CSNT

Community Services of Northeast Texas, Inc.

FINANCE MANUAL

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INTRODUCTION [top]

The following accounting manual is intended to provide an overview of the accounting policies and procedures applicable to Community Services of Northeast Texas, Inc., which shall be referred to as "Community Services of Northeast Texas, Inc.," "CSNT", or "the Agency" throughout this manual.

Community Services of Northeast Texas, Inc. is a Texas corporation, exempt from federal income tax under IRS Section [501(c) (3)] as a nonprofit entity. The Agency's mission is:

CSNT applies all available strategies enabling Northeast Texas families to lead improved, empowered, and self-reliant lives.

This manual shall document the financial activities of the Agency. 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 Agency by the Executive Director, Chief Financial Officer, Policy Council and Board of Directors. All Agency staff are bound by the policies herein, and any deviation from established policy is prohibited.

Section 100 GENERAL POLICIES

100.101 Organizational Structure

100.101 (a) The Role of the Board of Directors [top]

Community Services of Northeast Texas, Inc. is governed by its Board of Directors, which is responsible for the oversight of the organization by:

1. Planning for the future
2. Establishing broad policies
3. Identifying and proactively dealing with emerging issues
4. Interpreting the Agency's mission to the public
5. Soliciting prospective contributors
6. Hiring and managing the Chief Executive Officer
7. Establishing and maintaining programs and systems designed to assure compliance with terms of contracts and grants

The Board is responsible for hiring and periodically evaluating the Agency's Chief Executive Officer, who shall be responsible for the day-to-day oversight and management of Community Services of Northeast Texas, Inc.

100.101 (b) Committee Structure [top]

The Board of Directors shall form committees in order to assist the Board in fulfilling its responsibilities. These committees provide a means for distributing the Board's work to smaller groups, thereby removing the responsibility for evaluating all of the details of particular issues from the full Board's consideration. Standing Board-level committees of Community Services of Northeast Texas, Inc. consist of the following:

1. Executive Committee
2. Finance Committee
3. Personnel Committee
4. Planning and Evaluation Committee

Specific guidelines regarding the composition and election of the Board of Directors and committees are described in the Agency's by-laws. However, roles of committees with direct responsibilities for the financial affairs of the Agency are further described in this manual. These committees shall be referred to in appropriate sections of this manual.

100.101 (c) Finance Committee Responsibilities [top]

The Finance Committee is responsible for direction and oversight regarding the overall financial management of Community Services of Northeast Texas, Inc., In the performance of its functions, the Finance Committee shall:

1. Review Agency financial operations, reports, budgets, etc.
2. Review financial operations of any third party with which the Agency has contracted for the purpose of providing financial services.
3. Review the procurement of the Agency's auditor, ensuring fair and open competition.
4. Recommend which independent auditing firm (CPA) should conduct the annual audit.
5. Review audit reports in detail and recommend actions to assure resolution of any questionable items in the audit.
6. Monitor any material weaknesses identified in the annual audit.
7. Make recommendations to the Board on matters regarding the Agency's financial well-being.
8. Serve as the ultimate point of contact for any person who reports a suspicion of financial fraud, waste, or abuse against the Agency by one of its employees, a Board member, or a third party.
9. Serve as the primary point of contact for any person reporting a suspicion of wrongdoing by the Chief Executive Officer or a Board member.

The review of the Agency's financial statements shall not be limited to the Finance Committee, but shall involve the entire Board of Directors.

100.101 (d) The Roles of the Chief Executive Officer [top]

The Board of Directors hires the Chief Executive Officer, who reports directly to the Board of Directors. The Chief Executive Officer is responsible for hiring and evaluating Department Directors for each of the Agency's departments. Each Department Director reports to the Chief Executive Officer.

The Chief Executive Officer is responsible for the overall coordination and successful execution of all programs in the Agency.

Additionally, the Chief Executive Officer is to:

Maintain Agency stability by establishing and improving the functional structure through delegation of authority, enforcement of Board decisions, developing, monitoring and enforcing policies and procedures in all areas of Agency responsibility

Contribute to the Board's effectiveness by identifying short-term and long-range issues to be addressed; provide information and commentary pertinent to the Board's deliberations; recommend options and courses of action especially where professional considerations are involved; implement Board decisions and directives; recruit Board candidates

Keep Board of Directors informed by collecting, analyzing, and summarizing information and trends, remaining accessible and answering questions and requests

Maintain and develop entire Agency staff by supervising -- directly (Administrative staff, Department and Program Directors) and through delegating -- all personnel including: hiring; transferring; promoting; demoting; disciplining; counseling; coaching; appraising job results; terminating; providing educational and experiential growth opportunities and morale-maintaining incentives

Maintain the financial viability of the Agency through budgeting and controlling expenses, performing audit activities, submitting grant proposals, and participating in fundraising activities

Protect the physical and financial resources of the Agency by inspecting, maintaining, and keeping accurate inventories of the facilities, physical properties, and equipment, according to the Agency's financial policies and procedures and the various funding regulations

Maintain Agency credibility by working with the executives and staff of funding agencies, other sponsoring groups, and related service agencies

Identify actual and anticipated community-wide service needs by establishing a personal rapport with potential and actual clients and other individuals who are in a position to understand and identify opportunities to serve in those communities

Promote a positive Agency image by ensuring an understanding in the community of program services available; publicizing accomplishments of the Agency, and adhering to a professional code of ethics

Act as a liaison between the Agency and the community's civic, social and religious leaders

Maintain professional and technical knowledge by attending education workshops, reviewing professional publications, establishing professional networks, and participating in professional societies

Comply with federal state and local legal requirements by studying existing and new legislation and enforcing adherence to those requirements

Perform any other duties as may arise through the day-to-day operations of a Community Action Agency

100.102 Finance Department Overview

100.102 (a) Organization [top]

The finance department shall manage and process financial information for the Agency. The positions comprising the finance department of the Agency, and the abbreviations of each position used throughout this manual, are as follows:

Chief Financial Officer (CFO)
Assistant Finance Director (AF)
Payroll Specialist (PS)
Accounting Clerk (AC)

Other officers and employees of the Agency, who have financial responsibilities, and the abbreviations of each position that is or may be used throughout this manual, are as follows:

Chief Executive Officer (CEO)

Chief Operations Officer (COO)
Division Directors (DD)
Treasurer – Board-Level (TR)
Financial/Audit Committee (FC)
Executive Committee (EC)
Full Board of Directors (BOD)

100.102 (b) Responsibilities [top]

The primary responsibilities of the Finance Department consist of:

General Ledger
Budgeting
Cash and Investment Management
Asset Management
Asset Security
Agency Risk Management
Internal Control Management
Grants and Contracts Administration
Purchasing
Accounts Receivable
Cash Receipts
Accounts Payable
Cash Disbursements
Payroll
Financial Statement Processing
External Reporting of Financial Information
Bank Reconciliation
Reconciliation of Sub-Ledgers
Compliance with Government Reporting Requirements
Gather and provide information for Annual Audit
Leases
Insurance Policies
Prepare Financial Statements, including Fund Balance Reports
Donor Management
In-Kind Donation Management
Inventory
Local Matching Funds Tracking
Audit Coordination

BUSINESS CONDUCT

Practice of Ethical Behavior [top]

Unethical actions, or the appearance of unethical actions, are unacceptable under any conditions. The policies and reputation of the Agency depend to a very large extent on the following considerations.

Each employee must apply her/his own sense of personal ethics, which should extend beyond compliance with applicable laws and regulations in business situations, to govern behavior where no existing regulation provides a guideline. It is each employee's responsibility to apply common sense in business decisions where specific rules do not provide all the answers.

In determining compliance with this standard in specific situations, employees should ask themselves the following questions:

1. Is my action legal?
2. Is my action ethical?
3. Does my action comply with the Agency's policy?
4. Am I sure my action does not appear inappropriate?
5. Am I sure that I would not be embarrassed or compromised if my action became known within the Agency or publicly?
6. Am I sure that my action meets my personal code of ethics and behavior?
7. Would I feel comfortable defending my action on the 6 o'clock news?

Each employee should be able to answer "yes" to all of these questions before taking action.

Each Director, Manager and Supervisor is responsible for the ethical business behavior of her/his subordinates. Directors, Managers and Supervisors must weigh carefully all courses of action suggested in ethical as well as economic terms, and base their final decisions on the guidelines provided by this policy as well as their personal sense of right and wrong.

Conflict of Interest Policy [top]

Introduction [top]

In the course of business, situations may arise in which an Agency decision maker has a conflict of interest, or in which the process of making a decision may create an appearance of a conflict of interest.

All Directors and employees have an obligation to:

1. Avoid conflicts of interest, or the appearance of conflicts, between their personal interests and those of the Agency in dealing with outside entities or individuals, and

2. Disclose real and apparent conflicts of interest to the Board of Directors, and

3. Refrain from participation in any decisions on matters that involve a real conflict of interest or the appearance of a conflict.

What Constitutes a Conflict of Interest [top]

All employees and Directors of the Agency owe a duty of loyalty to the Agency. This duty necessitates that in serving the Agency, they act solely in the interests of the Agency, not in their personal interests or in the interests of others.

The persons covered under this policy shall hereinafter be referred to as “interested persons.” Interested persons include all members of the Board of Directors and all employees, as well as persons with the following relationships to directors or employees:

1. Spouses or domestic partners

2. Brothers and sisters

3. Parents, children, grandchildren, and great-grandchildren

4. Spouses of individuals listed in 2 and 3

5. Corporations, partnerships, limited liability companies (LLCs), and other forms of businesses in which an employee or director, either individually or in combination with individuals listed in 1, 2,3, or 4, collectively possess a [35%] or more ownership or beneficial interest

The above list is not comprehensive. Other relationships such as close friendships may also cause a conflict of interest. Each situation must be evaluated for potential conflict, and it is the duty of each person who becomes an “interested person” to disclose the potential conflict.

Conflicts of interest arise when the interests of an interested party may be seen as competing with those of the Agency. Conflicts of interest may be financial (where an interested party benefits financially directly or indirectly) or non-financial (e.g., seeking preferential treatment, using confidential information).

A conflict of interest arises when a Director or employee involved in making a decision is in the position to benefit, directly or indirectly, from his or her dealings with the Agency or person conducting business with the Agency. (A potential conflict of interest exists when the Director or employee, or his or her immediate family {spouse, parent, child, brother, sister and spouse of parent, child, brother, or sister} owes/receives more than 1% of the benefiting business/profits.)

Examples of conflicts of interest include, but are not limited to, situations in which a Director or employee:

1. Negotiates or approves a contract, purchase, or lease on behalf of the Agency and has a direct or indirect interest in, or receives personal benefit from, the entity or individual providing the goods or services.

2. Negotiates or approves a contract, sale, or lease on behalf of the Agency and has a direct or indirect interest in, or receives personal benefit from, the entity or individual receiving the goods or services.

3. Employs or approves the employment of, or supervises a person who is an immediate family member of the director or employee.

4. Sells products or services in competition with the Agency.

5. Uses the Agency's facilities, other assets, employees, or other resources for personal gain.

6. Receives a substantial gift (any gift with a value of more than $25) from a contractor, if the Director or employee is responsible for initiating or approving purchases from that contractor.

Honoraria Acceptance

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

The employee should make every attempt to avoid the appearance of impropriety. An employee may receive an honorarium for activities performed during regular non-working hours or while on annual leave if the following conditions are met:

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

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

Disclosure Requirements

A Director or employee who believes that he or she may be perceived as having a conflict of interest in a discussion or decision must disclose that conflict to the group making the decision. Most concerns about conflicts of interest may be resolved and appropriately addressed through prompt and complete disclosure.

Therefore, Agency requires the following:

1. At the inception of employment or volunteer service to the Agency, and on an annual basis thereafter, the accounting department shall distribute a list of all contractors with whom the Agency has transacted business at any time during the preceding year, along with a copy of the disclosure statement to all members of the Board of Directors, the Chief Executive Officer, members of senior management, and employees with purchasing and/or hiring responsibilities or authority. Using the prescribed form, these individuals shall inform, in writing and with a signature, the Chief Executive Officer and the chair of the Finance Committee, of all potential reportable conflicts.

2. During the year, these individuals shall submit a signed, updated disclosure form if any new potential conflict arises.

3. The Chief Executive Officer shall review all forms completed by employees, and the Finance Committee shall review all forms completed by Directors and the Chief Executive Officer and determine appropriate resolution in accordance with the next section of this policy.

4. Prior to management, Board, or committee action on a contract or transaction involving a conflict of interest, a staff, director, or committee member having a conflict of interest and who is in attendance at the meeting shall disclose all facts material to the conflict of interest. Such disclosure shall be reflected in the minutes of the meeting.

5. A staff, Director, or committee member who plans not to attend a meeting at which he or she has a reason to believe that the management, Board, or committee will act on a matter in which the person has a conflict of interest shall disclose to the chair of the meeting all facts material to the conflict of interest. The chair shall report the disclosure at the meeting and the disclosure shall be reflected in the minutes of the meeting.

6. A person who has a conflict of interest shall not participate in or be permitted to hear management's, the Board's, or the committee's discussion of the matter except to disclose material facts and to respond to questions. Such person shall not attempt to exert his or her personal influence with respect to the matter.

7. A person who has a conflict of interest with respect to a contract or transaction that will be voted on at a meeting shall not be counted in determining a quorum for purposes of the vote. The person having a conflict of interest may not vote on the contract or transaction and shall not be present in the meeting room when the vote is taken, unless the vote is by secret ballot. Such person's ineligibility to vote and

abstention from voting shall be reflected in the minutes of the meeting. For purposes of this paragraph, a member of the Board of Directors of the Agency has a conflict of interest when he or she stands for election as an officer or for reelection as a member of the Board of Directors.

8. If required by Federal awarding agencies, Agency will notify those agencies in writing of any *potential* conflict of interest. (*2 CFR Part 200.112, Conflict of interest)*

Resolution of Conflicts of Interest

All real or apparent conflicts of interest shall be disclosed to the Finance Committee and the Chief Executive Officer of the Agency. Conflicts shall be resolved as follows:
• The Finance Committee shall be responsible for making all decisions concerning resolutions of conflicts involving Directors, the Chief Executive Officer, and other members of senior management.
• The chair of the committee shall be responsible for making all decisions concerning resolutions of conflicts involving Finance Committee members.
• The chair of the Board shall be responsible for making all decisions concerning resolutions of the conflict involving the chair of the Finance Committee.
• The Chief Executive Officer shall be responsible for making all decisions concerning resolutions of conflicts involving employees below the senior management level, subject to the approval of the Finance Committee.
An employee or Director may appeal the decision that a conflict (or appearance of conflict) exists as follows:
• An appeal must be directed to the chair of the Board.
• Appeals must be made within 30 days of the initial determination.
• Resolution of the appeal shall be made by vote of the full Board of Directors.
• Board members who are the subject of the appeal, or who have a conflict of interest with respect to the subject of the appeal, shall abstain from participating in, discussing, or voting on the resolution, unless their discussion is requested by the remaining members of the board.

Disciplinary Action for Violations of This Policy [top]

Failure to comply with the standards contained in this policy will render the violator subject to Policy 716 under the Agency's Personnel Policies and Procedures.

A Board member who violates this policy may be removed from the Board by majority vote.

Compliance with Laws, Regulations and Agency Policies

The Agency does not tolerate the willful violation or circumvention of any Federal, state, local, or foreign law by an employee during the course of that person's employment; nor does the Agency tolerate the disregard or circumvention of policy or engagement in unscrupulous dealings. Employees should not attempt to accomplish by indirect means, through agents or intermediaries, that which is directly forbidden.

