

**South Central Missouri Community Action
Agency**

**Accounting & Financial
Policies and Procedures Manual**

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INTRODUCTION

This manual is intended to provide an overview of the accounting and financial policies and procedures for South Central Missouri Community Action Agency, which will also be referred to as “the Organization” or “SCMCAA)” throughout this manual.

South Central Missouri Community Action Agency is incorporated in the state of Missouri. South Central Missouri Community Action Agency is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) as a nonprofit corporation.

This manual documents the financial operations of the Organization. Its primary purpose is to formalize accounting and financial policies and selected procedures for key accounting areas and functions and to document financial internal controls.

If a particular award has provisions that are more restrictive than those in this manual, the more restrictive provisions will be followed only for that award.

Effective Date(s) of Accounting and Financial Policies

The effective date of all accounting and financial policies described in this manual is October 17, 2023. If a policy is added or modified subsequent to this date, the effective date of the new/revised policy will be indicated parenthetically immediately following the policy heading.

The contents of this manual were approved as official policy and documented procedures of the entity by the Board of Directors, Executive Director, and Finance Director. All South Central Missouri Community Action Agency staff members are bound by the policies and procedures.

Fiscal Year-End of Entity

South Central Missouri Community Action Agency will operate on a fiscal year that begins on October 1 and ends on September 30. Any changes to the operating year of the entity must be ratified by majority vote of South Central Missouri Community Action Agency’s Board of Directors.

Basis of Accounting

South Central Missouri Community Action Agency’s fiscal year-end financial statements are prepared using the accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP).

Software Solutions

Accounting transactions will be processed and reports produced using MIP Fund Accounting Software.

GENERAL POLICIES

ORGANIZATION STRUCTURE

The Role of the Board of Directors

South Central Missouri Community Action Agency is governed by its Board of Directors, which is responsible for the financial oversight of the entity by:

1. Planning for the future.
2. Establishing broad policies, including financial and personnel policies and procedures.
3. Approving award applications.
4. Hiring and communicating with the independent auditor.
5. Reviewing and approving the annual audit.
6. Reviewing financial information.
7. Identifying and proactively dealing with emerging issues.
8. Interpreting the entity's mission to the public.
9. Soliciting prospective contributors and supporters.
10. Hiring, evaluating, and working with the Executive Director.
11. Establishing and maintaining programs and systems designed to ensure compliance with terms of contracts and awards.
12. Authorizing establishment of all bank accounts and authorized disbursement signers (check signers).
13. Authorizing all borrowings of funds and establishing financing arrangements (including credit card and charge accounts).

The Executive Director will be responsible for the day-to-day oversight and management of South Central Missouri Community Action Agency.

Board of Directors Committee Structure

The Board of Directors will form committees to assist the Board of Directors in fulfilling its responsibilities. These committees are responsible for the review of particular programs and providing recommendations to the full Board of Directors. Standing Board of Directors -level committees of South Central Missouri Community Action Agency consist of the following:

1. Executive Committee
2. Finance Committee
3. Nominating Committee
4. Personnel Committee

Finance Committee Responsibilities

The Finance Committee is responsible for direction and oversight regarding the overall financial management of South Central Missouri Community Action Agency. Functions of the Finance Committee include:

1. Review and recommendation of the entity's annual budget (prepared by the staff) for final approval by the Board of Directors.
2. Long-term financial planning.
3. Establishment of investment policy and monitoring investment performance.
4. Evaluation and approval of facilities decisions (i.e., leasing, purchasing property).
5. Monitoring of actual vs. budgeted financial performance.
6. Oversight of reserve funds.
7. Review of financial procedures.
8. Recommend the hiring of an independent financial statement auditor.
9. Review and approve the final audited financial statements.

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

The Roles of the Executive Director and Staff

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

Program directors are responsible for hiring employees to work in that department with approval from the Executive Director. All employees within a department will report directly to that program's Director, who will be responsible for managing and evaluating all employees within the department.

FISCAL DEPARTMENT OVERVIEW

Department Responsibilities

The primary responsibilities of the Fiscal Department consist of:

- General ledger transactions and reconciliations
- Entity-wide budgeting

- Cash and investment management
- Asset management
- Grants and contracts administration
- Procurement, purchasing
- Receivables management
- Invoicing and billing
- Receipts
- Accounts payable
- Disbursements
- Payroll
- Financial statement preparation
- External reporting of financial information
- Bank reconciliation
- Reconciliation of subsidiary ledgers
- Compliance with government financial reporting requirements
- Annual financial statement audit and financial monitoring visits
- Leases
- Insurance and risk management
- Financial record retention

INTERNAL CONTROLS

System of Internal Controls

The financial policies and procedures in this manual provide one piece of South Central Missouri Community Action Agency's system of internal controls. The policies and procedures in this manual reflect decisions made by the Board of Directors and management and the procedures reflect the steps or actions to implement a policy. The entity's system of internal control is affected by all its employees and directors and is designed to provide reasonable assurance regarding the achievement of the entity's reporting, operating, and compliance objectives.

In accordance with Standards for Financial Management Systems, the entity will provide effective control over and accountability for all funds, property, and other assets. South Central Missouri Community Action Agency will adequately safeguard all such assets and ensure they are used solely for authorized purposes.

Standards for Financial Management Systems

In accordance with federal grant regulations (commonly referred to as Uniform Guidance), South Central Missouri Community Action Agency maintains a financial management system that provides for the following. Specific procedures to carry out these standards are detailed in the appropriate sections of this manual.

1. Identification, in all its accounts, of federal awards received and expended and the federal programs under which they were received.
2. Provide 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 200.328 (45 CFR Part 75.341), Financial Reporting, and 200.329 (75.342, Monitoring and Reporting Program Performance, and/ or the award.
3. Maintain records that identify adequately the source and application of funds for federally funded activities. These records will contain information pertaining to federal awards, authorizations, financial obligations, unobligated balances, assets, expenditures, revenue, and interest, and be fully supported by source documentation.
4. Establish effective control over and accountability for all funds, property, and other assets. South Central Missouri Community Action Agency will adequately safeguard all such assets and ensure they are used solely for authorized purposes.
5. Prepare comparison of expenditures with budget amounts for each award.
6. Establish written procedures to minimize the time elapsing between the transfer of funds to and disbursement by South Central Missouri Community Action Agency. Advance payments will be limited to the minimum amount needed and be timed to be in accordance with actual, immediate cash requirements.
7. Establish written procedures for determining the reasonableness, allocability, and allowability of costs in accordance with the provisions of the 2 CFR Part 200 (45 CFR Part 75) Subpart E, Cost Principles, and the terms and conditions of the award.

BUSINESS CONDUCT

Practice of Ethical Behavior

South Central Missouri Community Action Agency requires Board of Directors members, committee members, and employees to observe high standards of business and personal ethics in the conduct of their duties and responsibilities, and all directors, committee members, and employees to comply with all applicable laws and regulatory requirements. Unethical actions, or the appearance of unethical actions, are unacceptable under any conditions. The policies and reputation of South Central Missouri Community Action Agency depend to a large extent on the following considerations.

- Each employee must apply her or 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.
- Each employee is responsible for applying common sense in business decisions where specific rules do not provide all the answers.

Directors, Board of Directors members, Policy Council members, Committee members, managers, supervisors, employees, and volunteers must carefully weigh 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.

Confidentiality Policy

South Central Missouri Community Action Agency respects the privacy of its clients, former clients, donors, staff, and volunteers. As a basic component of business ethics, employees, volunteers, and Board of Directors members will take care to ensure that personal information, financial information, and proprietary information remain confidential and not be disclosed or discussed with anyone without permission or authorization from the Executive Director. Care should also be taken to ensure that unauthorized individuals do not overhear any discussion of confidential information and that documents containing confidential information are not left in the open or inadvertently shared.

Confidentiality is the safeguarding of privileged information. South Central Missouri Community Action Agency is provided with personal and private information, including protected personally identifiable information (PPH), to provide services to clients and participants. Unauthorized disclosure of confidential information could result in legal liability, damage to relationship with client, staff, and public. Violation of this policy and any statutes regarding confidentiality may result in termination of employment or other corrective action.

Compliance with Laws, Regulations, and Entity Policies

South Central Missouri Community Action 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.
- The disregard or circumvention of South Central Missouri Community Action Agency policy or engagement in unscrupulous dealings.

Employees should not attempt to accomplish by indirect means, through agents or intermediaries, that which is directly prohibited. The performance of all levels of employees will be measured against implementation of the provisions of these standards. Employees

will cooperate with management and authorities regarding any investigation into the violation of policies and statutes.

Debarment Disclosures

The officers, directors, or other persons with management or supervisory responsibilities who are in a position to handle federal funds, to influence or control the use of those funds, or who occupy a technical or professional position capable of substantially influencing the development or outcome of an activity required to perform will be required to complete a Debarment Certification.

SECURITY AND SAFETY

General Office Security and Safety

During normal business hours, all visitors are required to check in with the Receptionist. After hours, a security key is required for access to the offices of South Central Missouri Community Action Agency. Keys are issued only to employees of South Central Missouri Community Action Agency.

Fiscal Department

A lock will be maintained on the door leading into the South Central Missouri Community Action Agency's Fiscal Department. This door will be closed and locked in the evenings and whenever the Fiscal Department is vacant. The key to this lock will be provided to key accounting personnel and the Executive Director, and other personnel as approved by the Executive Director. The lock code will be changed whenever any of these individuals leaves the employment of South Central Missouri Community Action Agency.

South Central Missouri Community Action Agency's blank check stock will be stored in a file cabinet in the Fiscal Department. This cabinet will be locked with a key that is kept in the Fiscal Department.

Access to Electronically Stored Accounting Data

South Central Missouri Community Action Agency utilizes passwords to restrict access to accounting software, modules, and data. Only authorized finance personnel with data

input responsibilities will be provided login credentials for data entry capability in the system.

Finance personnel are expected to keep their passwords secret and to change their passwords on a regular basis. Administration of passwords will be performed by a responsible individual independent of programming functions.

Each password enables a user to gain access to only those software, module, and data files necessary for each employee's required duties. Periodically, South Central Missouri Community Action Agency performs a review of accounting software users to ensure they have the appropriate access levels. Unnecessary access will be rescinded.

Storage of Sensitive Data

In addition to accounting and financial data stored in the Fiscal 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 Fiscal Department.

The entity's policy is to minimize the storage of sensitive data outside the Fiscal Department by shredding documents with such data or deleting the sensitive data from documents that are stored outside the Fiscal Department as soon as possible.

Destruction of Consumer Information

All sensitive data must be securely stored and shredded when no longer needed. South Central Missouri Community Action Agency will also shred/delete all consumer information obtained by the entity for any reason. Shredding will be performed on a schedule determined by each department that possesses such data.

GENERAL LEDGER AND CHART OF ACCOUNTS

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

Chart of Accounts Overview

The chart of accounts is the framework for the general ledger system and the structure for financial reporting requirements. 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.

South Central Missouri Community Action Agency's chart of accounts is comprised of six types of accounts:

1. Assets
2. Liabilities
3. Net Assets
4. Revenues
5. Expenses
6. Interfund Transfers

Distribution of Chart of Accounts

All South Central Missouri Community Action Agency employees involved with account coding or budgetary responsibilities will be issued a current chart of accounts, or the section of the chart of accounts applicable to their program. As the chart of accounts is revised, an updated copy of the chart of accounts will be promptly made available to these individuals.

Control of Chart of Accounts

The Finance Director monitors and controls the chart of accounts, including all account maintenance, such as additions and deletions. Any additions or deletions of accounts must be approved by the Finance Director, who ensures that the chart of accounts is consistent with the entity structure of South Central Missouri Community Action Agency and meets the needs of each division and department.

Accounting Estimates

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

1. Allowance for doubtful accounts/ Uncollectible receivables/Provisions for losses/Promises to give
2. Amount of obsolete inventory
3. Useful lives and residual values of property and equipment
4. Fair market values of investments
5. Fair market values of donated assets
6. Values of contributed services
7. Cost allocation calculations
8. Fair values based on Level 3 inputs (i.e. based on unobservable inputs)
9. Lease discount rates

The Finance Director will reassess, review, and approve all estimates on a yearly basis. All conclusions, bases, and other elements associated with each accounting estimate will be documented in writing. All material estimates and changes in estimates will be disclosed to the Finance Committee and the external audit firm.

Disclosure regarding estimates will describe the nature of the estimate's uncertainty and will indicate that it is at least reasonably possible that a change in the estimate may occur in the near term (i.e. within one year of the date of the annual financial statements).

Journal Entries

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

1. Recording of noncash transactions
2. Corrections of posting errors
3. Nonrecurring accruals of revenue and expenses

Certain journal entries, called recurring journal entries, occur in every accounting period. These entries may include, but are not limited to:

1. Depreciation of capital assets
2. Amortization of prepaid expenses
3. Accruals of recurring expenses
4. Amortization of deferred revenue or refundable advances

Recurring journal entries will be supported by a schedule associated with the underlying asset or liability account or, in the case of short-term recurring journal entries or immaterial items, a journal voucher.

All journal entries not originating from subsidiary ledgers will be authorized in writing by the Finance Director by initialing or signing the entries.

Reconciliation of Accounts

To ensure the accuracy of the South Central Missouri Community Action Agency's financial reporting, the South Central Missouri Community Action Agency will prepare and document reconciliations of asset and liability general ledger accounts for each reporting period. Reconciliations will prove that the balances presented in the general ledger of the South Central Missouri Community Action Agency agree with independent supporting documentation (i.e. bank statements, physical inventory counts, lender records). Sub-

ledger accounts will be reconciled to its general ledger account (control account) each reporting period.

Reconciliations will be reviewed by the Finance Director or designated accounting staff who was not part of preparing the reconciliation or supporting documentation. Any discrepancies will be immediately investigated and resolved in a timely manner.

ADMINISTRATION OF FEDERAL AWARDS

Definitions

South Central Missouri Community Action Agency may receive financial assistance from a donor/awarding agency through awards and cooperative agreements. Throughout this manual, federal assistance received will be referred to as an award.

Preparation and Review of Proposals

Individual departments are responsible for preparing proposals for projects that the department intends to pursue. However, all proposals will be reviewed by the Finance Director prior to submission to government agencies or other funding sources to ensure the proposed budget includes all appropriate costs. All appropriate costs included in the application to the funding source will also include a request for funding to reimburse South Central Missouri Community Action Agency for a fair share of the entity's administrative, management, or other entity-wide administration (indirect) costs.

Funding opportunities will be evaluated by the Executive Director or designee to determine South Central Missouri Community Action Agency's capacity to comply with the award terms and conditions, the reporting requirements, alignment with the Organization's mission and strategic priorities, and the resource burden required to administer the funding. South Central Missouri Community Action Agency may refuse to consider awards based on its analysis of the cost/ benefit of administering such awards and all financial resources available to appropriately cover all reasonable costs.

If required by specific funding sources, the proposal will be reviewed and approved by the supported program's committee, council, advisory board, or equivalent. Final proposals will be reviewed and approved in writing by the Board of Directors and the Executive Director.

Post-Award Procedures

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

1. Verify the terms and conditions of the award or contract. The Fiscal Department and Program Directors will review the terms, performance and budget periods, award amounts, and expected expenditures associated with the award. An Assistance

Listings Number will be determined for each federal award. All reporting requirements under the contract or award will be summarized.

2. Create new general ledger account numbers. New accounts will be established for the receipt and expenditure categories in line with the award or contract budget and reporting requirements.
3. Gather documentation.

Compliance with Laws, Regulations, and Provisions of Awards

South Central Missouri Community Action Agency recognizes that as a recipient of federal funds, the entity is responsible for compliance with all applicable laws, regulations, and provisions of contracts and awards. To ensure that the entity meets this responsibility, the following policies apply with respect to every award 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 Grant Manager.
2. Each Grant Manager will attend a training on award management prior to beginning his or her role as a Grant Manager (or as early in their functioning as a Grant Manager as practical). Thereafter, all Grant Managers will attend refresher/update courses on grant management every two years.
3. The Grant Manager will take the following steps to identify all applicable laws, regulations, and provisions of each award and contract:
 - a. Read each award and identify key compliance requirements and references to specific laws and regulations.
 - b. Review the Office of Management and Budget (OMB) Compliance Supplement (updated annually) for compliance requirements unique to the award and for compliance requirements common to all federal awards.
 - c. Review the section of the Assistance Listing Number applicable to the award.
 - d. The Grant Manager will communicate award requirements to those who will be responsible for carrying them out or be impacted by them.
4. The Fiscal Department will forward copies of applicable grant regulations to the Grant Manager (such as OMB regulations, pertinent sections of compliance supplements, and other regulations).
5. The Grant Manager and/or the Fiscal Department will identify and communicate any special changes in financial policies and procedures deemed necessary by management as a result of the review of each award.
6. The Grant Manager will take all reasonable steps necessary to identify applicable changes in laws, regulations, and provisions of contracts and awards. Steps taken in this regard will include, but not be limited to, reviewing subsequent award and contract renewals, reviewing annual revisions to the OMB Compliance Supplement, and communications with federal awarding agency personnel.
7. The Grant Manager will inform the independent financial statement auditors of applicable laws, regulations, and provisions of contracts and awards. The Grant

Manager will also communicate known instances of noncompliance with laws, regulations, and provisions of contracts and awards to the auditors.

Document Administration

For each award received by South Central Missouri Community Action Agency from a federal, state, or local government agency, a master file of documents applicable to the award will be prepared and maintained in either a paper, electronic, or hybrid form. The responsibility for assembling each master file will be assigned to the Program Director assigned to administer the program. The Program Director will provide copies (paper and/or electronic) to the Fiscal Department of all of the award master file documents.

