

# Fiscal Policies & Procedures

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BURLINGTON COMMUNITY ACTION PARTNERSHIP, INC.

BCAP

718 ROUTE 130 SOUTH, BURLINGTON, NJ 08016



Effective Date of Policies

The effective date of all policies described in this manual will be the beginning of the month following the approval of this document by the Burlington Community Action Partnership, Inc. Board of Trustees. All fiscal policies and procedures discussed in this document will replace all such former fiscal policies and procedures upon official adoption of the fiscal manual by the Burlington Community Action Partnership, Inc. Board of Trustees. If a policy is added or modified subsequent to this date, the effective date of the new/revised policy will be indicated parenthetically immediately following the policy heading.

INTRODUCTION:

The Fiscal Policies and Procedures Manual of the Burlington Community Action Partnership, Inc. (BCAP) is the official document of the organization for the conduct of its business. This Manual is developed to codify the organization's policies to strengthen its traditional financial management and accounting functions. The enforcement of these policies is essential to safeguard the organization's assets and practice. This Manual shall also guide employees of Burlington Community Action Partnership, Inc. (BCAP) in the application of various Federal and state laws and regulations to grants awarded by the U.S. government, specifically by the Department of Health and Human Services (DHHs) as well as other funding sources, if any. BCAP ensures compliance with 45 CFR Part 75 Uniform Administrative Requirements, Cost Principles and Audit Requirements for HHS awards and 2 CFR 200 Uniform Administrative Requirements, Cost Principles and Audit Requirements for all federal awards.

Burlington Community Action Partnership, Inc. is a non-profit organization incorporated in the State of New Jersey. The Organization is exempt from federal income taxes under Section [501(c)(3)] of the Internal Revenue Code. Burlington Community Action Partnership, Inc. mission reads as follows:

To provide the necessary supports and services that facilitate the positive growth and development of children and families.

This manual constitutes all current fiscal policies and standards that have been developed by Burlington Community Action Partnership, Inc., unless otherwise noted, through the time of issuance. The primary purposes of this manual among others are to:

- Formalize our accounting policies.
- Formalize our fiscal procedures.
- Document internal controls

As the governing body, the Board of Trustees has approved the contents of this manual as official policy of the Organization on 02/25/2020. The accounting methods and procedures comply with the Generally Accepted Accounting Principles (GAAP). All BCAP staff members shall be bound by the policies herein, and any deviation from the established policy shall be strictly prohibited.

FISCAL POLICIES AND PROCEDURES MANUAL:  
BURLINGTON COMMUNITY ACTION PARTNERSHIP, INC.

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## SECTION 1. ORGANIZATIONAL STRUCTURE

1. ORGANIZATIONAL STRUCTURE (Head Start Act of 2007, Section 642. Powers and Functions of Head Start Agencies. [42 U.S.C. 9837]):

Burlington Community Action Partnership, Inc. (BCAP), which includes a Head Start and Early Head Start (EHS) division, is governed by its Board of Trustees (BOT), which serves as the Organization's governing body. The governing body shall assume the legal and fiscal responsibility for all BCAP programs, including the safeguarding of Federal funds. The BOT shall also be responsible for ensuring compliance with all pertinent regulations and all applicable Federal, state, Tribal, and local laws. The governing body shall provide oversight of the Organization by adopting practices to ensure active, independent and informed governance through:

- Governing Body Bylaws.
- Procedures for Accessing and Collecting Information.
- Written Standards of Conduct including Conflicts of Interests, Confidentiality, Code OF Conduct/Ethics, and Community Complaints.
- Procedures for Selecting Head Start Policy Council members, as described in the Policy Council By-laws, and Advisory Members.

The BOT shall also have the responsibility to:

- Select the delegate agencies and the service areas for such agencies.
- Establish procedures and criteria for Head Start/Early Head Start recruitment, selection, and enrollment.
- Review all funding applications and amendments.
- Review and follow-up activities from Federal and State monitoring.
- Review and Approve major policies and procedures, including self-assessments, financial audits, fiscal policies, and personnel policies.
- Review and Approve progress on implementing the Early Head Start grant(s), including corrective actions for any fiscal audit findings.
- Receive and Use annual, monthly and periodic fiscal and program operations reports\*

\*Refers to the reports that are generated and used by management, then shared with and used by the Policy Council and the governing body:

- Health and Human Services (HHS) secretary communications
- Financial Statements
- Program Summary of Operations Reports
- Enrollment Reports
- USDA Reimbursement Reports
- Financial Audit Report
- Self-Assessment Summary of Findings Report
- Community Assessment
- Program Information Reports (EHS PIR and CSBG).

Note: The roles and responsibilities of the BOT described in this manual are designed to provide an overview and are not all-inclusive. For a complete list of the specific roles and responsibilities of the Organization's BOT, please refer to the Burlington Community Action Partnership, Inc. Governance Manual and the Organization's Bylaws which were approved by the Board of Trustees.



### Committee Structure

The BOT shall form committees to assist the board in fulfilling its responsibilities. These committees shall be responsible for the review of particular programs and providing recommendations to the full-board. Standard BCAP board-level committees shall consist of the following:

- Executive Committee
- Governance Committee
- Finance /Audit Committee
- Personnel Committee
- Head Start Committee

Note: The roles and responsibilities of the standing board-level committees described in this manual are designed to provide an overview and are not all-inclusive. For a complete list of the specific board-level committees and the roles and responsibilities assigned to each, please refer to the BCAP Governance Manual and Organizational Bylaws. Committees with direct responsibilities for the financial affairs of the Organization are further described in this manual. These committees shall be referred to in the appropriate sections of this manual.

### Finance/ Audit Committee

The Finance/Audit Committee shall be responsible for the direction and oversight regarding the overall financial management of BCAP. Functions of the Finance/Audit Committee shall include but are not limited to the following:

- Review proposed annual budgets for each new and/or existing program within 90 days of the receipt of the program's fully executed contract from its funding agency or within 90 days of the start of the program's fiscal year, whichever is later. This shall include both receiving a written and oral presentation of the proposed budget by the Program Director and an opportunity for questions and answers.
- Develop and maintain long-term financial planning for the Organization to ensure sustainability.
- Establish and maintain an investment policy for the Organization's securities. The committee shall monitor the performance of the Organization's investments to ensure appropriateness and consistency with the Organization's investment policies.
- Evaluate and approve all Organizational facilities decisions (i.e. leasing, purchasing, and renovations).
- Monitor income, expenditures and program activities against projections (actual vs. budgeted) limited to a review of quarterly Income and Expenditure reports for each program generated from the Organization's computerized finance and accounting system.
- Provide oversight of the Organization's Reserve Funds to ensure proper execution.
- Receive and review the annual audit of the Organization including an oral and written presentation by the contracted independent auditors. The committee shall evaluate the staff response to the management letter in response to the auditor's findings and shall review the response with the auditors to determine the response's appropriateness.
- Review the annual IRS Form 990 (Return of Organization Exempt from Income Tax) with the independent CPA.
- Review and provide recommendations for the Organization's annual budget (prepared by the staff) for final approval by the full-board.
- Provide copies of the Finance/Audit Committee meeting minutes to the board Treasurer and present a short verbal report the BCAP BOT at the regularly scheduled meetings.

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- The Finance/Audit Committee shall consider other duties at the request of the President of the BOT.

The Finance/Audit Committee shall also be involved in the hiring of an independent CPA firm and shall communicate directly with the CPA firm for an annual audit, as described in the Organization's Bylaws. The Finance/Audit Committee shall review and approve the final audited financial statements and any other communications received from the auditor regarding internal controls, illegal acts, or fraud. Additionally, the Finance/Audit Committee shall serve as the primary point of contact for any employee who suspects that fraud has been committed against the Organization or by one of its employees or board members.

The Finance /Audit Committee shall be chaired by the Treasurer or another designee of the BCAP Board of Trustees, and shall be composed of members of the BCAP Board of Trustees with experience in finance or business, and BCAP finance staff. Members of the Finance/Audit Committee shall be appointed by the President of the BOT. Service on the Finance/Audit Committee shall constitute "approved Board of Trustees service/duties" and, shall be covered under the Directors' and Officers' Liability Insurance coverage. Ex-Officio members of the Finance/Audit Committee shall include the following BCAP Staff.

- CEO
- CFO

The CEO and CFO shall provide staff support to the committee but has no right to vote.

Note: The roles and responsibilities of the Finance/Audit Committee described in this manual are designed to provide an overview and are not all-inclusive. For a complete list of the specific roles and responsibilities of the Organization's Finance/Audit Committee, please refer to the BCAP Governance Manual and Organizational Bylaws. The Finance/Audit Committee's role in the annual audit is more fully explained in the section of this manual covering the annual audit.

### Chief Executive Officer (CEO)

The BOT shall hire the Chief Executive Officer (CEO), who shall report directly to the Board. The CEO shall be responsible for hiring and evaluating the organization's Directors for each department, except for those positions required to be hired by the Board of Trustees under the Head Start Act (2007) – i.e. Human Resource Director, Chief Financial Officer and Early Head Start Director. Each department Manager/Director shall report to the Chief Executive Officer.

Department Directors, Managers and Coordinators shall participate in hiring employees who work within their respective departments with approvals from the Chief Executive Officer and Director of Human Resources. All employees within a department shall report directly to that department's Director, Manager or Coordinator (as applicable) who shall be responsible for managing and evaluating department employees.

Fiscal Department Overview:

### Organization

The Fiscal Department shall consist of several staff members who shall manage and process financial information for BCAP. The positions that shall comprise the Fiscal Department of BCAP includes the following:

- CFO
- Senior Accountant
- Staff Accountant(s)

Other officers and employees of BCAP who shall have financial responsibilities include:

- Chief Executive Officer
- Department Directors
- Treasurer - Board Level
- Finance/Audit Committee
- Executive Committee
- Full Board of Trustees

The primary responsibilities of the Fiscal Department shall consist of:

- General Ledger (GL)
- Budgeting
- Cash and Investment Management
- Asset Management
- Grants and Contracts Administration
- Purchasing
- Accounts Receivable and Billing
- Cash Receipts
- Accounts Payable (AP)
- Cash Disbursements
- Payroll and Benefits
- Financial Statement Processing
- External Reporting of Financial Information
- Bank Reconciliation
- Reconciliation of Sub-Ledgers
- Compliance with Government Reporting Requirements
- Annual Audit
- Leases
- Insurance

All financial records shall be maintained on the Organizational "Approved" financial software.