Implementation of the provisions of this policy is one of the standards by which the performance of all levels of employees will be measured.

The Agency recognizes that as a recipient of federal funds, the Agency is responsible for compliance with all applicable laws, regulations, and provisions of contracts and grants. To ensure that the Agency 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 designated as the Single Point of Accountability (SPA) for that grant or contract.

2. Each designated SPA shall attend a training on grant management prior to beginning his or her role as such (or as early as possible). Thereafter, all designated SPAs shall attend periodic refresher/update courses on grant management. The suggested timeframe for these courses would be once within each three calendar-year period.

3. The designated SPA shall take the following steps to identify all applicable laws, regulations, and provisions of each grant and/or contract:

   a. Read each award and, if necessary, prepare a summary of key changes to compliance requirements and specific laws and regulations.

   b. Review the 2 CFR Part 200 Appendix XI, 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 designated SPA will communicate grant requirements to those who will be responsible for carrying them out, or impacted by them.

4. The Finance Department shall forward copies of applicable laws regulations to the designated SPA (such as OMB Circulars, pertinent sections of compliance supplements, and other regulations).

5. The designated SPA and/or the Finance 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.

6. The designated SPA shall inform the independent auditors of applicable laws, regulations, and provisions of contracts and grants. The designated SPA shall also communicate known instances of noncompliance with laws, regulations, and provisions of contracts and grants to the auditors.

Disciplinary Action [top]

Failure to comply with the standards contained in this policy will render the violator subject to Policy 716 under the Agency's Personnel Policies and Procedures.

A Board member who violates this policy may be removed from the Board by majority vote.

FRAUD POLICY

Introduction and Scope

This policy communicates the actions to be taken for suspected misconduct committed, encountered, or observed by employees and volunteers.

Like all organizations, the Agency faces many risks associated with fraud, abuse, and other forms of misconduct. The impact of these acts, collectively referred to as misconduct throughout this policy, may include, but not be limited to:

- Financial losses and liabilities.
- Loss of current and future revenue and customers.
- Negative publicity and damage to the Agency's good public image.
- Loss of employees and difficulty in attracting new personnel.
- Deterioration of employee morale.
- Harm to relationships with clients, contractors, bankers, and subcontractors.
- Litigation and related costs of investigations, etc.

The Agency is committed to establishing and maintaining a work environment of the highest ethical standards. Achievement of this goal requires the cooperation and assistance of every employee and volunteer at all levels of the Agency.

This policy applies to any fraud or suspected fraud involving employees, officers or directors, as well as members, consultants, contractors, funding sources and/or any other parties with a business relationship with the Agency. Any investigative activity required will be conducted without regard to the suspected wrongdoer's length of service, position/title, or relationship with the Agency.

Policy

Management is responsible for the detection and prevention of fraud, misappropriations, and other irregularities. Fraud is defined as the intentional, false representation or concealment of a material fact for the purpose of inducing another to act upon it to his or her injury. Each member of the management team will be familiar with the types of improprieties that might occur within his or her area of responsibility, and be alert for any indication of irregularity.

Any misconduct or fraud that is detected or suspected must be reported immediately to the Chief Executive Officer, Chief Financial Officer or, alternatively, to the Chair of the Board of Directors or Finance Committee, who coordinates all investigations.

Actions Constituting Misconduct and/or Fraud

For purposes of this policy, misconduct includes, but is not limited to:

1. Actions that violate the Agency's Code of Conduct, Personnel Policies and Procedures, Financial Policies or any other policies as set forth by the Agency.

2. Fraud (see below).

3. Forgery or alteration of checks, bank drafts, documents or other records (including electronic records).

4. Destruction, alteration, mutilation, or concealment of any document or record with the intent to obstruct or influence an investigation, or potential investigation, carried out by a department or agency of the federal government or by the Agency in connection with this policy.

5. Disclosure to any external party of proprietary information or confidential personal information obtained in connection with employment with or service to the Agency.

6. Unauthorized personal or other inappropriate (non-business-related) use of equipment, assets, services, personnel, or other resources.

7. Acts that violate federal, state, or local laws or regulations.

8. Accepting or seeking anything of material value from contractors or persons providing goods or services to Agency. Exception: gifts valued at $25 or less.

9. Impropriety of the handling or reporting of money in financial transactions.

10. Failure to report known instances of misconduct in accordance with the reporting responsibilities described herein (including tolerance by supervisory employees of misconduct of subordinates).

Fraud is further defined to include, but not be limited to:

- Theft, embezzlement, or other misappropriation of assets (including assets of or intended for the Agency, as well as those of our clients, subcontractors, contractors, contractors, suppliers, and others with whom the Agency has a business relationship).
- Intentional misstatements in the Agency's records, including intentional misstatements of accounting records or financial statements.
- Authorizing or receiving payment for goods not received or services not performed.
- Authorizing or receiving payments for hours not worked.
- Forgery or alteration of documents, including but not limited to checks, timesheets, contracts, purchase orders, receiving reports.

Agency prohibits each of the preceding acts of misconduct on the part of employees, officers, executives, volunteers, and others responsible for carrying out the Agency's activities.

Other Irregularities

Irregularities concerning an employee's moral, ethical, or behavioral conduct should be resolved by the departmental management and the Human Resources Department.

If there is a question as to whether an action constitutes fraud, a determination may be made by the Chief Executive Officer, Chief Financial Officer or the Chair of the Finance Committee. The external auditor and /or legal counsel may be consulted if necessary for additional guidance.

Reporting Responsibilities

All employees, officers, and volunteers are responsible for immediately reporting suspected misconduct to their supervisor, Internal Audit, Chief Financial Officer, or the Chair of the Finance Committee.

When supervisors have received a report of suspected misconduct, they must immediately report such acts to their manager, Internal Audit, the Chief Financial Officer, or the Finance Committee.

Employees, Directors, volunteers, contractors, or other interested parties may report misconduct by calling the CSNT 24-hour Whistleblower Hotline at 1-800-959-6143.

Reporting Procedures

Great care must be taken in the investigation of suspected improprieties or irregularities so as to avoid mistaken accusations or alerting suspected individuals that an investigation is under way.

An employee who discovers or suspects fraudulent activity will contact the Chief Executive Officer or Chief Financial Officer or the Board Chair or the Chair of the Finance Committee immediately. The employee or other complainant may remain anonymous. All inquiries concerning the activity under investigation from the suspected individual(s), his or her attorney or representative(s), or any other inquirer should be directed to the Finance Committee or legal counsel. No information concerning the status of an investigation will be given out. The proper response to any inquiry is "I am not at liberty to discuss this matter." Under no circumstances should any reference be made to "the allegation", "the crime", "the fraud", "the forgery", "the misappropriation", or any other specific reference.

The reporting individual should be informed of the following:

1. Do not contact the suspected individual in an effort to determine facts or demand restitution.

2. Do not discuss the case, facts, suspicions, or allegations with anyone unless specifically asked to do so by the Agency's legal counsel or the Finance Committee.

Whistleblower Protection [top]

The Agency will consider any reprisal against a reporting individual an act of misconduct subject to disciplinary procedures. A "reporting individual" is one who, in good faith, reported a suspected act of misconduct in accordance with this policy, or provided to a law enforcement officer any truthful information relating to the commission or possible commission of a federal offense or any other possible violation of the Agency's Code of Conduct.

Employees, Directors, volunteers, contractors, or other interested parties may report misconduct by calling the CSNT 24-hour Whistleblower Hotline at 1-800-858-6143.

Investigation Responsibilities

Due to the sensitive nature of suspected misconduct, supervisors and managers should not, under any circumstances, perform any investigative procedures.

The Chief Executive Officer has the primary responsibility for investigating suspected misconduct involving employees below the Chief Executive Officer level. The Chief Executive Officer shall provide a summary of all investigative work pertaining to misconduct to the Finance Committee. The Finance Committee has the primary responsibility for investigating suspected misconduct involving the Chief Executive Officer, as well as Board members and officers. However, the Finance Committee may request the assistance of the Chief Financial Officer in any such investigation.

Investigation into suspected misconduct will be performed without regard to the suspected individual's position, length of service, or relationship with the Agency.

In fulfilling its investigative responsibilities, the Finance Committee shall have the authority to seek the advice and/or contract for the services of outside firms, including but not limited to law firms, CPA firms, forensic accountants and investigators, etc. The Finance Committee must confer with knowledgeable employees about the availability of funds for such expenditures.

During an official investigation, members of the investigative team, as authorized by the Finance Committee, shall have free and unrestricted access to all Agency records and premises, whether owned or rented, at all times. Members of any investigative team shall be versed and oriented with regard to confidentiality and shall have a confidentiality agreement on file with the Agency.

The investigative team shall also have the authority to examine or copy all or any portion of the contents (in paper or electronic form) of filing cabinets, storage facilities, desks, credenzas and computers without prior knowledge or consent of any individual who might use or have custody of any such items or facilities when it is within the scope of an investigation into suspected misconduct or related follow-up procedures. No items shall be removed from the premises unless it is determined by a law enforcement agency that such items must be held as evidence in a criminal case. The team may, however, restrict access to a certain area by way of lock and key to safeguard items under investigation.

The existence, the status, or results of investigations into suspected misconduct shall not be disclosed or discussed with any individual other than those with a legitimate need to know in order to perform their duties and fulfill their responsibilities effectively.

Confidentiality

The Finance Committee and the Chief Financial Officer must treat all information received confidentially. Any employee who suspects dishonest or fraudulent activity will notify the appropriate person(s) and should not attempt to personally conduct investigations or interviews/interrogations related to any suspected fraudulent act. (see Reporting Responsibilities section above)

Great care must be taken in the investigation of suspected improprieties or irregularities so as to avoid mistaken accusations or alerting suspected individuals that an investigation is under way. Investigation results will not be disclosed or discussed with anyone other than those who have a legitimate need to know. This is important in order to avoid damaging the reputations of persons suspected but subsequently found innocent of wrongful conduct and to protect Agency from potential civil liability.

An employee who discovers or suspects fraudulent activity may remain anonymous. All inquiries concerning the activity under investigation from the suspected individual(s), his or her attorney or representative(s), or any other inquirer should be directed to the Finance Committee or legal counsel. No information concerning the status of an investigation will be given out. The proper response to any inquiry is “I am not at liberty to discuss this matter.” Under no circumstances should any reference be made to “the allegation,” “the crime,” “the fraud,” “the forgery,” “the misappropriation,” or any other specific reference.

The reporting individual should be informed of the following:
1. Do not contact the suspected individual in an effort to determine facts or demand restitution.
2. Do not discuss the case, facts, suspicions, or allegations with anyone unless specifically asked to do so by the Agency legal counsel or the Finance Committee.

Investigation results will not be disclosed or discussed with anyone other than those who have a legitimate need to know. This is important in order to avoid damaging the reputations of persons suspected but subsequently found innocent of wrongful conduct and to protect the Agency from potential civil liability.

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 Agency to aid in an investigation).

However, all known fraud involving the Chief Executive Officer, senior management, or members of the Board of Directors, as well as all material fraud involving employees below the senior management level, shall be disclosed by the Finance Committee to the Agency's external auditors.

The Agency will disclose, in a timely manner, in writing to Federal awarding agencies all violations of Federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the Federal award. (*200.113 Mandatory disclosures)*

Protection of Records – Federal Matters

The Agency prohibits the deliberate destruction, alteration, mutilation, or concealment of any record, document, or tangible object with the intent to obstruct or influence the investigation or proper administration of any matter within the jurisdiction of any department or agency of the United States government, or in relation to or contemplation of any such matter or case.

Violations of this policy will be considered violations of the Agency's Code of Ethics and subject to the investigative, reporting, and disclosure procedures described earlier in this policy.

Disciplinary Action

Failure to comply with the standards contained in this policy will render the violator subject to Policy 716 under the Agency's Personnel Policies and Procedures.

A Board member who violates this policy may be removed from the Board by majority vote.

SECURITY

Finance Department

A lock will be maintained on the door leading into the Agency's Finance Department. This door shall be closed and locked in the evenings and whenever the Finance Department is vacant. The key/combination to this lock will be provided to key Finance Department personnel and the Chief Executive Officer, and other personnel as approved by the Chief Executive Officer. The lock will be changed whenever any of these individuals leaves the employment of Agency.

Agency's blank check stock shall be stored in a fireproof file cabinet in the Finance Department. This cabinet will be locked with a key that is kept in the Finance Department. Access to this file cabinet shall be by keys in the possession and/or control of the Chief Financial Officer and any other person in the Department as deemed necessary by the Chief Financial Officer. No more than two employees shall possess keys concurrently.

Access to Electronically Stored Accounting Data

Agency 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. Employees whose duties are limited to Information Technology are restricted from accessing accounting software.

Accounting personnel are expected to keep their passwords secret and to change their passwords on a regular basis, no less frequently than every 90 days. Administration of passwords shall be performed by a responsible individual independent of programming functions.

Each password enables a user to gain access to only those software and data files necessary for each employee's required duties. On an annual basis, Agency performs a review of accounting software users to ensure they have the appropriate access levels. Unnecessary access will be rescinded.

Note: The Agency's accounting software provides for permissions to be assigned to each password holder. The Chief Financial Officer is responsible for ensuring that password holders only have permissions which allow them to access the necessary sections of the software relevant to their job duties. While one password holder may have access to input or posting capabilities, another may only have access to certain reporting features.

Storage of Sensitive Data [top]

In addition to accounting and financial data stored in the Finance Department, other sensitive data, including protected personally identifiable information (PII) such as social security numbers of employees and/or clients may be stored in areas other than the Finance Department. Locations of sensitive data include, but are not limited to:

1. Other Agency departments such as Head Start / Early Head Start, Community Services, Human Resources, or other programs which require the storage of client or employee data

2. Electronic or on-line storage

The Organization's policy is to minimize the storage of sensitive data outside the Accounting Department by shredding documents with such data or deleting the sensitive data from documents that are stored outside the Finance Department as soon as possible. Please see the Agency's technology policies for standards for electronic and on-line storage.

Storage of Back-Up Files

It is the policy of the Agency to maintain back-up copies of electronic data files in a secure environment. Access to back-up files shall be limited to individuals authorized by management, such as the Chief Executive Officer, Chief Operations Officer, Chief Financial Officer, and Information Technology Coordinator. The Information Technology Coordinator is responsible for making daily and weekly external back-ups.

General Office Security

During normal business hours, the entry door remains locked to outside visitors, but is easily opened from the inside for safety reasons. A rear exit exists for emergency egress. After hours, a key is required for access to the offices of the Department. Keys are issued only to employees designated by the Department.

TECHNOLOGY AND ELECTRONIC COMMUNICATIONS

Purpose and Scope

The purpose of this policy is to identify guidelines for the use of the Agency's technologies and communications systems. This policy establishes a minimum standard that must be upheld and enforced by users of the Agency's technologies and communications systems.

The term "user" as used in these policies refers to employees (whether full-time, part-time or limited-term), independent contractors, consultants, and any other user having authorized access to, and using any of, the Agency's computers or electronic communications resources.

Computer and electronic communications resources include, but are not limited to, host computers, file servers, stand-alone computers, laptops, printers, fax machines, phones, on-line services, E-mail systems, bulletin Board systems, and all software that is owned, licensed or operated by the Agency.

Acceptable Use of Agency Property

Use of the Agency's computers and electronic communications technologies is for programmatic and business activities of the Agency. All use of such resources shall be in an honest, ethical, and legal manner that conforms to applicable license agreements, contracts, and policies regarding their intended use. Although incidental and occasional personal use of the Agency's communications systems are permitted, users automatically waive any rights to privacy.

