

# **MCCAA**

## **Accounting & Financial Policies and Procedures Manual**

### **Effective Date(s) of Accounting Policies**

The effective date of all accounting policies described in this manual is November 2011. If a policy is added or modified subsequent to this date, the effective date of the new/revised policy will be indicated parenthetically immediately following the policy heading.

***Effective Date of Policy: November 2011***

***Date Last Amended: December 14, 2021***

***Superseded policy statements should be retained for future reference in connection with any audits or investigations (likely for a period of 5 to 7 years).***

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## INTRODUCTION

The following accounting manual is intended to provide an overview of the accounting policies and procedures for Mid Cumberland Community Action Agency, which shall be referred to as “MCCAA” throughout this manual.

**MCCAA** is incorporated in the state of Tennessee. MCCAA is exempt from Federal income taxes under IRC Section [501(c) (3)] as a nonprofit corporation. MCCAA’s tax-exempt mission:

Mid-Cumberland Community Action Agency is committed to providing resources and opportunities for families, children and individuals to improve their quality of life. Our team of caring professionals addresses the needs of the people we serve through a wide array of agency programs and a broad network of partners.

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

The contents of this manual were approved as official policy of MCCAA by the Board of Directors, Executive Director, and Director of Finance. All MCCAA staff are bound by the policies herein, and any deviation from established policy is prohibited.

## **GENERAL POLICIES**

### **ORGANIZATIONAL STRUCTURE**

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

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

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

The Executive Director shall be responsible for the day-to-day oversight and management of MCCAA.

#### **Committee Structure**

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

1. Executive Committee
2. Personnel Committee
3. Grievance Committee
4. Planning Committee
5. Nominating Committee
6. Finance Committee

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

## **Finance Committee Responsibilities**

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

1. Review and recommendation of MCCA's annual budget (prepared by the staff) for final approval by the full board
2. Long-term financial planning
3. Establishment of investment policy and monitoring investment performance
4. Evaluation and approval of facilities decisions (i.e., leasing, purchasing property)
5. Monitoring of actual vs. budgeted financial performance
6. Oversight of reserve funds
7. Review of financial procedures

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

## **The Roles of the Executive Director and Staff**

See Personnel Policy & Procedures for further guidance.



# FINANCE DEPARTMENT OVERVIEW

## Organization

The accounting department consists of staff who manage and process financial information for MCCA. The following positions comprise the finance department:

- Director of Finance
- Agency Bookkeeper I – Accounts Payable Specialist
- Agency Bookkeeper II – Staff Accountant

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

- Executive Director
- Deputy Director
- Program Directors
- Executive Committee – Board level
- Full Board of Directors

## 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
- Fiscal Monitoring
- Compliance with government reporting requirements
- Annual audit
- Leases
- Insurance
- Fiscal Monitoring

## **Standards for Financial Management Systems**

In accordance with OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*, MCCAAC maintains a financial management system that provides for the following. Specific procedures to carry out these standards are detailed in the appropriate sections of this manual.

1. Accurate, current, and complete disclosure of the financial results of each Federally-sponsored project or program in accordance with the reporting requirements of 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, unobligated balances, assets, outlays, income, and interest.
3. Effective control over and accountability for all funds, property, and other assets. MCCAAC 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 MCCAAC from the U.S. Treasury and the issuance or 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.

# **BUSINESS CONDUCT**

## **Practice of Ethical Behavior**

Unethical actions, or the appearance of unethical actions, are unacceptable under any conditions. The policies and reputation of MCCAAC 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. Each employee is responsible for applying common sense in business decisions where specific rules do not provide all the answers.

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

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

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

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

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

MCCAAC does not tolerate:

- The willful violation or circumvention of any Federal, state, local, or foreign law by an employee during the course of that person's employment;
- The disregard or circumvention of MCCAAC policy or engagement in unscrupulous dealings.

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

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

# CONFLICTS OF INTEREST

## **Introduction**

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

All directors and employees have an obligation to:

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

## **What Constitutes a Conflict of Interest?**

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

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

1. Negotiates or approves a contract, purchase, or lease on behalf of MCCA and has a direct or indirect interest in, or receives personal benefit from, the entity or individual providing the goods or services;
2. Negotiates or approves a contract, sale, or lease on behalf of MCCA and has a direct or indirect interest in, or receives personal benefit from, the entity or individual receiving the goods or services;
3. Employs or approves the employment of, or supervises a person who is an immediate family member of the director or employee;
4. Sells products or services in competition with MCCA;
5. Uses MCCA's facilities, other assets, employees, or other resources for personal gain;
6. Receives a substantial gift from a vendor, if the director or employee is responsible for initiating or approving purchases from that vendor. A substantial gift equals an amount of \$25.00 or greater.



## **Disclosure Requirements**

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

Therefore, MCCAAC requires the following:

1. On an annual basis, all members of the Board of Directors, the Executive Director, members of senior management, and employees with purchasing and/or hiring responsibilities or authority shall inform, in writing, the Executive Director and the chair of the Finance Committee, of all reportable conflicts.
2. Prior to the preparation of the disclosure statements, the accounting department shall distribute a list of all vendors with whom MCCAAC has transacted business at any time during the preceding year, along with a copy of the disclosure statement;
3. The Executive Director shall review all forms completed by employees, and the Finance Committee shall review all forms completed by directors and the Executive Director, and determine appropriate resolution in accordance with the next section of this policy.
4. If a conflict arises during the year, the employee or board member will immediately notify the Executive Director who will determine appropriate resolution.

## **Resolution of Conflicts of Interest**

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

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

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

- An appeal must be directed to the chair of the board.
- Appeals must be made within 30 days of the initial determination.
- Resolution of the appeal shall be made by vote of the full Board of Directors.
- Board members who are the subject of the appeal, or who have a conflict of interest with respect to the subject of the appeal, shall abstain from participating in, discussing, or voting on the resolution, unless their discussion is requested by the remaining members of the board.

### **Disciplinary Action for Violations of this Policy**

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 MCCA 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 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 director, manager or supervisor who attempts to retaliate, directly or indirectly, or encourages others to do so, against any employee who reports a violation of this policy.

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

# **POLICY ON SUSPECTED MISCONDUCT**

## **Introduction**

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

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

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

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

## **Definitions**

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

1. Actions that violate MCCAA's Code of Conduct (and any underlying policies) or any of the accounting and financial policies included in this manual
2. Fraud (see below)
3. Forgery or alteration of checks, bank drafts, documents or other records (including electronic records)
4. Destruction, alteration, mutilation, or concealment of any document or record with the intent to obstruct or influence an investigation, or potential investigation, carried out by a department or agency of the Federal government or by MCCAA in connection with this policy
5. Disclosure to any external party of proprietary information or confidential personal information obtained in connection with employment with or service to MCCAA
6. Unauthorized personal or other inappropriate (non-business) use of equipment, assets, services, personnel or other resources
7. Acts that violate Federal, state, or local laws or regulations
8. Accepting or seeking anything of material value from contractors, vendors, or persons providing goods or services to MCCAA. Exception: gifts less than \$25.00.
9. Impropriety of the handling or reporting of money in financial transactions.

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

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

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

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

### **Reporting Responsibilities**

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

### **Whistleblower Protection**

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

## **Investigative Responsibilities**

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

The Director of Finance has the primary responsibility for investigating suspected misconduct involving employees below the Executive Director and executive management level. The Director of Finance shall provide a summary of all investigative work to the Finance Committee.

The Finance Committee has the primary responsibility for investigating suspected misconduct involving Executive Director and executive level positions, as well as board members and officers. However, the Finance Committee may request the assistance of the Director of Finance in any such investigation.

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

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

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

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

## **Protection of Records – Federal Matters**

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

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

## **Disciplinary Action**

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

- Reprimand
- Probation
- Suspension
- Demotion
- Termination
- Reimbursement of losses or damages
- Referral for criminal prosecution or civil action

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

## **Confidentiality**

The Finance Committee and the Director of Finance treat all information received confidentially. Any employee who suspects dishonest or fraudulent activity will notify the Director of Finance or the Finance Committee Chair immediately, and should not attempt to personally conduct investigations or interviews/interrogations related to any suspected fraudulent act (see **Reporting Procedures** section above).

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

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

The reporting individual should be informed of the following:

1. Do not contact the suspected individual in an effort to determine facts or demand restitution.
2. Do not discuss the case, facts, suspicions, or allegations with anyone unless specifically asked to do so by the MCCA legal counsel or the Finance Committee.

### **Disclosure to Outside Parties**

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

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

# **SECURITY**

## **Finance Department**

A lock will be maintained on the door leading into the MCCA Finance Department. This door shall be closed and locked in the evenings and whenever the Finance Department is vacant. The key/combination to this lock will be provided to key finance personnel and the Executive Director, and other personnel as approved by the Executive Director.

MCCAA's corporate seals and blank check stock shall be stored in a fireproof file cabinet in the Finance Department. This cabinet will be locked with a key that is kept in the Finance Department. Access to this file cabinet shall be by keys in the possession of the Director of Finance and Executive Director.

## **Access to Electronically Stored Accounting Data**

MCCAA utilizes passwords to restrict access to accounting software and data. Only duly authorized accounting personnel with data input responsibilities will be assigned passwords that allow access to the system.

Accounting personnel are expected to keep their passwords secret. Administration of passwords shall be performed by a responsible individual independent of programming functions.

Each password enables a user to gain access to only those software and data files necessary for each employee's required duties.

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

MCCAA maintains back-up copies of electronic data files off-site in a secure, fire-protected environment. Access to back-up files shall be limited to individuals authorized by management. A log should be kept which records the whereabouts of each backup media. Multiple copies of backup media are recommended so as to not overwrite the most recent backup.

MCCAA should have a regularly scheduled test of its capability to restore from backup media.

## **Storage of Sensitive Data**

In addition to accounting and financial data stored in the Finance Department, other sensitive data, such as social security numbers of employees or clients, etc may be stored in areas other than the accounting department, such as in program, Human Resources offices, etc. Therefore, MCCA:

1. Minimizes the storage of sensitive data outside the Finance Department by shredding documents with such data or deleting the sensitive data from documents that are stored outside the Finance Department whenever possible; and
2. Requires that all sensitive data that is stored in areas other than the Finance Department is secured in locked filing cabinets that are placed in offices that are locked after hours.



### **Destruction of Consumer Information**

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

### **General Office Security**

During normal business hours, all visitors are required to check in with the receptionist. After hours, a security key is required for access to the offices of MCCAAC. Keys are issued only to employees of MCCAAC and as need by contracted cleaning service.

# **TECHNOLOGY AND ELECTRONIC COMMUNICATIONS**

## **Purpose and Scope**

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

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

Computer and electronic communications resources include, but are not limited to, host computers, file servers, stand alone computers, laptops, PDAs, printers, fax machines, phones, online services, email systems, bulletin board systems, and all software that is owned, licensed or operated by MCCAAs.

## **Acceptable Use of Organization Property**

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

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

All hardware (laptops, computers, monitors, mice, keyboards, PDAs, printers, telephones, fax machines, etc.) issued by MCCAAs is the property of MCCAAs and should be treated as such. Users may not physically alter or attempt repairs on any hardware to any time. Users must report any problems with hardware as they have been instructed by their supervisor.

## **Password Security**

Users are responsible for safeguarding their login passwords. Passwords may not be shared, printed, or stored online. Users should not leave their computers unattended without logging off. If a user suspects that the secrecy of their password has been compromised they should report this to the supervisor or Program Director immediately and initiate a password change request.

## **Confidentiality**

All information about individuals, families or organizations served by MCCA is confidential. No information may be shared with any person or organization outside MCCA without the prior written approval of the individual, family or organization and the Executive Director.

## **E-Mail Communications**

MCCA may communicate with its customers, vendors and clients via e-mail. E-mail is not a secure or private communications mechanism, nor should employees treat it that way. Sensitive or confidential information should not be sent via e-mail over the Internet without password protection or encryption.

Employees should exercise care in the use of e-mail and in the handling of e-mail attachments. If an e-mail is from someone you do not know, or if you were not expecting an attachment, do not open it, delete it. The user should contact the Program Director for assistance if there are questions as to the validity of the message and attachment.

## **Anti-Virus Controls**

MCCA maintains current anti-virus controls on its computer systems. This includes servers and personal computers. The system will automatically download and distribute virus signature updates to all systems. The anti-virus software is monitored by the Program Director. Weekly file system scans of all systems are conducted automatically.

Users are prohibited from disabling or altering the configuration of the anti-virus software. Users are also required to report any suspicious activity on their computers to the Program Director. This activity included, but is not limited to: cursor or mouse moving on its own, hard drive thrashing without user input, uncharacteristically slow performance, a change in behavior of the system, etc.

## **Disposal of Computer Equipment**

A contracted agency removes data on the harddrive before disposal of computer equipment.

## **Copyrighted Information**

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

## **Download/Installation of Software**

The installation of new software without the prior approval of Program Director is prohibited. If an employee desires to install any new programs, written permission should first be obtained. Software should not be downloaded from the Internet. This is a common mechanism for the introduction of computer viruses. If Internet-based software is needed, the Program Director should be contacted to perform the download and testing of the application prior to installation.

## **Other Prohibited Uses**

Other prohibited uses of MCCA's communications systems include, but are not limited to:

1. Engaging in any communication that is discriminatory, defamatory, pornographic, obscene, racist, and sexist or that evidences religious bias, or is otherwise of a derogatory nature toward any specific person, or toward any race, nationality, gender, marital status, sexual orientation, religion, disability, physical characteristic, or age group.
2. Browsing, downloading, forwarding and/or printing pornographic, profane, discriminatory, threatening or otherwise offensive material from any source including, but not limited to, the Internet.
3. Engaging in any communication that is in violation of Federal, state or local laws.
4. Proselytizing or promoting religious beliefs or tenets.
5. Campaigning for or against any candidate for political office or any ballot proposal or issue.
6. Sending, forwarding, redistributing or replying to "chain letters."
7. Using unauthorized passwords to gain access to another user's information or communications on MCCA's systems or elsewhere.
8. Advertising, solicitation or other commercial, non-programmatic use.
9. Knowingly introducing a computer virus into the communications systems or otherwise knowingly causing damage to the systems.
10. Using the systems in a manner that interferes with normal business functions in any way, including but not limited to, streaming audio from the Internet during business hours, stock tickers, Internet gaming, installing unauthorized software, etc.
11. Excessive personal use of technologies that preempts any business activity or interferes with organizational productivity.
12. Sending email messages under an assumed name or obscuring the origin of an email message sent or received.

