New River Community Action, Inc.

Financial Policies & Accounting Procedures Manual

New River
Community Action
Serving Since 1965

Effective Date(s) of Accounting Policies

The effective date of all accounting policies described in this manual is October 10, 2008. 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 financial policies and procedures will be reviewed annually in May by the CFO. Changes to this manual will be approved by the CEO, Finance Committee and the Board of Directors prior to implementation.

Revised and approved July 14, 2009.
Revised and approved September 14, 2009.
Revised and approved July 8, 2010
Revised and approved December 10, 2010
Revised and approved August 16, 2011
Revised and approved April 17, 2012
Revised and approved May 13, 2013
Revised and approved June 14, 2013
Revised and approved July 15, 2013
Revised and approved January 16, 2014
Revised and approved October 16, 2014
Revised and approved January 15, 2015
FP&P were revised and approved by the Board of Directors on March 19, 2015 to incorporate the Uniform Guidance requirements for all NRCA programs beginning April 1, 2015.
Revised and approved January 21, 2016
Revised and approved February 18, 2016
Revised and approved June 16, 2016
Revised and approved December 15, 2016
Revised and approved March 23, 2017
Revised and approved July 20, 2017

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INTRODUCTION

The following accounting manual is intended to provide an overview of the accounting policies and procedures applicable to New River Community Action (NRCA), which shall be referred to as “NRCA” or “the Organization” throughout this manual.

NRCA, Inc. is incorporated in the state of Virginia. NRCA is exempt from federal income taxes under IRC Section 501(c)(3) as a nonprofit corporation. The Organization’s tax-exempt mission is to promote and support the well-being and self-reliance of individuals, families and communities. NRCA strives to accomplish its mission by:

- Focusing on the needs of people through interactive, participatory processes
- Increasing community awareness regarding poverty issues
- Advocating for the needs of participants
- Striving for social justice
- Providing and promoting leadership
- Fostering a proactive approach
- Continuously developing, evaluating and improving programs using an outcome measures approach
- Respecting all people and their contributions
- Recognizing individual and group achievements
- Creating a caring environment that encourages openness, trust and compassion
- Valuing independence, interdependence and self-reliance
- Encouraging personal integrity, effectiveness and performance
- Providing equal opportunities for individuals to achieve their full potential
- Encouraging innovation, creativity, risk taking and teamwork
- Fostering cooperative and collaborative relationships
- Maintaining organizational integrity and effectiveness
- Promoting responsible stewardship of resources
- Committing resources to organizational growth and development

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

The Board of Directors, CEO and the CFO approved the contents of this manual as official policy of the Organization. All NRCA staff is bound by the policies herein, and any deviation from established policy is prohibited.

New River Community Action aspires to operate in a way that protects the health, safety and security of clients, staff members and volunteers while lifting up the organization's mission and safeguarding assets needed for mission-critical programs and activities. NRCA seeks to harness best-practice nonprofit risk management principles and strategies in order to create and sustain a safe environment that enables the caring delivery of services and the creation of meaningful opportunities for individual and community involvement.

The Board of Directors of New River Community Action will support risk management activities through policy setting and oversight. The Board recognizes that risk management is an active process that requires cooperation and support from all personnel in the organization as well as in many cases, other stakeholders. The Board accepts its responsibility for risk oversight and modeling sound risk management in its governance activities.

GENERAL POLICIES

ORGANIZATIONAL STRUCTURE

The Role of the Board of Directors

NRCA is governed by its Board of Directors, which is responsible for the oversight of the Organization by:

1. Planning for the future
2. Establishing broad policies, including financial and personnel policies and procedures
3. Approving grant applications
4. Reviewing and approving the annual audit
5. Reviewing financial information
6. Identifying and proactively dealing with emerging issues
7. Interpreting the Organization's mission to the public
8. Soliciting prospective contributors
9. Hiring, evaluating, and working with the CEO
10. Establishing and maintaining programs and systems designed to assure compliance with terms of contracts and grants
11. Authorizing establishment of all bank accounts and check signers.

The CEO shall be responsible for the day-to-day oversight and management of NRCA.

Committee Structure

The Board of Directors shall form committees in order to assist the board in fulfilling its responsibilities. These committees are responsible for the review of particular programs and providing recommendations to the full board. Standing board-level committees of NRCA consist of the following:

1. Executive Committee
2. Finance Committee
3. Audit Committee
4. Program Planning and Evaluation Committee
5. Personnel Committee
6. Public/Community Relations & Resource Development Committee

See NRCA's by-laws for board and committee details. However, roles of committees with direct responsibilities for the financial affairs of the Organization are further described in this manual. These committees shall be referred to in appropriate sections of this manual.

Finance Committee Responsibilities

The Finance Committee is responsible for direction and oversight regarding the overall financial management of NRCA. Functions of the Finance Committee include:

1. Review and recommendation of the organization's annual budgets (prepared by the staff) for final approval by the full board
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

The review of the organization's financial statements shall not be limited to the finance committee, but shall involve the entire Board of Directors.

Audit Committee Responsibilities

The Finance Committee, serving as the Audit Committee, recommends an independent CPA firm to the full Board for its approval. The Committee communicates directly with the CPA firm for an annual audit, as described in the Organization's by-laws. The full Board shall review and approve the final audited financial statements, and any other communications received from the auditor regarding internal controls, illegal acts, or fraud.

Supervisors, the CEO, or the Finance Committee Chair serves as the primary point of contact for any employee who suspects that fraud has been committed against the Organization or by one of its employees or board members. The full Board will be informed as appropriate.

The Finance Committee's role in the annual audit is more fully explained in the section of this manual covering the annual audit.

The Roles of the CEO and Staff

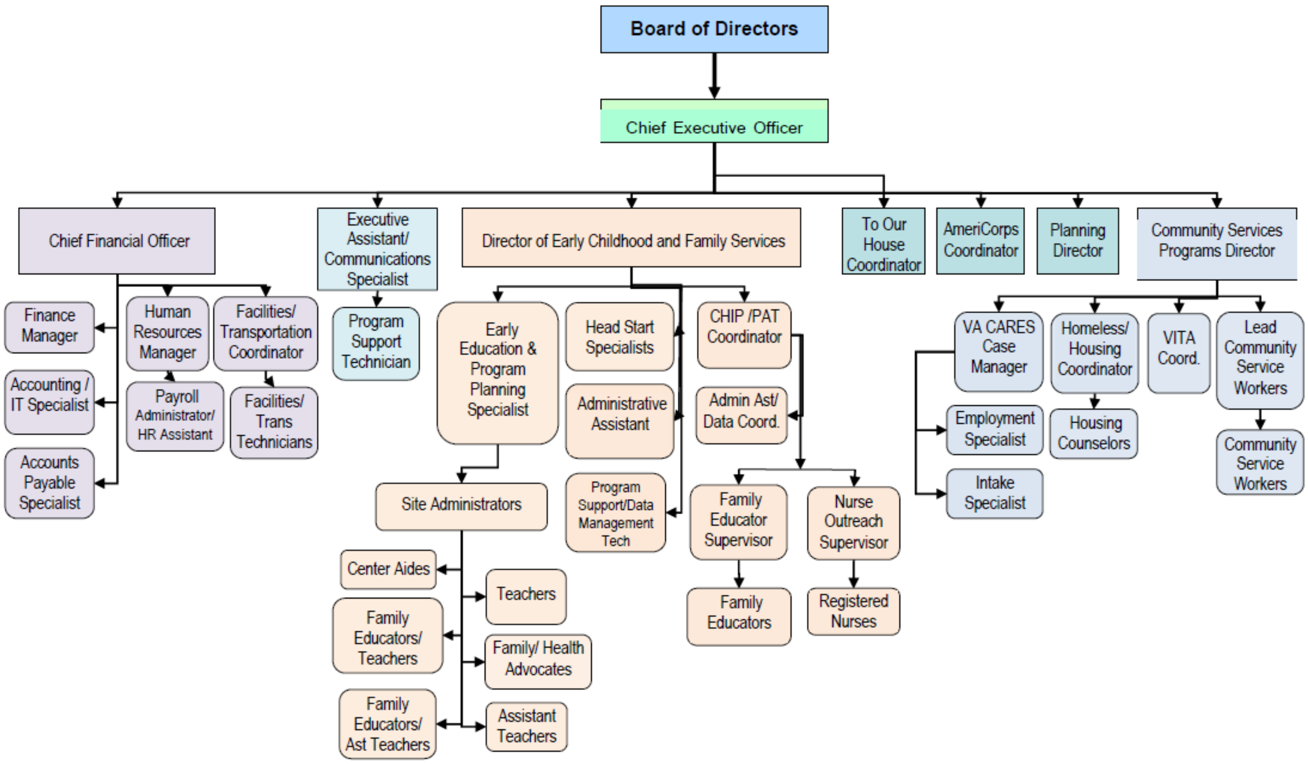
The Board of Directors hires the CEO, who reports directly to the board. The CEO is responsible for hiring, evaluating, and supervising Program Directors for each of the Organization's programs/departments and for other staff supervised by the CEO. Each Program Director reports to the CEO.

Program Directors are responsible for hiring employees to work in that program/department with approval from the CFO. All employees within a program/department shall report directly to that program's/department's director/coordinator, who shall be responsible for managing and evaluating all employees within the department. The exception to this is the Head Start Program. See the Organizational Chart for Head Start structure.

The following organizational chart documents the overall chain of command within the agency.

New River Community Action, Inc.

ORGANIZATIONAL CHART



Approval by Board of Directors: November 17, 2016

FINANCE/HUMAN RESOURCES DEPARTMENT OVERVIEW

Organization

The finance/human resources department consists of six staff members who manage and process financial and human resources information for NRCA. The following positions comprise the finance/human resources department:

- CFO
- Finance Manager
- Accounting/IT Specialist
- Accounts Payable Specialist
- Human Resources Manager (policies pertaining to this position are located in Personnel Policies)
- Payroll Administrator/HR Assistant

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

- CEO
- Program Director, Coordinators, and Specialists
- Finance Committee – Board Level
- Audit Committee-Board Level
- Executive Committee – Board Level
- Full Board of Directors

Responsibilities

The primary responsibilities of the finance department consist of:

- General Ledger
- Budgeting
- Cash and Investment Management
- Asset Management
- Inventory Control
- Grants and Contracts Administration
- Grants Receivable and billing
- Cash Receipts
- Accounts Payable
- Cash Disbursements
- Payroll and Benefits
- Financial Statement Processing
- External Reporting of Financial Information
- Bank Reconciliation
- Reconciliation of subsidiary ledgers
- Compliance with Government Reporting Requirements
- Annual Audit
- Leases
- Insurance

Standards for Financial Management Systems

In accordance with, 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* NRCA 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 all Federal awards received and expended and the Federal programs under which they are received.
2. Accurate, current, and complete disclosure of the financial results of each Federally-sponsored project or program in accordance with the reporting requirements of 2 CFR Parts 200.327, Financial Reporting, and 200.328, Monitoring and Reporting Program Performance and/or the award.
3. Records that identify adequately the source and application of funds for federally- funded activities. These records must contain information pertaining to federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income, and interest and be fully supported by source documentation.
4. Effective control over and accountability for all funds, property, and other assets. NRCA must adequately safeguard all such assets and assure they are used solely for authorized purposes.
5. Comparison of outlays with budget amounts for each award.
6. Information that relates financial data to performance accomplishments and demonstrates cost effective practices as required by funding sources. (*2 CFR Part 301, Performance Measurement*)
7. Written procedures to minimize the time elapsing between the transfer of funds and disbursement by NRCA. Advance payments must be limited to the minimum amount needed and be timed to be in accordance with actual, immediate cash requirements. *2 CFR Part 200.305 Payment*
8. Written procedures for determining the reasonableness, allocability and allowability of costs in accordance with the provisions of the 2 CFR Part 200 Subpart E cost principles and the terms and conditions of the award.

BUSINESS CONDUCT

Practice of Ethical Behavior

NRCA requires board 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 within those duties and responsibilities. Unethical actions, or the appearance of unethical actions, are unacceptable under any conditions. The policies and reputation of NRCA depend to a very large extent on the following considerations.

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

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

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

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

Each member of management is responsible for the ethical business behavior of her/his subordinates. Management 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.

Compliance With Laws, Regulations and Organization Policies

NRCA 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 NRCA policy or engagement in unscrupulous dealings.

Employees should not attempt to accomplish by indirect means, through agents or intermediaries, that which is directly forbidden.

The performance of all levels of employees will be measured against implementation of the provisions of these standards.

CONFLICTS OF INTEREST

Introduction

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

All directors and employees have an obligation to:

1. Avoid conflicts of interest, or the appearance of conflicts, between their personal interests and those of the Organization in dealing with outside entities or individuals,
2. Disclose real and apparent conflicts of interest to the Board of Directors, and
3. Refrain from participation in any decisions on matters that involve a real conflict of interest or the appearance of a conflict.

What Constitutes a Conflict of Interest?

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

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

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

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

A conflict of interest arises when a director or employee involved in making a decision is in the position to benefit, directly or indirectly, from his/her dealings with the Organization or person conducting business with the Organization. (A potential conflict of interest exists when the director or employee, or his/her immediate family {wife, husband, father, mother, brother, sister, son, daughter, grandfather/mother, in-laws, and step relatives} owes/receives more than 1% of the benefiting business/profits.)

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

1. Negotiates or approves a contract, purchase, or lease on behalf of the Organization and has a direct or indirect interest in, or receives personal benefit from, the entity or individual providing the goods or services;
2. Negotiates or approves a contract, sale, or lease on behalf of the Organization and has a direct or indirect interest in, or receives personal benefit from, the entity or individual receiving the goods or services;
3. Employs or approves the employment of, or supervises a person who is an immediate family member of the director or employee;
4. Sells products or services in competition with the Organization;
5. Uses the Organization's facilities, other assets, employees, or other resources for personal gain;
6. Receives a gift or gratuity from a vendor/contractor that benefits the employee.

<u>Disclosure of Conflicts of Interest</u>

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

All members of the Board of Directors and Key Management Personnel employees shall comply at the time of inception of employment or volunteer service, and on an annual bases thereafter, with the completion and submission of the "Disclosure Statement" that is a part of the Conflicts of Interest Policy. Further, any possible or actual conflict of interest on the part of any Director in any matter involving the Corporation shall be disclosed to the other members of the Board of Directors at or before the meeting at which the matter is considered. If required by Federal awarding agencies, NRCA will notify those agencies in writing of any potential conflict of interest. (2 CFR Part 200.112)

The Finance Department shall distribute a list of all contractors with whom the Organization has transacted business at any time during the preceding year, along with the copy of the "Disclosure Statement".

<u>Resolution of Conflicts of Interest</u>

All real or apparent conflicts of interest shall be disclosed to the Finance Committee and the CEO of the Organization. Conflicts shall be resolved as follows:

- The Finance Committee shall be responsible for making all decisions concerning resolutions of conflicts involving directors, the CEO, and other members of senior management.
- The chair of the committee shall be responsible for making all decisions concerning resolutions of conflicts involving Finance Committee members.
- The chair of the board shall be responsible for making all decisions concerning resolutions of the conflict involving the chair of the Finance Committee.
- The CEO shall be responsible for making all decisions concerning resolutions of conflicts involving employees below the senior management level, subject to the approval of the Finance Committee.

An employee or director may appeal the decision that a conflict (or appearance of conflict) exists as follows:

- An appeal must be directed to the chair of the board.
- Appeals must be made within 30 days of the initial determination.
- Resolution of the appeal shall be made by vote of the full Board of Directors.
- Board members who are the subject of the appeal, or who have a conflict of interest with respect to the subject of the appeal, shall abstain from participating in, discussing, or voting on the resolution, unless their discussion is requested by the remaining members of the board.
- Under the Head Start Act of 2007, members of the governing body shall have no conflicts of interest with the Head Start agency, receive no compensation for serving on the governing board or for providing services to the agency, and not be employed, nor shall members of their immediate family be employed, by the Head Start agency

Disciplinary Action for Violations of this Policy

Failure to comply with the standards contained in this policy will result in disciplinary action that may include termination, referral for criminal prosecution, and reimbursement to the Organization or to the government, for any loss or damage resulting from the violation. As with all matters involving disciplinary action, principles of fairness will apply. Any employee charged with a violation of this policy will be afforded an opportunity to explain his/her actions before disciplinary action is taken. Disciplinary action will follow the procedures outlined in the NRCA Personnel Policies, Section XI, Termination and Disciplinary Action.

Disciplinary action will be taken:

1. Against any employee who authorizes or participates directly in actions that are a violation of this policy.
2. Against any employee who has deliberately failed to report a violation or deliberately withheld relevant and material information concerning a violation of this policy.
3. Against any member of management who attempts to retaliate, directly or indirectly, or encourages others to do so, against any employee who reports a violation of this policy.

A board member who violates this policy will be removed from the board.

POLICY ON SUSPECTED MISCONDUCT

Introduction

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

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

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

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

Definitions

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

1. Actions that violate the Organization's Code of Conduct (and any underlying policies) or any of the accounting and financial policies included in this manual
2. Fraud (see below)
3. Forgery or alteration of checks, bank drafts, documents or other records (including electronic records)
4. Destruction, alteration, mutilation, or concealment of any document or record with the intent to obstruct or influence an investigation, or potential investigation, carried out by a department or agency of the Federal government or by the Organization in connection with this policy
5. Disclosure to any external party of proprietary information or confidential personal information obtained in connection with employment with or service to the Organization
6. Unauthorized personal or other inappropriate (non-business) use of equipment, assets, services, personnel or other resources
7. Acts that violate Federal, state, or local laws or regulations
8. Accepting or seeking anything of material value from contractors, vendor/contractors, or persons providing goods or services to NRCA which benefits the employee.
9. Impropriety of the handling or reporting of money in financial transactions.
10. Failure to report known instances of misconduct in accordance with the reporting responsibilities described herein (including tolerance by supervisory employees of misconduct of subordinates).

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

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

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

Reporting Responsibilities

Every employee, officer, and volunteer is responsible for immediately reporting suspected misconduct to their supervisor, CEO, CFO or the Finance Committee Chair. When supervisors have received a report of suspected misconduct, they must immediately report such acts to their manager, the CEO, CFO or the Finance Committee Chair.

Whistleblower Protection

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

Investigative Responsibilities

Due to the sensitive nature of suspected misconduct, supervisors and managers should not, under any circumstances, perform any investigative procedures. If an internal investigation is determined to be viable in the suspected misconduct the CEO will form a Critical Review Team. The CEO will select members to serve during each investigation who do not work closely with the employee suspected of misconduct. The members of the Critical Review Team will choose a team leader to serve during the investigation.
The Critical Review Team has the primary responsibility for investigating suspected misconduct involving employees below the CEO. The Critical Review Team shall provide a summary of all investigative work to the CEO and the Human Resources Manager.

The Board of Directors has the primary responsibility for determining who will investigate suspected misconduct involving the CEO as well as board members and officers. The Board of Directors may request the assistance of the attorney in any such investigation.

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

In fulfilling its investigative responsibilities, the Critical Review Team shall have the authority to seek the advice and/or contract for the services of outside firms, including but not limited to law firms, CPA firms, forensic accountants and investigators, etc.