In addition, the information, ideas, concepts and knowledge described, documented or contained in the Agency's electronic systems are the intellectual property of the Agency. The copying or use of the Agency's intellectual property for personal use or benefit during or after employment (or period of contract) with the Agency is prohibited unless approved in advance by the Chief Executive Officer.

All hardware (laptops, computers, monitors, mice, keyboards, printers, telephones, fax machines, etc.) issued by Community Services of Northeast Texas, Inc. is the property of the Agency and should be treated as such. Users may not physically alter or attempt repairs on any hardware at any time. Users must report any problems with hardware to the Service Manager.

Password Security

Users are responsible for safeguarding their login passwords. Passwords may not be shared, nor should they be printed or stored on-line. Users should not leave their computers unattended without logging off.

In an effort to safeguard areas that may need to be accessed in the absence of the employee assigned to such particular password-protected area, a password storage system is in place. The Information Technology employee will keep the passwords in a safe, locked area. To store the needed passwords, employees are to:

- obtain a card and sleeve from the IT department
- write the user name and password on one side of the card

- fold the card in half once
- write your name and employee number on the outside of the card
- write the area, URL, or software requiring the password on the outside of the card
- write the date on the outside of the card
- place the card in the plastic sleeve
- stable the sleeve once in such a fashion as to prevent the card from being removed
- do not staple through the card
- return the sleeve to the IT department
- repeat this procedure each time the password is changed or updated

The password, key, code, or combination used to lock the password sleeves away shall itself be housed in two duplicate sleeves. One shall be kept in a locked container and its location known only to the Chief Executive Officer, and the other shall be kept off-site by a person designated by the Chief Executive Officer.

Telecommuting

Telecommuting is the practice of accessing the Agency's computer system from an approved alternate location instead of physically traveling to an employee's usual workplace. This work alternative must be approved by the Chief Executive Officer.

The Agency maintains a GoToMyPc.com account for the purpose of telecommuting. In order for an employee to access their computer via telecommuting, the computer to be accessed must remain in logged-on status and must be secured to the extent possible to prevent unauthorized use.

Confidentiality

All information about individuals, families or organizations served by the Agency is confidential. No information may be shared with any person, contractor, or organization outside the Agency unless express written permission is given by:

- the individual whose information is to be shared
- the parent or guardian of any minor child whose information is to be shared
- an authorized person of any organization whose information is to be shared

The Agency shall maintain proof of the permission granted in the appropriate files.

Copyrighted Information

Use of the Agency's electronic communication systems to copy, modify, or transmit documents, software, information or other materials protected by copyright, trademark, patent or trade secrecy laws, without obtaining prior written permission from the owner of such rights in such materials, is prohibited.

Installation of Software

The installation of new software on the computers of the Agency without the prior approval of the Information Technology Coordinator is prohibited. If an employee desires to install any new programs onto an Agency computer, written permission from the Information Technology Coordinator and/or the Chief Executive Officer must first be obtained.

Other Prohibited Uses

Other prohibited uses of the Agency's communication systems include, but are not limited to:

1. Engaging in any communication that is discriminatory, defamatory, pornographic, obscene, racist, sexist, evidences religious bias, or is otherwise of a derogatory nature toward any specific person, or toward any race, nationality, gender, marital status, sexual orientation, religion, disability, physical characteristic, age group, or any other protected class;

2. Browsing or downloading and/or forwarding and/or printing pornographic, profane, discriminatory, threatening or otherwise offensive material from any source including, but not limited to, the Internet;

3. Engaging in any communication that is in violation of federal, state or local laws;

4. Proselytizing or promoting religious belief or tenet;

5. Campaigning for or against any candidate for political office or any ballot proposal or issue;

6. Sending, forwarding, redistributing or replying to "chain letters;"

7. Unauthorized use of passwords to gain access to another user's information or communications on the Agency's systems or elsewhere;

8. Advertising, solicitation or other commercial, non-programmatic use;

9. Knowingly introducing a computer virus into the Agency's communication system or otherwise knowingly causing damage to the Agency's systems;

10. Using the Agency's systems in a manner that interferes with normal business functions in any way, including but not limited to, intentionally streaming non-business related video from the Internet during business hours, continuous-feed stock tickers, or other programs, websites, or widgets that cause a decrease in the Agency's Internet bandwidth;

11. Excessive personal use of the Agency's technologies that preempts any business activity or interferes with organizational productivity;

12. Sending E-mail messages under an assumed name or obscuring the origin of an E-mail message sent or received.

Disciplinary Action for Violations

Failure to comply with the standards contained in this policy will render the violator subject to Policy 716 under the Agency's Personnel Policies and Procedures.

A Board member who violates this policy may be removed from the Board by majority vote.

Reporting of Suspected Violations

Suspected violations of these policies should be immediately and confidentially reported to your immediate supervisor. If you prefer not to discuss it with your supervisor, you may contact the Chief Executive Officer or the Board Chair.

The Agency reserves the right to install programs that monitor employee use of the Internet and electronic communication systems and to act on any violations of these policies found through use of such programs. The Agency further reserves the right to examine any and all electronic communications sent or received by employees via the Agency's electronic communications systems.

Purpose of Inventory

The purpose of conducting inventory practices is to establish property control and accountability in compliance with the Rules and Regulations as established by the Office of the State Comptroller and the Federal Government. Further, these practices establish a basis for projecting and budgeting property replacement associations, provide accountability for increased security against pilferage of vulnerable property, maximize property utilization and identification of assets which are excess or surplus, and establish a basis for projecting future budgets to support new or renovated facilities.

General Definitions

Capital Assets: Any depreciable piece of property or furniture with an original unit cost of $5,000.00 or greater, and a life expectancy of one or more years.

Non-capital – Major: Any depreciable and non-consumable piece of property or equipment with an original unit cost of at least $500, but less than $5,000.

Non-capital – Minor: Any non-depreciable and non-consumable piece of property or equipment with an original unit cost of less than $500.

Owner: While it is recognized with few exceptions that the title of all assets is held by Community Services of Northeast Texas Inc., regardless of federal interest, for the purpose of inventory control and accountability, “owner” shall be defined as the program which is in control of the item.

Adding items to the Capital Asset/Inventory List

When an item has been purchased for a unit cost of $50 but less than $5000, cannot be depreciated, and is non-consumable, the item must be added to that Program’s inventory list.

When property and/or equipment has been purchased with a unit cost of $5,000 or more, has a useful life of one or more years, and can be depreciated, the item must be added to the Agency’s Capital Asset List and the Program’s inventory list.

Disposal of items on the Capital Asset/Inventory List

All disposition policies and procedures must be followed according to the funding source of the item.

UNDER NO CIRCUMSTANCES SHALL ASSETS (PROPERTY/SUPPLIES) UNDER COMMUNITY SERVICE’S JURISDICTION, LOCATED ON ANY CAMPUS OR AT ANY OF ITS LOCATIONS, AND INCLUDING OFFICES, BE PERMANENTLY REMOVED, SCRAPPED, DONATED, CANNABLIZED OR DESTROYED WITHOUT PRIOR WRITTEN APPROVAL FROM THE ADMINISTRATIVE OFFICE.

Cycle Inventory

To ensure that a program’s request for additions, deletions or other changes to the inventory were properly recorded; it is necessary to make comparison between the revised Inventory report and the original that was previously supplied. After making the comparison, additions or changes to the inventory are made.

Maintenance of Inventory Records

Once the comparison is complete and all the necessary additions or change requests have been submitted, all information is forwarded to the Inventory Agent.

Property Security

It is the responsibility of each Program Director to convey the importance of building and room security to all members of the Program. Guidelines addressing room and assets security should be established and practiced within each Program location, incorporating the following essential elements:

- Maintaining adequate key control of areas within each Program
- Inventory record of keys
- Conducting periodic building surveys so that access to restricted areas is limited only to those who are authorized to use the area
- Purchasing special deterrents such as lockdown pads and alarm systems to secure valuable assets such as computers, small scientific devices
- If an item is stolen, call the Program Director immediately. The Program Director will then report this to the Service Department to follow-up on the report

Personal Property

All personal property should be registered with the Inventory Agent**.**

Transfer of Property

Transfer of Property Within Program Locations

Property may be transferred from one location to another location on a permanent basis. These transfers within the purchasing program are permitted, with the approval of the Program Director. Form 904 should be completed to denote the transfer of the property to a new location. The updated Form 904 should be submitted to the Inventory Agent.

Transfer of Property Between Programs

Each Funding source has regulations regarding the transfer of property between programs. These regulations are to be followed when assessing the transfer of property between programs. (This may include written permission from the funding source and may take an extended period of time.) Programs or individual staff, who are aware of and interested in obtaining such property, must obtain written approval from the Program Director and the Chief Executive Officer to process property transfers from one program to another. Support Services staff will not allow the transfer of assets from one program to another until they have written approval from the Program Director and the Executive Director.

Capital Assets Property

Standards and Procedures require CSNT to screen all proposed property purchases. These procedures must ensure that the property is placed in the Inventory Database System and on the Capital Assets List, if applicable. The Chief Financial Officer is responsible for ensuring this is handled properly.

Audits

Audits are conducted by designated personnel annually to assess the accuracy of inventory record information for each Program. The holdings of every Program are spot-checked throughout the course of the year through on-going monitoring and audit reports are immediately provided to each chairperson or director citing the results of such audits/monitorings. A physical audit, in the form of a cycle inventory, of all property is taken every two years with the results reconciled with the inventory records by the Inventory Agent and/or their designee. Division Directors are required to address discrepancies between inventory records and audit findings as reported.

As part of CSNT's Internal Controls, designated Service Department staff will periodically spot-check selected property items under $5,000 to verify their existence and condition.

If any inventory items cannot ultimately be located, they should be routinely reported to the Program Director as stolen or unaccountable. The Director will report this to the Services Manager. After an investigation, the Services Manager will report the theft, loss, or misuse of any/all assets to the Chief Executive Officer. In addition to submitting the report to the Chief Executive Officer, the Services Manager is also required to send a copy of the report to the Program Director.

For more information on Inventory, consult the Agency's Inventory Policies and Procedures.

GENERAL LEDGER AND CHART OF ACCOUNTS

The general ledger is defined as a group of accounts that supports the information shown in the major financial statements. The general ledger is used to accumulate all financial transactions of the Agency, and is supported by subsidiary ledgers that provide details for certain accounts in the general ledger. The general ledger is the foundation for the accumulation of data and reports.

Chart of Accounts Overview [top]

The chart of accounts is the framework for the general ledger system, and therefore the basis for the Agency's 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.

The Agency’s chart of accounts is comprised of six types of accounts:

1. Assets
2. Liabilities
3. Net Assets
4. Revenues
5. Expenses
6. Gains and Losses

Each four-digit account number is preceded by a two-digit grant code, a two-digit program/ administration code, and a three-digit location code.

Distribution of Chart of Accounts

All Agency employees involved with account coding responsibilities (assignment or review of 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 to these individuals promptly.

Control of Chart of Accounts

The Agency's chart of accounts is monitored and controlled by the Chief Financial Officer. Responsibilities include the handling of all account maintenance, such as additions and deletions. Any additions or deletions of accounts should be approved by the Chief Financial Officer, who ensures that the chart of accounts is consistent with the organizational structure of the Agency and meets the needs of each division and department.

Account Definitions

General Ledger Account Range	Category	Definition
1000 - 1999	**Assets**	
		Assets are probable future economic benefits obtained or controlled by the Agency as a result of past transactions or events. Assets of the Agency 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 are tangible assets with a useful life of more than one year that are acquired for use in the operation of the Agency 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, and long-term investments.

2000 – 2999	**Liabilities**	
		Liabilities are probable future sacrifices of economic benefits arising from present obligations of the Agency to transfer assets or provide services to other entities in the future as a result of past transactions or events. Liabilities of the Agency are classified as current or long-term.

Account Definitions (Continued)

General Ledger Account Range	Category	Definition
		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.

3000 – 3999	**Net Assets**	Net Assets is the difference between total assets and total liabilities. See the next section for the Agency's policies on classifying net assets.
4000 – 4999	**Revenues**	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 Agency's ongoing major or central operations. Revenues of the Agency also include grants received from government agencies, private foundations and corporations and contributions received from donors.
5000 - 9990	**Expenses**	Expenses are outflows or other encumbrance of assets or establishment of liabilities from delivered or produced goods, rendered services, or carrying out other activities that constitute the Agency's ongoing major or central operations.

Account Definitions (Continued)

General Ledger Account Range	Category	Definition
	Gains and Losses	Gains are increases in net assets from peripheral or incidental transactions and from all other transactions and other events and circumstances affecting the Agency except those that result from revenues or contributions. Losses are decreases in net assets from peripheral or incidental transactions and from all other transactions and other events and circumstances affecting the Agency except those that result from expenses.

	Gains or losses occur when the Agency sells a fixed asset or writes off as worthless a fixed asset with remaining book value.
Individual Tracking	
00000001 – 99999999	These numbers are used for tracking expenses by individual household. The number is generated by the client tracking software and entered into the accounting software.

Classification of Net Assets

Net assets of the Agency 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 Agency and/or the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor imposed stipulations that the Agency permanently maintain certain contributed assets. Generally, donors of such assets permit the Agency to use all or part of the income earned from permanently restricted net assets for general operations or for specific purposes.

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

Fiscal Year of Agency

The Agency shall operate on a fiscal year that begins on October 1st and ends on September 30th of each calendar year. Any changes to the fiscal year of the Agency must be ratified by majority vote of the Agency's Board of Directors.

Journal Entries

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

1. Recording of noncash transactions
2. Corrections of posting errors
3. Non-recurring accruals of income and expenses

Certain journal entries are recorded at year end. These entries may include, but are not limited to:
1. Depreciation of fixed assets
2. Amortization of prepaid expenses
3. Accruals of recurring expenses
4. Amortization of deferred revenue

Support for recurring journal entries shall be in the form of a schedule associated with the underlying asset or liability account or, in the form of a journal voucher.

It is the policy of the Agency that all non-routine adjusting journal entries not originating from subsidiary ledgers shall be authorized in writing by the Chief Financial Officer by initialing or signing the entries. If the non-routine adjusting journal entry is originated by the Chief Financial Officer, it shall be approved by the Chief Executive Officer.

FINANCIAL MANAGEMENT POLICIES

BUDGETING

Overview

Budgeting is an integral part of managing any Agency 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 Agency'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 Agency's programs and activities simultaneously in light of the available resources.

Preparation and Adoption

It is the policy of the Agency to prepare an annual budget on the accrual basis of accounting. To prepare the Agency budget, the Chief Financial Officer in conjunction with the Program Directors shall gather proposed budget information from all Department Directors and others with budgetary responsibilities and prepare the first draft of the budget. Budgets proposed and submitted by each department should be accompanied by a narrative explanation of the sources and uses of funds and explaining all material fluctuations in budgeted amounts from prior years and discuss said budgets with the Chief Financial Officer in their preparation of said budget.

After appropriate revisions and a compilation of all department budgets by the Chief Financial Officer, a draft of the Agency-wide budget, as well as individual department budgets, is presented to the Chief Executive Officer for discussion, revision, and initial approval.

The Agency overall budget shall be submitted to the Board of Directors for approval prior to the Agency's new fiscal year. Each program budget shall be submitted to the Finance Committee prior to the Program's year for approval. Additionally, the Head Start / Early Head Start budget will be submitted to the Policy Council for approval.

Monitoring Performance

It is the policy of the Agency to monitor its financial performance by comparing and analyzing actual results with budgeted results. This function shall be accomplished in conjunction with the monthly financial reporting process described earlier.