#### Segregation of Duties (45 CFR 75.303 Internal Controls)

The segregation of duties and responsibilities is a key factor in internal control regarding assignment of authority and responsibility. The segregation of duties is an internal control method used to assure that no financial transaction is handled by only one person from the beginning to the end. This measure is designed to protect the Organization against fraud and the allegations of fraud at the program and individual levels. BCAP shall practice the following segregation of duties per their job descriptions:

#### CFO:

See attached job description

#### Senior Accountant:

See Attached job description

#### Staff Accountant:

See Attached job description

#### Standards for Financial Management Systems

In accordance with 45 CFR Part 75 Section 75.300-309 Financial Management, BCAP shall maintain a financial management system that provides for the following:

- Accurate, current, and complete disclosure of the financial results of each federally-sponsored project or project in accordance with the reporting requirements set forth in 45 CFR Part 75 Section 75.341 Performance and Financial Monitoring and Reporting.
- Accurate, current, and complete disclosure of the financial results of each state-sponsored project or project in accordance with the reporting requirements of the State of New Jersey.
- Records that identify adequately the source and application of funds for federal, state, and private foundation sponsored activities. These records shall contain information pertaining to awards, authorizations, obligations, unobligated balances, assets, outlays, income, and interest.
- Effective control over and accountability for all funds, property, and other assets. BCAP shall adequately safeguard all such assets and ensure they are used solely for authorized purposes.
- Records that permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.
- Comparison of outlays with budget amounts for each award. Whenever possible, financial information shall be related to performance and unit costs data.
- Written procedures for determining the reasonableness, allocability, and allowability of costs in accordance with the provisions of the applicable federal costs principles and the terms and conditions of all awards.
- Accounting records including cost accounting records that are supported by source documentation.

## **SECTION 2. STANDARDS OF CONDUCT**

2. STANDARDS OF CONDUCT (45 CFR Chapter XIII Head Start Performance Standards, Part 1301.30 Subpart D Personnel and General Administration; and Part 1304.52(i)(1)-(i)(3) Standards of Conduct):

### Conduct Standards:

BCAP shall require board members, committee members, and employees to observe high standards of business and personal conduct in their duties and responsibilities, and all directors, committee members and employees to comply with all applicable laws and regulatory requirements. Violations of the BCAP Standards of Conduct/Ethics, or the appearance of violations, shall be unacceptable under any condition. The policies and reputation of BCAP largely depends upon the following considerations:

- Each employee’s conduct shall extend beyond the compliance with applicable laws and regulations in business situations.
- Each employee shall be responsible for applying sound judgement in business decisions where specific rules do not provide all the answers.

In determining compliance with this standard in specific situations, employees shall ask themselves the following questions, and be able to answer “yes” to all of the questions before taking action:

- Is my action legal?
- Is my action ethical?
- Does my action comply with BCAP policy?
- Am I sure my action does not appear inappropriate?
- Am I sure that I would not be embarrassed or compromised if my action became known within the Organization or publicly?
- Would I feel comfortable defending my actions on the televised national news?

Each Director, manager, coordinator, and supervisor shall be responsible for ensuring that her or his subordinates adhere to the BCAP Standards of Conduct/Ethics. Should an employee violate the Organization’s Standards of Conduct/Ethics, the Directors, managers, coordinators, and supervisors shall carefully weigh all courses of action suggested in ethical, as well as economic<sup>1</sup> terms<sup>2</sup> and base their final decisions on the guidelines provided by the BCAP Standards of Conduct/Ethics policy, as well as their personal sense of right and wrong.

Note: The Standards of Conduct provided in this manual are designed to provide a general overview. Please refer to the BCAP Code of Conduct/Ethics Statements Policy for specific information.

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

BCAP shall not permit:

- The willful violation or circumvention of any Federal, state, local, Tribal or foreign law by an employee during the course of that person’s employment with the Organization.
- The disregard or circumvention of BCAP policy or engagement in unscrupulous dealings.

Employees shall not attempt to accomplish by indirect means, through agents, or intermediaries, that which is prohibited. The measurement of all levels of employees shall be evaluated against the implementation of the provision of these standards.

### SECTION 3. CONFLICTS OF INTEREST

CONFLICTS OF INTEREST (45 CFR Part 75 Section 75.112 Conflict of Interest):

A conflict of interest is a set of conditions in which professional judgment concerning a primary interest (the absolute benefit of the Organization) tends to be unduly influenced by a secondary interest (such as financial gain). It is BCAP policy that any employee, director or board member is free of any personal interest, which could influence his or her judgment or action in the conduct of Agency business or affect his or her responsibility to the Burlington Community Action Partnership, Inc. Each one shall owe a duty of loyalty to the Organization. This duty necessitates that in serving the Organization they shall act solely in the interests of BCAP, not in their personal interests. They must not only avoid situations which give rise to, or could give rise to, a conflict of interest, but also those situations which create the appearance of a conflict of interest.

All directors and employees shall have an obligation to:

- Avoid conflict of interest, or the appearance of conflict, between their personal interests and those of the Organization in dealing with outside entities, (third-parties) or individuals.
- Disclose real and apparent conflicts of interests to the Board of Trustees.
- Refrain from the participation in any decision on matters that involve a real conflict of interest or the appearance of a conflict.

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

- Spouses or domestic partners.
- Brothers and sisters.
- Brother-in-law and sister-in-law.
- Parents, step-parents, children, step-children, adopted children, grandchildren, step-grandchildren, and great-grandchildren.
- Siblings, parents, children, adopted children, grandchildren, and great-grandchildren of domestic partners.

A potential conflict of interest exists when the director or employee, or any of the above mentioned familial associations (interested parties), owns and/or receives more than 1% of the benefiting business and/or profits. Examples of conflicts of interest include, but are not limited to, situations in which a director or employee:

- Negotiates or approves a contract, purchase, sale, or lease on behalf of the Organization and has a direct or indirect interest in, or personally benefits from, the entity or individual providing the goods or services.
- Employs or approves the employment of, or supervises a person who is an immediate family member of the director or employee.
- Sells products or services in competition with the Organization.
- Uses the Organization’s facilities, other assets, employees, or other resources for personal gain.
- Receives a substantial gift from a vendor, if the director or employee is responsible for initiating or approving purchases from that vendor.

Note: The information contained in this manual regarding the Conflict of Interest is designed to provide a general overview and is not all-inclusive. For specific information regarding conflicts of interest policies and procedures, please refer to the Organization's Codes (Standards) of Conduct/Ethics, and the Conflict of Interest Statement.

#### Honorarium Acceptance

An Organizational employee shall not accept an honorarium for an activity conducted where agency-reimbursed travel, work time, or resources are used or where the activity can be construed as having a relationship to the employee's position with BCAP; such activity would be considered official duty on behalf of BCAP.

A relationship exists between the activity and the employee's position with BCAP if the employee would not participate in the activity in the same manner or capacity if they did not hold their position with BCAP. The employees shall make every attempt to avoid the appearance of impropriety.

An employee may receive an honorarium for activities performed during regular non-working hours or while on annual leave if the following conditions are met:

- All expenses are the total responsibility of the employee or the sponsor of the activity in which the employee is participating.
- The activity has no relationship to the employee's BCAP duties.

Nothing in the policy shall be interpreted as preventing the payment to BCAP by an outside source for actual expenses incurred by an employee in activity, or the payment of a fee to BCAP (in lieu of an honorarium to the individual) for the services of the employee. Any such payments made to BCAP shall be deposited into the BCAP account and an appropriate entry shall be made coded to the same program or department to which the employee's corresponding time was charged.

Note: The information contained in this manual regarding honoraria is designed to provide a general overview and is not all-inclusive. For specific policies and procedures regarding honoraria, please refer to the Organization's Human Resource Policies and Procedures or Codes (Standards) of Conduct/Ethics Policy.

#### Disclosure Requirements

A Director or employee who believes that he or she may be perceived as having a conflict of interest in a discussion or decision shall 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, BCAP shall require the following:

- At the inception of employment or volunteer service to the Organization, and on an annual basis thereafter, the Fiscal Department shall distribute a list of all vendors with whom the Organization has transacted business at any time during the preceding year, along with a copy of the disclosure statement to all members of the Board of Trustees, Chief Executive Officer, members of senior management, and employees with purchasing and/or hiring responsibilities or authority. Using the prescribed form, these individuals shall inform, in writing and with a signature, the Chief Executive Officer, and the chair of the Finance/Audit Committee, of all potential reportable problems.
- During the year, these individuals shall submit a signed, updated disclosure form if any new potential conflict arises.
- The Chief Executive Officer shall review all forms completed by employees, and the Finance/Audit Committee shall review all forms completed by directors and the Chief Executive

Officer. The Finance/Audit Committee will then determine the appropriate resolution in accordance with the next section of this policy.

- Prior to management, board, or committee action on a contract or transaction involving a conflict of interest, a staff member, director, or committee member having a conflict of interest and who is in attendance at the meeting shall disclose all facts material to the conflict of interest. Such disclosure shall be reflected in the minutes of the meeting.
- A staff member, director, or committee member who plans not to attend a meeting at which he or she has a reason to believe that the management, board, or committee will act on a matter in which the person has a conflict of interest shall disclose to the chair of the meeting all facts material to the conflict of interest. The chair shall report the disclosure at the meeting and the disclosure shall be reflected in the minutes of the meeting.
- A person who has a conflict of interest shall not participate in or be permitted to hear management's, the Board's, or the committee's discussion on the matter except to disclose material facts and to respond to questions. Such a person shall not attempt to exert his or her personal influence with respect of the matter.
- A person who has a conflict of interest with respect to a contract or transaction that will be voted on at a meeting shall not be counted in determining a quorum for purposes of the vote. The person having a conflict of interest may not vote on the contract or transaction and shall not be present in the meeting room when the vote is taken, unless the vote is by secret ballot. Such person's ineligibility to vote and abstention from voting shall be reflected in the minutes of the meeting. For purposes of this paragraph, a member of the Board of Trustees of BCAP has a conflict of interest when he or she stands for election as an officer or re-election as a member of the Board of Trustees.

#### Reporting Responsibilities

All employees, officers, and volunteers shall immediately report the suspected misconduct to their supervisor, Chief Executive Officer (CEO), Chief Accountant, or the Finance/Audit Committee. When supervisors have received a report of misconduct, they shall immediately report such acts to their supervisor, the Chief Executive Officer (CEO), or the Finance/Audit Committee.

Anyone who becomes aware of the existence (or apparent existence) of fraud, waste, or abuse related to Health and Human Services (HHS) grants or the use of grant funds shall report this information to HHS. The Health and Human Services Office of Inspector General (OIG) provides several means, including toll-free numbers, for this purpose. The OIG hotline may be reached by telephone at 1-800-HHS-TIPS (1-800-447-8477) or TTY at 1-800-377-4950; by fax at 1-800-223-8164; by e-mail at [HHSTips@oig.hhs.gov](mailto:HHSTips@oig.hhs.gov); or by mail at Office of Inspector General, Department of Health and Human Services, Attn: HOTLINE, 330 Independence Ave, SW, Washington, DC 20201.