### **Disciplinary Action for Violations**

MCCAA requires all users to adhere to this policy. Violations of this policy will result in disciplinary action, which could include termination of employment.

### **Reporting of Suspected Violations**

Suspected violations of these policies should be immediately and confidentially reported to your immediate supervisor. If you prefer not to discuss it with your supervisor, you may contact the Executive Director or any member of the Finance Committee.

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

# **GENERAL LEDGER AND CHART OF ACCOUNTS**

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

## **Chart of Accounts Overview**

The Chart of accounts is the framework for the general ledger system and the basis for the accounting system. The Chart of accounts consists of account titles and account numbers assigned to the titles. General ledger accounts are used to accumulate transactions and the impact of these transactions on each asset, liability, net asset, revenue, expense, and gain and loss account.

MCCAA's Chart of accounts is comprised of six types of accounts:

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

Each account number shall be preceded by a four-digit department number and a four-digit project code.

## **Distribution of Chart of Accounts**

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

## Control of List of Accounts

The Director of Finance monitors and controls the chart of accounts, including all account maintenance, such as additions and deletions. Any additions or deletions of accounts should be approved by the Director of Finance, who ensures that the chart of accounts is consistent with MCCA structure and meets the needs of each division and department.

## Account Definitions

General Ledger

Account Range

Category

Definition

1000 - 1999

**Assets**

Assets are probable future economic benefits obtained or controlled by MCCA as a result of past transactions or events. Assets 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 (property and equipment) are tangible assets with a useful life of more than one year that are acquired for use in the operation of MCCA 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.

2000 – 2999

**Liabilities**

Liabilities are probable future sacrifices of economic benefits arising from present obligations of MCCA to transfer assets or provide services to other entities in the future as a result of past transactions or events. Liabilities 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 payable, and deferred revenue.

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

3000 - 3999

**Net Assets**

Net Assets is the difference between total assets and total liabilities.

4000 - 4999

**Revenues**

Revenues are inflows or other enhancements of assets, or settlements of liabilities, from delivering or producing goods, rendering services, or other activities that constitute an organization's ongoing major or central operations. Revenues include grants received from government agencies, private foundations and corporations, and contributions received from donors.

5000 - 7999

**Expenses**

Expenses are outflows or other activities using assets, or incurrences of liabilities from delivering or producing goods, rendering services, or carrying out other activities that constitute MCCA's ongoing major or central operations.

8000 – 8999

**Gains and Losses**

Gains are increases in net assets from peripheral or incidental transactions and from all other transactions and other events and circumstances affecting MCCA except those that result from revenues.

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

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



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

The Director of Finance shall approve additions to, deletions from, or any other changes to the standard chart of accounts.

## **Fiscal Year of Organization**

MCCAA shall operate on a fiscal year that begins on July 1<sup>st</sup> and ends on June 30<sup>th</sup>. Any changes to the fiscal year of MCCAA will be directed by the funding source and then approved by MCCAA's Board of Directors.

## **Accounting Estimates**

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

1. Useful lives of property and equipment
2. Fair market values of investments
3. Fair market values of donated assets
4. Values of contributed services
5. Joint cost allocations
6. Allocations of certain indirect costs
7. Allocations of time/salaries

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

## **Journal Entries**

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

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

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

# **POLICIES ASSOCIATED WITH REVENUES AND CASH RECEIPTS**

## **REVENUE**

### **Revenue Recognition Policies**

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

1. **Grant income** - Annual 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. **In-Kind Contributions** – Recognized as income when received. (See below the section titled “Cost Sharing and Matching”).
3. **Program Income** – Includes refunds and other applicable credits, and is recognized as a reduction in expenditures in the period in which it is received.
4. **Nongovernmental Cash 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 Director of Finance.

### **Definitions**

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

**Contribution** – An unconditional transfer of cash or other assets to MCCAA, or a settlement or cancellation of MCCAA's liabilities, in a voluntary nonreciprocal transfer by another entity or individual.

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

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

**Nonreciprocal Transfer** – A transaction in which an entity incurs a liability or transfers of assets to MCCAA without directly receiving value in exchange.

# ADMINISTRATION OF FEDERAL AWARDS

## **Definitions**

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

**Grant:** A financial assistance award given to MCCAA to carry out its programmatic purpose.

**Contract:** A mutually binding legal agreement where MCCAA agrees to provide supplies or services and the funder agrees to pay for them.

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

Throughout this manual, Federal assistance received in any of these forms will be referred to as a Federal “award.”

## **Preparation and Review of Proposals**

Individual departments are responsible for preparing proposals for projects that the department intends to pursue. However, all proposals shall be reviewed by the Director of Finance prior to submission to government agencies or other funding sources. Final proposals shall be reviewed and approved in writing by the Board of Directors and the Executive Director.

## **Post-Award Procedures**

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

1. Verify the specifications of the grant or contract. The Finance Department shall review the terms, time periods, award amounts and expected expenditures associated with the award. A Catalog of Federal Domestic Assistance (CFDA) 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 (or segments). New accounts shall be established for the receipt and expenditure categories in line with the grant or contract budget.
3. Gather documentation. A file is established for each grant or contract. The file contains the proposal, all correspondence regarding the grant or contract, the final signed award document and all reports submitted to the funding sources.

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

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

1. For each Federal award, an employee within the department responsible for administering the award will be designated as "Program Director."
2. The Program 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 (CFDA) applicable to the award.
  - d. The Program Director will communicate grant requirements to those who will be responsible for carrying them out, or impacted by them.
4. The Program Directors are responsible for applicable laws regulations (such as OMB Circulars, pertinent sections of compliance supplements, and other regulations).
5. The Program Directors and/or the Finance Department shall identify and communicate any special changes in policies and procedures necessitated by Federal awards as a result of the review of each award.
6. The Program Directors 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.
7. The Program Directors shall inform the independent auditors of applicable laws, regulations, and provisions of contracts and grants. The Program Directors shall also communicate known instances of noncompliance with laws, regulations, and provisions of contracts and grants to the auditors.

## **Close Out of Federal Awards**

MCCAA shall follow the close out procedures described in OMB Circular A-110 and in the grant agreements as specified by the granting agency.

MCCAA and all subrecipients shall liquidate all obligations incurred under the grant or contract within the required time allowed by the grant or contract agreement.

## **COST SHARING AND MATCHING (IN-KIND)**

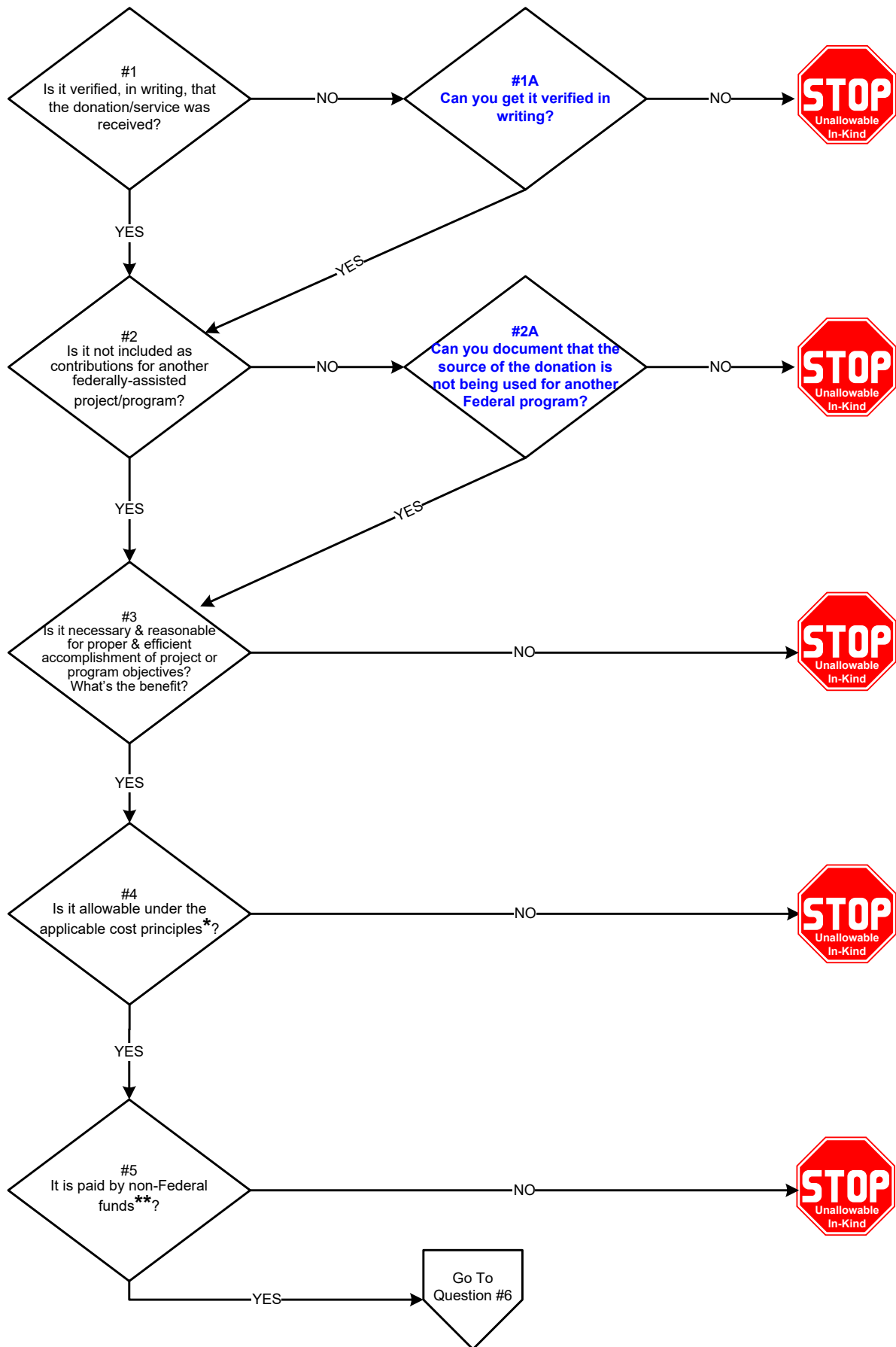
### **Overview**

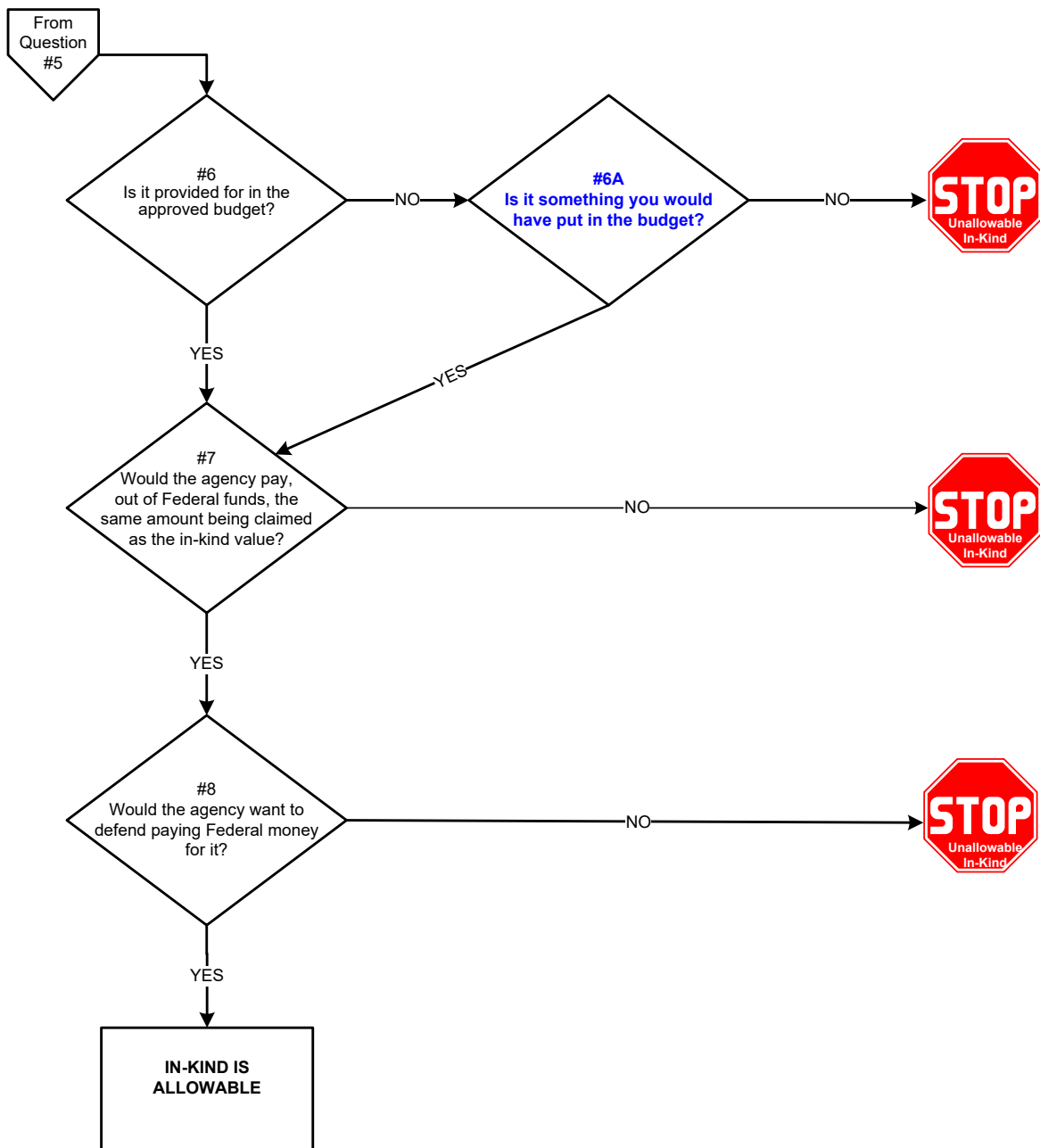
MCCAA values contributed services and property that are to be used to meet a cost sharing or matching requirement at their fair market values at the time of contribution, unless award documents or Federal agency regulations identify specific values to be used.

