



## **FISCAL AND ACCOUNTING POLICIES**

**(Amended December 2016)**

**Board of Directors  
Approved: November 15, 2012**

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**FISCAL AND ACCOUNTING POLICY  
TABLE OF CONTENTS**

**GENERAL**

Role of the Board of Directors	5
Role of Executive Director	5
Accounting Responsibilities	5
Practice of Ethical Behavior	6
Conflicts of Interest	7
Compliance with Laws, Regulations & Organizational Policies	7
Disciplinary Action	7

**SECURITY**

General	9
Storage of Back-Up Files	9
General Office Security	9

**GENERAL LEDGER AND CHART OF ACCOUNTS**

Purpose	10
Chart of Accounts Overview	10
Distribution of Chart of Accounts	10
Control of Chart of Accounts	10
Account Definitions	11
Classification of Net Assets	12
Changes to the Chart of Accounts	13
Fiscal Year of the Coalition	13
Journal Entries	13

**POLICIES ASSOCIATED WITH REVENUES & CASH RECEIPTS**

Revenue Recognition Policies	15
Receipts and Disclosures	15
Responsibilities for Billing	16
Accounts Receivable	16
Classification of Income and Net Assets	16
Electronic Funds Transfers/Warrants	16
Cash Receipts, Billing and Approval Process	17
Reconciliation of Deposits	18
Accounts Receivable Management	18

<b>ADDITIONAL POLICIES</b>	
SunTrust Corporate Credit Cards	19
Travel Expenses	20
Authorizations and Purchasing Limits	19
Required Solicitation of Quotations from Vendors	21
Vendor Files and Required Documentation	22
Ethical Conduct in Purchasing	22
Conflicts of Interest Prohibited	22
Receipt and Acceptance of Goods	23
Accounts Payable Management	23
Recording of Accounts Payable	23
Check Preparation	24
Check Signing	24
Mailing of Checks	25
Voided Checks and Stop Payments	25
Record-Keeping Associated with Independent Contractors	25
Payroll	25
Personnel Files	25
Payroll Preparation	26
Employee Leave Records	26
Disbursement	26
<b>CASH AND CASH MANAGEMENT</b>	
Bank Reconciliations	31
Cash Flow Management	31
Disposition of Stale Checks	31
<b>PREPAID EXPENSES</b>	
Accounting Treatment	32
Procedures	32
<b>FINANCIAL STATEMENTS</b>	
Standard Financial Statements of the Coalition	33
Frequency of Preparation	33
Review and Distribution	34
<b>GOVERNMENT RETURNS</b>	
Overview	35
Filing of Returns	35
Public Access to Information Returns	36

<b>BUDGETING</b>	
Overview	37
Preparation and Adoption	37
Monitoring and Performance	37
Budget Realignment	37
<b>AUDIT/AUDIT RESOLUTION</b>	
Purpose	38
Audit	38
Scope of Audit	38
Target Dates	39
Funds to Be Audited	39
Procurement of the Audit Firm	39
Requirement of the Audit Firm	39
<b>COST ALLOCATION</b>	
General	40
<b>ADMINISTRATION OF FEDERAL AWARDS</b>	
Compliance with Laws, Regulations and Provisions of Awards	42
Billing and Financial Reporting	42
Procurement under Federal Awards	43
Budget and Program Revisions	46
Close Out of Federal Awards	46
Advance Payments	48
Certified Forward Process	48
Prepayment for Goods and Services	48
Post-Award Procedures	49

## GENERAL

### **Role of the Board of Directors**

The Coalition Board is responsible for direction and oversight regarding the overall financial management of the Coalition including:

1. Reviewing and approving the Coalition's annual budget.
2. Long-term financial planning.
3. Evaluating and approving facility decisions (i.e. leasing, purchasing property).
4. Monthly monitoring of actual vs. budgeted financial performance, and development of recommended budget amendments based on actual and planned spending.
5. Oversight of reserve funds.
6. Point of contact for any employee who suspects that fraud has been committed against the Coalition or by one of its employees or board members.

The review of the Coalition's financial statements shall involve the entire Board of Directors.

In addition, the Board of Directors is responsible for recommending the hiring of an independent CPA firm and for directly communicating with the CPA firm to fulfill the requirement for a single annual audit. The Board of Directors also reviews and approves the final audited financial statements, as well as any communications received from the auditor regarding internal controls, illegal acts, or fraud.

### **Role of the Executive Director**

The Board of Directors hires the Executive Director, who reports directly to the Board of Directors. The Executive Director is responsible for hiring and evaluating the Finance Director.

### **Accounting Responsibilities**

The primary responsibilities of the accounting department consist of:

- General Ledger
- Budgeting
- Cash and Investment Management
- Asset Management

- Grants and Contracts Administration
  - Purchasing
  - Accounts Receivable and Billing
  - Cash Receipts
  - Accounts Payable
  - Cash Disbursements
  - Payroll and Benefits
- Financial Statement Processing
- External Reporting of Financial Information
- Bank Reconciliation
- Reconciliation of Sub-Ledgers
- Compliance with Government Reporting Requirements
  - Annual Audit
  - Leases
  - Insurance

Officers and employees who have financial responsibilities, and the abbreviations of each position used throughout this manual, are as follows:

- Executive Director (ED)
- Assistant Executive Director (AED)
- Finance Director (FD)
- Accountant (AC)
- Administrative Assistant (AA)
- Reimbursement Specialists (RS)
- Office Manager (OM)
- Chair (C)
- Vice Chair (VC)
- Treasurer (T)
- Executive Committee (EC)
- Finance and Audit Committee (F&AC)
- Board of Directors (BOD)

### **Practice of Ethical Behavior**

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

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

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

### **Conflicts of Interest**

In addition, no employee, officer, or agent of the Coalition shall participate in the selection, award, or administration of a contract involving the Coalition if a real or apparent conflict of interest would be involved. Such a conflict would arise when the employee, officer, or agent, or any member of her or his immediate family, his or her 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 firm selected.

### **Compliance with Laws, Regulations and Organizational Policies**

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

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

### **Disciplinary Action**

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

Disciplinary action will be taken:

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



## **SECURITY**

### **General**

The Coalition's blank check stock shall be stored in a locked file cabinet in the Office Manager's office. Access to this file cabinet shall be by keys in the possession of the Executive Director and the Office Manager. In addition, the Coalition shall file at least 50 blank checks in the Coalition's emergency evacuation kit.

### **Storage of Back-Up Files**

It is the policy of the Coalition to back-up electronic accounting data daily.

### **General Office Security**

During normal business hours, all visitors are required to check in with the Receptionist. After hours, a security key with alarm code is required for access to the offices of the Coalition. Keys are issued to management of the Coalition. Keys may only be issued to additional staff with the approval of the Executive Director or Assistant Executive Director.

## **GENERAL LEDGER AND CHART OF ACCOUNTS**

### **Purpose**

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

### **Chart of Accounts Overview**

The chart of accounts is the framework for the general ledger system, and therefore the basis for the Coalition's accounting system. The chart of accounts will be numbered and described to conform to standard Generally Accepted Accounting Principles (GAAP) presentation formats. A descriptive Chart of Accounts will provide sufficient narrative on the account to allow for accurate recording, entering and approving financial data. General ledger accounts are used to accumulate transactions and the impact of these transactions on each asset, liability, net asset, revenue, expense and gain and loss account.

The Coalition's chart of accounts is comprised of six types of accounts:

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

### **Distribution of Chart of Accounts**

The Finance Director, Office Manager, and Accountant whom are involved with account coding responsibilities (assignment or review of coding), or budgetary responsibilities will be issued a current chart of accounts. As the chart of accounts is revised, an updated copy of the chart of accounts shall be distributed to the Office Manager and Accountant promptly by the Finance Director. A copy of the Chart of Accounts is provided to both the Executive Director and the Assistant Executive Director.