#### Fraud Risk Assessment

BCAP shall assess internal and external risks and develop a plan to control the risks. Risk is defined as the possibility of an event occurring that will have an impact on the achievement of the Organization's objectives. A risk assessment is the systematic process of carefully examining and evaluating the Organization in order to identify potential risks or hazards. Risk is rated on its impact and likelihood. The BCAP Chief Executive Officer, in collaboration with the Finance/Audit Committee, shall conduct a risk assessment at least once per program year (annually). The risk assessment shall consist of the following five (5) steps:



1. Identify “What are the internal and external hazards?”
  - a. Internal hazards include: Key employees (retention and succession planning); Financing and the availability of funding for key programs; Competitive compensation and benefits; Information systems security; Backup systems; Misstatement of financial statements.
  - b. External hazards include: Labor relations; Creditors demands; Economic conditions; Regulations.
2. Identify “Who might be harmed and how?”
3. Identify “What are we presently doing to mitigate or reduce the risk?” and “What further action is necessary?”
4. Explain “How will the Organization put the assessment into action?”
5. Include the: Name of the Organization and the Review Date.

The risk assessment shall be included in the Organization’s Risk Management strategy. Risk management is a process to identify, assess, manage, and control potential risk events or situations to provide reasonable assurance regarding the achievement of the Organization’s objectives. The results of the risk assessment shall be presented by the Chief Executive Officer to the Board of Trustees and Policy Council. The risk assessment results shall serve as a guide on how to safeguard the assets of the BCAP.

#### Monitoring

BCAP shall monitor its fiscal performance continually. Deficiencies shall be identified and reported to the Chief Executive Officer, BOT, Finance/Audit Committee, and Policy Council. BCAP shall develop a plan to correct any deficiencies immediately.

All BCAP employees shall report observed weaknesses in design or compliance to the appropriate supervisor or management personnel.

Interactions with external entities (e.g. consultants, vendors, contractors etc.) shall be evaluated continually to determine if they are indicative of a weakness in the Organization’s internal control structure. The evaluation of external entities (third parties) shall include the frequency of complaints about incorrect invoices, statements, and acknowledgements. The results of the evaluation and on-going monitoring shall be presented to the Chief Executive Officer, BOT, and Policy Council.

#### Fiscal Self-Assessment

At least once each program year (annually), BCAP shall conduct an organizational self-assessment of its effectiveness and progress in meeting program goals and objectives and in implementing Federal and State regulations. The self-assessment shall be performed with the consultation and participation of the policy groups and, as appropriate, other community members.

BCAP shall inform its delegate agency (if any) governing body of any deficiencies identified in the monitoring review of its organizational and fiscal operations. The Organization shall immediately develop plans, including timetables, for addressing and correcting any identified deficiencies.

## SECTION 4. INTERNAL CONTROL

INTERNAL CONTROL (2 CFR Part 75 Section 75.303 Internal Controls):

To ensure efficiency, control over Federal and State funding, and compliance with Federal and State regulations, BCAP shall employ internal control processes designed to provide reasonable assurance regarding the achievement of the Organization's objectives relating to its Accounting and Fiscal operations including the following:

- Effectiveness and efficiency of operations.
- Control of assets and records of the Organization to protect against loss, theft or misuse.
- Compliance with applicable laws and regulations.
- Appropriate oversight by the Organization's governing body.
- Adherence to the agency's policies and procedures.
- Reliability of financial reporting.

BCAP's internal control policies follow the COSO (Committee of Sponsoring Organizations of the Treadway Commission) framework and it shall comply with its recommendations to implement effective systems of internal controls. This will ensure that all its financial resources are safeguarded. Per COSO, the five elements of Internal Controls are 1) Control Environment; 2) Risk Assessment; Control Activities; Information and Communication; and 5) Monitoring. The segregation of duties and responsibilities is a key factor in internal control regarding assignment of authority and responsibility.

The internal control policies and processes shall be reviewed and updated continually by management and/or the governing body. The objectives of the Organization's internal control policies and procedures shall be to:

- Ensure that management and the governing body understands their responsibility to make certain internal controls are established, properly documented, maintained and followed by everyone within the Organization, including but not limited to all employees, volunteers, consultants, and members of the governing body.
- Ensure all BCAP employees understand their responsibility for compliance with internal controls.
- Provide guidance for management, the governing body and employees on the components of internal control.
- Provide tools to establish, properly document, maintain, and follow the Organization's system of internal controls.

When a weakness is identified in a control, BCAP shall choose among the following alternatives:

- Additional supervision and monitoring.
- Additional or compensating controls.
- Accept the risk(s) associated with the identified control weakness(es).

BCAP shall ensure that individuals performing work for the Organization have the skills and capacity for their position. The Organization shall also provide employees with appropriate supervision, monitoring, and training so that BCAP can carry out its mission.

Specific internal controls mechanisms BCAP shall employ include but are not limited to the following:

- Segregation of duties between employees.

- Safeguards over cash and other assets, such as locked safes, desk drawers, and file cabinets.
- Safeguards over admittance to facilities and offices with key or badge access.
- Records of transactions.
- Review and approval of transactions by someone who does not prepare or process the same transactions.
- Adequate supervision over employees, volunteers, and consultants.
- Adequate supervision over control processes, work functions, and other activities.
- Validation of transactions for accuracy and completeness by someone independent of preparing or processing the transactions.

BCAP shall employ the following two types of internal controls:

- Preventive Controls: are proactive controls intended to prevent or deter unwanted acts, loss, error, or omissions.
  - Segregation of duties.
  - Proper authorizations.
  - Adequate documentation.
  - Physical security over assets.
- Detective Controls: are reactive controls intended to detect unwanted acts that have already occurred by providing evidence after-the-fact of a loss or error.
  - Supervisory review.
  - Reports that identify the occurrence of specific transactions or events.
  - Routine spot-checking.
  - Variance analysis.
  - Physical inventories.
  - Control self-assessments.
  - Audits.

BCAP shall maintain a control conscious environment that supports ethical values, ethical business practices, honesty, and accountability at all levels. The Organization's governing body and management shall encourage, model and demonstrate the highest level of integrity and ethical behavior, and shall exhibit leadership behavior that promotes internal control and accountability. BCAP shall:

- Ensure the Organization's Policies, Procedures, Rules, and Regulations are available to all employees, volunteers, and consultants.
- Ensure the Organization has standard operating procedures that address critical activities, processes and any issues, which are department specific.
- Ensure employees understand the Organization's Policies, Procedures, Rules, Regulations and standard operating procedures related to the duties and responsibilities for their position.
- Discuss ethical issues with employees. Ensure that employees are aware that ethics guidance is available.
- Ensure that ethics guidance is provided to employees who need it.
- Ensure employees are aware of their obligation to report questionable or unethical activities through their chain of command.
- Ensure that employees comply with the Organization's Conflict of Interest policy and disclose potential conflicts of interest.

- Ensure job descriptions have been created, include responsibility for internal control within the job description, and ensure the level of competence required for the job is adequately explained within the educational, skills, and experience requirements for the position.
- Ensure the Organization has an adequate employee-training program.
- Ensure employees receive timely performance evaluations.
- Ensure employees are subject to an appropriate disciplinary process when not in compliance with the Organization's policies, procedures, performance, or behavioral standards.

BCAP management, with the Chief Executive Officer as the lead, shall review the functioning of the internal control mechanisms by conducting an Organizational internal control assessment each program year (annually). The results of the internal assessment shall be provided to the BOT and used to identify the effectiveness of controls. If deficiencies/exceptions are found, management shall follow-up immediately to correct the identified deficiencies/exceptions.

## **SECTION 5. SECURITY**

SECURITY (2 CFR Part 75 Section 75.361-364 Records Retention and Access):

All financial records, supporting documents, statistical records, and all other BCAP's records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report.

BCAP applies only the following exceptions:

- (a) If any litigation, claim, or audit is started before the expiration of the 3-year period, the records must be retained until all litigation, claims, or audit findings involving the records have been resolved and final action taken.
- (b) When BCAP is notified in writing by the HHS awarding agency to extend the retention period.
- (c) Records for real property and equipment acquired with Federal funds must be retained for 3 years after final disposition.
- (d) When records are transferred to or maintained by the HHS awarding agency, the 3-year retention requirement is not applicable to BCAP.
- (e) Records for program income transactions after the period of performance. In some cases, recipients must report program income after the period of performance. Where there is such a requirement, the retention period for the records pertaining to the earning of the program income starts from the end of BCAP's fiscal year in which the program income is earned.
- (f) Indirect cost rate proposals and cost allocations plans. This paragraph applies to the following types of documents and their supporting records: Indirect cost rate computations or proposals, cost allocation plans, and any similar accounting computations of the rate at which a particular group of costs is chargeable (such as computer usage chargeback rates or composite fringe benefit rates).

In view of its importance, BCAP shall ensure that its information is created, organized, secured, maintained, and used in a way that effectively supports the activity of the Organization and complies with any governance or information management duties BCAP may have.

### Fiscal Department

A lock shall be maintained on the doors to the BCAP fiscal offices. These doors shall be closed and locked in the evenings and when the Fiscal Department is vacant. The keys to these locks shall be provided to the Chief Executive Officer, and other personnel as approved by the Chief Executive Officer. The lock shall be changed whenever any of the above-mentioned individuals leaves the employment of BCAP.

### Access to Electronically Stored Accounting Data

BCAP shall utilize passwords to restrict access to accounting software and data. Only duly authorized personnel with data input and/or monitoring responsibilities shall be assigned passwords that allow access to the accounting software and data system. Information technology staff members shall be restricted from accessing accounting software. This restriction provides a critical internal control. Segregating IT from the financial software protects IT staff members from possible involvement in issues relating to the accuracy of accounting records and financial reporting.

## ***FISCAL POLICIES & PROCEDURES – BURLINGTON COMMUNITY ACTION PARTNERSHIP, INC.***

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Fiscal personnel shall keep their passwords secret and shall change their passwords no less frequently than every ninety (90) days. Administration of passwords shall be performed by a designate of Chief Executive Officer, who is independent of the programming functions.

Each password shall enable a user to gain access to only those software and data files necessary for each employee's required duties. To control data access and demonstrate evidence of internal control, each program year (annually), BCAP shall perform a review of the accounting software users to ensure they have the appropriate access levels. Unnecessary access shall be rescinded.

The Chief Executive Officer designee shall also:

- Ensure the file server remains locked at all times unless in use.
- Observe all work being performed by third parties to the accounting computer network.