The master file assembled for each government award will include the following documents, as applicable (including originals of all documents received from the awarding agency):

1. Copy of the initial application for the award and corresponding budget, including documentation of Board of Directors and Policy Council approval
2. All correspondence to and from the awarding agency post-application, leading up to and subsequent to the award
3. The final approved budget and program plan, after making any modifications
4. The award agreement and any other documents associated with the initial making of the award
5. Reference sources or links to pertinent laws and regulations, including awarding agency guidelines, associated with the award
6. Subsequent award modifications (financial and programmatic)
7. Results of any monitoring visits conducted by the awarding agency, including resolution by South Central Missouri Community Action Agency of any findings arising from such visits
8. Correspondence and other documents resulting from the closeout process of the award
9. Copies of program and financial reports are filed separately and are available as needed
10. Prior written approvals from awarding agency are filed separately and are available as needed

This file will also be established in a secured electronic read-only format and made available on the entity's network to appropriate personnel within the Organization.

Closeout of Federal Awards

South Central Missouri Community Action Agency will follow the closeout procedures described in 2 CFR Part 200.344 (45 CFR Part 75.381) Closeout, and in the award agreements as specified by the awarding agency.

South Central Missouri Community Action Agency and all subrecipients will liquidate all obligations incurred under the award or contract within 90 days of the end of the award or contract agreement, at a minimum.

POLICIES ASSOCIATED WITH REVENUES AND CASH RECEIPTS

REVENUE

Definitions of Revenue

The following definitions will apply with respect to the policies described in this manual:

Contribution – A receipt of cash or other assets (property, etc.), including promises to give, collections, or similar assets to the entity, or a reduction, settlement, or cancellation of the entity's liabilities, in a voluntary nonreciprocal transfer by another entity or individual. A contribution may or may not include a donor-imposed condition or restriction (stipulation).

Donor-Imposed Condition – A donor-imposed stipulation represents a barrier that must be overcome before the recipient is entitled to the assets transferred or promised. Failure to overcome the barrier gives the contributor a right of return of the assets it has transferred or gives the contributor a right of release from its obligation to transfer its assets.

In practical terms, this means a donor has imposed some type of stipulation or barrier other than a purpose or time period stipulation (which is defined as a donor-imposed restriction below) and that condition has some degree of uncertainty as to whether or not it will occur, and if the condition is not met, the entity is not entitled to the contribution. Conditions may or may not be within the control of the entity. (An example of a donor-imposed condition is the stipulation by a funding source that an entity must incur allowable expenditures prior to reimbursement, and that any advanced funds be returned if allowable expenditures are not incurred within the period of performance.)

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

Exchange Transaction – A reciprocal transaction in which South Central Missouri Community Action Agency and another individual or entity each receive and sacrifice something of approximately equal value.

Nonexchange Transaction – One individual or entity receives something of value without directly giving value in exchange. Nonexchange transactions may include awards.

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

Promise to Give – A written or oral agreement to contribute cash or other assets to South Central Missouri Community Action Agency.

Examples of South Central Missouri Community Action Agency revenue sources may include the following:

Contributions – this may include contributions with or without donor-imposed restrictions or donor-imposed conditions, nonreciprocal transfers. Contributions might be recognized upon completion of a nonreciprocal transfer, or when a donor-imposed condition or restriction is met.

Private awards – this may include non-exchange transactions, or awards defined as contributions with or without donor-imposed restrictions or conditions.

Program revenue – this may include exchange transactions.

Reimbursement awards – this may include non-exchange transactions, or awards defined as contributions with or without donor-imposed restrictions or conditions.

Revenue Recognition Policies

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

1. **Grant revenue, Conditional or Restricted Contribution-Based** – Monthly accrual based on incurrence of allowable costs (for cost-reimbursement awards). Grant revenue from federal and state governments is recognized when the qualifying costs are incurred for cost-reimbursement awards or contracts. Funds received with conditions will be accounted for as a refundable advance until the conditions have been substantially met or explicitly waived by the funder.

Reimbursement awards are billed/ invoiced monthly, or as funders require, based on allowed, incurred expenses. Private awards are usually received once funding is approved. Financial expenditure reports, if required, are submitted as required by funding sources.

2. **Grant revenue, Exchange-Based** – As services are performed, based on other terms of the award/contract (for fixed price, unit-of-service, and other types of awards).

Grant revenue from federal and state governments is recognized when a unit of service is provided for performance awards.

3. **Contributions, Donations, Unconditional Grants** –Recognized as revenue when received, unless accompanied by donor-imposed conditions. All pledges, bequests and endowments will be recognized in accordance with GAAP. Conditional contributions will be recognized as revenue upon the satisfaction of the condition. Contributions may be solicited or unsolicited.

Contributions received with conditions will be accounted for as a refundable advance until the conditions have been substantially met or explicitly waived by the donor. Contributions or awards received without conditions (unconditional awards) will be recognized when received.

1. **Contributions In-kind or Noncash or Gifts In-kind** – Recognized as revenue when received. Contributed services will be recognized as revenue in the GAAP financial statements only to the extent that the contributed services meet either the a. or b. criteria under Generally Accepted Accounting Principles (GAAP):
 - a. Create or enhance nonfinancial assets.
 - b. The service
 - i. Requires specialized skills (those provided by accountants, lawyers, architects, doctors, nurses, teachers, carpenters, electricians, plumbers, or other professionals and craftsmen).
 - ii. Is provided by individuals who possess those skills.
 - iii. Would typically need to be purchased if not contributed. An entity should only consider whether it would otherwise need to purchase the service, not whether it could afford to purchase the service.

All noncash contribution revenue received will be recorded at fair value.

The entity benefits from personal services provided by a significant number of volunteers. This donated personal service to the entity's program operations and fundraising campaigns does not meet the criteria for recognition in the financial statements.

2. **Promises to Give** – Recognized as revenue upon receipt of clear communication of the promise from the donor or the donor's legal representative (e.g., trustee, attorney, etc.), unless accompanied by a condition or conditions.

Unconditional Promises to Give

- Unconditional promises to give will be recorded as assets and increases in net assets with donor restriction (contribution revenue) in the period that South

Central Missouri Community Action Agency receives communication of the promise.

- Unconditional promises to give that are to be collected within one year will be recorded at their face value, less any reserve for uncollectible promises, as estimated by management.
- Unconditional promises to give that are collectible over time periods in excess of one year will be recorded at their discounted net present value.
- Accretion of discount on such promises to give will be recorded as contribution revenue in each period leading up to the due date of the promise to give. The interest rate that will be used in calculating net present values of unconditional promises to give is the risk-free rate of return available to South Central Missouri Community Action Agency at the time the entity receives a promise from a donor, considering the dollar amount of the promise and the time period of the promise (e.g., for promises of less than \$100,000, the entity will generally use the interest rate applicable to certificates of deposit for the same approximate duration available from its bank).
- When the final time or use restriction associated with a contributed asset has been met, a reclassification between net assets with donor restrictions and net assets without donor restrictions will be recorded.

Conditional Promises to Give

The entity will not record an asset or contribution revenue for any conditional promise to give until the donor's condition or conditions are substantially met. The entity will maintain a record of such conditional promises to give and monitor these gifts for purposes of identifying when the condition associated with each such promise has been satisfied. This schedule will also be used in connection with preparing the entity's footnote disclosures associated with contributions.

3. **Program Revenue** – Defined as gross revenue generated by a supported activity or earned as a result of an award or program. Examples include use or rental of property paid for with federal funds or fees earned for services performed. Revenue is recognized when services are rendered and is due in accordance with written agreement or when service is provided.
4. **Interest, dividends, rents, or other forms of ordinary revenue** – monthly accrual based on when it was earned. Investment return is generally considered free of donor restrictions, unless its use is limited by a donor-imposed restriction or by law.

Immaterial or other lesser sources of revenue will be collected and recorded when the services are provided.

To prepare required revenue recognition disclosures, South Central Missouri Community Action Agency will review revenue streams and identify whether exchange revenue will be recognized at a point in time or over time. As part of this process, South Central Missouri Community Action Agency will determine the status of any contract assets and liabilities (e.g., contract receivables or deferred revenues).

Distinguishing Contributions from Exchange Transactions

South Central Missouri Community Action Agency receives revenue in the form of contributions, revenue from exchange transactions, and revenue from activities with characteristics of both contributions and exchange transactions. South Central Missouri Community Action Agency will consider the factors included in FASB ASC 958-605 and ASC Topic 606, when determining whether revenue will be accounted for as contribution revenue, exchange transaction revenue, or both.

Classification of Revenue

All revenue received by South Central Missouri Community Action Agency is classified as "without donor-imposed restriction," with the exception of the following, which will be classified as "with donor-imposed restriction":

1. Grants and other awards received from government agencies or other funding agencies, which are restricted and have not been released through the performance of program services or the passage of time.
2. Special endowments received from donors requesting that the funds be restricted for specific purposes in perpetuity.

From time to time, South Central Missouri Community Action Agency may raise other forms of contribution revenue which carry stipulations that the entity utilize the funds for a specific purpose or within a specified time period identified by the donor of the funds. When this form of contribution revenue is received, South Central Missouri Community Action Agency will classify this as revenue with donor-imposed restrictions.

As with all net assets with donor-imposed restrictions, when the restriction associated with a contribution has been met (due to the passing of time or the fulfillment of the purpose for which the contribution was restricted), South Central Missouri Community Action Agency will reclassify the related net assets from net assets with donor restrictions to net assets without donor restrictions in its Statement of Financial Position and reflect this reclassification as an activity in its Statement of Activities.

Revenue received with donor-imposed restrictions may be reported as revenue without donor-imposed restrictions if the restrictions are met in the same reporting period.

In the event the South Central Missouri Community Action Agency Board of Directors determines that it is appropriate to set revenue funds aside for specific projects, such funds

will be classified under “Net Assets without Donor Restriction,” labeled “Board of Directors - Designated,” and reported as a separate component of net assets.

COST SHARING AND MATCHING

Overview of Cost Sharing or Matching

South Central Missouri Community Action 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. South Central Missouri Community Action Agency will claim contributions as meeting a cost sharing or matching requirement of a federal award when all of the following criteria are met in accordance with 2 CFR Part 200.306 (45 CFR 75.306):

1. The contribution is verifiable from South Central Missouri Community Action Agency records.
2. The contribution is not included as a contribution (or match) for any other federally assisted project or program.
3. The contribution is necessary and reasonable for proper and efficient accomplishment of project or program objectives.
4. The contribution is allowable under the federal cost principles, 2 CFR Part 200 (45 CFR Part 75) Subpart E, Cost Principles.
5. The contribution is not paid by the federal government under another award, except where authorized by federal statute to be used for cost sharing or matching.
6. The contribution is provided for in the approved budget when required by the federal awarding agency.
7. The contribution conforms to all provisions of federal administrative regulations, 2 CFR Part 200 (45 CFR Part 75) 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) (45 CFR Part 75.306(i)) to establish its value.

Documentation

South Central Missouri Community Action Agency requires volunteers to document and account for their contributed time in a manner similar to the timekeeping system followed by employees. The Fiscal Department will design and distribute the method to be used for documenting the non-Federal share as a record. Each program that uses volunteer labor will obtain the following information, to the extent feasible, by the requesting the volunteer complete the record, recording the same information required from employees to document time worked. The record will include:

1. Volunteer's name and address
2. Date service was performed
3. Period of service (equal to payroll period dates)
4. Hours volunteered, if applicable
5. Volunteer's signature
6. Signature of staff having knowledge of donation or service, authorizing signature
7. Description of service performed, volunteer activity
8. Start and end time and total hours volunteered; hour donated (time in and out)
9. Rate applied to the activity
10. Total valuation for the time period

For contributions other than donated labor, the record(s) will contain the following information:

1. Date received
2. Type of donation, e.g. cash, services or goods received
3. Name of donor
4. Address of donor
5. Value of the donation
6. Signature of the donor
7. Signature of the employee receiving the donation

It is the responsibility of each Program Director or Coordinator (depending on the activity or donation) to instruct the donor or volunteer in filling out the record to ensure all donations are documented and recorded.

Valuation and Accounting Treatment of In-Kind or Matching Revenue

Cash

Cash/ funding received to be used for match may consist of state funds, local funds, private donations, corporate donations, or other non-federal funds. Matching funds do not include funds received from any federal source, except where the federal statute authorizing a program specifically provides that federal funds made available for such program can be applied to matching or cost sharing requirements of other federal programs. Funds are recognized as match when the funds are expended on allowable program expenses, not when funds are received.

- South Central Missouri Community Action Agency will recognize cash contributions as matching revenue in the period in which the funds are spent on allowable program costs.
- Any discounts received on goods or services are recognized as in-kind only if such discounts are not available to the general public or are not customarily given to

other nonprofit entities. Discounts taken as in-kind must be supported by documentation provided by the contractor stating that it is providing the discount in support of the program.

Space, Buildings, Land, and Equipment

Space

- Will be valued at the fair rental value of comparable space as established by an independent certified appraiser for comparable space and facilities in a privately-owned building in the same locality.
- Information on the date of donation and records from the appraisal will be maintained in a property file.
- If the donation is a less than an arms-length transaction, the value will be based on actual allowable costs to occupy the facility (e.g. repairs and maintenance, insurance, etc.), not to exceed fair market value.

Buildings, Land, and Equipment

If the purpose of the contribution is to assist the entity in the acquisition of equipment, building, or land, the total value of the donated property may be claimed as match, with prior approval of the awarding agency, provided the donation meets the criteria in the Overview of Cost Sharing or Matching section above.

If the purpose of the donation is to support activities that require the use of equipment, buildings, or land, depreciation may be claimed as match, unless the awarding agency has approved using the full value of the depreciable asset as match.

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

Donations of long-lived assets are recognized as contributions when received, regardless if the asset is used as match.

Volunteer Time and Services

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

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

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

Supplies

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

GIFT ACCEPTANCE

Overview of Gift Acceptance Policies

A gift/contribution is consideration given to the entity for which the donor receives no direct benefit and requires nothing in exchange other than assurance that the intent of the contribution will be honored by South Central Missouri Community Action Agency. Two broad principles apply to all gifts given to the entity:

1. A gift will not be accepted that is not in the charitable interest of the donor, considering the donor's financial situation and philanthropic interests, as well as tax, legal, and other relevant factors.
2. A gift will not be accepted unless there is a reasonable expectation that acceptance of the gift will ultimately benefit South Central Missouri Community Action Agency.

South Central Missouri Community Action Agency will not accept any donations that imply endorsement of businesses, products or services. Donor businesses may not use South Central Missouri Community Action Agency's name for promotion of any product or service.

CONTRIBUTIONS ACCOUNTING

Donor Privacy

South Central Missouri Community Action Agency respects the privacy of its donors and also recognizes that donors wish to be connected to the entity. South Central Missouri Community Action Agency uses donor information to notify them of information, plans and activities. Donor information is shared with staff, Board of Directors members, volunteers and consultants on a "need-to-know" basis.

South Central Missouri Community Action Agency does not share their donor list with any third-party unless donor permission has been granted. Requests to remain anonymous will be honored in accordance with entity policies and IRS rules.

Valuation of Noncash (In-kind) Contributions

All noncash contributions of assets will be recorded at their fair value as of the date of the gift. Fair values used in accounting for donated assets will be determined by the entity, if the fair market value of the donation is less than \$500. Noncash donations valued over this amount, will be provided by the donor.

The determination of the fair value of donated assets will be determined as follows:

1. For contributions of personal property, fair value will be determined by using appropriate public records (price lists for new assets, other guides for used assets) subject to the review and approval of the Finance Director – such valuation documented using a standard form.
2. For contributions of real property, fair value will be determined by an appraisal performed by an independent appraiser hired by South Central Missouri Community Action Agency (not an appraiser hired by the donor).
3. For contributions of all other assets, fair value will be determined by the Finance Director.
4. The Organization will report contributed in-kind assets as a separate line item in the statement of activities and disclose the amount of contributed in-kind assets received by category and additional information for each category of contributed in-kind assets received as necessary.

Contributed services that meet the criteria for recognizing contributed services under GAAP as described in the Revenue Recognition Policies section of this manual will be recognized as contributions in the financial statements under Generally Accepted Accounting Principles (GAAP) (FASB ASC 958-605). Services that do not meet the revenue recognition criteria will not be recognized in the GAAP financial statements prepared in accordance with Generally Accepted Accounting Principles (GAAP). In-kind volunteer time that qualifies for cost sharing or matching, but does not meet the GAAP criteria, will be tracked and reported separately for award purposes only.

The value for contributed services will be determined by multiplying the hours worked by each volunteer, as documented on the Organization's Volunteer Time Sheet, by an applicable hourly rate, documentation provided by the service provider. The applicable hourly rate will be determined by position responsible for determining the fair market value rate and will generally be equal to an estimate of an hourly wage rate plus estimated employee benefits costs at define benefit percentage or an hourly rate typically charged by external contractors possessing the skills provided by the volunteer.

All determinations of hourly rates used to value contributed services will be reviewed, documented, and approved by the Finance Director.

Receipt of Donations Procedure

Upon receipt, all monetary donations will be processed according to the RECEIPTS policies elsewhere in this manual. Information on restriction of gifts will be communicated to the Fiscal Department so the gift can be recorded and governed according to the wishes of the donor.

Receipts, Acknowledgements, and Disclosures

South Central Missouri Community Action 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, South Central Missouri Community Action Agency will adhere to the following guidelines with respect to contributions received by the South Central Missouri Community Action Agency.

The Fiscal Department will provide a receipt to the donor for every separate contribution received over \$250, at the end of the calendar year. All receipts will include the following information:

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

State Registrations

It is the policy of South Central Missouri Community Action Agency to register in each state in which the Organization's fundraising activities would result in a requirement to register. Determination of state-by-state registration requirements will be with the Finance Director, who may consult outside advisors in making such determinations.

Once registered, the Finance Director will ensure that subsequent periodic filing requirements are met. The Finance Director may delegate the preparation of such periodic state filings to the Senior Accountant, subject to the review and approval of the Finance Director.

Online Contributions

South Central Missouri Community Action Agency accepts contributions through its website. Contributions received online will follow these procedures:

1. Credit and debit card charges will be processed by an outsourced service provider.
2. Contributors will also be offered the option to donate through the website via electronic funds transfer.
3. Donations will be recorded at the gross amount, with credit or debit card fees recorded separately.
4. South Central Missouri Community Action Agency will work to provide reasonable measures to safeguard protected personally identifiable information.

