

**Capital Area Community Action
Agency, Inc.**

**Accounting & Financial
Policies and Procedures Manual**

Effective Date(s) of Accounting Policies

The effective date of all accounting policies described in this manual is 6/01/2008. If a policy is added or modified subsequent to this date, the effective date of the new/revised policy will be indicated below.

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INTRODUCTION

The following accounting manual is intended to provide an overview of the accounting policies and procedures for Capital Area Community Action Agency, Inc., which shall be referred to as “CACAA”, “the Agency” or “the Organization” throughout this manual.

CACAA is incorporated in the state of Florida. CACAA is exempt from Federal income taxes under IRC Section 501(c)(3) as a nonprofit corporation. CACAA tax-exempt mission is to:

To provide a comprehensive seamless system of services and resources to reduce the detrimental effects of poverty, empower low-income citizens with skills and motivation to become self-sufficient and improve their quality of life.

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

The contents of this manual were approved as official policy of the Organization by the Board of Directors. All CACAA 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

Capital Area Community Action Agency, Inc. is governed by its Board of Directors, which is responsible for the oversight of the Organization by:

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

The Chief Executive Officer shall be responsible for the day-to-day oversight and management of CACAA.

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 CACAA consist of the following:

1. Executive Committee (By-law)
2. Finance Committee (By-law)
3. Nominating Committee (By-law)
4. Personnel Committee (By-law)
5. Audit Committee
6. Fundraising Committee (By-law)
7. Program Planning & Oversight Committee (By-law)

Specific guidelines regarding composition and election of the board of directors and the Committees are described in the by-laws. However, roles of Committees with direct responsibilities for the financial affairs of the Organization are further described in this manual. These Committees shall be referred to in appropriate sections of this manual.

Audit Committee Responsibilities

The Audit Committee is responsible for the oversight of the legal and financial aspects of the Organization. The Committee's role in the annual audit is more fully explained in the section of this manual covering the annual audit.

Functions of the Audit Committee

1. Hires an independent CPA firm for the annual audit every three years,
2. Reviews and approves the final audited statements, and
3. Serves as the primary point of contact for any employee who suspects that fraud has been committed against the Organization or by one of its employees or board members.

Finance Committee Responsibilities

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

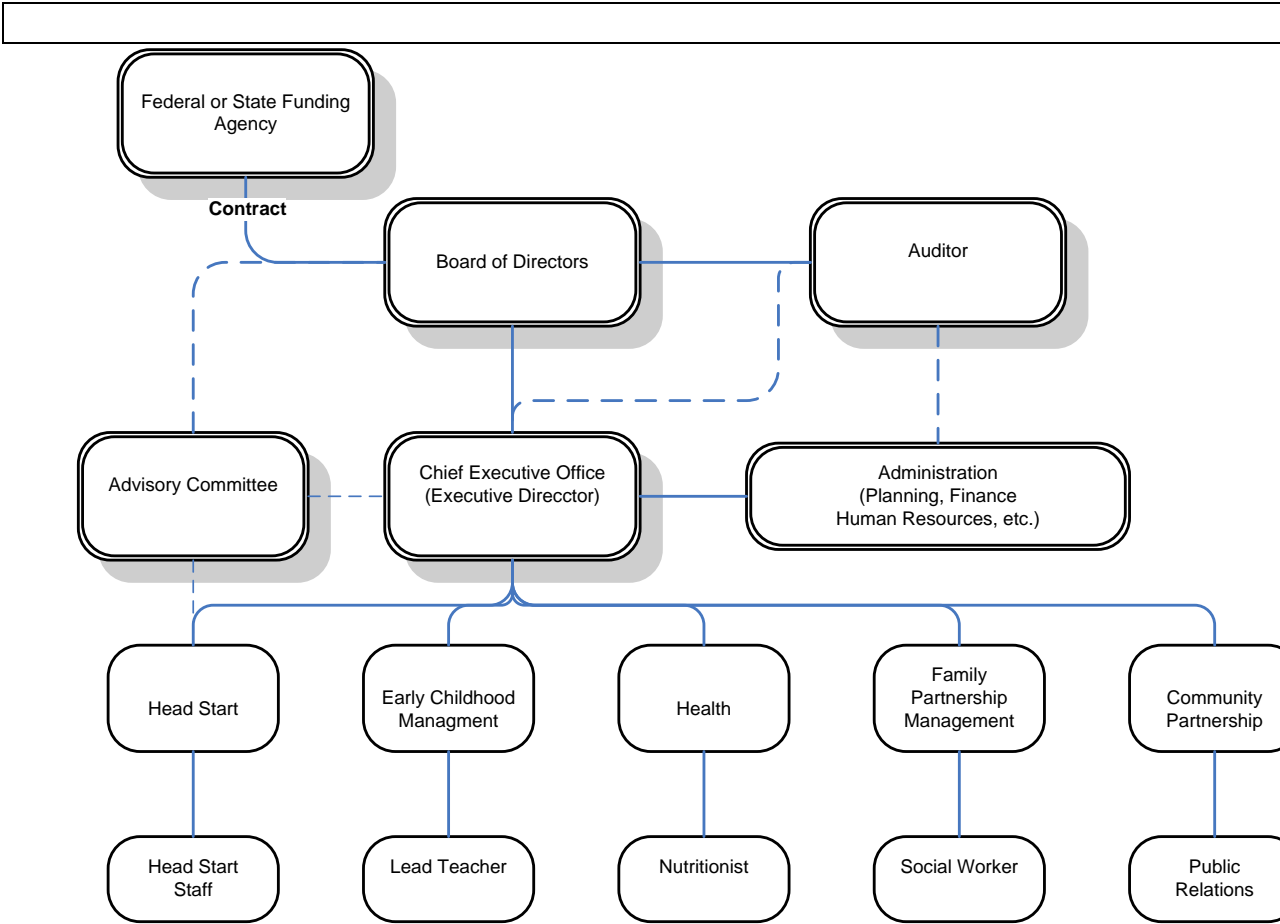
1. Review and recommendation of the Organization's annual budget (prepared by the staff) for final approval by the full board,
2. Long-term financial planning,
3. Establishment of investment policy and monitoring investment performance,
4. Evaluation and approval of facilities decisions (i.e., leasing,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

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

The Roles of the Chief Executive Officer and Staff

The Board of Directors hires the Chief Executive Officer, who reports directly to the Board. The Chief Executive Officer (CEO) is responsible for hiring and evaluating all administrative staff/contractors as well as all Program Managers for each of the Organization's programs. Each Program Manager reports to the Chief Executive Officer, who may delegate day-to-day supervision to the Chief Operating Officer.

Program Managers are responsible for hiring employees to work in the Organization's programs/with approval from the Chief Executive Officer. All Head Start hiring also requires Policy Council approval. All employees shall report directly to their immediate supervisors, who shall be responsible for managing and evaluating those employees. The Program Managers are responsible for managing their program budget.



ACCOUNTING DEPARTMENT OVERVIEW

Organization

The accounting department consists of the following positions, plus additional assistance from the HR/Payroll Director, and manages and processes financial information for CACAA. Some positions may be shared. The following positions comprise the accounting department:

- Chief Financial Officer (CFO)
- Finance Director (FD)
- Senior Accountant (SA)
- Fiscal Assistant (FA)

Other officers and employees of Capital Area Community Action Agency, Inc. who have financial responsibilities are as follows:

- Chief Executive Officer (CEO)
- Chief Operating Officer(COO)
- Program Managers (PM)
- Treasurer – Board level (TR)
- Finance Committee – Board level (FC)
- Executive Committee – Board level (EC)
- Full Board of Directors (BOD)

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 recording
- Financial statement processing
- External reporting of financial information
- Bank account reconciliation
- Reconciliation of subsidiary ledgers
- Compliance with government reporting requirements
- Annual audit coordination
- Leases tracking

Standards for Financial Management Systems

In accordance with CFR Title 2, Subtitle A, Chapter II, Part 200, Subpart D, Section 200.302(b)(1) through (7), CACAA maintains a financial management system that provides for the following. Specific procedures to carry out these standards are detailed in the appropriate sections of this manual.

1. Identification, in CACAA's accounts, of all Federal awards received and expended and the Federal programs under which they were received, including, as applicable, the CFDA title and number, Federal award identification number and year, name of the Federal agency, and name of the pass-through entity, if any.
2. Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements of Sections 200.327 Financial reporting and 200.328 Monitoring and reporting program performance and/or the award.
3. Records that identify adequately the source and application of funds for Federally-sponsored activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation.
4. Effective control over, and accountability for, all funds, property, and other assets. CACAA must adequately safeguard all such assets and assure they are used solely for authorized purposes.
5. Comparison of expenditures with budget amounts for each Federal award.
6. Written procedures of payment methods to minimize the time elapsing between the transfer of funds to CACAA from the U.S. Treasury whether the payment is made by electronic funds transfer, or the issuance or redemption of checks, warrants, or payments by other means.
7. Written procedures for determining the allowability of costs in accordance with the provisions of the applicable Federal cost principles and the terms and conditions of the award.

BUSINESS CONDUCT

Practice of Ethical Behavior

Unethical actions, or the appearance of unethical actions, are unacceptable under any conditions. The policies and reputation of CACAA 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 CACAA 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 the Organization or publicly?
6. Am I sure that my action meets my personal code of ethics and behavior?
7. Would I feel comfortable defending my actions on the 6 o'clock news?

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

Each Director/Officer, Manager and Supervisor is responsible for the ethical business behavior of her/his subordinates. Directors/Officers, 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

Capital Area Community Action Agency Inc. 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 CACAA 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 implementation of the provisions of these policies is one of the standards by which the performance of all levels of employees will be measured.

CONFLICTS OF INTEREST

Introduction

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

All directors and employees have an obligation to:

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

What Constitutes a Conflict of Interest?

A conflict of interest arises when a director, employee or agent of the organization involved in making a decision is in the position to benefit, directly or indirectly, from his/her dealings with the Organization or person conducting business with the Organization. A potential conflict of interest exists when the director or employee, or his/her partner or 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 the Organization and has a direct or indirect interest in, or receives personal benefit from, the entity or individual providing the goods or services;
2. Negotiates or approves a contract, sale, or lease on behalf of the Organization and has a direct or indirect interest in, or receives personal benefit from, the entity or individual receiving the goods or services;
3. Employs or approves the employment of, or supervises a person who is an immediate family member of the director or employee;
4. Sells products or services in competition with the Organization;
5. uses the Organization's facilities, other assets, employees, or other resources for personal gain;
6. Receives a substantial gift from a contractor, if the director or employee is responsible for initiating or approving purchases from that contractor.

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, Capital Area Community Action Agency, Inc., requires the following:

1. On an annual basis, all members of the Board of Directors, the Chief Executive Officer, members of senior management, and employees with purchasing and/or hiring responsibilities or authority shall inform, in writing, the Chief Executive Officer 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 contractors with whom the Organization has transacted business at any time during the preceding year, along with a copy of the disclosure statement;
3. The Chief Executive Officer shall review all forms completed by employees, and the Finance Committee shall review all forms completed by directors and the Chief Executive Officer, 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 Chief Executive Officer 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 Chief Executive Officer of the Organization. Conflicts shall be resolved as follows:

- The Finance Committee shall be responsible for making all decisions concerning resolutions of conflicts involving directors, the Chief Executive Officer, 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 Chief Executive Officer 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 the Organization or to the government, for any loss or damage resulting from the violation. As with all matters involving disciplinary action, principles of fairness will apply. Any employee charged with a violation of this policy will be afforded an opportunity to explain 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 FRAUD AND MISCONDUCT

Introduction

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

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

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

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

Definitions

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

1. Actions that violate the Organization's Code of Conduct (and any underlying policies) or any of the accounting and financial policies included in this manual
2. Fraud (see below)
3. Forgery or alteration of checks, bank drafts, documents or other records (including electronic records)
4. Destruction, alteration, mutilation, or concealment of any document or record with the intent to obstruct or influence an investigation, or potential investigation, carried out by a department or agency of the Federal government or by the Organization in connection with this policy
5. Disclosure to any external party of proprietary information or confidential personal information obtained in connection with employment with or service to the Organization
6. Unauthorized personal or other inappropriate (non-business) use of equipment, assets, services, personnel or other resources
7. Acts that violate Federal, state, or local laws or regulations
8. Accepting or seeking anything of material value from contractors, vendors, or persons providing goods or services to CACAA. Exception: gifts less than a nominal value (\$25).
9. Impropriety in the handling or reporting of money of financial transactions.

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

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

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

Capital Area Community Action Agency, Inc. prohibits each of the preceding acts of misconduct on the part of employees, officers, executives, volunteers and others responsible for carrying out the Organization's activities.

Reporting Responsibilities

Management is responsible for detecting and preventing fraud, misappropriation and other irregularities. Each member of the management team will be familiar with types of improprieties that might occur within his or her area of responsibility and be alert for any indication of irregularity.

Every employee, officer, and volunteer is responsible for immediately reporting suspected misconduct to the Chief Financial Officer, Chief Executive Officer or the Chair of the Board of Directors. The Personnel Committee will initiate all investigations. Once fraud is detected the Finance Committee will be notified.

Whistleblower Protection

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

Investigative Responsibilities

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

The Personnel Committee has the primary responsibility for investigating suspected fraud or misconduct involving employees below the Chief Executive Officer. The Personnel Committee may utilize whatever internal and /or external resources it considers necessary in conducting the investigation. The Personnel Committee shall provide a summary of all investigative work to the Executive Committee.

The Executive Committee has the primary responsibility for investigating suspected fraud or misconduct involving Chief Executive Officer as well as board members and officers. However, the Executive Committee may request the assistance of the Chief Financial Officer or any other internal or external resources it considers necessary in conducting the investigation.

Members of the Capital Area Community Action Agency Inc. Investigating committee will have:

- 1 Free and unrestricted access to all Capital Area Community Action Agency, Inc. records and premises, whether owned or rented and
- 2 The authority to examine, copy, remove all or any portion of the contents of files, desks, cabinets, and other storage facilities on the premises without prior knowledge or consent of any individual who may use or have custody or any such items or facilities when it is within the scope of their investigation.

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

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.

Decision to prosecute or refer the examination results to appropriate law enforcement and or regulatory agencies for independent investigation will be made in conjunction with legal counsel as will a final disposition of the case.

If suspected fraud or other wrong doing involves programs funded in whole or part with federal funds, additional responsibilities such as special reporting and disclosures to the awarding agency, may apply to the organization. It is the policy of CACAA to fully comply with all additional reporting, disclosures and other requirements pertaining to the suspected acts of fraud.

Protection of Records – Federal Matters

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

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

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 Human Resources 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 the Organization to follow any particular policy or procedure.

Confidentiality

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

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 CACAA 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 Personnel 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 Capital Area Community Action Agency, Inc. legal counsel or the Personnel 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 the Organization to aid in an investigation).

However, all known frauds involving the Chief Executive Officer, 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 Personnel Committee to the Organization's external auditors.

SECURITY

Accounting Department

All Accounting Department offices/rooms are locked unless at least one staff member is present. The individual offices are closed or locked when accounting department members are not present during the day. The Finance Director and the Senior Accountant have keys to all rooms in the suite. It is the policy of CACAA to terminate access code privileges to the building after an employee has left employment. Accordingly the codes are changed or the access card is deactivated, as appropriate, when an employee who was previously granted such access is no longer employed.

Capital Area Community Action Agency, Inc. blank check stock shall be stored in a fireproof file cabinet in the Accounting Department. This cabinet will be locked with a key that is kept in the Accounting Department. Access to this file cabinet shall be by keys in the possession of the Finance Director.

Access to Electronically Stored Accounting Data

Capital Area Community Action Agency, Inc. 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 other than inquiry-only access to the system.

Accounting personnel are expected to keep their passwords secret and to change their passwords on a regular basis, no less frequently than quarterly. 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

Capital Area Community Action Agency, Inc. maintains back-up copies of electronic data files off-site in a secure environment. Access to back-up files shall be limited to individuals authorized by management. The Network Consultant shall back up via remote access all the files on the server. A log of the back file locations will be maintained.

The Organization shall 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 Accounting 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 Head Start or Human Resources offices, etc. Therefore, the Organization:

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

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

Destruction of Consumer Information

As stated earlier, all sensitive data must be securely stored and shredded when no longer needed. CACAA will also shred all consumer information obtained by the Organization for any reason. Shredding will be performed on a schedule determined by each department that possesses such data and the schedule shall be in accordance with the Record Retention policy (see the “Financial 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 Capital Area Community Action Agency, Inc. Keys are issued only to specific employees of Capital Area Community Action Agency, Inc.

TECHNOLOGY AND ELECTRONIC COMMUNICATIONS

Purpose and Scope

The purpose of this policy is to identify guidelines for the use of CACAA technologies and communications systems. This policy establishes a minimum standard that must be upheld and enforced by users of the Organization's 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/or using any of, the Organization's computers or electronic communications resources.

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

Acceptable Use of Organization Property

Use of the Organization's computers and electronic communications technologies is for program and business activities of Capital Area Community Action Agency, Inc. 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 the Organization's communications systems are permitted, users automatically waive any rights to privacy.

In addition, the information, ideas, concepts and knowledge described, documented or contained in the Organization's electronic systems are the intellectual property of Capital Area Community Action Agency, Inc. The copying or use of the Organization's intellectual property for personal use or benefit during or after employment (or period of contract) with Capital Area Community Action Agency, Inc. is prohibited unless approved in advance by the Chief Executive Officer.

All hardware (laptops, computers, monitors, mice, keyboards, PDAs, printers, telephones, fax machines, etc.) issued by Capital Area Community Action Agency, Inc. is the property of the Organization and should be treated as such. Users may not physically alter or attempt repairs on any hardware at any time. Users must report any problems with hardware to the department's representative on the IT committee.

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 Program Manager and/or Software/Network Administrator and initiate a password change request. Passwords must be unique and complex with alphanumeric characters.

Confidentiality

All information about individuals, families or organizations served by Capital Area Community Action Agency, Inc. is confidential. No information may be shared with any person or organization outside Capital Area Community Action Agency, Inc. without the prior written approval of the individual, family or organization and the Chief Executive Officer.

E-Mail Communications

The Organization may communicate with its customers, contractors/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 not personally known, or no attachment was expected, it should be deleted and not opened. The user should contact the Network Administrator for assistance if there are questions as to the validity of the message and/or attachment.