### **Control of Chart of Accounts**

The Coalition's chart of accounts is monitored and controlled by the Finance Director. Responsibilities include the handling of all account maintenance, such as additions and deletions.

Any additions or deletions of accounts should be approved by the Finance Director, who ensures that the chart of accounts is consistent with the organizational structure of the Coalition and meets the needs of the program. Access to this module is restricted to the Finance Director and the Executive Director.

## **Account Definitions**

### General Ledger

#### Category

#### Definition

#### **Assets**

Assets are probable future economic benefits obtained or controlled by the Coalition as a result of past transactions or events. Assets of the Coalition are classified as current assets, fixed assets, contra-assets and other assets.

Current Assets are assets that are available or can be made readily available to meet the cost of operations or to pay current liabilities. Some examples are cash, temporary investments, and receivables that will be collected within one year of the statement of financial position date.

Fixed Assets are tangible assets with a useful life of more than one year that are acquired for use in the operation of the Coalition and are not held for resale.

Contra-Assets are accounts that reduce asset accounts, such as accumulated depreciation and reserves for uncollectible accounts receivable.

Other Assets include long-term assets that are assets acquired without the intention of disposing them in the near future. Some examples are security deposits, property and long-term investments.

#### **Liabilities**

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

Current Liabilities are probable sacrifices of economic benefits that will likely occur within one year of the date of the financial statements or which have a due date of one year or less. Common examples of current liabilities include accounts payable, accrued liabilities, short-term notes payables, and deferred revenue.

Long-Term Liabilities are probable sacrifices of economic benefits that will likely occur more than one year from the date of the financial statements. An example is the non-current portion of a mortgage loan.

**Net Assets**                    Net Assets is the difference between total assets and total liabilities. See the next section for the Coalition’s policies on classifying net assets.

**Revenues**                    Revenues are inflows or other enhancements of assets, or settlements of liabilities, from delivering or producing goods, rendering services, or other activities that constitute an organization’s ongoing major or central operations. Revenues of the Coalition include membership dues, conference registrations, and sales of publications.

Revenues of the Coalition also include contributions received from donors and grants received from government agencies, private foundations and corporations.

**Expenses**                    Expenses are outflows or other using up of assets or incurrence of liabilities from delivering or producing goods, rendering services, or carrying out other activities that constitute the Coalition’s ongoing major or central operations.

**Gains/Losses**                Gains are increases in net assets from peripheral or incidental transactions and from all other transactions and other events and circumstances affecting the organization except those that result from revenues or contributions.

Losses are decreases in net assets from peripheral or incidental transactions and from all other transactions and from all other transactions and other events and circumstances affecting the organization except those that result from expenses.

Gains or losses occur when the Coalition sells a fixed asset or writes off a fixed asset as worthless with remaining book value.

### **Classification of Net Assets**

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

**Unrestricted Net Assets**     Net assets that are not subject to donor-imposed stipulations.

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

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

### **Changes to the Chart of Accounts**

Additions to, deletions from or any other changes to the Coalition’s standard chart of accounts shall only be done by the Finance Director.

### **Fiscal Year of the Coalition**

The Coalition shall operate on a fiscal year that begins on July 1 and ends on June 30.

### **Journal Entries**

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

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

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

1. Depreciation of fixed assets
2. Amortization of prepaid expenses
3. Accruals of recurring expenses
4. Amortization of deferred revenue

Support for recurring journal entries shall be in the form of a schedule associated with the underlying asset or liability account or, in the case of short-term recurring journal entries or immaterial items, in the form of a Purchase Order.

It is the policy of the Coalition that all journal entries may be accomplished only by the Accountant, at the direction of the Finance Director, or by the Finance Director themselves. IF accomplished by the Accountant, the Finance Director shall indicate review/approval in writing. Similarly, if accomplished by the Finance Director, the Executive Director shall indicate review/approval in writing.

A list of all journal entries is printed and given to the Executive Director after each month. The Executive Director reviews and approves all journal entries.

## POLICIES ASSOCIATED WITH REVENUES AND CASH RECEIPTS

### **Revenue Recognition Policies**

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

1. **Grant income** – Monthly accrual based on incurrence of allowable costs (for cost-reimbursement awards) or based on other terms of the award (for fixed price, unit-of-service, and other types of awards).
2. **Conference and seminar revenue** – Deferred as received, reclassified to income at close of the month in which the conference or seminar is held.
3. **Sponsorships** – Recognized as income when received, unless accompanied by restrictions or conditions (see the net section on contribution income).
4. **Contributions** – Recognized as income when received, unless accompanied by restrictions or conditions (see the next section on contribution income).

Immaterial categories of revenue may be recorded on the cash basis of accounting (i.e. recorded as revenue when received) as deemed appropriate by the Finance Director.

### **Receipts and Disclosures**

The Coalition and its donors are subject to certain disclosure and reporting requirements imposed under the Internal Revenue Code and the underlying regulations. To comply with those rules, the Coalition shall adhere to the following guidelines with respect to contributions received by the Coalition.

For any separate contribution received by the Coalition, it shall provide an acknowledgement to the donor. The acknowledgement shall be prepared by the Finance Director. All acknowledgements prepared by the Coalition shall include the following information:

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

## **Responsibilities for Billing**

The Finance Director is responsible for the Reimbursement Request invoice of program services by the 25<sup>th</sup> day of each month in accordance with the awarding agency requirements. The completed invoice is forwarded to the Executive Director for approval. When the Coalition receives a refund of current year grant funds, the refund amount shall be reduced from the next monthly current year Reimbursement Request Invoice. The Finance Director shall enter the refund on the Reimbursement Request Invoice as a reduction to the Other Cost Accumulators (OCA) originally impacted by the expenditure. Documentation explaining the reasons for the refund must be submitted with the Reimbursement Request.

When the Coalition receives a refund involving prior year grants, the Coalition shall remit a check for the refund amount made payable to the funding agency. Prior year grant refunds shall be submitted using the Reimbursement Request Invoice. The appropriate indications of prior grant year refund shall be documented. A written explanation describing the reason for the refund shall be provided and the OCA(s) original impacted by the expenditure shall be identified.

## **Accounts Receivable**

Posting of revenue, invoices, credit memos and other adjustments to customer accounts receivable to the accounts receivable subsidiary ledger shall be performed by the Finance Director.

## **Classification of Income and Net Assets**

All income received by the Coalition is classified as “unrestricted”, with the exception of the following:

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

## **Electronic Funds Transfers/Warrants**

The Coalition shall utilize electronic funds transfers to receive payments from the State of Florida and process reimbursement payments to all providers. In the event the Coalition experiences changes that will impact the electronic fund transfer, the Coalition shall follow the instructions provided by the funding agency.



## **Cash Receipts, Billing and Approval Process**

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

The Office Manager will implement the following procedures when cash and/or checks are received:

1. All checks will be endorsed utilizing the “For Deposit Only” stamp received from the Coalition’s banking institution.
2. The Office Manager prepares a bank deposit slip in duplicate. The deposit slip will include the receipt number, account number and the amount of each receipt.
3. The Office Manager will insure all documentation for receipts are attached to the deposit receipt and then forward to the Finance Director for processing.
4. All deposits are made prior to the bank’s daily close by the Office Manager.
5. Current income sources are from the State government directly or as a pass-through from the Federal government.
6. The Coalition directly controls Administrative funds and some Quality Enhancement funds for both Pasco and Hernando County.
  - a. From time to time, the Executive Director may be required to attend meetings. Hotel/motel expenses are covered at the rate negotiated by Florida’s Office of Early Learning (FOEL). The Coalition reimburses travel expenditures based upon 112.061 FS. Registration fees, if applicable, are paid by the Coalition.
  - b. The Coalition Chair and/or other Coalition officers or members and committee members attend meetings that are relevant to their responsibilities. The Coalition reimburses travel expenditures based on 112.061 FS. Requests for reimbursement must be processed through the Executive Director.
  - c. The Coalition has authorized the use of business cellular telephones by the Executive Director and designated staff, and the expenses incurred, with adequate documentation of use for business purposes.
7. An invoice approval stamp has been developed as a control for all expenditures. Together with substantiating documentation, invoices are processed by the Office Manager then signed and approved by Executive Director and Finance Director. The Finance Director also ensures that these expenditures are allowable for reimbursement through the State.
8. Reports for all funds are presented at the scheduled Coalition’s Board of Directors meeting.
9. An annual financial audit will be performed under contract with an awarding auditing firm.