Disclosures of Promises to Give/Pledges

As stated elsewhere in this manual, South Central Missouri Community Action Agency will recognize revenue for promises to give in accordance with the Revenue Recognition Policies section. In connection with its annual financial statements, South Central Missouri Community Action Agency will prepare a schedule of its promises to give as follows:

Unconditional Promises to Give

- Annual amounts to be collected in each of the next five-(5) fiscal years, and a total amount due thereafter.
- Amount of the allowance for uncollectible promises receivable.
- Amount of discount to net present value.
- Discount rate.
- Amount of unconditional promises to give that have been pledged as collateral.

Conditional Promises to Give

- Total of amounts promised.
- Description and amounts of each group of promises that share similar characteristics.

BILLING/INVOICING POLICIES

Overview of Billing/Invoicing

The Organization's primary sources of revenue are listed in the Revenue Recognition Policies section of this manual. Depending on the type of revenue source, the Organization may generate a bill or invoice, including a request for reimbursement.

Responsibilities for Billing/Invoicing and Collection

South Central Missouri Community Action Agency's Fiscal Department is responsible for the billing/invoicing of funding sources and the collection of outstanding receivables.

Billing/Invoicing and Financial Reporting

South Central Missouri Community Action 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.

South Central Missouri Community Action Agency will prepare and submit financial reports as specified by the financial reporting clause of each award or contract award document. Preparation of these reports will be the responsibility of Finance Director.

The following policies will apply to the preparation and submission of billings/invoices to funding agencies under awards made to South Central Missouri Community Action Agency:

1. The Organization will request reimbursement after expenditures have been incurred, unless an award specifies another method.
2. South Central Missouri Community Action Agency will strive to minimize the time between receipt of advances of federal funds and disbursement of award funds.
3. Each award normally specifies a particular billing/invoicing cycle. Therefore, a schedule is established for each award and contract to ensure that billings/invoices are made on a timely basis along with any other reporting that is required in addition to the financial reports.
4. Billings/Invoices of award expenditures will use the actual amounts as posted to the general ledger as the source for all billing/invoice amounts.
5. All financial reports required by each federal award will be prepared and filed on a timely basis. To the extent South Central Missouri Community Action Agency's year-end audit results in adjustments to amounts previously reported to funding agencies, revised reports will be prepared and filed in accordance with the terms of each award.

South Central Missouri Community Action Agency will maintain separate invoicing/billing records in addition to the official general ledger accounting records. These records will be reconciled to the general ledger on a monthly basis.

At the time invoices/billings are prepared, revenue and accounts receivable will be recorded in the accounting records of South Central Missouri Community Action Agency.

If an award authorizes the payment of cash advances to South Central Missouri Community Action Agency, the Finance Director may require that a request for such an advance be made. Upon receipt of a cash advance from a funding agency, South Central Missouri Community Action Agency will reflect a liability equal to the advance. As part of the monthly closeout and invoicing/billing process, the liability will be reduced, and

revenue recognized, in an amount equal to the allowable costs incurred for that period in accordance with the Organization's Revenue Recognition Policies elsewhere in this manual.

Cash Drawdowns of Advances of Federal Funds

South Central Missouri Community Action Agency will minimize the time elapsing between the transfer of funds to and disbursement of funds by South Central Missouri Community Action Agency. Advance payments will be limited to the minimum amount needed and timed to be in accordance with immediate cash requirements.

Cash drawdowns of advances from federal agencies will be made bi-weekly in conjunction with the payroll schedule, based on need.

Accounts Receivable Entry Policy

Individuals independent of the receipts function will post billings/invoices, payment from funding sources, credit adjustments, and other adjustments to the accounts receivable subsidiary ledger.

RECEIPTS

Overview of Receipts

The receipts section includes policies and procedures for the receipt of cash, checks, direct deposit, and credit/debit card payments.

Processing Funds Received

The following procedures will be followed:

- Receipts are processed in a central location, rather than at remote sites, to ensure that receipts are appropriately directed, recorded, and deposited on a timely basis.
- Mail is opened and a listing of cash/checks received will be prepared in an open area, in the presence of other employees.
- The individual preparing the daily list of receipts will be someone that is not involved in the accounts receivable or accounts payable process.
- A deposit slip is prepared for the cash/checks received and compared to the daily receipts listing for discrepancies.
- Deposits are prepared and taken to the bank by an individual other than the employee who prepared the daily receipts listing.

Electronic transfers of funds are processed as follows:

- The receptionist notifies the Finance Director when funds are received via an electronic transfer or other electronic deposit.
- The Finance Director matches the deposit and remittance information to the corresponding receivable recorded in the accounting system.
- The Finance Director posts the receipt of funds to the receivable in the general ledger and appropriate subledger.

Endorsement of Checks

All checks received that are payable to the Organization will immediately be restrictively endorsed by the individual who prepares the daily receipts listing. Endorsements will not be made using an abbreviation or acronym of the Organization but will be made using a restrictive endorsement stamp that includes the following information:

1. For Deposit Only
2. Full legal name of South Central Missouri Community Action Agency
3. The bank name
4. The bank account number of South Central Missouri Community Action Agency

Reconciliation of Deposits

On a periodic basis, the Finance Director, who does not prepare the initial receipts listing or bank deposit, will reconcile the listings of receipts to bank deposits on the monthly bank statement. Any discrepancies will be immediately investigated.

RECEIVABLE MANAGEMENT

Grants Receivable Management

Grants receivable represent amounts that have been billed under entity agreements but not collected as of the date of the financial statements. All grants receivable represents amounts owed by federal, state and local government agencies.

South Central Missouri Community Action Agency records receivable and revenue as earned in accordance with the Revenue Recognition Policies elsewhere in this manual

Accounts Receivable Management

On a monthly basis, the Fiscal Department will reconcile a detailed accounts receivable report (showing aged, outstanding billings/ invoices by customer) to the general ledger.

The Finance Director will review the reconciliation and ensure that all differences are immediately investigated and resolved.

Credits and Other Adjustments to Receivables

From time to time, credits against accounts receivable from transactions other than payments and bad debts will occur. Examples of other credits include adjustments for billing errors. An employee who is independent of the receipts function will process credits and adjustments to Accounts Receivable, and all credits will be authorized by the Finance Director.

Receivable Write-Off Authorization Procedures

It is policy of South Central Missouri Community Action Agency, to ensure that all available means of collecting accounts receivable have been exhausted before write-off procedures are initiated. The Department associated with the amount to be written off, in conjunction with the Fiscal Department, initiates write-offs.

POLICIES ASSOCIATED WITH EXPENDITURES AND DISBURSEMENTS

PROCUREMENT POLICIES AND PROCEDURES

Overview of Procurement

The policies described in this section apply to all purchases made by South Central Missouri Community Action Agency.

South Central Missouri Community Action 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 must 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 award requirements.

Responsibility for Purchasing

All Program Directors, or their designees, will have the authority to initiate purchases on behalf of their department, within the guidelines described here. Program Directors will inform the Fiscal Department of all individuals that may initiate purchases or prepare purchase orders. The Fiscal Department will maintain a current list of all authorized purchasers. The Fiscal Department will be responsible for processing purchase orders.

Code of Conduct in Purchasing

Ethical conduct in managing the Organization's purchasing activities is essential. Staff must always be mindful that they represent South Central Missouri Community Action Agency and share a professional trust with other staff, funding sources, and the community.

- Officers, Board of Directors members, employees, and agents will not solicit or accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts. However, the Board of Directors may establish standards to evaluate when a financial interest is not substantial or the value of an unsolicited gift is of nominal value.
- Staff will discourage the offer of and decline individual gifts, favors, or gratuities that might influence the purchase of supplies, equipment, and/or services. Staff will notify their immediate supervisor if they are offered such gifts.

- No officer, Board of Directors member, employee, or agent will participate in the selection or administration of a contract if a real or apparent conflict of interest would be involved.

Competition

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 or propose on such procurements.
- Award contracts to suppliers, bidders, or proposers 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 quotes, bids, or proposals when it is in the Organization's best interest. The Organization will properly document such circumstances to justify rejection.
- Not give preference to state or local geographical areas unless such preference is mandated by federal statute.
- Only use "name brand or equivalent" descriptions as a means to define the performance or requirements.
- Noncompetitive procurements will only be awarded in accordance with South Central Missouri Community Action Agency's **Non-Competitive Method of Procurement (Sole Source)** section of this manual.

Nondiscrimination Policy

South Central Missouri Community Action Agency will request contractors who are the recipients of Organization funds, or who bid or propose to perform any work or furnish any goods under agreements with South Central Missouri Community Action Agency, to agree to these important principles:

- Contractors will not discriminate against any employee or applicant for employment because of race, religion, color, sexual orientation, national origin, disability, gender, age, genetic information, marital status, or any other category protected by state or federal law, except where it is a bona fide occupational qualification reasonably necessary to the normal operation of the contractors.
- Contractors agree not to discriminate against any individual due to the individual's political affiliation/ beliefs.

- Contractors agree to post in conspicuous places, available to employees and applicants for employment, notices setting forth the provisions of this nondiscrimination clause. Notices, advertisements, and solicitations placed in accordance with federal law, rule, or regulation will be deemed sufficient for meeting the intent of this section.

Procurement Thresholds and Authorization Limits

Purchases under \$5,000 (Micro-purchase Procedures) – The order may be placed using regular purchasing policies. Price must be considered reasonable. As much as possible, periodically distribute purchases equitably among qualified vendors.

Purchases of \$5,000 to \$25,000 (Small Purchase Procedures) -- Quotations from at least three sources of supply will be obtained by telephone or publication, a written record made of prices quoted, before the request is made. This notation will be attached to the requisition.

Purchases of \$25,000 to \$150,000 (Small Purchase Procedures) -- Three written quotations will be obtained from at least three separate vendors. Quotations will be included with the requisition.

Purchases of \$150,000 or more -- A formal advertised request for proposal or sealed bid process will be required.

a) A cost or price analysis is required for every procurement action in excess of the Simplified Acquisition Threshold (\$150,000.00). The method and degree of analysis is dependent on the particular procurement situation. Independent estimates must be made before receiving bids or proposals. In the event a funding sources procurement threshold is less than the agency threshold the procurement threshold of the funding source will be followed.

b) Profit must be negotiated as a separate element of the price for each contract in which there is no price competition and in all cases where cost analysis is performed. To establish a fair and reasonable profit consideration must be given to the complexity of the work to be performed, the risk borne by the contractor, the contractor's investment, the amount of subcontracting, the quality of its record of past performance and industry profit rates in the surrounding geographical area for similar work.

c) Cost plus a percentage of costs methods of contracting are not allowable.

Procurement Procedures

The following are South Central Missouri Community Action Agency's general procurement procedures:

1. South Central Missouri Community Action Agency will avoid purchasing unnecessary or duplicative items or services for the performance of the activities required by a federal award.
2. When both lease and purchase alternatives are available, an analysis will be made of these alternatives to determine which would be the most economical and practical procurement for the use of award funding.
3. South Central Missouri Community Action Agency will enter into state and local inter-governmental or inter-entity agreements, when appropriate, for procurement or use of common or shared goods and services.
4. South Central Missouri Community Action Agency will use federal excess and surplus property in lieu of purchasing new equipment and property, whenever such use is feasible and reduces project costs.
5. Documentation of a cost and price analysis for procurements, including contract modifications, in excess of \$150,000 will be retained in the procurement files pertaining to each federal award.

Price analysis may include such factors as comparison of price quotations submitted, market prices and similar indicia, together with discounts. Cost analysis is the review and evaluation of each element of cost to determine reasonableness, allocability and allowability.

6. All pre-qualified lists of persons, firms, or products which are used in acquiring goods and services will be current and include enough qualified sources to ensure maximum open and full competition.
7. South Central Missouri Community Action Agency will maintain records sufficient to detail the history of procurement, including, but not limited to:
 - a. Rationale for the method of procurement;
 - b. Selection of contract type;
 - c. Justification for lack of competition when competitive offers are not obtained;
 - d. Contractor selection or rejection; and
 - e. The basis for the contract price.
8. South Central Missouri Community Action Agency will make all procurement files available for inspection upon request by a federal or pass-through awarding agency.

9. South Central Missouri Community Action Agency will not utilize the cost-plus-a-percentage-of-costs or percentage of construction cost methods of contracting.
10. Consideration will be given to dividing total requirements, when economically feasible, into smaller tasks or quantities to permit maximum participation by small and minority businesses, women's business enterprises, and labor surplus area firms.
11. Purchases will be made in accordance with the thresholds, required approvals, required solicitation methods, and documentation requirements indicated in the **Procurement Thresholds and Authorization Limits** section of this manual.
12. The procurement method used for the acquisition of professional and other contracted services will be done in accordance with the **Procurement Thresholds and Authorization Limits** section (based on dollar amount). Selection of the service provider not procured using the formal proposal method of procurement (RFP) will be informally based on specialized expertise, qualifications, and other factors, and SCMCAA will document accordingly to support selection.

All staff members with the authority to approve purchases will receive a copy of, and be familiar with, 2 CFR Part 200 (45 CFR Part 75) Subpart E - Cost Principles.

Sealed Bid Method of Procurement

The sealed bid method of procurement will be used for purchases in accordance with the **Procurement Thresholds and Authorization Limits** chart of this manual and will be used for services or goods with a fixed price including, for example, construction projects, vehicle purchases, installation of heating, ventilation, and air conditioning (HVAC), weatherization work, etc.

The following conditions apply for this method of procurement:

- A complete, adequate, and realistic specification or purchase description is prepared and made available as part of the invitation for bid (IFB);
- Two or more responsible suppliers/providers are solicited and are willing and able to compete effectively for the business;
- Sufficient time is given to allow bidders to respond before the bid opening date indicated in the IFB;
- Bids will be opened at the time and place indicated in the IFB; and
- The procurement is appropriate for a firm fixed price contract and the selection of the successful bidder can be made principally on the basis of price and price-related factors.

The sealed bid process focuses mainly on price and occurs early in the procurement cycle, allowing bidders time to prepare their bids to meet the specifications of the bid solicitation. Bids are solicited in accordance with the Organization's Advertising Procedures for Procurement section of this manual, and a firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid:

- Conforms with all the material terms and conditions of the invitation for bids, and
- Is the lowest in price, also considering price-related factors.

Price-related factors such as discounts, transportation cost, and life cycle costs will be considered in determining lowest bid. Payment discounts will only be considered when prior experience indicates that such discounts are usually taken advantage of.

Any and all bids may be rejected if there is a sound documented reason.

Sealed bid requests will be publicized in compliance with the approved advertising procedures.

Bidders must comply with all bid specifications.

Proposal Method of Procurement

The formal proposal method of procurement will be used for purchases in accordance with the Procurement Thresholds and Authorization Limits chart of this manual and will be used when price and other factors are considered to determine the most advantageous proposal.

The following conditions apply for this method of procurement:

- Request for Proposals (RFPs) will be publicized
- RFPs will include all specifications, terms and conditions that the proposer must meet
- RFPs will include all evaluation factors and their relative importance
- Proposals must be solicited from a number of qualified sources
- South Central Missouri Community Action Agency will conduct an evaluation of RFPs received by the publicized due date in accordance with its established procedures; maximum effort will be made to consider all responses to proposals

Solicitation for Procurements

To help ensure full and open competition, solicitations for goods and services, requests for proposals, and invitation for bid (IFBs or sealed bids) will provide for all of the following:

1. A clear and accurate description of the technical requirements for the material, product, or service to be procured. Descriptions will not contain features which unduly restrict competition.

Description may also include the following:

- Technical requirements in terms of functions to be performed or performance required, including the range of acceptable characteristics or minimum acceptable standards.
 - Preference for products and services that conserve natural resources, protect the environment, and are energy efficient, to the extent practicable and economically feasible.
 - A statement of the qualitative nature of the material, product, or service to be procured and, when necessary, must set forth the minimum essential characteristics and standards to which it must conform if it is to satisfy its intended use. Detailed product specifications should be avoided if at all possible to avoid impeding competition.
2. Requirements which the bidder/proposer/offeror must fulfill and all other factors to be used in evaluating bids or proposals.
 3. When it is impractical or uneconomical to make a clear and accurate description of the technical requirements, a "brand name or equivalent" description may be used as a means to define the performance or other salient requirements of procurement. The specific features of the named brand must be clearly stated.
 4. Required delivery or performance dates/ schedules.
 5. Clear indications of the quantity(ies) requested and unit(s) of measure, if applicable.
 6. A description of the format, if any, in which the requested information, proposals or bids must be submitted, including the name of the person to whom it should be sent.
 7. The date by which information, proposals or bids are due.
 8. When issuing an RFP for the financial statement auditor, the criteria listed in the *Selecting an Independent Auditor* will be clearly stated in the RFP.
 9. If South Central Missouri Community Action Agency decides to inform bidders/ proposers of the results of selection process, the solicitation will provide information on how and by when this communication will be made.

Advertising Procedures for Procurement

The public advertising plan is designed to encourage maximum participation in solicitation for selected procurement methods. South Central Missouri Community Action Agency will publicly advertise requests for sealed bids and proposals using a plan designed to reach the maximum potential bidders and proposers.

Examples of public advertising that may be used include:

- South Central Missouri Community Action Agency's public website
- South Central Missouri Community Action Agency's social media accounts
- Sealed bid or request for proposal databases, if available
- Print and electronic advertisements (newspapers, emails)
- Direct solicitation of recommended or previously used contractors
- Direct solicitation of minority, small, women-owned, and veteran-owned businesses or businesses in labor surplus areas
- Professional associations

Public advertisements will include, at a minimum:

- South Central Missouri Community Action Agency's legal name and address, including contact name and phone number
- Date, time and location, including address, of bid/proposal meeting, as applicable
- Notice that participation in the meeting is mandatory for the bidder's or proposer's solicitation to be considered, as applicable
- Sealed bid requests will include any specifications and pertinent attachments and will define the items or services in order for the bidder to properly respond
- Proposal requests will identify all evaluation factors and their relative importance
- Sealed bid requests will identify the time and place sealed bids will be opened
- Notice to bidders/proposers that incomplete bid/proposal packages will not be considered
- Minority-owned, women-owned, and small businesses and businesses located in labor surplus areas are encouraged to respond.

