

NORTHWEST MICHIGAN COMMUNITY ACTION AGENCY, INC.

FINANCIAL POLICIES AND PROCEDURES

Northwest Michigan Community Action Agency, Inc. operates under generally accepted accounting principles utilizing the double entry accrual method. Duties and responsibilities are, where possible, separated to insure that no employee has sole control of: cash receipts, disbursements, payroll, bank reconciliations, or any other facet of the accounting process.

GENERAL POLICY:

1. The Board of Directors formulates financial policies, delegates administration of these policies to the administrative staff, and review operations and activities monthly.
2. The Executive Director is responsible for all operations and activities, including financial management, and reports directly to the Board of Directors.
3. The Controller is responsible to the Executive Director for all financial operations.
4. Financial duties and responsibilities are segregated between accounting department employees. Accounting staff are cross-trained to substitute for each other when necessary.
5. Employees are required to take annual leave as stated in the letter of employment.
6. Current job descriptions will be kept on file with personnel records.
7. Bank and financial records will be maintained as required by individual funding sources.
8. Accounting software shall be backed up each business day. Business Office staff shall change passwords for network, accounting software and payroll not less frequently than every six months. The Business Office doors will be locked at the close of scheduled business hours when no Business Office staff are present.

GRANTS MANAGEMENT:

1. Grant/contract proposals shall be approved by the Board of Directors. No proposal will be submitted to the Board without the recommendation of the Executive Director. The Executive Director is responsible for the final review of the grant/contract proposal before Board of Directors consideration.
2. A copy of all grant/contract awards will be kept on file in the Business Office. Said copy will contain budgetary information and signatures. Once fully executed a fund account shall be created, budget input completed and a reporting and/or draw schedule developed.

3. Management of the grant program shall be the responsibility of the Program Director. All awarded grants/contracts will be thoroughly reviewed by the appropriate Program Director, or designee, for accuracy, terms, and programmatic and budgetary requirements.
4. Financial management is the shared responsibility of the Program Director, or designee, and the Executive Director in conjunction with the Controller. The department management staff coordinates with the Business Office to establish/finalize internal line-item budget monitoring and external reporting/invoicing responsibilities. The Controller is responsible for maintaining the chart of accounts and works with department staff to tailor the chart of account codes to meet internal and external reporting needs. Monthly statements of revenues and expenditures show the fund, activity, general ledger and if needed site codes.
5. The Program Director and staff will establish/implement the services tracking system for all funder required programmatic reporting. The grant/contract will be added to the monthly Board of Directors report. The Business Office will forward for each grant/contract a monthly profit and loss statement to the designated department management for monitoring of financial activity, budget comparison, and Board of Directors reporting. Each Program Director or assigned management staff is responsible for monitoring all budgets, service progress, and outcomes of all grants/contracts within their department on a monthly basis.
6. Write offs and non-cash credits to grants receivable are approved by the Executive Director.
7. Incentive pay and/or retention pay budgeted by Program Directors must be preapproved by the Executive Director regarding the appropriateness of the expenditure, the reasonableness of the amount budgeted, and the allocation method used to distribute the incentive pay to staff members. Head Start staff working in fiscal periods without a COLA award or a comparative substandard COLA award may be approved for an increase (one time) by the Executive Director if budget latitude allows.
8. Expenditures to grants to assist with the improvement of working conditions and to enhance stronger employer-employee relations are as follows: a contract with Catholic Human Service to facilitate an Employee Assistance Program; a wellness program; a remembrance donation to an employee selected organization in the name of a deceased immediate family member of the employee; and flowers or a small value gift to a hospitalized employee.
9. At present, due to the dynamics of a single agency cash account, interagency loans between funding sources are not necessary. Should current practices be modified and loans between funds become necessary, the Board of Directors shall be informed of any fund source authorized loans between funds and also be provided periodic reports displaying the current status of such loans.

CASH RECEIPTS:

Agency revenues are primarily derived from grant awards, in-kind donations, and, in some programs, project income. Grant revenues are received by check or electronic transfer from various funding sources, while in-kind revenues are usually non-cash donations of time, service, space, etc...

Project Income is usually associated with the Senior Nutrition Program and is derived from monies donated by senior citizens for meals received.

Due to the number of meal sites, distances and rural locations involved, the Senior Nutrition Program has set policies to safe guard not only the monies collected, but the volunteers working at the sites. The terms of the NMCAA Senior Nutrition Program Project Income Policy and Project Income Records constitute Attachment 1.

Checks are generally received two ways: mail delivery or senior nutrition program staff physical delivery from meal sites.

1. Checks received by mail are recorded on the Check Log maintained by the Receptionist who is responsible for receiving the mail. Date, issuer of the check, and amount is recorded in the log. The Receptionist restrictively endorses the checks.
2. Business Office staff, usually the Payroll Specialist, initials the Check Log and secures the checks in the Business Office fireproof file cabinet until the deposit is prepared.
3. The Check Log is transferred at the end of each month to the Business Office. A reconciliation is completed by the AP Assistant tracing each check to the posted deposit. The Check log is initialed by the Accounting Manager when completed.
4. The Payroll Specialist, primary, or Accountant and Accounting Manager, secondary, will code payments to the proper fund, activity, general ledger and location codes on a deposit summary that is initialed by the preparer once completed.
5. A deposit slip along with a listing of each check and currency is prepared and signed. The bank deposit slip total must match the deposit summary total.
6. A signed copy of the signed bank deposit slip and listing of the deposit components is archived in a binder kept by the Payroll Specialist.
7. All documentation for cash receipts, i.e., copies of checks, letters, voucher stubs, etc., will be attached to the deposit summary and filed by month of receipt.
8. The deposit is delivered to Fifth Third Bank by the Controller or other designated staff member.
9. Minimal amounts of cash or checks are allowed on site before a deposit is prepared. Normally two or three deposits are delivered to the bank weekly.

10. The deposit summary is reviewed for coding accuracy and attached documentation by the Controller. After approval by signature by the Controller, the deposit number and amount is recorded on an Excel cash flow spreadsheet by the Controller. The cash flow spreadsheet is reconciled to MIP cash balances monthly.
11. Designated Business Office staff, usually the AP Assistant or Payroll Specialist, will enter the deposit summary to the MIP general ledger. The coding is a debit to cash and a credit to the proper account code.
12. An un-posted general ledger transaction report is printed and compared to the deposit summary for verification of key entry by a Business Office staff member other than the staff member who keyed the deposit(s). The report is initialed and archived.
13. The Controller posts all deposits to the general ledger.
14. The Agency carries a general liability insurance policy of which crime insurance is a part. The Agency is insured a level of protection from any employee's willful, unlawful acts regarding the processing, custody, and disbursement of assets.

Electronic transfer of cash can occur by three different methods:

1. A predetermined amount calculated by the funding source. Grantor initiates the transaction.
2. Transfer of funds after funding source receipt and approval of usually after the fact expenditure reports prepared by the grantee on the grantor's designated form. Grantor initiates the transaction.
3. Grantee request of funds via the funding source's web site. Funding source guidelines are adhered to regarding the allowed amount of funds drawn and the time frame the in which the funds must be used (paid out). Actual expenses only are used in the drawdown of funds with any accruals being eliminated. Both the number of draws and amounts paid by grantee request is greatest through the Federal Payment Management System. Head Start, SSVF, VITA, and AFIA allow draws though this online system.
4. The Controller prepares deposit summaries generated from ACH transactions by retrieving documentation from fund source web sites or Fifth Third Bank's on line banking web site. Donations made to NMCAA programs by credit card remittance are recorded from information provided by Fifth Third Bank's on line banking web site.
5. The recording and posting of electronic deposits follows the same procedures used in the physical handling of cash and checks.

Senior Nutrition Congregate and Home Delivered Meal programs collect numerous small donations and the collection of these payments varies from the procedures previously listed.

1. Numerous small checks are mailed to the Senior Nutrition office

at Traverse City. These checks are routed directly to Senior Nutrition and are not logged by the Receptionist.

2. The Volunteer Coordinator opens the mailed payments and stamps the checks for deposit only to the NMCAA commercial account number.
3. The Administrative Coordinator receives the stamped checks to record on a contributors list for internal recording purposes and to prepare summary documentation by fund, activity, general ledger, and location code for the deposit generated by the Business Office.
4. The Senior Nutrition Manager may substitute for the Administrative Coordinator as well as have primary responsibility to prepare deposit documentation for Manistee County activity, fundraising, and payments for billings concerning catering and county grants.
5. Cash and checks collected at the Congregate meal location in Manistee are deposited in a PNC Bank account. Other Congregate locations are collected at the Cadillac satellite office with the deposits prepared by the MOW Coordinator. Deposit detail/coding is emailed by the MOW Coordinator to the Senior Nutrition Manager and Controller for review and to the Accounts Payable Specialist to attach to the deposit summary form which is approved by the Controller before input. Several other Congregate locations use volunteer drivers to deliver the contribution envelopes to the Traverse City office.
6. Once at the Traverse City office the Administrative Coordinator or Program Manager verify the amounts received to the total recorded at the Congregate meal location. Deposit documentation is then prepared to forward to the Business Office.
7. The Senior Nutrition compiled checks, cash, and summary documents are delivered to the Business Office for deposit. The Payroll Specialist, primary, or Accountant and Accounting Manager, secondary, verify the summary amounts recorded by Senior Nutrition and complete the deposit.

ACCOUNTS PAYABLE:

All invoices, statements, purchase orders or contracts for legal debt are ultimately forwarded to the Program Director or designated person for approval.

1. Invoice processing may start at the department level or the Business Office. The segregation of invoice processing responsibilities determines who begins the process. For example, rents, utilities, and building maintenance monthly payment processing begins with the Business Office staff while child medical/dental and mental health contract service invoices start in the Child Development department.
2. Each invoice is reviewed to determine it is reasonable, allowable and allocable to the relevant program. The responsibilities for

these designations rest with the program directors who approve the invoices for payment.