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

1. They are verifiable from MCCAAs records.
2. They are not included as contributions for any other Federally-assisted project or program.
3. They are necessary and reasonable for proper and efficient accomplishment of project or program objectives.
4. They are allowable under OMB Circular A-122.
5. They are not paid by the Federal government under another award, except where authorized by Federal statute to be used for cost sharing or matching.
6. They are provided for in the approved budget when required by the Federal awarding agency.
7. They conform to all provisions of OMB Circular A-110.
8. In the case of donated space, (or donated use of space), the space is subject to an independent appraisal to establish its value.

The following flowchart should be used to determine the allowability of in-kind.





\* OMB Circular A-21 - Colleges and Universities, OMB Circular A-87 - State and Local Units of Government, A-122 - Non-Profit Organizations

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

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

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

## **Valuation and Accounting Treatment**

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

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

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

### ***Cash***

- MCCA shall recognize cash contributions as in-kind income in the period in which they are spent on allowable program costs.
- Any discounts received on goods or services are recognized as in-kind only if such discounts are not available to the general public.

### ***Space, Buildings, Land and Equipment***

#### ***Buildings and Land***

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

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

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

#### ***Space:***

- Will be valued at the fair rental value of comparable space as established by an independent appraisal of comparable space and facilities in a privately-owned building in the same locality
- Information on the date of donation and records from the appraisal will be maintained in a property file
- If less than an arms-length transaction, will be valued based in actual allowable costs not to exceed fair market value



***Volunteer Time and Services***

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

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

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

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

- Date service was performed
- Volunteer name and address
- Hours donated
- Service provided
- Signature of volunteer

The sign-in sheets will be delivered to the Finance Department monthly so they can be tallied, valued, and recorded as in-kind in the accounting records.

***Supplies***

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

# CONTRIBUTIONS RECEIVED

## Overview

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

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

# **BILLING/INVOICING POLICIES**

## **Overview**

MCCAA's primary sources of revenue are:

- Reimbursement grants – billed monthly, or as funders require, based on allowed, incurred expenses

Other lesser sources of income such as meal charges or child care fees will be collected and recorded when the services are provided.

## **Responsibilities for Billing and Collection**

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

## **Billing and Financial Reporting**

MCCAA 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.

MCCAA 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 Director of Finance.

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

1. MCCAA will request reimbursement after expenditures have been incurred, unless an award specifies another method.
2. MCCAA will strive to minimize the time between receipt and disbursement of grant funds by issuing payments within 24 hours of receipt of such funds.
3. A schedule is established for each grant and contract to ensure that reimbursement is made on a timely basis along with any other reporting that is required in addition to the financial reports.
4. Requests for reimbursement of award expenditures will use the actual amounts as posted to the general ledger as the source for all invoice amounts.

5. All financial reports required by each Federal award will be prepared and filed on a timely basis. To the extent MCCAAs 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.

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

### **Cash Drawdowns Under Letters of Credit**

Cash drawdowns under letters of credit from Federal agencies shall be made as needed in conjunction with the accounts payable and payroll schedule. All Federal funds shall be deposited into an interest-bearing cash account under the cash receipts policies and procedures described in this manual. Federal funds will be disbursed using the following process:

1. Checks are printed on a weekly basis.
2. Two signatures are obtained on each check.
3. Funds are drawn down and the checks are disbursed.

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

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

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

# **CASH RECEIPTS**

## **Overview**

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

## **Processing of Checks and Cash Received in the Mail**

The following procedures will be followed:

- Cash receipts are received in remote sites and then sent to the central office to ensure that cash received is appropriately directed, recorded, and deposited on a timely basis.
- The individual preparing the list of receipts shall be someone that is not involved in the accounts receivable or accounts payable process.
- A deposit slip is prepared from the cash/checks received and compared to the receipts listing for discrepancies.
- Deposits are prepared and taken to the bank by an individual other than the employee who prepared the cash receipts listing.

## **Endorsement of Checks**

All checks received that are payable to MCCA shall be restrictively endorsed by the individual who prepares the daily receipts listing. The restrictive endorsement shall be a rubber stamp that includes the following information:

1. For Deposit Only
2. MCCA
3. The bank name
4. The bank account number of MCCA

## **Timeliness of Bank Deposits**

Bank deposits will be made on a weekly basis. In no event shall deposits be made less frequently than weekly.

## **Reconciliation of Deposits**

The Director of Finance shall reconcile the listings of receipts to bank deposits on the monthly bank statement. Any discrepancies shall be immediately investigated.

## **ACCOUNTS RECEIVABLE MANAGEMENT**

### **Accounts Receivable Write-Off Authorization Procedures**

All available means of collecting accounts receivable will be exhausted before write-off procedures are initiated. Write-offs are initiated by the department associated with the amount to be written off, in conjunction with the Finance Department.

Once a write-off has been processed, appropriate individuals in the originating department will be advised so that further credit is not granted and to update the master list of bad accounts. Customers listed as poor credit risks will be extended future credit only if the back debt is paid and the customer is no longer deemed a collection problem.

# **POLICIES ASSOCIATED WITH EXPENDITURES AND DISBURSEMENTS**

## **PURCHASING POLICIES AND PROCEDURES**

### **Overview**

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

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

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

### **Responsibility for Purchasing**

All Program Directors 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 Finance Department of all individuals that may initiate purchases or prepare purchase orders. The Finance Department shall maintain a current list of all authorized purchasers.

The Finance Department shall be responsible for processing purchase orders. The Executive Director and the Director of Finance has approval authority over all purchases and contractual commitments, and shall make the final determination on any proposed purchases where budgetary or other conditions may result in denial.

### **Code of Conduct in Purchasing (A-110\_40)**

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

- Staff shall discourage the offer of, and decline, individual gifts or gratuities of value in any way that might influence the purchase of supplies, equipment, and/or services.
- Staff shall notify their immediate supervisor if they are offered such gifts.
- No officer, board member, employee, or agent shall participate in the selection or administration of a vendor if a real or apparent conflict of interest would be involved. Such a conflict would arise if an officer, board member, employee or agent, or any member of his/her immediate family, his/her spouse/partner, or an organization that employs or is about to employ any of the parties indicated herein, has a financial or other interest in the vendor 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 of a nominal value of \$25 or less may be accepted with the approval of the Executive Director.

### **Competition (A-110\_43)**

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

- Be alert to any internal potential conflicts of interest.
- Be alert to any noncompetitive practices among contractors that may restrict, eliminate or restrain trade.
- Not permit contractors who develop specifications, requirements or proposals to bid on such procurements.
- Award contracts to bidders whose product/service is most advantageous in terms of price, quality and other factors.
- Issue solicitations that clearly set forth all requirements to be evaluated.
- Reserve the right to reject any and all bids when it is in MCCAAs best interest.

### **Non-Discrimination Policy**

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

1. Vendors/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 vendors/contractors.
2. Vendors/contractors agree to post in conspicuous places, available to employees and applicants for employment, notices setting forth the provisions of this nondiscrimination clause. Notices, advertisement and solicitations placed in accordance with Federal law, rule, or regulation shall be deemed sufficient for meeting the intent of this section.

### **Procurement Procedures**

The following are MCCAAs procurement procedures:

1. MCCAAs shall avoid purchasing items that are not necessary for the performance of the activities required by a Federal award or State award. (A-110\_44(1))
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. (A-110\_44(2)) This analysis should only be made when both lease and purchase alternatives are available to the program.



3. Some form of cost or price analysis shall be made for every procurement. Price analysis may be made in various ways, including comparison of price quotations submitted or market prices. Cost analysis is the review and evaluation of each element of cost to determine reasonableness, allocability, and allowability. (A-110\_45)
4. Documentation of the cost and price analysis associated with each procurement decision shall be retained in the procurement files pertaining to each Federal award. (A-110\_46)
5. For all procurements in excess of the small purchase acquisition threshold (\$100,000 in 2005), procurement records and files shall be maintained the 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.
6. MCCAAs shall make all procurement files available for inspection upon request by a Federal awarding agency.
7. All contracts with vendors shall require the vendor to certify in writing that it has not been suspended or disbarred from doing business with any Federal agency. (Alternatively, MCCAAs may research potential vendors on the Excluded Parties List at the GSA\ website.)
8. MCCAAs shall not utilize the "cost-plus-a-percentage-of-costs method of contracting. (A-110\_44(3)(c))

All staff members with the authority to approve purchases will receive a copy of and be familiar with A-110, federal cost principles.

### **Use of Purchase Orders**

MCCAAs utilize 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 \$200, with the exception of travel advances and expense reimbursements, which require the preparation of a separate form described elsewhere in this manual. A properly completed purchase order shall contain the following information, at a minimum:

1. Specifications or statement of services required
2. Vendor name, address, point of contact and phone number
3. Source of funding (if applicable)
4. Delivery, packing and transportation requirements
5. Special conditions (if applicable)
6. Catalog number, page number, etc. (if applicable)
7. Net price per unit, less discount, if any
8. Total amount of order

9. Authorized signature
10. Date purchase order was prepared

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

### **Authorizations and Purchasing Limits**

All completed purchase orders must be signed by the preparer and approved by the Program Directors. The following table displays required approvals and solicitations:

<b>Amount of Purchase</b>	<b>Required Approvals</b>	<b>Required Solicitation</b>
\$200 < \$5,000	Program Director *	
\$5,000 ≤ \$25,000	Program Director *	2 oral or written bids
\$25,001 ≤ \$100,000	Program Director And the Dir. of Finance And the Executive Dir.*	3 written bids
> \$100,000	Program Director And the Dir. of Finance And the Executive Dir. And the Board of Directors*	3 written bids

\*Approval shall be obtained from the Federal or State funding source for all equipment with a useful life of over 1 year. Approval request will be accompanied with 3 bids for the equipment to be purchased.

Director of Finance will review all payments processed and approve purchase orders when deemed necessary.

The Executive Director is authorized to enter into any contract on behalf of MCCA. These policies shall also apply to renewals of existing contracts.

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

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. (A-110\_44(a)(3)(i))
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 Vendors" for required criteria) (A-110\_44(a)(3)(ii))
3. Technical requirements in terms of functions to be performed or performance required, including the range of acceptable characteristics or minimum acceptable standards. (A-110\_44(a)(3)(iii))

4. The specific features of "brand name or equal" descriptions that bidders are required to meet when appropriate. (A-110\_44(a)(3)(iv))
5. The acceptance, to the extent practical, of products and services dimensioned in the metric system of measurement. (A-110\_44(a)(3)(v))
6. Preference, to the extent practical, for products and services that conserve natural resources and protect the environment and are energy efficient. (A-110\_44(a)(3)(vi))
7. Preference for recycled products pursuant to EPA guidelines. (A-110\_16)
8. 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.
9. The date by which proposals are due.
10. Required delivery or performance dates/schedules.
11. Clear indications of the quantity(ies) requested and unit(s) of measure.

### **Extensions of Due Dates and Receipt of Late Proposals**

Solicitations should provide for sufficient time to permit the preparation and submission of offers before the specified due date. However, an extension may be granted if a prospective offeror so requests.

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

### **Evaluation of Alternative Vendors**

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

1. Adequacy of the proposed methodology
2. Skill and experience of key personnel
3. Demonstrated experience
4. Other technical specifications designated by department requesting proposals
5. Compliance with administrative requirements of the request for proposal (format, due date, etc.)
6. Vendor's financial stability
7. Vendor'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 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.

After a vendor has been selected and approved by the Program Directors, the final selection shall be approved by the Executive Director prior to entering into a contract.

### **Affirmative Consideration of Minority, Small Business & Women-Owned Businesses**

(A-110\_44(3)(b))

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

1. Ensure that small business, minority-owned firms, and women's business enterprises are used to the fullest extent practicable. (A-110\_44(3)(b)(1))
2. Make information on forthcoming opportunities available and arrange time frames for purchases and contracts to encourage and facilitate participation by small business, minority-owned firms and women's business enterprises. (A-110\_44(3)(b)(2))
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. (A-110\_44(3)(b)(3))
4. Encourage contracting with consortiums of small businesses, minority owned firms and women's business enterprises when a contract is too large for one of these firms to handle individually. (A-110\_44(3)(b)(4))
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. (A-110\_44(3)(b)(5))

### **Availability of Procurement Records** (A-110\_44(3)(e))

MCCA 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 MCCA's procurement standards (A-110\_44(3)(e)(1))
- The procurement is expected to exceed the small purchase threshold (\$100,000 in 2005) and is to be awarded without competition or only one bid is received (A-110\_44(3)(e)(2))
- The procurement exceeds the small purchase threshold and specifies a "name brand" product (A-110\_44(3)(e)(3))
- The proposed award exceeds the small purchase threshold and is to be awarded to other than the apparent low bidder under a sealed bid procurement. (A-110\_44(3)(e)(4))
- A proposed contract modification changes the scope of a contract or increases the contract amount by more than the amount of the small purchase threshold. (A-110\_44(3)(e)(5))

### **Provisions Included in All Contracts** (A-110 Appendix A)

MCCA 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. **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, and Department of Labor."
2. **Copeland "Anti-Kickback" Act (18 U.S.C. 874 and 40 U.S.C. 276c):** All contracts and subgrants in excess of \$2,000 for construction or repair awarded by MCCA and its subrecipients shall contain a provision for compliance with the Copeland "Anti-Kickback" Act (18 U.S.C. 874), as supplemented by Department of Labor regulations 29 CFR part 3, "Contractors and Subcontractors on Public Building or Public Work Financed in Whole or in Part by Loans or Grants from the United States." This Act provides that each contractor or subrecipient shall be prohibited from inducing, by any means, any person employed in the construction, completion, or repair of public work, to give up any part of the compensation to which he or she is otherwise entitled. MCCA will report all suspected or reported violations to the Federal awarding agency.
3. **Davis-Bacon Act, as amended (40 U.S.C. 276a to a-7):** If included in the Federal agency's grant program legislation, all construction contracts of more than \$2,000 awarded by MCCA 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"). Under this Act, contractors are required to pay wages to laborers and mechanics at a rate not less than the minimum wages specified in a wage determination made by the Secretary of Labor. In addition, contractors shall be required to pay wages not less than once a week. MCCA will place a copy of the current prevailing wage determination issued by the Department of Labor in each solicitation and the award of a contract shall be conditioned upon the acceptance of the wage determination. MCCA shall also obtain reports from contractors on a weekly basis in order to monitor compliance with the Davis-Bacon Act. MCCA shall report all suspected or reported violations to the Federal awarding agency.
4. **Contract Work Hours and Safety Standards Act (40 U.S.C. 327-333):** All contracts awarded by MCCA 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). Under Section 102 of the Act, each contractor is required to compute wages of every mechanic and laborer on the basis of a standard work week of 40 hours. Work in excess of the standard work week is permissible provided that the worker is compensated at a rate of not less than 1-1/2 times the basic rate of pay for all hours worked in excess of 40 hours in the work week. Section 107 of the Act is applicable to construction work and provides that no laborer or mechanic shall be required to work in surroundings or under working conditions that are unsanitary, hazardous, or dangerous. These requirements do not apply to the purchases of supplies or materials or articles ordinarily available on the open market, or contracts for transportation or transmission of intelligence.
5. **Clean Air Act (42 U.S.C. 7401 et seq.) and the Federal Water Pollution Control Act (33 U.S.C. 1251 et seq.), as amended:** Contracts and subgrants of amounts in excess of \$100,000 shall contain a provision that requires the recipient to agree to comply with all applicable standards, orders or regulations issued pursuant to the Clean Air Act (42 U.S.C. 7401 et seq.)

and the Federal Water Pollution Control Act, as amended (33 U.S.C. 1251 et seq.). Violations shall be reported to the Federal awarding agency and the Regional Office of the Environmental Protection Agency (EPA).

