it to a new or different use. Such capitalized repair costs shall be depreciated over the remaining estimated useful life of the property. If the repairs significantly extend the estimated useful life of the property, the original cost of the property shall also be depreciated over its new, extended useful life

#### **Dispositions of Fixed Assets**

In the event a non-expendable asset is sold, scrapped, donated or stolen, adjustments need to be made to the fixed asset listing and property log. If money is received for asset, than the difference between the money received and the “book value” (purchased price less depreciation) of the asset will be recorded as a loss if the money received is less than the book value and a gain if the money received is more than the book value.

#### **Write-Offs of fixed Assets**

The Department Director 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 in writing to the Fiscal Director. If not located, this property will be written off the books with the proper notation specifying the reason.

## B. PROCUREMENT POLICIES

The following procurement policy is the policy of CAPCO. Should a contract's procurement policy be more restrictive, that policy must be followed.

Whenever possible and practical, the agency will utilize the "Directory of Minority and Women-Owned Businesses."

### *Purchases of single items not exceeding \$ 999*

The agency may purchase goods and services from, or may contract directly with a responsible vendor of its choice for purchases not exceeding \$1,000. While competitive bidding is not required, the program must document steps taken to ensure that prices are reasonable in light of terms and prices offered by competitors. These documents should be retained by the purchasing program and available upon request.

### *Purchases of single items equal to \$1,000 but not exceeding \$24,999.*

The agency may purchase goods and services or may contract by using either of the following methods:

**ALTERNATE A:** If the agency has identified a responsible minority and/or women-owned business source and has determined that the price offered is reasonable, the agency may purchase directly from the source. The agency will document and keep on file the agency's basis for determining that the offered price is reasonable, obtain a written quotation showing terms and conditions and written certification as a minority or women-owned business.

**ALTERNATE B:** A minimum of three (3) written quotes shall be obtained from responsible vendors offering such commodities and/or services. All quotes shall be attached to the Purchase Order along with formal written documentation of the process followed in the selection of the vendor and/or any situation where reasonable competition was not available. The quotes may be written, faxed or web page offerings. Verbal quotes are not acceptable.

Also, attached to the purchase order shall be a written confirmation by the successful vendor setting forth terms and conditions.

***Purchases of single items equal to \$25,000 or greater***

The agency will use, Alternative A above or structure a formal competitive bid. Competitive proposals from at least three (3) responsible vendors must be obtained.

Solicitations for goods and services (requests for proposals) 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. In competitive procurements, such a description shall not contain features, which unduly restrict competition.
2. Requirements which the bidder/offer or 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)
3. A description, whenever practicable, of technical requirements in terms of functions to be performed or performance required, including the range of acceptable characteristics or minimum acceptable standards.
4. The specific features of "brand name or equal" descriptions that bidders are required to meet when such items are included in the solicitations.
5. Preference, to the extent practical and economically feasible, for products and services that conserve natural resources and protect the environment and are energy efficient.
6. A description of the proper format, if any, in which proposals must be submitted, including the name of the CAPCO person to whom proposals should be sent.
7. The date by which proposals are due.
8. Required delivery or performance dates/schedules.
9. Clear indications of the quantity(ies) requested and unit(s) of measure, including metric.

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, in the event that a prospective offeror requests an extension to a due date specified in a solicitation, and such an extension is both justified and compatible with the requirements of CAPCO, an extension may be granted by the purchasing representative.

Vendor proposals are considered late if received after the due date and time specified in the solicitation. All such late proposals shall be marked "Late Proposal" 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

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

1. Adequacy of the proposed methodology of the vendor
2. Skill and experience of key personnel
3. Demonstrated company 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. Vendor's demonstrated commitment to the nonprofit sector
8. Results of communications with references supplied by vendor
9. Ability/commitment to meeting time deadlines
10. Cost
11. Minority- or women-owned business status of vendor
12. Other criteria (to be specified by department requesting proposal)

Not all of the preceding criteria may apply in each purchasing scenario. However, in each situation requiring consideration of alternative vendors, the department responsible for the purchase shall establish the relative importance of each criterion 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 Program Director, the contract must be signed by the Executive Director. No work shall proceed without a signed contract.

#### Affirmative Consideration of Minority, Small Business and Women-Owned Businesses

Positive efforts shall be made by CAPCO to utilize small businesses, minority-owned firms, and women's business enterprises, whenever possible. The following steps shall be taken in furtherance of this goal:

1. Ensure that small business, minority-owned firms, and women's business enterprises are used to the fullest extent practicable.
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.
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.
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.
5. Use the services and assistance, as appropriate, of such organizations as Minority and Women Owned Business Enterprise.