3. Once the information listed in 2 above is determined, the invoice is identified by program and line item, coded with the proper numeric code, and a check request written. Any copy(s) of the original invoice shall remain attached to the original invoice as documentation or destroyed to prevent duplication of payment.
4. Once invoice processing is completed the check request is sent to the Program Director or staff member assigned by the Program Director for review and written approval. Expense types that have allocations entered in the accounting software based on square footage (space, utilities, and building maint.) or number of users (telephone, copier leases, and internet) may have the distribution allocation entered in the accounting software approved by the Program Director or designated staff member in lieu of signing each individual check request. The signed distribution form is stored by the Accounts Payable Specialist.
5. The approved check request with invoice and other (if any) documentation attached is sent to the Controller for review regarding approval, attached documentation, reasonableness, allowableness, and proper allocation to the program(s). The Controller initials the check request at the bottom right corner if satisfactory. Any questions that arise are resolved with the signer of the check request. The Controller may assign the review of certain types of payments to the Accounting Manager. Examples are voucher payments for assistance programs, child development biweekly provider payments, and certain types of employee expenses and senior nutrition food invoices.
6. The Accounts Payable Specialist, Payroll Specialist, or AP Assistant, depending on the expense type, processes the check request with a credit posted to the general ledger accounts payable account and a debit to the appropriate expense line item.

CHECK REQUEST:

Check requests are internally generated documents. The purpose of a check request is to organize and control cash disbursements. A check request will:

1. Reflect date prepared.
2. Name of vendor.
3. Description or reason for payment.
4. Program expense code and amount due for each line item. If more than one program or expense code is involved, each line item will be listed with an amount and program code.
5. Have attached the original invoice from which documentation for payment is established; statements which reflect invoice amounts; purchase orders and delivery slips required for a transaction; any other pertinent documentation. All documentation, i.e.,

invoice, statement, etc. will be attached to the check request by the staff person designated this responsibility.

6. A check request may originate in the Business Office or the department level as invoices are processed.
7. The completed check request will be submitted to the Program Director, Executive Director or other designated supervisor for approval.
8. An undocumented check request may be approved for a travel advance, a lease, or contract if no invoice for the transaction is generated but documents (leases and contracts) are on file supporting the payment. Such requests will be approved by the Program Director, Executive Director, or designated supervisor. Checks issued for expense advances are accompanied by an Expense Advance Reconciliation Form. This form must be completed, signed, and returned to the Business Office by the employee receiving the advance payment within two weeks after the event creating the advance payment.
9. All check requests will have the name or initials of the person preparing the form.
10. The Controller or Accounting Manager review completed check requests before the information is processed in the computerized accounting system.

PURCHASE ORDERS:

Purchase orders are internally generated documents used to limit spending to purchases authorized by the Program Director or other designated management personnel.

A purchase order is required prior to purchase of supplies and certain services (emergency and on-going services are exempted) in excess of two hundred dollars. The following steps will occur:

1. Employees requesting a purchase order number must have Program Director, or a supervisor assigned by the Program Director, approval before the purchase order process can begin. The employee provides on the purchase order or documents attached to the purchase order the date, vendor name, quantities, description of the purchase, prices, totals, the purchasing program(s), and their signature.
2. Upon receipt of a signature approved purchase order the Traverse City Office Receptionist will assign a purchase order number.
3. The purchase order number is an alpha numeric code identifying the program, date and other pertinent information regarding the requested purchase.
4. The original purchase order remains with the Receptionist. The employee requesting the purchase order number may make copies of the purchase order after the purchase order number is assigned. The purchase order number, date, and vendor are recorded in an

electronic log by the Receptionist.

5. The Accounts Payable Specialist periodically retrieves the original purchase orders and is emailed a copy of the electronic log for the purchase orders received.
6. Purchase orders modified after a purchase order number is issued must be approved by the supervisor that approved the original purchase order. A copy of the modified purchase order is delivered to the Accounts Payable Specialist. If the vendor of a purchase order is changed entirely the original purchase order is voided and a different number is assigned the replacement vendor. The purchase order log reflects the changes.
7. Documentation of delivery, packing slip(s), is signed and forwarded to the Business Office for matching to the purchase order.
8. When all receipt documentation has been received and matched to the purchase order it then becomes documentation for the check request. Once the review and approval process is completed the check request is entered into the accounts payable system.

CASH DISBURSEMENTS:

Cash disbursements are an extension of the accounts payable procedure. Disbursements from the operating fund general checking account are recorded as debits to accounts payable and credits to cash. Disbursements can be made only when a check request has been properly approved and recorded as accounts payable.

Cash is usually disbursed on a weekly schedule alternating accounts payable and payroll. The following steps occur:

1. The Accounts Payable Specialist, Payroll Specialist, and/or AP Assistant print an un-posted general ledger transactions report. Whenever possible a Business Office staff member other than the employee who keyed the check requests reviews the transaction report for input accuracy.
2. The Controller who has reviewed and initialed the pertinent check requests prior to MIP input verbally approves payment after review of cash in bank amounts.
3. The Accounts Payable Specialist, Payroll Specialist, or AP Assistant prints the checks and/or ACH disbursement vouchers.
4. Processing of ach vouchers creates a transmittal file on the MIP server. The Accounting Manager logs on the internet software of the NMCAA bank (Fifth Third) and completes the activities to link the MIP transmittal file to the bank NACHA file for preparation of vendor ach payment.
5. The Controller logs on the bank internet software to review the NACHA file created by the Accounting Manager. The vendors and aggregate total are compared to the ach sent register. Should the

information agree the NACHA file is approved for release on the selected date.

CHECK AND ACH VOUCHER CONTROLS:

1. The Controller is responsible for all blank checks which are kept under lock and key.
2. All checks are issued in chronological order.
3. No check is signed in advance.
4. No check is written to other than a specific company, corporation or individual. Cash, petty cash or bearer is not used.
5. No check is prepared on verbal authorization.
6. The Accounts Payable Specialist, Payroll Specialist or AP Assistant prepares a two part laser check: one part is attached to the check request for the permanent file; the original signed check is mailed to the payee.
7. A computer generated check register is printed by the Accounts Payable Specialist, Payroll Specialist, or AP Assistant immediately following check processing. The report is reviewed by the Controller who signs and dates the report if approved. The date of the disbursement, amount, and the beginning and ending check numbers are entered on the daily cash flow worksheet.
8. All completed checks are submitted to the Executive Director for signature.
9. The Executive Director signs all checks that are issued with a signature stamp. Should the Executive Director be unavailable the Operations Director is a board approved substitute signer. Prior knowledge of the Executive Director is required as the Executive Director allows access of the signature stamp to the Operations Director. The check register(s) for all checks signature stamped by the Operations Director is provided to the Executive Director upon his/her return. The Executive Director reviews and signs the check register(s) which is returned to the Business Office for archive. The Board Treasurer is responsible for monthly approval of all checks issued by a review of the bank reconciliation. Check registers of checks issued and all other documentation is available to the Board Treasurer if requested.
10. Signed checks are returned to the Business Office staff who separate the check parts and distribute as described in step number 6.
11. The AP Assistant or Accounts Payable Specialist or Payroll Specialist files the file copy of the check stub and all supporting documents in alphabetical order by payee name in paid invoice files. All check requests and supporting documentation that could result in duplicate payment if unattached are stamped paid before filed.

12. Spoiled or voided checks are defaced in ink and the signature portion of the check is mutilated. A voided check is posted to cash as a debit and to the appropriate program expense or liability account as a credit by the Accounts Payable Assistant or Payroll Specialist or the Accounting Manager. A void check register is printed for all vendor originated void checks. The void check register is reviewed and approved by the Controller and entered into the daily cash flow spreadsheet specifying date, check number and amount.
13. The Accounts Payable Specialist, Payroll Specialist, or AP Assistant prepares the ach (automated clearing house) vouchers. The vouchers are pre-numbered blank copy paper and are stored with the blank checks. The pre-numbered voucher forms are used in chronological numerical order. The printed ach vouchers are attached to the front of the corresponding check requests.
14. A computer generated ach sent register is printed by either the Accounts Payable Specialist, Payroll Specialist, or AP Assistant immediately following ach processing. The report is reviewed by the Controller who signs and dates the report if approved. The date of the disbursement, amount, and the beginning and ending ach numbers are entered on the daily cash flow worksheet.
15. All completed ach sent registers are submitted to the Executive Director for review and signature.

CREDIT CARD POLICY:

Agency Program Directors and administrative staff who frequently conduct Agency business may be issued a corporate Agency credit card. The Executive Director's approval is required before a credit card is assigned. Cardholders are required to sign a statement acknowledging that the card shall be used exclusively for legitimate Agency related business purposes and that the cardholder agrees to take reasonable precautions to protect the card from loss or theft. Upon approval from the credit card company, a card is issued bearing the name of both the individual employee and the Agency.

Cardholder Responsibilities - The Agency procurement procedures are followed for each purchase made on the Agency credit cards. Each cardholder will provide the Business Office with a detailed receipt indicating the program(s) charged and item(s) purchased within three business days of the purchase or return from travel. The receipts are reconciled monthly by the Business Office Accountant to the credit card statement. Cardholders are notified of charges (if any) that are undocumented. Purchase documentation must be provided by the cardholder or be held personally responsible for reimbursement of the charge(s).

Any fraudulent or other unauthorized charges shall be immediately brought to the attention of the Controller for further investigation with the charge card provider.

Personal use of credit cards is strictly prohibited. Any personal use will subject the employee to revocation of charge privileges.

The Executive Director will review and approve all credit card statements monthly. The Treasurer of the Board of Directors and Head Start Policy Council President will review and approve credit card statement payment vouchers monthly. Any Treasurer or President questions are directed to the Controller.

Cardholders shall report the loss or theft of an Agency credit card immediately by notifying the credit card company. The cardholder shall simultaneously notify the Controller of the card loss or theft.

Revocation of credit cards - Failure to comply with any of the policies associated with the use NMCAA's credit cards shall subject the cardholder to revocation of credit card privileges. The Controller, with the approval of the Executive Director, shall determine whether a cardholder's privileges are to be revoked.

Employee's use of personal credit cards - Employees incurring legitimate Agency business expenses may use their personal credit cards for such expenditures. The Agency shall reimburse employees for properly supported and documented approved business expenditures charged to personal credit cards within ten business days of the proper completion of an Expense Report.