6. **Byrd Anti-Lobbying Amendment (31 U.S.C. 1352):** For all contracts or subgrants of \$100,000 or more, MCCAAs 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. Likewise, since each tier provides such certifications to the tier above it, MCCAAs shall provide such certifications in all situations in which it acts as a subrecipient of a subgrant of \$100,000 or more.
7. **Debarment and Suspension (E.O.s 12549 and 12689):** For all contracts in excess of the small purchase threshold fixed at 41 U.S.C. 403(11) (\$100,000 in 2005), MCCAAs shall obtain from the contractor a certification that neither the contractor nor any of its principal employees are listed on the General Services Administration's *List of Parties Excluded from Federal Procurement or Nonprocurement Programs*.
9. **Remedies:** All contracts in excess of the small purchase threshold fixed at 41 U.S.C. 403(11) (\$100,000 in 2005) shall contain contractual provisions or conditions that allow for administrative, contractual, or legal remedies in instances in which a contractor violates or breaches the contract terms.
10. **Termination:** All contracts in excess of the small purchase threshold fixed at 41 U.S.C. 403(11) (\$100,000 in 2005) shall contain suitable provisions for termination by MCCAAs, including the manner by which termination shall be effected and the basis for settlement. In addition, such contracts shall describe the conditions under which the contract may be terminated for default as well as conditions where the contract may be terminated due to circumstances beyond the control of the contractor.

### **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.

#### *Single Distributor/Source:*

Sole source purchases will be made only when solicitation of multiple vendors is not feasible and one of the following conditions apply:

- The item or service is only available from one source,
- The situation is a public emergency,
- The awarding agency approves the purchase, or
- Competition is deemed inadequate (insufficient bidders)

A cost/price analysis is required and approval from the funding agency may be necessary if the purchase is over the small purchase threshold.

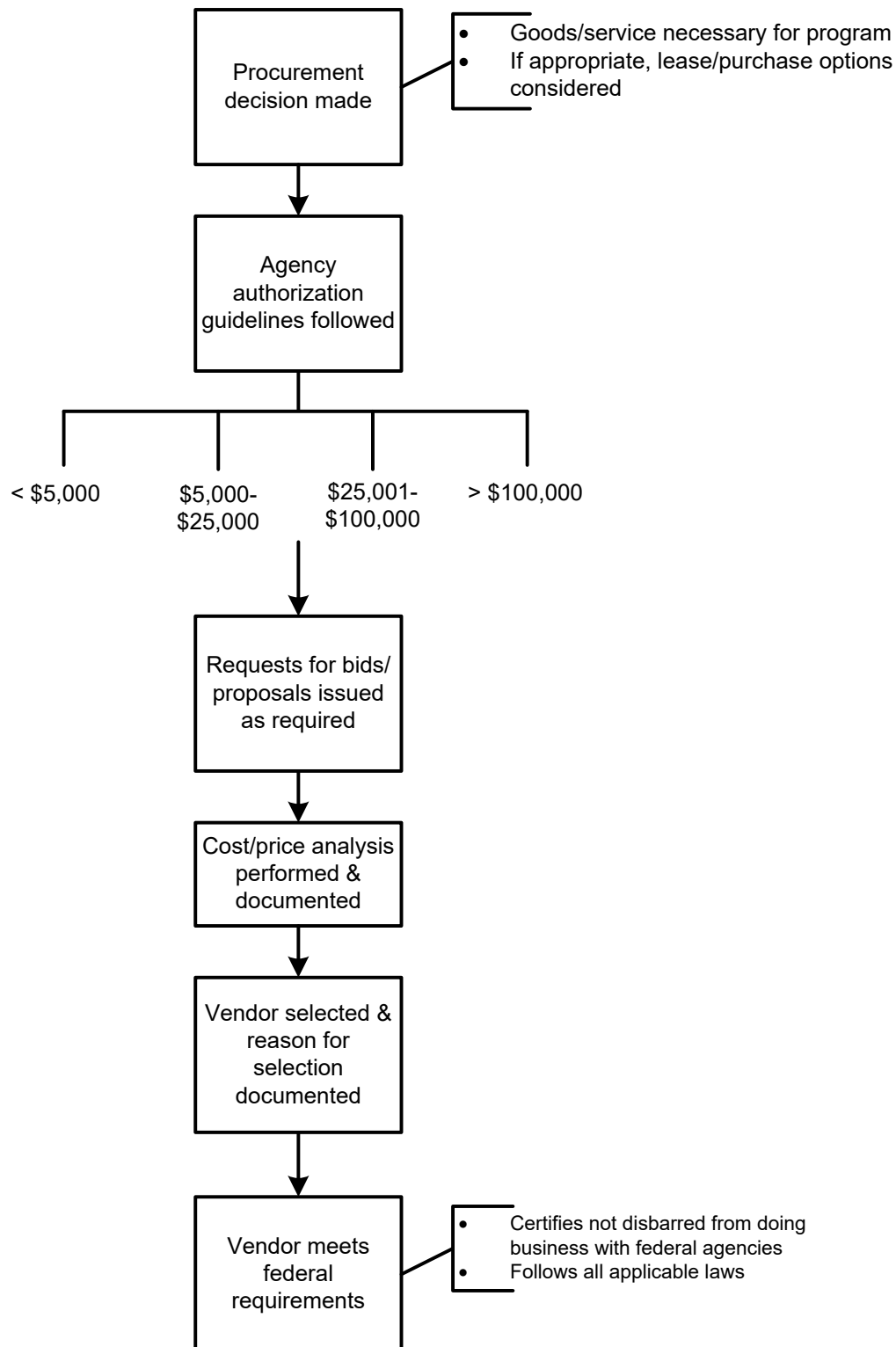
### **Vendor Files and Required Documentation**

The Finance Department shall create a file for each new vendor from whom MCCA purchases goods or services unless it appears that they are a one time vendor. These vendors will be placed in the appropriate miscellaneous alpha file.

The employee initiating the purchase shall mail a blank Form W-9 to new vendors and request that the vendor complete and sign the W-9. Completed, signed Forms W-9 shall be filed in the W-9 files.

Vendors who do not comply with this request shall be issued a Form 1099 at the end of each calendar year in accordance with the policies described in the section of this manual on "Government Returns." See the section on "Payroll and Related Policies" for guidance on determining whether a vendor should be treated as an employee.

The following flowchart summarizes the procurement process under Federal regulations:





## **Receipt and Acceptance of Goods**

The person receiving the goods shall inspect all goods received. Upon receipt of any item from a vendor, the following actions shall immediately be taken:

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

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

# **POLITICAL INTERVENTION**

## **Prohibited Expenditures**

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

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

## **Endorsements of Candidates**

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

## **Prohibited Use of Organization Assets and Resources**

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

# LOBBYING

## **Introduction**

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

## **Definition of Lobbying Activities**

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

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

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

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

## **Segregation of Lobbying Expenditures**

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

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

## **Lobbying Election**

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

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

# **COST ALLOCATION AND DIRECT COST METHODOLOGY**

## **Overview**

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

## **Segregating Unallowable from Allowable Costs**

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

1. The budget and grant or contract for each award shall be reviewed for costs specifically allowable or unallowable.
2. Accounting personnel shall be familiar with the allowability of costs provisions of OMB Circular A-122, "Cost Principles for Non-Profit Organizations," particularly:
  - a. The list of specifically unallowable costs found in Attachment B (Selected Items of Cost), such as alcoholic beverages, bad debts, contributions, fines and penalties, lobbying, etc.
  - b. Those costs requiring advance approval from Federal agencies in order to be allowable in accordance with Attachment B, such as foreign travel, equipment purchases, etc.
3. No costs shall be charged directly to any Federal award until the cost has been determined to be allowable under the terms of the award and/or OMB Circular A-122.
4. For each Federal award, an appropriate set of general ledger accounts (or account segments) shall be established in the chart of accounts to reflect the categories of allowable costs identified in the award or the award budget.
5. All items of miscellaneous income or credits, including the subsequent write-offs of uncashed checks, rebates, refunds, and similar items, shall be reflected for grant accounting purposes as reductions in allowable expenditures if the credit relates to charges that were originally charged to a Federal award or to activity associated with a Federal award. The reduction in expenditures shall be reflected in the year in which the credit is received (i.e., if the purchase that results in the credit took place in a prior period, the prior period shall not be amended for the credit).

## **Criteria for Allowability**

All costs must meet the following criteria from A-122, Attachment A, in order to be treated as allowable direct or indirect costs under a Federal award:

1. The cost must be "reasonable" for the performance of the award, considering the following factors:
  - a. Whether the cost is of a type that is generally considered as being necessary for the operation of MCCAA or the performance of the award;

- b. Restraints imposed by such factors as generally accepted sound business practices, arm's length bargaining, Federal and state laws and regulations, and the terms and conditions of the award;
  - c. Whether the individuals concerned acted with prudence in the circumstances;
  - d. Consistency with established policies and procedures of MCCA, deviations from which could unjustifiably increase the costs of the award.
- 2. The cost must be "allocable" to an award by meeting one of the following criteria:
  - a. The cost is incurred specifically for a Federal award;
  - b. The cost benefits both the Federal award and other work, and can be distributed in reasonable proportion to the benefits received; or
  - c. The cost is necessary to the overall operation of MCCA, except where a direct relationship to any particular program or group of programs cannot be demonstrated.
- 3. The cost must conform to any limitations or exclusions of OMB Circular A-122 or the Federal award itself.
- 4. Treatment of costs must be consistent with policies and procedures that apply to both Federally financed activities and other activities of MCCA.
- 5. Costs must be consistently treated over time.
- 6. The cost must be determined in accordance with generally accepted accounting principles.
- 7. Costs may not be included as a cost of any other Federally financed program in the current or prior periods.
- 8. The cost must be adequately documented.

### **Direct Costs**

Direct costs include those costs that are incurred specifically for one award or non-Federal function. MCCA identifies and charges these costs exclusively to each award or program.

Each invoice shall be coded with the appropriate account number reflecting which program received direct benefit from the expenditure. Invoices are approved by the appropriate project director and reviewed by the Director of Finance.

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

Equipment purchased for exclusive use on a Federal award and reimbursed by a Federal agency shall be accounted for as a direct cost of that award (i.e., such equipment shall not be capitalized and depreciated).

## **Indirect and Joint Costs**

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

Examples of indirect costs are:

- The Finance Department
- The Board of Directors

Examples of joint costs are:

- Shared space
- Vehicle insurance

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

## **Indirect Cost Rate**

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

Examples of the types of expenditures normally included in the indirect cost pool are:

1. General administration
2. Salaries and benefits of the executive officers, finance, accounting and administrative personnel
3. Depreciation of equipment and buildings
4. Office rent and maintenance
5. General office repairs and maintenance

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

MCCAA's process for developing and submitting its indirect cost proposal is:

## **Cost Pools**

Direct and joint costs are allocated to the benefiting programs using cost pools under the following methodology:

1. Costs will be allocated to all programs on an equitable basis regardless of any limits imposed by funding sources.
2. As much as possible, costs will be charged directly to benefiting programs.

3. All remaining shared costs will be allocated on the most meaningful measures. The following basis will be used:
  - a. Facilities and related costs will be allocated based on square footage occupied
  - b. Fiscal and accounting-related costs will be allocated based on actual expenditures.
4. Program-related costs will be allocated based on relevant activity measures, such as number of meals served, number of children or clients.

### **Accounting for Specific Elements of Cost**

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

**Salaries and Wages** – Salaries and wages shall be charged directly and indirectly based on the functions performed by each employee, as documented on each employee's timesheet (or personnel activity sheet), as follows:

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

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

Secretary/Receptionist  
Executive Director  
Deputy Director  
Director of Finance  
Corporate Finance Staff  
Corporate HR Staff  
Communication Specialist

*Mixed charges* – The following employees may charge their salary costs to both direct and indirect activities:

Executive Director  
Deputy Director

Compensated absences (vacation leave earned, sick leave used, and holiday pay) are considered part of salary costs. The accounting system records salaries associated with compensated absences as a direct or indirect cost in the same manner that salary costs are recorded.



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

- FICA
- Unemployment insurance
- Worker's compensation
- Health insurance
- Dental insurance
- Life insurance
- Profit Sharing plan

The total cost of all of the preceding employee benefits shall be determined by adding the costs associated with each benefit. This total employee benefit costs shall then be allocated directly and indirectly in the same proportions as salaries and wages.

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

*Direct costs* – The cost of space occupied by staff whose salaries are directly charged to Federal awards is charged directly to those same awards.

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

The cost of space associated with common areas, such as hallways, restrooms, and conference rooms, shall be accounted for according to the ratio of square footage for each program to the total square footage less the common areas being allocated.