#### Special Purchasing Condition

##### *Emergencies:*

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

##### *Single Distributor/Source:*

Where there is only one (1) distributor for merchandise or consultant needed and no other product or consultant meets the stated needs or specifications, quotations will not be necessary.

Emergencies and single source circumstances must be disclosed on the original purchase order.

##### *Federally-Funded Programs:*

Purchases that will be charged to programs funded with federal awards will be subject to additional policies. These policies are described in a separate section, "Policies Associated with Federal Awards."

#### Vendor Files and Required Documentation

The Fiscal Department shall create a new vendor number based on receipt of properly completed vendor documentation supplied by new vendor. No vendor can be entered into the accounting system until all required documentation is received by the fiscal department.

#### Ethical Conduct in Purchasing

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

Agency 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. Gifts to the Organization of a value not to exceed \$50, viewed as normal business incentives to obtain future Organization-approved business such as for meeting sites, are acceptable donations.

Officers, board members, employees and agents of CAPCO shall neither solicit nor accept gratuities, favors, or anything of monetary value from vendors or parties to sub-agreements. However, unsolicited gifts of a value of no more than \$ 50 may be accepted with the approval of the Executive Director. The Executive Director may accept gifts of a value of no more than \$50 with the approval of the Board Chairperson.

#### Conflicts of Interest Prohibited

No officer, board member, employee, or agent of CAPCO 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. (As per CAPCO Corporate By-laws (approved 10/05), Article VI )

Failure to comply with any of the Fiscal Policies and Procedures may result in disciplinary action as indicated in the CAPCO Personnel Policies and Procedures, Sec. 4 Standards of Conduct (defining disciplinary action) and Conflict of Interest/Code of Ethics.

## Receipt and Acceptance of Goods

The division receiving the goods shall inspect all goods received. The receipt and acceptance of goods must be done by an employee independent of purchasing. Upon receipt of any item from a vendor, the following actions shall immediately be taken:

1. Review packing slip for correct delivery point
2. Examine boxes/containers for exterior damage
3. Verify the quantity of goods to the packing slip
4. Note on the packing slip any discrepancies (missing or damaged boxes/containers/items etc.)
5. Sign and date the packing slip
6. Forward the packing slip to the appropriate program staff that is responsible for purchasing

It is the policy of CAPCO to perform the procedures referred to above in a timely manner in order to facilitate prompt return of goods and/or communication with vendors.

## Compliance

The organization complies with the procurement standards contained in the Office of Management and Budget Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards – more commonly known as the “Super Circular” and codified at 2 CFR part 200. The major provisions of these requirements are summarized below:

1. General Procurement Standards (section 200.318)
  - a. No employee, officer, or agent must participate in the selection, award, or administration of a contract supported by a Federal award if he or she has a real or apparent conflict of interest. Such a conflict of interest would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract.
  - b. Additionally, no employee, officer, or agent must participate in the selection, award, or administration of a contract supported by a Federal award if there exists an organizational conflict of interest. An organizational conflict of interest means that because of relationships with a parent company, affiliate, or subsidiary organization, the non-Federal entity is unable or appears to be

unable to be impartial in conducting a procurement action involving a related organization.

- c. Agency coordination of purchases will assure the avoidance of purchasing unnecessary or duplicative items.
- d. Contracts shall be made only with responsible contractors who possess the potential ability to perform successfully under the terms and conditions of a proposed procurement, and who have not been suspended or debarred from providing goods or services for federally funded programs.
- e. Procurement records and files for purchases in excess of \$50,000 shall minimally include the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.

2. Competition (section 200.319)

All procurement transactions must be conducted in a manner providing for open and full competition. To that end, all solicitations must incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured. Such descriptions must not contain features which unduly restrict competition. The description may include a statement of the qualitative nature of the material, product, or service to be procured and, when necessary, must set forth those minimum essential characteristics and standards to which it must conform if it is to satisfy its intended use. Solicitations must also identify the requirements which the offerors must fulfill and all other factors to be used in evaluating bids or proposals.

3. Methods of Procurement to be Followed (section 200.320)

- a. Procurement by micro-purchase is the acquisition of supplies or services, the aggregate dollar amount of which does not exceed \$3000 (or \$2000 in the case of acquisition for construction subject to the Davis-Bacon Act). To the extent practicable, micro-purchases must be distributed equitably among qualified suppliers. Micro-purchases may be awarded without soliciting competitive quotes if the non-Federal entity considers the price to be reasonable.
- b. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold (currently \$150,000). If small purchase procedures are used, price or rate quotes must be obtained from an adequate number

of qualified sources.