PAYROLL:

Currently NMCAA purchases automated payroll services from:

BenePay Technologies LLC
Gaithersburg, MD
Contact: J.T. Winti, 866-459-2386

EMPLOYEE MASTER FILE:

Information used to create the Employee Master File is obtained from:

1. Personnel Action Form
2. Personal Data Form
3. Federal and State W4
4. Insurance Applications
5. Letter of Employment
6. I-9
7. Properly executed, approved and authorized payroll deduction forms.

NEW HIRES:

The new hire procedure requires entries into BenePay. The following sequence of actions takes place in processing a new employee:

1. The Human Resources Manager, primary, or Accounting Manager, secondary, enters new employee data in BenePay. The above listed documents are referenced to complete the necessary information fields.
2. The BenePay assigns a 4 digit employee number to each new hire. These numbers are issued in chronological order and the assigned number remains with a specific employee for the life of

employment.

3. The new hire data in BenePay is reviewed by the Payroll Specialist for input accuracy.

4. The following information is required in Employee Entry:

Screen 1:

A. Effective Date Letter of Employment

Screen 2:

B. Hiring Department Letter of Employment

C. Assigned Title Letter of Employment

D. Assigned Location Letter of Employment

Screen 3:

E. Employee Ref System Assigns in chronological order

F. Social Security No W4

G. First Name Application for Employment

H. Last Name Application for Employment

I. Address Application for Employment

Screen 4:

J. Gender ICHAT/SOR Clearance Request

K. Marital Status W4

L. Date of Birth ICHAT/SOR Clearance Request

M. Ethnicity ICHAT/SOR Clearance Request

N. US Citizen I9

O. Home Phone No Application for Employment

Screen 5:

P. Position Title Type of Position

Q. Select Policy Plan Select time off policy

R. Assigned Rate Personnel Action Form

S. Assigned Rate Basis Hourly

T. % Full Time Letter of Employment

U. Select supervisor Letter of Employment

Screen 6:

V. Continue (only)

Screen 7:

W. Tax Status W4

Screen 8:

X. Direct Deposit

Screen 9:

Y. Bank Account Info Direct deposit form

Screen 10:

Z. New Hires user information emailed to the employee

Screen 11:

AA. Continue (only)

Screen 12:

AB. Assigned Time off policy

5. The Accounting Manager or Payroll Specialist receives the medical insurance application form (if applicable) from the Human Resources Manager and calculates the employee withholding amount used for payroll data entry. Medical insurance is in effect the first billing date following the date of hire (first day of each month).
6. The Accounting Manager or Payroll Specialist receives the tax deferred annuity (TDA) withholding authorization from the Human Resources Manager. The TDA withholding percentage is entered in the payroll system. TDA withholding is in effect on the date stated by the employee per the authorization form.
7. All original personnel forms used in new employee deduction entry are returned to the Human Resources Manager to be a part of the permanent personnel file (403b authorization and Personnel/Benefits Changes form).

RE-HIRES:

Re-hires are treated as new hires except that no new I.D. number is assigned. If an employee is re-hired within one year of termination the separation will be treated as a temporary leave of absence and the original date of hire will be in effect.

TERMINATION:

The termination procedure requires entries in BenePay data base. The procedures followed to process a termination:

1. The Payroll Specialist or Accounting Manager receives the Personnel Action form and time amount owed from the Human Resources Manager.
2. The Payroll Specialist or Accounting Manager reviews the employee leave data and determines any compensation or return of hours due for accrued vacation at the date of termination.
3. The Payroll Specialist or Accounting Manager reviews the payroll deduction Excel spreadsheets and determines what, if any, final deductions are necessary.
4. Using the final timesheet, or hours attained from the Human Resources Manager if an involuntary termination, and information obtained from steps #2 and #3; the Payroll Specialist or Accounting Manager computes the termination pay.
5. Employee initiated terminations are acted on during the normal payroll cycle.
6. Involuntary terminations may require immediate payment which is issued through the accounts payable process. The Controller authorizes out of the ordinary check processing.
7. The Accounting Manager (if applicable) processes the termination

payment and submits the payment with relevant documentation to the Executive Director for review.

8. The Accounting Manager (if applicable) retains a copy of the final payment check and time document for entry as a manual payment to the next computer generated payroll.
9. The Human Resources Manager records the employee as terminated in BenePay.
10. Any unclaimed wages for a terminated or deceased employee will be remitted to the State of Michigan through the escheats process.

STATUS CHANGE:

A Status Change is accomplished through the use of the Personnel Action Form. This form is used to effect any change of status: i.e., hourly rate, position title, promotion, demotion, re-evaluation, etc...

1. Change of Status: A change of status is initiated by a Program Director, or supervisor assigned by the Program Director, and Human Resources Manager, giving all necessary information. It requires signatures of the employee, immediate supervisor, and dependent upon the type of change, the Program Director. A completed status change is forwarded to the Accounting Manager or Payroll Specialist for entry into the BenePay.
2. Separation: A separation can be a resignation, layoff, or involuntary termination. It is accomplished through use of the Personnel Action Form initiated by a Program Director or Human Resources Manager. It states the type of separation and date last worked and is signed by all relevant supervisory staff. The type of separation determines the necessary supervisory level of approval.

The Personnel Action Form, along with all necessary documentation, is then forwarded to the Accounting Manager or Payroll Specialist to be processed and entered into BenePay Technologies software.

ATTENDANCE RECORDS:

To keep accurate attendance records, attendance is tracked in BenePay. Attendance benefits are accrued per pay period by number of hours paid and usage is provided via the timesheets. This is accomplished through the following steps:

1. When an employee is hired the Human Resources Manager select the time off policy plan. If there is a change in the employee time off benefit the Personal Action Form is used. The Human Resources Manager sends the Personal Action Form to the Accounting Manager or Payroll Specialist to make the changes in BenePay.
2. Authorized absence is requested using BenePay. The employee logs

onto BenePay. They select the type of hours requested off, day(s) requested, number of hours requested, then submit request for supervisor review and approval.

3. Leave hours are recorded in electronic timesheet as soon as supervisor approves time off request and the hours are reduced from employees leave bank. Supervisors can review balance of leave time by employee in BenePay.
4. The Accounting Manager or Payroll Specialist reviews balances of leave time throughout the year.
5. If payment was made for leave taken in excess of the leave time balance, (i.e., vacation or personal) and the employee leaves employment a reduction is made to the final payroll check of the excess hours paid.

PAYROLL PREPARATION:

Northwest Michigan Community Action issues payroll on a bi-weekly basis. Preparation of the payroll is a joint effort of the employee, supervisor, program director, and Business Office. The following steps are taken:

1. The employee completes an electronic timesheet in BenePay. The following steps are done to enter a timesheet in BenePay:
 - a. Employee uses a personal sign-in for BenePay.
 - b. Employee opens timesheet
 - c. Employee enters how many hours they work, by program, by day.
 - d. Under "Notes" employee types any necessary notes need for supervisor.
 - e. Employee "Save and Submit Timesheet" their timesheet
 - f. Employee "Submit for approval" their timesheet
2. The supervisor reviews the timesheet for accuracy of information, and records any necessary changes or remarks. Then the supervisor approves the timesheet.
3. The approved timesheets are reviewed by the Payroll Specialist for "irregularities" The Payroll Specialist notifies the appropriate supervisor of any change made, i.e., reclassification of the type of hours.
4. Payroll deduction report is printed to balance the Excel spreadsheets used for tracking deductions by type. These files list totals by pay period for each deduction type.
5. Following verification of the amounts in the Audit reports, payroll is finalized by the Accounting Manager.
6. BenePay generates the payroll direct deposit vouchers, payroll journal, check reconciliation report, and payroll tax reports which are saved electrically on the Business Office server the day after finalization.

7. The Accounting Manager saves the payroll register report and workers compensation report after the payroll update process completes. The Controller prints the 403b earnings report.
8. The Controller reviews the payroll register report for the cash liability amount, liability balances, and expense charged to the funds comparative to the previous payroll. The Controller opens the payroll register report and reviews the report by detail of employee name and amount charged to each fund's salary expense as a general review of allocation to funds. Should an employee be listed or not listed under a specific fund the Controller reviews the fund allocation of the employee with the Accounting Manager.
9. The Controller compiles the 403b employee obligations and completes the listing report on the TIAA administrator's web site. The Controller prepares the check request for the 403b payment. The Accountant prepares the check requests for the employee loan withholding remittance, the flexible spending accounts employee withholding, and the BenePay invoice for the cost of the federal withholding, FICA, Medicare, State of Michigan withholding, unemployment premium, and payroll processing.
10. The payroll reports are routed to the Controller.
11. Thursday following the end of a pay period will be the date of distribution (payday).

PAYROLL REPORTS:

BenePay creates the following reports during payroll processing:

1. The check reconciliation - chronological listing of direct deposit vouchers issued.
2. Tax Deposit Notice: Federal - amount and due date of 941 liability.
3. Tax Deposit Notice: State - amount and due date of state income tax withholding liability.

The following reports are printed or archived as a pdf file after finalization of payroll by BenePay to the Business Office:

1. General Ledger Report - the Accounting Manager creates payroll journal entries regarding salary expense, payroll tax expense, workers compensation expense, and state unemployment premium expense from listed program codes and program sub-codes.
2. Workers Compensation Report - detail listing by employee of earnings, workers compensation rate, and workers compensation expense. This report is back-up for the workers compensation expense entry.
3. Earnings Report - selected earnings codes for 403b pretax employee withholdings. Used for information sent to TIAA by

employee amount and the total remittance paid by electronic funds transfer to TIAA.

4. Payroll Journal - alphabetic listing of employees paid in the current pay cycle. The report lists gross pay, total statutory and voluntary deductions, net pay, deductions categorized by type, and tax withholdings. A summary listing amounts of all earnings and deductions is at the conclusion of the report.

PAYROLL TAX REPORTS:

Payroll reports required by various governmental authorities include, but are not necessarily limited to the following:

1. Form 941 - Due quarterly, reports Federal Income and FICA withheld from employees as well as the employer's FICA liability. The due date and amount of all tax deposits made during the quarter are also reported on this form.
2. Form c-3285 - Due monthly, reports State of Michigan Income Tax withheld from employees. The tax deposit is due with this report.
3. Form MESC 1020 - Due quarterly, reports the employer's liability to the State for unemployment insurance.
4. Form W2 - Due annually, individual earnings and tax withholding report.
5. Form W3 - Due annually, reconciliation of Income Tax withheld and transmittal of all individual wage and tax statements (Form W2).
6. Form 940 - Due annually, Federal Unemployment Tax. The Agency is exempt under PA 501 - (C)3.