### **Reconciliation of Deposits**

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

### **Accounts Receivable Management**

On a monthly basis, a detailed accounts receivable report (showing aged, outstanding invoices by customer) is generated and reconciled to the general ledger by the Finance Director. All differences are immediately investigated and resolved, and the reconciliation is reviewed by the Executive Director or Assistant Executive Director.

## ADDITIONAL POLICIES

### **SunTrust Corporate Credit Cards**

It is the policy of the Coalition to authorize the Executive Director, Assistant Executive Director or Office Manager to utilize a corporate credit card to purchase commodities or services when it is not practical to utilize the Request for Expenditure prior to the purchase due to timelines or other situations. SunTrust Corporate credit card purchases will be paid in full each month.

The Coalition recognizes there will be occasions when employees need to use a corporate purchase/credit card for travel, employee reimbursements and other purchases. The processes listed here will be followed.

1. Minimum required credit card policy disclosures/processes
  - a. Management has a process to issue purchase/credit cards and to periodically review list of users to ensure the cards are issued to appropriate staff members.
  - b. Management has a process to ensure card users receive notice of usage guidelines. Includes safeguarding of issued cards, card holder duties, tips to avoid identity theft, and prohibited purchases/activities.
  - c. Purchasing cards are not used to circumvent compliance with normal requisitioning transactions.
  - d. Staff prepares reconciliations and maintains adequate supporting records for disbursements and employee reimbursements made by credit card.
  - e. Management periodically reviews purchase activities and employee reimbursements made by credit cards to ensure these purchases are allowable and are not being split to stay below established spending thresholds.
  - f. An independent review and approval process is in place (potentially including a governing board member/audit committee) for purchases made by members of the management team.
  - g. Management has a process to document instances of card misuse by staff and issue notice of personnel actions taken/required (if applicable).
  
2. Minimum recommended credit card policy elements/staff instructions.
  - a. Entity processes to safeguard purchase card/credit cards when not in use.
  - b. Prohibited transactions are identified for staff (*insert ELC details here*).
  - c. Authorized spending levels/delegation of authority.
  - d. Due dates for supporting documentation (*insert ELC-specific details here*).
  - e. Supporting documentation requirements [source: *DFS Reference Guide for State Expenditures*]
    - 1) Original receipts supporting transactions are maintained and marked/de-faced once payment has been authorized/made.
    - 2) Receipts must clearly reflect a description of the goods or services acquired, number of units, and cost per unit. The combination of several documents to provide the description, number of units, and cost per unit may be used (i.e., quote sheets, packing slips, web page screen-prints, cash register receipts, charge slips). Numerical code descriptions alone are not acceptable.

- (a) All receipts for commodities shall be signed and dated by the cardholder to indicate the receipt, inspection, and acceptance of the goods or services.
  - (b) Receipts for services require clear evidence that services were **satisfactorily** received.
  - 3) Acronyms and non-standard abbreviations for programs or organizational units within an agency should not be used in the supporting documentation unless an explanation is also included.
  - 4) *Insert other ELC-specific instructions here.*
  - f. Describe periodic reports to/reviews by management (*insert Entity details here*).
  - g. Describe process/policy for personnel/disciplinary actions for misuse (if required).
3. Additional requirements for credit cards [DFS CFO Memo No. 02 (2014-15)]
- A. State statute prohibits sellers and lessors from charging convenience fees and surcharges for the use of credit cards.
  - B. Such costs are unallowable, and should not be submitted for reimbursement.
  - C. Florida law also provides that any person who violates this provision is guilty of a second degree misdemeanor.
  - D. If this activity occurs additional vendor notifications may be required.

## **Travel Expenses**

The authority for reimbursement of travel expenses is contained in s.112.061, Florida Statutes (F.S.), which describes per diem and travel expenses of public officers, employees, and other authorized persons; and Chapter 3A-42, Florida Administrative Code (F.A.C.), wherein is established the Rules of the Bureau of Auditing in regard to authorizing and reimbursing travel expenses. Travel reimbursements will be made in accordance with the Travel Policy.

1. Minimum required travel policy disclosures
  - a. Travel expenses will be documented and reimbursed based on applicable state travel rules (includes DFS Reference Guide, State Travel Manual CFO Memos and OEL guidance).
  - b. Management has process in place to ensure proper authorization, review, approval, and guidelines to submit adequate supporting records. Includes blanket travel authorizations (if used), requirement to use state-issued travel authorization, travel advances and travel reimbursement forms that include all required signatures/statements from the traveler, requirement to use most economical and efficient method for each travel event.
  - c. Management has a process to ensure reimbursements do not exceed allowable amounts. Includes detail for allowable mileage reimbursement amounts, meal rates from statutes, travel per diem calculations, and recent travel restrictions to limit allowable daily room rates to \$150 per day per traveler. Also includes processes to ensure only reasonable and necessary business-related costs are incurred.
  - d. An independent review and approval process is in place (potentially including a governing board member/audit committee) for costs incurred by members of the management team.

- e. Management has a process to document instances misuse by staff and issue notice of personnel actions taken/required (if applicable).

### **Authorizations and Purchasing Limits**

All completed Purchase Order Forms must be signed by the preparer and approved by both the Executive Director and Finance Director. In addition, the Board of Directors must approve all purchases in excess of \$5,000 with the exception of the following expenditures:

1. Health Insurance
2. Reimbursements/Payments to FOEL
3. Provider Reimbursement to Payments for SR and VPK
4. Office Space Rental Agreement Payments

### **Required Solicitation of Quotations from Vendors**

Purchase decisions in excess of \$5,000 for capital purchases (fixed assets) shall be made only after receiving, when possible, written quotations from at least two vendors.

Purchase decisions in excess of \$35,000 for commodities or services shall be made through a formal competitive proposal procedure in accordance with State policies and procedures.

## **Vendor Files and Required Documentation**

Upon making the initial purchase from any vendor (regardless of whether a contract is involved), the Finance Director shall mail a blank Form W-9 to that vendor, along with a request for the vendor to complete and sign the W-9 or provide equivalent, substitute information and return it in the postage-paid envelope provided. Completed, signed Forms W-9 or substitute documentation shall be filed in each vendor's folder. Vendors who do not return a completed, signed Form W-9 or provide equivalent documentation shall be issued a Form 1099 at the end of each calendar year in accordance with the policies described in the section of this manual on "Government Returns."

## **Ethical Conduct in Purchasing**

Ethical conduct in managing the Coalition's purchasing activities is an absolute essential. Staff must always be mindful that they represent the Board of Directors and share a professional trust with other staff 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 Manager if they are offered such gifts. Gifts to the Coalition viewed as normal business incentives to obtain future Coalition-approved business such as for meeting sites, are acceptable donations.

## **Conflicts of Interest Prohibited**

No employee, officer, or agent of the Coalition shall participate in the selection, award, or administration of a contract involving the Coalition if a real or apparent conflict of interest would be involved. Such a conflict would arise when the employee, officer, or agent, or any member of her or his immediate family, his or her 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 firm selected.

Officers, board members, and employees of the Coalition shall neither solicit nor accept gratuities, favors, or anything of monetary value from vendors or parties to sub-agreements. However, unsolicited gifts of a nominal value \$25 or less may be accepted with the approval of the Executive Director.