- c. Procurement by sealed bids. Bids are publicly solicited and a firm fixed price contract is awarded to the responsible bidder whose bid, conforming with all of the material terms and conditions of the invitation for bids, is the lowest in price. The sealed bid method is preferred for procuring construction, if the conditions following apply: a complete, adequate, and realistic specification or purchase description is available; two or more responsible bidders are willing and able to compete effectively for the business; and the procurement lends itself to a firm fixed price contract and the selection of the successful bidder can be made principally on the basis of price. If sealed bids are used the following requirements apply: The invitation for bids will be publically advertised and bids must be solicited from an adequate number of know suppliers, providing them sufficient time prior to the date set for opening the bids. The invitation for bids, which will include any specifications and pertinent attachments, must define the items or services in order for the bidder to properly respond. All bids will be publically opened at the time and place prescribed in the invitation for bids. A firm fixed price contract award will be made in writing to the lowest responsive and responsible bidder. Where specified in bidding documents, factors such as discounts, transportation cost, and life cycle costs must be considered in determining which bid is lowest. Payment discounts will only be used to determine the low bid when prior experience indicates that such discounts are usually taken advantage of. Any or all bids may be rejected if there is a sound documented reason.
- d. Procurement by competitive proposal. The technique of competitive proposals is normally conducted with more than one source submitting an offer, and either a fixed price or cost-reimbursement type contract is awarded. It is generally used when conditions are not appropriate for the use of sealed bids. If this method is used, the following requirements apply: Requests for proposals must be publicized and identify all evaluation factors and their relative importance. Any response to publicized requests for proposals must be considered to the maximum extent practical. Proposals must be solicited from an adequate number of qualified sources. The non-Federal entity must have a written method for evaluation of the proposals received and for selecting recipients. Contracts must be awarded to the responsible firm whose proposal is most advantageous to the program, with price and other factors being considered.
- e. Procurement by noncompetitive proposals. Procurement by

noncompetitive proposals is procurement through solicitation of a proposal from only one source and may be used when one or more of the following circumstances apply: The item is only available from a single source. The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation. The Federal awarding agency or pass-through entity expressly authorizes noncompetitive proposals in response to a written request from the non-Federal entity. After solicitation of a number of sources, competition is determined to be inadequate.

4. Contracting with Small and Minority Businesses, Women's Businesses, and Labor Surplus Area Firms. (section 200.321)
  - a. All necessary affirmative steps must be taken to assure that small and minority businesses, women's businesses, and labor surplus area firms are used when possible.
  - b. Affirmative steps include: Placing qualified small and minority businesses and women's business enterprises on a solicitation list. Assuring that small and minority businesses, and women's business enterprises are solicited whenever they are potential sources. Dividing total requirements, when economically feasible, into smaller tasks or quantities to permit maximum participation by small and minority businesses, and women's business enterprises. Establishing delivery schedules, where the requirement permits, which encourage participation by small and minority businesses, and women's business enterprises. Using the services and assistance, as appropriate, of such organizations as the Small Business Administration and the Minority Business Development of Commerce.
  
5. Contract Cost and Price (section 200.323)
  - a. A cost price analysis must be performed in connection with every procurement action in excess of the Simplified Acquisition Threshold (currently \$150,000). The method and degree of analysis is dependent on the facts surrounding the particular procurement situation, but as a starting point, independent estimates must be made before receiving bids or proposals. Profit must be negotiated as a separate element of the price competition and in all cases where cost analysis is performed. To establish a fair and reasonable profit, consideration must be given to the complexity of the work to be performed, the risk borne by the contractor, the contractor's

investment, the amount of subcontracting, the quality of its record of past performance, and industry profit rates in the surrounding geographical area for similar work. Costs or prices based on estimated costs for contracts under the Federal award are allowable only to the extent that costs incurred or cost estimates included in the negotiated prices would be allowable for the non-Federal entity under Subpart E – Cost Principles of this Part. The cost plus a percentage of cost methods must not be used.

#### Executive Director – Timesheets/ Travel Approval

The Executive Director follows the same policies and procedures regarding completing timesheets, leave requests and travel as all other CAPCO employees. The Fiscal Director signs the ED's timesheets, leave requests and travel forms upon completion to acknowledge receipt and proper procedures have been followed. Copies of these forms are kept in a file in the Fiscal Office. The Board President and/or Treasurer may request and review these forms upon request. The Board Treasurer and/or President may review the file at least quarterly to verify procedures are followed.

## **C. POLICIES ASSOCIATED WITH FEDERAL AWARDS**

### **CHARGING OF COSTS TO FEDERAL AWARDS**

#### Overview

It is the policy of CAPCO that only costs that are reasonable, allowable and allocable to a Federal award shall be charged to that 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 Office of Management and Budget 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 Office of Management and Budget Circular A-122.
4. For each Federal award, an appropriate set of general ledger accounts shall be established in the chart of accounts of CAPCO 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

It is the policy of CAPCO that all costs must meet the following criteria 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, but, 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 Office of Management and Budget Circular A-122 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.