TAX REPORT PREPARATION:

Tax reports are the responsibility of the Controller. They are prepared by BenePay.

All payroll tax reports are reviewed and signed by the Controller.

TRAVEL EXPENSE

The Board of Directors of Northwest Michigan Community Action Agency, Inc. sets the policies and regulations governing travel expense based on regulations set forth by both Federal and State funding sources. Policies and regulations are reviewed and updated periodically, on the recommendation of the Executive Director or program directors, to insure compliance with said funding source requirements.

PROCEDURES:

Travel is broadly divided into two types, In-Area and Out-of-Area.

1. In-Area travel expense is generally related to the use of private automobiles. When a personal vehicle is used for business

purposes, an individual, if authorized, may claim reimbursement on a per mile basis. This travel is restricted to the area covered in a normal work day.

2. Out-of-Area travel can be mileage when one's personal vehicle is used to travel to areas outside the normal work area. It can also be reimbursement for other business related expenses, i.e., air travel, overnight accommodations, meal and incidental expense per diem, etc.

Mileage cannot be accumulated from month to month. It is best practice to report expenses in the financial report for the month in which the expense was actually incurred.

Reimbursement claims for any business expense will be reported on a biweekly basis and submitted with the employee's timesheet. Failure to comply with this schedule may result in the disallowance of travel reimbursement at the discretion of the Program Director.

REIMBURSEMENT:

Reimbursement for mileage or other business expense is achieved by the following sequence of events.

1. The authorized employee completes an Expense Report Form. The form will show the following information:
 - A. Name - employee or other authorized person making claim.
 - B. Address - address to which the reimbursement check will be mailed.
 - C. Date - date claim is submitted.
 - D. Justification - reason for the claim.
 - E. Expense Date - date expense was incurred.
 - F. Purpose/Activity - item or activity that caused expense; i.e., destination and/or purpose.
 - G. Number miles - actual miles driven to destination and return.
 - H. Expense - actual cost of all non per diem items listed; must have receipt attached.
2. The completed check request/expense reimbursement with all supporting documentation will be submitted to the Program Director or designated person for approval.
3. The Program Director or other designated person will review the expense report for accuracy and documentation, and compute the mileage reimbursement at the rate currently established by the Board of Directors.
4. The Program Director or designated person will classify and code all items listed. The form will be approved by the Program Director or designated person and forwarded to the Accounting Manager.
5. The Accountant or Accounting Manager will check the claim for mathematical accuracy, required signatures, and verify coding as correct. A final general review will be performed by the

Controller.

6. The Payroll Specialist or AP Assistant will enter the claim into the accounts payable system.
7. The Payroll Specialist or AP Assistant will process ach vouchers on a schedule set by the Controller.
8. The Executive Director reviews the ach sent register then returns the document to the Business Office.

OUT-OF-AREA TRAVEL:

Approval of out-of-area travel is obtained when the following sequence occurs:

1. An employee must request authorization from his/her supervisor. The request may be verbal or written.
2. Once authorized, the employee will prepare a check request for all pre-paid expenses; i.e., registration fee, airline tickets, per diem, etc. and submit the request to the Program Director or authorized supervisor for approval.
3. The Program Director or authorized supervisor reviews all documentation and approves with signature. When approved, the check request is forwarded to the Business Office.
4. The Accounting Manager or Accountant reviews the check request for accuracy, documentation and signatures. The Controller performs a final review.
5. Once accuracy and documentation have been verified, the Payroll Specialist or AP Assistant processes an ach voucher. The ach voucher then follows standard procedures as stated under Check Control, including the issuance of an Expense Advance Reconciliation Form used for pre-paid expenses

TRAVEL ADVANCES:

When traveling outside the Agency's ten county service area an employee or other authorized person may request an advance for estimated expenses. A travel advance is accomplished in the following manner:

1. Estimate cost per day using the following criteria:
 - A. Room \$75.00 maximum before taxes or conference rate if staying at the conference hotel. If no conference rate is available and the prevailing rate exceeds \$75.00, accommodations will be attained through Conlin Travel 877-654-2179 who are contracted by the State of Michigan.
 - B. Per Diem Meals and incidental costs are based on Michigan DHS rates and determined by using the "Overnight travel per diem calculation" worksheet.
 - C. Mileage At currently established Agency rate.

2. Complete a check request as stated under Check Request instruction. Under purpose, show Travel Advance. State dates involved, destination and reason for trip; i.e., seminar, workshop, etc...
3. Submit to Program Director or designated supervisor for approval and signature.
4. Actual costs for non-meal and incidental expenses must be supported by receipts in order to receive reimbursement. Receipts which are forgotten or misplaced must be listed by the employee as to amount, date, and place of purchase. The employee's Program Director, or other authorized supervisor, will review and approve/disapprove undocumented expense claims on a case-by-case basis.
5. Meal and incidental expenses will be paid based on approved per diem rates. Each employee is responsible for supporting receipts if audited by the IRS.
6. The Expense Advance Reconciliation Form, along with relevant documentation, must be submitted within two weeks of return from the trip. Any unused monies must be returned with this reconciliation form.
7. The Program Director or designated supervisor will review the expense report and approve and forward it to the Accounting Manager or Accountant.
8. The Accounting Manager or Accountant will review the report for accuracy and submit it for payment processing or deposit any unused funds as a credit to travel expense.
9. Vehicle Reimbursement - Executive Director: The Agency owned vehicle provided to the Executive Director is funded by the Indirect Cost Pool (Fund 800) based on actual recorded costs. The Executive Director shall only use the Agency owned vehicle for allowable business purposes with the exception of home to work commuting.
10. Personal Use of Agency Vehicle.
The Agency is responsible for all expenses related to the use of Agency vehicles. However, an employee using an Agency vehicle for home to work commuting is responsible for the taxes on the value of the personal use under the Commuting Use Method as identified by the Internal Revenue Service. Personal use of any Agency vehicle is restricted to only home to work travel.

Presently only the Executive Director has commuting privileges with any Agency vehicle.

BENEFICIARY TRAVEL:

Beneficiary travel is defined as the cost incurred while transporting a program client or material for a client from one place to another. This can be reimbursement to a vendor or a contract with a specific transportation

system.

Contract: Contracts for beneficiary transportation are usually under, but not restricted to, the Head Start Program. The Program Director or assigned staff will negotiate the contract with the transporter on a cost per unit basis. The transporter may be either a public transportation authority or a public school system. Once the contract details and agreement have been reached, the contract will be signed by the legal representative of the contractor and the Executive Director of the Agency or the Program Director.

BOARD OR COMMITTEE TRAVEL:

Certain sector representatives of the Board of Directors and Policy Council members for Head Start programs will receive payment for attending monthly meetings. The payment is a reimbursement for the cost of mileage and incidental expenses.

The reimbursement rate for mileage is the current IRS published rate. All payments must be in compliance with regulations from the funding source.

No reimbursement will be made unless attendance at a specific meeting has been documented. Documentation may be either:

- A. Roll Call - taken by an authorized person who then completes a check request.
- B. Attendance Sheet - supervised by an authorized person who verifies mileage and other reimbursable expense, obtains the signature of the board or committee member and makes pre-approved payment.

PETTY CASH:

Petty Cash Funds are authorized by the Executive Director and issued to selected employees in those instances where small day to day operating funds are deemed necessary to improve operations.

The purpose of such funds is to avoid the need to write checks for small items, to facilitate quick minor disbursements, and to make small disbursements at field locations.

PROCEDURES AND CONTROL:

The Controller or other designated person may make periodic and unannounced audits of petty cash funds. Such audits include counting of cash, explanation of unredeemed cash vouchers, and a reconciliation of the petty cash fund with the general ledger balance.

- 1. Petty Cash funds will be established and maintained on an imprest cash basis in the three Agency offices and the Manistee Kitchen.
- 2. No other monies will be mixed with petty cash.
- 3. No loans or advances are to be made from the petty cash fund.

4. Petty cash funds will be established as follows:

LOCATION	CUSTODIAN	AMOUNT
Traverse City	T. Teuscher	\$200.00
Cadillac	C. Hayden	\$ 50.00
Petoskey	M. Towne	\$175.00
Manistee Kitchen	C. Ott	\$ 50.00

5. All petty cash funds will be kept in a cash box in a locked safe, drawer or file cabinet.
6. Only the custodian, Controller or other designated person will have access to the keys for the drawer file or safe, or for the cash box.
7. At all times the cash box will contain receipts and cash totaling the amount of the fund.
8. Disbursements of \$20.00 or less may be made from the petty cash fund. A larger amount may be disbursed if deemed necessary and approved by the Controller or other designated person.
9. The following sequence of events takes place in the administration of petty cash funds.
- A. The petty cash custodian or other authorized person disburses cash from the fund for an authorized purpose.
 - B. The petty cash custodian, or other authorized person prepares a petty cash voucher for each disbursement of funds. The following information should be recorded:
 - 1. Current date
 - 2. Amount - exact amount of funds disbursed.
 - 3. Purpose of disbursement.
 - 4. Account to be charged - Program and line item code per chart of accounts.
 - 5. Signature of person receiving cash.
 - C. The petty cash custodian or other authorized person attaches all documentation; i.e., receipts, cash register tape, etc. to the petty cash voucher.
 - D. When needed, the petty cash custodian requests replenishment of funds and a petty cash report is made. The following information should be recorded on this report:
 - 1. Current date
 - 2. Location
 - 3. Cash on Hand
 - 4. Disbursement analysis - list of disbursements made

- since last reconciliation by account code.
5. Reconciliation - reconcile fund with amount to be reimbursed.
 6. Prepare check request as stated in procedures and submit to Controller for approval.
 7. The Controller will review for accuracy and approve for processing.