## **Receipt and Acceptance of Goods**

The Coalition's Office Manager shall inspect all goods received. Upon receipt of any item from a vendor, the following actions shall immediately be taken:

1. Review bill of lading for correct delivery point.
2. Verify the quantity of boxes/containers with the bill of lading.
3. Examine boxes/containers for exterior damage.
4. Note on the bill of lading any discrepancies (missing or damaged boxes, etc.).
5. Sign and date the bill of lading.
6. Retain a copy of the bill of lading.

## **Accounts Payable Management**

The Coalition strives to maintain efficient business practices and good cost control. A well-managed accounts payable function can assist in accomplishing this goal from the purchasing decision through payment and check reconciliation.

It is the policy of the Coalition that the recording of assets or expenses is recorded based on the vendor invoice for the related goods or services. Invoices and related general ledger account distribution codes are reviewed prior to posting to the subsidiary system.

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

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

## **Recording of Accounts Payable**

All valid accounts payable transactions, properly supported with the required documentation, shall be recorded in a timely manner.

Accounts payable are processed on a weekly basis. Information is entered into the system from the approved Invoice Form with appropriate documentation attached.

It is the policy of the Coalition that only original invoices will be processed for payment unless duplicated copies have been verified as unpaid by researching the vendor records. All duplicated copies of vendor invoices should be stamped as "Certified Original" prior to processing. No vendor statements shall be processed for payment.

## **Check Preparation**

It is the policy of the Coalition to print vendor checks and expense reimbursement checks on an as needed basis.

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

1. Expenditures must be supported in conformity with the purchasing, accounts payable, and travel policies.
2. Timing of disbursements should generally be made to take advantage of all early-payment discounts offered by vendors.
3. Generally, all vendors shall be paid within 30 days of submitting a proper invoice upon delivery of the requested goods or services.
4. Total cash requirements associated with each check run is monitored in conjunction with available cash balance in bank prior to the release of any checks.
5. All supporting documentation is attached to the corresponding check prior to forwarding the entire package to the Executive Director, Assistant Executive Director, or an authorized check signer.
6. Checks shall be utilized in numerical order.
7. Checks shall never be made payable to “bearer” or “cash.”
8. Checks shall never be signed prior to being prepared.

## **Check Signing**

It is the policy of the Coalition that checks equal to or less than \$5,000 will be signed by the Executive Director. However, checks greater than \$5,000 (other than checks to Providers for SR and VPK payments) require dual signatures and must be signed by both the Executive Director and an additional authorized signer.

Check signers should examine all original supporting documentation to ensure that each item has been properly checked prior to signing a check. Checks should not be signed if supporting documentation appears to be missing or there are any questions about a disbursement. Once fully authorized, each payment packet (invoice, PO if applicable, cost allocation breakdown as needed and signed check) will be reviewed for accuracy and completeness regarding all required authorizations, by the Finance Director. Checks will be mailed only upon the Finance Director’s final authorization for payment.

In addition, it is the policy of the Coalition that reimbursements to contractors, State and Federal tax deposits may be made through Electronic Funds Transfer. The Finance Director is authorized to approve all transfers.



## **Mailing of Checks**

After signature, checks and supporting documentation are returned to the Office Manager who attaches a copy of the signed check to the Purchase Order Form and mails checks immediately. Checks shall not be mailed by individuals who authorize expenditures.

## **Voided Checks and Stop Payments**

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

Stop payment orders may be made for checks lost in the mail or other valid reasons. Stop payments are processed online by the Finance Director. A journal entry is made to record the stop payment and any related bank fees.

## **Record-Keeping Associated with Independent Contractors**

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

## **Payroll**

Payroll is administered by-weekly by an outside contractor, ADP.

## **Personnel Files**

All employee personnel files are maintained by the Communications/HR Specialist. Information required to establish this file and to record changes thereto, originates only from the following sources:

1. Application/Resume
2. Form W-4
3. Form I-9
4. Insurance Application
5. Retirement Application
6. Properly executed and approved authorizations for miscellaneous payroll deductions
7. Documentation supporting approved employee rate of pay
8. Background check information

## **Payroll Preparation**

Each employee will be responsible for submitting a bi-weekly Personal Activity Report (PAR) to indicate hours worked, personal leave time, and/or holiday time. Each employee will forward a completed and signed PAR to his/her Manager for each payroll period.

Each Manager will sign to insure proper authorization and that appropriate forms have been completed for any personal leave time and submit all documentation to the Office Manager. The Office Manager will forward all completed time sheets to the Executive Director for approval. Once approved, the Office Manager will forward the request to the payroll company for processing.

## **Employee Leave Records**

Leave records will be maintained on a weekly basis for each employee. The Coalition maintains a funded leave pool to account for accrued leave time in an account separate from operating funds. Accrued leave will be expensed to contracts when earned. The liability and the cash account will be recorded in the accounting system by the Finance Director and an adjustment to the funded staff leave pool will be made accordingly.

## **Disbursement**

- A. The Entity's policies and procedures will comply with the following federal/state laws, regulations, statutes and rules.
- Chapter 60A – General Regulations
  - Section 215.422, F.S. – Payments, warrants and invoices; processing time limits; dispute resolution; agency or judicial branch compliance
  - Section 287.058, F.S. – Contract document
  - Rule 60A-1.002, FAC – Purchase of commodities or contract services
  - Chapter 69I – Division of Auditing and Accounting
  - Compliance with Rule 69I-24, F.A.C. – Payment of Vouchers by State Warrant
  - Compliance with Rule 69I-40, F.A.C. – Bureau of Auditing invoice requirements
  - DFS Reference Guide for State Expenditures
    - CFO Memo No. 01 (2012-13), Contract Summary Form
    - CFO Memo No. 02 (2012-13), Contract and Grant Reviews and Related Payment Processing Requirements
    - CFO Memo No. 03 (2014-15), Compliance Requirements for Agreements
    - CFO Memo No. 06 (2011-12), Contract Monitoring and Documenting Contractor Performance
    - PUR 1000 and 1001
  - OEL Program Guidance PG 250.01, Other Cost Accumulator (OCA) Working Definitions
  - OEL annual grant agreement Exhibit I for specified prohibited costs
  - 2 CFR 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

**B. Appropriate and adequate invoice processing policy disclosures [69I-40.002(3), F.A.C.]**

Contractual service invoices submitted by a vendor/contractor/service provider for payment processing must clearly identify, at a minimum,

- a. The dates of services, a description of the specific contract deliverables provided during the invoice period and the quantity provided, and the payment amount specified in the agreement for the completion of the deliverable(s) provided.
2. Cost reimbursement invoices must reflect the expenditures incurred by expenditure category.
3. Required information may be submitted on the invoice or in a report format along with any other information required by the terms of the agreement.
4. Written certification, from the contract/grant manager, that services were performed in accordance with the contract terms must be obtained and kept in entity files. [s. 287.057(14), F.S.]

**C. Appropriate and adequate invoice processing controls [69I-24.003, F.A.C.; CFOM No. 06 (2011-12)]**

1. The Entity will receive deliverables and provide written certification of such before payments are made.
  - a. Approval and inspection of goods or services shall take no longer than 5 working days unless the bid specifications, purchase order or contract specifies otherwise. [s. 215.422(1), F.S.]
  - b. Terms conditions must be specified and must accompany the request for payment to evidence delivery of goods/services. \*If it isn't documented, it didn't happen.
  - c. Entity must ensure that deliverables were received on time and as intended (i.e., met performance measures) before release of payment is approved/processed. \*
    - 1) May use a Contract Summary Form
    - 2) May use a written certification from the assigned contract manager on the invoice
    - 3) May use a Deliverable Tracker – track deliverables schedule
    - 4) May use a Deliverable Acceptance form to help document
    - 5) May use a Deliverable Acceptance form to help document
2. The Entity will ensure invoices have adequate documentation and are processed on a timely basis.
  - a. Documents for goods/services received are date stamped.
  - b. Review invoice for accuracy and completeness of the following details. [69I-40.002, (3), F.A.C.]
    - 1) Description of the item(s).
    - 2) Number of units.
    - 3) Cost per unit.
    - 4) Service dates coincide with invoice period.
    - 5) Minimum level of services has been provided.
    - 6) Amount invoiced coincides with the terms/conditions.
  - c. Verify any required supporting documentation has been submitted.