#### Procurement under Federal Awards

Procurement of goods and services whose costs are charged to federal awards received by CAPCO are subject to all of the specific CAPCO purchasing policies described earlier, under "Purchasing Policies and Procedures." In addition, procurements associated with Federal awards are subject to the following supplemental policies:

1. CAPCO shall avoid purchasing items that are not necessary for the performance of the activities required by a Federal award.
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.
3. Documentation of the cost and price analysis associated with each procurement decision shall be retained in the procurement files pertaining to each Federal award.
4. For all procurements in excess of the small purchase acquisition threshold (current agency threshold \$5,000), procurement records and files shall be maintained that 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.
5. CAPCO shall make all procurement files available for inspection upon request by a Federal Awarding Agency.
6. All contracts with vendors shall require the vendor to certify in writing that it has not been suspended or disbarred from doing business with any federal agency.

In addition, no employee, officer, or agent of CAPCO shall participate in the selection, award or administration of a contract supported by Federal funds if a real or apparent conflict of interest would be involved. Such a conflict would arise when the employee, officer, or agent, any member of her or his immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in the firm selected for an award.

## **HEAD START DRAWDOWN FUNDS**

There are three steps to drawing down Head Start funds.

1. After all the weekly checks are processed to pay the bills, the Bookkeeper will go through the bills and add up the amounts that were charged to Head Start. The Bookkeeper will then give that amount to the Finance Director to drawdown the funds to cover the bills being paid for Head Start.

2. After each payroll has been processed, the Finance Director will find the total payroll for the Head Start program from the Labor Distribution Report provided by Paychex, and drawdown the total amount to cover payroll for Head Start.

The Finance Director will reconcile the drawdown of Head Start funds with the financial report at the end of each month. Upon completion of the reconciliation the Finance Director will drawdown the balance of Head Start funds due, or send back any overages.

## **V. DISBURSEMENT PROCEDURE**

Once a bill or invoice has been received by CAPCO, the related Program Director must review the receiving slip and/or billing and approve the amount and a/c distribution and verify that an inventory number has been assigned to all individual items \$5000 or more.

Upon forwarding the bill and attached pink P.O. copy to Fiscal, billings are reviewed by the bookkeeper for amount and a/c distribution. The yellow P.O. copy is then attached to the billing and forwarded to the Finance Director. The Finance Director then files the billings by program for check preparation.

Back-up documentation must always be attached to an invoice/billing. This documentation may consist of but is not limited to the following: vendor statements, consultant contracts, leases or copies of subscription information with the P.O. number that authorized that purchase.

Unless otherwise documented, all bills and travel requests are due by 12:00 noon on Tuesday of each week. Based upon the cash status of the individual programs, bills are transferred to separate check preparation folders. The Finance Director prepares a tape total of disbursements and an ending cash balance total for each program. This serves as a check figure for the recording of checks by the bookkeeper.

Checks are typed on the following Wednesday. The dollar amount is written via a check imprint machine which is maintained in a locked closet accessible solely by the Finance Department.

Checks over \$1,500 require the signatures of the Executive Director (or in his/her absence, the Finance Director) and the Treasurer of the Board of Directors. If the treasurer is unavailable, the President of the Board is authorized to sign the checks. Checks in the amount of \$1,500 or less require dual signatures of the Executive Director and the Finance Director. Dual signatures as described above will also be required for other fiscal activity including borrowing money, accessing a line of credit, obtaining credit.

Due to the immediacy of reimbursement by the programs to the Agency Payroll Account,

payroll reimbursement checks require the signature of the Executive Director and the Finance Director only.

The pink copy of the check is placed in the monthly input folder by program. The check copies are used as the input source for the disbursement journal which is generated with each monthly general ledger run.

At the end of a program fiscal year, all remaining outstanding issued but unvouchered purchase orders will be coded according to nature of expense, recorded as Accounts Payable and charged to the proper expense accounts of the expired year.

## **VI. STORING OF CHECKS**

All checks and check books are stored and maintained at the CAPCO Fiscal office.

## **VII. OUT OF TOWN TRAVEL**

Out of town travel requests must be completed prior to an employee, Board member or Policy Council member's attendance at conferences, meetings, etc. out of town. Funds will be advanced for upcoming travel only upon receipt of a completed and properly approved travel authorization form. Overnight travel status for staff must be authorized on an "Out of Town Travel Authorization/Advance Form" in advance by the appropriate Program Director or his or her designee and Executive Director. All requests for Out of Town Travel for Program Directors must be approved by the Executive Director or his or her designee. This request may serve as a disbursement voucher when an advance is requested. Advances will be allowed within one week prior to the date of travel.