Anti-Virus Controls

The Organization 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 Network Administrator. 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 Network Administrator. This activity includes, 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

Capital Area Community Action Agency, Inc. will run "file-shredding" software on all electronic media, including computer hard drives, prior to disposing of computer equipment. This software should perform low-level formatting or use a "wipe" utility that follows the Department of Defense (DoD) standard 5220.22. The software overwrites all areas of the computer's hard drive in a manner that makes it impossible for subsequent users to retrieve any of the data on the hard drive. This procedure shall be performed by the Network Administrator.

Copyrighted Information

Use of Capital Area Community Action Agency, Inc. 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 programs or software without the prior approval of the Network Administrator is prohibited. Software should not be downloaded from the Internet. If Internet-based software is needed, the Network Administrator should be contacted to perform the download and testing of the application prior to installation.

Other Prohibited Uses

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

1. Engaging in any communication that is discriminatory, defamatory, pornographic, obscene, racist, and/or 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 the Organization's systems or elsewhere.
8. Advertising, solicitation or other commercial, non-programmatic/non-Organization use.
9. Knowingly introducing a computer virus into the communications systems or otherwise knowingly causing damage to the systems.
10. Using the system(s) 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 e-mail messages under an assumed name or obscuring the origin of an e-mail message sent or received.

Disciplinary Action for Violations

Capital Area Community Action Agency, Inc. requires all users to adhere to this policy. Violations of this policy will result in disciplinary action, which could include termination of employment or cancellation of contracts.

Reporting of Suspected Violation(s)

Suspected violation(s) of these policies should be immediately reported to your supervisor and kept confidential. If you prefer not to discuss it with your supervisor or if your supervisor is not available, you may contact the Chief Executive Officer or any member of the Personnel Committee.

Capital Area Community Action Agency, Inc. 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. Capital Area Community Action Agency, Inc. further reserves the right to examine any and all electronic communications sent or received by employees via the Organization'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.

Capital Area Community Action Agency, Inc.'s chart of accounts is comprised of five types of accounts:

1. Assets
2. Liabilities
3. Net Assets
4. Revenues
5. Expenses

The chart of accounts is built on a table-driven segment structure as listed below:

- 1 Fund code (4 digits)
- 2 General Ledger code (4 digits)
- 3 Activity code (3 digits)
- 4 Location code (3 digits, usually county)
- 5 Category Code – program, administrative, etc. (3 digits)

Distribution of Chart of Accounts

All Capital Area Community Action Agency, Inc. employees involved with account coding or budgetary responsibilities will be provided a current chart of accounts. As the chart of accounts is revised, an updated copy of the chart of accounts shall be promptly distributed to these individuals.

Control of Chart of Accounts

The Chief Financial Officer/Finance Director 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 CFO/FD, who ensures that the chart of accounts is consistent with the Organizational structure of CACAA and meets the needs of each division and department.

Account Definitions

General Ledger

Account Range
1000 - 1999

Category
Assets

Definition

Assets are probable future economic benefits obtained or controlled by the Organization 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 the Organization 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 the Organization 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. See the next section for Capital Area Community Action Agency, Inc.'s policies on classifying net assets.

4000 - 5000

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.

6000 - 9000

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 Capital Area Community Action Agency, Inc.'s ongoing major or central operations.

Changes to the Chart of Accounts

The CFO/FD shall approve additions to, deletions from, or any other changes to the standard chart of accounts.

Fiscal Year of Organization

Capital Area Community Action Agency, Inc. shall operate on a fiscal year that begins on **October 1** and ends on **September 30**. Any changes to the fiscal year of the Organization must be ratified by majority vote of Capital Area Community Action Agency, Inc.'s Board of Directors.

Accounting Estimates

Capital Area Community Action Agency, Inc. 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 Chief Financial Officer/Finance Director 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, the Audit Committee, and the external audit firm.

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

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

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

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

Journal entries not originating from the subsidiary ledgers are made by the Senior Accountant or the Finance Director.

POLICIES ASSOCIATED WITH REVENUES AND CASH RECEIPTS

REVENUE

Revenue Recognition Policies

Capital Area Community Action Agency, Inc. 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** - Monthly accrual based on incurrence of allowable costs (for cost-reimbursement awards) or based on other terms of the award (for fixed price, unit-of-service, and other types of awards).
2. **In-Kind Contributions** – Recognized as income when received. (See section titled “Cost Sharing and Matching”). Note: The amount of in-kind contributions may differ for federal award purposes and for financial reporting purposes.
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 CFO/FD.

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 the Organization, or a settlement or cancellation of the Organization'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 the Organization 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 the Organization, 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 assets to Capital Area Community Action Agency, Inc. without directly receiving value in exchange.

Promise to Give – A written or oral agreement to contribute cash or other assets.

Exchange Transaction – A reciprocal transaction in which Capital Area Community Action Agency, Inc. and another entity each receive and sacrifice something of approximately equal value.

ADMINISTRATION OF FEDERAL AWARDS

Definitions

Capital Area Community Action Agency, Inc. may receive financial assistance from a donor/grantor agency through the following types of agreements:

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

Contract: A mutually binding legal agreement where the Organization agrees to provide goods and/or services and the funder agrees to pay for them.

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

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

Preparation and Review of Proposals

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

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 Accounting 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 chart of account numbers as necessary. New accounts shall be established for the receipt and expenditure categories in line with the grant or contract budget.
3. Gather documentation in a file established for each grant or contract. The file contains the proposal, 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

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

1. For each Federal award, an employee within the department responsible for administering the award will be designated as "grant manager."
2. Each grant manager shall attend a training on grant management prior to beginning his/her role as a grant manager (or as early in their functioning as a grant manager as practical). Thereafter, all grant managers shall attend refresher/update courses on grant management periodically, as needed.
3. The grant manager 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. The grants manager will communicate grant requirements to those who will be responsible for carrying them out, or impacted by them.
4. The Accounting Department shall forward copies of applicable laws/regulations to the grant manager (such as the CFR, OMB Circulars, pertinent sections of compliance supplements, and other regulations).
5. The grant manager and/or the Accounting 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 grant manager 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 2 CFR, Chapter I, Chapter II, Part 200, et. al., and communications with Federal awarding agency personnel.
7. The grant manager shall inform the independent auditors of applicable laws, regulations, and provisions of contracts and grants. The grant manager shall also communicate known instances of noncompliance with laws, regulations, and provisions of contracts and grants to the auditors.

Close Out of Federal Awards

Capital Area Community Action Agency, Inc. shall follow the close out procedures described in 2 CFR, Chapter I, Chapter II, Part 200, et. al and in the grant agreements as specified by the granting agency.

Capital Area Community Action Agency, Inc. and all subrecipients shall liquidate all obligations incurred under the grant or contract within 90 days of the end of the grant or contract agreement. Financial Status Report Forms are filed as a means of formalizing the close out procedure.

COST SHARING AND MATCHING (IN-KIND)

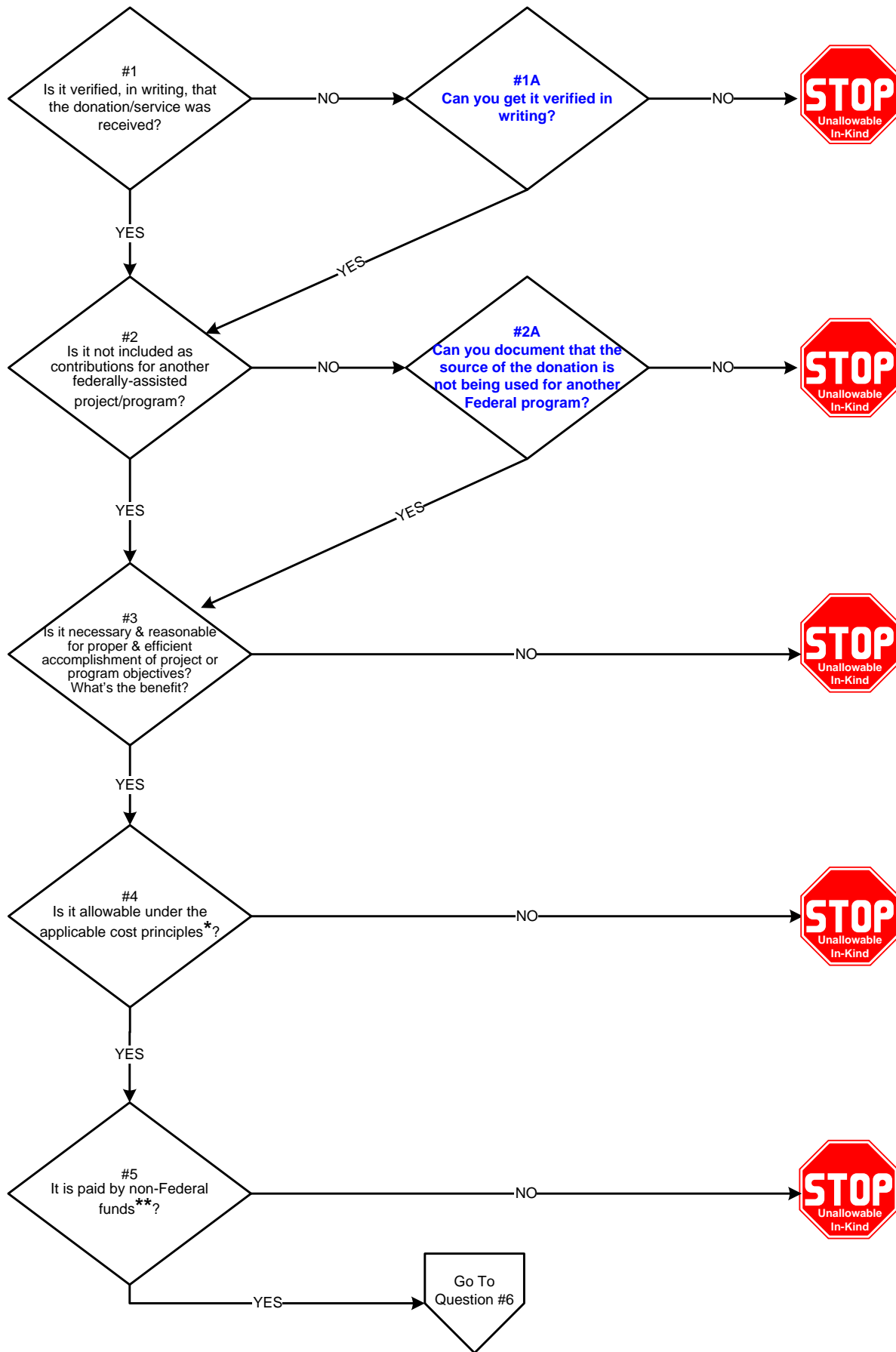
Overview

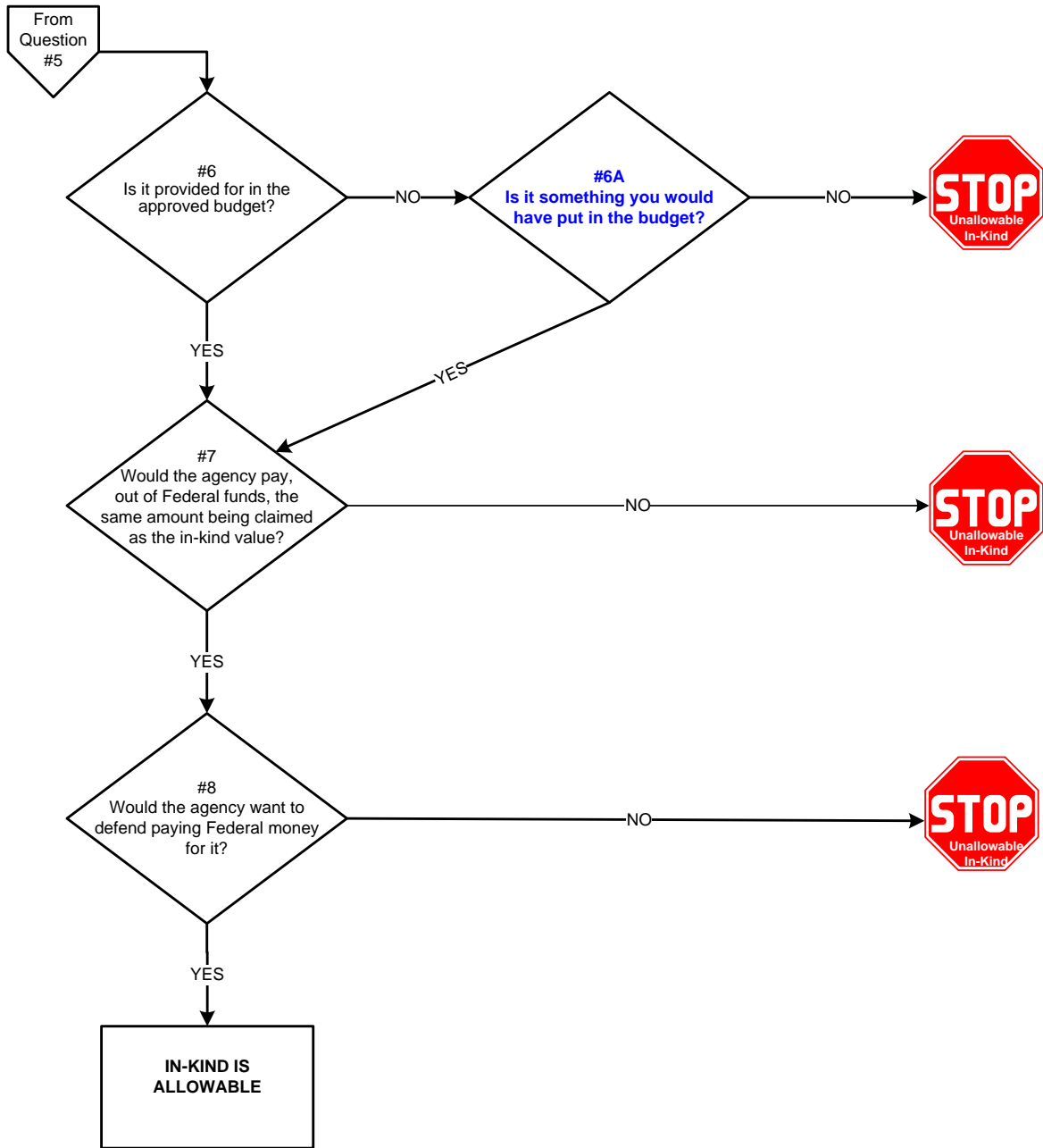
Capital Area Community Action Agency, Inc. values contributed services and property that are to be used to meet a cost sharing or matching requirement at their fair market values at the time of contribution, unless award documents or Federal agency regulations identify specific values to be used.

Capital Area Community Action Agency, Inc. 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 CACAA 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 2 CFR, Chapter I, Chapter II, Part 200, et. al.
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 2 CFR, Chapter I, Chapter II, Part 200, et. al.
8. In the case of donated space, (or donated use of space), the space is subject to an independent appraisal to establish its value.

Although the following flowchart is from superseded OMB Circulars, it can still 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

- CACAA 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 the Organization in the acquisition of equipment, building, or land, the total value of the donated property may be claimed as matching with prior approval of the awarding agency.

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

Equipment, buildings or land are valued at 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 file for easy access.

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.

Examples of contributed services received and recorded as income and expense by CACAA include Speech Therapy, Dental treatment, internships, Jump Start etc.

Volunteer services will be valued at rates consistent with those paid for similar work in the Organization. For skills not found in the Organization, rates will be consistent with those paid for similar work in the local 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.

Support in the form of volunteer labor shall be recorded as contribution income and assets or expenses if one of the two criteria is met:

- 1 The contributed service creates or enhances a non-financial asset (such as building or equipment) or
- 2 The contributed service possesses all three of the following characteristics:
 - a This type of service would typically be purchased if it was not contributed
 - b It is a specialized service (needs formal training in the profession)
 - c. It is provided by a person who possesses those skills

Contributed services that meet the above criteria shall be recorded at the fair market value of the service rendered.

CACAA requires volunteers to document and account for their contributed time in a manner similar to that used 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

In-kind will be reported to the Accounting Department monthly so that it can be recorded as in-kind in the accounting records and used in other reports.

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

Capital Area Community Action Agency, Inc. 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 CFO and the Chief Executive Officer;
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 CFO and CEO;
3. Contributions with donor-imposed restrictions that violate or involve uses that go beyond the Organization's current mission statement and tax-exempt purpose, as determined by the CFO and CEO; and
4. Contributions from donors involved in businesses or activities that are deemed inconsistent with the Capital Area Community Action Agency, Inc. mission, as determined by the Chief Executive Officer.

Distinguishing Contributions from Exchange Transactions

Capital Area Community Action Agency, Inc. receives income in the form of contributions, revenue from exchange transactions, and income from activities with characteristics of both contributions and exchange transactions. CACAA shall consider the following criteria, and any other relevant factors, in determining whether income will be accounted for as contribution income, exchange transaction revenue, or both:

1. CACAA's intent in soliciting the asset, as stated in the accompanying materials;
2. The expressed intent of the entity providing resources to CACAA (i.e., does the resource provider state that its intent is to support CACAA's programs or that it anticipates specified benefits in exchange?);
3. Whether the method of delivery of the asset is specified by the resource provider (exchange transaction) or is at the discretion of CACAA (contribution);
4. Whether payment received by CACAA is determined by the resource provider (contribution) or is equal to the value of the assets/services provided by CACAA, or the cost of those assets plus a markup (exchange transaction);
5. Whether there are provisions for penalties (due to nonperformance) beyond the amount of payment (exchange transaction) or whether penalties are limited to the delivery of assets already produced and return of unspent funds (contribution); and

6. Whether assets are to be delivered by CACAA to individuals or organizations other than the resource provider (contribution) or whether they are delivered directly to the resource provider or to individuals or organizations closely connected to the resource provider.

Unconditional Promises to Give

- Unconditional promises to give shall be recorded as assets and increases in temporarily restricted net assets (contribution income) in the period that CACAA receives the promise.
- Unconditional promises to give that are to be collected within one year shall be recorded at their face value, less any reserve for uncollectible promises, as estimated by management.
- Unconditional promises to give that are collectible over time periods in excess of one year shall be recorded at their discounted net present value.
- Accretion of discount on such promises to give shall be recorded as contribution income in each period leading up to the due date of the promise to give. The interest rate that shall be used in calculating net present values of unconditional promises to give is the risk-free rate of return available to CACAA at the time the Organization receives a promise from a donor.
- When the final time or use restriction associated with a contributed asset has been met, a reclassification between temporarily restricted and unrestricted net assets shall be recorded.