Members of the Critical Review Team shall have free and unrestricted access to all Organization records and premises, whether owned or rented, at all times. They shall also have the authority to examine, copy and remove all or any portion of the contents (in paper or electronic form) of filing cabinets, storage facilities, desks, credenzas and computers without prior knowledge or consent of any individual who might use or have custody of any such items or facilities when it is within the scope of an investigation into suspected misconduct or related follow-up procedures.

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

<u>Protection of Records – Federal Matters</u>

NRCA prohibits the knowing 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 described earlier in this Policy on Suspected Misconduct.

<u>Disciplinary Action</u>

Based on the results of investigations into allegations of misconduct, disciplinary action may be taken against violators. Disciplinary action shall be coordinated with appropriate representatives from the Human Resources Department. The seriousness of misconduct will be considered in determining appropriate disciplinary action, which may include:

-
- Formal Coaching
- Verbal Reminder
- Written Warning
- Decision-Making Leave of Absence
- Suspension
- Demotion
- Termination
- Reimbursement of losses or damages
- Referral for criminal prosecution or civil action

This listing of possible disciplinary actions is for information purposes only and does not bind the Organization to follow any particular policy or procedure.

Confidentiality

The Critical Review Team, Finance Committee, CFO and the CEO treat all information received as confidential to the extent allowed by the Critical Review Team Policies. Employees who suspect dishonest or fraudulent activity will notify their supervisor, CEO, or the Finance Committee Chair immediately, and should not attempt to personally conduct investigations or interviews/interrogations related to any suspected fraudulent act (see **Reporting Procedures** section above).

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

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

The reporting individual should be informed of the following:

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

2. Do not discuss the case, facts, suspicions, or allegations with anyone unless specifically asked to do so by the NRCA legal counsel or the CEO.

Disclosure to Outside Parties

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

However, all known frauds involving the CEO, senior management, or members of the Board of Directors, as well as all material frauds involving employees below the senior management level, shall be disclosed by the Finance Committee to the Organization’s external auditors.

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

SECURITY

Finance Department

A lock will be maintained on all doors leading into Finance offices. The doors shall be closed and locked in the evenings and whenever the Finance Department is vacant. The key to the locks will be provided to all finance personnel and other personnel as approved by the CEO. All keys will be required to be turned in from an individual no longer employed by NRCA. The building is secured by an alarm system and the employee's security code is removed upon departure.

NRCA's blank check stock shall be stored in a locked file cabinet in the Finance Department. This cabinet will be locked with a key that is kept in the Finance Department. Access to this file cabinet shall be by keys in the possession of the Finance Manager and Accounting/IT Specialist.

Access to Electronically Stored Accounting Data

NRCA utilizes passwords to restrict access to accounting software and data. The CFO and the Finance Manager have full access to the system. The Payroll Administrator/HR Assistant, Accounts Payable Specialist, Accounting/IT Specialist and the Human Resources Manager only have access to the modules required for their position and given to them by the CFO. The CEO, Head Start Director, Head Start Administrative Assistant, Community Services Director and the Housing Coordinator have limited read only access to the general ledger module.

Accounting personnel are expected to keep their passwords secret and to change their passwords on a regular basis, no less frequently than every [90] days.

Storage of Back-Up Files

NRCA maintains back-up copies of electronic data. Daily back-ups are stored on a separate server. Weekly back-ups are downloaded to an external hard drive and rotated off site in the agency's safe deposit box. NRCA should have a regularly scheduled test of its capability to restore from backup media.

Storage of Sensitive Data

In addition to accounting and financial data stored in the Finance Department, other sensitive data, including protected personally identifiable information (PPII) may be stored in areas other than the finance department. Locations of sensitive data include, but are not limited to the program offices, Human Resources office, etc. and electronic or on-line storage.

Therefore, NRCA:

1. Minimizes the storage of sensitive data outside the Finance Department by shredding documents with such data or deleting the sensitive data from documents that are stored outside the Finance Department as soon as possible; and

2. Requires that all sensitive data that is stored in areas other than the Finance Department be secured in locked filing cabinets that are placed in offices that are locked after hours.

Further, NRCA restricts access to sensitive data to Organization employees only (no temporary workers, contractors, or volunteers) and only to employees with a legitimate need for such access. NRCA also requires employees to claim print jobs which contain sensitive information immediately upon printing.

Protected personally identifiable information (PPII) is defined as an individual's first name or first initial and last name in combination with any one or more of types of information, including, but not limited to, social security number, passport number, credit card numbers, clearances, bank numbers, biometrics, date and place of birth, mother's maiden name, criminal, medical and financial records, educational transcripts.

Destruction of Consumer Information

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

General Main Office Security

During normal business hours, all visitors are required to check in with the Program Support Technician. After hours, a key and a security alarm pass code is required for access to the Main Office of NRCA. Keys and codes are issued only to employees who work in the Main Office, Head Start Specialists whose offices are in outlying locations, cleaning crew, computer technicians, and the landlord.

Outlying Offices

During normal business hours, all visitors are required to check in with a staff person. After hours, a key and/or a security alarm pass code is required for access to the offices of NRCA. Keys and codes are issued only to employees, tenants, partners, cleaning crew, computer technicians and the landlord.

GENERAL LEDGER AND CHART OF ACCOUNTS

The general ledger is the collection of all assets, 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 therefore the basis for the accounting system. The chart of accounts consists of account titles and account numbers assigned to the titles. General ledger accounts are used to accumulate transactions and the impact of these transactions on each asset, liability, fund balance, revenue and expense account.

NRCA's chart of accounts is comprised of five types of accounts:

1. Assets
2. Liabilities
3. Fund Balance
4. Revenues
5. Expenses

Each revenue and expense account number shall be preceded by project identification code.

Distribution of Chart of Accounts

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

Control of Chart of Accounts

The Finance Manager monitors and controls the chart of accounts, including all account maintenance, such as additions and deletions. Any additions, deletions, or any other changes of accounts should be approved by the Finance Manager, who ensures that the chart of accounts is consistent with the organizational structure of NRCA and meets the needs of each program.

Fiscal Year of Organization

NRCA shall operate on a fiscal year that begins on July 1 and ends on June 30. Any changes to the fiscal year of the organization must be ratified by majority vote of NRCA's Board of Directors.

Accounting Estimates

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

1. Useful lives of property and equipment
2. Fair market values of investments
3. Fair market values of donated assets
4. Values of contributed services
5. Joint cost allocations
6. Cost allocation calculations

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

Journal Entries

All general ledger entries that do not originate from a subsidiary ledger shall be documented by post reports and supporting documentation that explains each entry. Each journal entry shall be authorized in writing by the CFO or Finance Manager by initialing the entries. All subsidiary ledger journal entries shall be originated by the Accounts Payable Specialist, Finance Manager, Accounting/IT Specialist, or Payroll Administrator/HR Assistant and reviewed, posted and approved by the CFO or Finance Manager.

POLICIES ASSOCIATED WITH CASH RECEIPTS

ADMINISTRATION OF GRANT AWARDS

Definitions

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

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

Cooperative Agreement: A legal agreement where the organization implements a program with the direct involvement of the funder.

Throughout this manual, federal assistance received in any of these forms will be referred to as a federal "award."

Preparation and Review of Proposals

Individual programs are responsible for preparing proposals for projects that the program intends to pursue. Any proposals submitted to funding sources where Board approval is required by the funding source shall be reviewed and approved by the following prior to submission to the funding sources:

- the CFO or Finance Manager
- the CEO
- the Finance Committee
- the Personnel Committee in the event of personnel changes
- the Program Planning and Evaluation Committee for new program initiatives or significant changes to current programs
- the Policy Council for Head Start
- the Board of Directors

Any proposals submitted where the funding source does not require Board approval shall be reviewed and approved prior to submission by the Program Director, CFO or Finance Manager, and the CEO.

Post-Award Procedures

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

1. Verify the specifications of the grant or contract. The Finance Department shall review the terms, time periods, award amounts and expected expenditures associated with the award. A CFDA (*Catalog of Federal Domestic Assistance*) number shall be determined for each federal award. All reporting requirements under the contract or award shall be summarized.
2. Create new general ledger account numbers. New accounts shall be established for the receipt and expenditure categories in line with the grant or contract budget.
3. Gather documentation. A file is established for each grant or contract. The file should contain the following documents (including originals of all documents received from the awarding agency)
   a) Copy of the initial application for the award and corresponding budget
   b) All correspondence to and from the awarding agency post-application, leading up to the award
   c) The final, approved budget and program plan, after making any modifications
   d) The grant agreement and any other documents associated with the initial making of the award
   e) Copies of pertinent laws and regulations, including awarding agency guidelines, associated with the award
   f) Subsequent grant modifications (financial and programmatic)
   g) Copies of program and financial reports
   h) Subsequent correspondence to/from the awarding agency
   i) Results of any monitoring visits conducted by the awarding agency, including resolution by NRCA of any findings arising from such visits
   j) Correspondence and other documents resulting from the closeout process of the award

Compliance with Laws, Regulations and Provisions of Awards

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

1. For each Federal award, a NRCA employee within the program responsible for administering the award will be designated as "Grant/Project Manager" (GPM).
2. The GPM shall take the following steps to identify all applicable laws, regulations, and provisions of each grant and contract:
   a. Read each award and prepare a summary of key compliance requirements and references to specific laws and regulations.
   b. Review the 2 CFR Part 200 Appendix XI Compliance Supplement (updated annually) published by the Office of Management and Budget (OMB) for compliance requirements unique to the award and for compliance requirements common to all Federal awards.
   c. Review the section of the Catalog of Federal Domestic Assistance applicable to the award.
   d. The GPM will communicate grant requirements to those who will be responsible for carrying them out, or impacted by them.

3. The Finance Department shall forward copies of applicable laws regulations to the GPM (such as OMB Circulars, pertinent sections of compliance supplements, and other regulations).
4. The GPM and/or the Finance Department shall identify and communicate any special changes in policies and procedures necessitated by Federal awards as a result of the review of each award.
5. The GPM shall take all reasonable steps necessary to identify applicable changes in laws, regulations, and provisions of contracts and grants. Steps taken in this regard shall include, but not be limited to, reviewing subsequent grant and contract renewals, reviewing annual revisions to the 2 CFR Part 200 Appendix XI Compliance Supplement, and communications with Federal awarding agency personnel.
6. The GPM shall cooperate with the Organization's Independent Auditors by informing the CPA firm as to applicable laws, regulations, and provisions of contracts and grants and communicating known instances of noncompliance with laws, regulations, and provisions of contracts and grants to the auditors.

Making of Subawards

From time to time, NRCA may find it practical to make subawards of federal funds to other organizations. All sub-awards in excess of $5,000 shall be subject to the same procurement policies described in the preceding section. In addition, all sub-recipients must be approved in writing by the federal awarding agency and agree to the subrecipient monitoring provisions described in the next section.

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

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

Close Out of Grant Awards

NRCA shall follow the close out procedures described in 2 CFR 200.343 – 345, Closeout, and in the grant agreements as specified by the granting agency.

NRCA and all subrecipients shall liquidate all obligations incurred under the grant or contract within 90 days of the end of the grant or contract agreement.

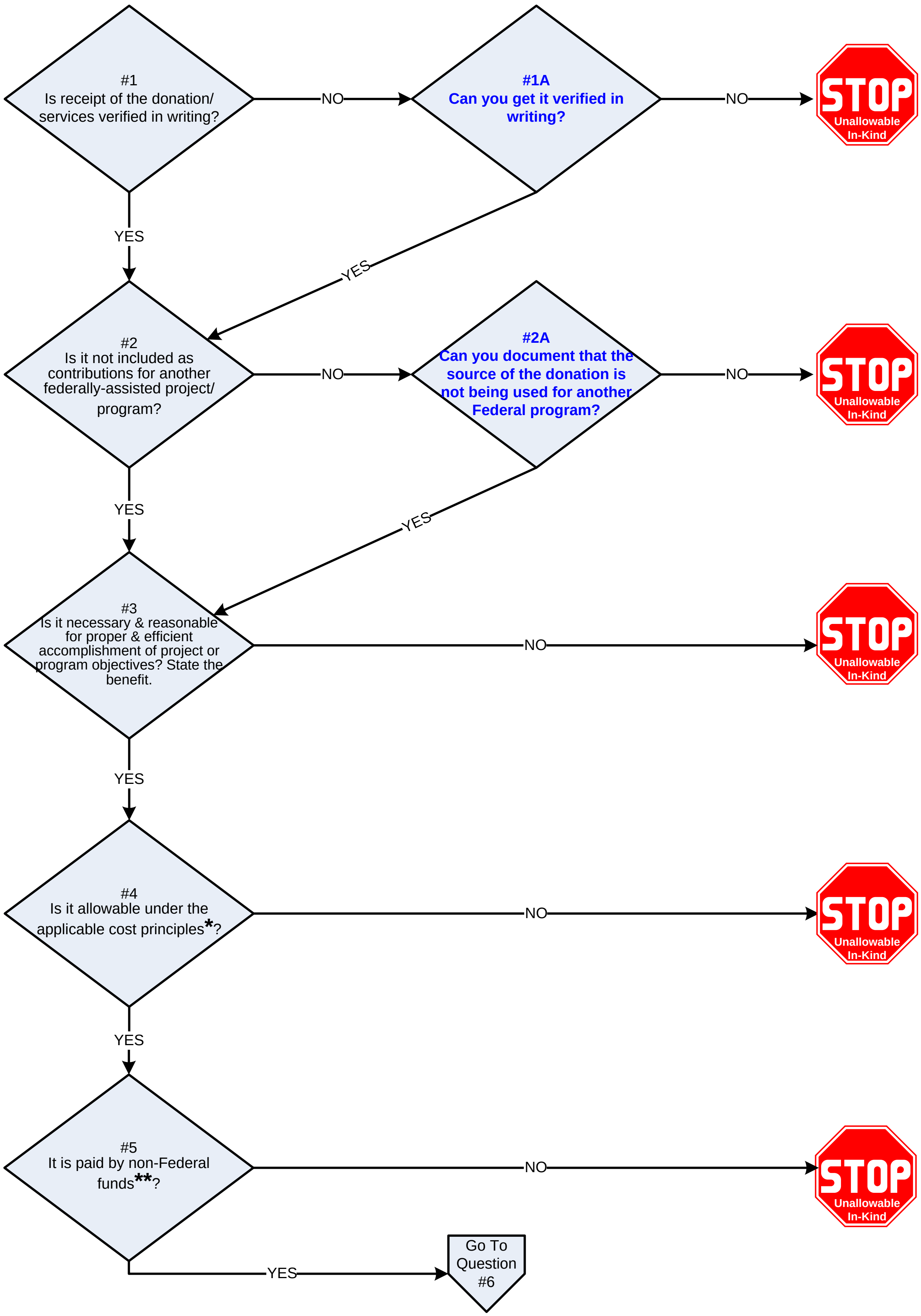
COST SHARING AND MATCHING (IN-KIND)

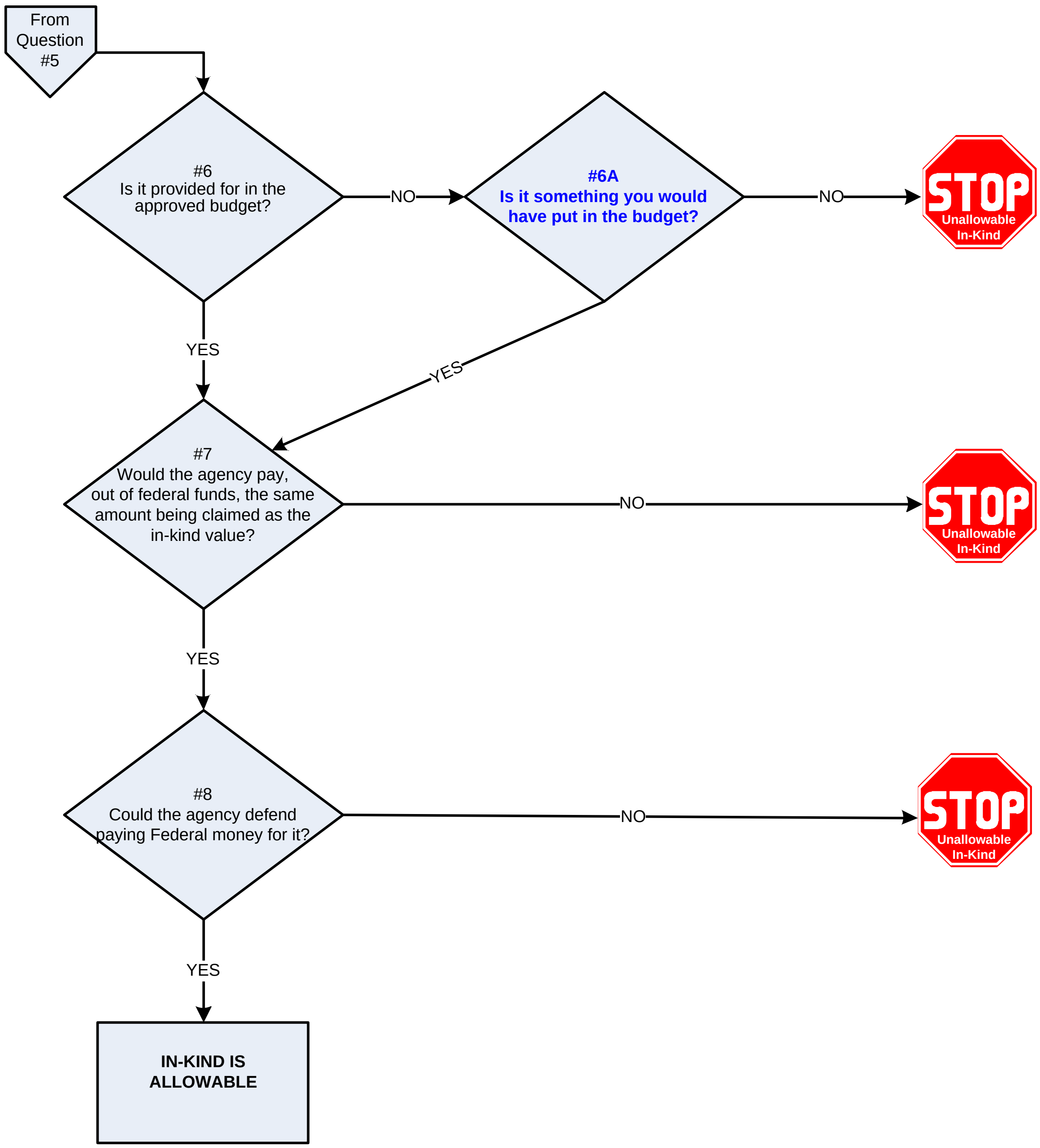
Overview

NRCA 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.

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

1. They are verifiable from NRCA records.
2. They are not included as contributions (or match) for any other Federally-assisted project or program.
3. They are necessary and reasonable for proper and efficient accomplishment of project or program objectives.
4. They are allowable under 2 CFR Part 200 Subpart E, Cost Principles.
5. They are not paid by the Federal government under another award, except where authorized by Federal statute to be used for cost sharing or matching.
6. They are provided for in the approved budget when required by the Federal awarding agency.
7. They conform to all provisions of2 CFR Part 200 Subpart D, Post Federal Awards Requirements.
8. In the case of donated space, (or donated use of space), the space is subject to an independent appraisal performed by a certified appraiser as defined by 2 CFR Part 200.306(i)(1) to establish its value.