Business meals will be reimbursed at a daily per diem rate locality based published in the federal domestic per diem rate chart. If locality is not listed, the Continental US (CONUS) rate will be used. The Agency follows the IRS policies for per diem rates for meals and incidentals based on the number of days the travel will cover. These rates are updated annually by the IRS and will be adjusted by the Agency accordingly. When the per diem rate is used for travel advances for meals and incidentals, the Agency does not require the return of receipts. In instances where the employee incurs (or has received an advance for) gas, parking or toll expenses they will be reimbursed for these expenses upon return of the actual receipts that specify the dollar amount to be reimbursed.

In the event that meal(s) are covered by someone other than the traveler, (included in conference, etc.) then the per diem amount for the meal that is provided must be deducted from the daily allowance.

Within five working days of travelers return, an expense statement must be completed outlining daily expenses. All expenses with the exception of mileage and per diem meals must be accompanied by receipts. CAPCO will not reimburse any tax paid on hotel/motel rooms in New York State. Tax exempt forms should be submitted to the business at check-in or with pre-payment. Reimbursement will follow receipt review and approval of expense statement by Fiscal Office.

### **VIII. ACCOUNTING TRANSACTIONS**

#### **1) Cash Receipts**

All checks or cash received, through the mail or otherwise, will be turned over to the receptionist for processing. The receptionist will log all receipts in a ledger with the date received, date of the check, who the check or cash is from, and the amount of the check or cash. The receptionist will then contact the Finance office who will pick-up the cash and checks and place them in a locked drawer until the deposit is prepared.

The Bookkeeper will make a copy of all checks received and record all the checks and cash received in the Cash Receipts Journal. Once all monies have been recorded the Bookkeeper will make the deposit into the bank.

The Bookkeeper will enter the data recorded in the Cash Receipts Journal into the Accounting Software system and file all copies of checks and deposit receipts.

#### **2) Transactions and Documentation**

The fiscal office of the agency acts as the controller for the agency funds. This branch of the agency must monitor all transactions involving agency funds to ensure that procedures are being followed and that personnel making transactions are authorized to do so.

Proper documentation must be maintained for all fiscal transactions.

This documentation can consist of, but is not limited to the following: purchase orders with vendor invoices, canceled checks, time sheets, payroll change notices, bank statements, vendor receipts, consultant contracts, in-kind vouchers, etc. All documentation and fiscal records are stored for seven years before destruction, unless otherwise required by the funding source. All records and documentation are shredded at the time of disposal to ensure confidentiality.

#### **3) Allocation of Costs**

## **IX. LEDGERS AND GENERAL JOURNAL**

Monthly general ledgers are prepared by the Finance Director. Input to the general ledger consist of check copies as the source for the cash disbursements journal, manual cash receipts journal as the source of cash receipts journal and manual payroll and general journal entries. Calculator tape totals are prepared by the bookkeeper for both CD and CR to be compared to the check registers by the Finance Director to secure accurate and complete recording of transactions.

Interfund reconciliations are prepared and all balance sheet accounts are verified each month by the Finance Director.

A General Journal is maintained for each program. The General Journal is used to make correcting and/or adjusting entries to the General Ledger as necessary. General Journal entries are not encouraged unless absolutely necessary. Each General Journal entry will have a brief but descriptive analysis of the entry being made and must be initialed by the person responsible for the entry.

## **X. BANK STATEMENT**

All incoming Bank Statements will be opened and reviewed by the Assistant Director. After reviewing the Statements the Assistant Director will give them to the Finance Director who will reconcile the Bank Statements. After the Statements have been reconciled the Finance Director will give them to a member of the Finance Committee for a final review. After the final review the Statements will be returned to the Finance Director for filing.

## **XI. NON-FEDERAL SHARE**

Certain federal grants require a local match of funds or in-kind share showing community support. This portion is credited to the federal program on a monthly basis in the General Ledger via the General Journal.

Non Federal share can consist of the following:

- a) **Cash**  
  
Cash generated from non-federal sources (i.e. local and, County Government, & civic organizations).
  
- b) **In-kind**

Donations other than cash are accounted for at their fair market value at the time of the donation. An example of this would be donated time from community volunteers. Volunteer sheets are signed by volunteers and their supervisor with each hour assigned a minimum wage rate unless otherwise specified.

In addition to services, supplies are occasionally donated to the agency. The value of these donations is assigned by the donor. In-kind vouchers must be documented and signed by the appropriate program coordinator and, in the Head Start Program must also be signed by program director. The difference between retail and cost to CAPCO is also used as in-kind as well as discounts from suppliers.

Space costs are evaluated every four years by a licensed appraiser and an actual fair market rental value is placed on the square foot usage donated for each piece of property.