BANK RECONCILIATION - AGENCY ACCOUNTS:

The bank reconciliation will be done each month upon receipt of the bank statement. The following sequence of activities takes place:

1. The Traverse City Three Mile Office Receptionist receives the bank statements directly from the bank via the bank's web site.
2. The Controller provides the Receptionist with the Bank Reconciliation Analysis Report.
3. The Controller provides the Receptionist with the cash flow spreadsheets and the previous month's bank reconciliations.
4. The Receptionist prepares a list of outstanding checks by reviewing cancelled checks, void checks along with the listed outstanding checks from the previous month.
5. The Receptionist prepares a list of deposits in transit (if any) as well as making note of any other adjustments needed.
6. A Bank Reconciliation Form is completed for each bank account. The bank statements, cash flow spreadsheet, bank reconciliation analysis report, and listing of outstanding checks are attached to the Bank Reconciliation Form. This information is provided to the Controller for comparison to the general ledger Cash in Bank.
7. The Controller will note any adjustment(s) to cash that is needed, i.e., debit memos, interest earned, etc..
8. The Controller writes journal entries making the necessary (if any) adjustment(s) to cash and forwards any entries to the Accountant for entry to the MIP general ledger.
9. The Bank Reconciliation Forms are forwarded to the Executive Director for review and signature approval. His/Her signature along with the signatures of the Receptionist (preparer) and the Controller (reviewer) are required for the Bank Reconciliation Form.
10. The Executive Director provides the approved Bank Reconciliation Forms to the Board Treasurer on the date of the monthly board meeting for review and signed approval.
11. The Accounting Manager supplies a copy of the outstanding checks over sixty days old to the Accounts Payable Specialist and/or Payroll Specialist for follow-up and resolution.
12. The Payroll Specialist clears the cancelled checks and deposits

in the MIP accounting software monthly.

BANK ACCOUNT POLICIES:

1. The Executive Director shall approve all new checking accounts or savings accounts. Written approval will remain on file. The Controller shall maintain a copy of the approval. The Executive Director shall disclose the new checking or savings account and the authorized signer(s) of the account to the Board of Directors at the next scheduled meeting.
2. Bank accounts used for the deposit of Federal funds shall be interest bearing accounts to comply with 2 CFR 200.305 NMCAA currently does not use an interest bearing account general checking account and cites the exception 2 CFR 200.305 8ii. In the current interest rate environment the cost of the account would not result in interest earnings to exceed \$500 per year on Federal cash balances. Further payments from Federal draws are after the disbursement of vendor payments and are not advances. This leaves only the float on the disbursements to earn interest. When interest rates rise NMCAA will move to an interest earning account. However at that time interest earned on Federal draws is expected to remain minimal.
3. A complete listing of all bank accounts used shall be prepared annually for review as part of the single audit.
4. The Traverse City Office Receptionist is responsible for reconciling all Agency checking and savings accounts monthly.
5. Closing Accounts: Closing must be approved by the Executive Director. The final bank reconciliation is approved by the Executive Director. Accounting for the final funds must be approved by the Executive Director. The Executive Director shall disclose the closing of an account to the Board of Directors at the next scheduled meeting.

JOURNAL ENTRIES:

In addition to normal transactions based on documents originating outside the business office, or resulting from the issuance of checks or the receipt of cash, it is necessary to generate a number of accounting entries internally. These entries, which affect the general ledger, are called journal entries.

Journal entries may be initiated by the Executive Director, Program Directors or the Controller. Such entries include, but are not limited to:

1. Employer payroll cost - FICA Tax
2. Accrued Payroll, SUTA, & workers compensation
3. Allocation of shared expense
4. In-kind contributions

5. Correcting of coding errors
6. Month and year end closing entries
7. Adjusting and Reclassification entries

PROCEDURES:

Journal entries are categorized based on the general type of activity which gives the need for the entry. For example, JO1 = Payroll entries, JO5 = adjusting entries between programs, and J10 = miscellaneous entries. Other journal entry categories exist and are used as needed.

1. Excel is used to create a formal format for each journal entry.
2. The Controller, Accounting Manager, or Accountant assembles and reviews all documentation in support of an entry.
3. The Controller creates the entry with the following details:
 - A. Journal Reference Code, i.e., JO1-PR (Payroll entry).
 - B. Month of entry
 - C. Program, activity, general ledger, and site codes
 - D. Debit and Credit amounts.
 - E. Hash total of entry.
 - F. Reason for the journal entry.
 - G. Description of the entry printed in the general ledger.
 - H. Date the entry was created.
 - I. Name of the person creating the entry.
4. A summary sheet of all entries for a month is kept with the journal reference number that was assigned each separate entry.
5. The Accounting Manager, Accountant, Accounts Payable Assistant and/or Payroll Specialist, primary, or Controller, secondary, input entries to the computerized accounting system.
6. All entries are compared to entry edit listings to eliminate key punch errors.
7. The Controller reviews and posts entry sessions to the general ledger.
8. Each month's entries are bound separately for reference as original documentation.
9. The Executive Director reviews, and if approved, initials all journal entries.

IN-KIND CONTRIBUTIONS:

Several grant awards are made contingent upon the Agency meeting a stated amount of non-federal or local match funds. These funds will be identified here as in-kind contributions.

In-kind contributions may take the following forms.

1. Cash
2. Goods or supplies
3. Personal services
4. Services other than personal; i.e., space, transportation, consultation, etc...

Any authorized employee may receive in-kind contributions. All contributions received require written documentation signed by the person making the contribution and the employee accepting it. The written documentation will contain the following information:

1. Program
2. Date - month & year
3. Current Date - month day & year
4. Description - Service or Material
5. Hours or Value
6. Rate or Quantity
7. Total per line item
8. Grand Total - Total Contribution
9. Certification of Contribution - Signatures of contributor and employee accepting contribution.
10. Name and address of contributor if receipt has been requested.

When the in-kind voucher or volunteer form has been completed it will be forwarded to the assigned staff, who will approve, date, and list account codes with the appropriate dollar amount and forward the document to the Data Entry Clerk.

The Program Director or designated staff person will complete and mail a receipt of donation certificate to the contributor.

The Data Entry Clerk will record the contribution by program, sub-program, and line item codes.

In many instances volunteer time is recorded at sites some distance from the office. These time and space donations are recorded and signatures obtained and held at the site. A written summary is given to the Program Director or designated staff person, who forwards the summarized information to the Controller and a journal entry is written. The journal entry is posted to the general ledger.

PERSONAL SERVICES - OTHER:

Because of the volume of personal time volunteered in several programs; i.e., Head Start and Senior Nutrition, a different form may be used. All the same information is required, all the same procedures are followed, and only the format is different.

IN-KIND VALUE:

The cash value for in-kind contributions is determined by market value in the ten county service area; the value set by the contributor (if reasonable); or in the case of personal time, the rate used in a comparable position employed by Northwest Michigan Community Action Agency.

ALLOCATED COSTS:

Effective October 1, 2015 NMCAA initiated utilization of a 10% de minimis indirect cost rate based on modified total direct costs as described by the Uniform Administrative Requirements, Cost Principles, and Audit Requirements 200.414f. This method of charging indirect administrative costs replaces direct charging of administrative cost to the programs. The non-administrative shared costs remain allocated by NMCAA's cost allocation plan.

The following is the current cost allocation plan with the types of shared costs allocated detailed as to the allocation method used for each cost.

Northwest Michigan Community Action Agency, Inc.
Cost Allocation Plan

Due to the complexity and administrative costs involved in directly allocating a number of operational costs, a cost allocation plan has been adopted.

The methods to allocate the shared costs are chosen based on (1) the ability to best reflect the benefits received from the costs to the programs, (2) use of the best available information to implement the method chosen for any given cost category.

ALLOCATED OPERATIONAL COSTS:

Salaries and fringe benefits of Employees Assigned to Multiple Agency Programs:

The Time Attendance Record (timesheet) is used to record the actual activity or a reasonable estimate of an employee's activity in multiple programs within a two week pay period.

Most Child Development staff time is allocated based on the number children served by the employee. Should this method not be reflective of time spent the reasonable estimate of actual hours worked in each program is used.

Space Costs:

The space costs for buildings not directly identifiable to a single

program are allocated based on the square feet each program occupies at a given location. A secondary method used is allocation of time for the staff to a specific program as a percentage of total staff at the facility.

Shared areas are allocated based on direct use square feet percentages.

Allocation of Building Maintenance/Utilities Costs:

Actual building maintenance and utilities costs for buildings not directly identifiable to a single program are allocated based on the square feet each program occupies at a given location or the secondary method of time for the staff to a specific program as a percentage of total staff at the facility.

Allocation of Equipment Maintenance:

Actual equipment repair costs will be charged to programs based on the historical salary allocation of the primary user of the equipment unless otherwise budgeted.

Actual telephone repairs will be allocated based on the number of telephones used by each program as a percentage of total telephones at a given location. Telephone repair costs identified to a specific telephone will be allocated in the same manner as equipment repairs cited above.

Allocation of Supplies:

Shared supplies/activities are allocated based on calculated fulltime equivalents of NMCAA total staff. Copy supplies and network hardware/software materials are examples of regular purchases. The fulltime equivalent calculation is done at least annually and more frequently if significant staffing changes occur.

Equipment Lease:

Allocation of equipment lease costs for Xerox copiers is based on the user allocations for a specific program as a percentage of the total users at the copier lease location.

Allocation of Equipment Purchases:

The actual cost of equipment purchases for employees will be allocated based on the shared salary allocations of the employee to benefit from the equipment unless otherwise budgeted.

Insurance Allocation:

Liability insurance is allocated, for the most part, directly to the programs as identified by the premium amounts in the insurance agreement.

Property insurance, for shared office areas, is allocated based on square footage percentages.

Cyber liability insurance is allocated based on the full time equivalents of a program as a ratio of the total full time equivalents of the

Agency.

Allocation of Telephone and Internet Access Costs:

Long distance and local calls are allocated based on the number of telephones identified to a program at an office location as a ratio of the total number of telephones at the location. Most often each employee assigned a telephone also has internet access at the workstation. The allocation of internet access costs is the same ratio as telephone cost which is based on number of program users as a percentage of total users.

Allocation Plan Effective fiscal Period - October 1, 2016 through September 30, 2017.

Allocation Plan Date of Review

May 18, 2017


Executive Director


Controller

FINANCIAL REPORTING

The financial reports are the focal point of the Agency's internal accounting system. They are the final product of the collection, classification and recording of financial transactions throughout the accounting period.