#1
Is receipt of the donation/ services verified in writing?
NO
#1A
Can you get it verified in writing?
NO
STOP
Unallowable In-Kind
YES
YES
#2
Is it not included as contributions for another federally-assisted project/ program?
NO
#2A
Can you document that the source of the donation is not being used for another Federal program?
NO
STOP
Unallowable In-Kind
YES
YES
#3
Is it necessary & reasonable for proper & efficient accomplishment of project or program objectives? State the benefit.
NO
STOP
Unallowable In-Kind
YES
#4
Is it allowable under the applicable cost principles*?
NO
STOP
Unallowable In-Kind
YES
#5
It is paid by non-Federal funds**?
NO
STOP
Unallowable In-Kind
YES
Go To Question #6



*** 2 CFR Part 200** Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

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

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

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

Valuation and Accounting Treatment

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

- Space, buildings, land and equipment
- Volunteer time and services
- Supplies

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

Space, Buildings, Land and Equipment

Buildings and Land

If the purpose of the contribution is to assist the Organization in the acquisition of equipment, building, or land, the total value of the donated property may be claimed as matching with prior approval of the awarding agency.

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

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

Space:

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

Volunteer Time and Services

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

Examples of contributed services received and recorded as income and expense by NRCA include but are not limited to:

- Interns
- AmeriCorps and VISTA volunteers
- parent activities-which will include but not limited to the following activities:
    - Volunteering in the classroom
    - Volunteering on Field Trips
    - Parent Center Committee meetings or preparation for the meetings

- Policy Council meetings or preparation for the meetings
- Community Outreach
- Home visit activities based on child's goals
- Teacher Conferences
- Home projects parents/families do with their children pertaining to what they are working with in the classroom or home-based
- Parents/families reading to their children at home, based on child's goals provided by the teaching staff

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

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

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

- Date service was performed
- Volunteer name and address
- Hours donated (time in and out)
- Service provided (description of each activity the volunteer performs)
- Signature of volunteer

The sign-in sheets will be delivered to the Finance Department by the fifth working day of each month so they can be tallied, valued, and recorded as in-kind in the accounting records.

Supplies

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

DONATIONS AND CONTRIBUTIONS

Overview

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

1. Contributions of non-liquid assets or assets possessing legal or other characteristics rendering the asset difficult to sell or convert to liquid assets, as determined by the CEO;
2. Contributions with donor-imposed restrictions that provide excessive control to the donor over future uses of the donated asset(s), as determined by the CEO;
3. Contributions with donor-imposed restrictions that violate or involve uses that go beyond the Organization's current mission statement and tax-exempt purpose, as determined by the CFO; and
4. Contributions from donors involved in businesses or activities that are deemed inconsistent with NRCA's mission, as determined by the CEO.

Policy

1. Donations of money, goods, gifts of stock, and real estate are welcome by NRCA to enhance the quality of services to the community it serves. All donations become the property of NRCA. It is the intent of the agency to respect the desires of donors to the extent possible.
2. NRCA, Inc. welcomes donations from agencies, individuals and groups who support our mission to promote, through cooperative partnerships, the self-reliance of individuals, families and communities.
3. Donated materials, furniture and equipment can be accepted only if they match or meet quality standards as outlined by the specific program receiving the gift.
4. Major gifts of furniture and equipment to a particular program or location will remain at that site for as long as needed as determined by the Program Director/CEO.
5. Gifts of stock will be managed by Stone Houston & Associates and will be sold immediately upon receiving the stock.
6. Gifts of real estate will be recorded at the fair market value as of the date of contribution as determined by an independent appraiser.
7. NRCA is not responsible for assessing the monetary valuation of gifts. Donors needing an appraisal of the value of their gifts for tax purposes should secure an appraisal from a qualified appraiser. A donation receipt form will be given to donors upon their request.
8. NRCA will provide individuals and potential donor groups information outlining the agency's policies and procedures upon request. All accepted gifts will be acknowledged by the Board of Directors or designee.
9. NRCA will maintain a database of all donors. Donor information is privileged and will not be sold or shared with other individuals, groups, or organizations. NRCA staff will generate acknowledgement letters in accordance with IRS guidelines immediately upon receipt of any gift. The CEO and Board leadership will acknowledge donors in any public venues or written materials as appropriate to the organization and the donor's desire for anonymity.
10. When a specific program or area is not designated, the donation will be entered into the general fund.

11. All checks should be made payable to NRCA, Inc. for deposit into the Agency's operating account. Donor may specify a particular area or program for which the donation is being

made. This information should be written on the check with identifying information to ensure proper coding in the system.

12. NRCA will not accept any donations that imply endorsement of businesses, products or services. Donor businesses may not use NRCA name for promotion of any product or service.

Receipts and Disclosures

NRCA 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, NRCA shall adhere to the following guidelines with respect to contributions received by the Organization.

A receipt shall be provided to the donor for every separate contribution received. All receipts shall include the following information:

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

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

NRCA reserves the right to decline any donation.

Credit Card Donations

For donations or purchases made by credit card through the Organization’s website, the following procedures will be followed:

1. Charges will be processed by an outsourced service provider.
2. The service provider will send reports to the Program Support Technician listing each amount charged for a donation and the contact information of the donor/purchaser.
3. The Finance Manager will access the reports through the service provider’s website monthly.

Recording of the revenue will be done daily into the Organization’s donor database and then monthly into the accounting system with a journal entry.

BILLING/INVOICING POLICIES

Responsibilities for Billing and Collection

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

Billing and Financial Reporting

NRCA 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.

NRCA shall prepare and submit financial reports as specified by the financial reporting clause of each grant or contract award document. Preparation of these reports shall be the responsibility of the Finance Department.

The following policies shall apply to the preparation and submission of billings to all funding agencies under awards made to NRCA:

1. The Organization will request reimbursement after expenditures have been incurred, unless an award specifies another method.

2. NRCA will strive to minimize the time between receipt and disbursement of grant funds by issuing payments within 24 business hours of receipt of such funds.

3. Each award normally specifies a particular billing cycle. Therefore, a schedule is established for each grant and contract to ensure that reimbursement is made on a timely basis along with any other reporting that is required in addition to the financial reports.

4. Requests for reimbursement of award expenditures will use the actual amounts as posted to the general ledger as the source for all invoice amounts.

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

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

Cash Drawdowns

Cash drawdowns from Federal agencies shall be made on an as needed basis but generally in conjunction with the accounts payable and payroll schedule. All Federal funds shall be deposited into an interest-bearing cash account under the cash receipts policies and procedures described in this manual. NRCA requires that Federal funds will be disbursed within 24 hours of receipt.

The CFO or Finance Manager shall draw cash from the U.S. Treasury based on a computer listing of cash disbursements since the last drawdown.

Classification of Income and Net Assets

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

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

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

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

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

CASH RECEIPTS

Overview

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

Processing of Checks and Cash Received in the Mail

All funds received in the mail or otherwise will be forwarded to the Program Support Technician who will record the revenue in the cash in-take log and forward the funds daily to the Finance Department for deposit. The Executive Assistant/Communications Specialist and then the CEO will assume this duty in the Program Support Technician's absence. The individual preparing the cash in-take log shall not be involved in the accounts receivable or accounts payable process. The individual will also not be involved in delivering deposits to the bank. Money (cash, checks, money orders, etc.) should only be given to a member of the Finance Department if all three of the before mentioned staff are absent. The log captures the following information:

1. Deposit number
2. Date received
3. Delivered By
4. Check Date (Indicate if cash)
5. Check Number
6. Amount
7. Name and Address
8. Program/Purpose
9. Initials of staff logging funds
10. Initials of the member of Finance picking up the cash
11. Initials and date of thank you letters reviewed
12. Initials and date of thank you letters sent
13. Initials and date entered into eTapestry

All outlying offices shall also maintain a cash in-take log to record all incoming checks/cash/money. The staff person logging these funds shall initial the log when recording the funds. The staff person who transports the funds to the Main Office shall initial that they have picked up the funds for delivery and should deliver to the Main Office by 12:00 p.m. This log will be maintained in the outlying office on a monthly basis and forwarded to the Finance Department by the fifth working day of the following month. The Finance Department will reconcile the outlying office cash in-take log to the Main Office log. The Finance Department will furnish the cash intake log to all outlying offices.

All checks/money orders received at outlying locations should be restrictively endorsed "For Deposit Only NRCA" upon receipt. All cash received should be logged in a receipt book and maintained in the outlying office. All funds from outlying locations must be sent to the Main Office at least once weekly. Checks can be mailed to the Main Office however cash must be hand delivered. Money **WILL NOT** be left in the internal mailbox system. All funds must be handed directly into the hands of the Program Support Technician or the designees as appropriate.

Once the funds are received by the Finance Department, the deposit is recorded in the Miscellaneous Cash Receipts (MCR) journal. The MCR journal will indicate the deposit date, date of receipt, entry date, bank account to be deposited in, post date, the payer, appropriate account coding, a description as to the purpose of the money and the payment method. Monies received will be credited to the program for which the payment is intended. NRCA prohibits the use of specific program funds to cover the costs of other funding streams unless authorized by the funding stream. Receipts not restricted as to their use by the payer will be credited to General Fund.

A deposit slip will be completed by the Finance Department from the cash/checks received. A deposit receipt that is validated by the bank will be obtained. All documentation for all receipts (copy of letter, check, etc.) will be attached to the deposit receipt and filed. All receipts will be deposited intact. The Finance Manager will review the MCR journal along with the deposit slip for accuracy and post the entry to the subsidiary ledger.

Endorsement of Checks

All checks received that are payable to the Organization shall immediately be restrictively endorsed "For Deposit Only NRCA" by the individual who logs in the checks.

Timeliness of Bank Deposits

It is the policy of NRCA that bank deposits will be made on a daily basis, unless the total amount received for deposit is less than $500. Undeposited checks and cash shall be maintained in a locked box and kept in a secure area until deposited.   In no event shall deposits be made less frequently than weekly and no deposit shall be left in the building over the weekend.

Reconciliation of Deposits

On a monthly basis, the Finance Manager, who does not prepare the initial cash receipts listing or bank deposit, shall reconcile the cash in-take log to bank deposits reflected on the monthly bank statement. The Accounting/IT Specialist shall reconcile the outlying office cash intake log to the main cash in-take log on a monthly basis. Any discrepancies shall be immediately investigated.

POLICIES ASSOCIATED WITH EXPENDITURES AND DISBURSEMENTS

PURCHASING POLICIES AND PROCEDURES

Overview

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

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

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

Responsibility for Purchasing

All Program Directors, Program Coordinators and Site Administrators shall have the authority to initiate purchases on behalf of their programs, within the guidelines described here. Any NRCA staff member may initiate purchases with the approval of the Program Director, Program Coordinator or Site Administrator. The CEO has approval authority over all purchases and contractual commitments as defined in this policy. The CEO shall make the final determination on any proposed purchases where budgetary or other conditions may result in denial. The Board of Directors will approve major purchases over $5,000 for items outside a program's approved budget. The Board Chairperson will review all purchases made by the CEO.

Code of Conduct in Purchasing

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

- Staff shall discourage the offer of, and decline, individual gifts or gratuities of value in any way that might influence the purchase of supplies, equipment, and/or services.
- Staff shall notify their immediate supervisor if they are offered such gifts.
- No officer, board member, employee, or agent shall participate in the selection or administration of a vendor/contractor if a real or apparent conflict of interest would be involved. Such a conflict would arise if an officer, board member, employee or agent, or any member of his/her immediate family, his/her spouse/partner, or an organization that employs or is about to employ any of the parties indicated herein, has a financial or other interest in the vendor/contractor selected.
- Officers, board members, employees, and agents shall neither solicit nor accept gratuities, favors, or anything of monetary value from vendor/contractors or parties to sub-agreements.
- Gifts to the organization, viewed as normal business incentives to obtain future organization-approved business such as for meeting sites, are acceptable donations.

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 on such procurements.
- Award contracts to bidders whose product/service is most advantageous in terms of price, quality and other factors.
- Issue solicitations that clearly set forth all requirements to be evaluated.
- Reserve the right to reject any and all bids when it is in the Organization's best interest.
- Not give preference to state or local geographical areas unless such preference is mandated by Federal statute. *(200.319(b))*
- "Name brand or equivalent" description may be used as a means to define the performance or requirements *(200.319(c)(1))*

Non-Discrimination Policy

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

1. Vendor/contractors/Contractors will not discriminate against any employee or applicant for employment because of race, religion, color, sexual orientation or national origin, except where religion, sex, or national origin is a bona fide occupational qualification reasonably necessary to the normal operation of the vendor/contractors/contractors.
2. Vendor/contractors/Contractors agree to post in conspicuous places, available to employees and applicants for employment, notices setting forth the provisions of this non-discrimination clause. Notices, advertisement and solicitations placed in accordance with Federal law, rule or regulation shall be deemed sufficient for meeting the intent of this section.

Procurement Procedures

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

1. NRCA shall avoid purchasing items that are not necessary or duplicative for the performance of the activities required by a Federal award. *(2 CFR 200.318(d))*
2. Where appropriate, an analysis shall be made of lease and purchase alternatives to determine which would be the most economical and practical procurement for the Federal government. (2 CFR Part 200.318 (d)). This analysis should only be made when both lease and purchase alternatives are available to the program.

3. Purchasers are encouraged to enter into state and local inter-governmental or inter-entity agreements where appropriate for procurement of use of common or shared goods and services. *(2 CFR Part 200.318(e))*
4. Purchasers are encouraged to use Federal excess and surplus property in lieu of purchasing new equipment and property whenever such use is feasible and reduces project costs. *(2 CFR Part 200.318(f))*
5. Documentation of the cost and price analysis associated with each procurement in excess of the simplified acquisition threshold ($150,000) decision shall be retained in the procurement files pertaining to each Federal award. *(2 CFR 200.323)*
6. All pre-qualified lists of persons, firms or products which are used in acquiring goods and services must be current and include enough qualified sources to ensure maximum open and full competition. *(2 CFR Part 200.319(d))*
7. NRCA will maintain records sufficient to detail the history of procurement, including: *(2 CFR Part 200.318(i))*
    a. Rationale for the method of procurement;
    b. Selection of contract type;
    c. Contractor selection or rejection; and
    d. The basis for the contract price.
8. NRCA shall make all procurement files available for inspection upon request by a Federal awarding agency.
9. The “cost-plus-a-percentage-of-cost” method or “percentage of construction” methods of contracting shall not be used.
10. Contracts shall be made only with responsible contractors who possess the potential ability to perform successfully under the terms and conditions of the proposed procurement. Consideration shall be given to such matters as contractor integrity, record of past performance, financial and technical resources or accessibility to other necessary resources.

All staff members with the authority to approve purchases will receive a copy of and be familiar with 2 CFR Part 200.400 – 475, Cost Principles.

Use of Purchase Approval Forms

It is the policy of NRCA to properly complete a purchase approval form for all purchases not already supported by contracts, leases or other binding agreements. A properly completed purchase approval form shall be prepared in ink or be computer generated and contain the following information:

1. Request Date
2. Requested By
3. Program Site/location
4. Project ID/Program to be charged
5. Account number and its description to be charged
6. Amount to be charged to each project ID and account number
7. Mark appropriate box if the charge is for public relations or Head Start administrative costs.
8. Whether or not an inventory record is required and if so the date it was submitted.
9. Purpose/Special Notes
10. Whether or not to mail to vendor/contractor or return to employee
11. Vendor/contractor/Contractor Name & Address
12. Authorized signatures

The requestor will forward the purchase approval to the Program Director, Program Coordinator or Site Administrator who will recommend approval to the Finance Manager (and the CEO if over $500) or disapprove the request. Once approved, the purchase approval form is forwarded to the Finance Manager. If not approved, the purchase approval form will be returned to the requestor. After the item is purchased and received, the receiving report, packing slip and/or invoice is then forwarded to the Finance Manager. NRCA recognizes that in some instances, the ongoing purchase of goods prior to approval by the CEO or Finance Manager is a necessary function of day-to-day operations. Such purchasing before prior approval of the CEO or Finance Manager may be allowed at the discretion of the Program Director, Program Coordinator or Site Administrator. In these cases, receipts must be attached to the purchase approval forms and forwarded for approval immediately. After the Finance Manager has signed off on the purchase approval, it is then forwarded to the Accounts Payable Specialist. The Accounts Payable Specialist will compare the purchase approval with the receiving report and invoice. If there are no substantial (in excess of 5%) discrepancies, the payment will be processed. If the invoice is not available, the purchase approval will be held in a separate file until the invoice is received. Discrepancies will be brought to the attention of the Program Director, Program Coordinator or Site Administrator and reconciled to the satisfaction of these individuals and the Accounts Payable Specialist. The Board Chairperson will review all purchases made by the CEO.

Authorizations and Purchasing Limits

The following table lists required approval levels and solicitation processes:

Amount of Purchase	Required Approvals	Required Solicitation	Required Documentation
$3,000 or less	• Program Director/Coord. • Finance Manager • Executive Dir. (if over $500)	Evidence of solicitation not required but purchases should be distributed among qualified vendor/contractors	• Purchase Approval Form and Receipt approved by Program Director/Coordinator
$3,001-$25,000	• Program Director/Coord. • Finance ManagerExecutive Dir.	3 written quotes (catalogue, Internet, written & documented for file)	• Documentation of quotes received • How decision was made
$25,001 -$149,999	• Program Director/Coord. • Finance ManagerExecutive Dir.	3 written bids (Request for Proposals)	• Copy RFP • Proposal scoring grids including who participated in the scoring • Proposal and contract of winning bid

Amount of Purchase	Required Approvals	Required Solicitation	Required Documentation
$150,000 or greater	• Dept. Director/Coord. • Finance ManagerExecutive Dir. • Board of Directors	3 written bids (Request for Proposals) Sealed bids will be used when the decision will be made on the basis of price and price-related factors.	• Copy RFP • Proposal scoring grids including who participated in the scoring • Proposal and contract of winning bidder

All completed purchase approval forms must be signed and approved by the Program Director, Program Coordinator or Site Administrator and the Finance Manager. The CEO will approve purchases over $500. All Head Start purchases must be approved by the Head Start Director or appointee. .

Utilities and land-line phone bills can be processed without approval. However, the Accounts Payable Specialist will review these invoices to determine if they reflect normal activity. Any concerns or unexplained fluctuations will be communicated to the Program Director, Program Coordinators and Site Administrators immediately.

Required Solicitation of Quotations from Vendor/contractors/Contractors

Solicitations for goods and services (requests for proposals or RFPs) should provide for all of the following:

1. A clear and accurate description of the technical requirements for the material, product or service to be procured. In competitive procurements, such a description shall not contain features which unduly restrict competition. *(2 CFR 200.319 (c)(1))*
2. Requirements which the bidder/offeror must fulfill and all other factors to be used in evaluating bids or proposals (see the next section entitled “Evaluation of Alternative Vendor/contractors” for required criteria) *(2 CFR 200.319 (c)(2))*
3. Technical requirements in terms of functions to be performed or performance required, including the range of acceptable characteristics or minimum acceptable standards. *(2 CFR 200.319 (c)(1))*
4. The specific features of "brand name or equal" descriptions that bidders are required to meet when such items are included in the solicitations. *(2 CFR 200.319 (c)(1))*
5. A description of the proper format, if any, in which proposals must be submitted, including the name of the person to whom proposals should be sent.
6. The date by which proposals are due.
7. Required delivery or performance dates/schedules.
8. Clear indications of the quantity(ies) requested and unit(s) of measure.