## **XII. PERSONNEL PROCEDURES**

All employees of CAPCO have a personnel file which contains an Employee Status Form. All new hires must have a completed Employee Status Form<sup>1</sup> in their file. Any changes regarding the information on this form must be accompanied by a payroll change notice.<sup>2</sup>

Additional documentation included in the personnel file is any information regarding health insurance coverage, claims, unemployment benefits, and any other records needed for the specific program (ex. Head Start driving records.) A separate file is kept on each employee which contains all time sheets for that year.

### **1) Payroll Records**

CAPCO is on a bi-weekly payroll system with PAYCHEX.

The payroll is accumulated and summarized every two weeks by the Bookkeeper. All time sheets must have documented approval by the employees immediate supervisor, and (for Head Start) the Program Director. Time sheets are due in the fiscal office by Friday at 12:00

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<sup>1</sup>See Appendix D

<sup>2</sup>See Appendix D

noon on payroll ending weeks. The Bookkeeper then completes a payroll work sheet supplied by PAYCHEX.

The checks are distributed to the employees as follows: Bookkeeper separates checks by departments. The Program Director or administrative assistant from each department signs for their employee's checks and receives a sign-out payroll sheet. Each director distributes the checks to their employees. Each employee must sign the payroll sheet and date it when receiving his or her check. At the end of the day, all checks yet to be distributed and the payroll sheet are returned to the Bookkeeper.

Payroll is initially funded out of the Agency bank account. Each program then reimburses the Agency account for their employees wages, FICA, and local travel & misc. charges or credits.

Withheld Federal taxes, FICA, and Medicaid taxes are paid via Electronic Funds transfer and State withholdings are paid by the Agency account within the time limit established by the Federal/State Government.<sup>3</sup>

### **XIII. CONSULTANTS AND CONTRACTORS**

CAPCO enters into contracts for professional services needed by its programs. A consultant is a person who by professional training is qualified to supply service beyond the capabilities of our staff. Each consultant will have a contract signed by both parties and containing at least the following information:

1. A detailed description of the services to be provided.
2. A statement that the provider is qualified to furnish those services.
3. What services are to be provided.
4. Where and when will those services be provided.
5. Under what circumstances those services are to be provided.
6. A salary shall be designated. This fee for unit of service shall be total payment, the provider shall not receive mileage, fringe benefits of any sort nor reimbursement of other expenses incurred.

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<sup>3</sup>See Appendix E

7. Provider promises professional confidentiality regarding services performed.
8. Provider hereby accepts legal liability for performance of any sub-contractor under this contract.
9. There shall be a specified effective date and termination date.
10. Contract will specify methods used to monitor agreed upon activity to ensure that terms and conditions of contract was met.
11. Termination of contract by CAPCO shall be allowed for:
  - a. Non-performance according to terms of contract.
  - b. Default due to circumstances beyond contractor's control.
12. Such contracts shall be signed and dated by authorized representatives of all parties to the contract prior to the effective date.

#### **XIV. FINANCIAL REPORTING**

##### ***A. Internal Reporting***

For control, a financial statement is completed each month for each program. This report is distributed to Program Coordinators and Directors, the Executive Director, the Policy Council and the Board of Directors and includes figures comparing budget to expenses. This analysis allows for the realistic planning for future expenditures.

##### ***B. Reporting to Funding Sources***

The following reports must be completed by the Finance Department and submitted within 30 working days following the end of each quarter/month unless otherwise stated.

##### **CSBG**

Periodic Financial Statements submitted to grantor.

Head Start

The requests are made via PMS Funds transfer system as needed. Form 272<sup>4</sup> is completed on a quarterly basis and Form 269<sup>5</sup> is completed semi-annually.

Weatherization

Monthly financial statements are submitted each month. Standard Vouchers along with a Consolidated Weatherization Status Report and related disc.

WIC

Monthly Financial Statements along with a Standard Voucher.

Consumer Directed Care

Medicaid billings are submitted after each pay period.

Reports require a signature from either the Executive Director, Chairperson of the Board, or Program Director.

**C. Audit**

A single audit is performed on an annual basis. The audit examination will be performed by a certified accounting firm and approved by the Board of Directors.<sup>6</sup>

Once the auditing firm has been approved, there will be a letter of agreement for each grant saying what services will be rendered at what cost, and when the audit will start and finish.

The Auditor must be familiar with any audit guides and/or regulations necessary for the accurate preparation of the audit including OMB Circular 133. In order for the Auditor to complete his service, a pre-audit may be needed. Finance Director and other administrative personnel should review the program and budgets with the Auditor. All records, journals, ledgers, and trial balances should be reconciled and ready for the Auditor. All budget information, grant activities and any other statements needed shall be in order to provide the Auditor with a clear and adequate accounting system.