Extension of Due Dates and Receipt of Late Offers/Reponses

Solicitations should provide for sufficient time to permit the preparation and submission of offers (quotes, bids, proposals) before the specified due date. However, an extension may be awarded if a prospective offeror so requests. Approval of extensions will be documented in the procurement file.

Offers/responses are considered late if received after the due date and time specified in the solicitation. Late offers/responses will be so marked on the outside of the envelope and retained, unopened, in the procurement file. Contractors that submit late offers/ proposals will be sent a communication notifying them that their offer/ proposal was late and could

not be considered for award. A copy of this communication will be retained with the procurement documentation.

Evaluation of Alternative Proposers

As part of South Central Missouri Community Action Agency's proposal method of procurement, proposers will be evaluated on a weighted scale that considers some or all of the following criteria, as appropriate:

1. Adequacy of the proposed methodology
2. Skill and experience of key personnel
3. Demonstrated experience
4. Other technical specifications designated by the department requesting proposals
5. Compliance with administrative requirements of the request for proposal (format, due date, etc.)
6. Offeror/Proposer's financial stability
7. Offeror/Proposer's demonstrated commitment to the grant-funded sector
8. Results of communications with references supplied by offeror/proposer
9. Ability/commitment to meeting time deadlines
10. Price
11. Minority, small business, women-owned business, or labor surplus firm

Not all of the preceding criteria may apply for every procurement or purchasing action. However, the department responsible for the procurement will establish the relative importance of the appropriately established criteria prior to requesting quotes/bids/proposals and will evaluate each quote/bid/proposal on the basis of the criteria and weighting that have been pre-determined.

The contract will be awarded to the responsible offeror/proposer whose offer/proposal is most advantageous to the program. After a contractor has been selected and approved by the Program Director, the final selection will be approved by others according to South Central Missouri Community Action Agency's purchasing/procurement approval policies.

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

Positive efforts will be made by South Central Missouri Community Action Agency to utilize small businesses, minority-owned firms, women's business enterprises, and labor surplus area firms whenever possible. Therefore, the following steps will be taken regarding purchasing and procurement actions:

1. Ensure these businesses/firms are used to the fullest extent practicable.

2. South Central Missouri Community Action Agency will directly solicit bids or proposals from these businesses/ firms whenever they are a potential source. South Central Missouri Community Action Agency will ensure these businesses/firms are included in solicitations, when practicable.
3. South Central Missouri Community Action Agency will evaluate procurements to determine if it is practical to separate purchases or projects into smaller components in order to encourage solicitation responses from these businesses/firms.
4. Establish delivery schedules, where the requirement permits, which encourage participation by these businesses/ firms by making information on forthcoming opportunities available and arrange time frames for purchases and contracts to encourage and facilitate participation by these businesses/ firms.
5. Utilize entities such as the Small Business Administration and the Department of Commerce's Minority Business Development Agency to determine validity of, assistance with, or location of the businesses addressed in this section, as appropriate.
6. Consider in the contract process whether firms competing for larger contracts should subcontract with these businesses/firms.

Non-Competitive Method of Procurement (Sole Source)

This method of procurement can be used for circumstances listed below. Also review the Procurement Thresholds and Authorization Limits chart elsewhere in this manual for required internal approvals.

Internal Micro-Purchase Threshold

The aggregate amount of the procurement does not exceed the Organization's internal micro-purchase threshold, as stated in the Procurement Thresholds and Authorization Limits section of this manual.

Emergencies

Where equipment, materials, parts, and/or services are needed, quotations will not be necessary if the health, welfare, safety, etc., of staff or participants and protection of Organization property is involved. The reasons for such purchases will be documented in the procurement file.

Single Distributor/Source

The item or service is only available from a single source.

Prior Written Approval

The awarding agency expressly authorizes a noncompetitive proposal in response to a written request from South Central Missouri Community Action Agency.

Insufficient Proposers, Bidders, Offerors

After solicitation in accordance with South Central Missouri Community Action Agency's Advertising Procedures for Procurement section of this manual, competition is deemed inadequate due to one response or insufficient bidders/ proposers.

Procurement Grievance Procedures

Any bidder/proposer may file a grievance with South Central Missouri Community Action Agency following a competitive bidding/proposal process. Once a contractor selection is made, bidders/proposers will be notified in writing of the results, if the request or invitation states written notification will be provided. If this written communication is provided, it will also inform them that they may have a right to appeal the decision, the deadline for filing the grievance, and the contact name and address to submit the grievance.

The Organization's appeal procedures will also be made available to prospective contractors upon request.

Grievances are limited to violations of federal laws or regulations, or failure of the Organization to follow its own procurement policies.

Pre-Qualified Contractors

South Central Missouri Community Action Agency encourages departments to develop lists of pre-approved contractors that can be used throughout the year. The process to identify a pre-approved contractor is as follows.

1. Develop a list of similar, commonly purchased items that can be acquired from a single contractor. Examples are janitorial supplies, classroom supplies, weatherization materials, etc.
2. Obtain cost estimates for the list in total, not for each item. Include shipping costs, if necessary.
3. Obtain 2 or 3 quotes, depending on the level of expected spending for the year.
4. Compare the quotes; contractors with lowest prices, including shipping, will be approved for use during the year.
5. This process should result in multiple approved contractors if the prices are within 5% of each other.

Contractors may be added throughout the year, but all contractors for prequalification will be reevaluated annually.

Bonding Requirements

South Central Missouri Community Action Agency will require bonding when deemed necessary to help ensure the interests of the Organization and the funding source is protected. Minimum bonding requirements will include the following:

- A bid guarantee in the form of a bid bond, certified check, or other negotiable instrument from each bidder equivalent to five percent of the bid price assuring that the bidder will, upon acceptance of the bid, execute such contractual documents as may be required within the time specified.
- A performance bond on the part of the contractor for 100 percent of the contract price, to be executed in connection with a contract to secure fulfillment of all the contractor's requirements under the contract.
- A payment bond for 100 percent of the contract price, executed in connection with a contract to assure payment as required by law of all persons supplying labor and material in execution of the work provided for in the contract.

Purchase Requisitions

The basis for **all** purchases is a requisition.

All requisitions must be completed with the following information **prior** to purchase:

1. Name and address of vendor
2. Description of ordered items
3. Quantities to be ordered
4. Unit price per item and total price for items if duplicate items
5. Total amount of purchase order
6. Name of staff person who checked prices
7. Program and location to be charged for purchase
8. Signature of Program Director verifying review and approval

For purchases of less than two-hundred fifty (\$250.00) a requisition signed by the program director is all that is required. Requisitions that have been disapproved will be marked "Disapproved", stating the reason for disapproval and returned to initiator.

Use of Purchase Orders

South Central Missouri Community Action Agency utilizes a purchase order system. A properly completed purchase order will be required for each purchase decision (i.e., total amount of goods and services purchased, not unit cost) in excess of \$250, with the exception of travel advances and expense reimbursements, which require the preparation of a separate form described elsewhere in this manual. A properly completed purchase order will contain the following information, at a minimum:

1. Name and address of vendor
2. Description of ordered items
3. Quantities to be ordered
4. Unit price per item
5. Total price for items if duplicate items
6. Total amount of purchase order
7. Program to be charged for purchase
8. Program Director Name
9. Date purchase order was prepared
10. Signature of Finance Director for purchases under \$3,000.00
11. Signatures of Finance Director and Executive Director for purchases over \$3,000.00

Purchase orders will be pre-numbered as assigned by the accounting software and issued upon request from an authorized purchaser.

All purchase orders will be recorded in the accounting software. At the end of each accounting period, an aged outstanding purchase order report will be prepared and distributed to each purchasing representative and the Finance Director for review and appropriate follow-up to ensure proper close-out and resolution.

Verification of New Contractor

The Fiscal Department will perform additional procedures to validate the legitimacy of new contractors. For such contractors, the Fiscal Department will perform a limited public records search and will contact the contractor to validate its existence.

Contractor Record and Required Documentation

The Fiscal Department will create a contractor record for each new contractor or re-activated contractor from whom South Central Missouri Community Action Agency purchases goods or services.

The Fiscal Department will obtain a completed and signed Form W-9 from the contractor to be returned to before procuring goods or services from the contractor or making any payment to the contractor. Completed, signed Form W-9 or substitute documentation will be retained in each contractor's record.

Contractors will be issued a Form 1099 at the end of each calendar year.

Contractor record will have the following information:

1. Completed and signed Form W-9. Contractors being reactivated are required to complete a new Form W-9 to verify current name, address, and tax ID number.

2. Contractors with a post office (PO) box will provide a physical location address for the master file. The PO Box number may be used for postal purposes.

The following procedures will be performed prior to creating or re-activating all contractor files to help ensure that each contractor only has one master file:

1. Search for existence of the tax ID number in the master file
2. Search for name variations and name standardization
3. Search for matching or similar addresses
4. Perform an online search of the contractor and the physical address to determine validity
5. Search for matches against the employee master file

Contractor Master Record Maintenance

South Central Missouri Community Action Agency will monitor the contractor master file on a regular basis, with a full review of the master listing completed every year prior to year-end.

The Fiscal Department will review the master file for:

1. Duplicate contractors. Contractors with the same or similar tax ID number, name, address, email, contact, and other information. Duplicate contractors will be merged.
2. Contractors with a post office (PO) box address. Contractors with only a PO Box will be required to provide a physical location address for the master file.
3. Contractors without activity in the past year will be inactivated. Inactivated contractors must go through the contractor creation process before being re-activated.
4. The Organization will utilize the Internal Revenue Service (IRS) Taxpayer Identification Number (TIN) On-line Matching service to match name and TIN with IRS records.

Receipt and Acceptance of Goods or Services

The procurement requestor or designated individual will inspect all goods received or verify services have been received. Upon receipt of any item from a contractor, the following actions will be immediately taken, as applicable:

1. Review shipping documentation for correct delivery point.
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2. Verify the quantity of boxes/containers with the shipping documentation.
3. Examine boxes/containers for exterior damage and note on the shipping documents any discrepancies.
4. Sign and date the shipping documents.
5. Remove the packing slip from each box/container.
6. Compare the description and quantity of goods per the purchase order to the packing slip.
7. Examine goods for physical damage.
8. Count or weigh items, if appropriate, and record the counts on the purchase order.

This inspection must be performed in a timely manner to facilitate prompt return of goods and/or communication with contractors.

Verification of services received will be performed in conjunction with the receipt of contractor invoice.

Contract Administration

South Central Missouri Community Action Agency must maintain oversight to ensure contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase order. South Central Missouri Community Action Agency adopts the following policies and procedures on contract administration.

1. Contract administration files or documents will be maintained:
 - a. For each contract greater than \$10,000 a separate file will be maintained.
 - b. For contracts less than \$10,000, contract records may be combined in a single file by award or other funding source.
2. Contract administration files will contain:
 - a. The required documentation specified in the **Procurement Thresholds and Authorization Limits** chart for the original scope of work and for all amendments.
 - b. Where the contract work is identified in the award or budget, the identification and scope of the work contained in the award or budget, and all approved changes.
3. Authorization of work:
 - a. No work will be authorized until the contract for the work has been approved and fully executed.
 - b. No change in the work will be authorized until an amendment to the contract for the work has been approved and fully executed.
 - c. No amendment of a contract for work will be executed until it has been approved and authorized as required in the **Procurement Thresholds and**

Authorization Limits chart and, where required by the terms of the award or budget, approval by the funding source.

4. Conformance of work:
 - a. For each award, based on applicable laws, regulations and award provisions, the Program Director will establish and maintain a system to reasonably assure that the contractor:
 - i. Is in conformance with the terms, conditions, and specifications of the contract, and
 - ii. Provides timely follow-up of all purchases to assure such conformance and adequate documentation.
5. The Program Director will authorize payment of invoices to contracts after final approval of work products.

Contract Provisions

South Central Missouri Community Action Agency includes provisions for the following items, as applicable, in all contracts charged to federal awards, at the amounts indicated and as determined by the regulation or South Central Missouri Community Action Agency, with contractors and subawards to subrecipients:

1. Contracts for more than the simplified acquisition threshold set by the Federal Acquisition Regulation, must address administrative, contractual, or legal remedies in instances where contractors violate or breach contract terms, and provide for such sanctions and penalties as appropriate.
2. All contracts in excess of \$10,000 must address termination for cause and for convenience by South Central Missouri Community Action Agency including the manner by which it will be affected and the basis for settlement.
3. Equal Employment Opportunity
4. Davis-Bacon Act, as amended (40 U.S.C. 3141-3148)
5. Copeland "Anti-Kickback" Act (40 U.S.C. 3145)
6. Contract Work Hours and Safety Standards Act (40 U.S.C. 3701-3708)
7. Rights to Inventions Made Under a Contract or Agreement
8. Clean Air Act (42 U.S.C. 7401-7671q) and the Federal Water Pollution Control Act (33 U.S.C. 1251-1387), as amended

9. Debarment and Suspension (E.O.s 12549 and 12689, 2 CFR 180)
10. Byrd Anti-Lobbying Amendment (31 U.S.C. 1352)
11. Domestic preferences for procurement (2 CFR 200.322)
12. Bonding requirements.
13. Nondiscrimination Policy.
14. Right to Audit Clause.
15. Workers' Compensation.

Right to Audit Clause

South Central Missouri Community Action Agency requires a "Right to Audit" clause in all contracts between the Organization and contractors that either:

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

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

Availability of Procurement Records

South Central Missouri Community Action Agency will, on request, make available for the federal awarding agency, pre-award review and procurement documents, such as requests for proposals, upon their request when any of the following conditions apply:

- The procurement process does not comply with the procurement standards in 2 CFR Part 200 (45 CFR Part 75).

- The procurement is expected to exceed the federally-defined simplified acquisition threshold and is to be awarded without competition or only one bid or proposal is received.
- The procurement exceeds the simplified acquisition threshold and specifies a “name brand” product.
- The proposed award exceeds the federally-defined simplified acquisition threshold and is to be awarded to other than the apparent low bidder under a sealed-bid procurement.
- A proposed contract modification changes the scope of a contract or increases the total contract amount to equal or exceed the amount of the federally-defined simplified acquisition threshold.

Procurement Records

South Central Missouri Community Action Agency will maintain records sufficient to detail the history of procurement including, but not limited to, the following

- Rationale for the method of procurement
- Selection of contract type
- Contractor selection or rejection
- Basis for contract price

CHARGING COSTS TO FEDERAL AWARDS

Overview of Charging Costs to Federal Awards

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

Criteria for Allowability of Costs

In accordance with federal grant regulations and terms and conditions of the federal award, South Central Missouri Community Action Agency’s written procedures to determine allowability of costs will include the criteria below.

All costs must meet the following criteria from 2 CFR Part 200.402 – 406 (45 CFR Part 75.402 – 406), Basic Considerations, in order to be treated as allowable direct or indirect costs under a federal award:

1. The cost must be “reasonable” for the performance of the award, considering the following factors:

- a. Whether the cost is of a type that is generally considered as being necessary for the operation of the Organization or the performance of the award.
 - b. Restraints imposed by such factors as generally accepted sound business practices, arm's length bargaining, federal and state laws and regulations, and the terms and conditions of the award.
 - c. Whether the individuals concerned acted with prudence in the circumstances.
 - d. Consistency with established policies and procedures of the Organization, deviations from which could unjustifiably increase the costs of the award.
2. The cost must be "allocable" to an award by meeting one of the following criteria:
 - a. The cost is incurred specifically for a federal award,
 - b. The cost benefits both the federal award and other work and can be distributed in reasonable proportion to the benefits received, or
 - c. The cost is necessary to the overall operation of the Organization, except where a direct relationship to any particular program or group of programs cannot be demonstrated.
 3. The cost must conform to any limitations or exclusions of 2 CFR Part 200 (45 CFR Part 75) Subpart E-Cost Principles, or the federal award itself.
 4. Treatment of costs must be consistent with policies and procedures that apply to both federally financed activities and other activities of the Organization.
 5. Costs must be consistently treated over time.
 6. The cost must be determined in accordance with generally accepted accounting principles (GAAP).
 7. Costs may not be included as a cost of any other federally financed program in the current or prior periods.
 8. The cost must be adequately documented, including prior written approval from the awarding agency when applicable.

Segregating Unallowable from Allowable Costs

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

1. The budget and award or contract for each award will be reviewed for costs specifically identified as allowable or unallowable.

2. Grant managers, program managers, and financial personnel will be familiar with the allowability of costs provisions (2 CFR Part 200 (45 CFR Part 75), Subpart E - Cost Principles), particularly:
 - a. The list of specifically identified unallowable costs found in 2 CFR Part 200.420 – 476 (45 CFR Part 75.420 – 475), Selected Items of Cost, such as alcoholic beverages, bad debts, contributions, fines and penalties, etc.
 - b. Those costs requiring advance approval from federal agencies in order to be allowable in accordance with 2 CFR Part 200.407 (45 CFR Part 75.407), Prior Written Approval, such as participant support costs, equipment purchases, etc.
3. No costs will be charged directly or indirectly to any federal award until the cost has been determined to be allowable under the terms of the award and/or 2 CFR Part 200 (45 CFR Part 75), Subpart E-Cost Principles. Costs determined to be unallowable will be recorded separately in the general ledger to an identifiable project code to ensure the unallowable costs are not directly or indirectly allocated to an award.
4. For each federal award, an appropriate set of general ledger accounts (or account segments) will be established in the chart of accounts to reflect the categories of allowable costs identified in the award or the award budget.
5. All items of miscellaneous revenue or credits, including the subsequent recording of uncashed checks, rebates, refunds, and similar items, will be reflected for grant accounting purposes as reductions in allowable expenditures if the credit relates to charges that were originally charged to a federal award or to activity associated with a federal award in the current period of performance. If the credit, refund, etc. is for expenditures for a prior period, it will be reported as miscellaneous revenue in the federal award. The reduction in expenditures or recording of miscellaneous revenue will be reflected in the year in which the credit is received. If the purchase that results in the credit took place in a prior period, the prior fiscal year financial statements will not be amended for the credit.