On a monthly basis, financial reports comparing actual, month-to-date and year-to-date revenues and expenses with budgeted year-to-date amounts shall be produced by the Chief Financial Officer and distributed to each employee with budgetary responsibilities. These individuals shall be responsible for responding with a written explanation of all budget variances in excess of five percent on a monthly basis. Additionally, these reports are submitted to the Finance Committee monthly and quarterly to the Board of Directors.

ANNUAL AUDIT

Role of the Independent Auditor

It is the policy of the Agency to arrange for an annual audit of the Agency's financial statements to be conducted by an independent accounting firm. The independent accounting firm selected by the Agency will be required to communicate directly with the Agency's Board upon the completion of their audit. In addition, members of the Board of Directors, the Chief Executive Officer and the Chief Financial Officer are authorized to initiate communication directly with the independent accounting firm upon completion of the audit.

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 Agency's Board meeting, after the financial statements have been reviewed and approved by the Finance Committee.

How Often to Review the Selection of the Auditor

The Agency's Finance Committee in conjunction with the Chief Executive Officer and the Chief Financial Officer 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 4 years to ensure competitive pricing and a high quality of service

Selecting an Auditor

The following factors shall be considered by the Agency and/or its Finance Committee in selecting an accounting firm:

1. The firm's reputation in the non-profit community
2. The depth of the firm's understanding of and experience with non-profit agencies and federal reporting requirements under 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, Yellow Book and all governmental grant requirements of the Agency
3. The firm's demonstrated ability to provide the services requested in a timely manner
4. The ability of firm personnel to communicate with Agency personnel in an effective manner

The Agency will prepare and issue a written Request for Proposal (RFP) to be sent to prospective audit firms. The RFP process must be performed no less frequently than every four years. 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. Notice that the successful bidder shall prepare a draft of the audit report, to be provided to the Agency in electronic form prior to the finalization of the audit

5. Notice that the successful bidder shall present the audit to the Finance Committee and/or the full Board of Directors at their next monthly meeting following completion of the audit (Identification of additional meetings requiring their attendance, if any)
6. Financial information about the Agency
7. Copy of prior year reports (financial statements, management letters, etc.)
8. Notice that the audit is to be performed accordance with 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*
9. Other information considered appropriate
10. Description of proposal and format requirements
11. Due date of proposals
12. Overview of selection process (i.e. whether finalists will be interviewed, when a decision shall be made, etc.)
13. Identification of criteria for selection

Minimum Proposal Requirements from prospective CPA firms shall be:

1. Firm’s auditing background
2. Biographical information (resumes) of key firm member(s) who will serve the Agency
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

The Finance Committee of the Board of Directors will narrow down the proposals to the top selections with the input of the Chief Executive Officer and the Chief Financial Officer.

Preparation for the Annual Audit

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

Planning - The Chief Financial 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 - Agency 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 Agency's year-end. By performing significant portions of audit work as of an interim date, the work required subsequent to year-end is reduced. Agency staff will provide requested schedules and documents and otherwise assist the auditors during any interim audit fieldwork.

Throughout the audit process, it shall be the policy of the Agency to 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 the Agency from its independent auditor, the Chief Executive Officer and the Chief Financial 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 the Agency
3. Review each footnote for accuracy and completeness
4. Review all supporting information for accuracy as defined above
5. Read and review all federal sections of the report for accuracy and understanding, as well as, responses required to any findings stated in the report

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 Officer and Chief Executive Officer.

It shall also be the responsibility of the Chief Executive Officer and Chief Financial 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.

INSURANCE

Overview

It is fiscally prudent to have an active risk management program that includes a comprehensive insurance package. This will ensure the viability and continued operations of the Agency.

It is the policy of the Agency to maintain adequate general liability insurance, as well as coverage for buildings and contents.

The Chief Executive Officer is responsible to monitor these policies to assure that adequate coverage amounts are maintained. At least every two years, the Chief Executive Officer will select 2 to 3 Management Staff to form a committee. This committee will analyze the Risk Management policies and procedures for the Agency. This committee will also assure adequate insurance coverage amounts are maintained.

Coverage Guidelines

As a guideline, the Agency will arrange for the following types and levels of insurance as a minimum:

Type of Coverage	Amount of Coverage
Comprehensive Liability	$1,000,000
Automobiles for use by Employees	$1,000,000
Employee Theft	$500,000 per occurrence
Fire and Water Damage	Coverage for all items with acquisition cost greater than $1,000
Directors and Officers	$1,000,000 (with an appropriate deductible level)
Theft	Coverage for all items with acquisition cost greater than $1,000
Workers' Compensation	To the extent required by law

The Agency shall maintain a detailed listing of all insurance policies in effect. This listing shall include the following information at a minimum:

1. Description (type of insurance)
2. Coverage and deductibles
3. Policy effective dates

POLICIES ASSOCIATED WITH REVENUES AND CASH RECEIPTS

REVENUE

Revenue Recognition Policies

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

1. Federal Awards – Revenues from Federal Awards are recorded in the general ledger upon receipt. At Fiscal Year End (FYE) and Program Year End (PYE) an entry is made to Grants Receivable to ensure an accurate accounting of the award revenue.

2. State Pass-Through Grants – Revenues from State Pass-Through Grants are recorded in the general ledger upon on receipt. At Fiscal Year End (FYE) and Program Year End (PYE) an entry is made to Grants Receivable to ensure an accurate accounting of the award revenue.

3. State Awards – Currently the Agency does not receive any State awards.

4. Private Awards – Revenues from Private Awards are recorded in the general ledger upon receipt.

5. Private Grants – Revenues from Private Grants are recorded in the general ledger upon receipt.

6. Contributions and Donations

a. Donations by participants/clients – Revenues received are recorded on the appropriate form required by the recipient program and recorded in the appropriate general ledger account and are recorded in the period in which it is received.

b. In-kind donations – In-kind contributions and donations received are recorded in the general ledger separately from other revenue. Such contributions are posted to the appropriate benefitting program or grant. Such contributions are recorded in the period in which they are received.

c. Sponsorships – Sponsorships received are recorded in the general ledger to the appropriate program or grant such Sponsorship is intended to benefit in the period in which it is received.

d. Other Contributions and Donations – Other contributions and donations including those considered to be unrestricted funds will be recorded in the general ledger in one of the unrestricted fund categories and are recorded in the period in which it is received.

7. Fee-for-Service Income – Recognized as income when services are rendered unless collection of amounts due is in question. In this case, revenue is recognized when payments are received.

8. Interest income – monthly accrual based on when it was earned.

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 Officer.

COST SHARING AND MATCHING (IN-KIND)

Overview

The Agency 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.

The Agency 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 Agency records.

2. They are not included as contributions (or match) 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 the federal cost principles, 2 CFR Part 200 Subpart E, Cost Principles.

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 federal administrative regulations, 2 CFR Part 200 Subpart D, Post Federal Awards Requirements.

8. In the case of donated space, (or donated use of space), the space is subject to an independent appraisal performed by a certified appraiser as defined by 2 CFR Part 200.306(i)I1) to establish its value.

Definitions

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

Contribution (Contribution by Participant) - An unconditional transfer of cash or other assets to the Agency, or a settlement or cancellation of the Agency's liabilities, in a voluntary nonreciprocal transfer by another entity acting other than as an owner.

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

Restriction - A donor-imposed stipulation that specifies a use for the contributed asset that is more specific than broad limits resulting from the nature of the Agency, the environment in which it operates, and the purposes specified in the Agency's articles of incorporation and bylaws. Restrictions on the Agency's use of an asset may be temporary or permanent.

Nonreciprocal Transfer - A transaction in which an entity incurs a liability or transfers assets to the Agency without directly receiving value from the Agency in exchange.

Promise to Give - A written or oral agreement to contribute cash or other assets to the Agency.

Exchange Transaction - A reciprocal transaction in which the Agency and another entity each receive and sacrifice something of approximately equal value.

Non-Federal Share – That portion of any federal program's required expenditures not funded by a federal grant.

In-kind – Goods and services donated to the Agency for which the Agency does not pay, but instead, accounts for the value of said goods or services as Non-Federal Share.

Accounting for Contributions

The Agency shall recognize contributed income or assets by donors or participants in the period in which the Agency receives them. Assets in nonreciprocal transfers from donors or participants shall be classified as increases in unrestricted, temporarily restricted, or permanently restricted net assets based on the existence or absence of such restrictions.

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.

When the Agency receives support in the form of volunteer labor, the contribution income shall be recorded as GAAP asset entry if one of the following two criteria is met:

1. The contributed service creates or enhances a nonfinancial asset (such as a building or equipment), or

2. The contributed service possesses all three of the following characteristics:

   a. It is the type of service that would typically be purchased by the Agency if it had not been contributed,
   b. It requires specialized skills (i.e. formal training in a trade or profession), and
   c. It is provided by an individual possessing those specialized skills.

Contributed services that meet one of the two preceding criteria shall be recorded as GAAP In-Kind at the fair market value of the service rendered. However, all other volunteer hours are considered Non-GAAP In-Kind.

Examples of contributed services received and recorded as income by the Agency may include, but are not limited to:

- Volunteer Participation
- Consultants
- Supplies

- Medical services
- Field Trips
- Training
- Space

Receipts and Disclosures

The Agency 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, the Agency shall adhere to the following guidelines with respect to contributions received by the Agency.

For any separate contribution received by the Agency it shall provide a receipt to the donor. The receipt shall be prepared by the Agency. All receipts prepared by the Agency 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 the Agency provided any goods or services to the donor in consideration, in whole or in part, for any of the cash or property received by the Agency from the donor, and

3. If any goods or services were provided to the donor by the Agency, a description and good faith estimate of the value of those goods or services.

When the Agency 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 the Agency 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 the Agency is less than the value of cash or property provided by the donor). In such instances, the Agency 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 the Agency 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 the Agency.

IRS rules provide for certain exceptions to the preceding disclosure rules applicable to *quid pro quo* transactions. As such, the Agency shall not provide receipts when it receives cash or property in excess of $75 in any of the following circumstances:

1. The goods provided to the donor during a year bear the Agency name or logo and have an aggregate cost of $7.60 or less;

2. The goods provided to the donor in a year have a fair market value equal to no more than 2% of the contribution or $76, whichever is less; or

3. The gift received by the Agency resulted from any fundraising appeal that included articles worth no more than $7.60 as adjusted by the Internal Revenue Service each year, as well as a request for contributions and a statement that the recipient may keep the article even if a contribution is not made.

The preceding thresholds are adjusted for inflation by the IRS on an annual basis. Inflation adjustments subsequent to 2002 are not incorporated into this policy manual by reference.

All estimates of the fair market value of goods or services provided by the Agency shall be approved by the Chief Financial Officer and the Chief Executive Officer.

It is the policy of the Agency to comply 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.

Head Start / Early Head Start In-kind Policy

Introduction

The following policies and procedures are intended to provide an overview of the in-kind activities of CSNT Head Start / Early Head Start. The primary purpose of the in-kind policies and procedures is to document how CSNT Head Start / Early Head Start is gathering and documenting in-kind in compliance with the requirements of the Head Start / Early Head Start Performance Standards and 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

These policies and procedures have been approved by the CSNT Governing Board and the CSNT Head Start / Early Head Start Policy Council. All CSNT Head Start / Early Head Start staff are to comply with these policies and procedures when gathering and documenting in-kind.

Grant Requirements

The CSNT Head Start / Early Head Start Grant requires that 20 percent of the total grantee budget be submitted as non-federal share. To wit: 20 percent of the total Head Start / Early Head Start Budget must come from donations made by the communities served by Head Start / Early Head Start. This non-federal share shall be met within following guiding principles:

- The goods or services are necessary, reasonable, allocable and allowable (2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*)
- The goods or services support an activity that is included in the program plan and covered by the Head Start / Early Head Start Program Performance Standards (45 CFR Chapter XIII)
- The goods or services are legally and appropriately allowable under a federal contract

- The goods or services are a normal and customary expenditure under a federal contract

- The services are performed by the donor for the program

- Cash becomes non-federal share when it is spent on an allowable program cost and is recorded as non-federal share when the goods or services are purchased and reported on a monthly in-kind report, not when the cash is received

- Any program income generated and approved for use by the program must be generated and used in the budget year during which it is generated and is not counted as non-federal share

- The goods or services were provided during the applicable program period

- Source documentation exists in sufficient detail to support the claim of the goods or services as non-federal share

- Services are valued similarly to the wages and benefits paid for a similar service performed by program or Agency staff

- Where no similar service function or job exists in the program or Agency, services are valued based on documented wage and benefits rates for similar services performed in the community at large

- Value lies in the service performed, not in the person performing the service

- Goods are valued at a rate consistent with their market value in the service area

- Discounts for goods or services are claimed only if those discounts are not available to the general public

- Valuations for donations of space are supported by up-to-date, written professional appraisals. In cases of less-than-arm's-length leases, no in-kind will be calculated or used for non-federal share

- Time spent by parents or other volunteers on fundraising is not claimed as non-federal share

- Funds used for non-federal share match in one program are not used for match in another program

- Except in special circumstances where allowed by the state, federal dollars cannot be used for match of other federal funds

<u>In-Kind Responsibilities and Timing</u>

CSNT Head Start / Early Head Start in-kind will be gathered on a monthly basis. All CSNT Head Start / Early Head Start employees are responsible for gathering in-kind. All acquired in-kind must be documented and submitted to the Finance General Support Staff. Each Campus Director is responsible for totaling and submitting their campus in-kind to the Finance General Support Staff by the 1st and 3rd Friday of each month. All administrative in-kind will be collected by the appropriate staff and submitted to the Program Monitor by the 5th of each month.

The Chief Executive Officer, Head Start Director and Chief Finance Officer will be responsible for maintaining a current and accurate Real Estate Appraisal for all CSNT Head Start / Early Head Start properties. This document must include the listed property, actual square footage, monthly rental amount based on fair market value, actual monthly rental amount paid by CSNT Head Start / Early Head Start, and the in- kind difference. This document must be dated and signed by a real estate agent.

In-Kind Homework

The Education Specialist will provide the teaching staff with in-kind homework by the 30th of each month for the following month. The homework will coincide with the monthly curriculum as well as be age appropriate. It is the teacher's responsibility to get the homework to the parents. It is also the teacher's responsibility to give the parent instructions on how to complete homework as well as the volunteer timesheet in the correct way in order for it to be counted as in-kind. Any additional in-kind homework the campus staff would like to use should be presented to the Education Specialist for approval before being sent home with the child as in-kind homework. All in-kind homework must be turned in along with other campus in-kind by the 5th of each month. Homework should include a complete and signed volunteer timesheet with corresponding homework attached to the back of timesheet. All volunteer timesheets must be complete with time, services performed, totals and signatures in order to be counted.

In-Kind Monitoring

Each Campus Director will be responsible for monitoring the amount of in-kind collected for their campus. It is the Campus Director responsibility to make sure all in-kind submitted to the Accounting Clerk has the signed correct forms with the corresponding documentation attached. Any in-kind submitted to Accounting Clerk with missing information, signatures or is unexplainable will be sent back to the campus for correction.

In-Kind Reviews

Monthly In-kind Reports will be reviewed periodically as a part of the ongoing monitoring of the CSNT Head Start / Early Head Start Program. Policy Council Budget Reports will also be reviewed on a regular basis as a part of the monitoring/tracking process. Campus In-kind Reports will be tracked by the Program Monitor and submitted to the Head Start Director by the 10th of each month.

The results of reviews will be discussed openly with staff when a finding has been documented. The resolution of any findings will be considered a joint effort between the campus staff and administrative staff. All findings should be corrected within 45 days of the original notification unless otherwise documented.