Receipts and Disclosures

Capital Area Community Action Agency, Inc. and its donors are subject to certain disclosure and reporting requirements imposed under the Internal Revenue Code and the underlying regulations. To comply with those rules, CACAA shall adhere to the following guidelines with respect to contributions received by the Organization.

For any separate contribution received by CACAA Inc., it shall provide a receipt to the donor. This receipt shall be prepared by the Administrative Assistant or the Program Manager (if the donation is made to the specific program) and forwarded to the Accounting Department for recording. All receipts shall include the following information:

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

When Capital Area Community Action Agency, Inc. receives cash in excess of \$75, or noncash property with a value in excess of \$75, as part of a quid pro quo transaction, the Organization shall follow additional disclosure procedures. For purposes of this paragraph, a "quid pro quo transaction" is one in which CACAA receives cash or property in a transaction that is part contribution and part

exchange transaction (i.e., the value of the goods or services provided to the donor by CACAA is less than the value of cash or property provided by the donor). In such instances, CACAA shall provide to the donor a receipt stating that only the amount contributed in excess of the fair market value of the goods or services provided by CACAA may be deducted as a charitable contribution. The receipt shall also include a good-faith estimate of the fair market value of the goods or services provided to the donor by Capital Area Community Action Agency, Inc.

IRS rules provide for certain exceptions to the preceding disclosure rules applicable to quid pro quo transactions. As such, CACAA shall not provide receipts when it receives cash or property in excess of \$75 in any of the following circumstances:

1. The goods provided to the donor during 2019 bear CACAA name or logo and have an aggregate cost of \$11.10 or less;
2. The goods provided to the donor in 2019 have a fair market value equal to no more than 2% of the contribution or \$111, whichever is less; or
3. The gift received by CACAA resulted from the Organization's 2019 fund-raising appeal that included articles worth no more than \$11.10, as well as a request for contributions and a statement that the recipient may keep the article even if a contribution is not made.

The preceding thresholds are adjusted for inflation by the IRS on an annual basis. Inflation adjustments subsequent to 2019 are incorporated into this policy manual by reference.

Program Managers and above shall determine all estimates of the fair market value of goods and services provided by Capital Area Community Action Agency, Inc.

It is the policy of Capital Area Community Action Agency, Inc. to comply with all current Federal and state rules regarding solicitation and collection of charitable contributions, whether specifically addressed in this manual or not, as well as all future revisions to those rules.

Disclosures of Promises to Give

As stated earlier, CACAA shall record an asset and an increase in net assets for unconditional promises to give. In addition, in connection with its annual financial statements, CACAA shall prepare a schedule of unconditional promises to give that discloses the annual amounts to be collected in each of the next five fiscal years, and a total amount due thereafter, less the amount representing interest as a result of discounting long-term promises to give to net present value.

In connection with conditional promises to give, which shall not be recorded on the financial statements, CACAA shall nonetheless prepare a similar schedule of future payments for disclosure in the Organization's annual financial statements.

BILLING/INVOICING POLICIES

Overview

The Organization's primary sources of revenue are:

- Reimbursement grants – billed monthly, quarterly, or as funders require, based on allowed, incurred expenses
- Fee-for-service income – billed according to contract requirements based on number of units of service provided

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

Responsibilities for Billing and Collection

Capital Area Community Action Agency, Inc.'s Accounting 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

Capital Area Community Action Agency, Inc. strives to provide management, staff and funding sources with timely and accurate financial reports applicable to Federal and other awards. These reports include monthly and cumulative expenditures, a project budget, and balance remaining.

Capital Area Community Action Agency, Inc. shall prepare and submit financial reports as specified by the financial reporting clause of each grant or contract award document. Preparation of these reports shall be the responsibility of the CFO/FD subject to review and approval by the Chief Executive Officer.

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

1. The Organization will request reimbursement after expenditures have been incurred, unless otherwise specified by the award.
2. CACAA will strive to minimize the time between receipt and disbursement of grant funds by issuing payments within 24 hours for Direct Federal grants. The pass through grants will be billed upon delivery of services.
3. Each award normally specifies a particular billing cycle. CACAA will abide by the stipulation put forth in the grant agreement of when the billing is to be submitted.
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. (If sources other than the general ledger are used for preparing requests for reimbursement, this policy shall include additional statements that this alternate source shall be reconciled to the general ledger balances on a monthly basis.)

All financial reports required by each Federal award will be prepared and filed on a timely basis. To the extent Capital Area Community Action Agency, Inc.'s year-end audit results in adjustments to amounts previously reported to Federal agencies, revised reports shall be prepared and filed in accordance with the terms of each Federal award.

Capital Area Community Action Agency, Inc. shall maintain separate billing records in addition to the official general ledger accounting records. Billing records shall be reconciled to the general ledger on a monthly or quarterly basis, or as frequently as the billing cycle.

At the time invoices (requests for reimbursement) are prepared, revenue and accounts receivable shall be recorded on the books of CACAA by the CFO/FD.

If a grant award authorizes the payment of cash advances, CACAA shall reflect a liability equal to the advance. The liability shall be reduced, and revenue recognized, in an amount equal to the allowable costs incurred for that period. This usually takes place in the last months of the contract for pass-through Federal grants and first few months of the Direct Federal awards.

Cash Drawdowns Under Letters of Credit

Cash drawdowns under letters of credit from Federal agencies shall normally be made bi-weekly in conjunction with the accounts payable and payroll schedule, based on need. All Federal funds shall be deposited into an interest-bearing cash account under the cash receipts policies and procedures described in this manual. CACAA requires that Federal funds will be disbursed within 24 hours of receipt using the following process:

1. Post A/P and Payroll expenses for the current period.
2. Complete payroll entry necessary to transfer revenue and expenses from individual grants to the cost pools.
3. Run the Revenue and Expense statement and the Balance Sheet.
4. Determine the year to-date excess of expenses over revenue from the Revenue and Expense Statement and outstanding balance of current Accounts Payable from the Balance Sheet.
5. A schedule shall be completed to reconcile Federal cash on hand to estimate the organization's need for additional Federal funds, which considers the:
 - + Federal cash drawn to date,
 - YTD expenses as of the end of prior period,
 - Estimated disbursement this month to date,
 - = Subtotal (estimated cash on hand)
 - Estimated disbursements this week in order to determine the
 - = Amount to be requested.

6. The Senior Accountant shall then make the draw and record the journal entry

Accounts Receivable Entry Policies

Individuals independent of the cash receipts function shall post customer invoices, credit adjustments, and other adjustments to the accounts receivable subsidiary ledger.

Classification of Income and Net Assets

All income received by Capital Area Community Action Agency, Inc. is classified as "unrestricted," with the exception of the following:

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

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

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

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

CASH RECEIPTS

Cash (including checks payable to the Organization) is the most liquid asset an organization has. Therefore, it is the objective of Capital Area Community Action Agency, Inc. to establish and follow the strongest possible internal controls in this area.

Processing of Checks and Cash Received in the Mail or In Person

The following procedures will be followed:

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

Endorsement of Checks

All checks received that are payable to the Organization shall immediately 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. Capital Area Community Action Agency, Inc.
3. The bank name
4. The bank account number of CACAA or Capital Area Community Action Agency, Inc.Holdings.

Timeliness of Bank Deposits

Bank deposits will be made on a weekly basis, unless the total amount received for deposit is more than \$1,000. In no event shall deposits be made less frequently than bi-weekly, unless no cash or checks were received in that time.

Reconciliation of Deposits

On a periodic basis, a person who does not prepare the initial cash receipts listing nor the bank deposit slip shall reconcile the listings of receipts to the monthly bank statement. Any discrepancies shall be immediately investigated. The CFO/FD will reconcile listing of receipts to the General Ledger from the monthly bank statements.

GRANTS RECEIVABLE MANAGEMENT

Monitoring and Recognition

Capital Area Community Action Agency, Inc. records grants receivable and income as follows:

1. For grants that have a monthly or quarterly billing cycle, revenue is recognized when the invoice is submitted to the funding agency for reimbursement.
2. When cash is received, the grant receivable amount is reduced.
3. All grants receivable amounts are periodically reconciled to ensure funds are received and receivables are correctly stated in the financial statements of the organization.
4. When an advance is received for a grant, it shall be recorded as deferred income.
5. In the last months of the grant, any deferred income will offset the remaining receivable to the extent of the obligated amount.

ACCOUNTS RECEIVABLE MANAGEMENT

Monitoring and Reconciliations

On a periodic basis, the Accounting Department will reconcile a detailed accounts receivable report (showing aged, outstanding invoices by customer) to the general ledger. The CFO/FD will review the reconciliation and ensure that all differences are immediately investigated and resolved.

Accounts Receivable Write-Off Authorization Procedures

If an account is deemed uncollectible, approval from the CFO/FD is required to process the write off.

1. Current year invoices that are written off will either be charged against an appropriate revenue or revenue adjustment account, or against the original account credited.
2. Invoices written off that are dated prior to the current year will be written off against net assets.

POLICIES ASSOCIATED WITH EXPENDITURES AND DISBURSEMENTS

PURCHASING POLICIES AND PROCEDURES

The policies described in this section apply to all purchases made by Capital Area Community Action Agency, Inc.

Capital Area Community Action Agency, Inc. 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 and State laws, rules, regulations and other applicable authority.

Responsibility for Purchasing

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

The Fiscal Assistant or Senior Accountant in the Accounting Department shall be responsible for issuing purchase orders. The CFO/FD has approval authority over all purchases and contractual commitments, and the Chief Executive Officer shall make the final determination on any proposed purchases where budgetary or other conditions may result in denial.

Code of Conduct in Purchasing *(Section 200.318)*

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

- Staff shall discourage the offer of, and decline, individual gifts or gratuities of value in any way that might influence the purchase of supplies, equipment, and/or services.
- Staff shall notify their immediate supervisor if they are offered such gifts.
- No officer, board member, employee, or agent must participate in the selection, award, or administration of a contractor if there is a real or apparent conflict of interest. Such a conflict would arise when an officer, board member, employee or agent, or any member of his/her immediate family, his/her partner, or an organization that employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible benefit from the firm/contractor considered for a contract.

- Officers, board members, employees, and agents must neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to sub-contracts.
- Gifts to the Organization in which the financial interest is not substantial or which are unsolicited or nominal in value are acceptable donations.

Competition (Sections 200.319, 200.320)

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 the responsible firm whose proposal is most advantageous to CACAA in terms of price, quality and other factors considered.
- Issue solicitations that clearly set forth all requirements to be evaluated.
- Reserve the right to reject any and all bids when it is in the Organization’s best interest.

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 Capital Area Community Action Agency, Inc., 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 incorporated into Capital Area Community Action Agency, Inc.’s procurement procedures:

1. CACAA must avoid purchasing items that are unnecessary or duplicative. (200.318(d))
2. Where appropriate, an analysis will be made of lease and purchase alternatives, and any other appropriate analysis, to determine which would be the most economical approach. (200.318(d))

3. 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.
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.
5. For all procurements in excess of \$7,500 (as may be adjusted for inflation) CACAA must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to the following:
 - a. rationale for the method of procurement,
 - b. selection of contract type,
 - c. contractor selection or rejection, and
 - d. basis for the contract price.
6. CACAA shall make all procurement files available for inspection upon request by a Federal awarding agency.
7. A contract award must not be made to parties listed on the government-wide Excluded Parties List System in the System for Award Management (SAM). (Appendix II to Part 200). Therefore, all contracts shall either have a written certification that the contractor has not been suspended, debarred, or otherwise excluded from or ineligible for participation in Federal programs or activities or evidence will be included in the procurement file that the contractor was not found on the Excluded Parties List System in SAM .)
8. CACAA must not use the “cost-plus-a-percentage-of-cost” method of contracting. (200.323(d))
9. When issuing statements, press releases, requests for proposals, bid solicitations and other documents describing projects or programs funded in whole or in part with Federal money, all grantees receiving Federal funds included in this Act shall clearly state—
 - (1) the percentage of the total costs of the program or project which will be financed with Federal money;
 - (2) the dollar amount of Federal funds for the project or program; and
 - (3) the percentage and dollar amount of the total costs of the project or program that will be financed by nongovernmental sources (Public Law 115-31, Division H, Title V, Section 505; aka The Stevens Amendment”)

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

Use of Purchase Orders

It is the policy of Capital Area Community Action Agency, Inc. to utilize a purchase order system, where needed. A properly completed purchase order shall be required for each purchase decision (i.e., total amount of goods and services purchased, not unit cost), 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. Contractor/Vendor name, address, point of contact and phone number
3. Source of funding (if applicable)
4. Special conditions (if applicable)
5. Net price per unit, less discount, if any
6. Total amount of order
7. Authorized signature
8. Date purchase order was prepared

Purchase orders shall be numbered by the Fiscal Assistant or Senior Accountant and kept in a secure area in the Accounting Department.

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

Payment Authorizations forms shall be completed upon receipt of merchandise and invoice and duly signed by a supervisor and/or Department Director/Program Manager. Suitable supporting documentation should be attached.

Authorizations and Purchasing Limits (Section 200.320)

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

Amount of Purchase	Required Approvals	Required Solicitation
<\$1,000	Program Mgr., CFO/FD, Chief Executive Officer	For useful life >1year, 2 quotes
\$1,000<Purchase<\$3,500	Program Mgr., CFO/FD, Chief Executive Officer	At least 2 oral or written quotes (oral quotes should be documented)
\$3,500<Purchase<\$7,500	Program Mgr., CFO/FD , Chief Executive Officer	At least 2 written quotes
\$7,500<Purchase<\$30,000	Program Mgr., CFO/FD, Chief Executive Officer	3 written bids, RFP or sealed bids depending on type of purchase
Purchases >\$30,000	All of the above and Board of Directors	RFP or sealed bids depending on type of purchase

The Chief Executive Officer is authorized to enter into any contract on behalf of Capital Area Community Action Agency, Inc. All contracts must be reviewed and approved by the Program Manager/Department Director, as applicable, and the Chief Financial Officer before approval from the Chief Executive Officer. These policies shall also apply to renewals of existing contracts.

Required Solicitations from Contractors

Solicitations for goods and services (requests for proposals or RFPs and the like) 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 must not contain features which unduly restrict competition. *(200.319(c)(1))*
2. Requirements which the bidder/offeror must fulfill and all other factors to be used in evaluating bids or proposals (see the next section entitled "Evaluation of Alternative Contractors" for required criteria) *(200.319(c)(2))*
3. The description may include a statement of the qualitative nature of the material, product or service to be procured and, when necessary, must set forth those minimum essential characteristics and standards to which it must conform if it is to satisfy its intended use. *(200.319(c)(1))*
4. The specific features of "brand name or equivalent" which must be met by offerors when appropriate. *(200.319(c)(1))*
5. Where the purchase price of the item exceeds \$10,000 or the value of the quantity acquired during the preceding fiscal year exceeded \$10,000, CACAA must comply with section 6002 of the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act, including procuring only items designated in guidelines of the Environmental Protection Agency (EPA) at 40 CFR part 247 that contain the highest percentage of recovered materials practicable, consistent with maintaining a satisfactory level of competition; procuring solid waste management services in a manner that maximizes energy and resource recovery; and establishing an affirmative procurement program for procurement of recovered materials identified in the EPA guidelines. *(200.322)*
6. 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.
7. The date by which proposals are due.
8. Required delivery or performance dates/schedules.
9. 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.

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

Evaluation of Alternative Contractors

Contractors 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. Contractor's financial stability
7. Contractor's demonstrated commitment to the nonprofit sector
8. Results of communications with references supplied by contractor
9. Ability/commitment to meeting time deadlines
10. Cost
11. Minority- or women-owned business status of contractor
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/program 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 contractor has been selected and approved by the Program Manager/Department Director, the final selection shall be approved by the Chief Executive Officer prior to entering into a contract.