The Fiscal staff shall:

- Exit all programs upon the completion of using a program or terminal.
- Refrain from sharing passwords with or log-on for anyone.
- Notify the Chief Executive Officer immediately if they suspect their passwords or log-on credentials have compromised or shared. At which time new passwords or log-on credentials shall be assigned.

### Storage of Sensitive Data

In addition to accounting and financial data stored in the Fiscal Department, other sensitive data, such as social security numbers of employees or clients, etc., may be stored in areas other than the accounting department. Locations of sensitive data may include but are not limited to:

- Other agency departments such as in program data files, Human Resources offices, etc.
- USB drives or Flash Drives, Jump Drives, etc., utilized by staff members.
- Smart phones, PDAs, or other technology-based electronic devices permitting the remote access to email or network resources.
- Online email or storage solutions utilized by staff members to send information to other agencies (excluding personal email accounts).
- Other electronic or online storage devices.

Therefore, BCAP shall:

- Minimize the storage of sensitive data outside the Fiscal Department by shredding documents with such data or deleting the sensitive data from documents that are stored outside the Fiscal Department.
- Require that all sensitive data that is stored in areas other than the Fiscal Department be secured in locked filing cabinets that are placed in offices that are locked after hours.
- Require that any staff members removing sensitive data from systems in an electronic format store and transport data on an encrypted device. When completed with the use of data, it should be deleted from the encrypted device immediately.
- Prohibit the transmission of sensitive data via email, unless that email and any attached files are encrypted. The use of personal email for the transmission of sensitive data is prohibited.

Further, BCAP shall restrict access to sensitive data to Organization employees only (temporary workers, volunteers or contractors are prohibited) and only employees with a legitimate need for such access. BCAP

shall also require employees to claim print documents that contain sensitive information immediately upon printing.

Destruction of Consumer Information

BCAP destruction of consumer (client) and/or employee information shall adhere to the Fair and Accurate Credit Transaction Act of 2003 (FACTA). The Organization shall properly dispose of consumer (client) information and/or employee information possessed by any person within the Organization. All sensitive data shall be securely stored and shredded when no longer needed. BCAP shall also shred all consumer information obtained by the Organization for any reason. Shredding shall be performed on a schedule determined by each department that possesses such data, and the schedule shall be made a part of the Record Retention Policy.

Note: The information contained here for the destruction of consumer information is not all-inclusive. For more specific information regarding the destruction of consumer information, please refer to the Organization's Record Retention Policy and the fiscal policies and procedures.

General Office Security

During normal business hours, all visitors to any BCAP facility shall be required to check in with the receptionist. After hours, a security key or door code shall be required to access the offices of BCAP. Keys and door codes shall be issued only to employees as authorized by the Chief Executive Officer.

## SECTION 6. GENERAL LEDGER AND CHART OF ACCOUNTS

GENERAL LEDGER AND CHART OF ACCOUNTS (45 CFR Part 75 Section 75.302 Financial Management):

The General Ledger (GL) is the collection of all assets, liabilities, fund balances, revenue, and expense accounts. The GL shall be used to accumulate all financial transactions and shall be supported by subsidiary ledgers that provide details for certain accounts. The GL shall be the foundation for the accumulation of data and the production of reports.

### Chart of Accounts Overview

The chart of accounts shall be the framework for the GL system and the basis for the accounting system. The chart of accounts shall consist of account titles and account numbers assigned to the titles. GL accounts shall be used to accumulate the transactions and the impact of these transactions on each asset, liability, revenue and expense account. Additionally, the use of programs and sub-programs shall be utilized to properly classify expenses by grant.

BCAP chart of accounts shall be comprised of the following five (5) types of accounts:

- Assets
- Liabilities
- Fund Balances
- Revenues
- Expenses

The General Ledger account numbers shall consist of a two-digit code designating it BCAP, followed by a four-digit account code, and a two-digit code designating Administration, T/TA Program, and In-kind. A separate cost accounting system using the exact numbers is established by grant.

### Chart of Accounts Distribution

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

### Chart of Accounts Control

The CFO and the Chief Executive Officer shall monitor and control the chart of accounts, including all account maintenance, such as additions and deletions. Any additions or deletions of accounts shall be approved by the Chief Executive Officer, who shall ensure that the chart of accounts is consistent with the organizational structure of BCAP, and that the chart of accounts meets the needs of each division and department of BCAP. The account code combinations of the Chart of Accounts shall be maintained on Organizational approved financial system.

### Account Definitions

General Ledger

#### Account Range Category Definition

1000-1999 Assets

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 are tangible assets (property and equipment) 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 receivables.

Other Assets include long-term assets acquired without intending disposal of these assets in the near future. Some examples are security deposits, property, and long-term investments.

#### 2000-2999 Liabilities

Current Liabilities are probable sacrifices of economic benefits (debts) 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. Liabilities of BCAP are classified as current or long-term.

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

#### 3000-3999 Fund Balances

Fund Balances are net assets and are further defined in the next section.

#### 4000-4999 Revenues

Revenues are inflows or other activities using assets, or incurrences 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 individual donors.

#### 5000-9999 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 BCAP ongoing major or central operations.

#### Chart of Account Changes

The CFO and the Chief Executive Officer shall approve additions to, deletions from, or any other changes to the standard chart of accounts.

#### BCAP Fiscal Year

BCAP shall operate on a fiscal year that begins on March 1 and ends on February 28. Any changes to the fiscal year of the Organization must be ratified by a majority vote of BCAP Board of Trustees.

#### Accounting Estimates

BCAP shall utilize numerous estimates in the preparation of its interim and annual financial statements. These estimates include but are not limited to the following:

- Useful lives of property and equipment.
- Fair market value of investments.
- Fair market value of donated assets.
- Values of contributed services.
- Joint cost allocations.
- Allocations of certain indirect costs.
- Allocations of time/salaries.

The Chief Accountant, in collaboration with the Chief Executive Officer shall reassess, review, and approve all estimates yearly. All conclusions, basis, 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/Audit Committee and external audit firm.

#### Journal Entries

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

- Recording of noncash transactions (i.e. In-Kind)
- Corrections of posting errors.
- Nonrecurring accruals of income and expenses.
- Adjusting and reclassification entries.

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

- Depreciation of fixed assets.
- Amortization of prepaid expenses.
- Accruals of recurring expenses.
- 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, a memo explaining the purpose of the transaction and the signature of the authorizer.

All journal entries not originating from subsidiary ledgers shall be authorized in writing on the posted transactions report by initialing or signing the entries. The CFO shall review and approve all journal entries.

## **SECTION 7. BUDGETING**

BUDGETING (45 CFR Part 75 Section 75.200- 45 CFR Part 75 Section 75.217 Subpart C- Pre-Federal Award Requirements and Contents of Federal Awards)

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. The budget for BCAP shall be designed and prepared to direct the most efficient and prudent use of the Organization's financial and human resources. The budget shall serve as management's commitment of a plan for present and future organizational activities that will ensure BCAP sustainability. The Organization's budget shall provide an opportunity to examine the composition and viability of BCAP programs and activities simultaneously in light of the available resources.

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

### Preparation and Adoption

BCAP shall prepare an annual budget on the accrual basis of accounting. The Chief Financial Officer and Staff Accountant shall gather the proposed Organization-wide budget information from all Program Director(s), Department Manager(s), and others with budgetary responsibilities, and shall prepare the first draft of the budget. Budgets proposed and submitted by each department shall be accompanied by a narrative explanation of the sources and uses of funds and shall explain all material fluctuations in budgeted amounts from prior years.

After the appropriate revisions and a compilation of all department budgets by the CFO, in collaboration with the Staff Accountant, a final draft of the Organization-wide budget, as well as individual department budgets, shall be presented to the Chief Executive Officer for discussion, revision, and initial approval.

The revised draft shall then be submitted to the Finance/Audit Committee, and finally to the entire Board of Trustees for adoption.

BCAP shall adopt a final budget at least 30 days before the beginning of the Organization's fiscal year. The purpose of adopting a final budget at this time shall be to allow adequate time for the Fiscal 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 the proper classification of activities and a comparison of budget versus actual once the year begins. Budgets for programs that are not on the Organization's fiscal year shall be prepared in accordance with awarding agency requirements.

### Monitoring Performance

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

On a monthly basis, financial reports comparing actual year-to-date revenues and expenses with budgeted year-to-date amounts shall be produced by the Fiscal Department and distributed to each employee with budgetary responsibilities. These individuals shall be responsible for responding with a written explanation of all budget variances in excess of 10% on a quarterly basis.

In addition, all Program Director(s) and Department Manager(s) shall submit monthly program operations performance (non-financial) reports to the Chief Executive Officer, and the Board of Trustees, as well as the Head Start Policy Council if appropriate.

#### Budget and Program Revisions

BCAP shall request prior approval from federal or state awarding agencies for any of the following program or budget revisions:

- Change in the scope or objective of the project or program, even if there is no associated budget revision requiring prior written approval.
- Change in a key person (Program Director, Department Manager, etc.) specified in the application or award document.
- The absence for more than three (3) months, or a 25% reduction in time devoted to the project, by the approved Program Director/Department Manager or principal investigator.
- The need for additional federal or state funding.
- The transfer of amounts budgeted for indirect costs to absorb increases in direct costs, or vice versa, if approval is required by the federal or state awarding agency.
- The inclusion, unless waived by the federal or state awarding agency, of costs that require prior approval in accordance with 45 CFR 75.400 or similar state regulations.
- The transfer of funds allotted for training allowances (direct payment to trainees) or other restricted funding categories to other categories.
- 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 Trustees and adopted by the Organization, reclassifications of budgeted expense amounts of less than \$5,000 within a single department may be made by the Program Director(s) or Department Manager(s), with approval from the Chief Executive Officer. Reclassifications of budgeted expense amounts across departments of greater than \$5,000 shall be made only with the approval of the Chief Executive Officer.

**SECTION 8. INSURANCE**

INSURANCE (45 CFR Part 75 Section 75.447 Insurance and Indemnification):

BCAP shall maintain a fiscally prudent, active risk management program that includes a comprehensive insurance package. The insurance package shall ensure the viability and continued sustainability of BCAP. Management and the Board of Trustees shall ensure that the Organization meets the insurance requirements of all its federal and state funding.

BCAP, at a minimum, shall provide the equivalent insurance coverage for real property and equipment acquired or improved with Federal funds as provided to other property owned by the non-Federal entity. Federally-owned property need not be insured unless required by the terms and conditions of the Federal award.

BCAP shall maintain 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, BCAP shall arrange for the following types and levels of insurance as a minimum:

Type of Coverage	Amount of Coverage
Comprehensive Liability	\$1,000,000
Umbrella Liability	\$1,000,000
Automobiles for Employees, Volunteers, or Escorts	\$1,000,000
Fidelity Bond	\$125,000
Fire and Water Damage	Coverage for all items with acquisition cost greater than \$1,000
Directors and Officers	\$1,000,000
Theft	Coverage for all items with acquisition cost greater than \$1,000
Workers' Compensation	To the extent required by law (or contractual obligations of the Organization)
Facilities Coverage for Fire and Weather Related Damage	Coverage at the minimum percentage of current replacement cost to ensure full replacement if necessary.