In-Kind Forms

Approved forms are to be used when documenting and tracking in-kind. Completed forms should accompany all submitted in-kind. Any in-kind questions should be directed to the Program Monitor through the Campus Director.

CASH RECEIPTS

Overview

Due to the liquid nature of Cash Receipts (including checks payable to the Agency), it is the objective of the Agency to establish and follow the strongest possible Internal Controls. The Internal Controls Path will be notated by the responsible party, or Internal Control Employee (ICE) and their numerical designation, based on the number of employees required to deliver the highest level of Internal Controls.

In order to maintain adequate segregation of duties, staff not normally involved in accounting procedures such as assistants, a receptionist, or program director may be assigned incoming cash-handling tasks such as daily mail receipts.

The following is the internal control procedure for cash handling within the Agency. This particular procedure requires five ICE employees:

1. Two individuals, ICE 1 and ICE 2, receive incoming funds together and, in the presence of one another, create a permanent record of the funds received by documenting the receipt in the mail log.
2. Someone other than the person(s) involved in Step 1, ICE 3, prepares a deposit slip.
3. ICE 4 takes the deposit to the bank to be credited to the proper bank account.
4. Someone other than the person(s) in Steps 1 through 3, ICE 5, will compare the list prepared in Step 1 to the bank deposit records to verify that all funds were properly deposited.
5. When necessary, receipts are entered into the accounts receivable records by the ICE 3 and approved by ICE 4.
6. Posting of any subsequent write-off or write-down of accounts receivable may only be done by someone who does not have access to incoming funds. Such action requires proper review and approval.
7. Reconciliations of anticipated revenue with actual recorded revenue are performed by individuals who do not have access to incoming funds, typically ICE 4.

Processing of Checks and Cash Received in the Mail

Mail is retrieved from the Post Office Box. (ICE 1) Mail is opened by designated staff (ICE 2) and a listing of cash/checks received shall be prepared in an open area, with another employee (ICE 1) present at the opening of envelopes that may potentially contain cash, checks, or negotiable instruments. The mail shall be recorded in the Mail Log. (ICE 2) All cash, checks, or negotiable instruments received via US Mail, or any other method of delivery, shall be photocopied, a date-stamp applied to the photocopy, and delivered (ICE 1) (with date-stamped photocopy) to the Finance Department (ICE 3) to be restrictively endorsed.

Endorsement of Checks

The restrictive endorsement shall be a rubber stamp that includes the following information:

1. For Deposit Only
2. Community Services of Northeast Texas, Inc.
3. A space for the bank account number of the proper account

A deposit slip is prepared by the Assistant Finance Director (ICE 3) from the cash/checks/instruments received, and enters the information into the Program Activity Log. The Chief Financial Officer (ICE 4) verifies the Program Activity Log. Deposits are then taken to the bank by an individual named by the Chief Financial Officer. Different employees complete this task so that no one employee makes bank deposits consistently.

Timeliness of Bank Deposits

Bank deposits will be made on a daily basis, unless the cumulative total amount received for deposit is less than $500, or the proper account for the deposit is in question due to its nature. Once the cumulative amount received exceeds $500, and/or the proper account has been established, a deposit will be made. Regardless of the cumulative total of receipts, a deposit will be made weekly.

Reconciliation of Deposits

On a periodic basis, the Chief Financial Officer (ICE 4), and/or a non-Finance employee (ICE 5) reconcile the listings of receipts to bank deposits reflected on the monthly bank statement. Any discrepancies shall be immediately investigated.

GRANTS / RECEIVABLE MANAGEMENT

Monitoring and Reconciliations

The Agency records grants receivable and income as it is earned and billed during the grant year. The Chief Financial Officer is responsible for monitoring budget-to-actual expenditures throughout the grant year, and will meet monthly with the Program Director and the Executive Director to discuss grant fiscal results.

ACCOUNTS RECEIVABLE MANAGEMENT

Monitoring and Reconciliations

On a monthly basis, a detailed accounts receivable report is generated and reconciled to the general ledger by the finance department. All differences are immediately investigated and resolved, and the reconciliation is reviewed by the Chief Financial Officer.

Credits and Other Adjustments to Accounts Receivable

From time to time, credit against accounts receivable from transactions other than payments and bad debt will occur. Examples of other credits include returned products and adjustments for billing errors. An employee who is independent of the cash receipts function will process credits and adjustments to Accounts Receivable, and all credits shall be authorized by the Chief Financial Officer.

Notes: Bad debt write-off are not allowable costs for federal grants.

POLICIES ASSOCIATED WITH EXPENDITURES AND DISBURSEMENTS

COST PRINCIPLES

All purchases, expenditures, and/or disbursements will be conducted under the principles that each will be allowable, allocable, and reasonable.

PURCHASING POLICIES AND PROCEDURES

Overview

The policies described in this section apply to all purchases made by the Agency.

The Agency 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 federal statutes and grant requirements.

Responsibility for Purchasing

All Department Directors shall have the authority to initiate purchases on behalf of their department, within the guidelines described herein. In addition, Department Directors may delegate purchasing authority to responsible individuals within their department. Department Directors shall inform the Finance Department of all individuals that may initiate purchases or prepare Purchase Requisitions.

Persons initiating Purchase Requisitions are responsible for acquiring the necessary approvals to begin the purchase process. Once all approvals are obtained (Division Director, Chief Financial Officer, Chief Executive Officer, or any official designee of each of these) the purchase may be completed.

The person completing the purchase is responsible for adherence to all policies including cost principles, procurement, and inventory requirements.

Non-Discrimination Policy

All contractors who are recipients of Agency's funds, or who propose to perform any work or furnish any goods under agreements with the Agency, shall agree to these principles:

1. 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 contractors.

2. 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, advertisements, and solicitations placed in accordance with Federal law, rule or regulation shall be deemed sufficient for meeting the intent of this section.

Code of Conduct in Purchasing

Pursuant to 2 CFR Part 200.318 (c)(1);

Ethical conduct in managing the Agency's purchasing activities is expected. Staff are mindful that they represent the Board of Directors and share a professional trust with other staff and the general membership.

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 of the Agency shall participate in the selection or administration of a contractor 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 contractor selected.

Officers, Board members, employees and agents of Community Services of Northeast Texas, Inc. shall neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to sub-agreements. However, unsolicited gifts of a nominal value of $25 or less may be accepted with the approval of the Chief Executive Officer.

Use of Purchase Requisitions

It is the policy of the Agency to utilize a Purchase Requisition system. A properly completed Requisition (Agency **FORM** 101) shall be required for each purchase decision, including disbursements which may also require the preparation of separate forms described elsewhere in this manual.

FORM 101 | Revised SEP 24, 2014

Requisition

Community Services of Northeast Texas, Inc.
304 E.Houston • P.O. Box 427
Linden, Texas 75563

CSNT
Approved for all programs

Remember:
- Cost analysis (if needed)
- Requisition
- Bids or Quotes (if needed)
- Place Order
- Invoice / Support Docs
- Check Request
- Check

Program: ____________
Date Needed: ____________
Vendor: ____________
Address: ____________
City, State Zip: ____________
Phone: ____________

Page: _____ of _____ Pages

Is there a current W-9 on file? ☐ Yes ☐ No
Date:
☐ Place in folder when signed
☐ Process when signed
☐ Mail check when complete
☐ Give check to: __________
☐ Instructions __________

Qty.	Item	Specification / Description	Count	Loc	Unit Price	Amount

Brief project or order description: ____________ Person responsible for placing order: ____________ Total

For office use
Initials:
Signed_____
Folder_____
Back up_____
Check Request _____
Other _____

Check inventory procedures. Do you need an inventory form with this requisition? ☐ Yes ☐ No

☐ Debit/Credit auth needed ☐ Quote sheet attached
☐ Support documents attached ☐ Written bids required

Requested by: ____________ Date: ________
CS Div Approval: ____________ Date: ________
AN Div Approval: ____________ Date: ________
HS Div Approval: ____________ Date: ________
Finance Approval: ____________ Date: ________
Executive Director: ____________ Date: ________

Authorizations and Purchasing Limits

All completed Purchase Requisitions must be signed by the preparer and approved by the appropriate Department Director(s), Chief Financial Officer, and Chief Executive Officer.

Contract Authority

All contracts, agreements, memoranda of understanding, and renewals of same, between the Agency and outside parties must be approved by the Chief Executive Officer. Only the Chief Executive Officer may legally bind the Agency, and thus is the only employee who is authorized to enter into any contract, agreement, or memorandum of understanding on behalf of the Agency.

Competition

Pursuant to 2 CFR Part 200.319;

In order to promote open and full competition, purchasers will:

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

PROCUREMENT POLICIES [top]

Cost Analysis

Every purchase made by the Agency requires a cost analysis. At times, such as a purchase of a single item costing a minimal amount, this analysis can be as simple as using good judgement about the reasonable cost of an item. A minimal amount would be characterized as an item costing less than five dollars and a minimal purchase would be characterized as an order of three or less of said item.

The cost principle of allowability, allocability, and reasonableness should be used in each cost analysis. As the unit cost of the item rises, so does the complexity and depth of the cost analysis.

An in-depth, written cost analysis is required for purchases with a unit cost over $25,000.

Thresholds and Triggers

$5	Minimal Purchase
Under $25	Can be purchased from petty cash
Over $100	Requires Price Quote Form
Over $50	Requires Inventory Tag (unless item is consumable)
Over $50, less than $500	Considered Minor Equipment
Over $500, less than $5,000	Considered Major Equipment
Over $5,000	Requires written bid from contractor
Over $5,000	Requires funding source approval

Over $5,000	Considered Capitalized Equipment
Over $25,000	Requires Sealed Bid Process

Required Requests For Proposals from Contractors

Purchases in excess of $100 require the completion of a Price Quote Form. The completed Price Quote Form is to be attached to a completed requisition and submitted for approval.

Purchases where the cost of labor, services, annual lease, or the price of a single item exceeds $5,000, the Agency shall receive written quotations and/or proposals from at least three (3) contractors. After selecting which contractor should obtain the contract, and prior to awarding said contract, the Agency shall secure written approval of the purchase from the prevailing funding source and any other funder which shall hold an interest in the purchase.

Purchase decisions exceeding $25,000 for labor, equipment, supplies or services purchased, leased or contracted for shall be made only after receiving written bids from at least three (3) contractors. Recommendations shall be based on consideration of all applicable criteria as described under “Evaluation of Alternative Contractors” below, plus funding source approval, where required. Sealed bids shall be utilized when required by a Federal awarding Agency, and/or when the decision will be based primarily on price.

Requests For Proposals (RFP) should include the following:

1. A clear and accurate description of the 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/offeror must fulfill and all other factors to be used in evaluating bids or proposals (see the next section entitled “Evaluation of Alternative Contractors” 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. The acceptance, to the extent practicable and economically feasible, of products and services dimensioned in the metric system of measurement.

6. Preference, to the extent practicable and economically feasible, for products and services that conserve natural resources and protect the environment and are energy efficient.

7. A description of the proper format, if any, in which proposals must be submitted, including the name of the Community Services of Northeast Texas, Inc. person to whom proposals should be sent.

8. The date by which proposals are due.

9. Required delivery or performance dates/schedules.

10. Clear indications of the quantity (ies) requested and unit(s) of measure.

Record-Keeping Associated with Independent Contractors

The Agency shall obtain a completed Form W-9 or equivalent substitute documentation from all contractors to whom 1099-qualifying payments are made. A record shall be maintained of all contractors to whom a Form 1099 is required to be issued at year-end. Payments to such contractors shall be accumulated over the course of a calendar year.

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 the Agency, an extension may be granted by the purchasing representative.

Contractor 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. Contractors 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 Contractors

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

1. Adequacy of the proposed methodology of the contractor
2. Skill and experience of key personnel
3. Demonstrated company experience
4. Other technical specifications as designated by proposal request
5. Compliance with administrative requirements of the request for proposal
6. Contractor’s financial stability
7. Contractor’s demonstrated commitment to the nonprofit sector
8. Results of communications with references supplied by contractor

9. Ability to meet time deadlines
10. Cost
11. Historically Underutilized Business status of contractor
12. Other criteria as specified by proposal request

Not all of the preceding criteria may apply in each purchasing scenario. However, in each situation requiring consideration of alternative contractors, 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.

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

Positive efforts shall be made by the Agency. 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 the Small Business Administration and the Department of Commerce's Minority Business Development Agency in the minority-owned firms and women's business enterprises.

Special Purchasing Conditions

The following special purchasing conditions require documentation showing the condition was met.

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

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

Federally-Funded Programs:
Purchases that will be charged to programs funded with federal awards are subject to additional policies.

Contractor Files and Required Documentation

The Finance Department shall create a contractor folder for each new contractor from whom the Agency purchases goods and/or services.

Prior to paying the first invoice from a new 1099-qualifying contractor, a completed W-9 or substitute documentation must be received in the Finance Department. Completed, signed Forms W-9 or substitute documentation are filed alphabetically.

See the section on "Payroll and Related Policies" for guidance on determining whether a contractor should be treated as an employee.

Receipt and Acceptance of Goods

All goods shall be received at each location by the location supervisor, or designated employee, or at the Executive Office by an Internal Control Employee who shall inspect all goods received. Upon receipt of any item from a contractor, 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,
4. Note on the bill of lading any discrepancies (missing or damaged boxes/containers, etc.),
5. Sign and date the bill of lading, and
6. Retain a copy of the bill of lading.

When goods are moved to another area for thorough inspection the following inspection procedures shall be performed:

1. Remove the packing slip from each box/container,
2. Compare the description and quantity of goods per the Purchase Requisition to the packing slip,
3. Examine goods for physical damage,
4. Count or weigh items, if appropriate, and
5. Record an indication of counts on the Purchase Requisition.

It is the policy of the Agency to perform the preceding inspection procedures in a timely manner in order to facilitate prompt return of goods and/or communication with contractors.

Petty Cash Policies

Petty Cash funds will be created only with the approval of a Division Director, the Chief Financial Officer, and Chief Executive Officer. All three must approve the creation of a Petty Cash Fund.

Petty Cash Funds cannot exceed $100, except as otherwise allowed by policy herein.

When a Petty Cash Fund is created, the Petty Cash Custodian will be provided a summary of the Community Services of Northeast Texas, Inc. Petty Cash Policies for the care of the fund. The Petty Cash Custodian will also be asked to acknowledge receipt of the fund and their understanding of the policies governing Petty Cash.

The fund is to be stored in a locked and secure place. Where possible, such location should be within the field of view of one of the Agency's security video cameras.

The Petty Cash Fund is only to be used for authorized purchases or reimbursements to employees for authorized purchases of $100.00 or less with the presentation of an original store receipt.

Original store receipts are required for the replenishment of the Petty Cash Fund. All reimbursements are to be properly documented with the following:

- A Petty Cash voucher showing the nature of each expenditure
- Original receipts for the purchase that support the voucher

Reimbursements in excess of $100.00 are completed by submitting a Requisition to the Finance Department with the original receipt, justification and/or authorization attached.

Cashing of personal checks from the Petty Cash Fund is prohibited.

Employee advances from the Petty Cash Fund is prohibited.

At any time, cash on hand and all receipts should be equal to the original amount of the Petty Cash Fund issued.

In special circumstances, the Chief Executive Officer may approve a larger Petty Cash fund for a particular location, but in no instance shall any Petty Cash fund exceed $200.00.

Petty Cash Funds may be monitored at any time as part of the Agency's ongoing monitoring and compliance process.