Extensions of Due Dates and Receipt of Late Proposals

Solicitations should provide for sufficient time to permit the preparation and submission of offers before the specified due date. However, in the event that a prospective offeror requests an extension to a due date specified in a solicitation, and such an extension is both justified and compatible with the requirements of NRCA, an extension may be granted by the purchasing representative.

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

Evaluation of Alternative Vendor/contractors

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

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

Not all of the preceding criteria may apply in each purchasing scenario. However, in each situation requiring consideration of alternative vendor/contractors, the department responsible for the purchase shall establish the relative importance of each criterion prior to requesting proposals and shall evaluate each proposal on the basis of the criteria and weighting that have been determined.

After a vendor/contractor has been selected and approved by the Program Director the final selection shall be approved by the CEO prior to entering into a contract.

Affirmative Consideration of Minority, Small Business, Women-Owned Businesses and Labor Surplus Area Firms (2 CFR Part 200.321)

Positive efforts shall be made by NRCA to utilize small businesses, minority-owned firms, women's business enterprises, and labor surplus area firms whenever possible. Therefore, the following steps shall be taken:

1. Ensure that small business, minority-owned firms, and women's business enterprises, and labor surplus area firms are used to the fullest extent practicable. (2 CFR Part 200.321)
2. Make information on forthcoming opportunities available and arrange time frames for purchases and contracts to encourage and facilitate participation by small business, minority-owned firms, women's business enterprises, and labor surplus area firms. (2 CFR Part 200.321(b)(4))
3. Consider in the contract process whether firms competing for larger contracts tend to subcontract with small businesses, minority-owned firms and women's business enterprise and labor surplus area firms. (2 CFR Part 200.321(b)(6))

4. Encourage contracting with consortiums of small businesses, minority owned firms women's business enterprises, and labor surplus area firms when a contract is too large for one of these firms to handle individually. (2 CFR Part 200.321(b)(3))
5. Use the services and assistance, as appropriate, of such organizations as the Small Business Administration and the Department of Commerce's Minority Business Development Agency in the minority-owned firms, women's business enterprises, and labor surplus area firms. (2 CFR Part 200.321(b)(5))

Availability of Procurement Records (2 CFR Part 200.324(b))

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

- The process does not comply with the NRCA's procurement standards 2 CFR Part 200.324(b)(1)
- The procurement is expected to exceed the federally-defined simplified acquisition threshold ($150,000) and is to be awarded without competition or only one bid is received 2 CFR Part 200.324(b)(2)The procurement exceeds the simplified acquisition threshold and specifies a "name brand" product 2 CFR Part 200.324(b)(3)
- 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. 2 CFR Part 200.324(b)(4)A proposed contract modification changes the scope of a contract or increases the contract amount by more than the amount of the federally-defined simplified acquisition threshold. 2 CFR Part 200.324(b)(5)

Provisions Included in All Contracts (2 CFR Part 200 Appendix II)

NRCA includes all of the following provisions, as applicable, in all contracts charged to Federal awards (including small purchases) with vendor/contractors and subgrants to grantees:

1. Contracts for more than the simplified acquisition threshold currently set at $150,000, which is the inflation adjusted amount determined by the Civilian Agency Acquisition Council and the Defense Acquisition Regulations Council (Councils) as authorized by 41 U.S.C. 1908, 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 the non-Federal entity including the manner by which it will be effected and the basis for settlement.
3. **Equal Employment Opportunity:** All contracts shall contain a provision requiring compliance with E.O. 11246, "Equal Employment Opportunity," as amended by E.O. 11375, "Amending Executive Order 11246 Relating to Equal Employment Opportunity," and as supplemented by regulations at 41 CFR part 60, "Office of Federal Contract Compliance Programs, Equal Employment Opportunity, Department of Labor."
4. **Davis-Bacon Act, as amended (40 U.S.C. 276a to a-7):** If included in the Federal agency's grant program legislation, all construction contracts of more than $2,000 awarded by NRCA and its subrecipients shall include a provision for compliance with the Davis-Bacon Act (40 U.S.C. 276a to a-7) and as supplemented by Department of Labor

regulations (29 CFR part 5, "Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction"). **Contract Work Hours and Safety Standards Act (40 U.S.C. 327-333):** [Where applicable] All contracts awarded by NRCA in excess of $2,000 for construction contracts and in excess of $2,500 for other contracts that involve the employment of mechanics or laborers shall include a provision for compliance with Sections 102 and 107 of the Contract Works Hours and Safety Standards Act (40 U.S.C. 327-333), as supplemented by Department of Labor regulations (29 CFR part 5).

5. **Clean Air Act (42 U.S.C. 7401 et seq.) and the Federal Water Pollution Control Act (33 U.S.C. 1251 et seq.), as amended:** Contracts and subgrants of amounts in excess of $100,000 shall contain a provision that requires the recipient to agree to comply with all applicable standards, orders or regulations issued pursuant to the Clean Air Act (42 U.S.C. 7401 et seq.) and the Federal Water Pollution Control Act, as amended (33 U.S.C. 1251 et seq.). Violations shall be reported to the Federal awarding agency and the Regional Office of the Environmental Protection Agency (EPA).
6. **Mandatory** standards and policies relating to energy efficiency which are contained in the state energy conservation plan issued in compliance with the Energy Policy and Conservation Act (42 U.S.C. 6201).
7. **Byrd Anti-Lobbying Amendment (31 U.S.C. 1352):** For all contracts or subgrants of $100,000 or more, NRCA shall obtain from the contractor or subgrantee a certification that it will not and has not used Federal appropriated funds to pay any person or organization for influencing or attempting to influence an officer or employee of any agency, a member of Congress, officer or employee of Congress, or an employee of a member of Congress in connection with obtaining any Federal contract, grant or any other award covered by 31 U.S.C. 1352. NRCA
8. **Debarment and Suspension (E.O.s 12549 and 12689):** No contract shall be made to the parties listed on the General Services List of Parties Excluded from Federal Procurement or Nonprocurement Programs in accordance with E.O.'s 12549 and 12689, "Debarment and Suspension."
9. **Rights to Inventions Made Under a Contract or Agreement**—Contracts or agreements for the performance of experimental, developmental, or research work shall provide for the rights of the Federal Government and the recipient in any resulting invention in accordance with 37 CFR part 401, "Rights to Inventions Made by Nonprofit Organizations and Small Business Firms Under Government Grants, Contracts and Cooperative Agreements," and any implementing regulations issued by the awarding agency.

All programs must obtain a checklist from the Finance Department containing items that must be included with the Request for Proposal. All items on the checklist must be returned to the Finance Department before a contractor can begin a project. These items will be kept in the Finance Department.

Special Purchasing Conditions

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

Single Distributor/Source:
Sole source purchases contractors may be made when one or more of the following conditions apply:

- The item or service is only available from one source;
- The situation is an emergency and will not permit a delay resulting from competitive solicitation;
- The awarding agency expressly authorizes noncompetitive proposals in response to a written request; or
- After solicitation, competition is deemed inadequate (insufficient bidders).

Approval from the awarding agency may be required.

Vendor/contractor Files and Required Documentation

The Finance Department shall create a vendor/contractor folder for each new vendor/contractor from whom NRCA purchases goods or services.

The employee who entered into the purchasing agreement shall obtain a Form W-9 from the vendor/contractor. Completed, signed Forms W-9 or substitute documentation shall be filed in the Finance Department. Vendor/contractors who do not comply with this request shall be issued a Form 1099 at the end of each calendar year in accordance with the policies described in the section of this manual on “Government Returns.” See the section on “Payroll and Related Policies” for guidance on determining whether a vendor/contractor should be treated as an employee.

Receipt and Acceptance of Goods

A designated individual shall inspect all goods received. Upon receipt of any item from a vendor/contractor, the following actions shall immediately be taken:

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

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

Contract Administration

NRCA is required to have policies and procedures on contract administration. *(2 CFR Part 200.318(b))* Therefore, all contract managers will adhere to the following procedures.

1. Contract administration files shall be maintained:
    a. For each contract greater than $10,000 a separate file shall be maintained.
    b. For contracts less than $10,000, contract records may be combined in a single file by grant or other funding source.

2. Contract administration files shall contain:
    a. The required documentation specified in the authorizations and purchasing limits table for the original scope of work and for all amendments.
    b. Where the contract work is identified in the grant award or budget, the identification and scope of the work contained in the award or budget, and all approved changes.
3. Authorization of work:
    a. No work shall be authorized until the contract for the work has been approved and fully executed.
    b. No change in the work shall be authorized until an amendment to the contract for the work has been approved and fully executed, except as permitted for Special Purchasing Conditions.
    c. No amendment of a contract for work shall be executed until it has been approved and authorized as required in the Authorizations and Purchasing Limits table and, where required by the terms of the grant award or budget, approval by the funding source.
4. Conformance of work:
    a. For each grant award, based on the applicable laws, regulations and grant provisions, the Program Director/Coordinator shall establish and maintain a system to reasonably assure contractor:
        i. Conformance with the terms, conditions, and specifications of the contract, and
        ii. Timely follow-up of all purchases to assure such conformance and adequate documentation.
5. The Program Director/Coordinator will authorize payment of invoices to contracts after final approval of work products.

POLITICAL INTERVENTION

Prohibited Expenditures

Consistent with its tax-exempt status under Section 501(c)(3) of the Internal Revenue Code, NRCA shall not incur any expenditure for political intervention. For purposes of this policy, political intervention shall be defined as any activity associated with the direct or indirect support or opposition of a candidate for elective public office at the federal, state or local level. Examples of prohibited political expenditures include, but are not limited to, the following:

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

Endorsements of Candidates

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

Individual vs. Organization Intervention

The preceding policies prohibiting acts of political intervention apply to the organization and to individuals acting on behalf of the organization. It does not apply to the personal lives of employees and volunteers of the organization, who have the right to support or oppose political candidates and parties as individuals. Employees and volunteers of NRCA who engage in political activities outside the scope of their employment with or service to the Organization shall at all times be mindful of maintaining a clear distinction between personal activities and those which can be attributed to the Organization.

Prohibited Use of Organization Assets and Resources

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

LOBBYING

Introduction

Unlike political intervention, described in the preceding section, expenditures by a section 501(c)(3) public charity for lobbying activities are allowable under the Internal Revenue Code. However, **no** lobbying expenditures may be charged directly or indirectly to any Federal award (i.e., the charity must have a non-Federal source of income to which such lobbying costs can be cited as the source of the activity).

Definition of Lobbying Activities

Lobbying activities conducted by the Organization may be either direct or indirect. Direct lobbying activities consist of attempts to influence legislation through communication with any member or employee of a legislative body (Federal, state, or local levels) or, if the principal purpose of the communication is lobbying, with any government official or employee who may participate in the formulation of the legislation. Direct lobbying occurs when employees of the Organization or paid lobbyists communicate directly in attempts to influence legislation. Lobbying is distinguishable from advocacy activities, which involve efforts to advocate certain positions which may have legislative implications, as long as a nonpartisan analysis of the relevant facts is performed.

Lobbying occurs only when there is a specific piece of legislation or legislative proposal pending that the Organization is attempting to influence. Therefore, lobbying is considered to have taken place only if both of the following elements are present:

1. The communication refers to specific legislation (legislation that has been introduced or a specific legislative proposal that the Organization supports or opposes), and
2. The communication reflects a view on the legislation (supporting or opposing it).

Indirect lobbying involves communications with the general public (rather than directly with legislators, etc.) where the communication includes the same two preceding characteristics, plus it encourages the recipient of the communication to take action with respect to the specific legislation (by contacting legislators, etc.).

Segregation of Lobbying Expenditures

Lobbying expenditures are allowable for charities under the Internal Revenue Code. However, lobbying may not represent a substantial portion of the Organization’s overall activities. The Organization’s tax exemption would be at risk if lobbying becomes a substantial portion of the Organization’s activities.

Accordingly, NRCA segregates all direct and indirect lobbying expenditures in a separate section of the chart of accounts in the general ledger. Where appropriate, lobbying expenditures shall also be allocated their fair and reasonable share of employee benefits and other indirect costs in accordance with cost allocation policies described elsewhere in this manual.

Lobbying Election

As a public charity, the Organization has two options with respect to the Internal Revenue Code's restriction against lobbying being a "substantial" portion of its activities. One option is to make a formal lobbying election, which results in the Organization following a specific mathematical formula to determine its lobbying limitations. Exceeding the limitation would result in an excise tax assessed to the Organization. Exceeding the limitation by 50-percent or more over a four-year period would result in loss of the Organization's overall tax exemption. The other option is to not make the election, resulting in an entirely judgmental assessment of its lobbying activities by the IRS. If it is deemed by the IRS to have engaged in substantial lobbying for any period, the Organization would lose its overall tax exemption under this option.

If NRCA incurs lobbying expense, it will make the Internal Revenue Code section 501(h) lobbying election by filing Form 5768, and leave that election in place. As a result, the Organization shall report its lobbying expenditures by completing the section for "Electing Charities" on Schedule A that accompanies its annual Form 990 information return filed with IRS.

CHARGING OF COSTS TO FEDERAL AWARDS

Overview

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

Segregating Unallowable From Allowable Costs

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

1. The budget and grant or contract for each award shall be reviewed for costs specifically allowable or unallowable.
2. Accounting personnel shall be familiar with the allowability of costs provisions of OMB Circular 2 CFR Part 200.400-475, Cost Principles, particularly:
    a. The list of specifically unallowable costs found in 200.421-475, Selected Items of Cost, such as alcoholic beverages, bad debts, contributions, fines and penalties, lobbying, etc.
    b. Those costs requiring advance approval from Federal agencies in order to be allowable in accordance with2 CFR Part 200.407, Prior Written Approval, such as participant support costs, equipment purchases, etc.
3. No costs shall be charged directly to any Federal award until the cost has been determined to be allowable under the terms of the award and/or 2 CFR Part 200.400-475, Cost Principles.
4. For each Federal award, an appropriate set of general ledger accounts shall be established in the chart of accounts to reflect the categories of allowable costs identified in the award or the award budget.
5. All items of miscellaneous income or credits shall be reflected for grant accounting purposes as reductions in allowable expenditures if the credit relates to charges that were originally charged to a Federal award or to activity associated with a Federal award. The reduction in expenditures shall be reflected in the year in which the credit is received (i.e. if the purchase that results in the credit took place in a prior period, the prior period shall not be amended for the credit.)

Criteria for Allowability

All costs must meet the following criteria from2 CFR Part 200.402-406, 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, but, where a direct relationship to any particular program or group of programs cannot be demonstrated.
3. The cost must conform to any limitations or exclusions of 2 CFR Part 200, 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.
7. Costs may not be included as a cost of any other Federally financed program in the current or prior periods.
8. The cost must be adequately documented.

Direct Costs

Direct costs are those costs that can be identified specifically with a particular final cost objective, such as a Federal Award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy *(2 CFR Part 200.413(a)).* NRCA identifies and charges these cost exclusively to each award or program.

Each invoice shall be coded with the appropriate account number reflecting which program received direct benefit from the expenditure. Invoices are approved by the appropriate Program and the Finance Manager.

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

Equipment purchased for exclusive use on a federal award and reimbursed by a federal agency shall be accounted for as a direct cost of that award (i.e. such equipment shall not be capitalized and depreciated for grant purposes, but will be capitalized and depreciated at year-end for financial statement purposes if the purchase meets the capitalization requirements).

Indirect and Joint Costs

Indirect costs are those that have been incurred for common or joint objectives and cannot be readily identified with a particular grant or program. Joint costs benefit more than one, but not necessarily all, awards. Indirect costs, but not joint costs, may be allocated to benefiting grants through the use of an indirect cost rate.

Examples of indirect costs are:
1. The Finance Department
2. Human Resources
3. The CEO
4. Program Support Technician
5. The Maintenance Department
6. IT Costs

Examples of joint costs are:
- Shared space
- Housekeeper

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

Indirect Cost Rate

NRCA maintains an annual indirect cost budget. Each year a new indirect cost budget is prepared and submitted to NRCA's Cognizant Agency for approval. The indirect cost rate approved is used when determining the overhead applied to each Federal award.

Examples of the types of expenditures normally included in the indirect cost pool are:
1. General administration
2. Salaries and benefits of the CEO, Finance Department, Human Resources, and other administrative personnel
3. Office rent and maintenance
4. General office repairs and maintenance

These rates are submitted to NRCA's Cognizant Agency and will be binding on all other Federal agencies and their contracting officers unless specifically prohibited by statute.

Accounting for Specific Elements of Cost

NRCA shall utilize the following methods of charging specific elements of cost to federal awards as direct or indirect costs:

Salaries and Wages – Salaries and wages shall be charged directly and indirectly based on the functions performed by each employee, as documented on each employee's timesheet, as follows:

> *Direct costs* – The majority of the employees of NRCA charge their time directly since their work is specifically identifiable to specific grants or other (non-federal) programs or functions of the organization.

Indirect costs – The following staff charge 100 percent of their salary costs indirectly:

CEO
Program Support Technician
Human Resources Manager
Communications Specialist/Executive Assistant/Clerk of the Board
Finance department staff
Facilities/Transportation Coordinator
Facilities/Transportation Technician

Compensated absences (Paid Time Off (PTO), and holiday pay) are considered part of salary costs. The accounting system of NRCA records salaries associated with compensated absences as a direct or indirect cost in the same manner that salary costs are recorded.

Employee Benefits – NRCA incurs costs for the following statutory and non-statutory employee benefits:

FICA
State unemployment insurance
Worker's compensation
Health insurance
Dental insurance
Life insurance

Employee Assistance Program
Flexible Spending Account
Contributions to retirement plan

Since the NRCA accounting system tracks employee benefit costs by individual employee, each such benefit cost shall be charged directly and indirectly in the same proportion as each individual's salary.

Occupancy Expenses – Monthly rent expense and related pass-through expenses shall be allocated directly and indirectly, based on approximate square footage of space utilized, as follows:

Direct costs – The cost of space occupied by staff whose salaries are directly charged to federal awards is charged directly to those same awards. The cost of space associated with common areas, such as hallways, restrooms, and conference rooms, are allocated based on the percentage of total occupied space.

Indirect costs – The costs of space occupied by staff whose salaries are indirectly charged is also charged indirectly. The cost of space for staff whose salaries are charged on a mixed basis (directly and indirectly) shall be allocated on a mixed basis in the same ratio as their salaries are allocated.

Utilities – Utilities costs incurred by NRCA include electricity, heating oil, water, sewer and garbage. Such utilities costs shall be charged directly and indirectly in the same proportion as occupancy costs.

Supplies and Materials – To the maximum extent possible, office supplies and materials are charged directly to the grant or program/function that uses the supplies or materials. All supplies and materials used by staff that is engaged in indirect activities shall be charged indirectly.

Postage and Shipping – To the maximum extent possible, postage and shipping costs shall be charged directly to the grant or program/function that benefits from the postage or shipping costs, based on the postage meter reading and the FedEx shipping invoices.