COST ALLOCATION PLAN POLICY

General Cost Allocation Information

South Central Missouri Community Action Agency prepares and maintains a Cost Allocation Plan to document its method and process to fairly and equitably allocate direct, shared or joint, and indirect costs to the programs and activities benefiting from the cost.

All costs of South Central Missouri Community Action Agency will comply with this plan, regardless of the amount of funding received for each grant award.

This plan is reviewed annually, at a minimum, and updated as necessary.

Direct Costs

Direct costs are those costs that can be identified specifically with a particular final cost objective, such as a program or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. South Central Missouri Community Action Agency identifies and charges these costs exclusively to each award or program.

Each requisition, purchase order, invoice will be coded with the appropriate account number reflecting which program received direct benefit from the expenditure. Requisitions and purchase orders are reviewed and approved in accordance with the Organization's Procurement Thresholds and Authorization Limits chart found elsewhere in this manual. Invoices are approved by the appropriate Program Manager and reviewed by the Finance Director prior to payment.

Indirect Costs

Indirect costs are those costs that have been incurred for common or joint objectives and cannot be readily identified with a particular cost objective or that are necessary for the overall operation of South Central Missouri Community Action Agency (management and general costs). Indirect costs are allocated to awards, programs, activities, cost objectives, etc.

After direct and shared (or joint) costs have been determined and assigned directly to awards or other programs as appropriate, indirect costs are those remaining to be allocated to benefitting cost objectives. A cost may not be allocated to a federal award as an indirect cost if any other cost that was incurred for the same purpose, in like circumstances, has been assigned to a federal award as a direct cost.

Direct Costing Procedures

Direct and shared or joint costs are allocated to the benefiting programs using cost pools under the following policies and procedures:

1. Costs will be allocated to all programs on an equitable basis regardless of any limits imposed by funding sources.
2. As much as possible, costs will first be charged directly to benefiting programs.
3. All remaining shared costs will be allocated on the most meaningful measures in accordance with the Organization's annually approved cost allocation plan.

4. Program-related costs will be allocated based on relevant activity measures as indicated in the cost allocation plan.

Time sheets are submitted on a regular basis, reflecting employees' work and which programs, services directly benefited from their effort. Time sheets will serve as the basis for charging salaries directly to programs, services, federal awards and non-federal functions, identify the cost objective(s).

Equipment or property purchased for exclusive use on a federal award and reimbursed by a federal agency will be accounted for as a direct cost of that award (i.e., such equipment will not be capitalized and depreciated for award purposes but will be capitalized and depreciated at year-end for financial statement purposes) after obtaining prior written approval from the funder to acquire the equipment or property. Equipment or property purchased to benefit more than one cost objective (shared equipment) will be allocated using a reasonable basis that is reflective of the equipment or property purchased.

Indirect Cost Rate

South Central Missouri Community Action Agency maintains an annual indirect cost budget. Each year the Organization prepares an indirect cost rate proposal and submits it to its cognizant agency for negotiation and approval, unless an extension has been requested and approved. The approved negotiated indirect cost rate is used as a method to allocate allowable indirect costs to each award, major function, activity, or cost objective.

ACCOUNTS PAYABLE MANAGEMENT

Overview of Accounts Payable Management

South Central Missouri Community Action 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 bank account reconciliation. The following are general policies for accounts payable:

- Assets or expenses and the related liability are recorded by an individual who is not responsible for ordering and receiving.
- The amounts recorded are based on the contractor invoice for the related goods or services.
- The contractor invoice will be supported by an approved purchase order where required by Organization policy and will be reviewed and approved in accordance with the Procurement Thresholds and Authorization Limits chart and DISBURSEMENT POLICIES found elsewhere in this manual 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 disbursements policies and procedures is to ensure that:

- Disbursements are properly authorized.
- Invoices are processed in a timely manner.
- 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, will be recorded as accounts payable in a timely manner.
- Only original invoices will be processed for payment unless duplicated copies have been verified as unpaid by researching the contractor records.
- Invoices received via email will be secured and saved electronically on the Fiscal Department's secured server.
- Any additional copies of the emailed invoice will be deleted.
- No payments will be made from contractor statements.

Accounts Payable Cutoff

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

Invoice Approval

South Central Missouri Community Action Agency's invoice process is as follows:

- South Central Missouri Community Action Agency will process and pay only original invoices. Acceptable original invoices may be either in paper or electronic form. All invoices must be sent by the contractor directly to the Fiscal Department for processing.
- Upon receipt of the contractor invoice, it will be matched with the properly approved purchasing requisition form and purchase order, and entered in the accounts payable system for proper review, approval, and tracking of received invoices. Only properly matched invoices will be entered in the accounts payable system.
- Invoices are to be approved for payment by the Program Director to indicate their acknowledgment of satisfactory receipt of the goods or services invoiced, agreement with all terms appearing on the contractor invoice, agreement with

general ledger account coding, and agreement to pay contractor in full. Approvals will be documented with electronic routing noting approval and date of approval.

- Approved invoices are returned to Accounts Payable for processing
- Invoices requiring revision/correction are returned to the contractor. Supervisory approval is required for changes to invoices in the accounts payable system.
- Follow-up on unmatched invoices, open purchase orders, requisitions, receiving reports will occur each month.

Payment Discounts

To the extent practical, South Central Missouri Community Action Agency takes advantage of all prompt payment discounts offered by contractors. When such discounts are available 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/ Employee Reimbursements

Reimbursements for travel expenses, business meals, or other approved costs will be made only upon the receipt of a properly completed and approved expense reimbursement form. All required receipts must be attached, and a brief description of the business purpose of the trip or meeting must be noted on the form.

The Fiscal Department will periodically check expense reports against timesheets to ensure agreement of dates and activities.

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 will be reconciled to the total recorded in the accounts payable general ledger account (control account). All differences will be investigated and adjustments made as necessary. The reconciliation and the results of the investigation of differences must be reviewed and approved by the Finance Director.

On a monthly basis, the Fiscal Director will also perform the following procedures:

1. Check all received contractor statements for unprocessed invoices.
2. Check and follow-up on the purchase order file for open purchase orders more than 30 days old.

DISBURSEMENT POLICIES

Each requisition, purchase order, invoice will be coded with the appropriate account number reflecting which program received direct benefit from the expenditure. Requisitions and purchase orders are reviewed and approved in accordance with the Organization's Procurement Thresholds and Authorization Limits chart found elsewhere in this manual.

General Disbursement Policies

Disbursements will be prepared by persons independent of those who initiate or approve expenditures, as well as those who are authorized disbursement signers (check signers).

All contractor and expense reimbursement payments will be processed in accordance with the following guidelines:

1. Expenditures must be supported in conformity with PROCUREMENT POLICIES AND PROCEDURES, ACCOUNTS PAYABLE MANAGEMENT, and TRAVEL policies and procedures described elsewhere in this manual.
2. Timing of disbursements should generally be made to take advantage of all early-payment discounts.
3. Generally, all contractors will be paid within 30 days of submitting a proper invoice upon delivery of the requested goods or services and approval of the invoice for payment.
4. Total cash requirements associated with each disbursement cycle is monitored in conjunction with the available cash balance in bank prior to the release of any funds.
5. All supporting documentation is attached to the corresponding check prior to forwarding the entire package to an authorized disbursement (bank account) signer.
6. Checks will be utilized in numerical order and unused checks are stored in a locked safe in the Fiscal Department.
7. Checks will never be made payable to "bearer" or "cash."
8. Checks will never be signed prior to being prepared.

Disbursement Approval Thresholds

Disbursements require approval from two authorized disbursement approvers. No disbursements will be approved without required supporting documentation (no signing of blank checks).

Disbursements will be approved by an individual other than the one who approved the transaction (expense approver).

Authorized disbursement signers should examine all original supporting documentation to ensure that each item has been properly reviewed and approved prior to approving a disbursement. Disbursements should not be authorized if supporting documentation appears to be missing or there are any questions about the disbursement of the funds.

Electronic Disbursement Approval

Equipment used to approve disbursements/sign checks will be secured. Access will be restricted to the authorized disbursement signers. Passwords to authorize the posting of a signature will be entered by authorized disbursement signers only. An authorized bank account signer/ disbursement signer/ check signer will review each disbursement run and supporting documentation, and sign the check or initial and date the disbursement listing indicating approval of electronic disbursement. Disbursements should not be authorized if supporting documentation appears to be missing or there are any questions about a disbursement

The individual creating or initiating the disbursement (by check or electronic) will be separate from the individual approving or authorizing the payment. Only authorized disbursement approvers (bank signers) will approve or authorize an electronic payment.

Mailing of Checks

After checks are signed, they are given to the Receptionist. The Receptionist attaches the appropriate documentation and immediately mails the checks. Checks will not be mailed by, or returned to, the individuals or departments that authorized the expenditures.

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." All voided checks will 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 by telephone instruction and written authorization to the bank by the Fiscal Department. A journal entry is made to record the stop payment and any related bank fees.

Recordkeeping Associated with Independent Contractors

South Central Missouri Community Action Agency will obtain a completed Form W-9 or equivalent substitute documentation from all contractors to whom payments are made. The accounting system will be used to determine the contractors who will receive a Form

1099 for the calendar year. This determination will be based on the payments made to such contractors over the course of the calendar year.

CREDIT CARDS/ PURCHASING CARDS/ CHARGE ACCOUNTS

Card or Charge Account User Responsibilities

Card users are reminded that use of a credit card or charge account does not relieve the user from following the Organization's procurement policies and procedures. Use of a credit card or charge account is a payment method, not a procurement procedure.

Any fraudulent or other unauthorized charges will immediately be brought to the attention of the Finance Director for further investigation with the card provider.

Personal use of Organization-issued credit cards is strictly prohibited. Any personal use will subject the employee to the Organization's disciplinary.

Revocation of Organization Credit Cards, Charge Account Privileges, or Purchasing Cards

Failure to comply with any of these policies associated with the use of South Central Missouri Community Action Agency's issued credit cards, charge privileges, or purchasing cards will be subject to possible revocation of card privileges. The Finance Director, with the approval of the Executive Director, will determine whether credit cards or purchasing cards are to be revoked.

Employee Credit Cards

Employees and officers incurring legitimate Organization business expenses are expected to utilize their personal credit cards for such expenditures. The Organization will reimburse employees and officers for properly supported and documented business expenditures charged to personal credit cards upon proper completion of an expense report. The properly completed expense reports will be processed in accordance with the Employee Expense Reports/ Employee Reimbursements section of this manual. Travel advances may be requested in special circumstances (e.g., situations in which legitimate business expenses are expected to exceed an employee's credit card limit or other special cases).

PAYROLL AND RELATED POLICIES

Compensation – Personal Services

Compensation for personal services includes all remuneration, paid currently or accrued, for services of employees rendered during the period of performance under an award,

including but not necessarily limited to wages and salaries is considered an allowable cost to the award to the extent that it satisfies the following requirements:

- The compensation is reasonable for services rendered;
- The compensation complies with laws, regulations, and other written policies of South Central Missouri Community Action Agency;
- The compensation is properly documented and supported as stated in the Standards of Documentation for Personnel Expenses section of this manual.

Costs which are unallowable under 2 CFR Part 200 (45 CFR Part 75), are also unallowable solely on the basis that the cost constitutes personal compensation.

The Organization will comply with administrative compensation limits stated in the statutes and regulations of its funding sources.

Compensation – Fringe Benefits

Fringe benefits are allowances and services provided by employers to their employees as compensation in addition to regular salaries and wages. Fringe benefits include, but are not limited to, the costs of leave (vacation, family-related, sick or military), employee insurance, pensions, and unemployment benefit plans. The costs of fringe benefits are allowable to federal awards provided the benefits are reasonable and are required by law, employer-employee agreement, or an established policy of South Central Missouri Community Action Agency.

Costs which are unallowable under 2 CFR Part 200 (45 CFR Part 75), are not allowable under this regulation solely on the basis that the cost constitutes a fringe benefit.

Classification of Workers as Independent Contractors or Employees

South Central Missouri Community Action Agency considers all relevant facts and circumstances regarding the relationship between the Organization 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 South Central Missouri Community Action 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

The Organization's Finance Director in consultation with the Human Resources Director will make the final determination.

Wage Comparability Study

South Central Missouri Community Action Agency will perform wage comparability studies every three years to ensure the salary and wage structure is similar to the market compensation for like size and employee base in the market/ regional area.

Review and Approval of Senior Management Compensation

In connection with the salaries and benefits of senior management (to include the Executive Director and Finance Director), a triennial study will involve a salary and benefits survey conducted by an independent entity. The analysis of senior management salaries and benefits will be conducted under the direction of the Executive Committee of the Board of Directors. If an appropriate survey cannot be located, the Executive Committee will consider utilizing a salary and benefits consulting specialist firm or conducting its own customized comparison with similar entities.

Although the formal comparison with external data will be performed once every three years, the Executive Committee will document its consideration and authorization of the salaries and benefits of senior management on an annual basis, prior to the beginning of each fiscal year.

Changes in Payroll Data

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

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

New hires, terminations, and changes in salaries or pay rates will be authorized in writing by the appropriate Program Director, the Human Resources Director, and the Executive Director.

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

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

Payroll Taxes

The Fiscal Department is responsible for ensuring all required tax forms are properly completed and submitted, and that all required taxes are withheld and paid.

South Central Missouri Community Action Agency will request an updated Form W-4 and state withholding form from each employee in January of each year. If there are no changes from the prior year, employees are not required to provide a new W-4. Withholding of federal income taxes will be based on the most current Form W-4 prepared by each employee.

Standards of Documentation for Personnel Expenses

South Central Missouri Community Action Agency follows the requirements in 2 CFR Part 200.430(i) (45 CFR Part 75.430(i)), Standards for Documentation of Personnel Expenses, as well as requirements in specific awards to document personnel expenses.

Charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records will:

1. Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
2. Be incorporated into the official records of the Organization;
3. Reasonably reflect the total activity for which the employee is compensated;
4. Encompass both federally assisted and all other activities compensated by the Organization on an integrated basis;
5. Comply with the established accounting and financial policies and practices of the Organization;
6. Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one federal and/or non-federal award or more than one cost activity/objective; and
7. Budget estimates may be used for interim accounting purposes provided the estimates produce reasonable approximations of the activity actually performed, significant changes in work activity is identified and entered into the records in a timely manner, and an after-the-fact review is completed to make all necessary adjustments to the final amount charged to the federal award to help ensure charges are accurate, allowable, and properly allocated.

Preparation of Time Records

Each South Central Missouri Community Action Agency employees must submit to the Fiscal Department a signed and approved timesheet following the close of each pay period. Timesheets will be prepared in accordance with the following guidelines and the Standards of Documentation for Personnel Expenses section of this manual:

1. Each timesheet will reflect all hours worked during the pay period (time actually spent on the job performing assigned duties), whether compensated or not.
2. Timesheets will be prepared electronically using Microix.
3. Employees will identify and record hours worked based on the nature of the work performed.
4. Compensated absences (vacation, holiday, sick leave, etc.) should be clearly identified as such.
5. Timesheets will be electronically approved by the employee prior to submission to supervisor for approval.

After preparation, Program Directors or their designees will approve timesheets prior to submission to the Fiscal Department. Corrections identified by an employee's supervisor or Program Director will be authorized by the employee by updating electronic time record.

Processing of Timesheets

The Fiscal Department will process the timesheets by checking them for mathematical accuracy, then approving time in system for processing.

Tampering with, 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 discharge.

Review of Payroll

Upon production of all payroll reports and checks the Finance Director reviews payroll prior to its distribution to employees.

Distribution of Payroll

Remittance advices for electronic deposits will be emailed to each employee's email.

Cost of Living Adjustments (COLA)

COLAs are generally awarded through an award amendment. Once approved by the funding source, wages will be adjusted based on funder instructions and the Organization's policies. To be eligible for a COLA, an employee must be currently employed by South Central Missouri Community Action Agency at the time the award amendment is approved and notice received by South Central Missouri Community Action Agency, be a regular employee (has satisfactorily completed the six-month orientation period), employed by the Organization at the time COLA funds are received from the funder for disbursement to employees. A COLA will not allow an employee to be paid past the maximum established compensation for her or his salary range. When a wage study reveals employees are already at or above comparable market wages, COLA funds may be used to adjust wages/ salaries of other employees or for higher operational costs, as allowed by the funding source.

TRAVEL

Travel Advances

Funds will be advanced for upcoming travel only upon receipt of a completed and properly approved request for travel advance. Travel advances are generally limited to meal and incidental per diems unless there is an extraordinary need for additional funds. Additional funds require prior approval by the Executive Director. Travel advances are to be used only for the purpose intended. Travel expenses are to be incurred and reimbursed in accordance with the Organization's travel policies as explained in this section.

Business travelers receiving travel advances are required to sign for the advance signifying their acknowledgment of, and agreement with, these policies. Travelers receiving travel advances must submit an expense report within 5 business days of returning from the business travel for which the advance was received. If the advance exceeds the amount on the travel voucher, the difference will be paid immediately by the employee.

Travel Expense Report Preparation

At the conclusion of a South Central Missouri Community Action Agency business trip, the employee, member of the Board of Directors, or other approved business traveler who has incurred business-related travel expenses will complete an expense report in accordance with the following policies and procedures:

1. Documentation must justify that travel costs incurred by the business traveler is necessary for the Organization, program objectives, and the federal award, and costs are reasonable and consistent with South Central Missouri Community Action Agency's travel policy. Travel costs for individuals accompanying the business traveler are not allowable or reimbursable.