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

- Description (type of insurance)
- Agent and insurance company, including all contact information
- Coverage and deductibles
- Premium amounts and frequency of payment
- Policy effective dates
- Date(s) premiums paid and check numbers

Insurance Definitions

Workers' Compensation and Employer's Liability

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BCAP and its Contractors shall be required to comply with applicable federal and state workers' compensation and occupational disease statutes. If occupational 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. BCAP shall review worker's compensation rates on an annual basis.

Fidelity Bond

For all personnel handling cash or preparing or signing checks, BCAP shall obtain insurance that provides coverage in a blanket fidelity bond. The specific needs of the Organization shall 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.

## SECTION 9. RECORD RETENTION

RECORD RETENTION (45 CFR Part 75 Section 75.361 Retention Requirements for Records):

BCAP shall retain records as required by law and shall destroys the records when appropriate. All files, both hard copy and electronic shall be labeled with topic, year (if applicable), and destruction date. Electronic copies shall be saved in appropriate folders on the network storage device. Hard copies shall be stored in file cabinets or archived in the storage area. Archived hard copy files shall be stored in water and animal proof containers.

The destruction of records shall be approved by the Chief Executive Officer or designee and logged into the Organization’s Destroyed Records Log. Review and purging of files shall take place on an ongoing basis, but must occur at least once per year, and must follow the minimum retention requirements outlined below.

The destruction of any documents containing social security numbers or any other “consumer data” as defined under federal laws and regulations shall be done via shredding using an approved shredding service provider.

BCAP Records Retention Policy shall consist of the following:

Records Description	Retention Schedule
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
Contracts, Mortgages, Notes, and Leases: Still in Effect	Permanently
Correspondence: General	2 Years
Correspondence: Legal/Important Matters	Permanently
Correspondence: Routine w/Customers or Vendors	2 Years
Deeds, Mortgages, and Bills of Sale	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
Financial Statements: Other	Optional
Garnishments	7 Years
General Ledger/Year-End Trial Balance	Permanently
Insurance Policies: Expired	3 Years
Insurance Records: Policies, Claims, Etc.	Permanently
Internal Audit Reports	3 Years +
Internal Reports	3 Years
Inventories	7 Years

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Invoices: Customer/Vendors	7 Years
Journals	Permanently
Minute Books of Directors, Bylaws, Charters	Permanently
Notes Receivable Ledgers, Schedules	7 Years
Payroll Records, Summaries	7 Years
Personnel Records: Terminated	7 Years
Petty Cash Vouchers	3 Years
Physical Inventory Tags	3 Years
Property Records: Depreciation Schedules	Permanently
Purchase Orders: Purchasing Department Copy	7 Years
Purchase Orders: 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/Worksheets/Examination Reports/Documents Related to Income Tax Liability Determination	Permanently
Timesheets/Cards	7 Years
Trademark Registrations/Copyrights	Permanently
Training Manuals	Permanently
Voucher Register/Schedules	7 Years
Withholding Tax Statements	7 Years

Exception for Investigations

In connection with any ongoing or anticipated investigation into allegations of violations of federal and/or state laws or regulations, provisions of government awards, or violations of the Organization's Code of Conduct, the following exceptions shall be made to the preceding scheduled retention and/or destruction of records:

- All records related to the subject of the investigation or allegation shall be exempt from any scheduled record destruction.
- The term "records" shall also apply to any electronically stored record (e.g., documents stored on computers, email messages, etc.), which shall also be protected from destruction.



## **SECTION 10. REVENUE RECOGNITION POLICIES**

REVENUE RECOGNITION POLICIES (45 CFR Part 75 Section 75.307 Program Income ).

BCAP 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. (Please refer to the section entitled "Cost Sharing and Matching" for additional information on In-Kind Contributions).
3. Nongovernmental Cash Contributions - Recognized as income when received, unless accompanied by restrictions or conditions. (Refer to the section entitled "Contribution Income" for additional information on Nongovernmental Cash Contributions).
4. Fee-for-Service Income - Recognized as income when services are rendered unless the collection of amounts due is in question. In such case, revenue is recognized when payments are received. Monthly accrual.

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 and the Chief Executive Officer.

### Refund of Revenue Policy

Grant payments shall be refunded if, at the completion of accounting for all activities, the Fiscal Department calculates an overpayment. In addition, a funding source may request a refund based upon information gathered during a monitoring visit or upon review of the final report submission. The CFO shall work with the appropriate program director to assure such calculations are correct, and to approve the refund.

### Definitions

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

**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. This means a donor has imposed some type of stipulation other than a purpose or time period stipulation (which is defined as a "Restriction" below) and that condition has some degree of uncertainty as to whether or not it will occur, and if the condition is not met, the Organization is not entitled to the contribution. Conditions may or may not be within the Organization's control.

**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.

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Nonreciprocal Transfer - A transaction in which an individual or entity incurs a liability or transfers assets to BCAP 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 BCAP and another entity each receive and sacrifice something of approximately equal value.

## **SECTION 11. ADMINISTRATION OF FEDERAL AWARDS**

ADMINISTRATION OF FEDERAL AWARDS (45 CFR Part 75 Section 75.300 Statutory and National Policy Requirements):

BCAP shall be responsible for the effective and efficient administration of all federal, state, corporate, and private foundation awards. The Organization 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 mission.
- Contract: A mutually binding legal agreement where the Organization agrees to provide supplies 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 the above-mentioned forms will be referred to as a federal “award.”

### Preparation and Review of Proposals

The individual divisions (e.g. EHS-Child Care Partnerships) of BCAP shall be responsible for preparing proposals for projects that the division intends to pursue. The individual divisions shall complete the BCAP Request to Pursue Grant Opportunity form for all funding pursuits, and submit the completed form to the Chief Executive Officer for approval. All proposals shall be reviewed by the Chief Executive Officer prior to submission to the government agencies or other funding sources to ensure the proposed budget includes all appropriate costs. Final proposals shall be reviewed and approved in writing by the Board of Trustees (BOT).

All grant applications shall be approved by the BOT. The Board of Trustees shall also approve the acceptance of all grants. The BOT shall be involved in all decisions concerning new funding sources. In addition, the Organization may refuse to consider all grants under a certain threshold based upon the cost/benefit of administering such awards. Once a proposal has been approved, it shall be submitted to the appropriate government agency or other funding source. A copy of the proposal and all supporting documentation shall then be forwarded to the Chief Executive Officer and Grant Manager (if applicable).

Note: The Early Head Start Policy Council must approve the Early Head Start grant application(s) prior to submission to the appropriate funding source.

### Compliance with Laws, Regulations, and Provisions of Award

As a recipient of federal and funds, BCAP recognizes the Organization is responsible for compliance with all applicable laws, regulations, and provisions of contracts and grants. The following policies shall be applicable to every grant or contract received directly or indirectly from a federal or state agency:

- For each federal or state award, an employee within the department responsible for administering the award will be designated as “Program Manager” (PM) and Grant Compliance Manager.
- Each Program Manager/ Grant Compliance Manager shall attend a training on grant management prior to beginning the role as Program Manager (or as early in their functioning as a PM as practical) or Grant Compliance Manager. Thereafter, all Program Managers and Grant Compliance Managers shall attend refresher/update courses on grant management every two (2) years.

- The Program Manager/Grant Compliance Manager shall take the following steps to identify applicable laws, regulations, and provisions of each grant and contract.
  - Read each award and prepare a summary of key compliance requirements and references to specific laws and regulations.
  - Review 45 CFR Part 75 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Health and Human Services (HHS) Awards (HHS Regulatory Requirements)for Awards.
  - Review 2 CFR Part 200 Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Award (Uniform Guidance).
  - Review the section of the Catalog of Federal Domestic Assistance (CFDA) applicable to the award.
  - The Program Manager shall communicate grant requirements to those who will be responsible for carrying them out, or impacted by them.
- The Fiscal Department shall forward copies of applicable laws and regulations to the Program Manager (e.g. CFR, OMB Circulars, pertinent sections of compliance supplements, and other regulations).
- The Program Manager and/or the Fiscal Department shall identify and communicate any special changes in policies and procedures necessitated by federal and state awards as a result of the review of each award.
- The Program 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 are not limited to the following:
  - Reviewing subsequent grant and contract renewals, reviewing annual revisions of contracts and grants.
  - Reviewing annual revisions to the Code of Federal Regulations (CFR) Compliance Supplement.
  - Reviewing communications with federal awarding personnel.
- All BCAP staff shall cooperate and inform the independent auditors of applicable laws, regulations, and provisions of contracts and grants. All BCAP staff shall also communicate known instances of noncompliance with laws, regulations, and provisions of contracts and grants to the Grant Compliance Manager and auditors.
- The Grant Compliance Manager shall ensure compliance with all applicable laws, regulations, and provisions of contracts and grants, AND shall monitor and document grant revenue and expenditures.

#### Document Administration

For each grant/award received by BCAP from federal, state or local government agency, a master file of documents applicable to the award shall be prepared and maintained. The responsibility for assembling each master file shall be assigned to the CFO and the Program Director assigned to administer the program. The Chief Executive Officer shall also have access to the file.

The master file assembled for each government award shall include all of the following documents (including originals of all documents received from the awarding agency):

- Copy of the initial application for the award and corresponding budget
- All correspondence to and from the awarding agency post-application, leading up to the award.
- The final approved budget and program plan, after making any modifications.
- The grant agreement and any other documents associated with the initial making of the award.
- Copies of pertinent laws and regulations, including awarding agency guidelines, associated with the award.

- Subsequent correspondence to/from the awarding agency.
- Results of any monitoring visits conducted by the awarding agency, including resolution by BCAP of any findings arising from visits.
- Correspondence and other documents resulting from the closeout process of the award.

The preceding grant document file shall be organized into four (4) sections as follows:

1. Pre-Award Documents
2. Post-Award Documents (including reports)
3. Laws, Regulations, and Agency guidelines
4. Audit/Monitoring-related Documents

The official grant document file for all BCAP programs, with all original signatures and full documentation for all sections (see above), shall remain in the office of the CFO or the Chief Executive Officer, in a locked filing cabinet, so that its safekeeping and access for audit purposes can be ensured. Any BCAP employee making a valid request for access to the grant documents shall be provided with a copy of the requested documents.

Closeout of Federal Awards and State Awards (45 CFR Part 75 Section 75.381 Closeout)

BCAP shall follow the closeout procedures described in 45 CFR Part 75.381 and in the grant agreements as specified by the granting agency for all federal and, as applicable, state awards.