Replenishment of a Petty Cash Fund shall be accomplished by the issuance of an Agency check made payable to the individual responsible, and shall include in the payee line, the title "Petty Cash Custodian" as to establish the check is not part of the individual's compensation.

POLITICAL INTERVENTION

Prohibited Expenditures

Consistent with its tax-exempt status under the Internal Revenue Code, it is the policy of the Agency not to incur any expenditure for political activity, including, but not limited to:

1. Contributions to political action committees,
2. Contributions to the campaigns of individual candidates for public office,
3. Contributions to political parties,
4. Expenditures to produce printed materials (including materials included in periodicals) that support or oppose candidates for public office,
5. Expenditures for the placement of political advertisements in periodicals.

Endorsements of Candidates

It is the policy of the Agency not to endorse any candidates for public office in any manner, either verbally or in writing. This policy extends to the actions of management and other representatives of the Agency, when these individuals are acting on behalf of, or are otherwise, representing the Agency.

Prohibited Use of Agency Assets and Resources

No assets or human resources of the Agency shall be utilized for political activities as defined above. This prohibition extends to the use of Agency assets or human resources in support of political activities that are engaged in personally by Board members, members of management, employees, or any other representatives of the Agency. While there is no prohibition against these individuals engaging in political activities personally (on their own time, and without representing that they are acting on behalf of the Agency), these individuals must at all times be aware that Agency resources cannot at any time be utilized in support of political activities.

ACCOUNTS PAYABLE MANAGEMENT

Overview

The Agency 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 recording of assets or expenses and the related liability is performed by an employee independent of ordering and receiving. The amounts recorded are based on the contractor invoice for the related goods or services. The contractor invoice shall be supported by an approved Purchase Requisition where necessary, and shall be reviewed and approved by the appropriate Department Director(s), Chief Financial Officer, and Chief Executive Officer prior to being processed for payment. Invoices and related general ledger account distribution codes are reviewed prior to posting to the subsidiary system.

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

1. Disbursements are properly authorized
2. Invoices are processed in a timely manner
3. Contractor 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. In the case of lost invoices, copies of invoices may be used only when such invoices have been verified as unpaid by researching the contractor records. No contractor-provided statements shall be used as the sole document to process payments for invoices.

Accounts Payable Classification

Expenses and encumbrances shall be classified and posted in the month for which the program received the benefit of said purchase. For purposes of the preparation of the Agency's monthly financial statements, a suspension date is used to determine which invoices will require subsequent classification and posting in the event a contractor is late in providing required documentation. The generally accepted suspension date is the tenth (10^{th}) day of the month, with adjustments allowed based on reasonable factors.

Establishment of Control Devices

A Chain of Custody Control of invoices is established by the appropriate Internal Control Employee as soon as invoices are received. Upon receipt of invoices, each invoice shall be recorded on a log of invoices received, "date received" stamped, and distributed to the Finance Department. Upon receipt, the Accounts Clerk shall stamp invoices with date and time received, prepare check requests, and log all check requests with amounts prior to distributing to the appropriate authorizing supervisors. The log is reviewed prior to each check run to determine which, if any, invoices have not been returned to the finance department.

Preparation of a Voucher Package

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

1. Contractor invoice (or employee expense report)
2. Packing slip (where appropriate)
3. Receiving report (or other indication of receipt of merchandise and authorization of acceptance)
4. Purchase Requisition (when required)
5. Any other supporting documentation deemed appropriate

Processing of Voucher Packages

The following procedures shall be applied to each voucher package by the Finance Department:

1. Check the mathematical accuracy of the contractor invoice.
2. Compare the nature, quantity and prices of all items ordered per the contractor invoice to the Purchase Requisition, packing slip and receiving report
3. Document the general ledger distribution, using the Agency's current chart of accounts
4. Properly allocate among funding sources referring to Agency's current cost allocation plan.
5. Obtain the review and approval of the Department Director (or their designee) associated with the goods or services purchased

Payment Discounts

To the extent practical, it is the policy of the Agency to take advantage of all prompt payment discounts offered by contractors. When availability of such discounts is noted, and all required documentation in support of payment is available, payments will be scheduled so as to take full advantage of the discounts.

Employee Expense Reports

Reimbursements for travel expenses, or other approved costs will be made only upon the receipt of a properly approved and completed expense reimbursement form. All receipts must be attached, and a brief description of the business purpose of trip or meeting must be noted on the form. Expense reports will be processed for payment in the next contractor payment cycle if received within two business days of the deadline.

Reconciliation of A/P Subsidiary Ledger to General Ledger

At the end of each monthly accounting period, the total amount due to contractors 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 Officer.

Also on a monthly basis, the Accounting Clerk shall perform the following procedures:

1. Check all statements received for unprocessed invoices
2. Check the Purchase Requisition/Order file for open purchase orders that are more than 60 days old and follow up

CREDIT AND DEBIT CARD POLICY

Storage of Debit and Credit Cards

It is the policy of the Agency to store debit and credit cards in a locked box in the Accounts Payable office. Access to this box is limited. Only the Chief Executive Officer, Chief Operations Officer, Accounts Payable Clerk, Human Resources Manager, and Service Manager have access to the box.

Preparation of a Debit/Credit Authorization Voucher

Some purchasing situations require use of a credit card. When use of a credit card is deemed necessary for a purchase, a requisition and debit/credit authorization voucher must be completed. The requisition shows the reason and amount of the purchase. The debit/credit authorization shows the amount of the purchase and the manner in which it will be completed.

In urgent or emergency situations, with Chief Executive Officer, Chief Operations Officer, and/or Chief Finance Officer approval, credit card use may occur before vouchers have gone through the authorization process.

Obtaining a Debit/Credit card for use

Once all approving signatures have been obtained on the requisition and debit/credit authorization voucher, the approved documentation is presented to the Accounts Payable Clerk. The Accounts Payable Clerk will obtain the initials and date of the individual requesting the card. The card will not be issued for longer than twenty-four hours. A placeholder card with the receiving individual’s name shall be placed in the location left void by the issuance of the card until such time as the card is returned. The placeholder card shall then be removed.

Returning Debit/Credit card

After use, the card is to be returned to the Accounts Payable Clerk. Original receipts from purchases made with the debit card are to be given to the Assistant Finance Director.

TRAVEL POLICY

Purpose

Community Services of Northeast Texas, Inc. (CSNT) (Agency) recognizes Board Members, Officers, and employees of the Agency may be required to travel or incur other expenses from time to time to conduct Agency business and to further the mission of this Community Action Agency.

The purpose of this policy is to ensure that adequate cost controls are in place, travel and other expenditures are appropriate, and to provide a uniform and consistent approach for the timely reimbursement of authorized expenses.

It is the policy of CSNT to reimburse only reasonable and necessary expenses actually incurred by Board Members, Officers and/or employees. Employee travel and the expenses associated with said activities shall be authorized only in circumstances, which are clearly consistent with the Agency's mission. Travel should be via the most reasonable and cost-effective alternative, consistent with good business practices. Neither luxury, nor sub-standard modes of transportation and accommodations shall be used.

Employees who are uncertain about a particular expense or policy will need to contact the supervisor prior to the expenditure. Those traveling are reminded to exercise good business judgment and discretion with respect to incurred expenses. Reported expenses must be supported by appropriate documentation.

Necessity of Travel

Travel must be reasonable and/or necessary to be considered allowable. Employees shall consider the ways in which the Agency will benefit from the travel and weigh those benefits against the anticipated costs of the travel. The same considerations shall be taken into account in deciding whether a particular individual's participation is necessary. In determining whether the benefits to CSNT outweigh the costs, less expensive alternatives, such as participation by telephone or video conferencing, or the availability of local programs or training opportunities, shall be considered.

Instances of travel should be as a result of one of the following situations:

- Attendance is required by a funding source
- Attendance is part of a planned, approved, and budgeted training schedule
- Attendance is part of an employee's Agency-approved fulfillment of responsibilities as an Officer or Board Member of a county, regional, state, or national association
- Attendance is required in order to facilitate an approved task within an employee's job description which cannot be completed by other means
- Attendance has been deemed necessary by the Chief Executive Officer as a prudent measure in the fulfillment of the Agency's mission

Request/Authorization to Travel

Travel plans must be pre-approved.

The requesting employee is required to complete the approved travel request form(s) and submit the completed form(s) to their supervisor.

Supervisors will assess the request and its conformity with the Agency's Necessity of Travel statement and other factors to determine if the travel meets the needs of the program. If approved, the completed and signed form shall be forwarded to the appropriate Division Director(s).

Division Directors will also assess the request to ensure the request meets with all program concerns, including necessity, feasibility, allowed activities, budget conformity, and other factors. Once approved, the form(s) shall be forwarded to the appropriate division staff who will ensure all transportation needs are completed following strict procedural guidelines with respect to lodging and/or airfare bids and other transportation expenses.

Once all Agency-approved travel forms are signed, the travel package shall be forwarded to the Chief Financial Officer who will assess the request to ensure that adequate budgeted funds are, or will be, available from all affected programs to meet the financial responsibility created by the travel. Once approved, the form(s) shall be forwarded to the Chief Executive Officer.

The Chief Executive Officer shall assess the request, weighing all presented factors, including compliance with state and federal regulations, to ensure the request is in the best interest of the Agency. The request shall be analyzed to avoid unnecessary expenses.

CASH DISBURSEMENTS (CHECK-WRITING) POLICIES

Check Preparation

It is the policy of the Agency to print contractor checks and expense reimbursement checks on a weekly or as needed basis. Checks shall be prepared by persons independent of those who initiate or approve expenditures, as well as those who are authorized check signers.

All contractor and expense reimbursement checks shall be produced according to the following policies:

1. Expenditures must be reasonable, allowable, and allocable in accordance with 2 CFR Part 200, and any other relevant federal or state statutes.

2. Expenditures must be supported in conformity with the purchasing, accounts payable, and travel policies described herein.

3. Where possible, the Finance Department will take advantage of any early-payment discounts offered by contractors.

4. Where possible, all contractors shall be paid within 30 days of submitting a proper invoice.

Proof of delivery of the requested goods or services is required.

5. Cash requirements associated with each disbursement shall be verified prior to the preparation of checks.

6. Supporting documentation required to substantiate each expenditure shall be attached to the corresponding check prior to forwarding the entire package to an authorized check signer.

7. Checks shall be utilized in numerical order. Safeguards are in place to prevent the intentional or unintentional utilization of a check out of numerical order.

8. Unused checks are stored in a locked, secure, fire-resistant, location within the Finance Department.

9. Checks shall not be made payable to "bearer" or "cash."

10. Checks shall not be signed prior to being prepared.

11. The Internal Control Employee who prepares checks for mailing shall mark invoices and other supporting documentation with a "paid" designation in order to prevent duplicate payments.

Check Signing

Checks require two signatures. The two required signatures shall be those of either two authorized Board members or one authorized Board member and the Chief Executive Officer. In the absence of the Chief Executive Officer, the Chief Operations Officer is authorized to sign checks. The Board shall determine which Board members are authorized signers, and on which accounts they are authorized to sign. No checks shall be signed prior to the check being completed in its entirety (no signing of blank checks). With the exception of payroll checks created by the Agency's third-party payroll contractor, no signatures other than hand-written, original signatures shall be affixed to any Agency check.

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.

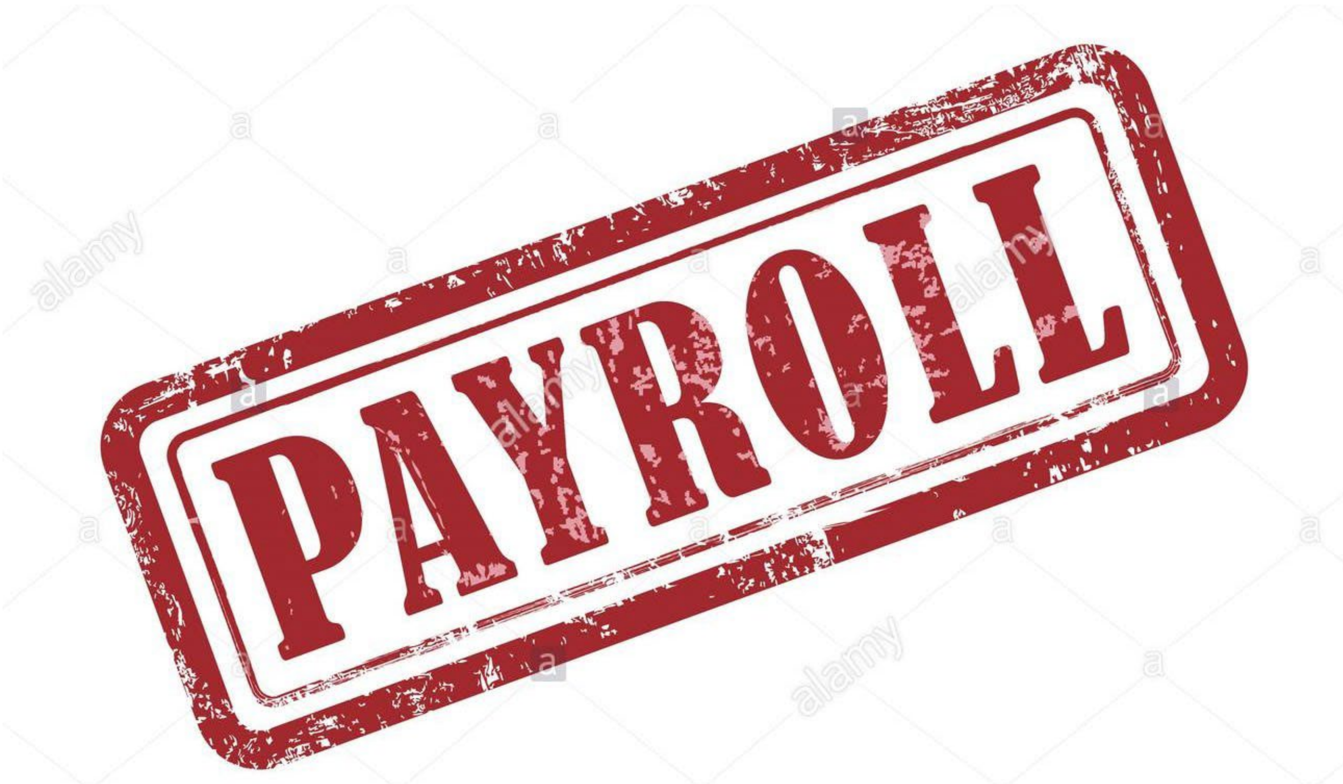
Mailing of Checks

After signature, checks are processed for immediate mailing. This task shall be performed by an individual (Internal Control Employee) who has not authorized the expenditures being paid nor been involved in the preparation of said checks.

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," and by removing and destroying the signature area of 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 on-line through the bank's online banking system by accounting personnel with this authority.