- d. Review documentation to gain reasonable assurance that commodities/contractual services have been satisfactorily provided within the terms of the contract/agreement.
  - e. Complete any additional processes required by ELC policy.
  - f. Certify the entity's receipt of goods/services.
  - g. Invoices shall be paid according to state rules for Prompt Payment Compliance.
    - 1) Section 215.422(3)(b), F.S., requires interest to be paid to the vendor if payment is not issued within 40 days after receipt of the invoice and receipt, inspection, and approval of the goods and services.
    - 2) DFS does not require agencies to pay interest penalty invoices of less than \$1.00 unless the vendor asserts his right to the interest penalty payment either orally or in writing.
3. Enforce terms and conditions [**s. 287.057(14)(b), F.S.; DFS-related contract manager guidance**]
- a. Entity staff assigned contract/grant management duties are required to work with the contractor/vendor to ensure that goods/services are received as intended and contract/agreement terms are enforced.
  - b. Use performance bonds when appropriate.
  - c. Verify financial consequences are addressed.
  - d. Verify terms for liquidated damages are included (when applicable) to compensate the entity for any losses realized.
4. For disputes about receipt of goods/services [**s. 215.422(8), F.S., Payments...disputes**]
- a. Entity will have written procedures and instructions for staff.
    - 1) Invoice may be prorated, reduced or withheld according to the financial consequences established in contract/agreement.
    - 2) Partial or prorated payments must be made based on the deliverables that can be validated and supported by adequate documentation.
  - b. If no financial consequences are included in contract/agreement OR documentation can't be provided, the payment should be withheld until the issue is resolved or a settlement is reached.
  - c. Inform staff of settlement agreement process.
    - 1) Used when the amount owed to a provider/contractor is in dispute.
    - 2) A lengthy, cumbersome and potentially expensive process the Coalition will not be able to complete alone; legal counsel will be required.
    - 3) Required for many situations including
      - a) To settle a lawsuit, damages or legal fees;
      - b) Absence of an executed agreement;
      - c) Agreement was executed after services were rendered;
      - d) Additional services not included in the agreement were provided;
      - e) Services were rendered after the agreement expired.

**D. Policy establishes controls for other disbursement procedures.**

## **E. State/Federal instructions**

The Entity's policies and procedures will comply with the following federal/state laws, regulations, statutes and rules.

- 60A-1.016 F.A.C., Contract and Purchase Order Requirements.
- DFS Reference Guide for State Expenditures
- DFS State Travel Manual
- CFO Memo No. 06 (2016-17), *Guidance for Travel restrictions imposed by Ch. 2016-62, FL Law*
- CFO Memo No. 02 (2014-15), *State of Florida Purchasing Card Program Convenience Fees/Surcharges*
- OEL annual grant agreement Exhibit I for specified prohibited costs
- 2 CFR 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards
  - 2 CFR 200.302, *Financial management systems*
  - 2 CFR 200.302(7), *Financial management systems* – allowability of costs
  - 2 CFR 200.303, Internal controls
  - 2 CFR 200, Subpart E – Cost Principles
- OEL Program Guidance files
  - Program Guidance 440.10 – Office of Early Learning Match Reporting Guidance
  - Program Guidance 240.01 – Cash Management Procedures
  - Program Guidance 240.04 – School Readiness Funds Management
  - Program Guidance 240.05 – Guidance on Prior Approval Procedures
  - Program Guidance 240.06 – Reimbursement Request Requirements for ELCs
  - Program Guidance 250.01 – Other Cost Accumulators (OCAs) Guidance.

## **F. Use of purchase orders [60A-1.016, F.A.C., Contract and Purchase Order Requirements]**

The Entity utilizes a purchase order system. A properly completed purchase order shall be required for each purchase decision (i.e., total amount of goods and services purchased, not unit cost) in excess of five-thousand dollars, with the exception of travel advances and expense reimbursements, which require the preparation of a separate form described elsewhere in this manual.

Purchase orders shall be pre-numbered, kept in a secure area in Accountants office, and issued upon request from an authorized purchaser.

All purchase orders shall be recorded in a purchase order log. At the end of each accounting period, an aged outstanding purchase order report shall be prepared and distributed to each purchasing representative and the Finance Director.

A properly completed purchase order shall contain the following information.

1. Minimum required Purchase Order policy disclosures
  - a. Contractor name, address, point of contact and phone number
  - b. Source of funding

- c. Solicitation number (if applicable)#
- d. Statements regarding the quantity, description, and price of goods or services ordered#
- e. Applicable payment terms and discounts#
- f. Date of performance, transportation/delivery#
- g. Liquidated damages#
- h. Catalog number, page number, etc. (if applicable)
- i. Net price per unit, less any discount(s)
- j. Total amount of order
- k. Authorized signature
- l. Date purchase order was prepared
  - 1) Additional disclosures may also apply for higher dollar purchases
  - 2) Payment audit (records of costs will be available upon request)
  - 3) Payment made after written “agency” acceptance
  - 4) Payment timeframe – timely payments will be made
  - 5) Funding availability/annual appropriation
  - 6) No lobbying
  - 7) Public access/public records
  - 8) Conduct of business – federal/state laws govern
  - 9) Conflict of interest/related party activities
  - 10) Confidentiality and safeguarding information
  - 11) Termination for cause – required for purchases in excess of \$10,000^
  - 12) Remedies – required for purchases in excess of \$35,000^

Required disclosure element per state purchasing statutes or rules (see 60A-1.016, F.A.C.).

Required disclosures element per federal grant program rules (see 2 CFR Part 200 Appendix II).

- 2. Minimum Entity control processes required for Purchase Orders (see 60A-1.016, F.A.C.)
  - a. Secure all unused purchase orders in a safe place and restrict access to these documents.
  - b. Maintain a file and accounting system for all consecutive purchase orders issued or voided.
  - c. Maintain a records of persons authorized to issue and sign each type of purchase order.
  - d. Monitor and review processes for the use of purchase orders and field purchase orders (those issued by an agency/office that is separate from the agency purchasing office (i.e., satellite offices).Rationale for method of procurement.

## **CASH AND CASH MANAGEMENT**

### **Bank Reconciliations**

Bank account statements are received each month and forwarded to the Finance Director. The Finance Director shall review its contents for unusual or unexplained items, such as unusual endorsements on checks, indications of alterations to checks, etc. Unusual or unexplained items shall be reported immediately to the Executive Director or Assistant Executive Director.

The reconciliation between the bank balance and general ledger balance is prepared, signed and submitted to the Executive Director or Assistant Executive Director. The Finance Director reviews the bank statement and the reconciliation with the Executive Director or Assistant Executive Director. The Executive Director or Assistant Executive Director verifies transactions with the general ledger and the previous month's statement and indicates their approval by initialing and dating the reconciliation. It is the policy of the Coalition to complete the bank reconciliation process no later than the 20<sup>th</sup> of the month in which the statement is received.

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

### **Cash Flow Management**

The Finance Director monitors cash flow needs on a daily basis to eliminate idle funds and to ensure that payment obligations to our vendors, employees and providers can be met.

### **Disposition of Stale Checks**

It is the policy of the Coalition to immediately notify payee of all outstanding checks that are more than six months old that have not cleared the Coalition's bank account. All state checks, regardless of the stale period, must be addressed (reissued or voided) prior to the closing of the fiscal year the check was recorded. If payee is contacted, the Coalition will void original check and reissue. If the Coalition is unable to contact payee, all stale checks are voided and credited to the same expense and/or asset account that was debited when the check was written or the expenditure incurred.