BCAP and all sub-recipients shall liquidate all obligations incurred under the grant or contract within 90 days of the end of the grant or contract agreement.

The Closeout of Federal and State Awards shall be communicated to all key BCAP staff and executive leadership to ensure that all grant obligations have been met.

## **SECTION 12. COST SHARING AND MATCHING (IN-KIND/NON-FEDERAL SHARE)**

COST SHARING AND MATCHING (IN-KIND/NON-FEDERAL SHARE) (45 CFR Part 75 Section 75.306 Cost Sharing or Matching):

BCAP shall value 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. The Agency shall claim contributions as meeting a cost sharing or matching requirement of a federal award only if all of the following criteria are met:

- They are verifiable from BCAP records.
- They are not included as contributions (or match) for any other federally-assisted project or program.
- They are necessary and reasonable for proper and efficient accomplishment of project or program objectives.
- They are allowable under the federal cost principles, 45 CFR 75.300.
- 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.
- They are provided for in the approved budget when required by the federal awarding agency.
- They conform to all provisions of federal administrative regulations, 45 CFR Part 75.
- In the case of donated space (or donated use of space), the space is subject to an independent appraisal to establish its value.

### Valuations and Accounting Treatment

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

- Cash
- Space, buildings, land, and equipment
- Donated time and services (e.g., parent time or professional services)
- Supplies

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

Cash – BCAP recognizes cash as currency issued in notes or coins.

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

Space:

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

Donated Time and Services - Volunteer services furnished by professional and technical personnel, consultants, and other skilled and unskilled labor shall 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 incomes and expense by BCAP shall include but are not limited to the following:

- Local fire fighting/police personnel doing presentations on safety practices and fire safety.
- Dentists and dental hygienists volunteering time for dental days.
- Parents working with their children on projects outlined by the teaching staff that are aligned with the goals of the Early Head Start curriculum and included in the child's lesson plans.
- Parents volunteering in the classroom.

Volunteer services shall be valued at rates consistent with those paid for similar work within the Organization. Volunteers for the EHS program that work with the children or help support the education program will be computed at the cost of the teacher's salary plus the teacher's fringe benefits. For skills not found within the Organization, rates shall be consistent with those paid for similar work within BCAP geographic labor market. Rates shall include gross hourly wages plus fringe benefits calculated based on fringe benefits received by employees in similar positions, or on an agency average. All other volunteers will be valued at fair market values for those types of services.

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

BCAP shall require volunteers to document and account for their contributed time in a manner similar to the timekeeping system followed by employees. Each program that uses volunteers shall provide the volunteers with a sign-in sheet, which records the following information:

- Date service was performed
- Volunteer name
- Name and location of the site worked
- Hours donated
- Service provided
- Signature of the volunteer
- Signature of BCAP personnel to verify the accuracy of the information reported on the sign-in sheet.

The sign-in sheets shall be delivered to and maintained by Compliance to be tallied, valued, and recorded as in-kind in the accounting records.

***FISCAL POLICIES & PROCEDURES – BURLINGTON COMMUNITY ACTION PARTNERSHIP, INC.***

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



## **SECTION 13. CASH RECEIPTS**

CASH RECEIPTS (45 CFR Part 75 Section 75.307 Internal Controls):

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

### Processing of Checks and Cash Received

The following procedures shall be followed:

- Cash receipts shall be received in a central location, the Central Office, rather than at a remote site, to ensure that cash received is appropriately directed, recorded, and deposited on a timely basis.
- Mail shall be sorted by the Receptionist and all cash/checks received shall be given to the Executive Assistant who records receipts and prepares the deposit slips then to the Staff Accountant to record in the financial systems and deposit the checks. The Receptionist shall not be involved in the accounts receivable or accounts payable process. If an individual personally delivers a check/cash, it will be handled as though it were received via mail.
- Every week the Executive Assistant shall prepare a deposit slip for the cash/checks received and a copy of the deposit slip shall be given to the Staff Accountant to record in the General Ledger.
- On that same day the deposit is taken to the bank by the Staff Accountant, a copy of the bank transaction receipt shall be given to CFO as proof of deposit.
- The Staff Account shall reconcile the bank deposits with the Accounts Receivable Ledger at the end of each month.

### Endorsement of Checks

All checks received that are payable to Organization shall be restrictively endorsed by the Executive Assistant when preparing the weekly deposit. The restrictive endorsement shall be a rubber stamp that included the following information:

- For Deposit Only
- BCAP
- The bank name
- The BCAP bank account number

### Timeliness of Bank Deposits

Bank deposits shall be made at least on a weekly basis, unless the total amount received for deposit is less than \$1000. In no event shall deposits be made less frequently than bi-weekly. Checks and cash that have not been deposited shall be maintained in the locked vault /safe in the Fiscal Department until deposited. Non-deposited cash shall not be used as petty cash or to make change.

### Credit Cards Processing

BCAP shall ensure that credit card donations are forwarded immediately to Fiscal Department for processing. All incoming contents shall be date stamped, copied, and logged using the Fiscal Department Control Sheet. The Staff Accountant shall process the credit card information through the following process:

- Record the gift information in the Organization's database.
- Generate the daily gift detail report to verify incoming contributions.
- Executive Assistant shall generate and review the Acknowledgement letters for errors or revisions.

***FISCAL POLICIES & PROCEDURES – BURLINGTON COMMUNITY ACTION PARTNERSHIP, INC.***

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- Letters for monetary gifts that are valued at \$250 or above shall be forwarded to the Chief Executive Officer for a live signature.
- Monetary gifts valued under \$250 can be processed with an electronic signature.
- Each Donation letter shall be copied, filed and mailed thereafter.

To protect donor information and ensure accuracy, all donor forms shall be sent to the Central Office for processing.

Reconciliation of Deposits

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

Control Grid - Revenue and Cash Receipts

BCAP shall strive to maintain adequate segregation of duties in its income and cash receipts functions. The CFO will monitor and adjust job duties as deemed appropriate.

## SECTION 14. GRANTS RECEIVABLE MANAGEMENT

GRANTS RECEIVABLE MANAGEMENT (45 CFR Part 75 Section 75.300-309 Standards for Financial and Program Management):

Monitoring and Recognition

BCAP shall record grants receivable and income as follows:

- Upon receipt of the grant, the entire grant shall be recorded as a receivable and as deferred revenue, a current liability, "Grants Unapplied".
- During the year, when cash is received for expenses incurred, the deferred revenue and grant receivable account shall be reduced and the cash shall be recorded as grant income.
- In order to comply with GAAP requirements, at the end of the fiscal year, the remaining deferred amount shall offset the remaining receivable, and the advance shall be recorded as deferred revenue.

Therefore, management and the Board of Trustees will be able to monitor the progress of the entire grant at any time during the year.

ACCOUNTS RECEIVABLE MANAGEMENT (45 CFR Part 75 Section 75.302 Financial Management):

Monitoring and Reconciliations

On a monthly basis, the Fiscal Department shall reconcile a detailed accounts receivable report (showing aged, outstanding invoices by customer) to the general ledger. The CFO shall review the reconciliation and ensure that all differences are immediately investigated and resolved. All credits shall be authorized by the Program Director(s) or Department Manager(s) as applicable.

Credits and Other Adjustments to Accounts Receivable

In the event that credits against accounts receivable from transactions other than payments and bad debts occur (e.g., returned products and adjustments for billing errors), the CFO shall process credits and adjustments to Accounts Receivable. All credits shall be authorized by the Program Director(s) or Department Manager(s) as applicable.

Note: Bad debt write offs are not allowable costs for federal grants.

Accounts Receivable Write-Off Authorization Procedures

All available means of collecting accounts receivable shall be exhausted before write-off procedures are initiated. Write-offs shall be initiated by the department associated with the amount to be written off, in conjunction with the Fiscal Department. If an account receivable is deemed uncollectible, the following approvals shall be required before a write-off is processed:

Amount	Authorized in Writing By
Less than \$1,000	CFO
\$1,001 or more	Chief Executive Officer

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

If write-off procedures have been initiated, the following accounting treatment shall apply:

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

## SECTION 15. COST ALLOCATION

### COST ALLOCATION

BCAP receives funds from the Department of Health and Human Services through the Head Start and Early Head start programs and is committed to adhering to Federal funding requirements and establishing effective cost controls and accountability for federal funds, property and other assets. As part of the annual budget process, which is approved by the Board, the Chief Executive Officer, Chief Operating Officer, the Chief Financial Officer and appropriate program personnel collectively review the programs to be delivered in the coming year and develop the costs, including personnel costs, to deliver each program. These costs are segregated between “direct” and “indirect” costs of delivering the specific programs.

Direct costs are those costs that can be identified specifically with a particular final cost benefit or objective, such as a Federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect (F&A) costs.

Indirect costs are those costs incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitting, without effort disproportionate to the results achieved.

In order to accurately and fairly allocate direct and indirect costs, BCAP first identifies and segregates costs as either direct or indirect in nature. The segregated costs are then recorded in the accounting system to the appropriate expense account and program codes.

Payroll expense for employees who are assigned to more than one program are allocated based on percentage of effort reported on after-the-fact time determination reports that are certified by the employee and appropriate supervisors/managers. Although the bi-weekly payroll continues to be recorded based on the time card, the Agency has implemented a new Personal Activity Report that captures each employee’s after-the-fact allocation of effort. Semi-annually, the CFO manages a time-and-effort reconciliation process and ensures that payroll charges in the general ledger are restated to reflect actual time allocation based on the Personal Activity Report.

## SECTION 16. ALLOWABILITY

### ALLOWABILITY

To be allowable, costs must first be determined reasonable, necessary and allocable.

- 1) Allowability of costs is accorded consistent treatment throughout Burlington Community Action Partnership, Inc.
- 2) To be allowable under an award, costs must meet the following general criteria:
  - a) Be reasonable for the performance of the award and be allocable thereto under these principles.
  - b) Conform to any limitations or exclusions set forth in these principles or in the award as to types or amount of cost items.
  - c) Be consistent with policies and procedures that apply uniformly to both federally financed and other activities of Burlington Community Action Partnership, Inc.
  - d) Be accorded consistent treatment.
  - e) Be determined in accordance with generally accepted accounting principles (GAAP) in the U.S.
  - f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period.
  - g) Be adequately documented.

### Documentation

- 1) Cost documentation must have the signature of the coordinator/director, acknowledging that the cost has been determined as a reasonable, allocable, and allowable cost
- 2) Reference should be made to Uniform Guidance 45 CFR 75 Subpart E for principles applying to the reasonableness, allocability and allowability of costs.