PAYROLL AND RELATED POLICIES

Classification of Workers as Independent Contractors or Employees

It is the policy of the Agency to consider all relevant facts and circumstances regarding the relationship between the Agency and the individual in making determinations about the classification of workers as independent contractors or employees. This determination is based on the degree of control and independence associated with the relationship between the Agency and the individual. Facts that provide evidence of the degree of control and independence fall into three categories:

1. Behavioral control
2. Financial control
3. The type of relationship of the parties

Facts associated with each of these categories that will be considered by the Agency in making employee/contractor determinations shall include:

1. Behavioral control:
    a. Instructions given by the Agency to the worker that indicate control over the worker (establishing an employee/employer relationship), such as:
        (1) When and where to work
        (2) What tools or equipment to use
        (3) What workers to hire or to assist with the work
        (4) Where to purchase supplies and services
        (5) What work must be performed by a specified individual
        (6) What order or sequence to follow
    b. Training provided by the Agency to the worker (i.e. employees typically are trained by their employer, whereas contractors typically provide their own training)

2. Financial control:
    a. The extent to which the worker has unreimbursed business expenses (i.e. employees are more likely to be fully reimbursed for their expenses than is a contractor)
    b. The extent of the worker's investment in the facilities/assets used in performing services for the Agency (greater investment associated with contractors)
    c. The extent to which the worker makes services available to the relevant market
    d. How the Agency pays the worker (i.e. guaranteed regular wage for employees vs. flat fee paid to some contractors)
    e. The extent to which the worker can realize a profit or loss

3. Type of Relationship:

    a. Written contracts describing the relationship the Agency and the individual intend to create,
    b. Whether the Agency provides the worker with employee-type benefits, such as insurance or any type of paid leave
    c. The regularity and length of the relationship
    d. The extent to which services performed by the worker are a key aspect of the regular business of the Agency

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” or 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, such person shall be subject to all Human Resources policies and procedures.

Payroll Administration

The Agency operates on a bi-weekly payroll. For all Agency employees, a personnel file is established and maintained with current information and relevant historical documentation, as described throughout this section and more fully described in the Agency's Personnel Policies and Procedures Manual.

The following forms, documents and information shall be obtained and included in the personnel files of all new employees:

1. The Agency Employment Application
2. Applicant references (work & personal)
3. Interview questions and answers
4. Form W-4 Employee Federal Withholding Certificate
5. Form I-9 Employment Eligibility Verification (under separate file)
6. Copy of driver’s license
7. Copy of Social Security card issued by the Social Security Administration
8. Hire date and scheduled hours
9. Job title, description, pay grade, and starting salary
10. Information about any applicable benefits
11. Authorization for direct deposit of paycheck, along with a voided check or bank letter

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

An employee’s personnel file is the sole property of the Agency and the contents therein, unless otherwise prescribed by law, shall not be made available to any person, including the employee, without the express permission of the Chief Executive Officer. Each file contains a log of persons gaining access to the file.

Changes in Payroll Data

It is the policy of the Agency that 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
7. Changes in program allocation

New hires, terminations, and changes in salaries or pay rates shall be authorized in writing by the appropriate Division Director with final authorization by the Chief Executive Officer.

Changes to the salary of the Chief Executive Officer shall be approved by the Board of Directors.

Voluntary payroll deduction shall be authorized in writing by the individual employee. Changes in federal income tax withholding status must be made by completing a Form W-4.

Documentation of all changes in payroll data shall be maintained in each employee's personnel file.

Payroll Taxes

The Finance Department is responsible for ensuring all required tax forms are properly completed and submitted, and that all required taxes are withheld and paid. The Finance department may utilize the services of a third-party payroll service center for the processing of payroll, as determined by the Chief Executive Officer.

It is the policy of the Agency to obtain an updated Form W-4 from each employee in January of each year. Withholding of federal income taxes shall be based on the most current Form W-4 provided by each employee.

Preparation of Timesheets

Each Agency employee shall submit to the Payroll Specialist a signed and approved timesheet no later than 9:30 am on the 1st day following the close of each pay period. Timesheets shall be prepared in accordance with the following guidelines:

1. Each timesheet shall reflect all hours worked during the pay period
2. Timesheets shall be prepared and approved in payroll software
3. Errors shall be corrected by sending an email to appropriate supervisors
4. Employees shall identify and record hours worked based on the nature of the work performed
5. Compensated absences should be clearly identified as such. An authorized Leave Request shall accompany the timesheet when such absences: a) require adjustment to the employee's accrued leave hours; b) are for specific types of leave as set forth in the Agency Personnel Policies and Procedures; or c) the leave is to be voluntarily uncompensated
6. Timesheets shall be approved in payroll software by the employee and supervisor prior to submission

Each employee shall submit, along with their completed timesheet, an Agency-approved personnel activity report (Form 211) which expressly lists the program activities, and to which funding source those activities should be charged. When Payroll has extracted necessary data from this form, it is forwarded to the Support Specialist, who prepares a cost allocation analysis report using the data. This report is used to analyze, augment, and/or adjust the cost allocation plan on a schedule determined by policy.

After preparation, timesheets shall be approved and signed by Department Directors or their designees, prior to submission to the Payroll Specialist. Corrections identified by an employee's supervisor shall be authorized by the employee.

An Agency employee who is on leave, on travel, or is ill on the day that timesheets are due may telephone or e-mail timesheet information to his/her supervisor. Information submitted in this manner must reflect the actual time worked and any appropriate notations. The employee must sign a timesheet submitted in this manner immediately upon his/her return to the office. Timesheets submitted in this manner shall bear the following notation: "Time reported via telephone or e-mail by employee to supervisor." The timesheet shall be signed by the supervisor.

Altering or falsifying time records, recording time on another employee's time record, or willfully violating any other timesheet policy or procedure may result in disciplinary action, up to and including termination.

Processing of Timesheets

Supervisors review timesheets for personnel in their charge. After approval, the timesheets are submitted to the Payroll Specialist for review through the third-party payroll contractor's software.

Review of Payroll

The Payroll Specialist prepares *Register Prior to Processing* report from all timesheet and allocation data. This report is submitted to an appropriate Internal Control Employee for review.

The Payroll Specialist electronically submits the payroll to the payroll service provider. The payroll data is processed by the payroll service provider and the entire data packet is returned to the Agency electronically. The Payroll Specialist uses the processed data to prepare the *Labor Distribution* report. This report is delivered to the Assistant Finance Director who uses the information to make the required transfer of funds to cover payroll expenses.

The payroll service provider delivers to the Agency via secure carrier, two sealed packages containing the final payroll. One is a collection of reports, and the other contains pay stubs and any live checks. One of the payroll reports is the *Final Payroll Register.* The reports are delivered to the Assistant Finance Director who shall secure them until needed. The stubs and/or live checks are delivered to an appropriate Internal Control Employee who shall secure them until needed.

Prior to the distribution of the payroll payments, the Chief Financial Officer will review the *Register Prior to Processing*, the *Labor Distribution* and, the *Final Payroll Register* reports to verify they have calculated the same payroll liability to the Agency. The Executive Director, as a part of the Agency's fraud prevention procedures, will inspect the three reports to verify and attest to their consistency.

Distribution of Payroll

The final payroll, as delivered from the payroll service provider may include live checks and/or check stubs for electronic deposits. Any documents requiring distribution to employees shall only be distributed by an appropriate Internal Control Employee who does not control any aspect of the preparation of payroll.

Payroll Tax Returns

Federal and all applicable state payroll tax returns are prepared by the Agency's external Payroll Service Center. The Agency shall verify, on a regular basis, that the returns filed by the payroll service provider are consistent with those reports received by the taxing entity.

Third-party contracted workers

In the event the Agency contracts for the services of personnel such as the MET program, those workers will be subject to the Policies and Procedures that pertain to any other non-employee and any policies which are deemed necessary, such as mandatory training and safety issues.

END OF PAYROLL POLICIES

POLICIES PERTAINING TO SPECIFIC ASSET AND LIABILITY ACCOUNTS

CASH AND CASH MANAGEMENT

Cash Accounts at Banks

Accounts Payable Bank Account:

The Accounts Payable bank account provides for routine business check disbursements.

Payroll Account:

The payroll account is separate. As such, only the amount needed for the payroll and all payroll liabilities to cover each payroll is transferred into this account from the appropriate grant/ program account, based on the amount calculated and communicated by the outside payroll service center.

Transfers from the Accounts Payable account into the payroll account are initiated by the Assistant Finance Director and approved by the Chief Financial Officer.

Authorized signers on the payroll account will be the same as those on the accounts payable account.

Bank Reconciliations

Reconciliation between the bank balance and general ledger balance may not be conducted by an individual who is an authorized check signer on said account. It is the policy of the Agency to complete the bank reconciliation process within two weeks of receipt of each bank statement.

Bank reconciliations are prepared by the Assistant Finance Director on a monthly basis. Any adjusting journal entries resulting from preparing bank reconciliations are prepared by the Chief Financial Officer.

Bank reconciliations and copies of resulting journal entries are filed in the current year's accounting files. Copies of canceled checks are included with bank statements in either an electronic format or in paper form, depending on the financial institution.

Cash Flow Management

The Chief Financial Officer monitors cash flow needs on a weekly basis to ensure that payment obligations can be met. Fund transfers between bank accounts are performed when needed and authorized.

Stale Checks

It is the policy of the Agency to write off checks of $1,000 or less that are more than 6 months old that have not cleared the Agency's bank. For uncashed checks that are more than 6 months old and that exceed $1,000, contact will be made with the payee to resolve the issue.

All stale checks that are written off shall be credited to the same expense or asset account that was debited when the check was written, or the expenditure incurred.

PREPAID EXPENSES

Accounting Treatment

It is the policy of the Agency to treat payments of expenses that have a time-sensitive future benefit as prepaid expenses and to amortize these items over the corresponding time period. For purposes of this policy, payments of less than $500 shall be expensed as paid and not treated as prepaid expenses, regardless of the existence of a future benefit.

Prepaid expenses with future benefits that expire within one year from the date of the financial statements shall be classified as current assets. Prepaid expenses that benefit future periods beyond one year from the financial statement date shall be classified as non-current assets.

Procedures

As part of the account coding process performed during the processing of accounts payable, all incoming contractor 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.

CAPITAL ASSET MANAGEMENT

Capitalization Policy

Physical assets acquired with unit costs in excess of $5000 are capitalized on the financial statements. Items with unit costs below this threshold shall be expensed in the year purchased.

Contributed Assets

Assets with fair market values in excess of $5000 (per unit, on the day of delivery) that are contributed to the Agency shall be capitalized on the financial statements. Contributed items with market values below this threshold shall be posted in the year received.

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.

Maintenance of a Capital Assets Listing

All capitalized assets, whether they be fixed assets, intellectual property, real property, or major equipment, shall be recorded within the Capital Assets List. This list shall include the following information with respect to each asset:

1. Inventory Tag Number
2. Item Description
3. Model Number
4. Serial Number
5. Acquisition Cost
6. Acquisition Date
7. Source Award Number
8. Federal Interest Status
9. Federal Interest Percentage
10. Item Status
11. Item Condition
12. Age
13. Useful Life
14. Disposition Information
15. Location

A physical inventory of all assets capitalized under the preceding policies will be taken on an annual basis. This physical inventory shall be reconciled to the Capital Assets List and adjustments made as necessary. All adjustments resulting from this reconciliation will be approved by the Chief Financial Officer.

Capitalized assets are maintained by program and depreciations of said items are not to be included as operating expenses. Depreciation is calculated based on an item's estimated useful life using the straight-line method. For accounting and interim financial reporting purposes, depreciation expense will be recorded on an annual basis.

Repair of Capital 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 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, any remaining non-depreciated portion of the original cost of the property shall also be depreciated over its new, extended useful life.

Disposing of Capital 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 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 and a gain if the money received is more than the book value.

ACCRUED LIABILITIES

Identification of Liabilities

The finance 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 may be accrued by the Agency at the end of an accounting year are:

Salaries and wages
Payroll taxes
Personal leave (see policy below)
Rent
Insurance
Maintenance contracts
Notes payable

In addition, the Agency 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 at least annually.

Personal Leave

The Chief Financial Officer will adjust the personal leave potential liability on the financial statements at year end. See personnel policy #380 for details of the personal leave policy.

NOTES PAYABLE

Record-Keeping

It is the policy of the Agency to maintain 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

An amortization schedule shall be maintained 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 of the Agency. 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 the accounting year.

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.

Non-Interest-Bearing Notes Payable

Community Services of Northeast Texas, Inc. may from time to time receive notes payable that do not require the payment of interest, or that require the payment of a below-market rate of interest for the type of obligation involved. In such cases, it shall be the policy of the Agency to record contribution income for any unpaid interest.

For demand loans, recording of interest expense and contribution income shall be performed at the end of each accounting period, based on the outstanding principal balance of the loan during that period, multiplied by the difference between a normal interest rate for that type of loan and the rate, if any, that is required to be paid by the Agency.

For loans with fixed maturities or payment dates, the note payable shall be recorded at the present value of the future principal payments, using as a discount rate the difference between a normal interest rate for that type of loan and the rate, if any, that is required to be paid by the Agency. The difference between the cash proceeds of the note and the present value shall be recorded as contribution income in the period the loan is made. Thereafter, interest expense shall be recorded in each accounting period using the effective interest method, with the corresponding credit entry increasing the note payable account to reflect the amount(s) that shall be repaid.

POLICIES ASSOCIATED WITH FINANCIAL AND TAX REPORTING

FINANCIAL STATEMENTS

Standard Financial Statements of the Agency

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 Agency. Financial statements may reflect year-to-year historical comparisons or current year budget to actual comparisons.

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

1. **Statement of Financial Position** - reflects assets, liabilities and net assets of the Agency and classifies assets and liabilities as current or non-current/long-term. A Statement of Financial Position is prepared at year end as part of the annual audited financial statements.

2. **Statement of Activities** - presents support, revenues, expenses, and other changes in net assets of the Agency, by category of net asset (unrestricted, temporarily restricted and permanently restricted). A Statement of Activities is prepared on a monthly basis and at year end as part of the annual audited financial statements.

3. **Statement of Cash Flows** - reports the cash inflows and outflows of the Agency in three categories: operating activities, investing activities, and financing activities. A Statement of Cash Flows is prepared on an annual basis as part of the audited financial statements.

Frequency of Preparation

The objective of the finance department is to prepare accurate financial statements in accordance with generally accepted accounting principles and distribute them in a timely and cost-effective manner. In meeting this responsibility, the following policies shall apply:

A standard set of financial statements described in the preceding section shall be produced on a monthly basis prior to the monthly Board meeting. The standard set of financial statements described in the preceding section shall be supplemented by the following schedules:

1. Individual statements of activities on a departmental and functional basis (and/or program/grant basis)
2. Comparisons of actual year-to-date revenues and expenses with year-to-date budgeted amounts

The monthly set of financial statements shall be prepared on the accrual method of accounting, including all receivables, payables, and annual adjustments for depreciation expense.

Review and Distribution

All financial statements and supporting schedules shall be reviewed and approved by the Chief Financial Officer prior to being issued by the Finance department.

After approval by the Chief Financial Officer, a complete set of monthly financial statements, including the supplemental schedules described above, shall be distributed to the following individuals:

1. Chief Executive Officer
2. Department Directors and any other employee with budget-monitoring responsibilities
3. Finance Committee
4. Board of Directors

Financial statements may include an additional supplemental schedule prepared or compiled by the Chief Financial Officer.

GOVERNMENT RETURNS

Overview

To legitimately conduct business, the Agency 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 the Agency include, but are not limited to, filing annual information returns with IRS.

Filing of Returns

It is the policy of the Agency to become familiar with the obligations in each jurisdiction and to comply with all known filing requirements. The Chief Financial Officer shall be responsible for identifying all filing requirements and assuring that the Agency is in compliance with all such requirements.

It is also the policy of the Agency to file complete and accurate returns with all authorities. The Agency shall make all efforts to avoid filing misleading, inaccurate or incomplete returns.

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

Form 990 - Annual information return of tax-exempt organizations, filed with IRS. Form 990 for the Agency 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 by filing Form 8868. Upon expiration of the first 3-month extension, a second 3-month extension may be requested using Form 8868.

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.

Form 940 - Annual federal unemployment tax return filed with IRS, for all employers [other than charitable organizations exempt from FUTA (but not necessarily state unemployment tax) under IRC section 501(c)(3)], due January 31.

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.