Financial statements are prepared on a monthly basis for each grant award. The statements will be issued on or before the tenth of the month following the month under report.

There are many ways in which the financial report is used by the Agency:

1. Meet reporting requirements of funding sources.
2. Compare performance to budget.
3. Control operations.
4. Evaluate effectiveness of management personnel.
5. Report status of funds.
6. Planning for future grants.

The Controller is responsible for generating timely and accurate monthly financial reports.

All financial reports produced are reviewed initially by the Controller for proper balances and completeness. The Executive Director and Program

Directors receive financial report copies for department review and possible feedback to the Business Office.

The Agency's financial reports follow standard formats stating assets and liabilities, as well as revenues and expenditures. For example the Statement of Revenues and Expenditures reports current monthly totals and compares year to date totals to the budget for each program. Additionally budget balance remaining and percentage remaining of budget for each line item is displayed.

ASSETS

Assets are reported as follows:

1. Cash - money in the bank.
2. Accounts Receivable - monies due from funding or other sources.
3. Inventory - Agency Kitchens' inventory balances.
4. Prepaid Postage - unused postage.
5. Petty Cash - imprest balances in petty cash funds.
6. Fixed Assets - capital asset(s) owned by a program and/or by the Agency.

LIABILITIES

1. Accounts Payable - unpaid debts at the end of an accounting period.
2. Accrued Payroll and Taxes - wages and payroll taxes earned but not paid at the end of an accounting period.
3. Federal and State Withholding Tax - Income Tax withheld from employees pay until remitted to taxing authority.
4. FICA - Social Security and Medicare Taxes withheld from employee wages and matched by employer.
5. Medical Withholdings - payroll withholdings from employees to satisfy medical premiums exceeding the employer's fringe benefits coverage.
6. Tax Deferred Annuity - payroll withholdings for employees who pay to the employer sponsored retirement plan.
7. Various Payroll Withholdings - withholdings for employee loan repayment, section 125 plans, and garnishments.
8. Flexible Spending Account Withholdings - payroll withholdings for the employer sponsored Flexible Benefits Plan.
9. Sales Tax - taxes paid to Agency Kitchens for catering sales to profit oriented business.

10. Other Liabilities - Fund Source - end of fiscal year balances owed (if any) to the fund source.

REVENUE

Revenue is recognized when received. At fiscal year end postings to grant income and accounts receivable are recorded for expected balances owed to NMCAA. Grant income paid in advance is recorded as income when received. Unexpended grant income is recorded as unearned (liability) at the conclusion of the grant period and ultimately returned to the funding source. Types of income recorded are as follows:

1. Grant Income - monthly receipts from funding source.
2. Project Income - monthly receipts generated by programs; i.e., donations for Congregate and Home Delivered Meals.
3. USDA Income - recorded in Senior Nutrition Program and Child Development programs as a revenue earned based on the number of qualifying meals served to program participants.
4. Various incomes - generated by non-grant programs, i.e., Agency fundraising and Senior Nutrition Fundraising.
5. Donations - income given to the agency for non-grant fund related activity, i.e., Emmet Utility Pool, Grand Traverse Baby Panty.
6. In-Kind Income - cash value equated to in-kind donations, used as local match.

EXPENDITURES

Expenses are reported as follows:

1. Personnel Expense
 - A. Salaries/Wages
 - B. Payroll Tax
 - C. Fringe Benefits - medical insurance, wcomp, etc.
 - D. Other
2. Contract Services
 - A. Professional - contract for service; i.e. Audit, Legal.
 - B. Support - services to support any grant component; i.e., Nutrition Consultant
 - C. Beneficiary - Medical or Dental service
 - D. Other - services not identified in other categories
3. Travel
 - A. Employee - authorized local travel
 - B. Beneficiary - authorized client travel
 - C. Board/Committee - authorized reimbursement of expense usually mileage and/or child care.
 - D. Other - out of service area travel
 - E. Mobile telephone costs

4. Space
 - A. Lease - office & center rent
 - B. Utilities - heat, lights and water
 - C. Maintenance - cleaning, grounds care, snow removal and general repairs
 - D. Other - space cost not specified above

5. Program Support
 - A. Supplies - office supplies, paper products
 - B. Beneficiary Food - food for clients
 - C. Beneficiary Consumables - material(s) other than food for clients
 - D. Other - support cost not specified above

6. Equipment
 - A. Purchase - cost of equipment
 - B. Lease - cost of leasing equipment
 - C. Maintenance - service for office machines, etc...
 - D. Other - equipment cost not specified above

7. Vehicle
 - A. Purchase - purchase of vehicle
 - B. Lease - lease of vehicle
 - C. Maintenance - cost of maintaining vehicle
 - D. Other - vehicle cost not specified above

8. General Support
 - A. Insurance - general liability, umbrella, fire & property, vehicle, directors and officers, and bonding (crime) insurance
 - B. Telephone - monthly billing from servicing telephone company
 - C. Postage - cost of mailing packages & stamps
 - D. Other - misc. costs not identified above

FINANCIAL REPORT PROCEDURES

The monthly financial reports are computer generated. They are compiled of information obtained from record sources described in preceding areas. The general sources of financial statement data are:

1. Monthly general ledger activity
 - A. Record of all A/P activity coded to each program account.
 - B. Record of all deposits coded to appropriate program accounts.

2. Internally generated journal entries
 - A. Monthly
 - B. End of Program Year

3. Recurring Standard Entries (none currently utilized)
 - A. Posted monthly
 - B. Adjusted depending on variance from actual

The monthly accounting period runs from the first day of a given month to the close of business the last working day of that month. At the

close of a month's business, the Controller prints a preliminary balance sheet and reconciles all asset and liability accounts to internal spreadsheets.

The monthly statements of revenue and expense are reviewed as printed and correcting entries for coding and/or key-in errors are made as needed.

The reports are distributed to the Executive Director and all Program Directors. Managers and Coordinators receive report copies for programs under their supervision if requested.

If needed, journal entries are made to correct any errors or omissions reported by Program Directors concerning the financial reports.

All financial reports and supporting documentation will be retained for a minimum of seven years.

PROGRAM STATUS REPORTS

Many funding sources require a monthly status or financial report. These reports not only inform the funding source of program activity, they also state Agency financial needs. It is important that the reports are completed and emailed in a timely manner.

The format of the status report will vary from program to program; however, the basic information is the same. The reports will contain the following:

1. Heading - Name & address of Reporting Agency
 Program Name & I.D. Number
 Month being reported
 Fiscal period covered by grant.
2. Portion - State part of grant reporting;
 i.e., Administration, Community
 Services, Composite, etc.
3. Budget - Total grant as awarded, i.e., Wages
 & Fringe, Taxes, Travel, other.
4. Previously Reported - Year-to-date from the
 previous monthly status report.
5. Current Period - Current expenses from computer
 report.
6. Year to Date - Total expenditures to date
7. Budget Balance - Difference between budget and year
 to date expense.
8. Certification - Signature of the authorized
 person, usually the Executive
 Director, Program Director or other
 designated staff person.

9. Date Submitted

Monthly status and/or Financial reports are completed by the Program Director, a designated staff person, or the Business Office and then signed by the Program Director or designated staff person.

When all the above activity has taken place, a cover letter (if necessary) is written and the reports are forwarded to the designated contract officer at the funding source.

CAPITALIZED INVENTORY

Northwest Michigan Community Action Agency maintains an on-going computerized inventory with an on-site review every two years, with the exception of DHHS funded programs. Physical properties acquired by Michigan DHHS programs are inventoried annually.

The system is designed to provide the basis for compliance with Federal accounting requirements and for meeting the Agency's internal control needs.

Expendable personal property will not appear as inventory.

Any purchase less than \$5,000 or with a useful life below the limits established for non-expendable personal property is expended as a supply for the program making the purchase.

Non-expendable personal property will be any article that has an acquisition cost of \$5,000 or greater.

CAPITALIZATION POLICY

Real or personal property with an estimated useful life greater than one fiscal year shall be capitalized and depreciated according to the capitalization thresholds and estimated useful lives assigned to each category of capital assets. The following are the general asset types with respective capitalization thresholds and useful lives using straight line depreciation:

Asset Type	Capitalization Threshold	Useful Life
Land	All values	N/A
Buildings	All values	40 yrs or est. life
Building Imprvmnts	\$5,000	10 yrs
Playground Equip	\$5,000	20 yrs
Telephone Systems	\$5,000	10 yrs
Kitchen Equip	\$5,000	12 yrs
Warehouse Equip	\$5,000	12 yrs
Buses/Trucks	\$5,000	8 yrs
Cars/Vans	\$5,000	5 yrs
Office Equip	\$5,000	5 yrs

The Controller maintains records of the capitalized assets. Straight line depreciation shall be used to allocate the costs of all capitalized assets, with the exception of land which is not depreciated. Depreciation begins the month the asset is acquired and is in complete condition. Depreciation is prorated by month for

capitalized assets not in service an entire fiscal year.

The capitalized assets records shall contain for each asset:

1. Asset description
2. Program ownership
3. Inventory ID number
4. Historical value
5. Acquisition month/year
6. Useful life
7. Accumulated depreciation amount

PURCHASING POLICIES AND PROCEDURES

Overview

THE POLICIES DESCRIBED IN THIS SECTION APPLY TO ALL PURCHASES MADE BY NORTHWEST MICHIGAN COMMUNITY ACTION AGENCY.

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

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

Procurement Procedures

The following are Northwest Michigan Community Action Agency's procurement procedures:

1. Northwest Michigan Community Action Agency shall avoid purchasing items that are not necessary or duplicative for the performance of the activities required by a federal award. (2 CFR Part 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))
GSAXcess is a web-enabled platform that is used to search for Federal excess and surplus property. See web address:
gsa.gov/portal/content/100733
5. Documentation of the cost and price analysis associated with each procurement decision in excess of the simplified acquisition threshold (\$150,000) shall be retained in the procurement files pertaining to each federal award. (2 CFR Part 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. Northwest Michigan Community Action Agency 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. Northwest Michigan Community Action Agency shall make all procurement files available for inspection upon request by a federal awarding agency.
9. Northwest Michigan Community Action Agency shall not utilize the cost-plus-a-percentage-of-costs method of contracting. (2 CFR Part 200.323(d))

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.