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<sup>4</sup>(Form 272 shows the Federal cash transactions during the quarter)

<sup>5</sup>(Form 269 refers to the financial status of all grants on a semi-annual basis)

<sup>6</sup>**See Appendix F**

The completed draft audit will be reviewed with the Finance Director to make any final corrections that might be needed.

Once the audit is completed and all requirements of the applicable Audit Guide have been met, the Auditor will review the audit with the CAPCO Board of Directors who will have the final review and must approve the audit before it is sent to the proper authorities.

The audit will be completed and forwarded within the time required.

***D. Finance Committee***

The Finance Committee of the CAPCO Board of Directors along with the Executive Director and Finance Director will meet each month at a date prior to a scheduled Board meeting. If a special meeting of the Board of Directors is called the Finance Committee meeting is not required to meet.

## APPENDIX

- A. Agency and Material purchase orders, tax exempt certificate.
- B. Executive Order 21.
- C. Out of town Request/Expense Statements.
- D. Management/Employee Time Sheets/Application for Leave/Change of Status Form/Payroll Change Notice.
- E. Federal/State Deposit Procedures.
- F. Audit Procedure and Preparation.
- G. Investment Policy
- H. Unrelated Business Activity
- I. Cost Allocation Plan

## ***Appendix H***

### ***Unrelated Business Activity***

#### ***C) Approval Required by Board of Directors***

CAPCO provides services to income eligible clients according to various program guidelines. If a Program Director wishes to provide services outside the scope of the programs guidelines and this will result in profit to the program, the Board of Directors must pre-approve such activity.

#### ***^ Identification and Classification***

It is the policy of CAPCO to properly identify and classify income-producing activities that are unrelated to the Organizations' 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 GL of Agency in order to facilitate tracking and accumulation of unrelated trade or business activities.

#### ***∨ Reporting***

It is the policy of CAPCO to 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 CAPCO not to distribute copies of Form 990-T to anyone other than management of the Organization.

## ***Appendix G***

## ***Investment Policy***

The CAPCO Board of Directors must approve any investments for the Agency (this excludes the deposit of funds into an interest bearing checking account).

It is the Policy of the CAPCO Board of Directors to treat all investments of the organization, including those funds that are legally restricted in a responsible fiduciary capacity for the purpose of accomplishing the organizations' 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 of the CAPCO Board shall be those of a prudent investor.

The Board of Directors of CAPCO has delegated supervisory authority over its investing activities to the Finance Committee of the Board. The Finance Committee is responsible for regularly reporting on the organizations investments to the full Board.

CAPCO'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.

*Once investments are being considered by the Agency, the following information can be added as needed:*

- A. *What investments are allowable*
- B. *How the investments will be accounted for*
- C. *The management procedure*
- D. *The reporting procedure*

*The reporting procedures should include a periodic report by the Finance Director to the Finance Committee with the following information for each investment:*

- A. *Acquisition date of the investment*
- B. *Whether the investment was purchased or donated*
- C. *Purchase cost, or value assigned to the investment*
- D. *A description of the investment*
- E. *Date of maturity*
- F. *Interest rate*
- G. *Holder of security*
- H. *Current market value*
- I. *Unrealized gain or loss*
- J. *Accrued interest receivable*
- K. *Year-to-date income received*

*Appendix I*

## *Cost Allocation Plan*

### **2 Cortland County Community Action Program, Inc.**

#### Cost Allocation Plan

##### Purpose/General Statements

The purpose of the cost allocation plan is to state, in writing, the calculation and methods that Cortland County Community Action Program, Inc. will use to allocate cost to various programs and grants.

Direct costs are costs that can be identified with a specific final cost objective.

Indirect costs are costs that have been incurred for common or joint objectives and cannot be readily identified with a final cost objective.

##### General Approach

It is the policy of Cortland County Community Action Program, Inc. that only costs that are allowable, reasonable, and allocable to a federal award shall be charged to that award directly or indirectly. All unallowable costs shall be appropriately segregated from allowable cost, in the general ledger in order to assure that unallowable costs are not charged to federal awards.

##### Charging of Costs to Federal Awards

###### Segregating Allowable From Unallowable Costs

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

1. The budget and grant/contract for each award shall be reviewed for costs specifically allowable or unallowable.
2. Accounting personnel shall be familiar with the allowability of cost provisions of Office of Management and Budget Circular A-122, "Cost Principles for Non-Profit Organizations", particularly:
  - A. The list of specifically unallowable cost 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 Office of Management and Budget Circular A-122.
4. For each federal award, an appropriate set of general ledger accounts shall be established in the chart of accounts of Cortland County Community Action Program, Inc. 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 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 credits took place in a prior period, the prior period shall not be amended for the credit).