2. Identify each separately incurred business expense (i.e., do not group all expenses associated with one trip together).
3. With the exception of tips, tolls, reimbursed mileage, and per diems, all business expenses must be supported with invoices/receipts.
4. South Central Missouri Community Action Agency will reimburse business travelers for meals and incidentals at per diem rates established by the General Services Administration (GSA) for the traveler's business destination. Therefore, meal receipts are not required, except for business meals not reimbursed as a per diem (for example reasonable and necessary group business meals.)
 - a. It is the Organization's policy that payment for the first and last day of travel will be at 75% of the full per diem.
 - b. If the conference or meeting which the traveler attends provides a meal, the value of that meal, as determined by GSA tables, will be deducted from that day's per diem. However, when only a continental breakfast is served, reimbursement for breakfast will be provided, and if only a reception is provided in the evening, reimbursement for dinner will be provided.
5. Contractor receipts/invoices must be submitted for all lodging and any expenditure other than meals and incidentals reimbursed with per diems.
6. Airline-issued receipts must be obtained. If a traveler fails to obtain a receipt, other evidence must be submitted indicating that a trip was taken and the amount paid (for example, a combination of an itinerary, certificate of attendance, a credit/debit card receipt, and return trip boarding pass(es)).
7. Use of a privately-owned vehicle will be reimbursed at the rate of 62.5 cents per mile for actual miles traveled on Agency business.
8. General ledger account coding must be identified for all expenditures.
9. For all meals not reimbursed as a per diem (group business meals) and other business expenditures, the following must be clearly identified:
 - a. Names, titles, entities, and business relationships of all persons
 - b. The business purpose of the meal or other business event
 - c. Meal receipts should be the actual, detailed receipt, not the credit/debit card transaction receipt. (The credit/debit card receipt may not provide enough detail.)
10. All expense reports must be signed and dated by the business traveler being reimbursed.

11. All expense reports must be reviewed and approved by the business traveler's Program Director.
12. Only one expense report form should be prepared for each business trip.

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

Reasonableness of Travel Costs

South Central Missouri Community Action Agency will reimburse travelers only for those business-related costs that are necessary and reasonably incurred. Accordingly, the following guidelines will apply:

1. Payment or reimbursement for suites and other upgraded rooms at hotels will not be allowed, unless required by a medical condition which must be documented by Human Resources and approved by a supervisor. Travelers should stay in standard rooms.
2. South Central Missouri Community Action Agency will ask hotels for any available discounts – nonprofit, government, or corporate rates.
3. When utilizing rental vehicles, travelers should rent midsize or smaller vehicles, unless safety considerations require a larger vehicle. Rental of a vehicle larger than midsize must be approved by a supervisor. Travelers will share rental vehicles whenever possible.
4. If required by the funding source, foreign travel charged to federal awards must be approved in writing by the funding source prior to travel.

Special Rules Pertaining to Air Travel

The following additional rules apply to air travel:

1. Air travel should be at coach class or the lowest commercial discount fare at the time the ticket is purchased except when this fare would:
 - a. Require circuitous routing,
 - b. Require travel during unreasonable hours,
 - c. Excessively prolong travel,
 - d. Result in additional costs (e.g. baggage fees) that would offset the transportation savings, or

- e. Offer accommodations not reasonably adequate for the traveler's medical needs.
2. First class or business class air travel will not be reimbursed unless there is a medical reason which must be documented by Human Resources.
3. Memberships in airline flight clubs are not reimbursable.
4. Cost of flight insurance is not reimbursable.
5. Cost of upgrade certificates is not reimbursable.
6. The cost of baggage fees required by airlines to either check or carry-on luggage is allowable and reimbursable.
7. Cost of canceling and rebooking flights is not reimbursable, unless it can be documented that it was necessary or required for legitimate business reasons (such as changed meeting dates, etc.).
8. Travelers must identify and pay for all personal flights, even if such flights are incorporated into a flight schedule that serves business purposes. South Central Missouri Community Action Agency will not reimburse for the personal legs of a trip.

Spouse/Partner and Dependent Travel

South Central Missouri Community Action Agency does not reimburse any traveler for separate travel costs (air fare, etc.) associated with his or her spouse, partner, dependents, or travel companion. The cost of a shared hotel room need not be allocated between the traveler and spouse, partner, dependent, or other travel companion for purposes of this policy.

CELL PHONES

Mobile Reimbursement

In support of workplace mobility, South Central Missouri Community Action Agency employees who hold positions that include the need for a cell phone may receive a monthly mobile reimbursement of \$75 for exempt employees for business-related costs incurred by the employee when out of the office (e.g. business-related activities) or occasionally outside of standard work hours (e.g. after hours networking events).

This reimbursement is to support communications for business-related activities and assist with compliance of multi-factor authentication, when necessary during working hours.

Reimbursement will cover only a portion of expenses reasonably attributable to the employee's work for one personal mobile device.

The stipend will be considered a non-taxable fringe benefit and will be determined by the employee's job duties or classification. Any amount requested above the monthly reimbursement amount requires substantiation (i.e., a copy of the itemized monthly expense showing the percent of calls for business purposes vs. personal). This documentation is required to ensure the reimbursement does not turn into a taxable benefit for the employee.

POLICIES PERTAINING TO SPECIFIC ASSET ACCOUNTS

CASH AND CASH MANAGEMENT

Cash and Cash Equivalents

South Central Missouri Community Action Agency considers all short-term highly liquid investments with an original maturity date of three-(3) months or less to be cash equivalents.

Cash Accounts

General Checking Account (operating account):

The primary operating account provides for routine business disbursements. All cash, check, and electronic funds deposits are made to this account.

Cash transfers are done on an as-needed basis to cover cash needs for disbursements. Excess funds in this account are transferred into short-term investments or higher interest-bearing cash equivalents.

In addition, all advances of federal funds will be deposited in an interest-bearing account. Interest earned on such funds, up to \$500 per year, will be allocated to federal awards based on a percentage of funds received during the month, and any additional interest earned on federal funds will be returned to the Federal Payment Management System (PMS).

Payroll Account

The payroll account is separate from the operating account. Transfers from the operating account into the payroll account are initiated by the Finance Director.

Authorized Disbursement Signers/ Approvers

The following South Central Missouri Community Action Agency personnel are authorized to sign checks drawn on and approve disbursements, as authorized by the Board of Directors:

Executive Director
Deputy Director
Four Designated Program Directors

Finance Director will promptly notify the Organization's financial institutions of changes in authorized disbursement signers upon the departure of any authorized disbursement signer and any changes authorized by the Board of Directors. Refer to Disbursement

Approval Thresholds section of this manual for procedures. The Finance Director will only have authority to transfer funds between accounts and will not have authority to approve disbursements.

Digital Signatures

South Central Missouri Community Action Agency accepts digital signature for individuals as an allowable alternative to manual or “wet” signatures, except where otherwise stated in this manual. Authorized signers or approvers are responsible for the security and protection of their passwords and must sign documents and correspondence using software approved by the Organization.

Bank Reconciliations

Bank account statements are received in paper form each month and forwarded to the Deputy Director. The Finance Director will examine the statement and review its contents for unusual or unexplained items, such as unusual endorsements on checks, indications of alterations to checks, etc. Unusual or unexplained items will be reported immediately to the Finance Committee.

After this review is complete, the entire bank statement (all pages) is forwarded to the Finance Director who prepares a reconciliation between the bank balance and general ledger balance using the accounting system’s bank reconciliation function.

The reconciliation process will involve an inspection of items and transactions included in the statement. The purpose of this inspection is to identify signs of forgery, altered or substitute checks, unusual payee names, or other signs of fraudulent or unusual activity.

The Executive Director reviews and initials all completed bank reconciliations.

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

Cash Flow Management

The Finance Director monitors cash flow needs on a weekly basis to minimize the time elapsing between the receipt and disbursement of funds and to ensure that payment obligations can be met. Cash transfers between accounts are performed on an as-needed basis.

South Central Missouri Community Action Agency adheres to the requirements of its awards which prohibit loaning funds between programs; therefore, cash management and reporting is performed at the program level as well as for the Organization as a whole.

Unpresented Checks

Unpresented checks include checks that are outstanding, written-off, stale-dated, or returned by the post office. Unpresented checks will be categorized by South Central Missouri Community Action Agency into two categories: payroll checks and general checks.

South Central Missouri Community Action Agency will comply with the Missouri laws regarding unclaimed property. Accordingly, the Organization will file all appropriate forms and remit unclaimed property to the appropriate jurisdiction for all uncashed checks subject to a state reporting and transfer requirement.

The Fiscal Department will attempt to contact the payee and re-issue unpresented checks older than three-(3) months; this attempt and re-issuance will be documented.

Petty Cash

South Central Missouri Community Action Agency will provide imprest funds for valid, minor office expenditures (not for travel or employee advances) and will reconcile and replenish these funds up to its authorized balance of \$50 on a monthly basis to ensure timely reporting of expenses in the proper period of performance. The Petty Cash Custodian is responsible for ensuring that the petty cash fund is secured at all times.

All disbursements from the petty cash fund must be accompanied by a completed and approved petty cash voucher. Receipts are required for all disbursements from petty cash.

The Petty Cash Custodian will prepare a reconciliation of the petty cash account on a periodic basis. Petty cash reconciliations are subject to review by the Senior Accountant, who may also perform periodic surprise cash counts and reconciliations.

Cash Management

South Central Missouri Community Action Agency will maintain financial assets, consisting of cash and short-term investments, to meet 60 days of normal operating expenses. Short-term investments to help manage the Organization's unanticipated liquidity needs include:

- Cash and cash equivalents
- Accounts and interest receivable
- Contributions receivable
- Grants receivable
- Short-term investments

- Other investments appropriated for current use

Interest Earnings

Any advances of federal funds will be maintained in an interest-bearing account. Interest earned on such funds, up to \$500 per year, will be retained for administrative expense. Any additional interest earned on federal funds will be returned to the federal agency through the Federal Payment Management System (PMS).

INVENTORY OF MATERIALS

Description of Inventory

South Central Missouri Community Action Agency maintains an inventory of materials used for home weatherization.

Physical Counts

A physical count of inventory will be performed on a quarterly basis or at the end of an award's period of performance by someone who does not have responsibility for ordering or approving purchases of such items. Any inventory items that appear damaged, obsolete, or otherwise unable to be sold will be excluded from the counts. A detailed record of the physical count will be kept by the individuals involved in taking the inventory.

At the conclusion of the physical count, the inventory count sheets will be extended by applying the most recent unit costs to the physical quantities of each item on hand. The general ledger balance will be adjusted to reflect the total inventory on hand as determined by the physical count. Unusual discrepancies such as lost or damaged inventory will be investigated by the Finance Director.

Contributed Inventory

Inventory items donated to South Central Missouri Community Action Agency will be recorded as assets of the Organization at the fair market value as of the date of the contribution. Contributed inventory items will be subject to the same physical counting and other policies as purchased inventory items.

PREPAID EXPENSES

Accounting Treatment

South Central Missouri Community Action Agency treats payments of expenses that have a time-sensitive future benefit as prepaid expenses and amortizes these items over the corresponding time period. For purposes of this policy, payments of less than \$500 will 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 will be classified as current assets. Prepaid expenses that benefit future periods beyond one year from the financial statement date will be classified as noncurrent assets.

Procedures

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

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

CAPITAL ASSETS

Capitalization Policy

Physical assets acquired with a per unit cost in excess of \$5,000 with a useful life exceeding one year are capitalized as property and equipment on the Organization's financial statements. Items with unit costs below this threshold will be expensed in the year purchased. If an awarding agency requires a lower amount for equipment, South Central Missouri Community Action Agency will adhere to that dollar amount only for that program or contract.

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

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

Contributed Assets

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

Capitalized contributed assets are accounted for at their market value at the time of donation and all such assets, except land, are subject to depreciation over their estimated useful lives, as described elsewhere in this section.

Release of Donor Restriction

Donor-imposed restrictions on contributed assets will be released when the asset is placed into service, unless otherwise stipulated by the donor.

Equipment Purchased with Federal Funds

South Central Missouri Community Action Agency may occasionally purchase equipment that will be used exclusively in a program funded by a federal agency. For purposes of federal award accounting and administration, equipment will include assets with a unit cost equal to the lesser of \$5,000 or the capitalization threshold utilized by South Central Missouri Community Action Agency.

1. Federally funded property to be included on the inventory listing include items that cost \$500 or more and have a useful life expectancy of more than one year.
2. Federally funded property that is separately capitalized include all assets with a unit cost equal to the lesser of the capitalization thresholds listed in the Depreciation and Useful Lives section of this manual.

All purchases of equipment and other capital assets made with federal funds will be approved, in advance and in writing, by the awarding agency. In addition, the following policies will apply regarding equipment purchased and charged to federal awards:

1. Adequate insurance coverage will be maintained with respect to equipment charged to federal awards.
2. When no longer needed for the original project or program for which it was purchased:
 - Equipment with a per unit fair market value below \$5,000, may be retained, sold, or otherwise disposed of with no further obligation to the federal awarding agency.

- South Central Missouri Community Action Agency will obtain disposition instructions from the awarding agency for equipment with a per unit fair market value of \$5,000 or more. These instructions may include returning the equipment to the federal agency, keeping the equipment and compensating the federal agency, or selling the equipment and remitting the proceeds, less \$500 or 10% of the proceeds, whichever is less, to the federal agency.
3. The Program Director will determine whether a specific award with a federal agency includes additional equipment requirements or thresholds and requirements that differ from those described in this section.

Establishment and Maintenance of a Capital Asset Listing

All capitalized property and equipment will be recorded in a property log. This log will include the following information with respect to each asset:

1. Date of acquisition
2. Cost
3. Description (including color, model, and serial number, or other identification number)
4. Source of the funds used to acquire the equipment, including the award number, if applicable
5. Whether the title vests with the Organization or the awarding agency and the percentage of the awarding agency interest in the acquired asset
6. Information to calculate the funder's share of the cost of the equipment, if applicable
7. Location, use, and condition of asset
8. Depreciation method
9. Estimated useful life
10. Ultimate disposition data including the date of disposal and sale price

A physical inventory of all equipment purchased with award funds will be performed annually by an employee who is not responsible for ordering or approving the purchase of these assets. The results of the physical inventory will be reconciled to the accounting records of, and funder reports filed by, South Central Missouri Community Action Agency. All adjustments resulting from this reconciliation will be approved by the Finance Director.

Receipt of Newly Purchased Equipment

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

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

Depreciation and Useful Lives

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

In the year of acquisition, depreciation is recorded based on the number of months the asset is in service, counting the month of acquisition as a full month. For example, an asset purchased on the 15th day of the 5th month will have eight-(8) full months of depreciation (8/12 of one year) recorded for that year.

Estimated useful lives of capitalized assets will be determined by the Fiscal Department. The following is a list of the estimated useful lives of each category of capital asset for depreciation purposes:

Asset type	Est. Useful Life
Furniture and fixtures	Up to 10 years
General office equipment	5 years
Computer hardware and peripherals (which exceed the capitalization threshold)	3-5 years
Computer software	2-3 years
Leased assets	Shorter of remaining lease term or Estimated useful life of leased asset
Leasehold improvements	Shorter of remaining lease term or Estimated useful life of leasehold improvement

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

Changes in Estimated Useful Lives

If it becomes apparent that the useful life of a particular capitalized asset will be less than the life originally established, an adjustment to the estimated useful life will be made. All such changes in estimated useful lives of capitalized assets must be approved by the Finance Director.

When a change in estimated useful life is made, the new life is used for purposes of calculating annual depreciation expense. In the year in which the change in estimate is made, the cumulative effect of the change will be reflected as depreciation expense in the Organization's statement of activities.

For example, if in the 4th year of an asset's life, it is determined that the asset will last five-(5) years instead of the original estimate of seven-(7) years, depreciation expense for that year will be equal to the difference between 4/5 of the asset's basis (accumulated depreciation at the end of year four-(4)) and 3/7 of the asset's basis (accumulated depreciation at the beginning of the year).

Repairs of Capital Assets

Expenditures to repair capitalized assets will 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 will 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 will be depreciated over the remaining estimated useful life of the property. If the repairs significantly extend the estimated useful life of the property, the original cost of the property will also be depreciated over its new, extended useful life.

Dispositions of Capital Assets

Management will determine property and equipment needs. When property and equipment is no longer needed, South Central Missouri Community Action Agency will determine how to dispose of the asset based on how equipment was acquired and funded. When required, the Organization will obtain disposal instructions from the funder, in accordance with funding regulations.

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

Write-Offs of Capital Assets

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

Capital Asset Accounting System

The general capital asset and infrastructure capital asset records will be maintained in the South Central Missouri Community Action Agency's capital asset software. Capital asset records will be updated at least annually for additions, deletions, and adjustments.

ASSET IMPAIRMENTS

Policy

Long-lived assets of the Organization include personal property and equipment, land, buildings, intangible assets, and other noncurrent assets. In connection with long-lived assets, the Organization will record an impairment loss when the carrying amount (book value, net of any accumulated depreciation or amortization) is both:

1. Not recoverable (through sale, etc.); and
2. In excess of the asset's fair value.

Long-lived assets will be tested for impairment whenever events or changes in circumstances indicate that an asset's carrying value may be impaired. Examples of such events or circumstances that the Organization will consider include:

1. A significant decrease in the market price of a long-lived asset.
2. A significant adverse change in the extent or manner in which a long-lived asset is being used or in its physical condition.
3. A significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset, including an adverse action by a regulator.
4. An accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset.
5. A current period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that indicates continuing losses associated with the use of a long-lived asset.
6. A current expectation that, more likely than not, a long-lived asset will be sold or otherwise disposed of significantly before the end of its previously estimated useful life.

If the Organization records an impairment loss in connection with a long-lived asset subject to depreciation or amortization, the reduced basis resulting from recording the loss will be used as a new basis for calculating future periods' depreciation or amortization.