**Utilities** – Utilities costs include electricity and water. Such utilities costs shall be charged directly and indirectly in the same proportion as occupancy costs.

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

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

**Photocopying and Printing** – Photocopying costs include all paper and copy supplies, copier maintenance charges and the actual lease cost of the copier. Photocopying costs shall be charged directly and indirectly based on the user codes input into the copier prior to making photocopies.

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

Local telephone service costs are charged directly and indirectly based upon the number of telephone units assigned to MCCA. Each telephone unit is identified to either a direct or an indirect activity, as determined annually based on an approximation of time charges of employees associated with each telephone unit.

Long-distance telephone calls are charged either directly or indirectly based upon whether a direct or indirect activity benefits from the transmission.

**Outside Services** – MCCA incurs outside service costs for its annual audit and legal fees. Outside service costs shall be charged as follows:

*Audit fees* – Cost of the financial statement audit and preparation of Form 990 shall be charged as an indirect cost. Additional audit costs related to that portion of the audit associated with OMB Circular A-133 shall be charged directly to the audited programs, based on actual expenditures received from the independent CPA firm.

*Legal fees* – Legal fees shall be charged directly to the program/function that benefits from the services. Legal fees that are not identifiable with specific direct grants or programs shall be charged indirectly.

**Insurance** – To the extent that insurance premiums are associated with insurance coverage for specific grants or programs, those premium costs shall be charged directly. All insurance costs that are not identifiable with specific direct grants or programs (such as MCCA's general liability coverage) shall be charged indirectly.

**Credits** – The applicable portion of any credits resulting from cash discounts, volume discounts, refunds, write-off of stale outstanding checks, trade-ins, scrap sales or similar credits shall be credited directly or indirectly in the same manner as the purchase that resulted in the credit.

**IT Administration** – The costs related to the IT department including but not limited to salaries, benefits and associated cost are allocated based on number of IT tickets processed to each program. Travel associated with the IT department is directly charged to the program benefiting from the travel and associated with the IT ticket issued.

# ACCOUNTS PAYABLE MANAGEMENT

## Overview

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

- Assets or expenses and the related liability are recorded by an individual who is not responsible for ordering and receiving.
- The amounts recorded are based on the vendor invoice for the related goods or services.
- The vendor invoice should be supported by an approved purchase order where necessary, and should be reviewed and approved by a Program Director prior to being processed for payment.
- Invoices and related general ledger account distribution codes are reviewed prior to posting to the subsidiary system.

The primary objective for accounts payable and cash disbursements is to ensure 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 as accounts payable in a timely manner.

Accounts payable are processed on a weekly basis. Information is entered into the system from approved invoices or disbursement vouchers with appropriate documentation attached.

Only original invoices will be processed for payment unless duplicated copies have been verified as unpaid by researching the vendor records. No vendor statements shall be processed for payment.

## Establishment of Control Devices

Upon receipt, each invoice shall be “date received” stamped and attached to the appropriate approved documentation.

## Preparation of a Voucher Package

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

1. Vendor invoice (or employee expense report)
2. Packing slip (where appropriate)
3. Receiving report (or other indication of receipt of merchandise and authorization of acceptance)

4. Purchase order as required by procurement policies
5. Any other supporting documentation deemed appropriate

### **Processing of Vouchers Packages**

The following procedures shall be applied to each voucher package by the Agency Bookkeeper I:

1. Check the mathematical accuracy of the vendor invoice.
2. Compare the nature, quantity and prices of all items ordered per the vendor invoice to the purchase order, packing slip and/or receiving report.
3. Document the general ledger distribution, using MCCAAs current chart of accounts.
4. Obtain the review and approval of the Program Director (or their designee) associated with the goods or services purchased.

### **Payment Discounts**

To the extent practical, MCCAAs takes advantage of all prompt payment discounts offered by vendors. When such discounts are available, and all required documentation in support of payment is available, payments will be scheduled so as to take full advantage of the discounts.

### **Employee Expense Reports**

Reimbursements for travel expenses, business meals, or other approved costs will be made only upon the receipt of a properly approved and completed expense reimbursement form (see further policies under "Travel and Business Entertainment"). All required receipts must be attached, and a brief description of the business purpose of trip or meeting must be noted on the form. Expense reports will be processed for payment in the next vendor payment cycle. Program expenses must be turned in within the week following the Program year end. Expenses that do not meet the program year end deadline will not be reimbursed.

The Agency Bookkeeper I will periodically check expense reports against timesheets to ensure agreement of dates and activities.

Also on a monthly basis, the Agency Bookkeeper I shall perform the following procedures:

1. Check all statements received for unprocessed invoices.
2. Check the purchase order file for open purchase orders more than 60 days old and follow up.

### **Management of Accounts Payable Vendor Master File**

Upon the receipt of an invoice from a new qualified vendor that is not already in MCCAAs Accounts Payable Vendor Master File, the Agency Bookkeeper II shall mail (or email) a Form W-9 and a request for completion of the Form W-9, including the vendor's full address and Federal employer identification number.

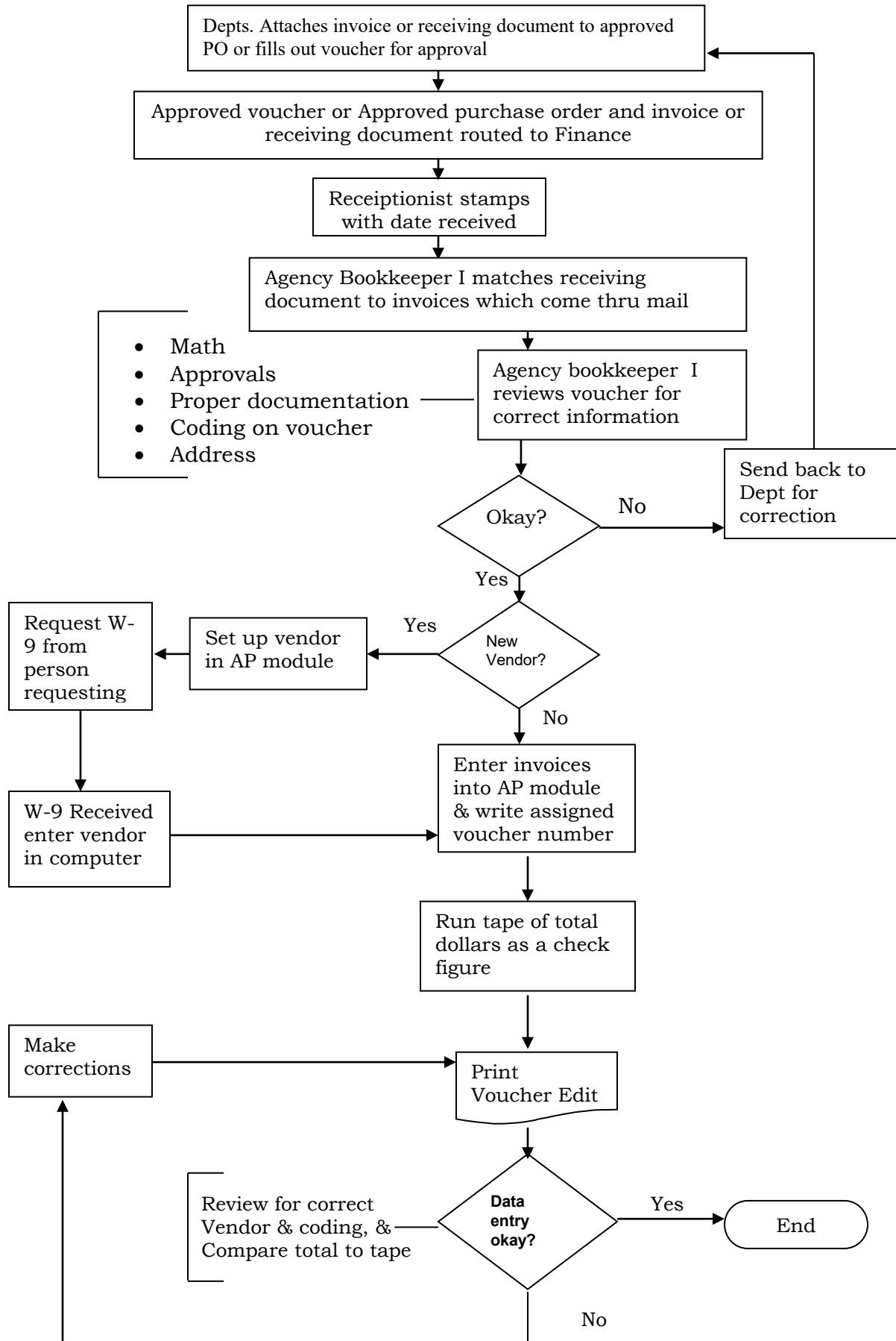
The vendor file must include the following data

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

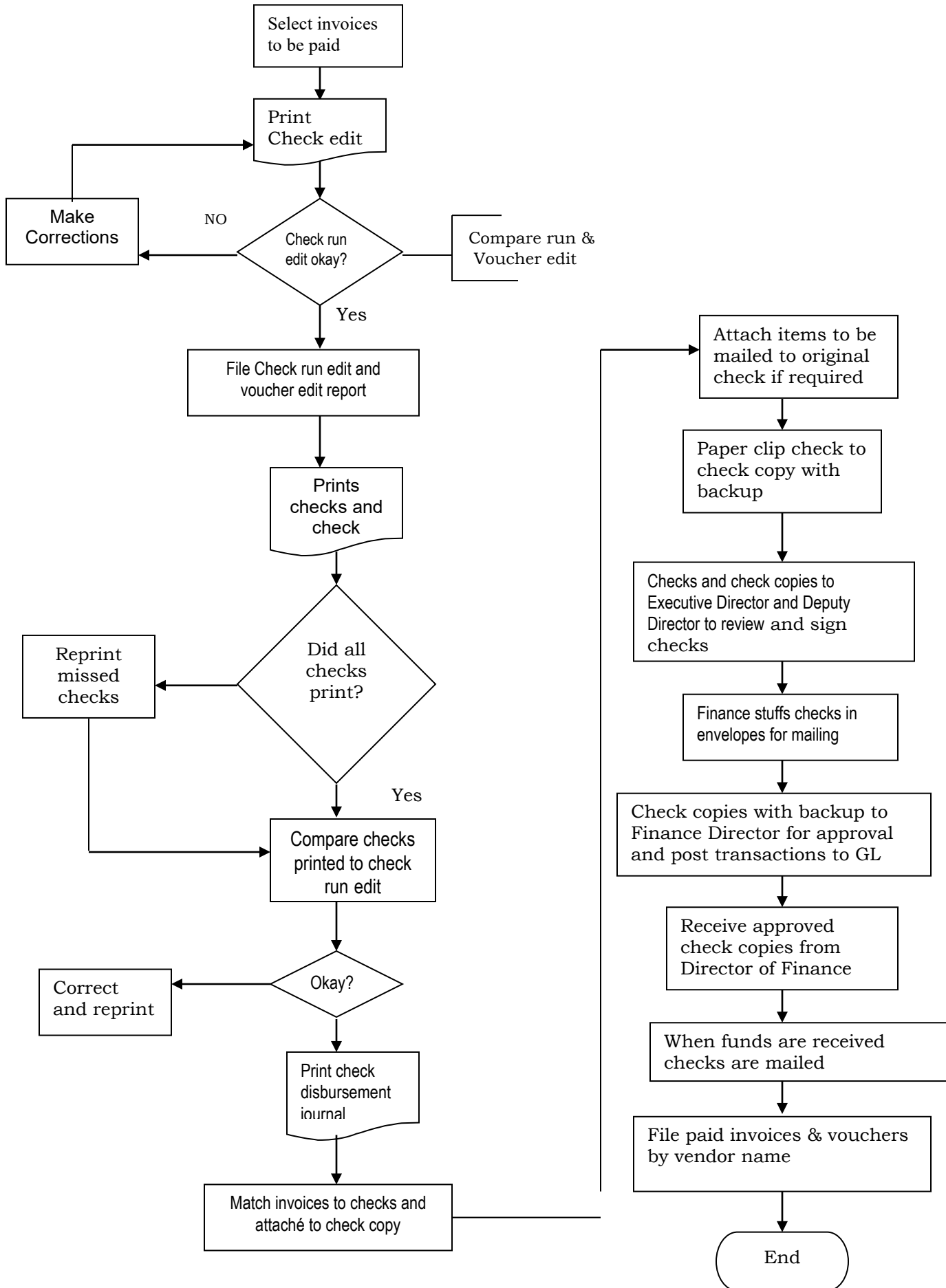
### **Verification of New Vendors**

The Agency Bookkeeper II will perform additional procedures to validate the legitimacy of new vendors that shall be paid one-time or cumulative payments in excess of \$100,000. For such vendors, the Agency Bookkeeper II shall perform a limited public records search and shall contact the vendor to validate the vendor's existence.

## ACCOUNTS PAYABLE PROCESS



## ACCOUNTS PAYABLE PAYMENT PROCESS



## **TRAVEL AND BUSINESS ENTERTAINMENT**

### **Travel Advances**

Funds will be advanced for upcoming travel only upon receipt of a completed and properly approved request for travel advance. Travel advances are to be used only for the purpose intended. Travel expenses are to be made in accordance with MCCAAs travel policies as explained later in this section.

Employees receiving travel advances are required to sign for the advance signifying their acknowledgement of, and agreement to, these policies. Employees receiving travel advances must submit a reconciliation report within 14 days of returning from travel. Any outstanding advances more than 30 days old will be requested to submit payment to MCCAAs.

### **Employee and Director Business Travel**

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

1. Identify each separately incurred business expense (i.e., do not group all expenses associated with one trip together).
2. With the exception of per diems, all business expenses must be supported with invoices/receipts.
3. Vendor receipts/invoices must be submitted for all lodging and any expenditure other than meals. Credit card charge slips do not represent adequate supporting documentation – a hotel receipt must be obtained to substantiate all lodging expenditures.
4. For airfare, airline-issued receipts should be obtained. If a traveler fails to obtain a receipt, other evidence must be submitted indicating that a trip was taken and the amount paid (for example, a combination of an itinerary, a credit card receipt, and boarding passes).
5. Mileage may be reimbursed at the standard rates currently in effect for the agency. Documentation for overnight travel mileage should be included. Example: MapQuest.
6. The business purpose of each trip must be adequately explained on each report.
7. General ledger account coding must be identified for all expenditures.
8. All expense reports must be signed and dated by the employee.
9. All expense reports must be approved by the employee's Program Directors.
10. Only one expense report form should be prepared for each trip.