## **PREPAID EXPENSES**

### **Accounting Treatment**

It is the policy of the Coalition to treat payments of expenses that have a time-sensitive future benefit as prepaid expenses and to amortize these items over the corresponding time period. For purposes of this policy, payments of less than \$1,000 shall be expensed as paid and not treated as prepaid expenses, regardless of the existence of a future benefit.

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

### **Procedures**

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

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



## FINANCIAL STATEMENTS

### **Standard Financial Statements of the Coalition**

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

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

1. **Statement of Financial Position** – reflects assets, liabilities and net assets of the organization and classifies assets and liabilities as current or non-current/long-term (Balance Sheet).
2. **Statement of Activities** – presents support, revenues, expenses, and other changes in net assets of the organization, by category of net asset (unrestricted, and permanently restricted).
3. **Statement of Cash Flows** – reports the cash inflows and outflows of the organization. (Revenue and Expenditures)

### **Frequency of Preparation**

The objective of the Finance Director is to prepare accurate financial statements in accordance with Generally Accepted Accounting Principles (GAAP) and distribute them in a timely and cost-effective manner. In meeting this responsibility, the following policies shall apply:

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

1. Individual statements of activities on an administrative and programmatic basis.
2. Comparisons of actual year-to-date revenues and expenses with year-to-date budgeted amounts.

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

## **Review and Distribution**

All financial statements and supporting schedules shall be reviewed by the Finance and Audit Committee. After consensus is reached to accept the financial statements by this committee, a complete set of financial statements shall be forwarded to the Coalition's Treasurer. The Treasurer will present the Statement of Financials during the scheduled Board of Director's meeting. The Board of Directors shall review and approve accordingly.

## GOVERNMENT RETURNS

### **Overview**

To legitimately conduct business, the Coalition must be aware of its tax and information return filing obligations and comply with all such requirements of Federal, State and local jurisdictions. Filing requirements of the Coalition include, but are not limited to, filing annual information returns with Internal Revenue Service.

### **Filing of Returns**

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

In addition, it is the policy of the Coalition to file complete and accurate returns with all authorities. The Coalition shall make all efforts to avoid filing misleading, inaccurate or incomplete returns.

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

**Form 990** – The annual information return of tax-exempt organizations, filed with IRS. Form 990 for Example NPO is due on the fifteenth day of the fifth month following year-end. An automatic 3-month extension of time to file Form 990 may be obtained filing Form 8868. Upon expiration of the first 3-month extension, a second 3-month extension may be requested using Form 8868.

**Form 990-T** – Annual tax return to report Example NOP's unrelated trade or business activities (if any), filed with IRS. Form 990-T is due on the fifteenth day of the fifth month following year-end. An automatic 6-month extension of time to file Form 990-T may be obtained by filing Form 8868.

**W-2's and 1099's** – Annual report of employee and non-employee compensation, based on calendar-year compensation, on the cash basis. These information returns are due to employees and independent contractors by January 31 and to Federal government by February 28.

**Form 940** – Annual Federal unemployment tax return filed with IRS, for all employers due January 31.

**Form 941** – Quarterly payroll tax return filed with IRS to report wages paid to employees and Federal payroll taxes. Form 941 is due by the end of the month following the end of each quarter, or 10 days later if all payroll tax deposits have been made in a timely manner during the quarter.

**UCT-6** – Quarterly state unemployment return filed with the State of Florida for all employers.

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

### **Public Access to Information Returns**

Under regulations that became effective in 1999, the Coalition is subject to Federal requirements to make the following forms “widely available” to all members of the general public:

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

It is the policy of the Coalition to adhere to the guidelines stated in the Coalition’s Records Management Operating Policy.

## **BUDGETING**

### **Overview**

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

### **Preparation and Adoption**

It is the policy of the Coalition to adopt a final budget at least 30 days before the beginning of the new fiscal year. The purpose of adopting a final budget at this time is to allow adequate time for the Finance Director to input the budget into the accounting system and establish appropriate accounting and reporting procedures (including any necessary modifications to the chart of accounts) to ensure proper classification of activities and comparison of budget versus actual once the fiscal year begins.

### **Monitoring Performance**

It is the policy of the Coalition to monitor its financial performance by comparing and analyzing actual results with budgeted results. This function shall be accomplished in conjunction with the monthly financial reporting process described earlier. On a regular basis, monthly financial reports comparing actual year-to-date revenues and expenses with budgeted year-to-date amounts shall be produced by the Finance Director and distributed to the Board of Directors for adoption.

### **Budget Realignment**

After a budget has been approved by the Board of Directors and adopted by the Coalition, reclassifications of budgeted expense amounts within a single category may be made by the Executive Director. All reclassifications are to be reported to the Finance and Audit Committee and the Board of Directors.

## **AUDIT/AUDIT RESOLUTION**

### **Purpose**

The purpose of this plan is to establish a program of audit of the Early Learning Coalition of Pasco and Hernando Counties, Inc., a Florida not-for-profit Corporation. This plan complies with the requirements of the State of Florida and OMB Circular A-133. The Audit Plan will be submitted annually no later than 30 days after the end of the prior fiscal year.

### **Audit**

The Early Learning Coalition of Pasco and Hernando Counties, Inc. shall have a Single Audit conducted in accordance with OMB Circular A-133, applicable regulations, State laws, and Division Policies. The audit will be performed by an independent auditor in accordance with Government Auditing Standards (GAS) generally accepted in the United States of America covering financial and compliance audits. The audit will be conducted annually.

### **Scope of Audit**

The auditor shall determine:

1. That the Early Learning Coalition of Pasco and Hernando Counties, Inc.'s financial statements fairly present its financial position and the results of its financial operations in accordance with generally accepted accounting principles in the United States of America and that the Schedule of Federal Awards is presented fairly in all material respects in relation to the financial statements taken as a whole.
2. The Early Learning Coalition of Pasco and Hernando Counties, Inc. has an internal control structure and other control systems to provide reasonable assurance that it is managing Federal financial assistance programs in compliance with applicable laws and regulations that could have a material impact on the financial statements.
3. The Early Learning Coalition of Pasco and Hernando Counties, Inc. has complied with laws and regulations that may have direct and material effects on its financial statements and on each major Federal assistance program.
4. The audit will be conducted in accordance with OMB Circular A-133 and the Florida Single Audit Act.

## **Target Dates**

The annual audit for the fiscal year ended June 30 will be completed and submitted to the Early Learning Coalition of Pasco and Hernando Counties, Inc., by March 1. Two copies of the audit report along with the corrective action plan, including comments on the status of corrective action taken on prior year findings, and a copy of the dated transmittal letter from the audit firm will be submitted to FEOL by March 31. One copy of the data collection form and one copy of the audit report will be forwarded to the Federal Audit Clearinghouse.

## **Funds to be Audited**

The Early Learning Coalition of Pasco and Hernando Counties, Inc.'s independent audit will cover the entire operation including all funding sources, grants and contracts. Service providers will have their activities monitored to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and those performance goals are achieved.

## **Procurement of the Audit Firm**

The Early Learning Coalition of Pasco and Hernando Counties, Inc. will contract on a three (3) year basis for the services of an independent certified public accounting firm. Any exception to this requires approval by the Executive Committee and will be based on a quote for services and a review of costs incurred for a financial audit by at least three similarly-sized Early Learning Coalitions. Audit services are obtained through the same procurement procedures as are other services required by the Early Learning Coalition of Pasco and Hernando Counties, Inc. The procedures comply with OMB Circulars A-102 and A-110. Factors considered in awarding the audit contract include responsiveness to the request for proposal, relevant experience, availability of staff with professional qualifications and technical abilities, the results of external quality control reviews and price.

## **Requirement of the Audit Firm**

The Early Learning Coalition of Pasco and Hernando Counties, Inc. will require the contracted audit firm to perform such financial and compliance reviews and testing procedures as deemed necessary to fulfill the requirements of the Scope of the Audit as described above.