Contracting with small and minority businesses, women's business enterprises, and labor surplus area firms. (§200.321)

CACAA is committed to taking all necessary affirmative steps to assure that minority businesses, women's business enterprises, and labor surplus area firms are used when possible. (§200.321(a))

Such affirmative steps must include:

1. Placing qualified small and minority businesses and women's business enterprises on solicitation lists; (§200.321(b)(1))
2. Assuring that small and minority businesses, and women's business enterprises are solicited whenever they are potential sources; (§200.321(b)(2))
3. Dividing total requirements, when economically feasible, into smaller tasks or quantities to permit maximum participation by small and minority businesses, and women's business enterprises; (§200.321(b)(3))
4. Establishing delivery schedules, where the requirement permits, which encourage participation by small and minority businesses, and women's business enterprises; (§200.321(b)(4))
5. Using the services and assistance, as appropriate, of such organizations as the Small Business Administration and the Department of Commerce's Minority Business Development Agency. (§200.321(b)(5))

6. Requiring the prime contractor, if subcontracts are to be let, to take the affirmative steps listed in this section. (*§200.321(b)(6)*)

Availability of Procurement Records (*200.324(b)*)

Capital Area Community Action Agency, Inc. shall, on request, make available for the Federal awarding agency or pass-through entity, pre- procurement review and procurement documents, such as requests for proposals or invitations for bids, or independent cost estimates, when any of the following conditions apply:

- The procurement procedures or operation does not comply with the CACAA’s procurement standards (*200.324(b)(1)*)
- The procurement is expected to exceed the Simplified Acquisition Threshold (\$150,000 in 2015) and is to be awarded without competition or only one bid or offer is received (*200.324(b)(2)*)
- The procurement exceeds the Simplified Acquisition threshold and specifies a “name brand” product (*200.324(b)(3)*)
- The proposed contract exceeds the Simplified Acquisition Threshold and is to be awarded to other than the apparent low bidder under a sealed bid procurement. (*200.324(b)(4)*)
- A proposed contract modification changes the scope of a contract or increases the contract amount by more than the amount of the Simplified Acquisition Threshold. (*200.324(b)(5)*)

Provisions Included in All Contracts (*Appendix II to Part 200*)

Capital Area Community Action Agency, Inc. includes all of the following provisions, as applicable, in all contracts charged to Federal awards (including small purchases) with contractors and subgrants to grantees:

1. **Equal Employment Opportunity:** All federally assisted construction contracts must include the equal opportunity clause provided under 41 CFR 60-1.4(b), in accordance with E.O. 11246, “Equal Employment Opportunity,” as amended by E.O. 11375, “Amending Executive Order 11246 Relating to Equal Employment Opportunity,” and implementing regulations at 41 CFR part 60, “Office of Federal Contract Compliance Programs, Equal Employment Opportunity, Department of Labor.” (*Appendix II to Part 200(C)*)
2. **Copeland “Anti-Kickback” Act (40 U.S.C. 3145):** All contracts in excess of \$2,000 for construction or repair awarded by CACAA and its subrecipients must include a provision for compliance with the Copeland “Anti-Kickback” Act, 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 must 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. CACAA must report all suspected or reported violations to the Federal awarding agency. (*Appendix II to Part 200(D)*)

3. **Davis-Bacon Act, as amended (40 U.S.C. 3141 - 3148):** When required by Federal program legislation, all prime construction contracts of more than \$2,000 awarded by CACAA and its subrecipients must include a provision for compliance with the Davis-Bacon Act (40 U.S.C. 3141 – 3144, 3146 - 3148) 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 must be required to pay wages to laborers and mechanics at a rate not less than the prevailing wages specified in a wage determination made by the Secretary of Labor. In addition, contractors must be required to pay wages not less than once a week. CACAA must 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. CACAA must report all suspected or reported violations to the Federal awarding agency. (*Appendix II to Part 200(D)*)
4. **Contract Work Hours and Safety Standards Act (40 U.S.C. 3701 - 3708):** Where applicable, all contracts awarded by CACAA in excess of \$100,000 that involve the employment of mechanics or laborers must include a provision for compliance with 40 U.S.C. 3702), as supplemented by Department of Labor regulations (29 CFR part 5). Under Section 3702 and 3704 of the Act, each contractor must be required to compute the 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 3704 of the Act is applicable to construction work and provides that no laborer or mechanic must be required to work in surroundings or under working conditions which 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. (*Appendix II to Part 200(E)*)
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 \$150,000 must 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 must be reported to the Federal awarding agency and the Regional Office of the Environmental Protection Agency (EPA). (*Appendix II to Part 200(G)*)
6. **Byrd Anti-Lobbying Amendment (31 U.S.C. 1352):** Contractors that apply or bid for an award of \$100,000 or more must file 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, CACAA shall provide such certifications in all situations in which it acts as a subrecipient of a subgrant of \$100,000 or more. (*Appendix II to Part 200(I)*)
7. **Debarment and Suspension (E.O.s 12549 and 12689):** A contract award must not be made to parties listed on the government-wide exclusions in the System for Award Management (SAM), in accordance with the OMB guidelines that implement Executive Orders 12549 and 12689, “Debarment and Suspension.” SAM Exclusions contains the names of parties debarred,

suspended, or otherwise excluded by agencies, as well as parties declared ineligible under statutory or regulatory authority other than Executive Order 12549. (*Appendix II to Part 200(H)*)

9. **Remedies:** All contracts in excess of the Simplified Acquisition Threshold set at \$150,000 in 2015) must address administrative, contractual, or legal remedies in instances in which a contractor violates or breaches the contract terms and provide for sanctions and penalties. (*Appendix II to Part 200(A)*)
10. **Termination:** All contracts in excess of \$10,000 must address termination for cause and for convenience by CACAA, including the manner by which termination will be effected and the basis for settlement. (*Appendix II to Part 200(B)*)
11. **Rights to Inventions Made Under a Contract or Agreement:** If the Federal award meets the definition of “funding agreement” under 37 CFR §401.2 (a) and the recipient or subrecipient wishes to enter into a contract with a small business firm or nonprofit organization regarding the substitution of parties, assignment or performance of experimental, developmental, or research work under that “funding agreement,” the recipient or subrecipient must comply with the requirements of 37 CFR Part 401, “Rights to Inventions Made by Nonprofit Organizations and Small Business Firms Under Government Grants, Contracts and Cooperative Agreements,” and any implementing regulations issued by the awarding agency. (*Appendix II to Part 200(F)*)

Procurement by Noncompetitive Proposals. (*200.320(f)*)

Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source and may be used only when one or more of the following circumstances apply:

- (1) The item is available only from a single source;
- (2) The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;
- (3) The Federal awarding agency or pass-through entity expressly authorizes noncompetitive proposals in response to a written request from the non-Federal entity; or
- (4) After solicitation of a number of sources, competition is determined inadequate.

Federally Funded Programs:

Purchases under this category are subject to additional policies. Please see “Policies associated with Federal Awards” for details.

Right to Audit Clause

Capital Area Community Action Agency, Inc. requires a “Right to Audit” clause in all contracts between the Organizations and contractors that either:

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

This Right to Audit clause shall permit access to and review of all documentation and processes relating to the contractor’s operations that apply to CACAA, as well as all documents maintained or

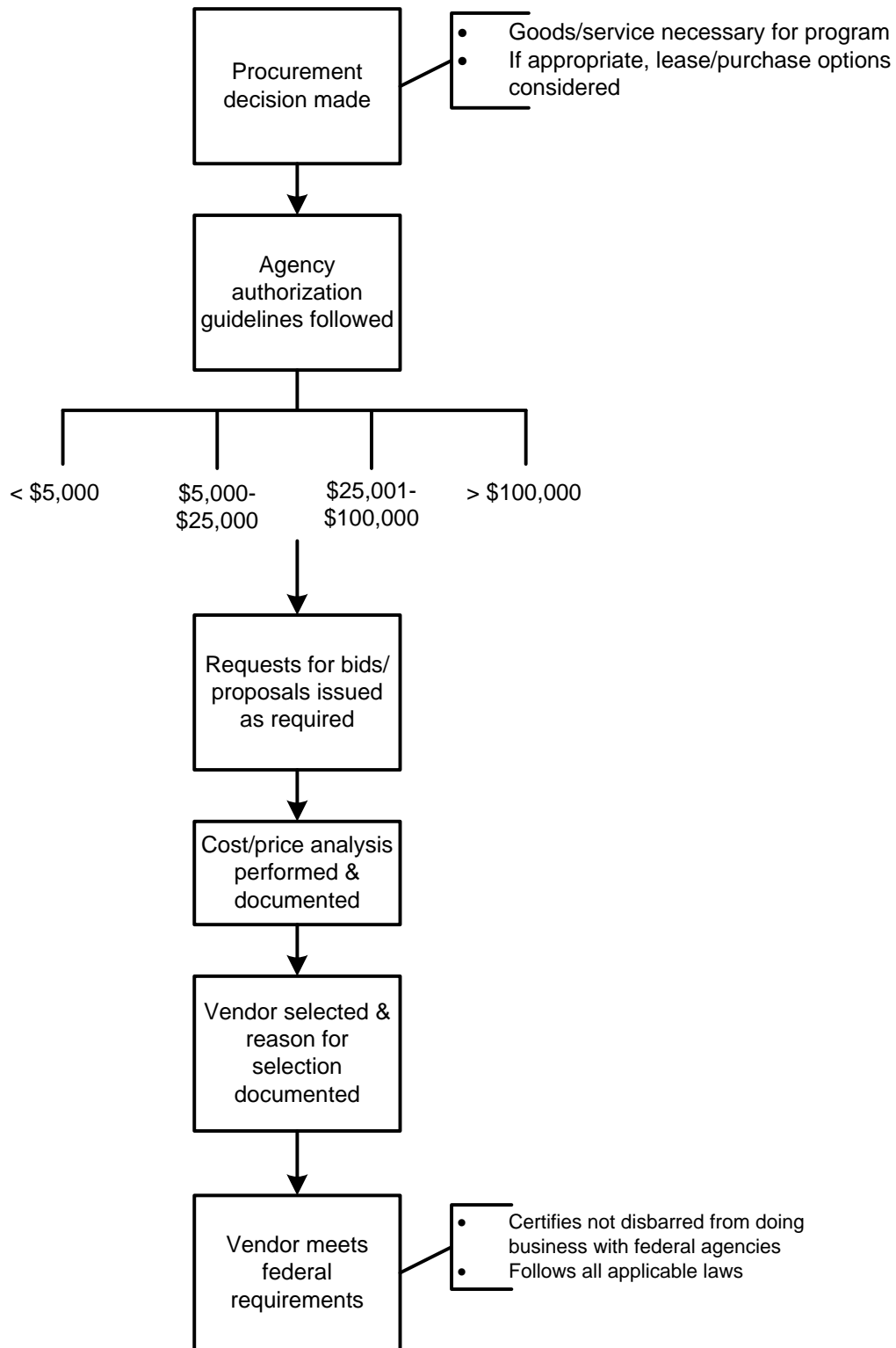
processed on behalf of CACAA, for a minimum period of three years. The clause shall state that such audit procedures may be performed by Capital Area Community Action Agency, Inc. employees or any outside auditor or contractor designated by the Organization.

Contractor/Vendor Files and Required Documentation

The Fiscal Assistant in the Accounting Department shall create a contractor folder for each new contractor from whom Capital Area Community Action Agency, Inc. purchases goods or services.

The Fiscal Assistant in the Accounting Department shall send a blank Form W-9 to new contractors and request that the contractor complete and sign the W-9 (or provide equivalent, substitute information) and return to CACAA. Completed, signed Forms W-9 or substitute documentation shall be filed in a separate W-9 folder. Contractors who do not comply with this request shall be issued a Form 1099 at the end of each calendar year in accordance with the policies described in the section of this manual on "Government Returns." See the section on "Payroll and Related Policies" for guidance on determining whether a contractor should be treated as an employee.

The following flowchart summarizes the procurement process under Federal regulations, though thresholds have subsequently increased and are subject to change annually:



Receipt and Acceptance of Goods

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

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

POLITICAL INTERVENTION

Prohibited Expenditures

Consistent with its tax-exempt status under Section 501(c)(3) of the Internal Revenue Code, Capital Area Community Action Agency, Inc. 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

It is the policy of Capital Area Community Action Agency, Inc., not to 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 Capital Area Community Action Agency, Inc., when these individuals are acting on behalf of, or are otherwise representing, the Organization.

Prohibited Use of Organization Assets and Resources

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

LOBBYING

Introduction

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

Definition of Lobbying Activities

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

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

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

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

Segregation of Lobbying Expenditures

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

Accordingly, Capital Area Community Action Agency, Inc. segregates all direct and indirect lobbying expenditures in the general ledger. Where appropriate, lobbying expenditures shall also be allocated their fair and reasonable share of employee benefits and other indirect costs in accordance with cost allocation policies described elsewhere in this manual.

Lobbying Election

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

If Capital Area Community Action Agency, Inc. determines that it is in the best interest of the Organization and the clients that it serves to undertake lobbying activities and 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. Once the election is made, the organization will abide by the requirements of its grants, regarding lobbying activities and the Internal Revenue Service. As a result, the Organization shall report its lobbying expenditures by completing the section for "Electing Charities" on Schedule A that accompanies its annual Form 990 information return filed with IRS.

CHARGING OF COSTS TO FEDERAL AWARDS

Capital Area Community Action Agency, Inc. 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 must be familiar with the allowability of costs provisions of 2 CFR Chapter II, Part 200, Subpart E, "Cost Principles," 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 2 CFR Chapter II, Part 200, Subpart E.
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 Sections 200.403, .404 and .405, in order to be treated as allowable direct or indirect costs under a Federal award:

1. The cost must be necessary and reasonable for the performance of the federal award and be allocable, considering the following factors:
 - a. Whether the cost is of a type that is generally recognized as ordinary and necessary for the operation of the Organization or the performance of the award;

- b. Restraints or requirements imposed by such factors as sound business practices, arm's length bargaining, Federal, state, local and other laws and regulations, and the terms and conditions of the award;
 - c. Whether the individuals concerned acted with prudence in the circumstances;
 - d. Consistency with established policies and procedures of the Organization, deviations from which could unjustifiably increase the costs of the award.
 - e. Market prices for comparable goods or services for the geographic area.
2. The cost must be allocable to an award by meeting one of the following criteria:
 - a. The cost is incurred specifically for a Federal award;
 - b. The cost benefits both the Federal award and other work, and can be distributed in reasonable proportion to the benefits received; or
 - c. The cost is necessary to the overall operation of the Organization, and is assignable in part to the federal award.
 3. The cost must conform to any limitations or exclusions of 2 CFR Chapter II, Part 200, Subpart E or the Federal award itself.
 4. Treatment of costs must be consistent with policies and procedures that apply uniformly to both Federally financed and other activities of the Organization.
 5. Costs must be accorded consistent treatment.
 6. The cost must be determined in accordance with generally accepted accounting principles (GAAP).
 7. Costs may not be included as a cost of any other Federally financed program in the current or prior periods.
 8. The cost must be adequately documented.

Direct Costs

Direct costs are those costs that can be identified specifically with a Federal award or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. Capital Area Community Action Agency, Inc. identifies and charges these costs exclusively to each award or program. (200.413(a))

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 Senior Accountant

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.

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 Accounting Department
- The Human Resources Department
- The Board of Directors

Examples of joint costs are:

- Shared space (rental costs)
- Operation and maintenance of facilities,
- Telephone expenses
- 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

Capital Area Community Action Agency, Inc. maintains an annual indirect cost rate allocation plan. Each year, a new indirect cost rate allocation plan is prepared and submitted to Capital Area Community Action Agency, Inc.'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 or service contracts of the executive officers, finance, accounting and administrative personnel
3. Equipment purchase and leases
4. Training and Travel of Administrative Staff
5. Insurance
6. Other business related expenses including Board Expense

These rates are submitted to Capital Area Community Action Agency, Inc.'s Cognizant Agency and will be binding on all other Federal agencies and their contracting officers unless specifically prohibited by statute.

Capital Area Community Action Agency, Inc.'s process for developing and submitting its indirect cost rate allocation proposal is:

1. Use the audited financial statement as a basis for the Indirect Rate Cost Proposal.
2. Prepare Schedule A for the proposal by using the schedule of functional expenses.

3. Concentrate on the General and Management (G & M) portion of the schedule of functional expenses for the Indirect Cost.
4. Since the column for G & M expenses includes items such as interest expense that are unallowable, back out items that are unallowable.
5. CACAA uses the payroll and fringe expenditure and the In-Kind Services amount from the grants to calculate the Indirect Cost rate.
6. A narrative and the required certifications are completed.
7. The complete package which consists of the cover letter, Narrative, Schedule A, method of calculation, required certification, checklist and a copy of the Audited Financial report, or such combination of documents as required by the Cognizant Agency and which are sent to the Mid Atlantic division.
8. The due date varies, but is usually 6 months after the end of the fiscal year. However, the indirect cost rate allocation plan cannot be completed until after the audited financial statements have been issued, usually on or a little before June 30th. Therefore, a four-month extension should be requested.

Accounting for Specific Elements of Cost

Capital Area Community Action Agency, Inc. 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 report), as follows:

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

Indirect costs – The following staff or contracted functions charge 100 percent of their salary or contract costs indirectly:

- Chief Executive Officer
- Secretary/Receptionist
- Administrative Assistant
- Chief Operating Officer/Personnel Director (except when directing programs)
- Chief Financial Officer
- Finance Director
- Senior Accountant
- Fiscal Assistant
- IT Specialist
- Certain Temporary employees, if any

Compensated absences (leave earned, 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 – Capital Area Community Action Agency, Inc. incurs costs for the following statutory and non-statutory employee benefits:

- FICA
- Unemployment insurance
- Worker's compensation
- Health insurance
- Contributions to pension plan
- Contribution to Life and short term disability insurance

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. Each grant is charged a fringe cost rate. The actual costs are disbursed through a fringe cost pool.

Occupancy Expenses – Monthly rent expense and related pass-through expenses shall be allocated directly and indirectly, based on approximate square footage of space utilized, or other allowable methodology, 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 associated with common areas, such as hallways, restrooms, and conference rooms, shall be accounted for in the proportion to the direct and indirect cost mentioned above.

Utilities – Utilities costs include electricity and water. Such utilities costs shall be charged directly and indirectly in the same proportion as occupancy costs. Where no rent expense is incurred, the utility costs are those that are attributable to the program.

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, based on the completion of a supplies usage form, where applicable. 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 log run on the postage machine and any UPS/FedEx shipping logs.

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

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

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

Local telephone service costs are charged directly and indirectly based upon the number of telephone units assigned to CACAA. 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 – CACAA incurs outside service costs for its annual audit, legal fees, therapists, staff training and Network administration. 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 the Single Audit Act shall be charged directly to the audited programs, based on estimates 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.

Therapists and other service providers – Costs associated with these service providers shall be charged directly to the program/function that benefits from the services. Fees that are not identifiable with specific direct grants or programs shall be charged indirectly.

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

ACCOUNTS PAYABLE MANAGEMENT

Overview

Capital Area Community Action Agency, Inc. 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 contractor invoice for the related goods or services.
- The contractor invoice should be supported by an approved purchase order where necessary, and should be reviewed and approved by a Department Director or Program Manager 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. Contractor credit terms and operating cash are managed for maximum benefits

Recording of Accounts Payable

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

Accounts payable are processed on a daily basis and paid 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 duplicate copies have been verified as unpaid by researching the contractor/vendor records. No contractor statements shall be processed for payment.

Accounts Payable Cut-Off

For purposes of the preparation of the Organization's monthly financial statements, all contractor invoices that are received (approved and supported with proper documentation) by noon on Wednesday of the last week of the month, shall be recorded as accounts payable as of the end of the immediately preceding month if the invoice pertains to goods or services delivered by month-end. For the year end processing all invoices with the date of service delivery on or before the end of the fiscal year are treated as accounts payable for the fiscal year.

Establishment of Control Devices

The Fiscal Assistant establishes control of invoices as soon as they are received. Contractors are instructed to mail all invoices directly to the Accounts Payable Department.

Upon receipt, each invoice shall be "date received" stamped and distributed to the appropriate personnel for approval.