An employee will not be reimbursed for expense reports not meeting the preceding criteria. If the expense report results in a balance due to MCCAAs as a result of receiving a travel advance greater than actual business expenditures, the employee must attach a check.

No further travel advances will be issued to any employee who has an outstanding balance due to MCCAAs from previous business trips.



## **Reasonableness of Travel Costs**

MCCAA shall reimburse travelers only for those business-related costs that are reasonably incurred. Accordingly, the following guidelines shall apply:

1. Suites and other upgraded rooms at hotels shall not be allowed. Travelers should stay in standard rooms.
2. Ask hotels for any available discounts – nonprofit, government or corporate rates.
2. When utilizing rental cars, travelers should rent midsize or smaller vehicles. Share rental cars whenever possible.
3. Business-related long-distance telephone calls while away on business travel are permitted, but should be kept to a minimum. Expense reports should explain long-distance charges.
4. Whenever possible, travelers should utilize long-distance calling cards when placing calls while away on travel. Avoid using the hotel's long-distance service if possible.
5. Foreign travel charged to Federal grants must be approved in writing by the funding source prior to travel.

## **Special Rules Pertaining to Air Travel**

The following additional rules apply to air travel:

1. Air travel should be at coach class or the lowest commercial discount fare at the time the ticket is purchased except when this fare would:
  - a. Require circuitous routing
  - b. Require travel during unreasonable hours
  - c. Excessively prolong travel
  - d. Result in additional costs that would offset the transportation savings, or
  - e. Offer accommodations not reasonably adequate for the traveler's medical needs.
2. First class air travel shall not be reimbursed unless there is a documented medical reason, and such use must be documented.
3. Memberships in airline flight clubs are not reimbursable.
4. Cost of flight insurance is not reimbursable.
5. When airfare is \$500 or more, two quotes from a travel agency and/or an airline should be obtained and attached to the expense report.
6. When returning on a Sunday or departing on a Saturday in order to obtain a cost savings in airfare due to the Saturday-night stay-over, travelers should provide a total cost comparison (showing that the lower airfare plus an extra night lodging, meals & incidentals is less costly than airfare without the Saturday night stay-over).
7. Cost of upgrade certificates is not reimbursable.
8. Cost of canceling and rebooking flights is not reimbursable, unless it can be shown that it was necessary or required for legitimate business reasons (such as changed meeting dates, etc.).
9. Travelers must identify and pay for all personal flights, even if such flights are incorporated into a flight schedule that serves business purposes (i.e., MCCAA will not reimburse for the personal legs of a trip).

## **Spouse/Partner Travel**

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

# **CASH DISBURSEMENTS (CHECK-WRITING) POLICIES**

## **Check Preparation**

MCCAA prints vendor checks and expense reimbursement checks on a weekly basis. Checks shall be prepared by persons independent of those who initiate or approve expenditures, as well as those who are authorized check signers.

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

1. Expenditures must be supported in conformity with purchasing, accounts payable, and travel and business entertainment policies described in this manual.
2. Timing of disbursements should generally be made to take advantage of all early-payment discounts.
3. Generally, all vendors shall be paid within 30-45 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 an authorized check signer.
6. Checks shall be utilized in numerical order and unused checks are stored in a locked safe in the finance department.
7. Checks shall never be made payable to "bearer" or "cash."
8. Checks shall never be signed prior to being prepared.
9. Upon the preparation of a check, vendor invoices and other supporting documentation shall immediately be canceled in order to prevent subsequent reuse.

## **Check Signing**

All checks require one signatures. No check shall be signed prior to the check being completed in its entirety (no signing of blank checks).

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.

Any check over five thousand dollars (\$5,000) has to be approved in written documentation, be it either by digital or hard copy means, by any member of the Board of Directors Finance Committee. All such checks sent out in the prior month will be presented to the entire Board of Directors Finance Committee at the next Finance Committee meeting.

Finance Director is not authorized to sign checks.

## **Mailing of Checks**

After signature, checks are returned to the individual who prepared them, who then mails checks. Checks shall not be mailed by or returned to 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 by telephone or online banking by the Director of Finance.

### **Recordkeeping Associated with Independent Contractors**

MCCAA shall obtain a completed Form W-9 or equivalent substitute documentation from required vendors to whom payments are made (see "Accounts Payable Management" policies). 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.

# CREDIT CARDS

## **Issuance of Corporate Credit Cards**

MCCAA employees who travel frequently on Organization business or are required to make certain purchases on a regular basis, may request a corporate credit card by contacting the Finance Department. Cardholders will be required to sign a statement acknowledging that the card shall be used exclusively for legitimate pre-approved Organization-related business purposes and that the cardholder agrees to take reasonable precautions to protect the card from loss or theft by storing it in a secure location.

## **Cardholder Responsibilities**

Every week, each cardholder will submit receipts and required backup for each charge made on his or her cards. The finance department will match these charges to the corporate credit card statement and notify both the employee and program director with a copy of the charges on the corporate credit card bill not matching to a receipt and backup. The cardholder will review the charge or charges and reply to the finance department within five days for any unauthorized uses of the card. The finance department will work with the cardholder to reconcile any charges made in error by the vendor/vendors. Cardholders must reimburse MCCAA for any such unauthorized charges within the same five-day period.

Any fraudulent or other unauthorized charges shall be immediately pointed out to the Director of Finance for further investigation with the credit card provider.

Personal use of corporate credit cards is strictly prohibited. Any personal use will subject the employee to MCCAA's disciplinary actions discussed earlier in this manual and in the Personnel Manual.

Each cardholder shall indicate their approval of the charges by submitting the receipt and required backup for the purchase. The statement shall then be forwarded to all program directors for the cardholder's under their immediate supervision. Documentation of meals, travel and valid business entertainment expenditures shall include all of the same elements as described in the earlier policy on "Employee and Director Business Travel" (i.e., names of people involved, business purpose, etc.).

MCCAA requires the following review and approval procedures:

- Supervisors shall review and sign the monthly statement for cardholders they supervise and forward it to the Finance Department.
- The board chair will approve credit card use by the Executive Director.
- Supervisor signatures indicate that the purchases are approved, that each cardholder was authorized to make the purchases, and that the purchases were made in accordance with MCCAA policies.
- The Executive Director will review and approve all credit card statements monthly.

Cardholders shall report the loss or theft of a corporate credit card immediately by notifying the credit card company as well as the Director of Finance.

### **Revocation of Corporate Credit Cards**

Failure to comply with any of these policies associated with the use of MCCA's corporate credit cards shall be subject to possible revocation of credit card privileges. The Director of Finance, with the approval of the Executive Director, shall determine whether credit cards are to be revoked.

# PAYROLL AND RELATED POLICIES

## Classification of Workers as Independent Contractors or Employees

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

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

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

1. Behavioral control:
  - a. Instructions given by MCCAA to the worker that indicate control over the worker (suggesting an employee relationship), such as:
    - (1) When and where to work
    - (2) What tools or equipment to use
    - (3) What workers to hire or to assist with the work
    - (4) Where to purchase supplies and services
    - (5) What work must be performed by a specified individual
    - (6) What order or sequence to follow
  - b. Training provided by MCCAA to the worker (i.e., employees typically are trained by their employer, whereas contractors typically provide their own training).
2. Financial control:
  - a. The extent to which the worker has unreimbursed business expenses (i.e., employees are more likely to be fully reimbursed for their expenses than is a contractor).
  - b. The extent of the worker's investment in the facilities/assets used in performing services for MCCAA (greater investment associated with contractors).
  - c. The extent to which the worker makes services available to the relevant market.
  - d. How MCCAA pays the worker (i.e., guaranteed regular wage for employees vs. flat fee paid to some contractors).
  - e. The extent to which the worker can realize a profit or loss.
3. Type of Relationship:
  - a. Written contracts describing the relationship that MCCAA and the individual intend to create.
  - b. Whether MCCAA provides the worker with employee-type benefits, such as insurance, paid leave, etc.
  - c. The permanency of the relationship.
  - d. The extent to which services performed by the worker are a key aspect of the regular business of MCCAA.

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

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

### **Wage Comparability Study**

MCCAA will perform wage comparability studies every three years or as market forces require to ensure the salary and wage structure is similar to other organizations of like size and employee base in our area.

### **Payroll Administration**

MCCAA operates on a monthly payroll. A personnel file is established and maintained for all employees with current documentation.

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

1. MCCAAs Employment Application (and resume, if applicable)
2. Applicant references (work & personal)
3. Interview questions and notes
4. Form W-4 Employee Federal Withholding Certificate
5. Form I-9 Employment Eligibility Verification
6. Copy of driver’s license
7. Copy of Social Security card issued by the Social Security Administration
8. Starting date and scheduled hours include on the status form annually
9. Job title and starting salary
10. Authorization for direct deposit of paycheck, along with a voided check to be filed in a separate file.

For employees without a current, valid driver’s license, acceptable alternative documents shall include:

1. U.S. Passport
2. Certificate of U.S. Citizenship (INS Form N-560 or N-561)
3. Voter’s registration card
4. U.S. Military card
5. ID card issued by a Federal, state or local government, provided it contains a photo
6. School record or report card (for persons under age 18 only)



For employees without a Social Security card, acceptable alternative documents shall include:

1. U.S. Passport
2. Certificate of U.S. Citizenship (INS Form N-560 or N-561)
3. Original or certified copy of a birth certificate issued by a state, county or municipal authority
4. Certificate of Birth Abroad issued by the Department of State (Form FS-545 or Form DS-1350)
5. U.S. Citizen ID Card (INS Form I-197)
6. Native American tribal document
7. ID Card for use of Resident Citizen in the United States (INS Form I-179)

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

For specific grants such as Head Start, the employee personnel file must also include a pre-employment background check.

### **Changes in Payroll Data**

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

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

New hires, terminations, and changes in salaries or pay rates shall be authorized in writing by the appropriate Program Directors.

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

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

### **Payroll Taxes**

The Finance Department is responsible for ensuring all required tax forms are properly completed and submitted, and that all required taxes are withheld and paid. The Finance Department may utilize the services of an outside payroll service center for the processing of payroll, as determined by the Director of Finance and the Executive Director.

Withholding of Federal income taxes shall be based on the most current Form W-4 prepared by each employee.

## **Personnel Activity Reports**

MCCAA follows the guidelines in OMB Circular A-122, Attachment B.8, *Compensation for Personal Services*, as well as requirements in specific grants. Therefore, salaries and wages charged to Federal grants will be supported as follows:

1. Charges will be based on documented payrolls approved by responsible officials of MCCAA.
2. Every staff member whose compensation is charged, in whole or in part, directly or indirectly to Federal awards, will complete activity reports that account for the total activity for which the employee is compensated.
3. The reports will reflect an after-the-fact determination of the actual activity of each employee. Budget estimates will not be used as support for charges to awards.
4. The reports must be signed by the individual employee or by a responsible supervisor who has first-hand knowledge of the activities performed by the employee.
5. The reports will be prepared on the same basis as the pay periods [semi-monthly].
6. Charges for non-exempt employees will also be supported by records required by the Fair Labor Standards Act.
7. Salaries and wages of employees used in meeting cost sharing or matching (in-kind) are supported in the same manner as salaries and wages charged to Federal awards.

## **Preparation of Timesheets**

Each MCCAA Program Director (other than Head Start) must submit a signed and approved timesheet for each employee under his/her supervision to the Finance Department no later than 12:00 noon on the day following the last day of the payroll period. Head Start Human Resource Manager must submit an employee signed and approved timesheet for each Head Start Employee by 12:00 noon on the second day after the last day of the payroll period. Timesheets shall be prepared in accordance with the following guidelines:

1. Each timesheet shall reflect all hours worked during the pay period (time actually spent on the job performing assigned duties), whether compensated or not.
2. Timesheets shall be prepared in ink (or electronically).
3. Errors shall be corrected by crossing through the incorrect entry, filling in the correct entry, and placing the employee's initials next to the change (i.e., employees shall not use "white out" or correction tape)
4. Employees shall identify and record hours worked based on the nature of the work performed;
5. Compensated absences (annual, holiday, sick leave, funeral, personal, etc.) should be clearly identified as such;
6. Timesheets shall be signed by the employee prior to submission.

After preparation, Program Directors or their designees shall approve timesheets prior to submission to the Finance Department. Corrections identified by an employee's supervisor Program Directors shall be authorized by the employee by initialing next to the change.

An Organization employee who is on leave, traveling, or is ill on the day that timesheets are due, may telephone or email timesheet information (actual time worked and the appropriate classifications) to his or her supervisor (or designated alternate). The employee must initial a timesheet submitted in this manner immediately upon his/her return to the office. Timesheets submitted in this manner shall bear the notation, "Time reported by telephone or e-mail by (employee) to (supervisor or designated alternate)." The timesheet shall be signed by the supervisor or the designated alternate.

### **Processing of Timesheets**

The Agency Bookkeeper will process the timesheets by checking them for mathematical accuracy (not required if timesheets are electronic), then entering all timesheets into the payroll system.

The Agency Bookkeeper may not change or correct timesheets. When errors are noted, if a corrected and approved timesheet is not resubmitted in time to the Agency Bookkeeper, the employee may not receive a pay check until the next pay period.

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

### **Review of Payroll**

Upon return of payroll reports and checks from the payroll service center, the Director of Finance reviews payroll prior to its distribution to employees. The Director of Finance shall sign the payroll register, indicating approval of the payroll.

### **Distribution of Payroll**

Payroll payments (or check stubs for electronic deposits) shall be mailed. MCCA strongly recommends the use of direct deposit due to the lost of checks in the mail. If a check is lost in the mail, 5-7 business days will be allowed to reissue the lost payroll check.