The Early Learning Coalition of Pasco and Hernando Counties, Inc. will obtain an engagement letter containing a statement that the audit will be conducted in compliance with FOEL Policy.

## COST ALLOCATION

### **General**

All allowable costs are to be charged or allocated to a particular program and cost centers within a program to the extent that benefits are received by these cost centers. The preferred method of allocation is a direct allocation, where a cost is assigned to one cost center. Where it is impractical to directly allocate certain costs, those costs may be pooled (i.e. initially charged to a cost pool used for the accumulation of those costs until the costs are distributed) through the application of an appropriate cost allocation formula, to the ultimate benefiting cost center. All expenditures of the Coalition will be allocated to the appropriate cost center in accordance with the Coalition's Cost Allocation Plan.

#### **A. Written procedures for allowability of costs - required contents [2 CFR Part 200.302(7)]**

1. Procedures or disclosures for prohibited costs – *optional disclosures based on entity operations*.
2. Procedures to evaluate allowability of costs – **a disclosure requirement**.

The ELC applies the following questions to each transaction and documents the results.

#### **Phase I Analysis – General considerations for allowable costs**

##### **A. Consider requirements from federal regulations and program requirements**

1. Is the proposed cost allowable based on instructions from uniform grant guidance?
2. Is the proposed cost consistent with the federal cost principles?

##### **B. Consider requirements from the federal awarding agency**

3. Is the proposed cost allowable based on agency-specific regulations?
4. Is the proposed cost allowable based on the related terms/conditions that govern the agency's award to / agreement with OEL?
5. Is the proposed cost consistent with the grant project performance measures or benchmarks?

##### **C. Consider requirements from applicable state guidance**

6. Is the proposed cost consistent with authorized grant program activities as described in the USDHHS-approved CCDF State plan?
7. Is the proposed cost allowed by state expenditures guidance from state statutes, rules, regulations or guidance from DFS/DMS?
8. Does the proposed cost comply with related grant program terms/conditions issued by OEL for grant awards, contracts, purchase orders and other expenditure agreements?

##### **D. Consider the period of performance**

9. Is the proposed cost for the allowed period of availability as defined for the funding program?

##### **E. Consider other oversight instructions**



10. If federal or state-level prior approval is required for the proposed cost, was this process followed?

**Phase II Analysis – Specific factors affecting allowable costs**

Several additional factors should be considered and documented by staff for cost transactions. The answer for each question listed here must be “yes” in order for staff to continue with the transaction.

F. The proposed cost(s) is/are -

11. Necessary
12. Reasonable
13. Allocable
14. In conformance with federal law and grant terms and conditions
15. Consistent with state and local policies
16. Consistently treated
17. In accordance with generally accepted accounting principles (GAAP) and other standards  
Each non-federal entity that receives federal/state grant program funds must use accounting rules and procedures established by authoritative bodies or conventions that have evolved through custom and common usage.
18. Not used as match on another federal award
19. Net of applicable credits (2 CFR §200.406)

Adequately documented

20. Adequately documented<sup>1</sup>

## ADMINISTRATION OF FEDERAL AWARDS

### **Compliance with Laws, Regulations and Provisions of Awards**

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

1. For each Federal award, the Finance Director shall be responsible for administering the award.
2. The Finance Director shall take the following steps to identify all applicable laws, regulations, and provisions of each grant and contract:
  - a. Read each award and prepare a summary of key compliance requirements and references to specific laws and regulations.
  - b. Review the “OMB Circular A-133 Compliance Supplement” (updated annually) published by the Office of Management and Budget (OMB) for compliance requirements unique to the award and for compliance requirements common to all Federal awards.
  - c. Review the section of the Catalog of Federal Domestic Assistance applicable to the award.
3. The Finance Director and/or the Executive Director shall identify and communicate any special changes in policies and procedures necessitated by Federal awards as a result of the review of each award.
4. The Finance Director shall take all reasonable steps necessary to identify applicable changes in laws, regulations, and provisions of contracts and grants. Steps taken in this regard shall include, but not be limited to, reviewing subsequent grant and contract renewals, reviewing annual revisions to the “OMB Circular A-133 Compliance Supplement”, and communications with Federal awarding agency personnel.
5. The Finance Director shall cooperate with the Coalition’s Independent Auditors by informing the CPA firm as to applicable laws, regulations and provisions of contracts and grants and communicating known instances of noncompliance with laws, regulations, and provisions of contracts and grants to the auditors.

### **Billing and Financial Reporting**

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

The Coalition shall prepare and submit financial reports as specified by the financial reporting clause of each grant or contract award document. Preparation of these reports shall be the responsibility of the Finance Director, subject to review and approval by the Executive Director.

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

1. It is the policy of the Coalition to request reimbursement after expenditures have been incurred, unless an award specifies another method.
2. Each award normally specifies a particular billing cycle; therefore, a schedule is established for each grant to ensure that reimbursement is made on a timely basis along with any other reporting that is required in addition to the financial reports.
3. Requests for reimbursement of award expenditures will use the actual amounts as posted to the general ledger as the source for all invoice amounts.
4. All financial reports required by each Federal award will be prepared and filed on a timely basis. To the extent the Coalition's year-end audit results in adjustments to amounts previously reported to Federal agencies, revised reports shall be prepared and filed in accordance with the terms of each Federal award.

The Coalition shall maintain separate billing records in addition to the official general ledger accounting records. Billing records shall be reconciled to the general ledger on a monthly basis. Formal reconciliation between invoices to OEL and SAGE will be performed by the Financial Director at the time of OEL invoicing.

At the time invoices (requests for reimbursement) are prepared, revenue and accounts receivable shall be recorded on the books of the Coalition by the Finance Director.

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

### **Procurement under Federal Awards**

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

1. The Coalition shall avoid purchasing items that are not necessary for the performance of the activities required by a Federal award.
2. Where appropriate, a cost and price analysis shall be made of lease and purchase alternatives to determine which would be the most economical and practical procurement for the Federal government.
3. Documentation of the cost and price analysis associated with each procurement decision shall be retained in the procurement files pertaining to each Federal award.
4. For all procurements in excess of the small purchase acquisition threshold, procurement records and files shall be maintained that include all of the following:
  - a. The basis for contractor selection.
  - b. Justification for lack of competition when competitive bids or offers are not obtained.
  - c. The basis for award cost or price.
5. The Coalition shall make all procurement files available for inspection upon request by a Federal Awarding Agency.
6. All contracts with vendors shall require the vendor to certify in writing that it has not been suspended or disbarred from doing business with a Federal agency.
7. Policies used by the entity will comply with disclosure requirements for all agreements funded by federal and/or state monies passed-through the State Treasury in compliance with section 215.971, F.D-Agreements.
8. Policies used by the Coalition will comply with minimum disclosure requirements for contracts and purchase order agreements in excess of the threshold amount provided in s. 287.017 for Category Two (\$35,000) in compliance with section 287.058, F.S.-Contract Document.
9. State rule(s) for purchasing describe how an entity may exercise its authority in procuring services. It describes the procurement process required for all types of contracts and presents the correct purchasing methods for all contractual services and commodities. Policies used by the entity will comply with applicable instructions from state purchasing rule(s) in compliance with Rule 60A-1.002, FAC – Purchase of commodities or contract services.
10. Disclose in writing any potential conflicts of interest. [2 CFR Part 200.112]
  
11. When possible, use state and local inter-entity agreements to procure common or shared goods and services. [2 CFR Part 200.318(e)]
  
12. Use federal excess and surplus property instead of purchasing new equipment and property when possible and if such activity helps reduce program/project costs. [2 CFR Part 200.318(f)]
  
- 13.