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 Payment Authorization Request and Purchase Requisition (P.R.), if any
- 2 Contractor invoice (or employee expense report)
- 3 Purchase order, if any
- 4 Any other supporting documentation deemed appropriate

Processing of Voucher Packages

The following procedures shall be applied to each voucher package by the Fiscal Assistant:

1. Check the mathematical accuracy of the contractor invoice.
2. Compare the nature, quantity and prices of all items ordered per the contractor invoice to the purchase order, packing slip or receiving report.
3. Verify the general ledger distribution, using the Organization's current chart of accounts.
4. Obtain the review and approval of the Department Director/Program Manager (or their designee) associated with the goods or services purchased.
5. Check for proper authorized signatures

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

Payment Discounts/Avoidance of Late Fees

To the extent practical, Capital Area Community Action Agency, Inc. takes advantage of all prompt payment discounts offered by contractors. When such discounts are available, and all required documentation in support of payment is available, payments will be scheduled so as to take full advantage of the discounts.

A few vendors send invoices so close to the due date that it is not possible to process a check in time to avoid late fees. If the Agency must do business with that vendor, such as a utility company, then the

invoice should be paid by credit card to avoid a late fee. If a credit card usage fee is charged, it should be compared to the late fee and the method chosen which results in the lowest cost to the Agency. Regardless of the method used, late fees or credit card charges must be paid from unrestricted funds.

Employee Expense Reports

Reimbursements for travel expenses, business meals/meal allowances, 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 contractor payment cycle if received by the noon Wednesday deadline. Expenses older than one month may not be reimbursed. An extension for one additional month may be made under extenuating circumstances and the approval of the Chief Executive Officer.

Reconciliation of A/P Subsidiary Ledger to General Ledger

At the end of each monthly, quarterly, or annual accounting period, the total amount due to contractors per the accounts payable subsidiary ledger shall be reconciled to the total per the accounts payable general ledger account (control account), as applicable. All differences are investigated and adjustments are made as necessary. The reconciliation and the results of the investigation of differences are reviewed and approved by the Senior Accountant.

Also on a monthly basis, the Accounting Department 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. This is usually done by the Senior Accountant.

Management of Accounts Payable Contractor Master File

Upon the receipt of an invoice from a new contractor that is not already in Capital Area Community Action Agency, Inc.'s Accounts Payable Contractor Master File, the Fiscal Assistant shall mail (or email) a Form W-9 and a request for completion of the Form W-9, including the contractor's full address and Federal employer identification number.

For all contractors to be paid during a fiscal year, the file shall include all of the following data:

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

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

On an annual basis, contractors that have not been utilized over the preceding 24-month period may be made inactive from the master contractor file. In addition, on an annual basis, an internal review shall be performed of the master contractor file and of payment histories made to each contractor. This analysis, to be performed by the Accounting Department, shall consist of the following procedures, at a minimum:

1. Cross-checking of contractors with matching street or P.O. Box addresses
2. Review of payment histories for signs of repeat invoice numbers or other indications of duplicate payments
3. Merging of any duplicate Contractor Files

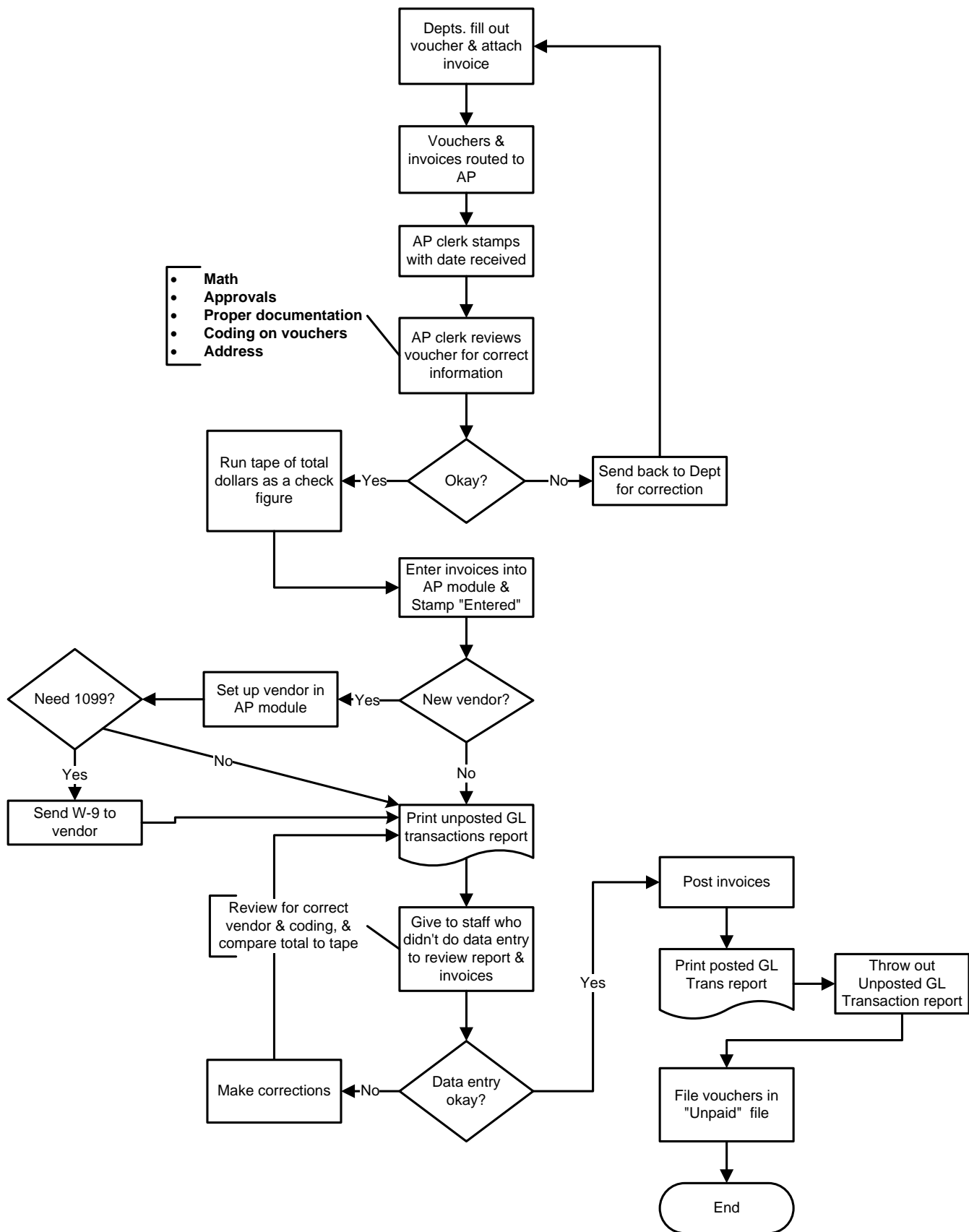
Any discrepancies noted during this analysis shall be corrected as soon as possible.

Verification of New Contractors

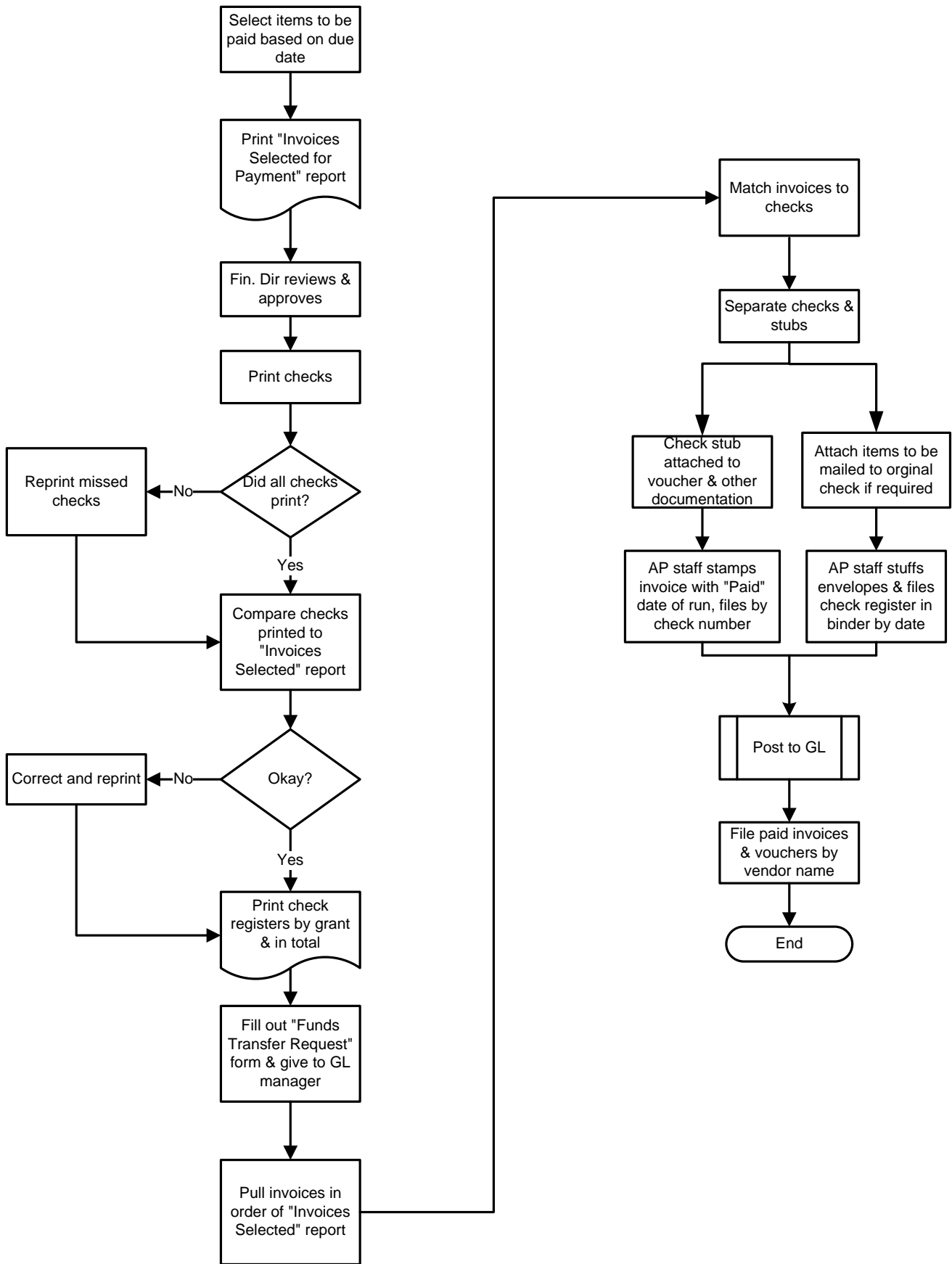
The Fiscal Assistant will perform additional procedures to validate the legitimacy of new contractors that shall be paid one-time or cumulative payments in excess of \$100,000. For such contractors, the Fiscal Assistant shall request that the purchaser of services or goods to obtain a copy of the business license and liability insurance certification. In certain cases, coverage under worker's compensation law may be required.

The following flowcharts illustrate the general accounts payable and accounts payable payment processes. Internal structures and software updates may cause some deviation(s) from this illustration, but, in all cases, proper internal control should be maintained.

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 generally limited to meal allowance or Per-Diem, and gas or mileage, unless there is an extraordinary need for additional funds. Travel advances are to be used only for the purpose intended. Travel expenses are to be made in accordance with the Organization's travel policies as explained later in this section. No travel advances will be issued to employees that have a corporate credit card.

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 an expense report within 30 days of returning from travel. Any outstanding advances more than 30 days old will be deducted from an employee's next paycheck.

Employee and Director Business Travel

At the conclusion of a 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 tips, tolls, reimbursed mileage, meal allowances and per diem, all business expenses must be supported with invoices/receipts.
3. Contractor 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 rate adopted by the Board of Directors. It may not be higher than the lower of the Federal or the State of Florida mileage reimbursement rate.
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. For all meals and other business expenditures, the following must be clearly identified:
 - a. Names, titles, organizations, and business relationships of all persons entertained
 - b. The business purpose of the meal or other business event (topics discussed, etc.)
9. All expense reports must be signed and dated by the employee.
10. All expense reports must be approved by the employee's Program Manager.
11. 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 CACAA (as a result of receiving a travel advance greater than actual business expenditures), the employee must attach a check or sign a statement indicating authorization to settle the balance due through a payroll deduction.

No further travel advances will be issued to any employee who has an outstanding balance due to Capital Area Community Action Agency, Inc. from previous business trips.

When an employee uses an Agency vehicle administratively or for a program other than that which paid for the vehicle, the purchasing program will be reimbursed mileage at a rate adopted by the Board of Directors but not more than the Federal charity rate, which may change each calendar year. Unless otherwise agreed upon in advance, the employee who drove the car is responsible for initiating the reimbursement.

Reasonableness of Travel Costs

Capital Area Community Action Agency, Inc. 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, unless obtained at the standard room rate, which must be documented. Travelers should stay in standard rooms.
2. Ask hotels for any available discounts – nonprofit, government or corporate rates.
3. Employees are encouraged to use vehicles from the Agency's fleet whenever possible. Employees must be on the Agency's auto insurance to drive the vehicle, but all employees and Board/Policy Council members may be passengers.
4. When utilizing rental cars, travelers should rent midsize or smaller vehicles, unless there is a documented reason for obtaining a larger vehicle, such as accommodating multiple staff/board members. Sharing rental cars is encouraged whenever possible.
5. If a personal vehicle is used, an employee must provide a justification of why an Agency or rental vehicle was not. Such justification may include that an Agency vehicle was not available, or that the use of the personal vehicle was cheaper than a rental car.
6. 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.
7. Personal long-distance calls while away on business are reimbursable if kept to a minimum, such as one nightly call home to family. Personal calls in excess of this shall not be reimbursed.
8. 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.
9. Reasonable tips for baggage handling shall be reimbursed. No receipts are required.
10. 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, and/or at 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, or unless obtained at coach rate or less, which also must be documented.
3. Memberships in airline flight clubs is not reimbursable.
4. Cost of flight insurance is not reimbursable.
5. When airfare is \$1,000 or more, two quotes from a travel agency and/or airlines 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's 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/training 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., Capital Area Community Action Agency, Inc. will not reimburse for the personal legs of a trip).
10. Baggage fees for 1 bag per person each way will be reimbursed. Fees for additional baggage or for over the weight limit will not be reimbursed unless related to Agency materials/equipment required to be taken.

Spouse/Partner Travel

Capital Area Community Action Agency, Inc. 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

It is the policy of Capital Area Community Action Agency, Inc. to print contractor 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 contractor 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 contractors shall be paid within 30 days of submitting a proper invoice upon delivery of the requested goods or services.
4. Total cash requirements associated with each check run is monitored in conjunction with available cash balance in bank prior to the release of any checks.
5. 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 Cabinet in the accounting 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, contractor invoices and other supporting documentation shall immediately be marked "paid" in order to prevent subsequent reuse. Documentation shall be considered effectively marked "paid" if it is stapled to the check stub.

Check Signing

Checks of less than \$3,500 require a single signature. Checks of \$3,500 or more require two signatures, at least one of which must be that of an authorized Board member. Authorized signers are the board members on the Executive Committee, the Chief Executive Officer and the Chief Operating Officer. No check shall be signed prior to the check being completed in its entirety (no signing of blank checks).

Checks may be signed by either the Chief Executive Officer, Chief Operating Officer and/or designated signors from the Board of Directors, except that no person shall sign a check written to her/him or to cash (see #7 above).

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.

Mailing of Checks

After signature, checks are returned to the individual who prepared them, who then mails checks immediately. Individuals who authorize expenditures shall not mail checks. To save mailing fees and potential lost check costs, some checks may be picked up in person. When checks are picked up in person, that person must sign and date the check stub to indicate receipt.

Voided Checks and Stop Payments

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

Stop payment orders may be made for checks lost in the mail or other valid reasons. Stop payments are processed by telephone instruction or internet access and written authorization to the bank by accounting personnel with this authority. A journal entry is made to record any related bank fees.

Money Orders

A money order is a certificate, often issued by a bank, which allows the stated payee to receive cash on-demand. A money order functions much like a check. Cash disbursements using a money order linked to any Agency bank account will follow the same procedures as for the issuance of a check, except that money orders will be hand-delivered, signed for, and never mailed.

Recordkeeping Associated with Independent Contractors

Capital Area Community Action Agency, Inc. shall obtain a completed Form W-9 or equivalent substitute documentation from all contractors to whom payments are made (see "Accounts Payable Management" policies). A record shall be maintained of all contractors to whom a Form 1099 is required to be issued at year end. Payments to such contractors shall be accumulated over the course of a calendar year.

CREDIT CARDS

Issuance of Corporate Credit Cards

It is the policy of Capital Area Community Action Agency, Inc., to restrict access to credit cards. Cardholders will be required to sign a statement acknowledging that the card must be used exclusively for legitimate 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. Upon approval from the credit card company, a card will be issued bearing the names of both the individual and Capital Area Community Action Agency, Inc.

Store Credit cards, such as Office Depot or Lowe's, may be signed out when needed. This sign in-out sheet shall be kept by the applicable senior management personnel.

Cardholder Responsibilities

Credit card statements are to be provided to the Executive Director (ED), or the Chief Operating Officer (COO) in the ED's absence, un-opened for review. The ED/COO will have until the next business day to initial the bottom right hand corner of the statement to indicate review. The ED/COO will distribute the individual credit card statements to the cardholders and the summary statement to the Chief Financial Officer (CFO) or Finance Director (FD).

Every month, each cardholder will be provided with a statement detailing the expenditures that were charged to his/her corporate credit card. The cardholder will review this statement within three business days for any inadvertent personal or unauthorized uses of the card. Cardholders must reimburse the Organization for any such inadvertent personal charges within the same period.

Any fraudulent or other unauthorized charges shall be immediately reported to the Chief Financial Officer/Finance Director 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 the Organization's disciplinary actions discussed earlier in this manual and in the Employee Handbook.

Each cardholder shall indicate their approval of the statement by initialing the statement. The statement shall then be forwarded to the cardholder's immediate supervisor, accompanied by original supporting documentation for all charges. If the business purpose of the charge is not evident from the supporting documentation, a note of it will be made in the support. Also, please note if it was for a particular grant, such as CHSP. If original supporting documentation is not available for any charge, an affidavit must be completed by the cardholder detailing when the charge was made, for how much and for what business purpose. The Accounting Department has an affidavit form that may be used by cardholders upon request.

Capital Area Community Action Agency, Inc. requires the following review and approval procedures:

- Supervisors shall review and sign the authorization for payment (AFP) form(s) for cardholders they supervise and forward it to the Accounting Department within two business days of

receiving the statement and supporting documentation. In no instance will this be later than five days before the payment is due.