### **Audit of Payroll Data**

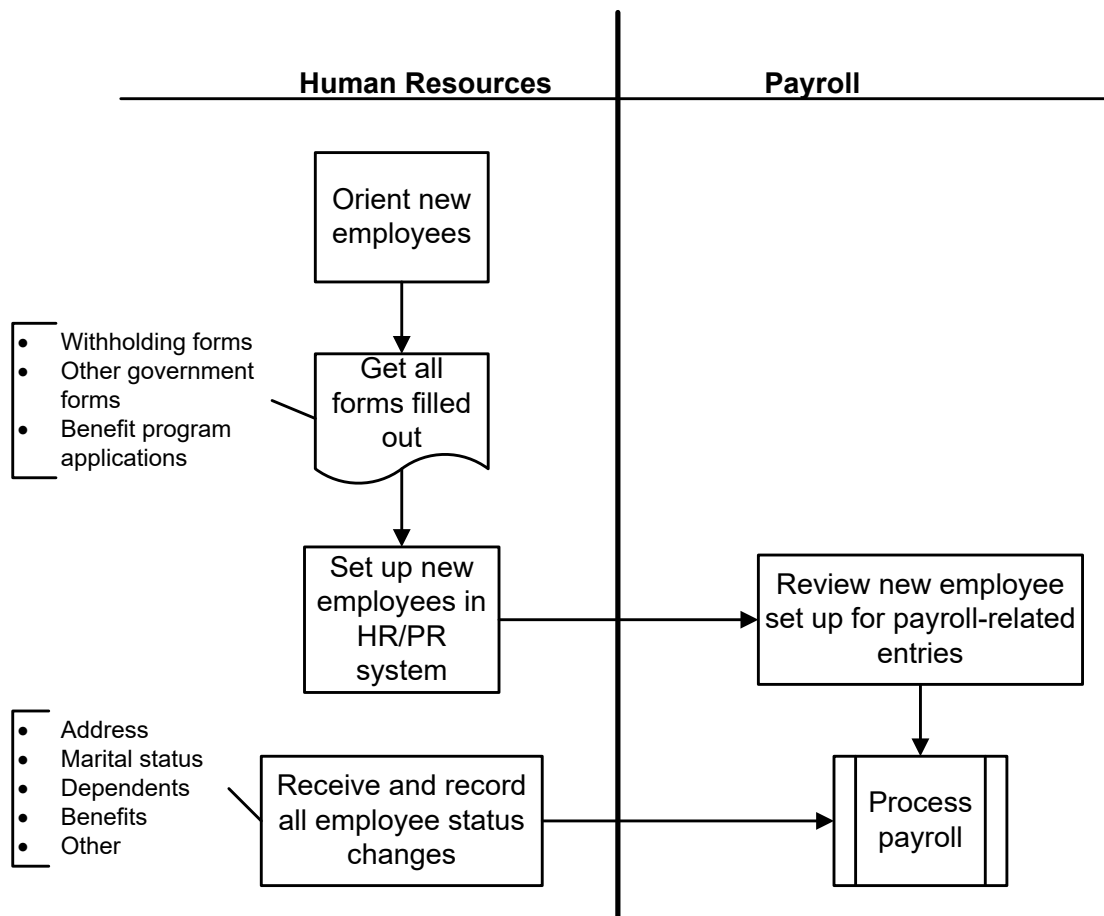
MCCA will conduct an annual audit of certain payroll data. This audit shall be performed by MCCA's External Auditors and the Director of Finance. The purpose of this audit is to determine the integrity of MCCA's payroll records. The audit shall include the following procedures:

1. Tracing a sample of salaries, withholdings, deductions, and direct deposit information to supporting documentation in each selected employee's payroll and/or personnel file.

2. Tracing a sample of new hires and departures to personnel files, including verification of first and last pay dates.
3. Cross-checking the payroll master files for employees with identical addresses, social security numbers, or direct deposit bank account information.

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

## Human Resources and Payroll Processes



## **POLICIES PERTAINING TO SPECIFIC ASSET ACCOUNTS**

### **CASH AND CASH MANAGEMENT**

#### **Cash Accounts**

##### ***General Checking Account (operating account):***

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

Cash transfers are done on an as needed basis to cover disbursements.

In addition, all advances of Federal funds shall be deposited in an interest-bearing account and interest earned in excess of \$100 shall be returned to the awarding agency. Interest earned on such funds will be allocated to Federal awards based on the percentage of funds received during the month for each award.

##### ***Payroll Account:***

The payroll account is separate from the operating account. The amount needed to cover each payroll is transferred into this account from the operating account, based on the amount calculated and communicated by the outside payroll service center.

Transfers from the operating account into the payroll account are initiated by the Director of Finance.

#### **Authorized Signers**

The following MCCAAs personnel are authorized to sign checks drawn on the general operating and payroll accounts:

- Board Chairman
- Executive Director
- Deputy Director
- Program Directors
- Treasurer
- Board Member Appointed by the Board Chairman

Director of Finance will promptly notify MCCAAs financial institutions of changes in authorized signatures upon the departure of any authorized signer. Refer to the section titled "Check Signing" for procedures.

#### **Bank Reconciliations**

The bank reconciliation is prepared each month by the Finance Department. The bank reconciliation process will be completed within two weeks of receipt of each bank statement. Bank account

statements are reconciled between the bank balance and general ledger balance each month by the Director of Finance and Agency Bookkeeper, whom are not an authorized check signer.

All bank reconciliations, including any adjusting journal entries resulting from preparing bank reconciliations, are reviewed by the Director of Finance on a monthly basis.

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

## **Cash Flow Management**

The Director of Finance monitors cash flow needs on a weekly basis to eliminate idle funds and to ensure that payment obligations can be met.

MCCAA adheres to the requirements of its grants which may prohibit loaning funds between programs (for example, Head Start), therefore, cash management and reporting is performed at the program level as well as for MCCAA as a whole.

## **Stale Checks**

MCCAA will write off checks of \$1,000 or less that are more than a year old that have not cleared MCCAA's bank. For uncashed checks that are more than year old and that exceed \$1,000, contact will be made with the payee to resolve the issue.

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

MCCAA will also comply with the Tennessee laws regarding unclaimed property. Accordingly, if uncashed checks are subject to a state reporting and transfer requirement, MCCAA shall file all appropriate forms and remit unclaimed property to the appropriate jurisdiction.



# **INVENTORY OF MATERIALS**

## **Description of Inventory**

MCCAA maintains an inventory of materials used for home weatherization. Examples of such items include:

1. Blower Door
2. Gas Combustion Analyzer

## **Accounting for Inventory**

MCCAA accounts for purchased inventory items at cost, using the straight line method of valuation. Unit cost shall be computed by adding freight, insurance and other shipping costs to the actual cost of purchased inventory, dividing this total amount by the number of units purchased.

## **Physical Counts**

A physical count of inventory will be performed on yearly basis. Any inventory items that appear damaged, obsolete or otherwise unable to be sold shall be excluded from the counts. A detailed record of the physical count shall be kept by the individuals involved in taking the inventory and a complied report is sent to the Finance Department.

## **Contributed Inventory**

Inventory items donated to MCCAA shall be recorded as assets of MCCAA at the fair market value as of the date of the contribution, unless MCCAA is acting as an agent in connection with a contribution by a donor through MCCAA to another charity specifically identified by the donor. Contributed inventory items shall be subject to the same physical counting and other policies as purchased inventory items.

# **INVESTMENT POLICIES**

## **Introduction**

MCCAA treats all assets of MCCAA, including those funds that are legally unrestricted, as though they are held in a fiduciary capacity for the purpose of accomplishing MCCAA's tax-exempt mission. As such, the policies described in this section are to be interpreted in light of that overall sense of stewardship, and the investment standards shall be those of a prudent investor.

Funds to be invested do not include those from Federal awards. Such funds will be spent on program requirements as budgeted or returned to the awarding agency. Any advances of Federal funds will be maintained in an interest-bearing account. Interest earned on such funds will be allocated to federal grants based on a percentage of funds received during the month.

## **Delegation of Authority**

The Board of Directors of MCCAA has delegated supervisory authority over its investing activities to the Finance Committee. The Finance Committee is responsible for regularly reporting on MCCAA's investments to the full Board of Directors.

## **Investment Objectives**

MCCAA's investment objectives are the preservation and protection of MCCAA's assets, as well as the maintenance of liquid reserves to meet obligations arising from unanticipated activities, by earning an appropriate return on investments.

# **PROPERTY AND EQUIPMENT**

## **Capitalization Policy**

Physical assets acquired with unit costs in excess of \$5,000 are capitalized as property and equipment on MCCAAs financial statements. Property and equipment with unit costs below \$5,000 but with a useful life over one year shall be expensed as equipment in the year purchased.

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

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

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

## **Contributed Assets**

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

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

## **Equipment and Furniture Purchased With Federal and State Funds(A-110\_34)**

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

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

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

1. Adequate insurance coverage will be maintained with respect to equipment and furniture charged to Federal awards and State awards.
2. For equipment (or residual inventories of supplies) with a remaining per unit fair market value of \$5,000 or less at the conclusion of the award, MCCAAs shall retain the equipment without any requirement for notifying the Federal and State agency.
3. If the remaining per unit fair market value is \$5,000 or more, MCCAAs shall gain a written understanding with the Federal or State agency regarding disposition of the equipment. This understanding may involve returning the equipment to the Federal or State agency, keeping the equipment and compensating the Federal or State agency, or selling the equipment and remitting the proceeds, less allowable selling costs, to the Federal or State agency.
4. The Program Directors shall determine whether a specific award with a Federal or State agency includes additional equipment requirements or thresholds and requirements that differ from those described above.
5. A physical inventory of all equipment purchased with Federal or State funds shall be performed at least once every two years. The results of the physical inventory shall be reconciled to the accounting records of and Federal reports filed by MCCAAs.

#### **Establishment and Maintenance of a Fixed Asset and Equipment Listing**

All property and equipment with a useful life of over 1 year shall be recorded in a property log. This log shall include the following information with respect to each asset: (A-110\_34 (f)(1))

1. Date of acquisition
2. Cost
3. Description (including color, model, and serial number or other identification number)
4. Source of the equipment, including the Federal award number, if applicable
5. Whether the title vests in MCCAAs or the Federal Government
6. Information to calculate the Federal share of the cost of the equipment, if applicable
4. Location of asset
5. Depreciation method, if applicable
6. Estimated useful life

A physical inventory of all assets capitalized or equipment under the preceding policies shall be taken on an annual basis by MCCAAs. This physical inventory shall be reconciled to the property log and adjustments made as necessary. All adjustments resulting from this reconciliation will be approved by the Director of Finance.

#### **Receipt of Newly-Purchased Equipment and Furniture**

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

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

### **Depreciation and Useful Lives**

All depreciation is maintained by the finance department and review by an external auditor.

# LEASES

## **Classification of Leases**

MCCAA classifies all leases in which MCCAA is a lessee as operating leases.

## **Reasonableness of Leases**

MCCAA assess the value of leases according to the requirements of A-122\_43 as follows:

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

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

## **Changes in Lease Terms**

As described in earlier policies, leasehold improvements and deferred rent incentives are amortized over the initial lease term. If such lease term is changed prior to the expiration of the initial lease term, MCCAA will revise amortization to reflect the remaining lease term as of the effective date of the lease modification.

# SOFTWARE ACQUISITION AND DEVELOPMENT COSTS

## **Costs to be Capitalized**

Certain costs incurred in connection with the acquisition or development of internal-use software shall be capitalized and reported as an asset of MCCA. Those costs that shall be capitalized are those that are in excess of MCCA's capitalization threshold (explained earlier) and that meet any one of the following criteria:

1. External direct costs (i.e., amounts paid to vendors) of materials and services for developing or obtaining internal-use software ("developing" to include design, coding, installation and testing);
2. Internal payroll and related costs (employee benefit costs) for employees who are directly associated with, and who devote time to, an internal-use software project (i.e., the same types of software development costs described above);
3. Interest costs incurred in developing software; and
4. Costs associated with upgrades and enhancements when it is probable that these expenditures will result in additional functionality.

Costs that are capitalized in connection with the preceding policy shall be included as assets on MCCA's property and equipment listing, and shall be amortized over an estimated useful life in accordance with the previously stated policies on depreciation and amortization.

## **Costs to be Expensed as Incurred**

Many costs associated with acquiring or developing internal-use software are to be expensed as incurred, rather than capitalized, including:

1. External and internal costs incurred in the preliminary project phases, such as costs associated with making decisions to allocate resources to the project, determining performance requirements and specifications, and reviewing and selecting vendors and consultants;
2. Research and development costs;
3. General and administrative costs;
4. Data conversion;
5. Training costs; and
6. Internal maintenance costs.

# WEB SITE COSTS

## **Costs to Be Capitalized**

Certain costs incurred in connection with the development of MCCAAs web site shall be capitalized and reported as an asset of MCCAAs. Those costs that shall be capitalized are those that are in excess of MCCAAs capitalization threshold (explained earlier) and that meet any of the following criteria:

1. Application and infrastructure development costs, including:
  - a. Development or acquisition of any software necessary to develop or operate the web site (e.g. HTML editor software, graphics software, etc.)
  - b. Development or acquisition and customization of code for web applications (e.g. search engines, order processing systems, etc.)
  - c. Development or acquisition and customization of database software needed to integrate applications
  - d. Development of HTML web pages or development of templates and writing of code to automatically create HTML pages
  - e. Obtaining and registering an Internet domain name
  - f. Installation of developed applications on the server(s)
  - g. Creation of initial hypertext links to other web sites or to destinations within MCCAAs site
  - h. Testing the site applications
2. Graphics and content development costs, including the initial creation of graphics to be used on the site, the design or lay out of each page, color images, and the overall look and feel and usability of the site (e.g. buttons, borders, etc.), but NOT including the initial loading of content into the site, the costs of which are to be expensed as incurred.

Costs that are capitalized in connection with the preceding policy shall be included as assets on MCCAAs property and equipment listing, and shall be amortized over an estimated useful life in accordance with the previously stated policies on depreciation and amortization.

## **Costs to Be Expensed As Incurred**

Many costs associated with MCCAAs web site are to be expensed as incurred, rather than capitalized, including the loading of content into the designed pages, as well as:

1. Planning stage costs, such as:
  - a. Development of a project or business plan
  - b. Determining functionalities or specifications of the site
  - c. Determining hardware and technology requirements
  - d. Conceptual formulation of graphics and content
  - e. Evaluation and selection of vendors
  - f. Addressing legal considerations, such as copyright and trademark issues
2. Operating costs, such as:
  - a. Training employees involved in support of the site



- b. Registering the site with search engines
- c. User administration activities
- d. Updating site graphics
- e. Performing backups
- f. Creating new links
- g. Verifying that links are functioning properly
- h. Adding new functionalities or features (however, see below)
- i. Performing routine security reviews
- j. Performing routine analysis

Certain upgrades and enhancements to the site shall be capitalized and amortized over an estimated useful life. Upgrades or enhancements that result in additional functionality shall be capitalized.