#### Criteria for Allowability

The Policy of Cortland County Community Action Program, Inc. is that all costs must meet the following criteria in order to be treated as allowable direct or indirect cost 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 organizations, deviations from which could unjustifiably increase the cost of the award.
2. The cost must be “ allocable” to an award by meeting 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 proportions to the benefits received; or
  - C. The cost is necessary to overall operations of the organization, but 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 Office of Management and Budget Circular A-122 or the federal award itself.
4. Treatment of costs must be consistent with the policies and procedures that apply to both federally financed activities and other activities of the organization.
5. Cost 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 federal financed programs in the current or prior periods.
8. The cost must be adequately documented.

### Allocation of Costs

The following information summarizes the procedures that will be used by Cortland County Community Action Program, Inc. in regards to allocation of costs.

- A. Compensation for Personnel Services – Documented with timesheets showing time distribution for all employees and allocated based on time sent on each program or grant. Wages are charged directly to program/grant for which work has been done. Wages for administrative staff are charged to management and general, and allocated thru ADM allocation which is discussed below.
  1. Fringe benefits (FICA, SUI, Disability, and Workers Compensation) are allocated in the same manner as wages. Health, Dental, Life insurance cost that is incurred by Cortland County Community Action Program, Inc. (total insurance cost minus employees portion) are charged directly to program/grant for which work has been done.
  2. Vacation, sick, personal and holiday pay are allocated the same as wage allocation is conducted.
- B. Travel Costs – Allocated based on the purpose of travel. All travel costs local and out of town are directly charged to the appropriate programs for which travel was incurred.
- C. Professional Services Costs (such as consultants, and audit services) – All consultant costs are directly charged to the programs that are receiving benefits from the service. Audit services are allocated amongst all programs which require an independent audit. This allocation is based on the programs (calendar year) actual expenses.
- D. Office Expenses/Supplies – Allocated based on usage. Office supplies used for a specific program will be directly charged to that program. Office

expenses/supplies that are for administrative staff are charged to management and general, and allocated by ADM allocation which is discussed below.

- E. Postage Expenses (postage, postage meter lease, postage supplies) – Allocated based on the postage used per month. Postage is tracked by a licensed postage machine, which is maintained by the agency, and is not available for personal use. Each program is assigned a postage meter code to track actual usage.
- F. Equipment – All equipment used for a specific program will be directly charged to that program. Equipment that is for administrative staff is charged to management and general, and allocated by ADM allocation which is discussed below.
- G. Duplicating/Printing (includes supplies, maintenance, and repairs) – Costs are directly charged based on the percentage of copies made by each program. Each program is assigned a copier code to track the number of copies made by each program. Codes that are shared by Head Start and Early Head Start are allocated based on enrollment numbers.
- H. Commercial Insurance (Auto, Liability/Property, Child Accident, Erisa Bond, Directors & Officers, Pollution Control) – Insurance needed for a particular program is charged directly to the program requiring the coverage. In regards to insurance coverage that effects the agency (Erisa Bond & Directors & Officers) coverage is charged to management and general and allocated thru ADM, which is discussed below. Site insurance coverage (Property/Liability) is based on the value of each site and directly charged to the appropriate program requiring the coverage.
- I. Telephone – Allocated based on site and directly charged to the corresponding program. Telephone expenses that are shared, are allocated by number of phones per program, and charged to corresponding program.
- J. Internet – Allocated based on site and directly charged to the corresponding program. Internet expenses that are shared are allocated by number of computers per program (only computers with internet access) and charged to corresponding program.
- K. Facilities Expenses (Janitorial Services, Trash Removal, Building Maintenance, Utilities) – Allocated based on square footage. Program percent of square footage is calculated by space occupied by program divided by the total square footage of the building. Trash removal and Utilities for a specific site are allocated to the program receiving the benefits.

- L. Parking Lot Rent – Allocated by the number of people using the parking lot, than by program that employee works for. Parking lot rent is than charged to the appropriate program.
- M. Office Rent (Mortgage) - Allocated based on square footage. Program percent of square footage is calculated by space occupied by the program divided by the total square footage of the building. Total Rent will never exceed Cortland County Community Actions Inc. mortgage payment.
- N. Payroll Processing – Allocated on the number of employees per pay period, based on time worked on each program.
- O. Training/Conference Expense – Allocated to the program benefiting from the training, conference or seminars. For administrative staff, if the conference benefits more than one program the charges go to management and general, and are allocated by ADM allocation which is discussed below.
- P. Administrative Allocation – This covers all administrative expenses that benefit more than one program. Expenses can include but not limited to, ADM wages, ADM fringe, ADM office supplies, etc. Allocation based on programs calendar year expenses divide by total agencies calendar year expenses less ADM. This percentage is then applied to ADM expenses and charged to corresponding programs.