## SECTION 17. COST ALLOCATION PROCEDURES

### IV. COST ALLOCATION PROCEDURES

BCAP will ensure establishment and maintenance of its cost allocation plan, and ensure compliance with mandated cost principles and contract requirement. Therefore, Burlington Community Action Partnership, Inc. maintains its annual cost allocation plan, which is reviewed and approved by the senior management and certified by the CFO/CEO. Please refer to Exhibit ( ) for Cost Allocation Plan, which had been revised as of February 6, 2020.

All costs reported to funding sources are reconciled to the books and records prior to submission. Burlington Community Action Partnership, Inc. complies with annual regulatory audit and tax filing requirements.

#### Definition of Indirect Cost

Indirect costs are those costs incurred for common or joint purposes that cannot be readily assigned to a particular function in Burlington Community Action Partnership, Inc. While it is not possible to specify the types of costs that will always be indirect, the following are often included:

- Depreciation allowance on buildings and equipment
- Cost of operating and maintaining a facility
- General and administrative expenses, such as salaries and benefits of the executive office, personnel administration, and accounting

Indirect costs are allocated in the following manner:

If Burlington Community Action Partnership, Inc. decided that it was to the agency's benefit to have one indirect cost rate for the entire organization. The rate would be established as follows:

- Separate Burlington Community Action Partnership, Inc.'s total costs for the period into direct and indirect costs.
- Separate the indirect costs into allowable and unallowable costs.
- Divide the total allowable indirect costs by an equitable cost base such as allowable direct costs. To be equitable, the base must exclude capital expenditures, major subcontracts, or other unallowable costs.

For example, with total allowable indirect costs of \$750,000.00 and allowable direct costs of \$3,000,000.00 the indirect cost rate is 25%.

Limitations on development and administrative costs.

BCAP adopted the provision of Head Start Performance Standards Section 1303.5, Limitations on development and administrative costs as follows:

(a) Limitations.

- (1) Costs to develop and administer a program cannot be excessive or exceed 15 percent of the total approved program costs. Allowable costs to develop and administer a Head Start program cannot exceed 15 percent of the total approved program costs, which includes both federal costs and non-federal match, unless the responsible HHS official grants a waiver under paragraph (b) of this section that approves a higher percentage in order to carry out the purposes of the Act.
- (2) To assess total program costs and determine whether a grantee meets this requirement, the grantee must:
  - (i) Determine the costs to develop and administer its program, including the local costs of necessary resources;
  - (ii) Categorize total costs as development and administrative or program costs;
  - (iii) Identify and allocate the portion of dual benefits costs that are for development and administration;
  - (iv) Identify and allocate the portion of indirect costs that are for development and administration versus program costs; and,
  - (v) Delineate all development and administrative costs in the grant application and calculate the percentage of total approved costs allocated to development and administration.



## **SECTION 18. ANNUAL COST ALLOCATION PLAN**

### **ANNUAL COST ALLOCATION PLAN**

As part of the annual budgetary process, the Executive Director and the CFO review the programs to be delivered in the coming year and determine the costs to deliver each program. These costs are segregated between fixed overhead costs and direct costs of delivering the specific programs. In this effort, the Executive Director and the Fiscal Director identify the following:

#### **Personnel assigned to the program**

- Other resources directly assigned to the program other than personnel
- Resources which are shared across all programs, and identify the most appropriate means of allocating these shared costs to each of the programs

The level of personnel assigned to the specific program becomes the basis for allocating the related personnel benefits, as well as all other costs not directly chargeable to a program.

This cost allocation plan provides a total cost for each program and yields allocation percentages to be utilized in costing shared expenses throughout the year. At the end of each quarter, the cost allocation plan is reviewed by the Fiscal Director and Senior Directors of Programs, in the light of actual results to date, funding source budget modifications, and any other relevant data. Any adjustments to the allocation plan are then incorporated and budget modifications are prepared as deemed necessary.

### **Monitoring of Employee Time Sheets**

#### **Time Sheets/PARs as a Basis for Allowable Grant Charges**

Time sheets/PARs serve several purposes. They are the means by which BCAP tracks the amount of hours an employee works for payroll purposes. In the case of restricted funding for specific positions, the time sheets serve as the method of tracking level of effort for an employee for a given program and as such serve as the basis for a salary charge to be allowable under a restricted grant. Employees do not work on contracts or grants; they work on delivering the mission of Burlington Community Action Partnership, Inc. via the specific programs that the agency offers. All employees of BCAP are required to prepare time sheets and Personnel Activity Reports (PARs) for staff who are assigned to multiple grants.

Time sheets or personnel activity reports (if applicable) shall also be 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 nonfederal functions.

### **Segregation of Costs**

The accounting system allows for a separate accounting for each restricted grant the agency receives. Hence, each grant has a stand-alone detailed accounting of revenues and expenditures attributable to it during the life of the grant. This accounting is based on the life of the grant and is irrespective of the

agency's fiscal year. All charges to the grant are based on direct costs incurred or costs allocated on a consistent, verifiable basis following the agency's annual cost allocation plan.

## **SECTION 19. BANK BORROWINGS**

### a) Commercial Term Loans

Covenants under a bank's credit facilities may require of the borrower the following:

- That its unrestricted net assets cannot be less than a certain amount, usually that amount on the borrower's books at the time the loan was obtained;
- That its total debt to its tangible net worth be no greater than two to one (2:1);
- That its debt service coverage defined as the excess of revenues over expenses plus non-cash charges available to cover the amount required to service the loan and the line annually, be at least 1.2x.

To ensure compliance with such debt covenants, such as they may be, the fiscal director will monitor the agency's financial position and operating results on a frequent basis.

### b) Business Revolving Line of Credit

The business revolving line of credit is intended to be used on a temporary basis in times where the cash flow situation is unusually tight. The borrowings from the line of credit should be repaid as soon as it is practical to do so.

### c) Use of Line of Credit (LOC)

- When negotiating with the bank for a LOC, BCAP will ensure that federal funds are not used to secure the LOC; the document must explicitly state that no federally funded assets such as HHS will be used to secure the LOC. Hence, BCAP will not use any Head Start or Early Head Start funds to secure its lines of credit.
- The LOC will be used to provide working capital for programs that pay BCAP on a reimbursement basis,
- Repayment of the LOC will be funded when reimbursements are received.

## SECTION 20. PROCUREMENT POLICIES AND PROCEDURES

PROCUREMENT POLICIES AND PROCEDURES (45CFR Part 75 Section 75.329 Methods of Procurement to be Followed):

BCAP shall require 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 BCAP staff shall adhere to when making purchases 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 statutes and executive orders.

### Responsibility for Procurement

All Program Directors/ Department Managers/ Coordinators or their designees shall have the authority to initiate purchases on behalf of their department within the guidelines described in the authorizations and purchasing limits directory. Those purchases must, however, be approved by the employee's manager and the Executive Director. The Staff Accountant will create a purchase order and verify the expenditure/GL account being charged and if there is sufficient funds in the budget. Once the purchase process has been completed, the CFO will approve the payment of the claims.

### Code of Conduct in Purchasing (45 CFR Part 75 Section 75.326-329 Procurement Standards)

Ethical conduct in managing the Organization's purchasing activities is absolutely essential. All BCAP staff must be mindful that they represent the Board of Trustees and share a professional trust with other staff and the general membership. The following code of conduct shall apply in purchasing:

- Staff shall discourage the offer of, and decline, individual gifts or gratuities of value in any way that might influence the purchase of supplies, equipment, and/or services.
- Staff shall notify their immediate supervisor if they are offered such gifts.
- No officer, board member, employee, or agent shall participate in the selection or administration of a contractor if a real or apparent conflict of interest would be involved. Such a conflict would arise if an officer, board member, employee, agent, or any member of his or her immediate family, his or spouse or partner, or an organization that employs or is about to employ any of the parties indicated herein, has a financial or other interest in the contractor selected.
- Officers, board members, employees, and agents shall neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to sub-agreements.
- Unsolicited gifts of a nominal value (\$25 or less) may be accepted with the approval of the Chief Executive Officer.

### Competition (45 CFR Part 75 Section 75.328 Competition)

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

- Be alert to any internal potential conflicts of interests.
- Be alert to any noncompetitive practices among contractors that may restrict, eliminate or restrain trade.
- Not permit contractors who develop specifications, requirements, or proposals to bid on such procurements.

- Award contracts to bidders whose product or service is most advantageous in terms of price, quality, and other factors.
- Issue solicitations that clearly set forth all requirements to be evaluated.
- Reserve the right to reject any and all bids when it is in the Organization's best interest.

Nondiscrimination Policy

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

- 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 or contractors.
- Contractors agree to post in conspicuous places, available to employees and applicants for employment, notices setting forth the provisions of this nondiscrimination clause. Notices, advertisements, and solicitations placed in accordance with federal law, rule, or regulation shall be deemed sufficient for meeting the intent of this section.

Sub awards (45 CFR Part 75 Section 75.2 Sub awards).

A Sub award is an award provided by BCAP to a sub recipient for the sub recipient to carry out part of a Federal or state award received by BCAP. It does not include payments to a contractor or payments to an individual that is a beneficiary of a Federal program. A sub award may be provided through any form of legal agreement, including an agreement that BCAP considers a contract. All sub awards in excess of \$5,000 shall be subject to the same procurement policies described in the Purchasing Policies and Procedures section of this manual or located in the Organization's Procurement Policies and Procedures Manual.

Fixed Amount Sub awards (45 CFR Part 75 Section 75.353 Fixed Amount Sub awards)

BCAP shall receive prior written approval from the Federal awarding agency when granting fixed amount sub awards. The amount of the fixed amount sub award shall not exceed the Simplified Acquisition Threshold of \$150,000. BCAP shall provide the Fixed Amount Sub award by either of the following means:

- In several partial payments, the amount agreed upon in advance and the "milestone" or event triggering the payment also agreed upon in advance, and set forth in the Federal award.
- On a unit process basis, for a define unit, at a defined price or prices, agreed to in advance of performance of the Federal award and set forth in the Federal award.
- In one payment at the completion of the Federal award.

The recipient of the Fixed Amount Award shall certify in writing to BCAP that the project or activity has been completed and the level of effort that was expended. If the project was not completed or the required level of activity or effort was not carried out, BCAP shall adjust the amount of the award. Changes made in the scope, key personnel or leadership shall require written approval from BCAP.

Note: BCAP shall not provide Fixed Amount Awards to programs which require mandatory cost sharing or matching.

Sub recipients (45 CFR Part 75 Section 75.2 Sub recipient).