- The board chair or her/his designee will approve credit card use by the Chief Executive Officer.
- 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 CACAA policies

As an example, if the credit card statement is received by CACAA on the 10th of the month, the ED/COO will distribute by close of business (COB) on the 11th; cardholders will have until COB on the 14th to review and turn in with all original supporting documentation to their supervisors; supervisors will have until COB on the 16th to review, sign the AFP and turn in to the Accounting Department; the Accounting staff will have until the 20th to review, code, cut a check, obtain two signatures and take to the bank to pay and obtain receipts.

Cardholders shall report the loss or theft of a corporate credit card by notifying the credit card company immediately. Also, notify your immediate supervisor and the CFO/FD as soon as possible.

Revocation of Corporate Credit Cards

Failure to comply with any of these policies associated with the use of Capital Area Community Action Agency, Inc. corporate credit cards shall be subject to possible revocation of credit card privileges. The Chief Financial Officer/Finance Director, with the approval of the Chief Executive Officer, shall determine whether credit cards are to be revoked.

Employee Credit Cards

The Organization shall reimburse employees and officers for properly supported and documented business expenditures charged to personal credit cards with the proper completion of an expense report. (See the earlier policy on Travel and Business Entertainment for expense report preparation procedures.) Sales Tax within the State of Florida shall not be reimbursed.

PAYROLL AND RELATED POLICIES

Classification of Workers as Independent Contractors or Employees

Capital Area Community Action Agency, Inc. considers all relevant facts and circumstances regarding the relationship between the Organization and the individual in making determinations about the classification of workers as independent contractors or employees. This determination is based on the degree of control and independence associated with the relationship between Capital Area Community Action Agency, Inc. 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 Capital Area Community Action Agency, Inc. 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 Capital Area Community Action Agency, Inc. 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 CACAA (greater investment associated with contractors).
 - c. The extent to which the worker makes services available to the relevant market.
 - d. How CACAA 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 CACAA and the individual intend to create.
 - b. Whether CACAA 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 Capital Area Community Action Agency, Inc.

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 Capital Area Community Action Agency, Inc. 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

Capital Area Community Action Agency, Inc. will perform wage comparability studies every three years to ensure the salary and wage structure is similar to other organizations of like size and employee base in our area. Please see the Organization’s Human Resources policy manual for details.

Payroll Administration

Capital Area Community Action Agency, Inc. operates on a bi-weekly payroll. A personnel file is established and maintained for all employees with current documentation, as described throughout this section and more fully described in Capital Area Community Action Agency, Inc. Personnel Manual.

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

1. Capital Area Community Action Agency, Inc. 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 and supporting documents
6. Starting date
7. Job title and starting salary
8. Authorization for direct deposit of paycheck, along with a voided check or deposit slip if applicable

I-9 Verification shall be completed 3 business days before the employment start date. The Organization will follow the Department of Homeland Security List A OR List B for establishing Employee Identity **and** List C for establishing Employment Eligibility.

Some of the acceptable documents from List A are:

1. U.S. Passport
2. Certificate of U.S. Citizenship (Form I-551)
3. Unexpired foreign passport with I-551 stamp
4. Unexpired Employment Authorization Document (I-766, I-688, I-688A and B)

Some List B acceptable documents are:

1. Driver's license or ID card issued by the state or possession of USA.
2. ID card issued by federal, state or local government or agencies
3. School ID with photograph
4. Voter's registration card
5. US Military card

Some acceptable List C documents are:

1. U.S. Social Security card issued by the US Social Security Administration
2. Certificate of birth abroad issued by US Department of State (F-545 or DS-1350)
3. Original or certified copy of a birth certificate issued by a state, county or municipal authority
4. U.S. Citizen ID Card (Form I-197)
5. Native American tribal document
6. ID Card for use of Resident Citizen in the United States (Form I-179)

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

If required by specific grants such as Head Start or stated State of Federal law, the employee payroll 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

The Chief Executive Officer shall authorize new hires, terminations, and changes in salaries or pay rates in writing. Form P-1

Individual employees shall authorize Voluntary payroll deductions and changes in income tax withholding in writing.

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

Payroll Taxes

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

It is the policy of Capital Area Community Action Agency, Inc. to obtain an updated Form W-4 from each employee in January of each year. Withholding of Federal income taxes shall be based on the most current Form W-4 prepared by each employee.

Personnel Activity Reports

Capital Area Community Action Agency, Inc. follows the guidelines in 29 CFR, Chapter II, Part 200, Section 200.430, *Compensation - 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 the Organization.
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 bi-weekly.
6. Charges for non-exempt employees must also be supported by records indicating the total number of hours worked each day required by the Fair Labor Standards Act (FLSA) (29 CFR Part 516).
7. Salaries and wages of employees used in meeting cost sharing or matching requirements on federal awards (in-kind) must be supported in the same manner as salaries and wages charged to Federal awards.

Preparation of Timesheets

Each Capital Area Community Action Agency, Inc. employee must electronically submit to their supervisor a timesheet no later than COB on the Friday following the close of each pay 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 electronically resubmitting or 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 (holiday, leave, etc.) should be clearly identified as such;
6. Timesheets shall be signed by the employee prior to submission.
7. Supervisors will check all timesheets for accuracy before submission.

After preparation, Supervisors, or their designees shall approve timesheets prior to submission. Corrections identified by an employee's supervisor or Department Director/Program Manager or designee shall be authorized by the employee electronically.

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 sign 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 HRPD verifies all the timesheets by checking them for mathematical accuracy then entering all timesheets into the payroll system.

The HRPD may not change or correct timesheets. When errors are noted, if a corrected and approved timesheet is not resubmitted in time to the HRPD, 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.

Distribution and Handling of Payroll

To ensure that the payroll information is not divulged to unauthorized persons, no one except those in the payroll processing cycle shall participate in any aspect of the payroll.

Payroll Checks (or vouchers for electronic deposits) shall be distributed by individuals who do not approve timesheets, are not responsible for hiring and firing, and do not control the preparation of payroll.

Payments will be released to a third party only upon receiving authorization from the employee. Identification of the receiver will be checked before disbursing payment.

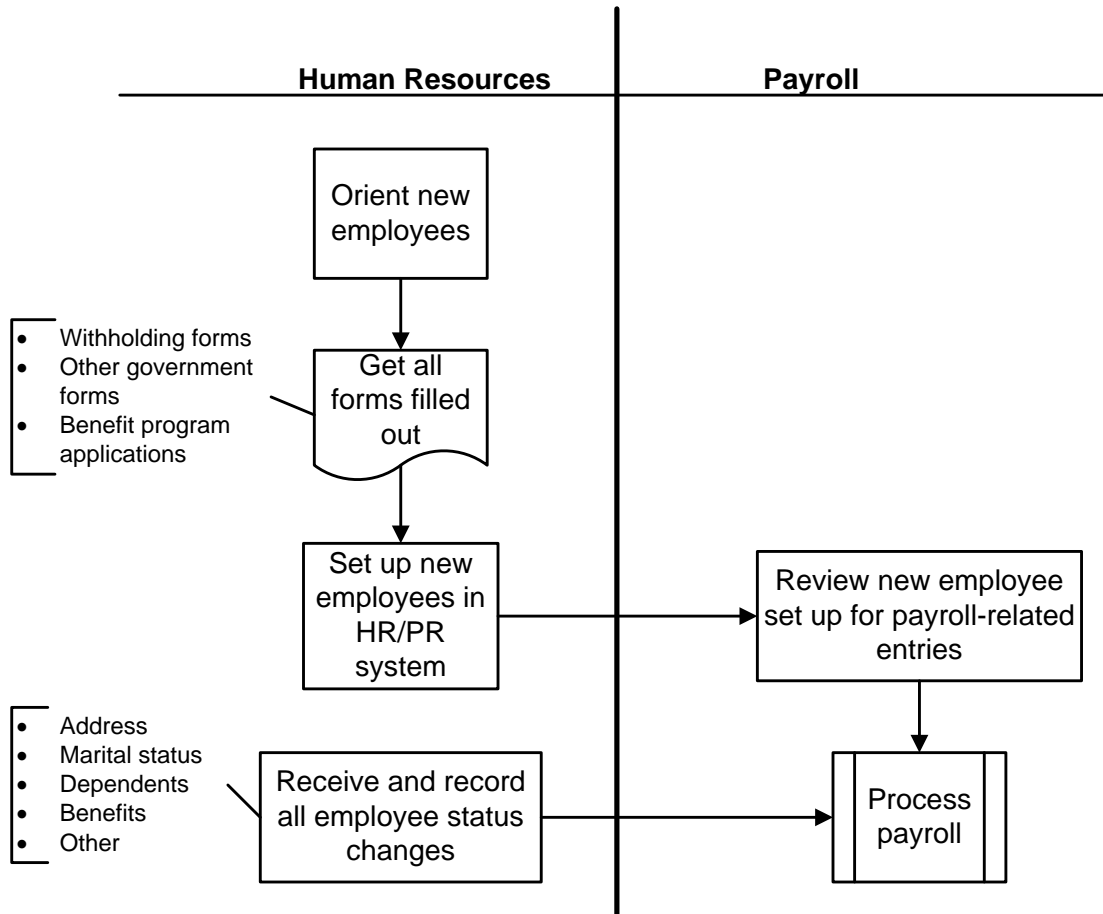
Internal Audit of Payroll Data

Capital Area Community Action Agency, Inc. will conduct an annual internal audit of certain payroll data. This internal audit shall be performed by the Chief Financial Officer, Finance Director or Senior Accountant. The purpose of this internal audit is to determine the integrity of the Organization's payroll records. The internal audit shall include the following procedures:

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

Any unexplained deviations found as a result of these internal audit procedures shall be reported to the Chief Executive Officer.

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 credit card deposits are made to this account, whether received at the Capital Area Community Action Agency, Inc. main office or through one of the CACAA's offsite locations.

Cash balances are verified to ensure that sufficient funds are available to cover payroll disbursements.

Excess funds in the general account are transferred into short-term investments or higher interest-bearing cash equivalents, when possible and practicable.

In addition, all advances of Federal funds shall be deposited in an interest-bearing account and interest earned shall be returned to the awarding agency depending on the terms of the contracts. Interest earned on such funds will be allocated to Federal, State or Local awards based on the percentage of funds received during the month for each award.

Other Accounts:

Capital Area Community Action Agency, Inc. has an interest bearing account for the Micro-enterprise funds. These are dedicated to the Program. Due to the nature of the program, CACAA also has an IDA account which is a dedicated account for the ASSET for INDEPENDENCE project. Head Start Parent Activity funds are deposited into a separate bank account.

Certificate of Deposit:

The Organization also maintains **Certificates of Deposit (CD)**. The CD may be maintained at the same or different bank as the operating account. The funds in the Certificate of Deposit may be restricted or unrestricted funds, raised in fund raising events, and are a part of the Endowment Fund of the Organization.

Authorized Signers

The following Capital Area Community Action Agency, Inc. personnel are authorized to sign checks drawn on the general operating account:

Chairperson of Board of Directors
Vice-chairperson

Treasurer
Secretary
Member at Large
Chief Executive Officer
Chief Operating Officer

Accounting Department staff will promptly notify the Organization's 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

Bank account statements are received each month or quarter and forwarded unopened to the Chief Executive Officer (CEO). The CEO shall open the statement and review its contents for unusual or unexpected items, such as a cash withdrawal. Appropriate action shall be taken for any unusual or unexpected items noted.

After this review is complete, the CEO initials the statement and the entire bank statement is forwarded to the Accounting Department to prepare the bank reconciliation between the General Ledger and the Bank Statement. It is the policy of Capital Area Community Action Agency, Inc. that the bank reconciliation process be completed within two weeks of receipt of each bank statement from the CEO.

The Chief Operating Officer is authorized to perform the bank reconciliation duties of the CEO in the prolonged absence of the CEO.

The reconciliation process shall involve an inspection of the cancelled checks images included with the bank statement. The purpose of this inspection is to identify signs of forgery, altered or substitute checks, unusual endorsements, or other signs of fraudulent activity. Cancelled checks images may also be viewed electronically via Internet access to the Institution's web site on an as needed basis.

All bank reconciliations, including any adjusting journal entries resulting from preparing bank reconciliations, are reviewed by the Chief Financial Officer/Finance Director on an as needed basis.

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

Cash Flow Management

The Chief Financial Officer/Finance Director shall monitor cash flow needs on a weekly basis to eliminate idle funds and to ensure that payment obligations can be met. Cash transfers between accounts are performed on an as-needed basis.

Capital Area Community Action Agency, Inc. adheres to the requirements of its grants which may prohibit loaning funds between programs, therefore, cash management and reporting is performed at the program level as well as for the Organization as a whole.

Stale Checks

Capital Area Community Action Agency, Inc. will investigate checks of that are more than 180 days old that have not cleared the Organization's bank. For uncashed checks over \$100 that are more than 180 days old contact will be attempted with the payee to try to resolve the issue.

Stale checks that can be re-issued, will be. Payees may also elect to donate the funds back to the Agency. Checks that aren't donated and can't be reissued will be voided and a check will be made out instead to the State of Florida in accordance with the laws and rules governing abandoned property.

Petty Cash

It is the policy of Capital Area Community Action Agency, Inc. that it will provide imprest funds for valid, minor office expenditures (not for travel for employee advances), and to periodically replenish these funds up to its authorized amount.

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

The Petty Cash Custodian shall prepare a reconciliation of the petty cash account on a periodic basis, and also at year-end. Petty cash reconciliations are subject to review by Accounting Department staff, who may also perform periodic surprise cash counts and reconciliations.

Wire Transfers

The Chief Financial Officer/Finance Director and the Senior Accountant shall be the only Capital Area Community Action Agency, Inc. personnel authorized to transact wire transfers from CACAA bank accounts. To prevent anyone other than the Chief Financial Officer/Finance Director and the Senior Accountant from transacting wire transfers, a system shall be employed that requires the use of pass codes. Pass codes, issued only to the CFO/FD and the Senior Accountant are assigned by the bank and are changed periodically.

Confirmations of all wire transfers are delivered to the person who did not make the wire transfer but is authorized to make it.

INVENTORY

Physical Counts

It is the policy of Capital Area Community Action Agency, Inc. to have the Inventory Manager do a physical count of inventory on an annual basis. Any inventory items that appear damaged or obsolete shall be deleted and recorded as such. Such deleted items shall be subject to a disposal routine. The procedure for computers and other electronic storage devices is listed elsewhere in this manual. A detailed record of the physical count shall be kept by the individuals involved in taking the inventory.

At the conclusion of the physical count, the inventory count sheets shall be extended by applying the most recent unit costs to the physical quantities of each item on hand. The general ledger balance shall be adjusted to reflect the total inventory on hand as determined by the physical count.

Contributed Inventory

Inventory items donated to CACAA shall be recorded as assets of the Organization at the fair market value as of the date of the contribution, unless the Organization is acting as an agent in connection with a contribution by a donor through the Organization 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.

PREPAID EXPENSES

Accounting Treatment

Capital Area Community Action Agency, Inc. treats payments of expenses that have a time-sensitive future benefit as prepaid expenses and will amortize these items over the corresponding time period. For purposes of this policy, payments of less than \$500 may be expensed as paid and not treated as prepaid expenses, regardless of the existence of a future benefit.

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

Procedures

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

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

INVESTMENT POLICIES

Introduction

Capital Area Community Action Agency, Inc. treats all assets of the Organization, including those funds that are legally unrestricted, as though they are held in a fiduciary capacity for the purpose of accomplishing the Organization'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 Capital Area Community Action Agency, Inc. has delegated supervisory authority over its investing activities to the Finance Committee. The Finance Committee is responsible for regularly reporting on the Organization's investments to the full Board of Directors.

The Finance Committee is authorized to retain one or more Investment Counselors to assume the investment management function. In that regard, the Finance Committee may enter into agreements with, delegate investment authority to, pay compensation to, and receive reports from one or more Investment Counselors.

Investment Objectives

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

Allowable Investments

Investments of Capital Area Community Action Agency, Inc. shall be made with the following securities:

1. Federally-insured Certificates of Deposit, not to exceed \$100,000, including interest, at commercial banks, credit unions, or savings and loan institutions;
2. U.S. Treasury securities and securities of Federal agencies and instrumentalities;
3. Money market funds that invest in securities approved under these guidelines.
4. Corporate bonds and notes rated A or better by Moody's and Standard & Poors;

Capital Area Community Action Agency, Inc. shall not engage in margin transactions, short selling, commodity transactions or use of derivatives.

Diversification

No more than ten percent of the investments of Capital Area Community Action Agency, Inc. shall be in the securities of any one issuer, with the exception of obligations of the U.S. government, its agencies and instrumentalities, and Federally-insured certificates of deposit.

Accounting Treatment

All purchased investments shall initially be recorded at cost. All investments acquired by donation to Capital Area Community Action Agency, Inc. shall initially be recorded at their fair market value as of the date of donation. Donated investments shall be recorded as unrestricted, temporarily restricted, or permanently restricted income and net assets based on the existence or absence of such restrictions, as defined earlier.

Subsequent to acquisition, Capital Area Community Action Agency, Inc. carries all equity securities with readily determinable fair market values and all debt securities at their market values. Adjustments to market value shall be made in the accounting records and financial statements of CACAA on a quarterly basis.

Adjustments to market value result in unrealized gains and losses on investments. Such gains and losses resulting from contributed investments (or from investments purchased with contributed funds) shall be classified as unrestricted, temporarily restricted, or permanently restricted based on the existence or absence of explicit restrictions on such appreciation and depreciation from the donor, as defined earlier. Such unrealized gains and losses from investments purchased with unrestricted funds shall be classified as unrestricted.