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

## Standards for Financial Management Systems

In accordance with OMB Circular A-110, it is the policy of the Coalition to maintain a financial management system that provides for the following:

1. Accurate, current and complete disclosure of the financial results of each Federally-sponsored project or program in accordance with the reporting requirements of Circular A-110 and/or the award.
2. Records that identify adequately the source and application of funds for Federally-sponsored activities. These records shall contain information pertaining to Federal awards, authorizations, obligations, un-obligated balances, assets, outlays, income and interest.
3. Effective control over and accountability for all funds, property and other assets. The Coalition shall adequately safeguard all such assets and assure they are used solely for authorized purposes.

4. Comparison of outlays with budget amounts for each award. Whenever possible, financial information shall be related to performance and unit cost data.
5. Written procedures to minimize the time elapsing between the transfer of funds to the Coalition from the U.S. Treasury and the issuance and redemption of checks, warrants or payments by other means for program purposes by the recipient.
6. Written procedures for determining the reasonableness, allocability and allowability of costs in accordance with the provisions of the applicable Federal cost principles and the terms and conditions of the award.
7. Accounting records including cost accounting records that are supported by source documentation.

### **Budget and Program Revisions**

It is the policy of the Coalition to request prior approval from Federal awarding agencies for any of the following program or budget revisions:

1. Change in the scope or objective of the project or program even if there is no associated budget revision requiring prior written approval.
2. Change in a key person (project director, etc.) specified in the application or award document.
3. The absence for more than three months, or a 25 percent reduction in time devoted to the project, by the approved project director or principal investigator.
4. The need for additional Federal funding.
5. The inclusion, unless waived by the Federal awarding agency, of costs that require prior approval in accordance with OMB Circular A-122.
6. The transfer of funds allotted for training allowances (direct payment to trainees) to other categories of expense.
7. Unless described in the application and funded in the approved awards, the sub-award, transfer or contracting out of any work under an award (however, this provision does not apply to purchases of supplies, materials, equipment or general support services).

### **Close Out of Federal Awards**

The Coalition shall follow the close out procedures described in OMB Circular A-110 and in the grant agreements as specified by the granting agency. The Coalition shall liquidate all obligations incurred under the grant or contract within 60 days of the end of the grant or contract agreement.

In addition and more specifically, the Finance Director shall complete the following:

1. Reconcile expense accounts in the Chart of Accounts to Class expense accounts.
2. Reconcile payroll summary report to 941's and Personal Leave Time records.
3. Reconcile payroll liabilities.
4. Reconcile revenue accounts to Cash Receipts/Accounts Receivable Log.
5. Reconcile direct service expense accounts to the statewide reporting system.
6. Request the funding agency to submit a copy of the state's schedule of invoices received/paid and reconcile award expense accounts to the state's schedule of invoices received and paid. Review expenses against prior year expenses and document significant variances.
7. Reconcile revenue and expense accounts to the state's schedule of invoices received and paid.
8. Reconcile and close out award advances.
9. Reconcile award interest earned and disbursed to funding agency.
10. Review budget vs. actual report and amend/adjust budget if necessary.
11. Review and reconcile account maximum and minimum thresholds as determined by the award.
12. Review award deliverables and document compliance.
13. Reconcile fixed assets purchased to prior approval authorizations and record assets in the fixed assets account.
14. Record disposed fixed assets.
15. Calculate fixed assets depreciation schedule and record the depreciation.
16. Review prepaid expenses and confirm correct recording.
17. Prepare the following close out reports:
  - a. Statement Functional Expense
  - b. Breakout of Revenue between Program and Administration
  - c. Accounts Receivables Aging
  - d. Accounts Payables Aging
  - e. Lease Payment History
  - f. Profit and Loss by Class
  - g. Program/Provider Grant Summary
  - h. Prepaid Expense Report
  - i. Payroll Summary Report
18. Review and evaluate internal controls. Amend/create controls based on evaluation, if necessary.
19. Submit close out documents and reports to the Executive Director for review and approval.

## **Advance Payments**

If the Coalition received an advance payment from a funding agency the repayment of the advance shall be completed prior to the last month of the fiscal year. The Coalition shall reconcile the advance payment to the actual expenditures for the current month and determine if the advance payment is needed to meet the actual cash requirements for the highest month. This procedure shall be documented and maintained in the Coalition's financial records. If the advance funds exceed the immediate cash needs of the Coalition, the Coalition shall immediately return any excess funds to the funding agency. In the event the advance does not meet the cash needs of the Coalition, the Finance Director shall request a second advance request in compliance with the funding agency's policies.

Advance Payments shall be deposited into an interest bearing account. In compliance with Title 45, Section 92.21(i) CFF the Coalition shall promptly, but at least quarterly, remit interest earned on advances to the funding agency. Documentation to support the interest income calculation including bank statements shall be retained in the Coalition's financial documents. Remittance of interest earned shall be conducted in compliance with the funding agency's requirements.

## **Certified Forward Process**

Each year, unspent grant award balances are certified forward, at the state level, so that goods and services received by the Coalition in June can be invoiced by the Coalition and reimbursed by funding agencies in subsequent months. To ensure proper receipt and payment of purchases, the Coalition shall implement the following year end purchasing procedures:

1. Any purchase request after April 30 shall have a stipulated delivery date of no later than June 20.
2. Appropriated processing of invoices received up to June 20 must be completed immediately.
3. Any outstanding purchase request not received by June 20 shall be cancelled immediately.

## **Prepayment for Goods and Services**

The Coalition is authorized to prepay for goods and services not received by year end; however, the prepayment must meet one of the following criteria:

1. The prepayment is a result of an obligation, as defined in the OMB Circulars that occurred during the funding period.
2. The prepayment circumstances are reasonable (e.g., it is ordinary and necessary; it is of sound business practice).
3. The prepayment is a reasonable allocated cost to the funding agency based on the benefits received.



If the prepayment meets one of the above, the following documentation must be included with the prepayment request:

1. A description of the cost to be pre-paid and the grant program to be charged for the cost, along with applicable funding periods of the grants charged.
2. The cost saving or other business rationale for making the prepayment.
3. A description of the methodology used to allocate the cost among the various benefiting grant programs.
4. The time period covered by the prepayment.

### **Post-Award Procedures**

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

1. **Verify the specifications of the grant or contract.** The Finance Director shall review the terms, time periods, award amounts and expected expenditures associated with the award. A CFDA (*Catalog of Federal Domestic Assistance*) number shall be determined for each award. All reporting requirements under the contract or award shall be summarized.
2. **Create new general ledger account numbers.** New accounts shall be established for the receipt and expenditure categories in line with the grant or contract budget as deemed necessary.
3. **Gather documentation.** A file is established for each grant or contract. The file contains the proposal, all correspondence regarding the grant or contract, the final signed award document and all reports submitted to the funding sources.

**Amendment #1**

*First Reading: 9/25/08*

*Second Reading: 10/23/08*

*Third Reading: 12/16/08*

*Approved: 1/22/09*

**Amendment #2**

*First Reading: 4/20/09*

*Approved: 5/28/09*

**Amendment #3**

*First Reading: 1/20/10*

*Second Reading: 2/17/10*

*Committee Approved: 3/23/10*

*Board of Directors Approved: 5/27/10*

**Amendment #4**

*Committee Approved: 9/15/10*

*First Reading: 9/23/10*

*Second Reading: 11/18/10*

*Board of Directors Approved: 11/18/10*

**Amendment #5**

*Amended: 3/2011*

*Board of Directors Approved: 5/26/11*

**Amendment #6**

*Committee Approved: 9/19/11*

*Board of Directors Approved: 9/22/11*

**Amendment #7**

*Committee Approved: 6/12/12*

*Board of Directors Approved: 11/15/12*

**Amendment #8**

*Committee Approved: 5/19/14*

*Board of Directors Approved: 7/24/14*

**Amendment #9**

*Committee Approved: 5/21/15*

*Board of Directors Approved: 7/23/15*

**Amendment #10**

*Board of Directors Approved: 4/28/16*

**Amendment #11**

*Committee Approved: 12/21/16*