Photocopying and Printing – Photocopying costs include all paper, copy supplies, copier maintenance charges and the actual lease cost of the copier. Photocopying costs shall be charged directly and indirectly based on copy logs/meters. Personal copies must be reimbursed at the rate of $.10 per black and white copy and $.25 per color copy.

All printing costs are charged directly to the benefiting grant or program/function.

Communications – Communications costs include the costs of local telephone service and long-distance telephone charges, including charges associated with telephone calls, facsimile transmissions, and Internet.

Telephone service costs are charged directly and indirectly based upon the number of telephone units assigned to NRCA. Each telephone unit is identified to either a direct or an indirect activity, as determined annually based on the number of units in each facility. No telephone units shall be charged as mixed-use units due to the immateriality of the costs involved. For example, if NRCA has 100 telephone units and 15 of those units are assigned to employees who work directly on a particular grant, 15 percent of each month's telephone service costs shall be allocated to that grant.

Outside Services – NRCA incurs outside service costs that includes, but not limited to its annual audit, legal fees, and for staff development specialists. Outside service costs shall be charged as follows:

> *Audit fees* – Cost of the financial statement audit, preparation of Form 990, and the profit sharing plan audit shall be charged as an indirect cost.
>
> *Legal fees* – Legal fees shall be charged as a general fund cost.
>
> *Staff Development Specialists* – Costs associated with staff development specialists shall be charged directly to the program/function that benefits from the services. Fees that are not identifiable with specific direct grants or programs shall be charged indirectly.

Insurance – To the extent that insurance premiums are associated with insurance coverage for specific grants or programs, those premium costs shall be charged directly. All insurance costs that are not identifiable with specific direct grants or programs (such as the Organization's general liability coverage) shall be charged by the number of staff in each program.

Credits – The applicable portion of any credits resulting from cash discounts, volume discounts, refunds or similar credits shall be credited directly or indirectly in the same manner as the purchase that resulted in the credit.

ACCOUNTS PAYABLE MANAGEMENT

Overview

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

- Assets or expenses and the related liability are recorded by an individual who is not responsible for ordering and receiving.
- The amounts recorded are based on the vendor/contractor invoice for the related goods or services.
- The vendor/contractor invoice should be reviewed and approved by the Program Director, Program Coordinator or Site Administrator and the Finance Manager (and CEO if over $500) as indicated by an attached purchase approval form prior to being processed for payment. All Head Start purchases must be approved by the Head Start Director or appointee.
- Invoices and related general ledger account distribution codes are reviewed by the Finance Manager.
- The Board Chairperson will review all purchases made by the CEO.

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

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

Recording of Accounts Payable

- All valid accounts payable transactions, properly supported with the required documentation, shall be recorded as accounts payable in a timely manner.
- Accounts payable is processed weekly. Information is entered into the system from approved invoices or disbursement vouchers with appropriate documentation attached.
- Only original invoices will be processed for payment unless duplicated copies have been verified as unpaid by researching the vendor/contractor records.
- No vendor/contractor statements shall be processed for payment.

Establishment of Control Devices

The Accounts Payable Specialist establishes control of invoices as soon as invoices are received. Vendor/contractors will be instructed to mail all invoices directly to the accounts payable department.

Upon receipt of invoices, each invoice shall be stamped with the date received and distributed to the appropriate personnel for approval. The Accounts Payable Specialist needs to ensure all invoices are returned for processing.

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

1. Vendor/contractor invoice or receipt (or staff reimbursement report)
2. Any other supporting documentation deemed appropriate
3. W-9 form for all new vendor/contractors

It is the responsibility of the person ordering and receiving items to verify items received with the packing slip.

Processing of Voucher Packages

The following procedures shall be applied to each voucher package by the Accounts Payable Specialist:

1. Check the mathematical accuracy of the vendor/contractor invoice.
2. Compare the nature, quantity, and prices of all items ordered per the vendor/contractor invoice to the purchase approval form
3. Document the general ledger distribution, using the Organization's current chart of accounts
4. Obtain the purchase approval form signed by the Program Director, Program Coordinators and Site Administrators and the Finance Manager associated with the goods or services purchased

Approvals by Program Directors, Program Coordinator or Site Administrator indicate their acknowledgement of satisfactory receipt of the goods or services invoiced, agreement with all terms appearing on the vendor/contractor invoice, agreement with general ledger account coding, and agreement to pay vendor/contractor in full. Approvals shall be documented with initials or signatures of the approving individual.

Payment Discounts

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

Staff Reimbursement Reports

Reimbursements for travel expenses, business meals, or other approved costs will be made only upon the receipt of a properly approved and completed staff reimbursement form. All required receipts must be attached and a brief description of the business purpose of the trip must be noted on the form. Staff reimbursements will be processed for payment on the same cycle as payroll and must be submitted with timesheets/activity logs. Expenses older than two months will not be reimbursed. All staff reimbursement reports must be signed by the preparer and approved by the Program Director, Program Coordinator or Site Administrator and the Finance Manager. The CEO will approve staff reimbursement reports over $500. The CEO will approve all staff reimbursements for those he/she directly supervises regardless of the amount.

The Finance Manager will periodically check staff reimbursement reports against timesheet/activity logs to ensure agreement of dates and activities.

Emergency Assistance Vouchers

All Emergency Assistance Vouchers will be prepared on pre-numbered three part vouchers. The original voucher will be submitted to the Accounts Payable Specialist for payment. Vouchers should clearly designate the program and type of expense. The second copy of the voucher will be sent to the vendor/contractor. The third part of the voucher will be maintained at the Area Office. All three part vouchers require two signatures. All Emergency Assistance Vouchers shall include a Service Activity Record from the NRCA database that lists all client information as back up documentation.

HHP vouchers are one part vouchers that include vendor/contractor name, client name, amount of voucher, date of voucher, program and type of expense. All HHP vouchers require signatures of both the HHP Coordinator and the Planning & Program Director or CEO. All HHP Vouchers shall include a Housing Programs Voucher Form that lists all client information as back up documentation. All needed information for the landlord is written on the check stub. Staff will compile a disbursement register for each program reflecting vouchers written. Staff will compare the register to payments returned by the Accounts Payable Specialist for distribution. Any discrepancies will be reported to the Accounts Payable Specialist immediately.

Reconciliation of A/P Subsidiary Ledger to General Ledger

At the end of each monthly accounting period, the total amount due to vendor/contractors per the accounts payable subsidiary ledger shall be reconciled to the total per the accounts payable general ledger account. All differences are investigated and adjustments are made as necessary. The reconciliation and the results of the investigation of differences are reviewed and approved by the CFO.

Also on a monthly basis, the Accounts Payable Specialist shall perform the following procedures:

1. Check all statements received for unprocessed invoices.
2. Check the Unvouched file for open Purchase Approvals that are more than 30 days old and follow up.

Management of Accounts Payable Vendor/Contractor Master File

Upon the receipt of an invoice from a new vendor/contractor that is not already in NRCA's Accounts Payable Vendor/contractor Master File, the Accounts Payable Specialist shall contact the person completing the purchase approval to request the Form W-9. Staff members making a purchase are responsible for obtaining the Form W-9 from the vendor/contractor. The Form W-9 will include the vendor/contractor's full address, Federal employer identification number or social security number and signature.

The vendor/contractor file shall include all of the following data:

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

Payments shall not be made to any vendor/contractor whose file does not comply with the preceding requirements.

Verification of New Vendor/contractor/Contractor

The Accounts Payable Specialist will perform additional procedures to validate the legitimacy of new vendor/contractors/contractors that shall be paid one-time or cumulative payments in excess of $25,000. For such vendor/contractor/contractors, the Accounts Payable Specialist shall perform a limited public records search and shall contact the vendor/contractor/contractor to validate its existence.

Internal Audit of Accounts Payable Voucher Package

NRCA will conduct a quarterly internal audit of the Accounts Payable Voucher Package. This internal audit shall be performed by the Finance Manager. The purpose of this internal audit is to determine the integrity of the Organization's Accounts Payable records. The internal audit shall include the following procedures:

> Pull a random sample of 10-15 Accounts Payable Voucher packages and verify that the package includes: vendor/contractor invoice or receipt, other supporting documentation if necessary, proper authorizations according to the Financial Policies and Procedures Manual, proper Project ID and Account codes on the purchase approval forms and the Accounts Payable module in the accounting system.

Any unexplained deviations found as a result of these internal audit procedures shall be reported to the chair of the Finance Committee.

TRAVEL AND BUSINESS ENTERTAINMENT

Definitions

Local Travel-Any travel for business purposes within the five jurisdictions of the New River Valley (NRV).

Out-of-Area Travel-Any travel for business purposes outside the five jurisdictions of the NRV. Travel purposes may include conference attendance, training, transporting participants to out-of-area medical facilities, meetings, etc.

Permanent Work-Site-An employee's permanent work-site is usually stated in their Employment Letter and can include Head Start Centers, Area Offices, Main Office, and CHIP offices.

Temporary Work-Site-A temporary work-site is not where the employee usually reports to work, but some other location where the employee is conducting NRCA business. An example would be the location of a meeting or could even be another NRCA location (NRCA main office).

Employee and Director Business Travel

At the conclusion of a NRCA business trip, an employee or member of the Board of Directors or Policy Council that has incurred business-related expenses should complete a reimbursement report in accordance with the following policies:

1. Documentation must justify that participation of the traveler is necessary for the Federal award and costs are reasonable and consistent with NRCA's travel policy. *(2 CFR Part 200.474(b)(1) and (2))*
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, personal phone reimbursements, reimbursed mileage, and per diems, all business expenses must be supported with invoices/receipts.
4. Vendor/contractor receipts/invoices must be submitted for all lodging and any expenditure other than meals. Credit card charge slips do <u>not</u> represent adequate supporting documentation – a hotel receipt must be obtained to substantiate all lodging expenditures.
5. For airfare, airline-issued receipts should be obtained. If a traveler fails to obtain a receipt, other evidence must be submitted indicating that a trip was taken and the amount paid (for example, a combination of an itinerary, a credit card receipt, and boarding passes).
6. Mileage may be reimbursed at the NRCA approved rate currently in effect set by the Board of Directors.
7. The business purpose of each trip must be adequately explained on each report.
8. Project ID codes must be identified on all travel forms.
9. All expense reports must be signed and dated by the employee. If an expense report is e-mailed to an employee's supervisor, the only signature required is that of the supervisor. However, by sending it to the supervisor, the employee is certifying that the information is complete and accurate.

10. All expense reports must be approved by the employee's Program Director or Program Coordinator.
11. All expense reports over $500 must be approved by the CEO.
12. All expense reports for the CEO must be reviewed by the Board Chairperson.
13. Only one Travel Request and Authorization Part I and Part II should be prepared for each trip.
14. The Travel Request and Authorization Part I form should be submitted to your Program Director, Program Coordinator or Site Administrator at least 7 working days before the start of a trip.

Out of Area Travel

NRCA shall reimburse travelers only for those business-related costs that are reasonably incurred. Accordingly, the following guidelines shall apply to out of area travel:

1. Suites and other upgraded rooms at hotels shall not be allowed unless required by a medical condition. Travelers should stay in standard rooms.
2. Ask hotels for any available discounts – nonprofit, government or corporate rates.
3. An analysis must be performed to determine whether renting a vehicle or using your personal vehicle is most beneficial. If renting is the best option only midsize cars can be rented. Any exceptions must be approved by the CEO in advance. Do not purchase insurance as NRCA has a policy to cover hired/non-owned autos. Share rental cars whenever possible. If the analysis determines that renting a vehicle is most cost effective but the employee decides to use their personal vehicle, the additional cost will be incurred by the employee and not reimbursed by the agency. A cost analysis form produced by the Finance Department must be submitted with all out of area travel forms.
4. When traveling out of area and departing from the employee’s residence, time and mileage is reimbursed only to the extent that the amount which is incurred exceeds the employee’s daily commuting time and distance.
5. When an employee is traveling out of area overnight all work related mileage is reimbursable.
6. When out of area, hours spent in work related duties (including conference meal meetings), plus work related travel time, is considered work time.
7. Meals will be reimbursed on a per diem basis. The standard per diem is as follows: breakfast-$9.68, lunch-$10.97, dinner-$18.06. These amounts include the cost for food, tax and tip. Breakfast will only be reimbursed if the employee is away from his/her residence prior to 7:00 am on the day of the claim. Lunch will only be reimbursed if the employee is out of the office between the hours of 11:00 am and 1:00 pm. If the employee is in the office for any portion of this time, he/she will not receive the lunch reimbursement. Dinner will only be reimbursed if the employee is away from his/her residence later than 6:00 pm on the day of the claim. If a meal is provided during a conference or the hotel provides a complete breakfast the employee will not be reimbursed for that particular meal. If the only foods available for breakfast are donuts or other sweet treats and beverages, this is not a complete breakfast therefore this meal is reimbursable if the employee chooses to purchase a complete breakfast. No receipts are required for meals.
8. Employees will not be reimbursed for alcoholic beverages.
9. Business-related long-distance telephone calls while away on business travel are permitted, but should be kept to a minimum. The Travel Authorization and Request Form Part II should explain long-distance charges.

10. A one-time $2 reimbursement for personal long-distance calls while away on business will be permitted for each <u>trip</u> requiring overnight stay. Personal calls in excess of this shall not be reimbursed. No receipt is required.
11. Reasonable tips for baggage handling, valet parking, taxi service, shuttles and maid service shall be reimbursed. No receipts are required.
12. If required by the funding source, foreign travel charged to Federal grants must be approved in writing by the funding source prior to travel.
13. NRCA does not provide travel advances to employees. Out of Area travel requests will be reimbursed on a weekly basis on Friday. Employees must attach all required receipts to the Travel Authorization and Request Form Part 2 after returning from the trip. Any personal mileage claimed must be recorded on this form. Forms must be submitted to supervisors prior to submitting to Finance. Part 2 forms must be received in Finance by 5 p.m. on Tuesday in order for the reimbursement to be issued that week. Any Part 2 forms received after the deadline will be processed the following week. Reimbursements will be issued by the payment method selected by the employee (EFT or Check).
    All Part 2 forms are due in Finance after returning from the trip regardless if employee is owed a reimbursement or not. If Part 2 forms are not received in Finance within two months following the date of the return of the trip, reimbursement will not be issued.

<u>Local Travel</u>

Vehicle selection-If an agency vehicle is available for a trip it must be used. If not, personal vehicle use is recognized as a necessity in support of NRCA's mission. Staff using their personal vehicle on the job must carry required liability insurance. Local travel in personal vehicles must be recorded on the Local Travel Log.
This log should be submitted for reimbursement with timesheets/activity logs.

Travel Between Residence and Work-Site-All staff are assigned a permanent work site; in some cases two work sites may be assigned. Time and mileage incurred from residence to work site on a normal work day is considered commuting travel and not reimbursable.

Weekend and Holiday Travel-Commuting time and mileage incurred when the employee is required to work a Saturday, Sunday or Holiday, when those days are not part of the normal work schedule for that position, is considered reimbursable.

Travel Between Residence and Work In Emergency Situations and Evening Meetings After Having Returned Home-Travel time and mileage between residence and employee's permanent or temporary work site is reimbursable if, for example, an employee who has gone home after completing his/her days work is called out at night to travel to handle an emergency situation or attend a meeting.

Travel Between Residence and One or More Temporary Work Locations-Time and mileage is reimbursed only to the extent that the amount which is incurred exceeds the employee's daily commuting time and distance.

Special Rules Pertaining to Air Travel

The following additional rules apply to air travel:

1. Air travel should be at coach class or the lowest commercial discount fare at the time the ticket is purchased except when this fare would:
    a. Require circuitous routing
    b. Require travel during unreasonable hours
    c. Excessively prolong travel
    d. Result in additional costs that would offset the transportation savings, or
    e. Offer accommodations not reasonably adequate for the traveler's medical needs.
2. First class air travel shall not be reimbursed unless there is a documented medical reason provided to the agency and approved by the CEO.
3. Memberships in airline flight clubs are not reimbursable.
4. Cost of flight insurance is not reimbursable.
5. At least two quotes from a travel agency and/or an airline should be obtained and attached to the expense report.
6. When returning on a Sunday or departing on a Saturday in order to obtain a cost savings in airfare due to the Saturday-night stay-over, travelers should provide a total cost comparison (showing that the lower airfare plus an extra night lodging, meals & incidentals is less costly than airfare without the Saturday night stay-over).
7. Cost of upgrade certificates is not reimbursable.
8. The cost of baggage fees required by airlines to either check or carry-on luggage is allowable and reimbursable.
9. Cost of canceling and rebooking flights is not reimbursable, unless it can be shown that it was necessary or required for legitimate business reasons (such as changed meeting dates, etc.).
10. Travelers must identify and pay for all personal flights, even if such flights are incorporated into a flight schedule that serves business purposes (i.e., NRCA will not reimburse for the personal legs of a trip).
11. Frequent flyer miles will accrue to the traveler, not the Organization.

Volunteer and Board Travel

The individual incurring expenses while carrying out duties for the agency will complete and sign the travel log. The travel log will be signed by the individual in charge of the meeting or activity. The CEO will approve the travel log of Board Members. The Volunteer's supervisor will approve the travel log of volunteers. The Accounts Payable Specialist will review the travel log to verify arithmetic and to determine that travel reimbursed is within the limits allowed by the funding source. If excess mileage reimbursement is claimed, the excess shall be treated as in-kind revenue offset by in-kind expense.

Spouse/Partner Travel

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

CELL PHONE POLICIES

Issuance of Corporate Cell Phones

NRCA recognizes that certain job functions require that an employee be accessible when away from the office or during times outside scheduled working hours. For this reason, NRCA will provide cell phones to select employees as a working condition fringe benefit.

Agency cell phone holders will be required to sign a statement acknowledging that the cell phone shall be used for legitimate organization-related business purposes, not personal use. The cell phone holder also agrees to take reasonable precautions to protect the cell phone from loss or theft by storing it in a secure location. Upon approval, a cell phone will be issued bearing the names of both the individual and NRCA.

Cell Phone Use

Employees of NRCA are prohibited from using a corporate-owned or personal cell phone or similar device, hands-on or hands-free, while driving either a company vehicle or a personal vehicle while on company business. This prohibition includes receiving or placing calls, text messaging, accessing the Internet, receiving or responding to email, checking for or listening to voice messages, or any other uses.

Cell Phone Plans

The Finance Department will negotiate a master cell phone contract with a single vendor/contractor/contractor. All corporate-owned cell phones are to be acquired through the preapproved vendor/contractor/contractor. Exceptions to this policy may be made due to cell phone area coverage. Any exceptions must be approved by the Finance Manager. Program Directors and Coordinators will estimate the programs usage needs for employees issued a corporate cell phone and identify a plan that best accommodates those needs with the preapproved vendor/contractor/contractor.

Cell phone plan terms will initially be set based on the employee’s anticipated needs.

The employee’s supervisor will monitor usage and recommend adjustments to terms as needed to ensure that the employee is on the most efficient plan based on his or her needs. Initial cell phone plan terms and any subsequent changes in terms will be approved in advance by the Program Director or Coordinator.

Upon receiving the cell phone, the employee is required to sign a statement of receipt and acceptance of responsibility for corporate cell phones.