Procedures and Reporting

The following procedures will be followed to ensure that investments are properly managed and that these investment policies are consistent with the mission of Capital Area Community Action Agency, Inc. and accurately reflect the current financial condition of the Organization:

1. The Chief Financial Officer shall maintain a schedule of investments and reconcile this schedule with the general ledger and with investment account statements on a monthly basis. The schedule of investments shall include the following information with respect to each investment:
 - a. Date acquired
 - b. Method of acquisition (purchase or donation)
 - c. Cost or basis at acquisition
 - d. Description of investment
 - e. Interest rate (if applicable)
 - f. Date of maturity (if applicable)
 - g. Holder/issuer of security
 - h. Current market value
 - i. Unrealized gain or loss
 - j. Accrued interest receivable (if applicable)

- k. Income received, year-to-date (i.e., interest, dividends, etc.)
- 2. The CFO and Investment Counselor shall prepare a schedule of investments for presentation on a quarterly basis for the Finance Committee and on an annual basis for the Board of Directors.
- 3. The quarterly investment reports shall detail the portfolio's composition and performance for the quarter and year-to-date, along with a comparison to budget and to the prior year.
- 4. The annual investment report shall be presented to the Board of Directors at the time the Capital Area Community Action Agency, Inc. audit is presented, outlining in detail the investment portfolio's composition and performance for the fiscal year, along with a comparison to appropriate market indices. The report will show results for the most recently-completed fiscal year and for last three years.
- 5. Investment policies shall be reviewed annually by the Chief Financial Officer and the Chief Executive Officer, working with the Finance Committee, to determine any appropriate modifications.
- 6. Recommendations for any revisions or modifications to the investment policy will be made by the Finance Committee to the Board of Directors for their approval.

PROPERTY AND EQUIPMENT

Capitalization Policy

Physical assets acquired with unit costs in excess of \$5,000 and a useful life of more than one year are capitalized as property and equipment on the Organization's financial statements. Items with unit costs below this threshold shall be expensed in the year purchased. However, non-consumable items below the capitalization threshold may still be added to the inventory list for physical counts if they are considered "attractive", i.e. portable and susceptible to theft, loss, resale and/or personal use. Examples include, but are not limited to laptops, tablets, cell phones, projectors, power tools, vacuum cleaners and televisions.

If an awarding agency requires a lower amount for equipment, Capital Area Community Action Agency, Inc. will adhere to that dollar amount only for that program or contract.

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

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

Contributed Assets

Assets with fair market values in excess of \$5,000 (per unit) that are contributed to Capital Area Community Action Agency, Inc. 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 Purchased With Federal Funds *(Sections 200.33, 200.48, 200.89 and 200.313)*

Capital Area Community Action Agency, Inc. may occasionally purchase equipment, including furniture, which will be used exclusively in a program funded by a Federal agency. In addition to those policies on Asset Management described earlier, equipment charged to Federal awards will be subject to the following additional policies.

For purposes of Federal award accounting and administration, "equipment" means tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost equal to the lesser of \$5,000 or the capitalization threshold utilized by Capital Area Community Action Agency, Inc., described under Asset Management.

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

1. CACAA must provide at a minimum the equivalent insurance coverage for equipment acquired or improved with Federal funds. (200.310)
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, CACAA may retain, sell or otherwise dispose of the equipment or supplies without any requirement for notifying the Federal agency.
3. If the remaining per unit fair market value is \$5,000 or more, CACAA must request disposition instructions from the Federal awarding agency where required by the award. The instructions may involve returning the equipment to the Federal agency, keeping the equipment and compensating the Federal agency, or selling the equipment and remitting the proceeds, less allowable selling costs, to the Federal agency.
4. The Grant Manager shall determine whether a specific award with a Federal agency includes additional equipment requirements or thresholds and requirements that differ from those described above.
5. A physical inventory of all equipment purchased with Federal funds shall be performed at least once every two years. The results of the physical inventory shall be reconciled to the accounting records and Federal reports filed by Capital Area Community Action Agency, Inc.

Establishment and Maintenance of a Fixed Asset Listing

All capitalized property and equipment shall be recorded in a property log or other control system. The following information shall be recorded with respect to each asset: (200.313(d)(1))

1. Date of acquisition,
2. Cost,
3. Description,
4. Serial number or other identification number,
5. Source of the funding, including the Federal award number, if applicable,
6. Location of the asset,
7. Depreciation method,
8. Estimated useful life
9. Holder of the asset's title, if not the Agency,
10. Percentage of Federal participation,
11. Use and condition of the property, and
12. Any ultimate disposition data, including the date of disposal and sale price of the property.

A physical inventory of all assets capitalized under the preceding policies will be taken at least once every two years by Capital Area Community Action Agency, Inc. This physical inventory shall be

reconciled to the property records and adjustments made as necessary. All adjustments resulting from this reconciliation will be approved by the CFO/FD.

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 contractor immediately.

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

Depreciation and Useful Lives (200.436 and Appendices IV through VIII)

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

In the year of acquisition, depreciation is recorded based on the number of months the asset is in service, counting the month of acquisition as a full month (Example: an asset purchased on the 15th day of the fifth month shall have eight full months of depreciation (eight-twelfths of one year) recorded for that year.)

Estimated useful lives of capitalized assets shall be determined by the Accounting Department in conjunction with the department or employee that shall utilize the asset. The following is a list of the estimated useful lives of each category of fixed asset for depreciation purposes:

Furniture and fixtures	7 to 10 yrs
General office equipment	5 yrs
Computer hardware and peripherals	5 yrs
Computer software	3 yrs
Leased assets	life of lease
Leasehold Improvements	remaining lease term
Land improvements (shrubbery, fences, etc.)	15 yrs
Autos, buses, trucks	5 yrs

For financial reporting purposes, depreciation expense will be recorded on an annual basis.

Changes in Estimated Useful Lives

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

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

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

Repairs of Property and Equipment

Expenditures to repair capitalized assets shall be expensed as incurred if the repairs do not materially add to the value of the property or materially prolong the estimated useful life of the property.

Expenditures to repair capitalized assets shall be capitalized if the repairs increase the value of property, prolong its estimated useful life, or adapt it to a new or different use. Such capitalized repair costs shall be depreciated over the remaining estimated useful life of the property. If the repairs significantly extend the estimated useful life of the property, the original cost of the property shall also be depreciated over its new, extended useful life.

Transfers between Programs:

Transfers of assets between programs from different funding streams are not encouraged. Should such a process become necessary, the assets shall be deleted from the source program and added to the destination program. When the transfer takes place, the source grant shall receive a credit to the expense item from which the original purchase was made. The credit would be the cost price minus depreciation from the service start date to the transfer date. The expense account in the destination grant will be debited under the appropriate expense line item for the same amount. Such transfers may require written approval from the grantor and are easier to obtain when the asset is fully depreciated.

Dispositions of Property and Equipment

If equipment is sold, scrapped, donated or stolen, adjustments need to be made to the fixed asset listing and property records. If money is received for the asset, then the difference between the money received and the "book value" (purchase price less depreciation) of the asset will be recorded as a loss (if the money received is less than the book value) or a gain (if the money received is more than the book value). Additional procedures may apply to property purchased with federal funds.

Write-Offs of Property and Equipment

The Chief Executive Officer approves the disposal of all capitalized fixed assets that may be worn-out or obsolete. Property that is discovered to be missing or stolen will be reported immediately to the Chief Financial Officer. If not located, this property will be written off and removed from the books. All write-offs will be supported with documentation specifying the reason for the write-off.

LEASES

New leasing rules will go into effect on 10-01-20. This section will be updated accordingly shortly before then.

Classification of Leases

Capital Area Community Action Agency, Inc. classifies all leases in which the Organization is a lessee as either capital or operating leases. Capital Area Community Action Agency, Inc. shall utilize the criteria described in Statement of Financial Accounting Standards (SFAS) No. 13, as amended by SFAS No. 145, in determining whether a lease is capital or operating in nature. Under those criteria, a lease shall be treated as a capital lease if, at the time of entering into the lease, any of the following factors are present:

1. The lease transfers ownership to Capital Area Community Action Agency, Inc. at the end of the lease term;
2. The lease contains a bargain purchase option;
3. The lease term is equal to 75% or more of the estimated economic life of the leased property;
or
4. The present value of the minimum lease payments is 90% or more of the fair value of the leased property (using, as the interest rate, the lesser of CACAA's incremental borrowing rate or, if known, the lessor's implicit rate).

All leases that do not possess any of the four preceding characteristics shall be treated as operating leases. In addition, all leases that are immaterial in nature shall be accounted for as operating leases.

Reasonableness of Leases

Capital Area Community Action Agency, Inc. assesses the value of leases according to the requirements of 200.465 as follows:

- The rate is reasonable when compared to rental costs of comparable property in the same area,
- Market conditions in the area, or
- The type, life expectancy, condition and value of the property leased.

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

Accounting for Leases

All leases that are classified as operating leases and immaterial capital leases shall be accounted for as expenses in the period in which the lease payment is due. For leases with firm commitments for lease payments that vary over the term of the lease (i.e., a lease with fixed annual increases that are determinable upon signing the lease), the amount that Capital Area Community Action Agency, Inc. shall recognize as monthly lease expense shall equal the average monthly lease payment over the

entire term of the lease. Differences between the average monthly payment and the actual monthly payment shall be accounted for as an asset or liability.

All leases that are classified as capital leases shall be treated as fixed asset additions. As such, upon the inception of a capital lease, Capital Area Community Action Agency, Inc. shall record a capitalized asset and a liability under the lease, based on the net present value of the minimum lease payments (or the fair value of the leased asset, if it is less than the present value of the lease payments). Periodic lease payments shall be allocated between a reduction in the lease obligation and interest expense. The capitalized asset recorded under a capital lease shall be depreciated over the term of the lease, using the straight-line method of depreciation.

Capital Area Community Action Agency, Inc. shall also maintain a control list of all operating and capital leases. This list shall include all relevant lease terms, including a schedule of future annual lease payments obligations.

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, Capital Area Community Action Agency, Inc. 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 the Organization. Those costs that shall be capitalized are those that are in excess of the Organization's capitalization threshold (explained earlier) and that meet any one of the following criteria:

1. External direct costs (i.e., amounts paid to contractors) 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 the Organization'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 contractors 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 the Organization's web site shall be capitalized and reported as an asset of the Organization. Those costs that shall be capitalized are those that are in excess of the Organization's 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 the Organization's 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 the Organization'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 the Organization's 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 contractors
 - 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 AND NET ASSET ACCOUNTS

ACCRUED LIABILITIES

Identification of Liabilities

The Accounting 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 Capital Area Community Action Agency, Inc. at the end of an accounting period are:

- Salaries and wages
- Payroll taxes
- Vacation pay (see policy below)
- Rent
- Interest on notes payable
- Commissions
- Royalty

In addition, Capital Area Community Action Agency, Inc. shall record a liability for deferred revenue (revenue received but not yet earned) in accordance with the revenue recognition policies described elsewhere in this manual. Adjustments to deferred revenue accounts shall be made monthly.

Leave (Paid Time Off or PTO)

Leave that is unused at the end of the fiscal year will be accrued as a liability.

NOTES PAYABLE

General Policy

Capital Area Community Action Agency, Inc. requires that all notes payable be approved by the Board of Directors and signed by the Chief Executive Officer.

Recordkeeping

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

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

Accounting and Classification

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

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

Unpaid interest expense shall be accrued as a liability at the end of each accounting period.

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

Non-Interest-Bearing Notes Payable

As a charitable organization, Capital Area Community Action Agency, Inc. may, from time-to-time, receive notes payable that do not require the payment of interest, or that require the payment of a below-market rate of interest for the type of obligation involved. In such cases, Capital Area Community Action Agency, Inc. will record contribution income for any unpaid interest.

For demand loans, recording of interest expense and contribution income shall be performed at the end of each accounting period, based on the outstanding principal balance of the loan during that period, multiplied by the difference between a normal interest rate for that type of loan and the rate, if any, that is required to be paid by Capital Area Community Action Agency, Inc.

For loans with fixed maturities or payment dates, the note payable shall be recorded at the present value of the future principal payments, using as a discount rate the difference between a normal interest rate for that type of loan and the rate, if any, required to be paid. The difference between the cash proceeds of the note and the present value shall be recorded as contribution income in the period the loan is made. Thereafter, interest expense shall be recorded in each accounting period using the effective interest method, with the corresponding credit entry increasing the note payable account to reflect the amount(s) that shall be repaid.

NET ASSETS

Classification of Net Assets

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

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

Temporarily Restricted Net Assets - Net assets subject to donor imposed stipulations that may or will be satisfied through the actions of the Organization and/or the passage of time.

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

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

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

Reclassifications from Restricted to Unrestricted Net Assets

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

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

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

Reclassifications from Unrestricted to Restricted Net Assets

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

Disclosures

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

POLICIES ASSOCIATED WITH FINANCIAL AND TAX REPORTING

FINANCIAL STATEMENTS

Standard Financial Statements of the Organization

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

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

1. **Statement of Financial Position** - reflects assets, liabilities, and net assets of the Organization and classifies assets and liabilities as current or non-current/long-term.
2. **Statement of Activities** - presents support, revenues, expenses, and other changes in net assets of the Organization, by category of net asset (unrestricted, temporarily restricted and permanently restricted), including reclassifications between categories of net assets.
3. **Statement of Cash Flows** - reports the cash inflows and outflows of the Organization in three categories: operating activities, investing activities, and financing activities.
4. **Statement of Functional Expenses** – presents the expenses of the Organization in a natural or objective format and by function (i.e., which program or supporting service was served).

Frequency of Preparation

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

A standard set of financial statements described in the preceding section shall be produced on an annual basis. On a monthly basis the following is prepared:

1. Individual statements of activities on a departmental and functional basis (and/or program/grant basis)
2. Comparisons of actual year-to-date revenues and expenses with budgeted amounts

The monthly set of financial statements shall be prepared on the accrual method of accounting, including all receivables, accounts payable received by the submission schedule date.

Review and Distribution

All financial statements and supporting schedules shall be reviewed and approved by the Chief Financial Officer/Finance Director prior to being issued by the Accounting Department.

After approval by the CFO/FD, a complete set of monthly financial statements, including the supplemental schedules described above, shall be distributed to the following individuals:

- Treasurer and members of the Executive Committee
- Chief Executive Officer
- Department Directors/Program Managers and any other employee with budget-monitoring responsibilities

Financial statements may include an additional supplemental schedule prepared or compiled by the CFO. The purpose of this schedule is to provide known explanations for material budget variances in accordance with Capital Area Community Action Agency, Inc.'s budget monitoring policies described in this manual under the "Financial Management Policies" section.

Budget Variance Analysis and Projections

The Executive management team meets periodically to discuss the state of the agency, progress on contracts, new business and other agency related matters. Once a month, the Finance Director distributes a Revenue and Expense report for all functional areas, including grants and programs. This report informs the Program Managers and the Chief Executive Officer of the current period year to date revenue and expenses. It also shows the budget and the variance of each line item on a year to date basis with the budget. These reports may be discussed at the executive management team meetings so that Program Directors can adjust their spending patterns as needed based on the financial data presented. Program Directors are encouraged to set up a separate meeting with the CFO/FD to discuss changes to be enacted.

Monthly Distribution

On a monthly basis, the Board of Directors or the Executive Committee of the Board of Directors are provided with summary program and/or grant financial information. Various additional reports are also provided, as required by law or as requested by the Board, such as a Revenue and Expense Report and a narrative which may highlight significant events and provide information about future events that may affect the financial status of the Organization.

Special Distribution

On a periodic basis, a complete set of Capital Area Community Action Agency, Inc. financial statements and supplemental schedules shall be distributed to the entire Board of Directors.

The financial statements distributed to the board shall include an additional supplemental schedule prepared or compiled by the CFO/FD. The purpose of this schedule is to provide explanations for

material budget variances in accordance with Capital Area Community Action Agency, Inc.'s budget monitoring policies described in this manual under the "Financial Management Policies" section.

Annual Financial Statements

A formal presentation of the Organization's annual financial statements shall be provided by the Independent Auditor to the full Board of Directors, usually at the Organization's May or June Board meeting. This presentation will be preceded by a meeting with the Audit Committee, at which the Audit 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, Capital Area Community Action Agency, Inc. 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 Capital Area Community Action Agency, Inc. include, but are not limited to, filing annual information returns with IRS, [Florida state charitable solicitation reports, annual reports for corporations, property tax returns, income tax returns, sales tax returns, information returns for retirement plans, annual reporting of compensation paid, and payroll tax withholding tax returns].

Filing of Returns

The Chief Financial Officer shall be responsible for identifying all filing requirements and assuring that Capital Area Community Action Agency, Inc. is in compliance with all such requirements. The Organization will file complete and accurate returns with all authorities and make all efforts to avoid filing misleading, inaccurate, or incomplete returns.

Filings made by Capital Area Community Action Agency, Inc. 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 Capital Area Community Action Agency, Inc. 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 990-T** - Annual tax return to report Capital Area Community Action Agency, Inc.'s unrelated trade or business activities (if any), filed with IRS. Form 990-T is due on the fifteenth day of the fifth month following year-end. An automatic 6-month extension of time to file Form 990-T may be obtained by filing Form 8868.
3. **Form 5500** - Annual return for Capital Area Community Action Agency, Inc.'s employee benefit plans. Form 5500 is due July 31, but a request for extension of time to file may be filed.
4. **Personal Property Tax Return** - Filed with the State of Florida to report personal property and officers of the corporation. Capital Area Community Action Agency, Inc.'s personal property tax return is due July 31.
5. **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.
6. **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. The due dates are April 30, July 31, October 31 and January 31.

7. **Form UT-6** - Quarterly unemployment tax report to be filed with the State of Florida Department of Revenue. This is due for the respective quarters on January 31, April 30, July 31 and October 31
8. **Multi-site Report** - Quarterly report to be filed with the Florida Department of Labor. This is due on the same schedule as the UT-6 report listed above.
9. **Financial Status Reports** - Includes, expenses report filed every quarter end for all direct federal grants and with each grant at close out. Also, all Federal cash reports filed for all direct HHS grants.

Capital Area Community Action Agency, Inc.'s fiscal and tax year-end is **September 30**. All annual tax and information returns of Capital Area Community Action Agency, Inc. (Form 990, Form 990-T) are filed on the accrual basis of reporting.

Federal payroll tax returns are prepared by the Organization's Chief Financial Officer and approved by the Chief Executive Officer. The State payroll related reports are prepared by the HRPD Director and approved by the Chief Financial Officer.

Public Access to Information Returns

Under regulations that became effective in 1999, Capital Area Community Action Agency, Inc. 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. Capital Area Community Action Agency, Inc.'s original application for recognition of its tax-exempt status, filed with IRS, and all accompanying schedules and attachments.