## **POLICIES PERTAINING TO LIABILITY**

### **ACCRUED LIABILITIES**

#### **Identification of Liabilities**

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

- Salaries and wages
- Payroll taxes
- Vacation pay (see policy below)
- Rent

#### **Accrued Leave**

Personnel policies do not permit employees to carry forward unused annual leave from year to year. Unused leave is payable to an employee upon termination of employment.

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

# **POLICIES ASSOCIATED WITH FINANCIAL AND TAX REPORTING**

## **FINANCIAL STATEMENTS**

### **Annual Financial Statements**

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

## **GOVERNMENT RETURNS**

### **Overview**

To legitimately conduct business, MCCAAs 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 MCCAAs include, but are not limited to, filing annual information returns with IRS, state charitable solicitation reports, annual reports for corporations, income tax returns, information returns for retirement plans, annual reporting of compensation paid, and payroll tax withholding tax returns.

### **Filing of Returns**

The Director of Finance shall be responsible for identifying all filing requirements and assuring that MCCAAs is in compliance with all such requirements. MCCAAs will file complete and accurate returns with all authorities and make all efforts to avoid filing misleading, inaccurate, or incomplete returns.

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

1. **Form 990** - Annual information return of tax-exempt organizations, filed with IRS. Form 990 for MCCAAs is due on the fifteenth day of the fifth month following year-end. An automatic 3-month extension of time to file Form 990 may be obtained filing Form 8868. Upon expiration of the first 3-month extension, a second 3-month extension may be requested using Form 8868.
2. **Form 5500** - Annual return for MCCAAs employee benefits plans. Form 5500 is due July 31, but a request for extension of time to file may be filed.
3. **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.
4. **Form 940** - Annual Federal unemployment tax return filed with IRS, for all employers other than charitable organizations exempt from FUTA (but not necessarily state unemployment tax) under IRC section 501(c)(3), due January 31.

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

MCCAA's fiscal year-end is June 30 and MCCAA's tax year-end is December 31. All annual tax and information returns of MCCAA (Form 990) are filed on the accrual basis of reporting.

Federal and all applicable state payroll tax returns are prepared by MCCAA's external Payroll Administrator.

MCCAA complies with all state payroll tax requirements by withholding and remitting payroll taxes to the state of residency of each MCCAA employee.

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

Under regulations that became effective in 1999, MCCAA 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. MCCAA's original application for recognition of its tax-exempt status, filed with IRS.

MCCAA adheres to the following guidelines in order to comply with the preceding public disclosure requirements:

1. Anyone appearing in person at the offices of MCCAA during normal working hours making a request to inspect the forms will be granted access to a file copy of the forms. The Director of Finance shall be responsible for maintaining this copy of each form and for making it available to all requesters.
2. For all written requests for copies of forms received by MCCAA, MCCAA shall require prepayment of all copying and shipping charges. For requests for copies that are received without prepayment, MCCAA will notify the requester of this policy via phone call or by letter within 7 days of receipt of the original request.
3. The copying cost charged for providing copies of requested forms shall be \$1.00 for the first page copies and \$0.15 for each subsequent page. All copies shall be shipped to requesters via Priority Mail, thus, shipping charges will be a standard \$3.00 per shipment.
4. After payment is received, all requested copies shall be shipped to requesters within 30 days. Making of all copies and shipping within the 30-day time period shall be the responsibility of the Finance Department.
5. For requests for copies made in person during normal business hours, copies shall be provided while the requester waits.

6. MCCAAC shall accept certified checks and money orders for requests for copies made in person. MCCAAC shall accept certified checks or money orders as payment for copies of forms requested in writing.

# **FINANCIAL MANAGEMENT POLICIES**

## **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 MCCAAs financial and human resources. A budget is a management commitment of a plan for present and future organizational activities that will ensure survival. It provides an opportunity to examine the composition and viability of MCCAAs programs and activities simultaneously in light of the available resources.

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

### **Preparation and Adoption**

MCCAAs will prepare an annual budget on the accrual basis of accounting. Budgets proposed and submitted by each department should be accompanied by a narrative explanation of the sources and uses of funds and explaining all material fluctuations in budgeted amounts from prior years.

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

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

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

Budgets for programs that are not on MCCAAs fiscal year will be prepared in accordance with awarding agency requirements.

## **Monitoring Performance**

MCCAA monitors its financial performance by comparing and analyzing actual results with budgeted results.

In addition, Program Directors shall submit monthly performance (non-financial) reports to the Executive Director, the Director of Finance and Board of Directors.

## **Budget and Program Revisions**

MCCAA will request prior approval from Federal awarding agencies for any of the following program or budget revisions:

1. Change in the scope or objective of the project or program, even if there is no associated budget revision requiring prior written approval.
2. Change in a key person (Program 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 Program Director or principal investigator.
4. The need for additional Federal funding.
5. The transfer of amounts budgeted for indirect costs to absorb increases in direct costs, or vice versa, if approval is required by the Federal awarding agency.
6. The inclusion, unless waived by the Federal awarding agency, of costs that require prior approval in accordance with OMB Circular A-122.
7. The transfer of funds allotted for training allowances (direct payment to trainees) to other categories of expense.
8. Unless described in the application and funded in the approved awards, the subaward, transfer or contracting out of any work under an award. (However, this provision does not apply to purchases of supplies, materials, equipment or general support services.)

## **Budget Modifications**

After a budget has been approved by the Board of Directors and adopted by MCCA, reclassifications of budgeted expense amounts of less than \$5,000 within a single department may be made by the Department Director, with approval from the Director of Finance. Reclassifications of budgeted expense amounts across departments of less than \$10,000 may be made only with approval of the Executive Director.

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



# **ANNUAL AUDIT**

## **Role of the Independent Auditor**

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

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

## **How Often to Review the Selection of the Auditor**

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

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

## **Selecting an Auditor**

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

1. The firm's reputation in the nonprofit community
2. The depth of the firm's understanding of and experience with not-for-profit organizations and Federal reporting requirements under OMB Circular A-133
3. The firm's demonstrated ability to provide the services requested in a timely manner
4. The ability of firm personnel to communicate with Organization personnel in a professional and congenial manner

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

1. Period of services required
2. Type of contract to be awarded (fixed fee, cost basis, etc.)
3. Complete description of the services requested (audit, management letter, tax returns, etc.)
4. Identification of meetings requiring their attendance, such as staff or Board of Director meetings
5. Organization chart of MCCAA
6. Chart of account information

7. Financial information about MCCA
8. Copy of prior year reports (financial statements, management letters, etc.)
9. Identification of need to perform audit in accordance with OMB Circular A-133
10. Other information considered appropriate
11. Description of proposal and format requirements
12. Due date of proposals
13. Overview of selection process (i.e., whether finalists will be interviewed, when a decision shall be made, etc.)
14. Identification of criteria for selection

Minimum Proposal Requirements from prospective CPA firms shall be:

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

In order to narrow down the proposals to the top selections, the Director of Finance shall meet with the prospective engagement teams from each proposing firm to discuss their proposal. After the Director of Finance narrows down the field of prospective auditors, the final interviews of each firm will be discussed with the finance committee, who will make recommendation to the Board of Directors for approval.

### **Preparation for the Annual Audit**

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

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

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

***Interim Procedures*** - To facilitate the timely completion of the annual audit, the independent auditors may perform selected audit procedures prior to MCCAAs year-end. By performing significant portions of audit work as of an interim date, the work required subsequent to year-end is reduced. Organization staff will provide requested schedules and documents to assist the auditors during any interim audit fieldwork.

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

### **Concluding the Audit**

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

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

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

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

# INSURANCE

## Overview

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

MCCA maintains adequate insurance against general liability, as well as coverage for buildings, contents, computers, fine arts, equipment, machinery and other items of value.

## Coverage Guidelines

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

<u>Type of Coverage</u>	<u>Amount of Coverage</u>
Comprehensive Liability	\$1,000,000
Automobiles for Employees or Volunteers	\$1,000,000
Employee dishonesty/bonding	\$100,000 for all accounting department employees and the Executive Director
Fire and Water Damage	Coverage for all items with acquisition cost greater than \$1,000
Directors and Officers	\$1,000,000 (with an appropriate deductible level)
Theft	Coverage for all items with acquisition cost greater than \$1,000
Workers' Compensation	To the extent required by law

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

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

## **Insurance Definitions**

### ***Workers' Compensation and Employer's Liability***

Contractors are required to comply with applicable Federal and state workers' compensation and occupational disease statutes. If occupation diseases are not compensated under those statutes, they shall be covered under the employer's liability insurance policy, except when contract operations are so commingled that it would not be practical to require this coverage.

### ***Fidelity Bond***

For all personnel handling cash, preparing or signing checks, MCCA shall obtain insurance that provides coverage in a blanket fidelity bond. The specific needs of MCCA will determine the dollar limit of this coverage.

### ***Comprehensive Liability***

This type of coverage may include directors, officers and employee general liability insurance, buildings, contents, computers and fine arts.

# RECORD RETENTION

## Policy

MCCAA shall maintain all documentation for all charges according to each Grantor's contract and regulations. The destruction of records must be approved by the Director of Finance and/or the Program Directors. Once the retention date has been met and all related reporting, monitoring or auditing have been completed, the records will be destroyed by an outside destruction service which certifies the confidentiality and destruction process. The destruction of records must be approved by the Director of Finance and/or the Program Directors. This process is completed annually after the fiscal year ends.

The formal records retention policy of MCCAA is as follows:

Accident reports/claims (settled Cases)	7 Years
Accounts payable ledgers and schedules	7 Years
Accounts payable check copies w/backup Includes invoices, purchase orders, purchase request, receiving documents	7 Years
Accounts receivable ledgers and schedules	7 Years
Audit reports	Permanently
Bank reconciliations	7 Years
Bank Statements/Cancelled Checks	7 Years
Chart of Accounts	Permanently
Contracts, mortgages, notes and leases: Expired	7 Years
Still in effect	Permanently
Correspondence:	
General	5 Years
Legal and important matters only	Permanently
Routine with customers and/or vendors	5 Years
Deeds, mortgages and bills of sales	Permanently
Depreciation schedules	Permanently
Duplicate deposit slips	5 Years
Employment applications	5 Years
Expense analyses/expense distribution schedule	7 Years
Financial statements:	
Year end	Permanently
Other	Optional
Garnishments	7 Years
General ledgers/year end trial balance	Permanently
Insurance policies (expired)	5 Years
Insurance records (policies, claims, etc.)	Permanently
Internal audit reports	5 Years +
Internal reports	5 Years
Inventories of products, materials and supplies	7 Years
Invoices (to customers, from vendors)	7 Years
Journals	Permanently
Minute books of directors, bylaws and charters	Permanently
Notes receivable ledgers and schedules	7 Years
Payroll records and summaries	7 Years
Personnel records (terminated)	7 Years
Petty cash vouchers	7 Years

Physical inventory tags	7 Years
Property records (incl. depreciation schedules)	Permanently
Purchase orders:	
Purchasing department copy	7 Years
Other copies	1 Year
Retirement and pension records	Permanently
Sales records	7 Years
Subsidiary ledgers	7 Years
Tax returns and worksheets, examination reports	
and other documents relating to determination of income tax liability	Permanently
Time sheets/cards	7 Years
Trademark registrations and copyrights	Permanently
Training manuals	Permanently
Voucher register and schedules	7 Years
Withholding tax statements	7 Years

## **BOARD GOVERNANCE**

### **FINANCE COMMITTEE**

#### **Purpose**

The primary responsibility for MCCAAs financial reporting and management rests with senior operating management, as overseen by MCCAAs Board of Directors (the “Board”). The purpose of the Finance Committee (the “Committee”) is to assist the Board in fulfilling this responsibility by providing oversight of the financial management and financial reporting function.

#### **Authority**

The Finance Committee shall have the resources and authority necessary to discharge its duties and responsibilities. The Committee has sole authority to retain and terminate outside counsel or other experts or consultants, as it deems appropriate, including sole authority to approve the firms’ fees and other retention terms. The Committee may form and delegate authority to subcommittees and may delegate authority to one or more members of the Committee.

#### **Membership**

The Finance Committee shall be a standing committee of the Board of Directors, comprised of not less than three members of the Board. Members of the Committee shall:

1. Have no relationship to MCCAAs that may interfere with the exercise of their independence from management and MCCAAs; and
2. Be a separate committee of the Board of Directors.

Appointments to the Finance Committee shall be for two-year terms and eligible for consecutive appointments of no more than one additional two-year term.

#### **Responsibilities**

The Finance Committee’s role is one of oversight, recognizing that MCCAAs management is responsible for financial management and for preparing MCCAAs financial statements. The Committee shall have oversight responsibilities in certain areas of financial management and reporting as follows:

- Oversee MCCAAs assets, including policies associated with safekeeping and protection of those assets;
- Review and evaluate MCCAAs financial viability;
- Review the annual budget and recommend it to the full Board for approval;
- Review new initiatives involving requests for funding;



- Review MCCAAs cash flow management;
- Review the financial impact of agenda items being considered by the full Board;
- Monitor budget implementation and accounting and financial policies and procedures;
- Review monthly and quarterly financial reports and monitor financial performance against budget;
- Prepare a report, signed by the chair of the Committee, for presentation to the full Board of Directors, describing the activities and responsibilities of the Committee;
- Review overall organizational risk management and adequacy of insurance carried by MCCAAs;
- Review all borrowing arrangements of MCCAAs;
- Review annual income tax and information returns filed with the Internal Revenue Service and State government agencies;
- Review this Charter on an annual basis and propose any recommended changes to the Board;
- Oversee the management of MCCAAs investments, including review of investment policies, use of external investment managers, and other matters associated with investment management.

The Committee shall meet on a regular basis and call special meetings as deemed necessary in fulfilling the responsibilities described in this Charter.