Responsibility for Purchasing

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

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 Northwest Michigan Community Action Agency to utilize small businesses, minority-owned firms, women's business enterprises, and labor surplus area firms whenever possible. Therefore, the following steps shall be taken:

1. Ensure that small business, minority-owned firms, women's business enterprises, and labor surplus area firms are used to the fullest extent practicable. (2 CFR Part 200.321)
A labor surplus area is civil jurisdiction that has an annual unemployment rate during the previous two calendar year of 20 percent or more above the average annual civilian unemployment rate for all states.
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 enterprises. (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 and women's business enterprises. (2 CFR Part 200.321(b)(5))

Authorizations and Purchasing Limits

All completed purchase orders must be signed by the preparer and approved by the Program Director or staff member designated by the Program Director. The following table lists required approval levels and solicitation processes:

Amount of Purchase	Required Approvals	Required Solicitation	Required Documentation
< \$3,000	Program Director or designated staff member	Evidence of solicitation not required but purchases should be distributed among qualified vendors	<ul style="list-style-type: none"> • Receipt approved by Program Director or designated staff member
\$3,000 ≤ \$25,000	<ul style="list-style-type: none"> • Program Director • Controller 	3 written bids (catalogue, Internet, written)	<ul style="list-style-type: none"> • Documentation of bids received • How decision was made

Amount of Purchase	Required Approvals	Required Solicitation	Required Documentation
\$25,001 ≤ \$150,000	<ul style="list-style-type: none"> • Program Director • Controller • Executive Dir. 	3 written bids (Request for Bids or Request for Proposals)	<ul style="list-style-type: none"> • Copy of RFB or RFP • Proposal scoring grids including who participated in the scoring • Proposal and contract of winning bid
> \$150,000	<ul style="list-style-type: none"> • Program Director • Controller • Executive Dir. • Board of Directors 	3 written bids (Request for Bids or Request for Proposals)	<ul style="list-style-type: none"> • Copy of RFB or RFP • Proposal scoring grids including who participated in the scoring • Proposal and contract of winning bidder

The Executive Director is authorized to enter into any contract on behalf of Northwest Michigan Community Action Agency. Contracts of \$5,000 or less must be reviewed and approved by the Program Director and the Controller but do not require approval from the Executive Director. These policies shall also apply to renewals of existing contracts.

Competition (2 CFR Part 200.319)

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

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

Code of Conduct in Purchasing (2 CFR Part 200.318 (c)(1))

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 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 or her immediate family, his or her spouse or partner, or an organization that employs or is about to employ any of the parties indicated herein, has a financial or other interest in the vendor selected.
- Officers, board members, employees, and agents shall neither solicit nor accept gratuities, favors, or anything of monetary value from vendors or parties to sub-agreements.
- Unsolicited gifts shall not be accepted by employees.

Contract Administration

Northwest Michigan Community Action Agency 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 \$25,000 a separate file shall be maintained.
 - b. For contracts less than \$25,000, 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 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 will authorize payment of invoices to contracts after final approval of work products.

Right to Audit Clause

Northwest Michigan Community Action Agency requires a "Right to Audit" clause in all contracts between the Organization and vendors that either:

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

This Right to Audit clause shall permit access to and review of all documentation and processes relating to the contractor's operations that apply to Northwest Michigan Community Action Agency, as well as all documents maintained or processed on behalf of Northwest Michigan Community Action

Agency, for a period of three years. The clause shall state that such audit procedures may be performed by Northwest Michigan Community Action Agency employees or any outside auditor or contractor designated by the Organization.

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

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

1. **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):** When required by Federal program legislation, all construction contracts of more than \$2,000 awarded by Northwest Michigan Community Action Agency 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").
5. **Contract Work Hours and Safety Standards Act (40 U.S.C. 327-333):** Where applicable all contracts awarded by Northwest Michigan Community Action Agency 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).

6. **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 Organization and Small Business Firms Under Government Grants, Contracts and Cooperative Agreements," and any implementing regulations issued by the award agency.
7. **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).
8. **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).
9. **Byrd Anti-Lobbying Amendment (31 U.S.C. 1352):** For all contracts or subgrants of \$100,000 or more, Northwest Michigan Community Action Agency 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.
10. **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."

Nondiscrimination Policy

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

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

Purchase Orders:

Purchase orders are internally generated documents used to limit spending to purchases authorized by the Program Director or other designated management personnel.

A purchase order is required prior to purchase of supplies and certain services (emergency and on-going services are exempted) in excess of two hundred dollars. The following steps will occur:

1. Employees requesting a purchase order number must have Program Director, or a supervisor assigned by the Program Director, approval before the purchase order process can begin. The employee provides on the purchase order or documents attached to the purchase order the date, vendor name, quantities, description of the purchase, prices, totals, the purchasing program(s), and their signature.
2. Upon receipt of a signature approved purchase order the Traverse City office Receptionist will assign a purchase order number.
3. The purchase order number is an alpha numeric code identifying the program, date and other pertinent information regarding the requested purchase.
4. The original purchase order remains with the Receptionist. The employee requesting the purchase order number may make copies of the purchase order after the purchase order number is assigned. The purchase order number, date, and vendor are recorded in an electronic log by the Receptionist.

5. The Accounts Payable Specialist periodically retrieves the original purchase orders and is emailed a copy of the electronic log for the purchase orders received.
6. Purchase orders modified after a purchase order number is issued must be approved by the supervisor that approved the original purchase order. A copy of the modified purchase order is delivered to the Accounts Payable Specialist. If the vendor of a purchase order is changed entirely the original purchase order is voided and a different number is assigned the replacement vendor. The purchase order log reflects the changes.
7. Documentation of delivery, packing slip(s), is signed and forwarded to the Business Office for matching to the purchase order.
8. When all receipt documentation has been received and matched to the purchase order it then becomes documentation for the check request. Once the review and approval process is completed the check request is entered into the accounts payable system.

Information Technology Purchases

Before NMCAA program staff proceed with the purchase process of acquiring information technology equipment the Information Technology Department staff shall be consulted. An IT Department prior to purchase review of the equipment, software, or services will avoid system configuration and compatibility issues.

Receipt and Acceptance of Goods

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

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

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

Required Solicitation of Quotations from 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. Descriptions shall not contain features which unduly restrict competition. (2 CFR Part 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 Contractors" for required criteria.) (2 CFR Part 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 Part 200.319(c)(1))
4. The specific features of "brand name or equal" descriptions that bidders are required to meet when appropriate. (2 CFR Part 200.319(c)(1))
5. A description of the format, if any, in which proposals must be submitted, including the name of the person to whom proposals should be sent.
6. The date by which proposals are due.
7. Required delivery or performance dates/schedules.
8. Clear indications of the quantity requested and unit(s) of measure.

Evaluation of Alternative Contractors

Contractors shall be evaluated on a weighted scale that considers some or all of the following criteria as appropriate for the purchase:

1. Adequacy of the proposed methodology
2. Skill and experience of key personnel
3. Demonstrated experience
4. Other technical specifications designated by the department requesting proposals
5. Compliance with administrative requirements of the request for proposal (format, due date, etc.)
6. Contractor's financial stability
7. Contractor's demonstrated commitment to the nonprofit sector
8. Results of communications with references supplied by vendor
9. Ability/commitment to meeting time deadlines
10. Cost

11. Minority- or women-owned business status of vendor
12. Other criteria (to be specified by the department requesting proposal)

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

Extension 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.

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. Contractors that submit late proposals shall be sent a letter notifying them that their proposal was late and could not be considered for award.

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 applies:

- 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.

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

Northwest Michigan Community Action Agency 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 procurement standards in 2 CFR Part 200. (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))

Procurement Grievance Procedures

Any bidder may file a grievance with Northwest Michigan Community Action Agency following a competitive bidding process. Once a selection is made, bidders must be notified in writing of the results. The written communication mailed or emailed to bidders must also inform them that they may have a right to appeal the decision. Information on the organization's appeal procedures must be made available to all prospective contractors or subgrantees upon request, including the name and address of a contact person, and a deadline for filing the grievance. Grievances are limited to violations of federal laws or regulations, or failure of the Organization to follow its own procurement policies.

Contractor Files and Required Documentation

The Accounting Department shall create a contractor folder for each new contractor from whom Northwest Michigan Community Action Agency purchases goods or services.

The Accounting Department shall mail or email a blank Form W-9 to a new contractor and request that the contractor complete and sign the W-9 (or provide equivalent, substitute information) and return it to the NMCAA Business Office. Completed, signed Forms W-9 or substitute documentation shall be filed in each contractor's folder. Contractors who do not comply with this request shall be issued a Form 1099 at the end of each calendar year.

PHYSICAL INVENTORY INPUT

1. After supervisor approval an invoice copy is forwarded to the Accounting Manager, or assigned Business Office staff person, by the Accounts Payable Specialist.
2. The Accounting Manager or assigned staff person will enter data

to the Physical Inventory Data Entry Form as follows:

Heading

- A. New Purchase
- B. Change of Status
- C. Disposition Notice
- D. Name
- E. Date

Data base

- A. Quantity
- B. Classification
- C. Basic Item Name
- D. Description
- E. Condition
- F. Serial Number
- G. Location - Office or Center
- H. Department Code
- I. Month/Year of Purchase
- J. Unit Cost
- K. Funding Source
- L. Disposition date
- M. Title Entity

3. The Accounting Manager or other authorized person inputs the completed physical inventory data entry form in the NMCAA Inventory/Property Control System software. When the data entry is complete, the item is part of the permanent inventory record.

DISPOSITION & TRANSFER

To transfer or dispose of an item, the above procedure is followed using the same Physical Inventory Data Entry Form. The form is designed to be flexible.

A transfer is accomplished by use of the Disposition Date and Other Information columns.

A disposal is accomplished by using the Disposition Date and attaching available disposal documentation.

The Physical Inventory Data Entry Form and all other documentation will be filed by the Business Office and kept as a part of the inventory records.

DISPOSITION OF HEAD START EQUIPMENT

The following procedures are to be adhered to once the Head Start program receives written permission to dispose of equipment.