It is the policy of Capital Area Community Action Agency, Inc. to adhere to the following guidelines in order to comply with the preceding public disclosure requirements:

1. Anyone appearing in person at the offices of Capital Area Community Action Agency, Inc. during normal working hours making a request to inspect the forms will be granted access to a file copy of the forms. The Chief Financial Officer/Finance Director 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 Capital Area Community Action Agency, Inc., the Organization shall require prepayment of all copying and shipping charges. For requests for copies that are received without prepayment, CACAA will notify the requester of this policy via phone call, email, or 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 amount 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 Accounting Department.
5. For requests for copies made in person during normal business hours, copies shall be provided while the requester waits.
6. Capital Area Community Action Agency, Inc. shall accept certified checks and money orders for requests for copies made in person. CACAA shall accept certified checks, money orders or personal checks, and payments through PayPal, or similar web service, as payment for copies of forms requested in writing.
7. Any public forms may be e-mailed to the requestor.

UNRELATED BUSINESS ACTIVITIES

Identification and Classification

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

Allocation of Expenses to Unrelated Activities

In addition to segregating income associated with activities that are unrelated to Capital Area Community Action Agency, Inc.'s exempt purpose, the Organization's general ledger shall also provide accounts for expenses associated with each such unrelated activity. These expenses shall be offset against unrelated business revenue in arriving at unrelated business taxable income. Expenses that shall be offset against gross unrelated business income shall be limited to those expenses directly associated with the production of such income, including reasonable allocation of indirect costs that benefit each activity, in accordance with expense allocation policies described elsewhere in this manual.

Reporting

Capital Area Community Action Agency, Inc. will file IRS Form 990-T to report taxable income from unrelated trade or business activities. Form 990-T is not subject to any public access or disclosure requirements. Accordingly, it is the policy of CACAA not to distribute copies of Form 990-T to anyone other than management of the Organization.

CACAA shall also report taxable income from unrelated trade or business activities that are subject to state or local income or franchise taxes on the appropriate return.

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

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

Preparation and Adoption

Capital Area Community Action Agency, Inc. will prepare an annual budget on the accrual basis of accounting. The Chief Financial Officer/Finance Director gathers proposed organization-wide budget information from all Department Directors/Program Managers and others with budgetary responsibilities and compiles a draft of the agency budget. 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 to the compilation of all department budgets by the CFO/FD, a draft of the Organization-wide budget, as well as individual department budgets, is presented to the Chief Executive Officer for discussion, revision, and initial approval.

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

It is the policy of Capital Area Community Action Agency, Inc. to adopt a final budget before the beginning of the Organization's fiscal year in order to allow adequate time for the Accounting Department to input the budget into the accounting system and establish appropriate accounting and reporting procedures (including any necessary modifications to the chart of accounts) to ensure proper classification of activities and comparison of budget versus actual once the year begins.

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

Monitoring Performance

Capital Area Community Action Agency, Inc. monitors its financial performance by comparing and analyzing actual results with budgeted results. This function shall be accomplished in conjunction with the monthly financial reporting process described earlier.

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

Budget and Program Plan Revisions (200.308)

Capital Area Community Action Agency, Inc. 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 disengagement from the project for more than three months, or a 25 percent reduction in time devoted to the project, by the Program Director or Management staff.
4. The need for additional Federal funding.
5. The transfer of funds budgeted for participant support costs to other categories of expense.
6. The inclusion, unless waived by the Federal awarding agency, of costs that require prior approval in accordance with Subpart E—Cost Principles of 2 CFR, Chapter II, Part 200.
7. Changes in the approved cost-sharing or matching provided by CACAA.
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 the Organization, reclassifications of budgeted expense amounts of less than \$5,000 within a single department may be made by the Department Director/Program Manager, with approval from the Chief Financial Officer/Finance Director. Reclassifications of budgeted expense amounts across departments of greater than \$5,000 but less than \$25,000 may be made only with approval of the Chief Executive Officer.

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

ANNUAL AUDIT

Role of the Independent Auditor

Capital Area Community Action Agency, Inc. will arrange for an annual audit of the Organization's financial statements to be conducted by an independent accounting firm. The independent accounting firm selected by the Board of Directors will be required to communicate directly with the Organization's Finance Committee upon the completion of their audit. In addition, members of the Audit 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 the Organization's Annual Meeting, after the financial statements have been reviewed and approved by the Audit Committee.

How Often to Review the Selection of the Auditor

Capital Area Community Action Agency, Inc. 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 3 years to ensure competitive pricing and a high quality of service (this is not a requirement to change auditors every three 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 Capital Area Community Action Agency, Inc. 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 the Single Audit Act and 2 CFR, Subtitle A, Chapter II, Part 200, et.al.
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 Capital Area Community Action Agency, Inc. 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 the Accounting Department
6. Financial information about the Organization
7. Copy of prior year reports (financial statements, management letters, etc.)
8. Other information considered appropriate
9. Description of proposal and format requirements
10. Schedule of Due dates of proposals

Minimum Proposal Requirements from prospective CPA firms shall be:

1. Firm background and Contact Information
2. Biographical information (resumes) of key firm member who will serve CACAA
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 Chief Financial Officer shall meet with the prospective engagement teams from each proposing firm to discuss their proposal at the Firms request.

The Chief Financial Officer will evaluate all proposals. Then prepare a report which summarizes the significant information about each Firm and cost comparison worksheet. Copies of all proposals and the CFO report shall be forwarded to each member of the Audit Committee and/or the Executive Committee of the Board of Directors. The Committee will evaluate each proposal and will vote on the selection of the CPA firm for the audit. The committee recommendation is forwarded to the full Board for approval.

Preparation for the Annual Audit

Capital Area Community Action Agency, Inc. shall be actively involved in planning for and assisting with the Organization's independent accounting firm in order to ensure a smooth and timely audit of its financial statements. In that regard, the Accounting Department shall provide assistance to the independent auditors in the following areas:

Planning - The CFO/FD 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 - Organization staff will do as much work as possible in order to assist the auditors and, thereby, reduce the cost of the audit.

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

Throughout the audit process, Capital Area Community Action Agency, Inc. 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 Capital Area Community Action Agency, Inc. from its independent auditor, the Chief Financial Officer 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 Capital Area Community Action Agency, Inc.
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 Chief Financial Officer.

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

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

Audit Committee Responsibilities

In accordance with the Capital Area Community Action Agency, Inc. by-laws, there shall be an Audit Committee consisting of three members. The term of office shall be for three years, with one member being elected by the Capital Area Community Action Agency, Inc. Board of Directors each year.

See the "Board Governance" section of this manual, as well as the Audit Committee Charter, for a detailed description of the Audit Committee's responsibilities and its authority.

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 Capital Area Community Action Agency, Inc. Capital Area Community Action Agency, Inc. 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, Capital Area Community Action Agency, Inc. 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	\$2,000,000
Automobiles for Employees, Volunteers, or Escorts	\$1,000,000
Employee dishonesty/bonding	\$500,000 for all accounting department employees and the Chief Executive Officer
Fire and Water Damage	Coverage for all items with acquisition cost greater than \$1,000
Directors and Officers	\$2,000,000 (with an appropriate deductible level)
Employment Practices Liability Insurance	\$2,000,000 (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
Pollution Control Insurance	\$500,000 or the extent required by grant

Capital Area Community Action Agency, Inc. 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.

It is the policy of the Organization to solicit proposals from providers at least every three years.

Fidelity Bond

For all personnel handling cash, preparing or signing checks, Capital Area Community Action Agency, Inc. shall obtain insurance that provides coverage in a blanket fidelity bond. The specific needs of the Organization 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, fine arts, boilers and machinery.

Automobile Insurance:

Insurance to cover all automobiles owned or leased by the organization.

Directors and Officers Liability Insurance:

Insurance to cover the exposure of the Directors and officers to litigation. The coverage limits are set by the Board of Directors in consultation with the funding agencies and insurance agent.

Employment Practices Liability Insurance:

Insurance to cover exposure to lawsuits resulting from employee termination or discharge and other employee related coverage. The coverage limits are set by the Board of Directors.

RECORD RETENTION

Policy

Capital Area Community Action Agency, Inc. retains records as required by law and destroys them when appropriate. The destruction of records must be approved by the Chief Financial Officer or the Chief Executive Officer, and logged into the Organization's Destroyed Records Log. The formal records retention policy of Capital Area Community Action Agency, Inc. is as follows:

Accident reports/claims (settled Cases)	7 Years
Accounts payable ledgers and schedules	7 Years
Accounts receivable ledgers and schedules	7 Years
Audit reports	Permanently
Bank reconciliations	3 Years
Bank Statements	3 Years
Chart of Accounts	Permanently
Cancelled Checks	7 Years
Contracts, mortgages, notes and leases:	
Expired	7 Years
Still in effect	7 years after expiration
Correspondence:	
General	2 Years
Legal and important matters only	Permanently
Routine with customers and/or contractors	2 Years
Deeds, mortgages and bills of sales	Permanently
Depreciation schedules	Permanently
Duplicate deposit slips	3 Years
Employment applications	3 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)-no claims	3 Years
Insurance records (policies, claims, etc.)	Permanently
Internal audit reports	3 Years +
Internal reports	3 Years
Inventories of products, materials and supplies	7 Years
Invoices (to customers, from contractors)	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	3 Years
Physical inventory tags	3 Years
Property records (incl. depreciation schedules)	Permanently
Purchase orders:	
Purchasing department copy	7 Years
Other copies	1 Year

Receiving sheets	1 Year
Retirement and pension records	Permanently
Requisitions	1 Year
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

AUDIT COMMITTEE

Purpose

The primary responsibility for the Organization's financial reporting and internal controls rests with senior operating management, as overseen by the Organization's Board of Directors (the "Board"). The purpose of the Audit Committee (the "Committee") is to assist the Board in fulfilling this responsibility by providing oversight of the Organization's audit functions (external and internal), as well as other investigations (external and internal).

Authority

The Audit Committee has authority to:

- Retain the Organization's external [and internal] auditors.
- Investigate any matter brought to its attention with complete and unrestricted access to all books, records, documents, facilities, and personnel of the Organization.
- Retain outside counsel, auditors, investigators, or other experts in the fulfillment of its responsibilities, including the sole authority to approve the firms' fees and other retention terms.

The Committee shall be provided with the resources necessary to discharge its responsibilities. The Board shall review the adequacy of this Charter on an annual basis. The Committee may form and delegate authority to subcommittees and may delegate authority to one or more members of the Committee.

Membership

The Audit 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 the Organization that may interfere with the exercise of their independence from management and the Organization;
2. Not be members of the Organization's Finance Committee, a separate committee of the Board of Directors;
3. Be financially literate regarding the specialized matters of Organization or shall acquire such financial literacy within a reasonable time period after appointment to the Committee.

In addition, at least one member of the Committee shall be a financial expert possessing the following characteristics:

1. An understanding of generally accepted accounting principles applicable to the Organization and financial statements;

2. The ability to assess the application of generally accepted accounting principles in connection with accounting for estimates, accruals, and reserves of the Organization;
3. Experience preparing, auditing, analyzing, or evaluating financial statements of comparable complexity to those of the Organization;
4. Understanding of internal controls and procedures for financial reporting; and
5. Understanding of audit committee functions.

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

Responsibilities

The Committee's role is one of oversight, recognizing that the Organization's management is responsible for preparing the Organization's financial statements and that the external auditors are responsible for auditing those financial statements. The Committee recognizes that the Organization's internal financial management team, as well as the external auditors, have more time and detailed information about the Organization than do Committee members. Consequently, in discharging its oversight responsibilities, the Committee is not providing expert advice or any assurances as to the Organization's financial statements or any professional certification as to the external auditor's services.

The Committee shall have certain responsibilities in the areas of financial reporting, internal control, and organizational governance.

In the areas of financial **reporting and internal control**, the Committee shall:

- Oversee the external audit process, including nomination of the external audit firm, auditor engagement letters and fees, timing and coordination of audit fieldwork visits, monitoring of audit results, review of auditor's performance, and review of non-audit services provided by the external audit firm for compliance with professional independence standards;
- Review accounting policies;
- Review the Organization's financial statements, including year-end and interim financial statements, other reports requiring approval by the Board before submission to government agencies, and auditor opinions and management letters;
- Determine that all required tax and information return filings with Federal, state and local government agencies are current and in compliance with reporting requirements;
- Receive and review any other communications from the external auditors that the external auditors are required to submit to the Board or Committee under currently applicable professional auditing standards;
- Review and discuss with management the findings and recommendations communicated by the external auditor;
- Inquire about the existence and nature of significant audit adjustments proposed by the external auditors and significant estimates made by management;
- Meet privately with the external auditors to discuss the quality of management, financial, accounting, information technology and internal audit personnel, and to determine whether any restrictions have been placed by management on the scope of their external audit or if there are any other matters that should be discussed with the Committee;

- Review the letter of management representations provided to the external auditors as part of the annual audit and inquire as to whether any difficulties were encountered in obtaining the representation letter;
- 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.
- Direct special investigations into significant matters brought to its attention within the scope of its duties;
- Review this Charter on an annual basis and propose any recommended changes to the Board.

In the area of Organizational **governance**, the Committee shall:

- Review Organization policies regarding compliance with laws and regulations, ethics, employee conduct, conflicts of interest, and the investigation of misconduct or fraud;
- Review current and pending litigation or regulatory proceedings impacting Organizational governance in which the Organization is a party;
- Establish and monitor Organization procedures for receiving and handling complaints about accounting and auditing matters;
- Review significant cases of employee or director conflict of interest, misconduct or fraud;
- Meet with Organization's general counsel to discuss legal matters that may have a significant impact on the Organization.

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

FINANCE COMMITTEE

Purpose

The primary responsibility for the Organization's financial reporting and management rests with senior operating management, as overseen by the Organization's 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 the Organization that may interfere with the exercise of their independence from management and the Organization; and
2. Not be members of the Organization's Audit Committee, 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 the Organization's management is responsible for financial management and for preparing the Organization's financial statements. The Committee shall have oversight responsibilities in certain areas of financial management and reporting as follows:

- Oversee the Organization's assets, including policies associated with safekeeping and protection of those assets;
- Review and evaluate the Organization's financial viability;
- Review the annual budget and recommend it to the full Board for approval;
- Review new initiatives involving requests for funding;
- Review the Organization's 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 the Organization (and report annually to the Audit Committee on the Organization's risk management function);
- Review all borrowing arrangements of the Organization;
- 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 the Organization's 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.

SUBRECIPIENTS

Making of Subawards

From time to time, Capital Area Community Action Agency, Inc. may find it practical to make subawards of Federal funds to other organizations. All subawards in excess \$5,000 shall be subject to the same procurement policies described in the preceding section. In addition, all subrecipients must be approved in writing by the Federal awarding agency and agree to the subrecipient monitoring provisions described in the next section.

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

1. Articles of Incorporation
2. Bylaws or other governing documents
3. Determination letter from the IRS (recognizing the subrecipient as exempt from income taxes under IRC section 501(c)(3))
4. Last three years' Forms 990 or 990-EZ, including all supporting schedules and attachments (also Form 990-T, if applicable)
5. Copies of the last three years' audit reports and management letters received from subrecipient's independent auditor (including all reports associated with audits performed in accordance with CFR Title 2, Subtitle A, Chapter II, Part 200, et. al., if applicable)
6. Copy of the most recent internally-prepared financial statements and current budget
7. Copies of reports of government agencies (Inspector General, state or local government auditors, etc.) resulting from audits, examinations, or monitoring procedures performed in the last three years

Monitoring of Subrecipients

When Capital Area Community Action Agency, Inc. utilizes Federal funds to make subawards to subrecipients, Capital Area Community Action Agency, Inc. is subject to a requirement to monitor each subrecipient in order to provide reasonable assurance that subrecipients are complying, in all material respects, with laws, regulations, and award provisions applicable to the program.

In fulfillment of its obligation to monitor subrecipients, the following policies apply to all subawards of Federal funds made by CACAA to subrecipients:

1. Subaward agreements shall include all information necessary to identify the funds as Federal funding. This information shall include:
 - a. The applicable Catalog of Federal Domestic Assistance (CFDA) title and number
 - b. Award name
 - c. Name of Federal agency
 - d. Amount of award
2. Subaward agreements shall identify all applicable audit requirements, including the requirement to obtain an audit in accordance with CFR Title 2, Subtitle A, Chapter II, Part 200, et. al., if the subrecipient meets the criteria for having to undergo such an audit.
3. Subawards shall include a listing of all applicable Federal requirements that each subrecipient must follow.
4. Subawards shall require that subrecipient employees responsible for program compliance obtain appropriate training in current grant administrative and program compliance requirements.
5. Subawards shall require that subrecipients submit financial and program reports to CACAA on a basis no less frequently than monthly.
6. Capital Area Community Action Agency, Inc. will follow up with all subrecipients to determine whether all required audits have been completed. Capital Area Community Action Agency, Inc. will cease all funding of subrecipients failing to meet the requirement to undergo an audit in accordance with CFR Title 2, Subtitle A, Chapter II, Part 200, et. al. For subrecipients that properly obtain an audit in accordance with CFR Title 2, Subtitle A, Chapter II, Part 200, et. al., CACAA shall obtain and review the resulting audit reports for possible effects on CACAA's accounting records or audit.
7. Capital Area Community Action Agency, Inc. shall assign one of its employees the responsibility of monitoring each subrecipient on an ongoing basis, during the period of performance by the subrecipient. This employee will establish and document, based on an understanding of the requirements that have been delegated to the subrecipient, a system for the ongoing monitoring of the subrecipient.
8. Ongoing monitoring of subrecipients will vary from subrecipient to subrecipient, based on the nature of work assigned to each. However, ongoing monitoring activities may involve any or all of the following:
 - a. Regular contacts with subrecipients and appropriate inquiries regarding the program.
 - b. Reviewing programmatic and financial reports prepared and submitted by the subrecipient and following up on areas of concern.
 - c. Monitoring subrecipient budgets.
 - d. Performing site visits to the subrecipient to review financial and programmatic records and assess compliance with applicable laws, regulations, and provisions of the subaward.
 - e. Offering subrecipients technical assistance where needed.
 - f. Maintaining a system to track and follow up on deficiencies noted at the subrecipient in order to assure that appropriate corrective action is taken.
 - g. Establishing and maintaining a tracking system to assure timely submission of all reports required of the subrecipient.
9. Documentation shall be maintained in support of all efforts associated with monitoring of subrecipients.