NRCA requires the following review and approval procedures:

- Supervisors shall review and sign the monthly statement for cell phone holders they supervise and forward it to the Finance Department.
- The board chair or treasurer will approve cell phone statements for the CEO.
- Supervisor signatures indicate that the usage is approved and that the calls were made in accordance with NRCA policies.
- Any fraudulent or other unauthorized usage shall be immediately pointed out to the Finance Manager for further investigation with the cell phone provider.

Cell phone holders shall report the loss or theft of a corporate cell phone immediately by notifying the cell phone provider (telephone number 888-944-9400) as well as the Finance Manager.

Revocation of Corporate Cell Phones

Failure to comply with any of these policies associated with the use of NRCA's corporate cell phones shall be subject to possible revocation of corporate cell phone privileges. The Finance Manager, with the approval of the CFO, shall determine whether cell phones are to be revoked.

Personal Cell Phone or Similar Devices at Work

Employees of NRCA are asked to minimize the use of personal cell phones in the workplace.

CASH DISBURSEMENT POLICIES

Check Preparation

NRCA prints vendor/contractor checks and expense reimbursement checks on Mondays, Wednesdays, and Fridays each week. Checks shall be prepared by persons independent of those who initiate or approve expenditures, as well as those who are authorized check signers.

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

1. Expenditures must be supported in conformity with the purchasing, accounts payable, and travel policies described in this manual.
2. Timing of disbursements should generally be made to take advantage of all early-payment discounts.
3. Generally, all vendor/contractors shall be paid within 30 days of submitting a proper invoice upon delivery of the requested goods or services.
4. Total cash requirements associated with each check run is monitored in conjunction with available cash balance in bank prior to the release of any checks.
5. Checks shall be utilized in numerical order and unused checks are stored in a locked cabinet in the finance department.
6. Checks shall never be made payable to “bearer” or “cash”
7. Checks shall never be signed prior to being prepared
8. Upon the preparation of a check, vendor/contractor invoices and other supporting documentation shall be immediately stamped paid and attached to the agency’s copy of the check stub and filed in the vendor/contractor file in order to prevent subsequent reuse.

Check Signing

All checks require two signatures. Refer to the bank corporate resolutions to determine who is eligible to sign for each checking account. No check shall be signed prior to the check being completed in its entirety (no signing of blank checks).

It is the policy of NRCA to use electronic signatures generated by the accounting system. Checks shall be signed by an individual other than the one who approved the transaction for payment.

The Finance Committee reviews all pre-check reports at their monthly meeting and reports this activity to the full Board.

Mailing of Checks

Checks are mailed by the Accounts Payable Specialist on the day that checks are produced.

Voided Checks and Stop Payments

Checks may be voided due to processing errors by making proper notations in the check register and defacing the check by clearly marking it as “VOID” and cutting out the signature. All voided checks shall be retained to aid in preparation of bank reconciliations.

Stop payment orders may be made for checks lost in the mail or other valid reasons. Stop payments are processed by telephone instruction or use of banking software by finance personnel with this authority. A journal entry is made to record the stop payment and any related bank fees.

Record-Keeping Associated with Independent Contractors

A completed Form W-9 or equivalent substitute documentation must be obtained from all vendor/contractors to whom payments are made for services in the course of our trade or business. A record shall be maintained of all vendor/contractors to whom a Form 1099 is required to be issued at year-end. Payments to such vendor/contractors shall be accumulated over the course of a calendar year.

Certificates of Insurance for general liability and Worker’s Compensation from all independent contractors, sub-contractors, lessees, and tenants should be obtained by the Program Director, Program Coordinator or Site Administrator. NRCA should be the additional named insured on these certificates. Retain copies of certificates for at least 10 years after they expire. The Program Director, Program Coordinator or Site Administrator will be responsible for obtaining and reviewing the expiration date and forwarding to the Accounts Payable Specialist for filing. Program Directors, Program Coordinators and Site Administrators should also obtain a Business License from all independent contractors and sub-contractors.

Guidelines for minimum limits of insurance for low hazard operations are:

Worker’s Compensation:	Statutory requirements
General Liability & Auto:	$1,000,000/occurrence, accident
Professional (if applicable):	$2,000,000 per claim

Higher limits are prudent for more hazardous operations ($2-$15 million). Contact the Finance Department to determine if higher limits are required.

Should these limits not be met, our broker’s opinion should be obtained before granting the contract.

Certificates of insurance expire when the policies they represent expire. The certificates received should be set up on a diary system so that when the policies of the contractors, vendor/contractors, tenants, etc., renew, a new certificate is requested and received.

All independent contractors must be at least 18 years of age.

Four important factors that should be used to determine if an individual who performs services for NRCA is an employee or an independent contractor.

1. The degree of control exercised by NRCA over the work of the individuals. If NRCA has the right to direct or control the individuals in the results desired as well as the manner and means by which the results are accomplished. For example if NRCA has the right to control how the individuals performed their work, the equipment they should use, their work schedule and the number and frequency of breaks the individual takes.
2. Is the individual carrying on an independent business that performs the same services for others. Consider whether the individual advertises and generally offers the services to others; whether a business name is used in dealing with others for the purposes of contracting the services; whether they are listed in any business capacity in a telephone directory; whether they maintain their own office or work place; whether they have obtained licenses for carrying on their activities; whether they supplied their own tools/equipment.
3. The term and duration of the relationship between the individual and NRCA. Will the relationship end with a stipulated period of time or are the services for an indefinite time.
4. Does the individual make a profit or have the risk of an out-of pocket loss. Is the individual paid on a time or piece-work basis or paid an agreed amount for a given job.

All Program Directors, Program Coordinators and Site Administrators should contact the Finance Department to assist in determining if an individual would be considered an employee or an independent contractor.

CREDIT CARDS AND CHARGE ACCOUNTS

Use of Credit Cards and Charge Accounts

In the course of the daily workings of the agency, there are instances when a credit card or a charge account must be used to pay for legitimate agency expenditures. Credit cards and charge accounts cannot be used for personal use. All purchasing policies must be complied with when using a credit card or charge account and an original receipt for the merchandise or service must be obtained and submitted.

Opening New Accounts

Requests to open new charge accounts will be handled by the Accounting/IT Specialist and requires approval of the CFO. The Accounts Payable Specialist will complete the credit applications.

Security and Cardholder Responsibility

When not in use, credit cards must be locked in a secure location. Credit cards in the field will be assigned to a specific individual who is responsible for safeguarding the card. All other cards will be locked in the Finance Department. These cards must be signed out to use.

The staff member making the charge must verify with the Accounting/IT Specialist that there is sufficient credit available before making purchases over $500.

Lost or stolen cards must be immediately reported to Finance Department.

Personal use of agency credit cards is strictly prohibited. Any personal use of an agency credit card by a card holder will automatically result in a suspension or termination of the use of any agency credit cards by the card holder. The first offense will require a 30 day suspension of the use of all agency credit cards by the card holder. A second offense will permanently revoke privileges of the use of any agency credit card by the card holder.
Intentional misuse or fraudulent abuse of any credit card or charge account may result in disciplinary action, up to and including dismissal and criminal sanctions.

Card users should remind vendor/contractors/contractors at the time of purchase that according to the tax laws in Virginia, NRCA is exempt from sales tax. Cardholders should keep a copy of agency's sales tax exemption form with them to present to the vendor/contractor at the time of purchase. If a cardholder is charged sales tax for a card purchase that should be tax exempt, the cardholder should contact the vendor/contractor/contractor directly to request a credit for the amount of the sales tax.

Gift Cards

All gift cards purchased for clients by NRCA must be listed on the gift card tracking form produced by the Accounts Payable Specialist. Any employee purchasing gift cards will complete the purchase approval form and attach a copy of the tracking form with the completed information. The employee should maintain a copy of this tracking form in his/her office. Each time a gift card is given to a client, the employee must have the client sign the tracking form next to the corresponding gift card number. Each month by the 5th working day of the month a copy of any gift card tracking forms where gift cards have been distributed and signatures obtained shall be sent to the Finance Department. When each lot of gift cards has been disbursed the Accounts Payable Specialist will request the original form with signatures from the employee. The Finance Department will maintain these logs and internal audits will be periodically conducted**.**

PAYROLL AND RELATED POLICIES

Classification of Workers as Independent Contractors or Employees

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

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

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

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

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

3. Type of Relationship:
    a. Written contracts describing the relationship that NRCA and the individual intend to create.
    b. Whether NRCA provides the worker with employee-type benefits, such as insurance, paid leave, etc.
    c. The permanency of the relationship.
    d. The extent to which services performed by the worker is a key aspect of the regular business of NRCA.

The Organization’s CFO in consultation with the Finance Manager shall make the final determination.

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

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

Wage Comparability Study

NRCA will perform wage comparability studies every three years to ensure the salary and wage structure is similar to other organizations of like size and employee base in our area.

Payroll Administration

NRCA operates on a semi-monthly payroll. A personnel file is established and maintained for all employees with current documentation, as described throughout this section and more fully described in NRCA’s Personnel Manual.

The documents and information to be obtained and included in the personnel files of all new employees are outlined in the Personnel Policies in Section XIII, Personnel Records.

All job descriptions will indicate whether the position is exempt or non-exempt from the provisions of the Fair Labor Standards Act.

Changes in Payroll Data

It is the policy of NRCA that all of the following changes in payroll data are to be authorized in writing:

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

New hires, terminations, and changes in salaries or pay rates shall be authorized in writing by theCFO. New hires or current employees changing positions must be independently scored on the Point Factor Method used by the organization. The new supervisor and the Human Resources Manager will provide the scoring and any discrepancies in the scoring process must be mutually agreed upon by the two staff members.

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

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

Payroll Taxes

The Finance Department is responsible for ensuring all required tax forms are properly completed and submitted, and that all required taxes are withheld and paid. The Human Resources Manager reviews the state and federal tax deposit confirmation and compares it to the payroll register each pay period. The Finance Manager also confirms payment of state and federal taxes each month on the agency's bank statement. The CEO reviews the 941s and the Virginia and West Virginia state taxes and compares the payments to the bank statement on a quarterly basis.

NRCA will remind employees to update the federal and state withholding certificates by December 31 of each year to be effective January 1. Withholding of income taxes shall be based on the most current withholding certificates prepared by each employee.

Preparation of Timesheets and Activity Logs

Each NRCA employee must submit to his or her supervisor a true and accurate timesheet/activity log (wage employees) or salary activity log (salaried employees) by 5:00 PM two working days after the pay period ends unless otherwise specified. Supervisors then have two working days to forward to payroll. Staff will be notified well in advance for any necessary adjustments to the schedule due to holidays. Timesheets and activity logs shall be prepared in accordance with the following guidelines:

1. Every staff member whose compensation is charged, in whole or in part, directly or indirectly will complete a timesheet/activity log (non-exempt staff) or a salary activity log (exempt staff) that account for all hours worked during the pay period (time actually spent on the job performing assigned duties)
2. The timesheet/activity log will reflect an after-the-fact determination of the actual activity of each employee. Budget estimates will not be used as support for charges to awards. For those employees that have salaries/wages charged to multiple project IDs a cost allocation worksheet will be completed by the employee and allocated by the Payroll Administrator/HR Assistant appropriately. The Human Resources Manager or the Finance Manager will review cost allocations after payroll calculations have been created in the payroll system but prior to the posting of payroll.
3. Timesheets and activity logs shall be prepared in ink or electronically.
4. Errors shall be corrected by crossing through the incorrect entry, filling in the correct entry, and placing the employee's initials next to the change (i.e. employees shall not use "white out" or correction tape)
5. Compensated absences (Paid Time Off (PTO), holiday, etc.) should be clearly identified as such
6. Timesheets and activity logs shall be signed by the employee prior to submission. If a timesheet or activity log is e-mailed to an employee's supervisor, the only signature required is that of the supervisor. However, by sending it to the supervisor, the employee is certifying that the information is complete and accurate.

7. Salaries and wages of employees used in meeting cost sharing or matching are supported in the same manner as salaries and wages charged to Federal awards.

After preparation, timesheets and activity logs shall be approved and signed by the employee's supervisor and overtime must be approved by the Program Director/Co-Director/Coordinator, prior to submission to the finance department. Supervisors should designate an alternate to approve timesheets in their absence.

Processing of Timesheets

Processing of timesheets is performed by the Payroll Administrator/HR Assistant. The Payroll Administrator/HR Assistant checks all timesheets for mathematical accuracy, and then inputs all timesheets into the payroll system.

The Payroll Administrator/HR Assistant may only make the following changes on a time sheet:

- Correction of mathematical errors
- Adjust leave if the indicated amount used results in a negative balance or takes employee above approved hours reflected on the transmittal form

Should any other changes need to be made a copy of the timesheet will be sent back to the supervisor for research while the undisputed amount will be paid. Once resolved, any additional hours will be paid the following pay period.

If a timesheet needs to be revised after submission to the finance department, the change must be in writing (e-mail acceptable) to the Payroll Administrator/HR Assistant from the Supervisor. This documentation will be attached to and filed with the original timesheet.

"Short" paychecks for exempt staff will be computed based on a daily rate.

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.

FLSA Compliance

It is the policy of NRCA to comply with the Fair Labor Standards Act and all other laws regarding the payment of wages. Improper pay deductions of exempt employees as set forth in 29 CFR 541.602 are prohibited. Employees will be reimbursed if any improper deductions are made.

Review of Payroll

Upon production of all payroll reports, the Finance Manager reviews payroll prior to its distribution to employees. The Finance Manager shall compare salary activity logs and wage timesheets to the payroll prepayment report and the paychecks and EFT notices. The Finance Manager shall then sign the prepayment report, indicating approval of the payroll. The Finance Manager will also compare the prepayment report to the EFT file set up by the Payroll Administrator/HR Assistant in the agency's on-line banking system. The Finance Manager will approve the EFT file and submit for processing. The Finance Manager is responsible for posting payroll to the subsidiary ledger after the approval process is complete. The CFO shall review in the absence of the Finance Manager.

Distribution of Payroll

Payroll checks or EFT notices shall be distributed by individuals who do not approve time sheets and are not responsible for hiring and firing.

All payroll checks and EFT notices are mailed the day before payday after 2:00 PM except for Main Office staff EFT notices which are picked up from the Payroll Administrator/HR Assistant in order to save on postage. Staff reimbursements will be mailed with the payroll check or EFT notice.

Internal Audit of Payroll Data

NRCA will conduct a quarterly internal audit of certain payroll data. This internal audit shall be performed by the Finance Manager. The purpose of this internal audit is to determine the integrity of the Organization's payroll records. The internal audit shall include the following procedures:

1. Tracing a sample of salaries, withholdings, deductions, and direct deposit information to supporting documentation in each selected employee's payroll and/or personnel file.
2. Tracing a sample of new hires and departures to personnel files, including verification of first and last pay dates.
3. Cross-checking the payroll master files for employees with identical addresses, social security numbers, or direct deposit bank account information.

Any unexplained deviations found as a result of these internal audit procedures shall be reported to the chair of the Finance Committee.

Payroll Reports

The Payroll Administrator/HR Assistant is responsible for producing a pre-payment report, payroll register and a project distribution report each payroll and maintaining a separate file for each. Monthly the pre-payment report is given to a member of the Finance Committee for review.

Leave Reporting

The Payroll Administrator/HR Assistant will issue monthly summary reports to all supervisors for those employees that they supervise only. These reports will include detail Paid Time Off balances which will be lost at the end of the fiscal year by employees if not taken. Supervisors must share this information with the employees. Each employee may carry forward into the following year Paid Time Off leave amounts according to the Personnel Polices.

Payroll Stuffers

Notices of importance to the employees may be made by payroll stuffers which will be given to the Payroll Administrator/HR Assistant fully prepared by 5:00 PM the second working day following the last day of the pay period. The Payroll Administrator/HR Assistant will be responsible for including them in the payroll envelopes.

Garnishments

The Payroll Administrator/HR Assistant will be responsible for withholding garnishments and other payroll levies as required by law. Such orders received at NRCA should be delivered directly to the Payroll Administrator/HR Assistant or another member of the Finance Department.

Pay Advances

NRCA does not permit pay advances under any circumstances.

POLICIES PERTAINING TO SPECIFIC ASSET AND LIABILITY ACCOUNTS

CASH AND CASH MANAGEMENT

Cash Accounts

Programs Account (general operating account):

The primary operating account provides for routine business check disbursements and EFTs. All deposits are made to this account. The authorized signers on the operating account are stated on the Corporate Authorization Resolution form.

Payroll Account:

The payroll account is separate from the operating account. The bank will transfer funds from the general operating (programs) account to the payroll account each time a check is presented for payment. Authorized signers on the payroll account will be the same as those on the operating account.

Escrow Account:

The escrow account is used for Rural Development Loans with USDA. Funds are deposited into this account at the rate of 10% of the monthly payment each month until an amount equal to no less than one annual installment has been accumulated after which deposits may be suspended, except to replace withdrawals. When necessary, disbursements may be used for payments due on the Note if sufficient funds are not available. With the prior written approval of the Government, funds may be withdrawn for:

1. Paying the cost of repairing or replacing any damage to the facility which may have been caused by catastrophe, or
2. Making extensions or improvements to the facility.

Whenever disbursements are made from the reserve accounts, monthly deposits shall then be resumed until there is again accumulated an amount equal to no less than one annual installment, at which time deposits may be discontinued. Authorized signers on the escrow account will be the same as those on the operating account.

Flexible Spending Account:

The Flexible Spending Account is used for all transactions pertaining to the Section 125 Flexible Benefit Plan. Checks are issued by the administrator and mailed directly to the participant.

Other:

From time to time, accounts will be set up for specific purposes deemed necessary by the Board of Directors through a corporate resolution.

Bank Reconciliations

The Finance Manager will reconcile all bank accounts.

It is the policy of NRCA to complete the bank reconciliation process within one week of receipt of each bank statement with the exception of year end. The bank reconciliation for program/fiscal year-ends will be prepared as soon as all checks have been processed.

All bank reconciliations, including any adjusting journal entries resulting from preparing bank reconciliations, are reviewed by the CFO, the CEO and the Finance Committee on a monthly basis.

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

Cash Flow Management

The Finance Manager monitors cash flow needs on a daily basis to ensure that payment obligations can be met. Cash transfers between accounts are performed on an as-needed basis.

Stale Checks

It is the policy of NRCA to follow up on all checks that are outstanding more than 90 days. If the payee cannot be located, the money will be remitted to the Commonwealth of Virginia Department of the Treasury Division of Unclaimed Property according to its rules and regulations.

Petty Cash

It is the policy of NRCA to provide for imprest funds to insure the uninterrupted delivery of services. Permanent petty cash funds and the amount may only be established by the Finance Committee. This amount will not be more than 60 days' estimated need. Purchases through petty cash shall be those outside routine supply purchases and may not be used for travel or employee advances/reimbursements. Petty cash funds will not be used to by-pass agency procurement policies. Loans will not be made or personal checks be cashed out of petty cash.

It is the responsibility of each custodian to ensure that the petty cash fund is locked in a fireproof box or similarly secured at all times with access limited to the custodian.

Appointment of the Custodian:

The Finance Department is responsible for appointing petty cash custodians. The designee shall be accessible to program needs and will be responsible for maintaining the fund. Each petty cash custodian upon endorsement of the check will be indicating receipt and responsibility for the fund. The custodian will be held responsible for any discrepancies and will pay out-of-pocket for any shortages.

Likewise, any overages will be sent to the Main Office to be deposited as miscellaneous income into that program.