POLICIES PERTAINING TO SPECIFIC LIABILITY AND NET ASSET ACCOUNTS

ACCRUED LIABILITIES

Identification of Liabilities

The Fiscal Department will 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 will be accrued by South Central Missouri Community Action Agency at the end of an accounting period are:

- Salaries and wages
- Payroll taxes
- Paid leave
- Rent
- Interest on notes payable

In addition, South Central Missouri Community Action Agency will record a liability for refundable advances (revenue received but not yet earned) in accordance with the REVENUE RECOGNITION policies described elsewhere in this manual. Adjustments to refundable advance accounts will be made monthly.

Accrued Salaries and Wages

An estimate for salaries and wages earned by employees for work performed, but unpaid as of the end of a reporting period, will be calculated, accrued, and reported as an accrued expense and accrued liability in the financial records. An accrual entry for employer-related payroll expenses associated with the accrual for salaries and wages will also be calculated and entered. This transaction will be reversed as of the first date of the next reporting period to allow for the recording of the paid salaries and wages and employer-related payroll expenses.

Accrued Leave

Personnel policies permit employees to carry forward up to 120 hours of unused leave from year to year. Such unused leave is payable to an employee upon termination of employment.

Accordingly, South Central Missouri Community Action Agency records a liability for accrued leave to which employees are entitled. The total liability at the end of an accounting period will equal the total earned but unused hours of leave, up to a maximum of 120, multiplied by each employee's current hourly pay rate.

Funds that are drawn down for accrued leave that is expensed to an award will be set aside in a trust account or separately tracked and deposited in the Organization's savings account as a funded liability.

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

FINANCING ARRANGEMENTS

General Policy

South Central Missouri Community Action Agency requires that all financing arrangements be approved by the Board of Directors and signed by the Board of Directors Chairperson and the Executive Director. The parameters of each financing arrangement will be provided to the Board of Directors prior to approval. The Organization's policies in this section apply to all term notes, lines of credit, credit cards, charge accounts, and other financing arrangements.

The Board of Directors will receive a monthly reporting of the outstanding balances on all financing arrangements each month, including a projection of expected cash flow for the next 60 months.

Credit Cards and Charge Accounts

South Central Missouri Community Action Agency may utilize Organization-issued credit cards and contractor charge accounts to pay small allowable Organization business expenses and small dollar operating costs. Credit cards and charge accounts will not be used to finance long-term purchases or expenses.

Outstanding credit balances will be reported in the financial statements at the end of each month to properly report the Organization's liabilities. Payment of current operating expenses and outstanding current liabilities will be prioritized to minimize financing cost.

The paper copy of the account statement will be mailed directly to the Finance Committee Chairperson, who will review the statement for unusual transactions and appropriateness of charges. After the review and resolution of any questions, the statement will be sent to the Senior Accountant for reconciliation and filing. The Senior Accountant will have view only online access to perform more frequent reconciliations as needed.

Operating Line of Credit

South Central Missouri Community Action Agency may utilize an operating line of credit with a financial institution to meet its current operating expenses and will not be used to finance long-term purchases or expenses. The Executive Director, Finance Director, and designated Board of Directors member is authorized to draw funds on the line of credit as necessary.

Outstanding line of credit balances will be reported in the financial statements at the end of each month to properly report the Organization's liabilities. Payment of current operating expenses and outstanding current liabilities will be prioritized to minimize financing cost.

Term Loans

South Central Missouri Community Action Agency may utilize term loans (note payable, mortgage payable) to finance long-term purchases to be repaid in predictable installment amounts for an established period of time.

Outstanding term loan balances will be reported in the financial statements at the end of each month to properly report the Organization's liabilities. Payment of outstanding term loans will be made in accordance with agreed payment terms using unrestricted funds. The Organization will make effort to pay down term loan balances to minimize financing costs.

Recordkeeping

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

1. Name and address of lender/creditor
2. Date of agreement or renewal/extension; date account opened
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 will be maintained for each financing arrangement. Based upon the amortization schedule, the principal portion of payments due within the next year will be classified as a current liability in the statement of financial position. The principal portion of payments due beyond one year will be classified as a long-term/noncurrent liability in the statement of financial position.

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

Unpaid interest expense will be accrued as a liability at the end of each fiscal year.

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

LEASES

Classification of Leases

South Central Missouri Community Action Agency will maintain a listing of all lease agreements and classify all leases in which the Organization is a lessee as either a financing or operating lease. If one or more of the following criteria are met, the lease will be classified as a financing lease:

1. The lease transfers ownership of the leased asset to South Central Missouri Community Action Agency on or before the end of the lease term.
2. The lease grants South Central Missouri Community Action Agency an option to purchase the underlying asset and the Organization is reasonably certain to exercise the option.
3. The lease term is for a major part of the leased asset's economic life.
4. The present value of the sum of the lease payments and any residual value guaranteed by South Central Missouri Community Action Agency not already reflected in the lease payments equals or exceeds substantially all of the leased asset's fair value.
5. The leased asset is so specialized, it is expected to have no alternative use to South Central Missouri Community Action Agency at the end of the lease term.

Leases that do not possess any of the preceding characteristics will be treated as operating leases. In addition, all leases that total less than \$1,000 in lease payments or have a term of

12 months or less, will be accounted for as operating leases. South Central Missouri Community Action Agency will recognize these leases on a straight-line basis over the lease term.

Reasonableness of Leases

South Central Missouri Community Action Agency assesses the value of leases according to the requirements of 2 CFR Part 200.465 (45 CFR Part 75.465), Rental Costs of Real Property and Equipment, considering the following factors:

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

Rental arrangements will be reviewed every 3 to 5 years to determine if circumstances have changed and other options are available.

Accounting for Leases

All operating leases and financing leases with a term of less than 12 months will be accounted for as expenses in the period in which the lease payment is due. Operating and financing leases with terms greater than 12 months will be reported on the statement of financial position as a right-of-use asset and a lease liability, initially recorded at the present value of the lease payments (plus other payments, including variable lease payments and amounts probable of being owed by South Central Missouri Community Action Agency under residual value guarantees). Lease terms will include the non-cancellable lease term plus renewal periods that are reasonably certain to be exercised.

Financing leases

South Central Missouri Community Action Agency will record a right-of-use asset and lease liability for the present value of payments to be paid over the lease term. Amortization of the asset will be on a straight-line basis over:

- The shorter of the lease term or an estimated useful life that is consistent with the Organization's capital asset policy; or
- Through the end of the useful life of the asset if the lease transfers ownership of the leased asset to the Organization or the Organization is reasonably certain to exercise an option to purchase the asset.

Interest expense will be calculated and separately reported from the amortization of the right-of-use asset. Interest payments and variable lease payments will be reported in the operating section of the statement of cash flows and the principal payments for the lease liability will be reported in the financing section of the statement of cash flows.

Operating leases

South Central Missouri Community Action Agency will record a right-of-use asset and lease liability for the present value of payments to be paid over the lease term. Interest expense and the amortization of the right-of-use asset together as one lease expense, allocated over the term of the lease on a straight-line basis, or other rational basis, if more representative of the benefits received from the leased asset. All cash payments will be reported in the operating section of the statement of cash flows.

South Central Missouri Community Action Agency will also maintain a control list of all operating and capital leases. This list will include all relevant lease terms, including a schedule of future annual lease payments obligations, and will be reconciled to the general ledger on a quarterly basis.

Changes in Lease Terms

Leasehold improvements are amortized as determined in the Depreciation and Useful Lives section of this manual. If the lease term is changed prior to the expiration of the initial lease term, South Central Missouri Community Action Agency will revise amortization to reflect this change, as necessary.

Donated Rent and Below-Market Leases

The value of donated space that will be included as part of an award's cost share or matching requirement will be supported by an independent certified real estate appraiser.

NET ASSETS

Classification of Net Assets

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

Net Assets with Donor Restrictions – The net assets of the Organization that is subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain awards) that is specific in nature and may be set aside for programs, investment, contingencies, purchase, special projects, or other uses.

Net Assets without Donor Restrictions – The net assets of the Organization that is not subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain awards).

Composition of Net Assets

Net asset composition of the Organization's Board of Directors-designated funds will be disclosed as follows, when applicable:

Board of Directors Designated Net Assets – Net assets without donor restrictions subject to self-imposed limits by action of the Board of Directors. Board of Directors -designated net assets may be earmarked for future programs, investment, contingencies, purchase or construction of fixed assets, or other uses. The Board of Directors may delegate designation decisions to the Executive Director; Finance Director; Finance Committee. Such designations are considered to be included in Board of Directors-designated net assets. This includes Board of Directors-designated endowment funds.

Reclassification of Net Assets

The Organization will report in its statement of activities a reclassification of net assets from “with donor-imposed restriction” to “without donor-imposed restriction” if any of the following events occur:

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

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

If the Organization accepts and receives a restricted contribution from a donor who further stipulates that the Organization set aside a portion of its net assets without donor-imposed restrictions for that same purpose, the Organization will report in its statement of activities a reclassification of net assets from without donor-imposed restriction to with donor-imposed restriction, based on the specific nature of the restriction.

Disclosures

The Organization will disclose in a footnote to the financial statements the different types of donor-imposed restrictions and Board of Directors-designations associated with the Organization's net assets as of the end of each fiscal year.

POLICIES ASSOCIATED WITH FINANCIAL AND TAX REPORTING

FINANCIAL STATEMENTS

Standard Financial Statements of the Organization

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

The basic financial statements that are maintained on an Organization-wide basis and prepared for the annual financial statement audit will include:

1. **Statement of Financial Position** – Reflects assets, liabilities, and net assets of the Organization and classifies assets and liabilities as current or noncurrent/long-term and net assets in two groups (net assets without donor restrictions and net assets with donor restrictions).
2. **Statement of Activities** – Presents support, revenues, expenses, and other changes in net assets of the Organization, by net asset group (net assets without donor restrictions and net assets with donor restrictions), including reclassifications between net asset group.
3. **Statement of Cash Flows** – Reports the cash inflows and outflows of the Organization in three categories: operating activities, investing activities, and financing activities.

In accordance with Standards of Financial Management Systems, South Central Missouri Community Action Agency will prepare 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 200.328 (45 CFR Parts 75.341), Financial Reporting, and 200.329 (75.342), Monitoring and Reporting Program Performance, and/or the award.

Frequency of Preparation

An objective of the Fiscal Department is to prepare accurate financial statements in accordance with generally accepted accounting principles (GAAP) and distribute them in a timely and cost-effective manner. In meeting this responsibility, the following policies will apply:

Monthly Statements

A standard set of financial statements described in the preceding section will be produced on a monthly basis by the 10th of each month. The standard set of financial statements described in the preceding section will be supplemented by the following schedules:

1. Individual statements of activities on a departmental and functional basis (and/or program/ award basis)
2. Comparisons of actual year-to-date revenues and expenses with year-to-date budgeted amounts for each program and funding source
3. Head Start Agencies - Monthly credit card expenditures, including all charge account expenditures, will be provided to the Board of Directors and monthly credit card expenditures, including all charge account expenditures for the Head Start/Early Head Start program will be provided to the Policy Council
4. In accordance with Standards for Financial Management Systems, information that relates financial data to performance accomplishments and demonstrates cost effective practices as required by funding sources will be prepared.

The monthly set of financial statements will be prepared on the accrual method of accounting, including all receivables, accounts payable received by the 5th of the month, and actual depreciation expense.

Review and Distribution

All financial statements and supporting schedules will be reviewed and approved by the Finance Director prior to being issued by the Fiscal Department.

After approval by the Finance Director, a complete set of monthly financial statements, including the supplemental schedules described in the previous subsections, will be distributed to the following individuals:

- Board of Directors
- Executive Director
- Program Directors and other employees with budget-monitoring responsibilities

Monthly Distribution

On a monthly basis, the Board of Directors will be provided with summary program and/or award financial information.

Annual Financial Statements

On an annual basis, the Organization will prepare, under the direction of the Finance Director, a complete set of GAAP financial statements, including footnotes addressing all disclosures required by GAAP. These financial statements will be presented to South Central Missouri Community Action Agency's independent auditors at the beginning of their annual audit as the draft statements from which they will conduct their audit.

A formal presentation of the Organization's annual audited financial statements will be provided by the independent auditor to the full Board of Directors at the Organization's Annual Meeting or presented in another manner as agreed upon and indicated in the audit engagement letter.

Dashboards

To assist the Organization with oversight and timely monitoring, dashboards will be created for management, budget leaders, and board members to display performance indicators and other metrics relevant to the user for monitoring purposes.

The Fiscal Department will be responsible for working with users to identify financial metrics to include on the user's dashboard. Template dashboards will be saved and repurposed as appropriate.

GOVERNMENT RETURNS

Overview of Government Returns

To legitimately conduct business, South Central Missouri Community Action 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 South Central Missouri Community Action Agency include, but are not limited to, filing annual information returns with IRS, state charitable solicitation reports, annual reports for corporations, property tax returns, income tax returns, sales tax returns, information returns for retirement plans, annual reporting of compensation paid, and payroll tax withholding tax returns.

Filing of Returns

The Finance Director will be responsible for identifying all filing requirements and ensuring that South Central Missouri Community Action Agency is in compliance with all such requirements. The Organization will file complete and accurate returns with all authorities and make all efforts to avoid filing misleading, inaccurate, or incomplete returns.

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

1. **Form 990** – Annual information return of tax-exempt entities, filed with IRS. Form 990 for South Central Missouri Community Action 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 filing Form 8868. Upon expiration of the first 3-month extension, a second 3-month extension may be requested using Form 8868.
2. **Form 5500** – Annual return for South Central Missouri Community Action Agency's employee benefit plans. Form 5500 is due on the last day of the seventh month after the end of the plan year, but a 2½-month extension of time to file may be requested using Form 5558.
3. **W-2s and 1099s** – 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 the federal government by February 28. Form 1099-MISC is required if the Organization has provided more than \$600 in compensation to an independent contractor during the calendar year.
4. **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.

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

Federal and all applicable state payroll tax returns are prepared by the Organization's Finance Director.

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

Review of Form 990 by Board of Directors

A draft of South Central Missouri Community Action Agency's annual Form 990 information return will be reviewed and approved by the Board of Directors prior to being filed with the Internal Revenue Service. This review and approval will be documented with the signature of the Board of Directors Chair. A completed copy of the Form 990 will be provided to all members of the governing body before filing the form.

Public Access to Information Returns

South Central Missouri Community Action Agency is subject to federal requirements to make the following forms "widely available" to all members of the general public. To comply with this requirement, South Central Missouri Community Action Agency will make the following publicly available, in addition to any other information deemed appropriate by the Board of Directors:

1. The three most recent annual information returns (Form 990), excluding the list of significant donors (Schedule B) that is attached to the Form 990 but including the accompanying Schedule A.
2. South Central Missouri Community Action Agency's original application for recognition of its tax-exempt status (Form 1023 or Form 1024), filed with IRS, and all accompanying schedules and attachments.

South Central Missouri Community Action Agency will comply with the federal requirements to make its forms widely available for no charge by posting all required forms on the Organization's website and referring all requesters to this website within seven-(7) days of receipt of any request. In addition to making its returns widely available on its website, South Central Missouri Community Action Agency will also permit visual inspections of its returns to anyone personally appearing at the Organization's offices during normal working hours and making such a request.

OTHER TAX CONSIDERATIONS

State and Local Property, Sales, Use & Income Taxes

South Central Missouri Community Action Agency will monitor state and local tax laws in locations where the Organization conducts business to ensure that it is complying with all applicable tax laws. Entities that qualify as tax-exempt charitable entities under Section 501(c)(3) of the Internal Revenue Code for income tax purposes may need to apply separately for exemptions from state and local property and/or sales tax in the various locations where they conduct business. State and local tax rules vary widely from state to state.

State Charity Registrations

Various states may require South Central Missouri Community Action Agency to register with them for two primary reasons: if the Organization has an office, programs or owns real estate in that state, and/or if they raise funds in the state.

South Central Missouri Community Action Agency may be required to register and file annual reports with other states if it conducts charitable solicitations within those states. States regulate fundraising through charitable solicitation laws and state reporting can involve two components – registration and an annual financial report.

South Central Missouri Community Action Agency's internet fundraising efforts could be considered charitable solicitations in various other states. South Central Missouri Community Action Agency will examine the reach of its internet fundraising efforts and register to solicit funds in all applicable states. Some factors South Central Missouri Community Action Agency will consider in determining whether internet fundraising efforts require registration in specific states are whether the campaigns specifically target individuals in a certain state and whether South Central Missouri Community Action Agency repeatedly receives contributions from a state on an ongoing or substantial basis.

South Central Missouri Community Action Agency will comply with all state requirements.

FINANCIAL MANAGEMENT POLICIES

BUDGETING

Overview of Budgeting

Budgeting is an integral part of managing any entity in that it is concerned with the translation of entity goals and objectives into financial terms. A budget should be designed and prepared to direct the most efficient and prudent use of the Organization's resources. A budget is a management commitment of a plan for present and future Organization activities that will help the Organization achieve its short-term and long-term goals and the strategic objectives determined by the Board of Directors. It provides an opportunity to examine the composition and viability of the Organization's programs and activities simultaneously in light of the available resources.

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

Preparation and Adoption

South Central Missouri Community Action Agency will prepare an annual budget on the accrual basis of accounting. The Finance Director gathers proposed Organization-wide budget information from all Program Directors and compiles it to prepare the first draft of the entity-wide budget. Budgets proposed and submitted by each department should be accompanied by a narrative explanation of the sources and uses of funds and explain all material fluctuations in budgeted amounts from prior years.

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

The revised draft is then submitted to the Finance Committee, and finally to the entire Board of Directors for adoption.

It is the policy of South Central Missouri Community Action Agency to adopt a final budget before the beginning of the Organization's fiscal year. The purpose of adopting a final budget at this time is to allow adequate time for the Fiscal Department to input the budget into the accounting system and establish appropriate accounting and reporting procedures (including any necessary modifications to the chart of accounts) to ensure proper classification of activities and reporting comparisons of budget versus actual once the fiscal year commences.