Form 269 – June 30th, December 31st, and February 28th

Form 272 – 45 days after quarter end.

CSBG Monthly Financial Statement – 15th day of the subsequent month

CEAP Monthly Financial Statement – 15$^{th\ day}$ of the subsequent month

The Agency's fiscal and tax year-end is September 30. All annual tax and information returns of the Agency (Form 990) are filed on the accrual basis of reporting.

Federal and all applicable state payroll tax returns are prepared by the Agency's external Payroll Service Center.

It is the policy of the Agency to comply with all state payroll tax requirements by withholding and remitting payroll taxes to the state of residency of each Agency employee.

Public Access to Information Returns

The Agency 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)

2. The Agency's recognition of its tax-exempt status (Form 1023 or Form 1024), filed with IRS, and all accompanying schedules and attachments

It is the policy of the Agency to adhere to the following guidelines in order to comply with the preceding public disclosure requirements:

Community Services of Northeast Texas, Inc. is a non-profit entity that is eligible to receive funds under the Federal Community Services Block Grant Program and is authorized by the State of Texas to service a geographic area of the state; thereby making it subject to the Public Information Act.

All copies of documents requested by anyone, other than those provided to the Members of the Board of Directors or Policy Council for the purpose of conducting normal Agency business shall be processed according to the Public Information Act and thereby subject to the allowable costs as outlined in the Public Information Act.

In accordance with the Texas Administrative Code Title 1 – Part 3 – Chapter 70 – Rule §70.9, the following rate schedule has been adopted:

Fewer than 50 pages of paper records - $.10 per copy (standard-size paper copies)
More than 50 pages of paper records - $.10 per copy
(standard-sized paper copies)
Plus the actual cost of postage if applicable

The total amount incurred for the copies of records and postage, if applicable, shall be due upon receipt of the requested documents.

4. After payment is received by the Agency, all requested copies shall be shipped to requesters within 30 days. Making of all copies and shipping within the 30-day time period shall be the responsibility of the finance department.

5. For requests for copies made in person during normal business hours, copies shall be provided while the requester waits, time permitting, subject to collection of applicable fees.

6. The Agency shall accept certified checks and money orders for such payments.

POLICIES PERTAINING TO FEDERAL AWARDS

Administration of Federal Awards

Definitions

The Agency 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: An agreement between the Agency and a funding source that includes the terms under which the grant or award will be administered.

Preparation and Review of Proposals

Individual divisions or programs are responsible for preparing proposals for projects that the Agency intends to pursue. All proposals shall be reviewed by the Chief Financial Officer prior to submission to government agencies or other funding sources to ensure the proposed budget includes all appropriate costs.

Final proposals and grant applications shall be reviewed and approved in writing by the Board of Directors and/or the Chief Executive Officer, as directed by the funding source.

The full Board (or appropriate Board committee) will approve acceptance of all grants.

The full Board will be involved in all decisions concerning new funding sources.

The Agency may refuse to consider grants based on the cost/benefit of administering such awards.

"Proposal costs of the current accounting period of both successful and unsuccessful bids and proposals normally should be treated as indirect costs and allocated currently to all activities." (2 CFR Part 200.460)

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 Chief Financial Officer shall review the terms, time periods, award amounts and expected expenditures associated with the award. A CFDA (*Catalog of Federal Domestic Assistance*) 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 as required. 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.

Billing and Financial Reporting

The Agency's primary source of revenue are:

- Reimbursement grants – Billed monthly, or as funders require, based on allowed, incurred expenses
- Federal/State grants – Funds are received once funding is approved, per grant regulations
- Fee-for-service income – Billed according to contract requirements based on number of units or services provided
- Private grants – Funds are usually received once funding is approved. Financial expenditure reports, if required, are submitted as required by funding source.
- Donations/Contributions – May be solicited or unsolicited

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

The Agency 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 Officer, subject to review and approval by the Chief Executive Officer.

The following policies shall apply to the preparation and submission of billings to federal agencies under awards made to the Agency:

1. It is the policy of the Agency to request reimbursement after expenditures have been incurred, unless an award specifies another method.

2. The Agency will strive to minimize the time between receipt and disbursement of grant funds as administratively feasible (2 CFR Part 200).

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 invoice amounts.

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

The Agency shall maintain separate billing records in addition to the official general ledger accounting records. Billing records shall be reconciled to the general ledger on a monthly basis.

At the time invoices (requests for reimbursement) are prepared, revenue and accounts receivable shall be recorded on the books of the Agency by the Chief Financial Officer.

If a federal award authorizes the payment of cash advances to the Agency, the Chief Financial Officer may request that a request for such an advance be made. Upon receipt of a cash advance from a federal Agency, the Agency shall reflect a liability equal to the advance. As part of the monthly close-out and invoicing process, the liability shall be reduced, and revenue recognized, in an amount equal to the allowable costs incurred for that period.

Cash drawdowns of Advances

Cash drawdowns from federal agencies shall be made as needed in conjunction with the accounts payable and payroll schedule, based on need. All federal funds shall be deposited into an interest-bearing cash account under the cash receipts policies and procedures described in this manual. The Agency requires that federal funds will be disbursed within 24 hours of receipt using the following process:

1. The Chief Financial Officer determines which checks will be printed
2. The Chief Financial Officer only selects those expenditures which have been properly approved
3. The Chief Financial Officer draws down the cash required
4. The Accounting Clerk prints the checks selected by the Chief Financial Officer
5. The Accounting Clerk prepares the checks for signing, including a list of payee's and amounts
6. The Chief Financial Officer posts (approves) the printed checks in the accounting software
7. The checks, backup, and check list are forwarded to the proper authorized check signers

Accounts Receivable Entry Policies

Where necessary, individuals independent of the cash receipts function shall post customer invoices, credit adjustments, and other adjustments to the accounts receivable subsidiary ledger.

Classification of Income and Net Assets

All income received by the Agency 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 donations received from donors requesting that the funds be permanently restricted for specific purposes.

As with all temporarily restricted net assets, when the restriction associated with the contribution has been met (due to the passing of time or the use of the resource for the purpose designated by the donor), the Agency will reclassify the related assets from “temporarily restricted” to “unrestricted” in its Statement of Financial Position and reflect the reclassification as an activity in its Statement of Activities.

Procurement under Federal Awards

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

1. The Agency 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, procurement records and files shall be maintained to 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. The Agency shall make all procurement files available for inspection upon request by a Federal Awarding Agency.

6. All contracts with contractors shall require the contractor 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 the Agency 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 Agency 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.

Solicitations of Bids from Contractors

All purchases in excess of $5,000 but less than $25,000 shall be made by obtaining oral or written quotations from at least two responsible contractors.

All purchases of at least $25,000, but less than $100,000, shall be made by obtaining written quotations from at least three responsible contractors.

All purchases of $100,000 or more shall be made by obtaining competitive proposals from at least three responsible contractors. Sealed bids shall be utilized when required by the Federal awarding Agency.

The Agency shall not utilize the “cost-plus-a-percentage-of-cost” method of contracting with contractors.

All other policies and procedures associated with procurement under Federal awards shall be governed by the policies applicable to all purchases of the Agency, described in the section of this manual on “Policies Associated with Expenditures and Disbursements.”

Equipment and Furniture Purchased With Federal Funds

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 the Agency, described under Asset Management.

All purchases of “equipment” with federal funds shall be approved in advance in writing by the federal awarding Agency. In addition, the following policies shall apply regarding equipment purchased and charged to federal awards:

1. Any equipment that is owned by the Federal government and given to the Agency for use in a program shall be marked as such.

2. Adequate insurance coverage will be maintained with respect to equipment and furniture charged to Federal awards.

3. A physical inventory of all equipment purchased with federal funds shall be performed at least once annually. The results of the physical inventory shall be reconciled to the accounting records of and federal reports filed by the Agency.

Standards for Financial Management Systems

In accordance with 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, it is the policy of the Agency to maintain a financial management system that provides for the following:

1. Identification, in all its accounts, of all Federal awards received and expended and the Federal programs under which they were received.

2. 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 Parts 200.327, Financial Reporting, and 200.328, Monitoring and Reporting Program Performance, and/or the award.

3. Records that identify adequately the source and application of funds for federally funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income, and interest, and be fully supported by source documentation.

4. Effective control over and accountability for all funds, property and other assets. The Agency must adequately safeguard all such assets and assure they are used solely for authorized purposes.

5. Comparison of outlays with budget amounts for each award.

6. Information that relates financial data to performance accomplishments and demonstrates cost effective practices as required by funding sources. (2 CFR Part 301, *Performance Measurement*)

7. Written procedures to minimize the time elapsing between the transfer of funds and disbursement by the Agency. Advance payments must be limited to the minimum amount needed and be timed to be in accordance with actual, immediate cash requirements. (2 CFR Part 200.305 *Payment*)

8. Written procedures for determining the reasonableness, allocability and allowability of costs in accordance with the provisions of the 2 CFR Part 200, Subpart E, *Cost Principles* and the terms and conditions of the award.

Document Administration

For each grant/award/contract received by the Agency from a federal, state, or local government agency, a master file of documents applicable to the award shall be prepared and maintained. The responsibility for assembling each master file shall be assigned to the designated SPA assigned to administer the program.

The master file assembled for each government award shall include all of the following documents, including originals (where possible) of all documents received from the awarding entity:

1. Copy of the initial application for the award and corresponding budget

2. All correspondence to and from the awarding agency post-application, leading up to the award

3. The final, approved budget and program plan, after making any modifications

4. The grant agreement and any other documents associated with the initial making of the award

5. Subsequent grant modifications (financial and programmatic)

6. Copies of program and financial reports

7. Subsequent correspondence to/from the awarding agency

8. Notices of any monitoring visits to be conducted by the awarding agency

9. Correspondence and other documents resulting from the closeout process of the award

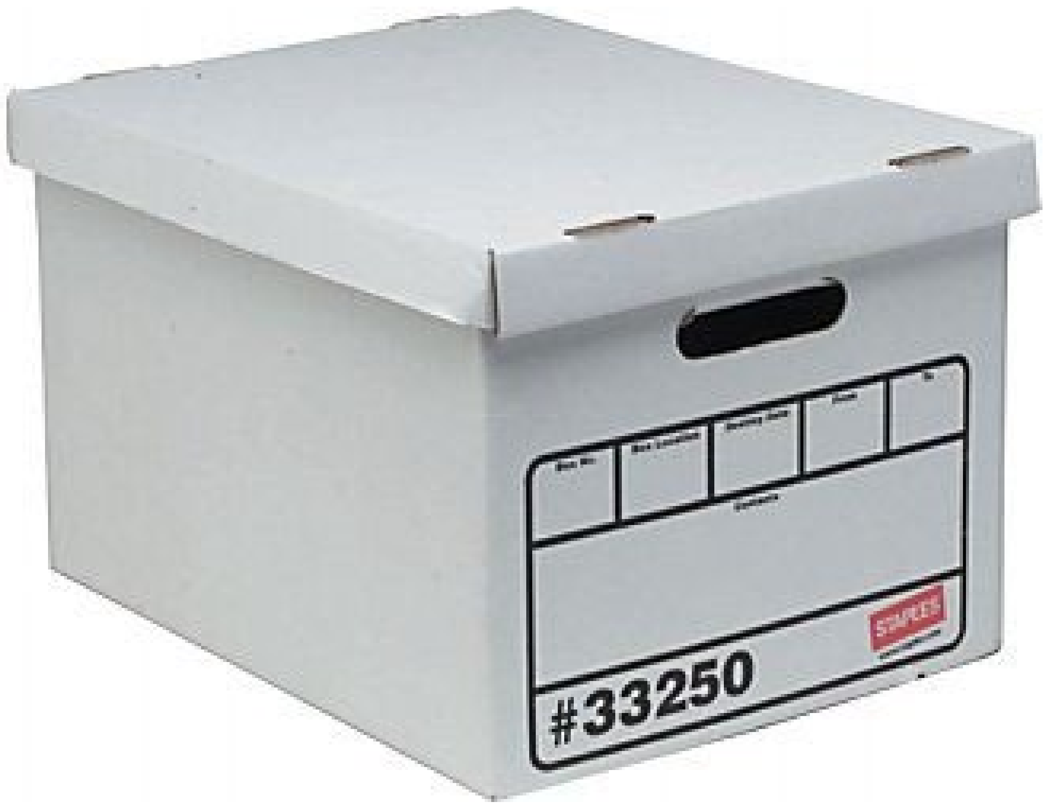
Close Out of Federal Awards

The Agency shall follow the close out procedures described in 2 CFR Part 200.343-345, Closeout, and in the grant agreements as specified by the granting Agency.

The Agency shall liquidate all obligations incurred under the grant or contract within 90 days of the end of the grant or contract agreement.

CSNT

Community Services of Northeast Texas, Inc.



RECORDS RETENTION POLICY

Paper Records

The following guidelines will ensure adequate record keeping while making the most efficient use of valuable office and storage space. The retention periods listed here are based on the needs of the organization and requirements set forth by the various funding sources and may need to be modified from time to time.

RM CODES: All retention periods begin as of the 'store' date, that is, the date the records are removed from the current filing system and archived in a storage facility. On the day a box is given a code number, added to the RM List, the box is given the appropriate RM code. Files are kept 'current' for two years after the close of any particular program, calendar period, or fiscal period prior to receiving an RM code and being added to storage. RM Code 99 is given to all information that gives an overview of the Agency's activities in perpetuity. This includes, but is not limited to employee records, real estate records, annual reports, and audits.

99 = Permanent 7 = seven years 5 = five years 3 = three years 1= one year

All records, except those expressly designated as not necessary to retain, shall have an RM Code of 3.

TYPE OF RECORD	RM CODE
Accident reports/claims (settled Cases)	7
Accounts payable ledgers and schedules	7
Accounts receivable ledgers and schedules	7
Audit reports	99
Bank reconciliations	3
Bank Statements	3
Chart of Accounts	99
Cancelled Checks (Regular purchases)	7
Cancelled Checks (Capital Asset purchases)	99
Contracts, notes and leases:	
Expired	7
Still in effect	99
Correspondence:	
General and/or routine	3
Legal and matters relating to capital expenditures	99
Deeds, mortgages and bills of sales	99
Depreciation schedules	99
Duplicate deposit slips	3
Employee time records	7
Employment applications (persons not hired)	1
Expense analyses/expense distribution schedule	7
Financial statements:	
Year end	99
Other	3

Garnishments	7
General ledgers/year end trial balance	99
Head Start / Early Head Start:	
Children's files	3
Children's attendance records	3
In-kind	3
USDA	3
Insurance policies (expired)	3
Insurance records (policies, claims, etc.)	99
Internal audit reports	7
Internal reports	3
Inventories of products, materials and supplies	7
Invoices (to customers, from contractors)	7
Journals	99
Minute books of governing bodies	99
Notes receivable ledgers and schedules	7
Nutrition client files	7
Payroll records and summaries	7
Personnel records	99
Personnel medical records	99
Petty cash vouchers	3
Physical inventory tags	3
Property records (incl. depreciation schedules)	99
Property records (Capital Asset information)	99
Purchase requisitions:	
Purchasing department copy	7
Other copies	3
Receiving sheets	3
Retirement and pension records	99
Requisitions	3
Sales records	7
Sign-in sheets (visitors)	3
Subsidiary ledgers	7
Tax returns and worksheets, examination reports and other documents relating to determination of income tax liability	99
TDHCA Client files	7
Trademark registrations and copyrights	99
Training manuals (no longer in use)	3
Voucher register and schedules	7
Withholding tax statements	7

Electronic Records

Electronic records shall be maintained according to paper record retention policies.