Reviews of Petty Cash:

1. Unannounced audits will be conducted on a periodic basis by a member of finance. Any discrepancies will be reported to the Program Director andCFO.
2. Any increases to petty cash fund amounts will be directed to the CFO. He/She will review the fund's activity to determine if the request is justified. If justified, the request will be taken to the Finance Committee for their approval. All funds will be reviewed on an annual basis to determine if increases, decreases, combining, or closing of funds is necessary.

Using the fund:

1. Disbursements of $25 or less may be made from the petty cash fund for small purchases. Exceptions are for the employment background checks which are not limited as to the amount of the disbursement. Petty cash expenditures should be made when it is not feasible to make purchases within the existing purchasing system (accounts payable or charge accounts).
2. Written approval from the Program Director, Program Coordinator, or Site Administrator must be obtained **before** using petty cash. The Program Director is responsible for ensuring the purchase is a legitimate agency expense and whether the purchase shall be processed through the normal purchasing channels.
3. The custodian will fill out a petty cash voucher indicating the amount disbursed. The requester will sign the voucher for verification of receipt of the funds. The employee must return an original store receipt for the item purchased along with any change. In the event a receipt cannot be obtained (i.e., washing a vehicle or using a Laundromat) a statement from the purchaser indicating what was purchased, when and where it was purchased and the cost of the purchase will suffice. A notation of the change returned shall be made on the petty cash voucher.
4. The petty cash voucher, and store receipt shall be attached together as complete supporting documentation for the expense and stored in the cash box until reimbursement is made.
5. The petty cash custodian shall ensure that the petty cash voucher is properly completed, approved and that a proper receipt (original, unaltered, etc.) is attached when payment is made.

Reimbursement and Reconciliation of Fund:

On a monthly basis (by the 5^{th}), the custodian will reconcile the fund and request reimbursement. All petty cash funds must be submitted by the end of the program and agency fiscal year to ensure expenses are reflected in the appropriate fiscal year.

At all times, the petty cash fund will contain receipts and cash totaling the imprest amount of the fund. Petty cash fund reimbursement checks will be made out to Petty Cash - <Program> c/o <Employee Name>.

INVENTORY

Description of Inventory

Inventory shall be defined as any items purchased or donated with the following description:

-Desks, executive/computer/lobby/waiting area chairs, file/storage cabinets

-Equipment including but not limited to the following: CPUs, laptops, tablets, smart phones, monitors, printers, scanners, copiers, shredders, laminators, projectors, digital cameras, camcorders, televisions, VCRs, DVD players, GPS units, refrigerators, ovens/ranges, lawn mowers, weed eaters, power tools

-Any property or equipment not listed above with a purchase price of $500 and a useful life of at least a year or more will be inventoried. All purchases, disposals and transfers of items on NRCA's inventory require an inventory record be completed. Inventory records can only be completed by the following Authorized Staff Members (ASM):

- Accounting/IT Specialist
- Lead Community Service Workers in Montgomery, Pulaski, & Floyd
- Community Service Workers in Giles & Radford
- Site Administrators for HS Centers
- Family Case Managers for outlying CHIP offices
- Indirect Staff
- Program Directors/Coordinators or Program Support Techs for program specific space

All inventory will be stored on NRCA property. Any exceptions must be approved by the CEO.

Acquisition

All CPUs, laptops, tablets, monitors, printers and scanners that are purchased for the agency will be delivered to the Main Office and inventoried by the Accounting/IT Specialist. The Accounting/IT Specialist will complete the inventory record acquisition form, assign an inventory number and produce an inventory tag. The inventory tag will be placed on the item prior to distribution. The Accounting/IT Specialist will contact the appropriate staff person for pickup of the item.

An inventory record acquisition form will be prepared by the ASM on all items not inventoried by the Accounting/IT Specialist. The ASM must send the inventory form to the Accounting/IT Specialist. Invoices will not be paid without the inventory record on file. The Accounting/IT Specialist will add the item to the database and forward an inventory tag as well as a copy of the completed acquisition form to the ASM. The ASM is required to place the inventory tag on the correct inventory item upon receipt.

The Accounting/IT Specialist will maintain a database for all equipment showing the serial number, model number, physical description, location, source of funds, purchase price plus any costs in conjunction with the purchase, (i.e. freight and warranties), vendor/contractor name and date of acquisition.

Transfer

If an inventory item needs to be transferred to another location the ASM transferring the item must complete all fields in Section A of the inventory record transfers form and email the form to the ASM receiving the item. Upon receipt, the ASM receiving the item must complete Section B and send the completed form to the Accounting/IT Specialist. The Accounting/IT Specialist will update the information in the database.

The ASM transferring an item to another location is encouraged to print an inventory transfer form for their records and have the ASM receiving the item sign and date the form upon pick up of the item. This will provide documentation for the staff member transferring the item if the staff member receiving the item does not complete the transfer form and send to the Accounting/IT Specialist.

Disposition

If an item needs to be discarded the ASM must check with the Finance Department for funding source requirements.

If a CPU, laptop, tablet, or smart phone has been approved by the agency's IT company/consultant for disposal, and the ASM has received written authorization from the company, the staff person must complete the appropriate inventory record disposals form and send with the item to the Program Director. The Program Director must approve the disposal and once approved forward the form to the Accounting/IT Specialist and notify the ASM of the approval. The ASM is responsible for ensuring the item is brought to the Main Office Finance Department within 5 working days of receiving notice of approval. After the Finance Department takes possession of the item, they will contact a recycling company to pick up, wipe, and dispose of the item.

If the item is not a CPU, laptop, tablet or smart phone, the ASM must complete the appropriate inventory record disposals form and forward to the Program Director for approval. The Program Director will approve or deny the request and email the form back to the ASM and the Accounting/IT Specialist. The ASM will need to dispose of the item or submit a work order to maintenance for disposal within 5 working days upon receipt of the approved disposal form. The ASM must also notify the Accounting/IT Specialist when the item has been disposed of and the Accounting/IT Specialist will remove the item from inventory. Items can be taken to a local Goodwill, Thrift Shop, or appropriate landfill for disposal.

Physical Counts

The Accounting/IT Specialist will prepare a listing of all inventoried items from the database. This list will be sent to the authorized staff member at each site quarterly. The authorized staff member is responsible for immediately reviewing and confirming the location of all items on the inventory list. After review of the list, the authorized staff person must notify the Accounting/IT Specialist of any discrepancies within five working days. If no discrepancies are found, the authorized staff person must notify the Accounting/IT Specialist confirming this list is accurate within five working days. Discrepancies must be resolved by the authorized staff prior to the annual physical inventory. Inventory is the responsibility of the appropriate authorized staff person. Any unresolved discrepancies will be the responsibility of that staff person and disciplinary action, up to termination may occur.

The Accounting/IT Specialist will take a physical inventory of all property and equipment annually. The authorized staff member at each site is required to accompany the Accounting/IT Specialist during the physical inventory to identify all items on the inventory list. The physical inventory will be conducted the first two weeks of June.

Missing Inventory

The authorized staff member is responsible for reporting any items that are missing. If missing inventory is not located the Accounting/IT Specialist will follow up by contacting the Program Director and the CFO.

If the missing inventory is valued at $500 or more and/or if there is visible evidence of forced entry, the authorized staff member must contact the local police department. If the missing inventory is valued at less than $500 the CFO will determine if the Critical Review Team should be called in.

The Accounting/IT Specialist will maintain a spreadsheet of missing items and notify the CFO if a pattern emerges.

PROPERTY AND EQUIPMENT

Capitalization Policy

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

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

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

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

Contributed Assets

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

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

Equipment and Furniture Purchased With Federal Funds (2 CFR Part 200.313)

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

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

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

1. Any equipment that is owned by the Federal government and given to NRCA for use in a program shall be marked as such.
2. Adequate insurance coverage will be maintained with respect to equipment and furniture charged to Federal awards.

3. For equipment (or residual inventories of supplies) with a remaining per unit fair market value of $5,000 or less at the conclusion of the award, NRCA shall retain the equipment without any requirement for notifying the Federal agency.
4. If the remaining per unit fair market value is $5,000 or more, NRCA shall gain a written understanding with the Federal agency regarding disposition of the equipment. This understanding may involve returning the equipment to the Federal agency, keeping the equipment and compensating the Federal agency, or selling the equipment and remitting the proceeds, less allowable selling costs, to the Federal agency. *(2 CFR Part 200.313(e))*
5. The NRCA Grant Manager shall determine whether a specific award with a Federal agency includes additional equipment requirements or thresholds and requirements that differ from those described above.
6. A physical inventory of all equipment purchased with Federal funds shall 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 shall be reconciled to the accounting records of and Federal reports filed by NRCA.

Establishment and Maintenance of a Fixed Asset Listing

All capitalized property and equipment shall be recorded in a property log. This log shall include the following information with respect to each asset: *(2 CFR part 200.313(d)(1))*

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

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

Receipt of Newly-Purchased Equipment and Furniture

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

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

Depreciation and Useful Lives

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

Dispositions of Property and Equipment

If equipment is sold, scrapped, donated or stolen, adjustments need to be made to the fixed asset listing and property log. If money is received for the asset, then the difference between the money received and the "book value" (purchase price less depreciation) of the asset will be recorded as a loss (if the money received is less than the book value) or a gain (if the money received is more than the book value). Federal regulations require that prior approval be received from the awarding agency for disposal of assets with a fair market value of greater than $5,000.

LEASES

The CEO, CFO and Finance Committee will review new or renewed leases with substantial changes prior to submission to the Board of Directors for approval. Substantial is defined by a 10% or more increase in price or a significant change in terms.

All leases will be signed by the CEO or the CFO.

Leases will correspond to program years whenever possible.

Original leases will be immediately forwarded to the Finance Department.

Reasonableness of Leases

NRCA assesses the value of leases according to the requirements of 2 CFR Part 200.465, Rental Costs of Real Property and Equipment, ensuring the rate is reasonable when compared to similar property in the same area.

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

BULK MAIL

All bulk mail must go through the Program Support Technician who ensures that a signed purchase approval form and a copy of the bulk mail statement of mailing is forwarded to the Accounts Payable Specialist in order to replenish the fund. The Program Support Technician will reconcile the bulk mail's imprest amount monthly.

ACCRUED EXPENSES

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

- Salaries and wages
- Payroll taxes
- Paid leave (see policy below)
- Interest on notes payable

Personnel policies permit employees to carry forward up to one year of unused leave from year to year. For leave pay-out see Personnel Policies, Section VII, C-14.

Accordingly, NRCA records a liability for accrued leave to which employees are entitled at year-end. The total liability shall equal the total earned but unused hours of leave, up to a maximum of hours as stated in the above section of the Personnel Policies, multiplied by each employee's current hourly pay rate.

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

NOTES PAYABLE

General Policy

NRCA requires that all notes payable be approved by the Board of Directors and signed by the CEO.

Record-Keeping

It is the policy of NRCA to maintain a schedule of all notes payable, mortgage obligations, lines of credit, and other financing arrangements. This schedule shall be based on the underlying loan documents and shall include all of the following information:

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

Accounting and Classification

An amortization schedule shall be maintained for each note payable. Based upon the amortization schedule, the principal portion of payments due with the next year shall be classified as a current liability in the statement of financial position of NRCA. The principal portion of payments due beyond one year shall be classified as long-term/non-current liabilities in the statement of financial position.

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

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

NET ASSETS

Classification of Net Assets

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

> **Unrestricted Net Assets** – Net assets that are not subject to donor-imposed stipulations.
>
> **Temporarily Restricted Net Assets** – Net assets subject to donor-imposed stipulations that may or will be satisfied through the actions of the Organization and/or the passage of time.
>
> **Permanently Restricted Net Assets** – Net assets subject to donor-imposed stipulations that the Organization permanently maintain certain contributed assets. Generally, donors of such assets permit the Organization to use all or part of the income earned from permanently restricted net assets for general operations or for specific purposes. Permanent restrictions do not pass with the expiration of time, nor can they be removed through the Organization's actions.

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

Reclassifications from Restricted to Unrestricted Net Assets

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

1. Fulfillment of the purpose for which the net assets were restricted (e.g., spending restricted funds for the stipulated purpose)

2. Expiration of time restrictions imposed by donors

3. Death of an annuity beneficiary

4. Withdrawal by the donor (or by a court) of a time or purpose restriction

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

Reclassifications from Unrestricted to Restricted Net Assets

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

Disclosures

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

POLICIES ASSOCIATED WITH FINANCIAL AND TAX REPORTING

FINANCIAL STATEMENTS

Standard Financial Statements of the Organization

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

The monthly set of financial statements is prepared on the cash basis accounting. The financial statements will be converted to the accrual basis of accounting for the audit.

Frequency of Preparation

The objective of the finance department is to prepare accurate financial statements in accordance with generally accepted accounting principles and distribute them in a timely and cost-effective manner.

A standard set of financial statements shall be produced on a monthly basis by the 15th of the month. The exception to this is year-end. The standard set of financial statements show individual statements of activities on a program/grant basis.

Review and Distribution

All financial statements shall be reviewed and approved by the CFO prior to being distributed.

After approval by the CFO, a complete set of monthly financial statements shall be distributed to the following individuals:

1. Secretary/Treasurer and all members of the Finance Committee
2. CEO
3. Program Directors and any other employee with budget-monitoring responsibilities

Program Directors should review the monthly statements with a member of finance.

Annual Financial Statements

On an annual basis, the Organization shall prepare, under the direction of the CFO, a complete set of GAAP financial statements, including footnotes addressing all disclosures required by GAAP. These financial statements shall be presented to NRCA’s independent auditors as the draft statements from which they will conduct their audit.

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

GOVERNMENT RETURNS

Overview

To legitimately conduct business, NRCA 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 NRCA include, but are not limited to, filing annual information returns with IRS, annual reports, property tax returns, sales tax returns, information returns for retirement plans, annual reporting of compensation paid, and payroll tax withholding tax returns.

Filing of Returns

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

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

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

1. **Form 990** - Annual information return of tax-exempt organizations, filed with IRS. Form 990 for NRCA 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 NRCA's employee benefit plans. Form 5500 must generally be filed by the last day of the seventh month following the end of the plan year. An extension of time to file Form 5500 may be obtained filing Form 5558.
3. **Personal Property Tax Return** - Filed with each jurisdiction's Commissioner of Revenue/Treasurer to report personal property of the corporation on the required due date, which varies by local government.
4. **W-2's and 1099's** - Annual report of employee and non-employee compensation, based on calendar-year compensation, on the cash basis. These information returns are due to employees and independent contractors by January 31 and to federal government by February 28 (W-3 and 1096).
5. **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.
6. **Employer's Quarterly Tax Report** – Quarterly return filed with the Virginia Employment Commission to report wages subject to state unemployment tax. This form is due by the end of the month following the end of each quarter.
7. **Multiple Worksite Report** – Quarterly survey filed with the Virginia Employment Commission to report gross wages and number of employees by worksite. This form is due by the end of the month following the end of each quarter.

8. **Form VA-16** – Quarterly reconciliation and return of Virginia income tax withheld filed with the Virginia Department of Taxation. This form is due by the end of the month following the end of the quarter.
9. **Form VA-6 –** Annual return of Virginia income tax withheld filed with the Virginia Department of Taxation. This form is due by February 28 and accompanies the W-2s.
10. **Form WV/IT-101** – Quarterly return of West Virginia income tax withheld filed with the West Virginia State Tax Department. This form is due by the end of the month following the end of the quarter.
11. **Form WV/IT-103** – Annual reconciliation of West Virginia income tax withheld filed with the West Virginia State Tax Department. This form is due by February 28.

NRCA's fiscal and tax year-end is June 30. All annual tax and information returns of NRCA (Form 990, Form 990-T) are filed on the accrual basis of accounting.

Federal and all applicable state payroll tax returns are prepared by the Payroll Administrator/HR Assistant.

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

Review of Form 990 by Board of Directors

A draft of NRCA's annual Form 990 information return shall be reviewed and approved by the Finance Committee and the Board of Directors prior to being filed with the Internal Revenue Service. This review and approval shall be documented with the signature of the Board Chair or Treasurer.

Public Access to Information Returns

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

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

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

1. Anyone appearing in person at the offices of NRCA during normal working hours making a request to inspect the forms will be granted access to a file copy of the forms. The CFO shall be responsible for maintaining this copy of each form and for making it available to all requesters.
2. NRCA shall comply with the federal requirements to make its forms widely available by referring all requesters to the GuideStar system, a national database of nonprofit organizations, found at ***www.Guidestar.org*** within 7 days of receipt of any request for copies.

UNRELATED BUSINESS ACTIVITIES

Identification and Classification

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

FINANCIAL MANAGEMENT POLICIES

BUDGETING

Overview

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

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

Preparation and Adoption

NRCA will prepare an annual budget for all grants and programs and any other programs deemed necessary by the CEO, CFO, and Finance Committee. To prepare the program’s budget, the Finance Department and the appropriate program personnel shall gather proposed budget information and prepare the first draft of the budget.

After appropriate revisions, a draft is presented to the CEO, Program Director and appropriate NRCA advisory bodies for discussion, revision, and initial approval.

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

It is the policy of NRCA to adopt a final budget before the beginning of the program’s new year. This will allow adequate time for the finance 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 comparison of budget versus actual once the year begins.

Budgets for programs that are not on the Organization’s fiscal year will be prepared in accordance with awarding agency requirements.

Monitoring Performance

NRCA monitors its financial performance by comparing and analyzing actual results with budgeted results. This function shall be accomplished in conjunction with the monthly financial reporting process described earlier.

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

The Finance Department monitors controls over financial reporting through ongoing monitoring, independent evaluations, and remediation of identified deficiencies.

Budget Modifications

After a budget has been approved by the Board of Directors and adopted by the Organization, reclassifications of budgeted expense amounts of less than $5,000 within a single program may be made by the Program Director, with approval from the CFO. Reclassifications of budgeted expense amounts across programs of $5,000 to less than $10,000 may be made only with approval of the CEO.

Reclassifications in excess of the preceding thresholds, and any budget modification resulting in an increase in budgeted expenses or decrease in budgeted revenues shall be made only with approval of the Finance Committee.

Budgets for major programs will be reviewed at mid-year and monitored by the CFO and Finance Manager. Any discrepancies or problems will be brought to the attention of the CEO, Program Director, appropriate NRCA advisory bodies and Finance Committee.

Budget and Program Revisions

It is the policy of NRCA to request prior approval from Federal awarding agencies for any of the following program or budget revisions: *(2 CFR Part 200.308)*

1. Change in the scope or objective of the project or program, even if there is no associated budget revision requiring prior written approval.
2. Change in a key person (project director, etc.) specified in the application or award document.
3. Disengagement for more than three months, or a 25 percent reduction in time devoted to the project, by the approved project director or principal investigator.
4. The need for additional Federal funding.
5. The inclusion, unless waived by the Federal awarding agency, of costs that require prior approval in accordance with2 CFR Part 200.407, Prior written approval.
6. The transfer of funds allotted for participant support costs to other categories of expense.
7. Unless described in the application and funded in the approved awards, the subaward, transfer or contracting out of any work under an award (However, this provision does not apply to purchases of supplies, materials, equipment or general support services).
8. Changes in the amount of the approved cost-sharing or matching provided by the Organization.