Budgets for programs whose award years are different from the Organization's fiscal year will be prepared in accordance with awarding agency requirements and will also be included in the Organization-wide budget.

Monitoring Performance

South Central Missouri Community Action Agency monitors its financial performance by comparing and analyzing actual results with budgeted results. This function will be accomplished in conjunction with the FINANCIAL STATEMENTS policies and procedures stated elsewhere in this manual.

On a monthly basis, financial reports comparing actual year-to-date revenues and expenses with budgeted year-to-date amounts will be produced by the Fiscal Department and distributed to each employee with budgetary responsibilities.

Budget and Program Revisions

South Central Missouri Community Action Agency will request prior approval from federal awarding agencies for any of the following program or budget revisions:

1. Change in the scope or objective of the federally funded project or program, even if there is no associated budget revision requiring prior written approval.
2. Change in a key person (Project Director, etc.) specified in the application or award document.
3. Disengagement for more than three months, or a 25% reduction in time devoted to the project, by the approved Project Director or principal investigator.
4. The inclusion, unless waived by the federal awarding agency, of costs that require prior written approval in accordance with 2 CFR Part 200.407 (45 CFR Part 75.407) Prior Written Approval.
5. The transfer of funds allotted for participant support costs to other categories of expense.
6. Unless described in the application and funded in the approved awards, the subaward, transfer, or contracting out of any work under an award. (However, this provision does not apply to purchases of supplies, materials, equipment, or general support services.)
7. Changes in the amount of the approved cost-sharing or matching provided by the Organization.
8. The need for additional federal funding.

Budget Modifications

Budget modifications are made as necessary by the Program Directors with the assistance of the Fiscal Department

Prior approval of budget modifications may be required by some funding sources.

OPERATING RESERVES

Purpose

South Central Missouri Community Action Agency has established an Operating Reserve fund to provide an internal resource of funds to assist the Organization during periods of an unexpected loss of funding, uninsured losses, or unexpected increase in expenses. These reserves may not be used to replace a permanent loss of funding or eliminate an ongoing budget gap.

Establishment and Calculation

The Operating Reserve Fund will be unrestricted, Board of Directors-designated funds, set aside by action of the Board of Directors. The target minimum amount to be designated as Operating Reserves will be equal to a three month's average of monthly operating expenses consisting of recurring predictable expenses, such as salaries and benefits, occupancy, office, travel, program, and ongoing professional services. Depreciation, non-federal share (in-kind), capital purchases, one-time purchases, pass-through payments, and other non-cash expenses are not included in the calculation. Calculation of the average monthly amount will be completed each year after the approval of the annual budget.

Funding of Reserves

South Central Missouri Community Action Agency will fund its Operating Reserves with surplus unrestricted operating funds. The Board of Directors may from time to time direct that a specific revenue source be set aside for Operating Reserves.

Use of Reserves

The Executive Director will identify the need for accessing the reserve funds and confirm that the use is consistent with the purpose of the reserves as described in this policy. Identification of need will include an analysis of the reason for the shortfall, the availability of other sources of funds before the use of the reserves, and evaluation of the time period that the funds will be required and replenished.

The Executive Director will submit a request to use Operating Reserves to the Finance Committee, including the analysis and determination of the use of funds and plans for replenishment. The Finance Committee will approve or modify the request and authorize transfer from the fund.

The goal of the Organization is to replenish the Operating Reserve funds within six months to restore the fund to the target minimum. Requests that include plans to replenish exceeding six months will be scrutinized more carefully.

ANNUAL AUDIT

Arranging for the Annual Audit

South Central Missouri Community Action Agency will arrange for an annual audit of the Organization's financial statements to be conducted by an independent auditor. The independent auditor selected by the Board of Directors will be required to communicate directly with the Organization's Finance Committee upon the completion of their audit. In addition, members of the Finance Committee and Executive Committee are authorized to initiate communication directly with the independent financial statement auditor.

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

Auditor Independence

South Central Missouri Community Action Agency may from time to time request the independent financial statement auditor provide services outside the scope of the annual audit and Form 990 preparation. In connection with these non-audit services, it is imperative that the independent auditor remain independent in fact and in appearance in order to continue serving the Organization as its auditor.

Generally, in order to remain independent with respect to the audit, the Organization's auditors should not provide non-audit services that involve performing management functions or making management decisions nor should they provide non-audit services in situations where the non-audit services are significant/material to the subject matter of the audits (or where they would be auditing their own work in connection with the annual audit).

Therefore, it is the Organization's policy to evaluate any non-audit service requested from the independent financial statement auditor for possible impairments to the financial statement auditor's independence, and to not permit the performance of any services that would impair independence. This evaluation will be performed by the Finance Director, who may consult the independent auditor or other external sources in making this determination.

In addition, for each non-audit service that is to be provided by the Organization's independent financial statement auditor, the Organization will:

1. Designate a management level individual to be responsible and accountable for

- overseeing the non-audit service (to be determined by the Executive Director).
2. Establish and monitor performance of the non-audit service to ensure that it meets management's objectives (to be performed by the person designated in step 1).
 3. Make any decisions that involve management functions related to the non-audit service and accept full responsibility for such decisions.
 4. Evaluate the adequacy of the services performed and findings that result.

How Often to Review the Selection of the Auditor

South Central Missouri Community Action Agency will review the selection of its independent auditor in the following circumstances:

1. Any time there is dissatisfaction with the service of the current independent financial statement auditor;
2. When a fresh perspective and new ideas are desired; or
3. Every 5 years to ensure competitive pricing and a high quality of service (this is not a requirement to change auditors every five years, but simply to reevaluate the selection).

Selecting an Independent Auditor

The selection of an independent auditor to conduct the annual audit is a task that should be taken very seriously. The following factors will be considered and evaluated by South Central Missouri Community Action Agency in selecting an independent financial statement auditor:

1. The auditor's/firm's reputation in the nonprofit community.
2. The depth of the firm's understanding of and experience with grant-funded entities and federal reporting requirements under 2 CFR Part 200 (45 CFR Part 75).
3. The firm's demonstrated ability to provide the services requested in a timely manner.
4. The ability of firm personnel to communicate with Organization personnel in a professional and congenial manner.
5. The responsiveness to the request for proposal
6. The availability of staff with professional qualifications and technical abilities
7. The results of peer and external quality control reviews
8. Price.

The following information will be included in the written Request for Proposal (RFP) when soliciting for an independent auditor:

1. Period of services required
2. Complete description of the services requested (audit, management letter, tax returns, etc.)

3. Identification of meetings requiring their attendance, such as staff or Board of Directors meetings
4. Organization structure chart
5. Chart of account information
6. Financial information about the Organization
7. Copy of prior year reports (financial statements, management letters, etc.)
8. Identification of need to perform audit in accordance with 2 CFR Part 200 (45 CFR Part 75), Subpart F, and the appropriate OMB Compliance Supplements
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 will be made, etc.)
13. Identification of criteria for selection

Minimum proposal requirements from prospective independent auditor will be:

1. Firm background
2. Biographical information (resumes) of key audit team members who will serve South Central Missouri Community Action Agency
3. Client references
4. Information about the audit firm's capabilities
5. Audit firm's approach to performing an audit
6. Copy of the audit firm's most recent quality/peer review report, including any accompanying letter of findings
7. Other resources available from the audit firm
8. Expected timing and completion of the audit
9. Expected timing of delivery of reports
10. Cost estimate including estimated number of hours

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

Preparing for the Annual Audit

South Central Missouri Community Action Agency will be actively involved in planning for and assisting with the Organization's independent financial statement audit in order to ensure smooth and timely completion. In that regard, the Fiscal Department will provide assistance to the independent auditor in the following areas:

Planning

The Finance Director is responsible for delegating the assignments and responsibilities to finance staff in preparation for the audit. The Finance Director will review the list of information requested by the auditor and assign responsibility for each item to the appropriate staff. The Finance Director will then schedule and direct status meetings in the weeks leading up to the audit in order to review the progress of staff in preparing for the audit.

The Finance Director will arrange and coordinate any and all meetings, interviews, telephone discussions, and conference calls requested by the auditor with South Central Missouri Community Action Agency Board of Directors members, Audit or Finance Committee members, or employees to facilitate the audit work. Prior to any such meetings or discussions, the Finance Director will inform each Organization participant of the nature of the discussion or meeting and what, if any, preparations they should do prior to the meeting. The Finance Director will communicate to each South Central Missouri Community Action Agency participant in such meetings or discussions the importance of being open, honest, and frank with the auditor with respect to all questions asked.

Involvement

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

Interim Procedures

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

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

Concluding the Audit

Upon receipt of a draft of the independently audited financial statements from the auditor, the Finance Director will 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 South Central Missouri Community Action Agency.
3. Review each footnote for accuracy and completeness.

Any questions or errors noted as part of this review will be communicated to the auditor in a timely manner and resolved to the satisfaction of the Finance Director.

It will be the responsibility of the Finance Director to review and respond in writing to all management letter or other internal control and compliance report findings and recommendations made by the auditor.

In addition, the Federal Audit Clearinghouse form (data collection form) will be completed and a copy submitted to the Finance Committee prior to its due date.

Audit Adjustments

It is the policy of South Central Missouri Community Action Agency to review all adjustments prepared by the independent financial statement auditor in connection with the annual audit, and, if in concurrence, record them in the general ledger.

The Organization may also receive a list of unadjusted differences (or passed audit adjustments) from the independent financial statement auditor in connection with the audit. If the Organization receives such a list, it will be the responsibility of the Finance Director to review them and determine whether or not to record them in the period under audit.

Internal Control Deficiencies Noted During the Audit

In accordance with generally accepted auditing standards, at the conclusion of the audit the Organization's independent financial statement auditors may provide a written communication of internal control deficiencies noted in connection with their audit. Not all deficiencies in internal control are required to be reported by the auditor. Only the following two types of deficiencies are required to be communicated:

1. **Material weakness** – A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.
2. **Significant deficiency** – A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

The Organization's independent financial statement auditors are required to provide written communication to the Finance Committee of all significant deficiencies and

material weaknesses (i.e., only those control deficiencies that rise to the level of materiality at which they qualify under the definitions provided above, in the opinion of the financial statement auditor).

It is the Organization's policy that all internal control deficiencies that are communicated by the auditor in writing will be formally addressed by the Board of Directors, the Executive Director, and the Finance Director. The Executive Director and the Finance Director will prepare a written response, which will include a corrective action plan, to each internal control finding and such response will be presented to the Finance Committee for its review and acceptance.

Board of Directors or Finance Committee Communications with the Auditors

In accordance with generally accepted auditing standards, in connection with and at the conclusion of each annual financial statement audit, the auditors are required to make certain communications directly with those charged with governance of the Organization. The Finance Director will facilitate all of these communications, arranging for face-to-face meetings, telephone or conference calls, or delivery of electronic or paper documents between the auditor and Finance Committee members.

Some of the communications that South Central Missouri Community Action Agency's financial statement auditors may have with the Organization's Finance Committee include:

1. Planning discussions prior to commencing the audit, such as by inquiring of Finance Committee members their perception of where the risk of material misstatements in the Organization's financial statements may be greatest, the various risks of fraud, and other inquiries.
2. Planning stage communications informing the Finance Committee of the planned scope and nature of certain audit procedures that the auditors plan to perform, to aid in the Finance Committee members having a thorough understanding of the financial statement audit.
3. Internal control deficiencies noted during the financial statement audit, communicated in writing at the conclusion of the audit.
4. Any material fraud detected by the financial statement auditor, or any fraud, regardless of materiality, involving senior management, noted at any time during the audit.
5. Significant problems or other issues that arose during the financial statement audit (e.g., disagreements with management and certain other items that the auditors may be required to report to the Finance Committee).
6. Audit adjustments made by the financial statement auditors as a result of their audit.
7. Certain audit differences noted by the financial statement auditors that they deemed not material enough to warrant making an adjustment for.

Finance Committee members should be aware of these communications and engage in active discussions with the financial statement auditors whenever it is considered appropriate in the fulfillment of these or their other duties.

INSURANCE

Overview of Insurance

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 South Central Missouri Community Action Agency.

South Central Missouri Community Action Agency maintains adequate insurance against general liability, as well as coverage for buildings, contents, computers, equipment, machinery, and other items of value.

Insurance Definitions

Cyber Insurance

Assists in protecting from expenses or business losses incurred in the event of a data breach, hacking, or other similar events that are not covered by other policies.

Directors and Officers (D&O)

Indemnifies directors and officers for damages and defense costs from lawsuits alleging various wrongful acts. Depending on coverage elected, D&O may cover directors, officers, employees, staff, volunteers, and committee members against employment practices, defense expenses outside limits of liability, prior acts, or other acts.

Fidelity Bond

Offers protection to the employer against monetary or physical losses caused by an employee's fraudulent or dishonest actions.

General Liability

A broad policy that protects the Organization from claims from damage or injury related to bodily injury, property damage, operations, independent contractors, or others. This type of coverage may include directors, officers, and employee general liability insurance, buildings, contents, computers, boilers, and machinery.

Umbrella

Additional liability coverage to protect against significant risk of loss for claims that exceed the limits of a primary insurance policy.

Workers' Compensation and Employer's Liability

Workers' compensation provides monetary benefit to workers injured in the course of employment. Employers' liability protects employers from financial loss if a worker's job-related injury or illness is not covered by workers' compensation.

Coverage Guidelines

As a guideline, South Central Missouri Community Action Agency will arrange for the following types and levels of insurance as a minimum:

Type of Coverage	Minimum Amount of Coverage
General Liability	\$1,000,000
Umbrella Liability	\$1,000,000–\$10,000,000
Vehicles for Employees, Volunteers, or Escorts	\$1,000,000
Employee dishonesty/bonding	\$1,000,000 for all Fiscal Department employees and the Executive Director
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 (or contractual obligations of the Organization)

South Central Missouri Community Action Agency will maintain a detailed listing of all insurance policies in effect. This listing will include the following information, at a minimum:

1. Description (type of insurance)
2. Agent and insurance company, including all contact information
3. Coverage and deductibles
4. Premium amounts and frequency of payment
5. Policy effective dates
6. Date(s) premiums paid and check numbers

Contractors

Contractors are required to comply with applicable federal and state workers' compensation and occupational disease statutes. If occupational diseases are not compensated under those statutes, they will be covered under the employer's liability

insurance policy, except when contract operations are so commingled that it would not be practical to require this coverage.

Fidelity Bonds

For all personnel handling cash or preparing or signing checks (approving disbursements), South Central Missouri Community Action Agency will obtain insurance that provides coverage in a blanket fidelity bond. The specific needs of the Organization will determine the dollar limit of this coverage.

RECORD RETENTION

Record Retention Policy

South Central Missouri Community Action Agency retains records as required by law and destroys them when appropriate. All files, both hard copy and electronic, will be labeled with topic, year (if applicable), and destruction date. Electronic copies will be saved in appropriate folders on the network storage device. Hard copies should be stored in file cabinets or archived in the storage area. Any archived hard copy files will be stored in water and animal proof containers.

The destruction of records must be approved by the Finance Director and logged into the Organization’s Destroyed Records Log. Review and purging of files may take place on an ongoing basis, but must occur at least once per year, and must follow the minimum retention requirements outlined below.

The destruction of any documents containing social security numbers or any other “consumer data” as defined under federal laws and regulations will be done via shredding using an approved shredding service provider.

The formal records retention policy of South Central Missouri Community Action Agency is as follows:

Record	Retention
Articles of Incorporation	Permanent
Audit reports	Permanent
Bylaws and amendments	Permanent
Correspondence – Legal and important matters	Permanent
Financial statements – Year-end	Permanent
General ledgers/year-end trial balance	Permanent
Minute books of directors	Permanent
Property contracts, deeds, mortgages, and bills of sales	Permanent
Retirement and pension records	Permanent

Record	Retention
Application and Determination Letter for Recognition as a Tax-Exempt Status	Permanent
Information returns, tax returns and worksheets, examination reports and other documents relating to tax filings	Permanent
Trademark registrations and copyrights	Permanent
Accident reports/claims (settled Cases)	7 Years
Accounts payable ledgers and schedules	7 Years
Accounts receivable ledgers and schedules	7 Years
Contracts, mortgages, notes, and leases – expired	7 Years
Garnishments	7 Years
Insurance claims	7 years
Inventories of products, materials, and supplies	7 Years
Invoices (to customers, from contractors)	7 Years
Notes receivable ledgers and schedules	7 Years
Payroll records and summaries	7 Years
Personnel records (terminated)	7 Years
Property records (incl. depreciation schedules)	7 years
Purchase and procurement records	7 Years
Sales records	7 Years
Subsidiary ledgers	7 Years
Timesheets/cards	7 Years
Withholding tax statements	7 Years
Bank statement & reconciliations	3 Years
Chart of accounts	3 years
Collective bargaining agreements	3 Years
Employment applications	3 Years
Insurance policies (expired)	3 Years
Internal audit reports	3 Years
Internal reports	3 Years
Petty cash vouchers	3 Years
Correspondence – General	2 Years
Grant reports or award related records	3 Years

In accordance with Standards for Financial Management Systems, South Central Missouri Community Action Agency will maintain records that identify adequately the source and application of funds for federally-funded activities. These records will contain information pertaining to federal awards, authorizations, obligations, unobligated balances, assets, expenditures, revenue, and interest, and be fully supported by source documentation.

Exception for Investigations

In connection with any ongoing or anticipated investigation into allegations of violations of federal laws or regulations, provisions of government awards, or violations of the Organization's Code of Conduct, the following exceptions are made to the preceding scheduled retention and/or destruction of records:

1. All records related to the subject of the investigation or allegation will be exempt from any scheduled record destruction.
2. The term "records" will also apply to any electronically stored record (e.g., documents stored on computers, email messages, etc.), which will also be protected from destruction.

Protection of Records – Federal Matters

South Central Missouri Community Action Agency prohibits the known 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 Organization's Code of Ethics and subject to the investigative, reporting, and disclosure procedures.