1. An assessment of fair market value will be obtained from an independent source (such as the current Blue Book price for a vehicle).
2. Based on the fair market value, a determination is made whether to sell the item or trade it in (usually a vehicle).
3. If the decision is to sell, the item will be offered for sale

through advertising media that is determined to provide the most competition between buyers and also provide a cost effective way to dispense of the item. The staff person in charge of selling the item is authorized to accept the best offer received.

4. In the case of selling the equipment the transaction will occur within 90 days of the receipt of written permission to dispose of the property. If the equipment is used as a trade-in prior written fund source approval is not required. OMB 2 CFR 200.313
5. The Director of Operations will have overall responsibility for disposal of property in coordination with the Head Start Program Director and the Controller. The Agency may use up to \$500 or 10% of a disposed item's selling price, whichever is less, to offset the costs of the disposal process if disposal proceeds are in excess of \$5,000. Equipment disposal transactions of \$5,000 or less result in 100% of the proceeds maintained by NMCAA. OMB 2 CRF 200.313.

DISPOSAL OF PERSONAL PROPERTY:

Property with an historical cost of less than \$5,000 does not require fund source approval before acquisition or disposal. Disposal of personal property is handled as follows:

1. Determine the asset not needed by the controlling program cannot be used by another Agency program.
2. Offer the asset for sale to Agency employees and volunteers. If no internal purchase interest exists offer to sell to outside parties.
3. Items available for disposal will be communicated to Agency employees via Agency Outlook email accounts. Best efforts will be made to inform volunteers of property for disposal to enable equitable access to acquire the asset. The information shared will include at a minimum the following:
 - a. The description of the item
 - b. The condition of the item
 - c. Minimum asking price of the item
 - d. Due date of the bids
4. The department disposing of the asset is responsible for determining the fair value (minimum asking amount) of the asset. Documentation of the source(s) of the fair value will be submitted to the Controller prior to the communication of the sale to agency staff.
5. Should two or more staff and/or volunteers request to purchase the sale item at the same amount a random draw by the Controller, or an assigned staff member, witnessed by a representative from the disposing department will be performed to select the winning bid.
6. Personal property items sold to parties outside the Agency will be communicated by a method reflective of the value of the for

sale asset. Craigslist or similar cost effective avenues will be utilized whenever possible.

LEASES/ACQUISITION OF SPACE:

The acquisition of Agency office space is the responsibility of the Executive Director and is subject to annual review.

Head Start center and meal site space is the responsibility of the Program Director in conjunction with the Executive Director.

A minimum of three proposals is desired but may not be feasible due to limited availability.

Cost will be compared to local rates as stated in newspapers and as listed with local real estate management offices.

Premises must be barrier free.

DOCUMENT RETENTION AND DESTRUCTION POLICY:

In accordance with the Sarbanes-Oxley Act, which makes it a crime to alter, cover up, falsify, or destroy any document with the intent of impeding or obstructing any official proceeding, this policy provides for the systematic review, retention and destruction of documents received or created by the Agency in connection with the transaction of organization business. This policy covers all records and documents, regardless of physical form, contains guidelines for how long certain documents should be kept and how records should be destroyed. The policy is designed to ensure compliance with federal and state laws and regulations, to eliminate accidental or innocent destruction of records and to facilitate the Agency's operations by promoting efficiency and freeing up storage space.

Document Retention - The Agency follows the document retention procedures outlined below. Documents that are not listed, but are substantially similar to those listed in the schedule will be retained for the appropriate length of time.

Corporate Records

Articles of Incorporation	Permanent
Board Meeting and Board Committee Minutes	Permanent
Board Policies/Resolutions	Permanent
By-Laws	Permanent
Construction Documents	Permanent
Fixed Asset Records	Permanent
IRS Determination Letter	Permanent
State Sales Tax Exemption Letter	Permanent
Contracts (after expiration)	7 years
Correspondence (general)	3 years

Accounting Corporate Tax Records

Annual Audits and Financial Statements	15 years
Depreciation Schedules	7 years after disposal

General Ledgers	15 years
IRS 990 Tax Returns	15 years
Business Expense Records	7 years
IRS 1099s	7 years
Journal Entries	7 years
Invoices	7 years
Cash Receipts	7 years
Bank Records	
Check Registers	7 years
Bank Deposit Slips	7 years
Bank Statements and Reconciliation	7 years
Electronic Fund Transfer Documents	7 years
Payroll and Employment Tax Records	
Payroll Registers	20 years
State Unemployment Tax Records	7 years
Garnishment Records	7 years
Payroll Tax returns	7 years
W-2 Statements	20 years
Employee Records	
Individual Employment Records	20 years
Retirement and Pension Plan Documents	Permanent
Accident Reports	5 years
Worker's Compensation Records	5 years
Time Sheets	7 years
I-9 Forms	3 years after Termination
Legal and Insurance Records	
Appraisals	Permanent
Insurance Policies	7 years after expiration
Real Estate Documents	Permanent
Investment Records	7 years after disposal
Leases	7 years
General Contracts	3 years after termination

Electronic Documents and Records - Electronic documents, not also maintained as a paper document, will be retained as if they were paper documents. Therefore, any electronic files that fall into one of the document types on the above schedule will be maintained for the appropriate amount of time. If a user has sufficient reason to keep an email message, the message should be printed in hard copy and kept in the appropriate file or moved to an "archive" computer file folder. Backup and recovery methods will be tested on a regular basis.

Emergency Planning - The Agency's records will be stored in a safe, secure and accessible manner. Documents and financial files that are essential to keeping the Agency operating in an emergency will be backed up daily with a copy off site.

Document Destruction - The Agency's Controller is responsible for the ongoing process of identifying its financial records, which have met the

required retention period and overseeing their destruction. Destruction of financial and personnel-related documents will be accomplished by shredding.

Document destruction will be suspended immediately, upon any indication of an official investigation or when a lawsuit is filed or appears imminent. Destruction will be reinstated upon conclusion of the investigation.

Compliance - Failure on the part of employees to follow this policy can result in possible civil and criminal sanctions against the Agency and its employees and possible disciplinary action against responsible individuals. The procedures will be reviewed periodically to ensure that they are in compliance with new or revised regulations.

ATTACHMENT 1

**NORTHWEST MICHIGAN COMMUNITY ACTION AGENCY
SENIOR NUTRITION PROGRAM PROJECT INCOME POLICY**

The suggested donation is \$3.00 per meal for Luncheon Center participants 60 years of age or older and their spouses. The suggested donation for eligible participants of the Meals on Wheels Program is \$3.00 per hot or frozen meals and \$3.00 for cold evening meals. This is not a charge. Individual participants should NEVER be reminded to pay. Reminders regarding the suggested donation and/or a review of the Project Income Policy may be made periodically to the entire group.

1. The suggested donation for documented program-eligible volunteers is also \$3.00 per meal.
2. It is up to each individual caterer to develop a policy for staff meals. Provisions for staff meals will be written into nutrition contracts if the Nutrition Program is asked to reimburse for staff meals.
3. The suggested donation is the same for everyone--including volunteers.
4. The Congregate Guest fee is \$5.00. The Private Pay rate for the Meals on Wheels Program is \$6.50 per meal plus tax. (Meals on Wheels Recipients who began as private pay clients before the increase are "Grandfathered" at the previous rate). The suggested donation for Traverse City Senior Center is \$3.50 for eligible seniors.
5. Donations are counted daily by two individuals. Regulations require two individuals count project income at the same time.
6. Donations are to be secured in a manner that would protect the individual in charge of the project income, and the project income itself.
 - A. Daily deposits of project income will be made. Project income could be held in either a savings or a checking account until forwarded to the office.
 - B. If a daily bank deposit is not feasible, please ensure other safety measures are in use. To insure the safety of program participants, whenever possible project income will be secured at the Luncheon Center and not at home.
7. For all donations submitted in cash:
 - A. Donations will be counted daily by two unrelated individuals at the same time and entered on a revised Project Income Record form (see attached).
 - B. Daily donation envelopes will be provided. All of the following information is filled in on each preprinted donation envelope.
 1. Luncheon Center Name
 2. Date
 3. Initials of the two people who counted the money that day.
 4. Date picked up
 - C. Seal the envelope immediately.
 - D. Once sealed envelopes are not to be reopened!

If it becomes necessary to have some money available to make change for the next day, the Senior Nutrition Program will make arrangements to maintain \$20.00 for your Luncheon Center for that purpose.

- E. If the occasion should arise when there are no donations on a particular day, a Project Income record sheet should be filled out indicating no donations were received. As with a cash deposit, this record would need to be signed by two individuals and placed in an individual envelope.
 - F. The person picking up the sealed envelope for transport, or placing them in a transport container, will need to sign a log—to be maintained at the Luncheon Center—indicating the transfer of cash. The log will indicate the date, amount, and signature of the person picking up or transferring the envelope.
 - G. Logs will be maintained in each kitchen and/or office indicating receipt of sealed envelopes. The log will indicate the date on each envelope, the luncheon center, the amount indicated on the envelope, and the person receiving the envelopes.
 - H. Senior Nutrition staff opening donation envelopes and preparing deposits will record each envelope separately. Upon opening the envelope and counting the cash, all discrepancies will be noted. If there is a discrepancy of more than \$5.00 written notification (see attached) will automatically be sent to the Luncheon Center. Records of the written notification will be maintained with the Project Income Records.
 - I. All deposit records submitted to the business office will be signed by the Senior Nutrition staff person making the deposit.
8. Envelopes, receipt books, logs, and project income record forms are available from the Senior Nutrition Office. Nutrition sites are requested to inform the office when they are running short of supplies.
9. **NO STAFF MEMBER OR VOLUNTEER MAY PURCHASE SUPPLIES (such as bleach or garbage bags) AND DEDUCT FUNDS FROM PROJECT INCOME.** Small supplies may be obtained in the following manner.
- A. Some items requested by luncheon centers will be sent directly by the meal preparer.
 - B. Supplies may be ordered by phoning Senior Nutrition staff. Leelanau and Grand Traverse Counties 231-947-3780, Manistee 231-723-6461, Wexford 231-775-9781, all area 1-800-632-7334.
 - C. Staff and volunteers may also purchase supplies and mail documentation (sales receipts) along with name and address to: Senior Nutrition Program, NMCAA, 3963 Three Mile Road, Traverse City, MI 49686.

Financial Policies & Procedures

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