ANNUAL AUDIT

Role of the Independent Auditor

NRCA will arrange for an annual audit of the Organization's financial statements to be conducted by an independent accounting firm. The independent accounting firm selected by NRCA will be required to communicate directly with the Organization's Audit/Finance Committee upon the completion of their audit. In addition, members of the Audit/Finance Committee and Executive Committee are authorized to initiate communication directly with the independent accounting firm.

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

Auditor Independence

NRCA may from time to time request the independent auditor to 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 auditor for possible impairments to the firm's independence, and to not permit the performance of any services that would impair independence. This evaluation shall be performed by the CFO, who may consult the independent auditor or other external sources in making this determination.

How Often to Review the Selection of the Auditor

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

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

Selecting an Auditor

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

1. The firm's reputation in the nonprofit community
2. The depth of the firm's understanding of and experience with not-for-profit organizations and federal reporting requirements under 2 CFR Part 200.
3. The firm's demonstrated ability to provide the services requested in a timely manner
4. The ability of firm personnel to communicate with Organization personnel in a professional and congenial manner

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

1. Period of services required
2. Type of contract to be awarded (fixed fee, cost basis, etc.)
3. Complete description of the services requested (audit, management letter, tax returns, etc.)
4. Identification of meetings requiring their attendance, such as staff or Board of Director meetings
5. Organization chart of NRCA
6. Chart of account information
7. Financial information about the organization
8. Copy of prior year reports (financial statements, management letters, etc.)
9. Identification of need to perform audit in accordance with 2 CFR Part 200.500 – 521 and the appropriate Compliance Supplements.
10. Other information considered appropriate
11. Description of proposal and format requirements
12. Due date of proposal
13. Overview of selection process (i.e. whether finalists will be interviewed, when a decision shall be made, etc.)
14. Identification of criteria for selection

Minimum Proposal Requirements from prospective CPA firms shall be:

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

In order to narrow down the proposals to the top selections, the CFO can contact the prospective engagement teams from each proposing firm to discuss their proposal. After the CFO narrows down the field of prospective auditors to two firms, copies of those proposals shall be forwarded to each member of the Audit/Finance Committee, who makes the final recommendation to the Board of Directors for approval.

Preparation for the Annual Audit

NRCA shall provide assistance to the independent auditors in the following areas:

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

The CFO shall arrange and coordinate any and all meetings, interviews, telephone discussions, and conference calls requested by the auditor with NRCA board members, audit/finance committee members, or employees of NRCA to facilitate the auditor's work. Prior to any such meetings or discussions, the CFO shall 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 CFO shall communicate to each NRCA participant in such meetings or discussions the importance of being open, honest, and frank with the auditors with respect to any and all questions posed by the auditors.

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

Interim Procedures - To facilitate the timely completion of the annual audit, the independent auditors may perform selected audit procedures prior to the Organization's year-end. By performing significant portions of audit work as of an interim date, the work required subsequent to year-end is reduced.

Organization staff will prepare requested schedules and documents and assist the auditors as much as possible during any interim audit fieldwork that is performed.

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

Concluding the Audit

Upon receipt of a draft of the audited financial statements of NRCA from its independent auditor, the CFO shall perform a detailed review of the draft, consisting of the following procedures:

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

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

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

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

Audit Committee Responsibilities

The Finance Committee's responsibilities include, but shall not be limited to, the following:

1. Appointment of, and communication with, the Organization's independent auditors
2. Review and approval of the annual, audited financial statements
3. Discussion of internal control matters with the independent auditor
4. Responding to any reported instances of fraud involving NRCA or its employees
5. Making policy and other recommendations to the NRCA Board of Directors regarding matters arising out of the audit

In fulfilling these duties and responsibilities, the Finance Committee is entitled to examine any and all documents within the control of NRCA and its employees. In addition, the Finance committee shall have the authority to contract with independent contractors in the fulfillment of the committee's responsibilities.

Audit Adjustments

It is the policy of NRCA to review all adjustments prepared by the independent 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 auditor in connection with the audit. If the Organization receives such a list, it shall be the responsibility of the CFO to review them and determine whether or not to record them in the current year.

Internal Control Deficiencies Noted During the Audit

In accordance with generally accepted auditing standards, at the conclusion of the audit the Organization's independent 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 auditors are required to provide written communication to the Audit 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 auditor).

It is the Organization's policy that all internal control deficiencies that are communicated by the auditor in writing shall be formally addressed by the Audit/Finance Committee, the CEO, and the CFO. The CEO and the Finance shall prepare a written response, which shall include a corrective action plan, to each internal control finding and such response shall be presented to the Audit/Finance Committee for its review and approval.

<u>Audit Committee Communications with the Auditors</u>

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

Some of the communications that NRCA's auditors may have with the Organization's Audit/Finance Committee include:

1. Planning discussions prior to commencing the audit, such as by inquiring of audit 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 audit committee of the planned scope and nature of certain audit procedures that the auditors plan to perform, to aid in the audit committee members having a thorough understanding of the audit.
3. Internal control deficiencies noted during the audit, communicated in writing at the conclusion of the audit.
4. Any material fraud detected by the 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 audit (e.g., disagreements with management and certain other items that the auditors may be required to report to the audit committee).
6. Audit adjustments made by the auditors as a result of their audit.
7. Certain audit differences noted by the auditors that they deemed not material enough to warrant making an adjustment for.

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

INSURANCE

Overview

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

It is the policy of NRCA to maintain adequate insurance against general liability, as well as coverage for buildings, contents, computers, equipment, machinery and other items of value.

Coverage Guidelines

NRCA will arrange for adequate limits, coverage, terms and conditions for all required and necessary insurances to reduce the exposure to risk.

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

1. Description (type of insurance)
2. 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

Directors and Officers Liability Insurance

The Corporation, with the approval of the Board, shall purchase and maintain insurance on behalf of any person who is or was a Director or officer of the Corporation, whether elected or appointed, against any liability asserted against him or her or the Corporation and incurred by him or her or the Corporation in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify him or her against such liability.

RECORD RETENTION

Policy

NRCA retains records as required by law, and funding sources and destroys them when appropriate. All files, both hard copy and electronic shall be labeled with topic, year (if applicable), and destruction date. Electronic copies shall be saved in appropriate folders on the network storage device. Hard copies should be stored in file cabinets or archived in the storage area.
The formal records retention policy of NRCA is as follows:

Audit reports	Permanently
Chart of Accounts	Permanently
Correspondence: Legal and important matters	Permanently
Deeds, mortgages and bills of sales	Permanently
Financial statements: Year End	Permanently
General ledgers/year end trial balance	Permanently
Minute books of directors, bylaws and charters	Permanently
Retirement and pension records	Permanently
Tax returns and worksheets, examination reports and other documents relating to determination of income tax liability	Permanently
Trademark registrations and copyrights	Permanently
Client Files	As required by funding source.
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
Grant Funded Documents	7 Years Minimum or as required by Grant Funding Source.
Insurance records-claims	7 Years
Inventories of products, materials and supplies	7 Years
Invoices (to customers, from vendor/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
Sales records	7 Years
Subsidiary ledgers	7 Years
Time sheets/cards	7 Years
Withholding tax statements	7 Years
Bank Statements & reconciliations	7 Years
Employment applications	7 Years
Insurance policies (expired)	7 Years
Internal audit reports	7 Years

Internal reports	7 Years
Petty cash vouchers	7 Years
Correspondence-General	7 Years

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 shall be exempt from any scheduled record destruction.
2. The term “records” shall also apply to any electronically stored record (e.g., documents stored on computers, email messages, etc.), which shall also be protected from destruction.

FUNDRAISING

Scope

This policy addresses general responsibilities in fundraising as well as specific responsibilities of fundraisers and donors, as to the use of and accountability of funds. This policy is applicable to all individuals who raise or control funds from private, corporate, public or other sources. It is intended to provide fundraisers of NRCA with principles and guidelines for organized fund raising, including financial campaigns and solicitation of gifts and bequests and to ensure that costs related to such activities do not violate federal regulations contained in2 CFR Part 200.442.

Policy

NRCA shall ensure that:

- Fundraisers shall always act with fairness, honesty, integrity, professionalism, and openness.
- Fundraisers comply, in all of their activities with agency principles, best practices, applicable laws and regulations and reflect positively on the agency.
- Fundraisers hold themselves accountable to those from whom funds are received. They do not use messages or illustrations that make use of human misery or in any way compromise the dignity of any human being. Fundraisers must respect and safeguard the confidentiality rights of all agency clients. Client photographs, personal information, and stories can only be used if the client authorizes their use for a specified purpose and time period.
- Fundraisers shall not exploit their position for personal gain. Personal gain includes acceptance without due compensation of personal gifts, free goods, donated services, or moneys from persons, organizations, businesses, or corporations making donations or contributions to the agency. They shall accept compensation only by salary or set fee.
- Fundraisers shall adhere to agency policies including the agency's financial policies related to the handling of cash receipts. At least one staff person must be present at fundraising events to assume responsibility of monetary donations. The staff person and one additional person should count funds together at the end of the event and both shall sign off on the amount that was counted. The staff person will take possession of all donations at the end of the event and bring the funds along with the signed statement verifying the amount to the Main Office for deposit into the agency's bank account. If the fundraising event falls on a weekend, the staff person will check out a lock box from Finance and keep the funds in a safe place inside the lock box until the next business day and deliver to the Main Office.
- All funds raised will be used for the purpose for which they were raised, and within a reasonable timeframe.
- If tickets are being sold for a fundraising event, a tracking form shall be maintained on all tickets given to businesses, organizations, individuals, etc. to sell tickets. A signature should be obtained by a staff person or an authorized volunteer and the volunteer taking possession of tickets. At the end of the sales period, money as well as left over tickets should be collected and verified with the tracking form. Any discrepancies should be reported to the CEO and the CFO.
- Costs of organized fundraising, including financial campaigns, endowment drives, solicitation of gifts and bequests, and similar expenses incurred solely to raise capital or obtain contributions, are not allowable as charges to Federal awards, regardless of the purpose for which the funds

will be used 2 CFR Part 200.442. Under the aforementioned Cost Principles, agencies may not use Federal funds to provide seed money, space or staff assistance in order to raise funds.

Types of Fundraising Activities:

Campaigns and Direct Calls:

- Campaigns (mail or phone)
- Gift level clubs
- Annual giving programs
- Direct contribution requests to individuals, corporations, foundations, and associations

Corporate or Business Sponsorships:

Corporate or business sponsorship (cash or in-kind) for any program or event

Activities Held

Any activity that is held to raise funds for NRCA.

Raffles:

To conduct a raffle, the agency must obtain a license through the locality or the State of Virginia if the anticipated revenue exceeds $25,000.00.

Traditional (not meant to be an all-inclusive list):

- Bake sales
- Car washes

Use of Agency Name on all Fundraising Materials:

Letters, brochures, and all materials to be used in fundraising campaigns must include the logo of NRCA. All promotional materials for agency fundraising efforts shall be approved by the Program Director or Program Coordinator.

Accountability for Fundraising Costs:

- Fund raising costs for the purposes of meeting the Federal program objectives are allowable with prior written approval from the Federal awarding agency. Specific general ledger accounts have been established to account for all fundraising costs. Head Start staff members cannot engage in fundraising activities. Funds may not be solicited, collected or tabulated during work hours.
- Fundraising costs include, but are not limited to labor, printing and copying, postage, supplies, telephone, space used, etc. Supervisors will ensure that all fundraising costs are reported correctly. No Head Start resources can be used during the program's normal workday. Such resources may be used on an occasional basis during the time the Head Start program is closed. The program may, for example, allow the use of one of its centers on the weekend or in the evening to provide assistance to the fund-raising effort, but may not use the center during the time it is being used to provide Head Start services to enrolled children and families.

Labor costs: All wages and fringe benefits paid to employees for time spent in support of fundraising activities will be charged as fundraising costs. Supervisors will ensure that timesheets are completed appropriately.

CEO Activities: In the normal course of business the CEO is expected to appear before civic organizations, funding sources, and other events which may or may not result in solicitation of funds.

These activities are not considered to be organized fundraising, as defined in 2 CRF part 200. therefore they are normally not charged to fundraising.

Proposal Preparation and Grant Writing Activities: These activities are not considered to be organized fundraising as defined in therefore they are normally not charged to fundraising.

Procedures

All anticipated fundraising events should be outlined in the program's budget. Additional fundraising opportunities with anticipated proceeds greater than $500 that were not approved during the budget process must have Board approval. Organizers need to be sensitive to United Way blackout dates (September 1-November 30).

A NRCA staff person must be present at all fundraising events.

All Fundraising Events must be approved by the Program Director or Program Coordinator.

All fundraising efforts to benefit NRCA sponsored by outside organizations (civic groups, fraternities, etc.) must be approved by a member of NRCA Senior Management.

Use of Alcohol and Tobacco in Fundraising

NRCA shall not serve alcohol at any agency sponsored fundraising event.

On NRCA Property: It is against policy to possess any alcohol or tobacco products on NRCA facilities, as referenced in NRCA Personnel Policies & Volunteer Handbook.

Selling: NRCA employees or volunteers may not sell, handle or serve alcoholic beverages or tobacco products while working or representing NRCA.

Consumption: NRCA Board members, staff or volunteers attending events in capacity representing NRCA shall not consume any alcoholic beverages or tobacco products during the event.

Alcohol at Fundraising activities not on NRCA Property: NRCA's name shall not be used in the connection with any fundraiser sponsored or produced by another organization if alcohol or tobacco is the primary focus of fundraiser (i.e., beer garden or wine tasting).

If another organization sponsors & produces an event *on behalf of* NRCA, then alcohol is acceptable if the sales and consumption is an accent of activity (ie: wine served as part of a dinner or fashion show or included as an item in a silent auction). Any alcoholic beverages must be provided and served by a licensed establishment/organization or catering company that has the appropriate permits and insurance. If alcohol/tobacco is served by establishment/venue as an ongoing part of business then sales may be continued during event as usual. However, if NRCA is given option to remove alcohol/tobacco sales during the NRCA fundraising event, then staff must always choose the option to not have alcohol/tobacco served.

Alcohol/Tobacco may be included at annual silent auctions and dinners as fundraisers, at which bottles and/or cases of alcohol or cigar or other tobacco products are donated for use as auction items. These donated products may be used as auction items provided the auction is not held on NRCA property.

Purchase: Under no circumstances may NRCA funds be used to purchase alcoholic beverages or bottles of alcohol or tobacco products.

Declined Donation: NRCA reserves the right to decline any donation.

Potential controversial donated items or activities will be reviewed for consideration by the Board Public Relations and Resources Development (PR) Committee. Any requests for exceptions to the fundraising policy will be considered by PR Committee.

POLICIES ASSOCIATED WITH FEDERAL AWARDS

LIMITATIONS ON COSTS OF DEVELOPMENT AND ADMINISTRATION FOR HEAD START (45 CFR PART 1301.32)

Overview

Allowable costs for developing and administering a Head Start program may not exceed 15% of the total approved costs of the program, unless the responsible HHS official grants a waiver approving a higher percentage for a specific period of time not to exceed twelve months.

The limit of 15% for development and administrative costs is a maximum. In cases where the costs for development and administration are at or below 15%, but are judged by the responsible HHS official to be excessive, the grantee must eliminate excessive development and administrative costs.

Development and Administrative Costs

Costs classified as development and administrative costs are those costs related to the overall management of the program. These costs can be in both the personnel and non-personnel categories.

Grantees must charge the costs of organization-wide management functions as development and administrative costs. These functions include planning, coordination and direction; budgeting, accounting, and auditing; and management of purchasing, property, payroll and personnel.

Development and administrative costs include, but are not limited to, the salaries of the CEO, Human Resources, Fiscal, Program Support Technician, & Maintenance staff for administrative office space, and costs associated with volunteers carrying out administrative functions.

Other development and administrative costs include expenses related to administrative staff functions such as the costs allocated to fringe benefits, travel, per diem, transportation and training.

Development and administrative costs include expenses related to bookkeeping and payroll services, audits, and bonding; and, to the extent they support development and administrative functions and activities, the costs of insurance, supplies, copy machines, postage, and utilities, and occupying, operating and maintaining space.

Program Costs

Program costs include, but are not limited to:

1. Personnel and non-personnel costs directly related to the provision of program component services and component training and transportation for staff, parents and volunteers
2. Costs of functions directly associated with the delivery of program component services through the direction, coordination or implementation of a specific component

3. Costs of the salaries of program component coordinators and component staff, janitorial and transportation staff involved in program component efforts, and the costs associated with parent involvement and component volunteer services
4. Expenses related to program staff functions, such as the allocable costs of fringe benefits, travel, per diem and transportation, training, food, center/classroom supplies and equipment, parent activities funds, insurance, and the occupation, operation and maintenance of program component space, including utilities.

Dual Benefits Costs

Some costs benefit the program components as well as development and administrative functions within the Head Start program. In such cases, grantees must identify and allocate appropriately the portion of the costs that are for development and administration.

Dual benefits costs include, but are not limited to, salaries, benefits and other costs (such as travel, per diem, and training costs) of staff that perform both program and development and administrative functions. Grantees must determine and allocate appropriately the part of these costs dedicated to development and administration.

Space costs, and costs related to space, such as utilities, are frequently dual benefit costs. The grantee must determine and allocate appropriately the amount or percentage of space dedicated to development and administration.

Relationship between Development and Administrative Costs and Indirect Costs

Grantees must categorize costs in a Head Start program as development and administrative or programs costs. These categorizations are separate from the decision to charge such costs directly or indirectly.

Grantees must charge all costs, whether program or development and administrative, either directly to the project or as part of an indirect cost pool.

Requirements for Compliance

Head Start grantees must calculate the percentage of their total approved costs allocated to development and administration as a part of their budget submission for initial funding, refunding, or for a request of supplemental assistance in connection with a Head Start program. These costs may be a part of the direct or indirect cost pool.

The Head Start grant applicant shall delineate all development and administrative costs in its application.

Indirect costs that are categorized as program costs must be fully explained in the application.

Waiver

The responsible HHS official may grant a waiver of the 15% limitation on development and administrative costs and approve a higher percentage for a specific period of time not to exceed twelve months. The conditions under which a waiver will be considered are listed below and encompass those situations under which development and administrative costs are being incurred, but the provision of actual services has not begun or has been suspended. A waiver may be granted when:

1. A new Head Start grantee or delegate agency is being established or services are being expanded by an existing Head Start grantee or delegate agency, and the delivery of component services to children and families is delayed until all program development and planning is well underway or completed; or
2. Component services are disrupted in an existing Head Start program due to circumstances not under the control of the grantee.

A Head Start grantee that estimates that the cost of development and administration will exceed 15% of the total approved costs must submit a request for waiver that explains the reasons for exceeding the limitation. This must be done as soon as the grantee determines that it cannot comply with the 15% limit, regardless of where the grantee is within the grant funding cycle.

The request for the waiver must include the period of time for which the waiver is requested. It must also describe the action the grantee will take to reduce its development and administrative costs so that the grantee will be able to assure that these costs will not exceed 15% of the total approved costs of the program after the completion of the waiver period.

If granted, the waiver and the period of time for which it will be granted will be indicated on the Financial Assistance Award.

If a waiver requested as a part of a grant application for funding or refunding is not approved, no financial assistance award will be awarded to the Head Start program until the grantee resubmits a revised budget that complies with the 15% limitation.