A Sub recipient is a non-Federal entity that received a sub award from BCAP to carry out part a Federal (or state) program; but does not include an individual that is a beneficiary of such program. A sub recipient may also be a recipient of other Federal (or state) awards directly from a Federal (or state) awarding agency. The non-Federal entity may concurrently receive Federal (or state) awards as a recipient, a sub

recipient, and as a contractor depending on the substance of its agreements with the Federal (or state) awarding agencies and BCAP (pass-through entity).

Contractors (45 CFR Part 75 Section 75.2 Contractor).

A Contractor is an entity that receives a contract as defined by 45 CFR 75.2 which is a legal instrument by which BCAP purchases property or services needed to carry out a project or program under a Federal (or state) award and creates a procurement relationship between BCAP and the entity. The term “contract” when used in this capacity does not include a legal instrument, even if the non-Federal entity considers it a contract, when the substance of the transaction meets the definition of a Federal (or state) award or sub award.

Sub recipient and Contractor Determinations (45 CFR Part 75 Section 75.351 Sub recipient and Contractor Determinations)

BCAP shall make case-by-case determinations whether each agreement it makes for the disbursement of Federal (or state) program funds casts the party receiving the funds in the role of a sub recipient or a contractor. The Federal (or state) awarding agencies may supply and require recipients to comply with additional guidance to support these determinations provided that such guidance does not conflict with 45 CFR 75.351.

The following characteristics shall support BCAP in its determination and classification of a non-Federal entity as a Sub recipient:

- The non-Federal entity determines who is eligible to receive what Federal (or state) assistance.
- The non-Federal entity has its performance measured in relation to whether the objectives of a Federal (or state) program were met.
- The non-Federal entity has the responsibility for programmatic decision making.
- The non-Federal entity is responsible for adherence to applicable Federal (or state) program requirements specified in the Federal (or state) award.
- The non-Federal entity uses the Federal (or state) funds to carry out a program for a public purpose specified in the authorizing statute, as opposed to providing goods or services for the benefit of BCAP (pass-through entity).

The following characteristics shall support BCAP in its determination and classification of a non-Federal entity as a Contractor:

- The entity provides goods and services within normal business operations.
- The entity provides similar goods or services to various purchasers.
- The entity normally operates in a competitive environment.
- The entity provides goods or services that are supplementary to the operation of the Federal (or state) program.
- The entity is not subject to the compliance requirements of the Federal (or state) program as a result of the agreement, though similar requirements may apply for other reasons.

All of the characteristics listed above may not be present in all cases. Therefore, BCAP shall use its judgment in determining whether an agreement with an entity classifies that entity as a Sub recipient or a Contractor.

Requirements for Pass-Through Entities (45 CFR Part 75 Section 75.352 Requirements for Pass-Through Entities).

A Pass-Through Entity is a non-Federal entity that provides a sub award to a sub recipient to carry out part of a Federal (or state) program. When serving as a “Pass-Through Entity” BCAP shall:

- Ensure that every sub award is clearly identified to the sub recipient as a sub award and includes the following information Federal Award Identification:
  - The Sub recipient's name, which must match the name associated with its unique entity identifier (ex. TIN).
  - The Sub recipient's TIN or applicable unique entity identifier.
  - The Federal Award Identification Number (FAIN).
  - The Federal Award Date (the date the award was signed by the authorized official of the Federal awarding agency).
  - The Amount of the Federal Fund Obligated to the Sub recipient by BCAP.
  - The Amount of the Federal Award committed to the Sub recipient by BCAP.
  - The Federal award project description as required by Federal Funding Accountability and Transparency Act (FFATA).
  - The Name of Federal awarding agency, and the name and contact information of the assigned awarding official at BCAP.
  - The CFDA Number and Name, BCAP shall identify the dollar amount made available under each Federal award and the CFDA number at the time of disbursement.
  - BCAP shall identify if the award is Research & Development (R&D).
  - The Indirect Cost Rate for the Federal award (including if the de minimis rate is charged per the 45 CFR 75.414 Facilities & Administration (F&A) costs).
- Ensure that all requirements imposed by BCAP onto the sub recipient are in accordance with the applicable Federal (or state) statutes, regulations, terms and conditions of the Federal (or state) award.
- Ensure that any additional requirements that BCAP imposes onto the sub recipient enable BCAP to meet its own responsibility to the Federal awarding agency including required financial and performance reports.
- Ensure the appropriate approved federally recognized indirect cost rate negotiated between the sub recipient and the Federal Government, or if no such rate exists, either a rate negotiated between BCAP and the sub recipient, or a de minimis indirect cost rate as defined in 45 CFR 75.414 Facilities & Administration (F&A) costs is included.
- Ensure the sub recipient permits BCAP and its auditors to have access to the sub recipient's records and financial statements as BCAP deems necessary.
- Ensure the appropriate terms and conditions are met in compliance with the closeout of the sub award.

BCAP shall also evaluate the sub recipient's risk of noncompliance with the applicable Federal (or state) statutes, regulations, and the terms and conditions of the sub award in order to determine the appropriate sub recipient monitoring, which may include the consideration of the following:

- The sub recipient's prior experience with the same or similar sub awards.
- The sub recipient's previous audit results.
- Whether the sub recipient has new personnel or substantially changed systems.
- The extent and results of Federal awarding agency monitoring (e.g., if the sub recipient also receives Federal awards directly from a Federal awarding agency).

BCAP shall monitor the activities of the sub recipient as deemed necessary to ensure that the sub award is used for authorized purposes, in compliance with the appropriate Federal statutes, regulations, the terms and conditions of the sub award, and that the sub award performance goals are achieved. BCAP monitoring activities shall include the following:

- Review of financial and performance reports.
- Follow-up on deficiencies and action plans.
- Issuing a management decision for audit findings pertaining to the Federal award as required by 45 CFR 75.521 Management Decision.

BCAP shall employ the following monitoring tools to ensure the sub recipient is in compliance with the program requirements, the achievement of performance goals, and the fiscal integrity of the sub award:

- Provide training and technical assistance (T/TA).
- Perform on-site reviews.
- Arrange for the agreed-upon procedures engagements (45 CFR 75.425 Audit Services).

BCAP shall verify that every sub recipient is audited as required by Subpart F- Audit Requirements during the respective fiscal year equaled or exceeded in the thresholds audit requirements:

- Audit Required – \$750,000 or more expended during the fiscal year.
- Single Audit – \$750,000 or more expended during the fiscal year except when the entity elects to have a program-specific audit conducted.
- Program Specific Audit – an entity expends Federal awards under one (1) Federal program and the Federal award does not require a financial statement audit.
- Exempt – less than \$750,000 is expended during the fiscal year.

BCAP shall consider the results of the sub recipients' audits, on-site reviews, or other monitoring outcomes and adjust its records as deemed necessary. Should a sub recipient be identified as noncompliant, BCAP shall consider taking appropriate enforcement action against the sub recipient.

Additionally, BCAP shall also consider imposing specific sub award conditions upon a sub recipient if the following events occur:

- When a history of failure to comply with the general or specific terms and conditions of a Federal award exists.
- When the expected performance goals have not been met.
- When a lack of accountability exists.

The additional Federal award conditions may include the following:

- Require payments as reimbursements rather than advance payments.
- Withhold authority to proceed to the next phase until performance has improved.
- Require additional, more detailed financial reports.
- Require additional program monitoring.
- Require the entity to obtain technical or management assistance.
- Establish additional prior approvals.

Should BCAP impose additional conditions for sub awards, the Organization shall inform the sub recipient of the following:

- The nature of the additional requirements.
- The reason for the additional requirements.



- The action needed to remove the additional requirements, if applicable.
- The timeframe allowed to complete the required actions, if applicable.
- The method for requesting reconsideration of the additional requirements.

Once the conditions that have prompted the additional requirements have been corrected, BCAP shall remove the conditions promptly.

Procurement Procedures (45 CFR Part 75 Section 75.329 Methods of Procurement to be Followed)

Prior to the creation of a purchase order, the staff account must ensure all the following steps were followed. Further, prior to the payment of claims, the CFO will also verify the proper purchasing steps and policies were followed. The following are BCAP procurement procedures to be followed:

- BCAP shall avoid purchasing items that are not necessary for the performance of the activities required by a federal award. (2 CFR Part 215.44(1)).
- Where appropriate, the CFO shall make an analysis of lease and purchase alternatives to determine which would be the most economical and practical procurement for the federal and/or state government. (2 CFR Part 215.44(2)) This analysis should only be made when both lease and purchase alternatives are available to the program.
- Some form of cost or price analysis shall be made by the end user for every procurement action. 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. Cost/price analysis for routine supplies may be performed at the beginning of the year to identify a contractor(s) to be used for the entire year. Items should be priced in total, not by individual item. (2 CFR Part 215.45)
- Documentation of the cost and price analysis associated with each procurement decision shall be retained in the procurement files pertaining to each award. (2 CFR Part 215.46)
- For all procurements in excess of the federally-defined simplified acquisition threshold (\$250,000), procurement records and files shall be maintained that include all of the following:
  - The basis for contractor selection,
  - The justification for lack of competition when competitive bids or offers are not obtained.
  - The basis for award cost or price.
- BCAP shall make all procurement files available for inspection upon request by a federal and/or state awarding agency.
- All agreements with contractors shall require the contractor to certify in writing that it has not been suspended or debarred from doing business with any federal and/or state agency. Alternatively, the Organization may research potential contractors on the Excluded Parties List at the GSA website [www.epls.gov](http://www.epls.gov).
- BCAP shall not utilize the cost-plus-a-percentage-of-costs method of contracting. (2 CFR Part 215.44(3)(c))
- BCAP will accept, to the extent practical and economically feasible, goods and services dimensioned in the metric system of measurement.

All staff members with the authority to approve purchases will receive a copy of and shall become familiar with 45 CFR Part 75.

Authorizations and Purchasing Limits (Not Including Child Care Partner Payments)

All completed payment vouchers must be signed by the preparer and approved as designed in BCAP procurement chart. The following table displays the minimum required approval levels and the solicitation processes required: \*\*update this chart Micro-Purchase NTE \$10,000 /Small Purchase NTE \$10,000-\$250,000/ Sealed Bids, Competitive Proposal Over \$250,000\*\*

Purchasing Methods

Micro-Purchase	Small Purchase	Sealed Bids	Competitive Proposal	Non-Competitive Proposal
<ul style="list-style-type: none"> <li>Aggregate amount NTE \$3,500</li> <li>Expedites lowest-dollar purchases</li> <li>Minimizes administrative burden</li> <li>No quotes</li> <li>Distribute equitably</li> <li>Price is reasonable</li> <li>NTE \$2,000 if construction (Davis-Bacon applies)</li> </ul>	<ul style="list-style-type: none"> <li>\$3,500 to \$150,000</li> <li>Below Simplified Acquisition Threshold</li> <li>Informal price or rate quotations</li> <li>Adequate number of sources</li> <li>Matter of judgment</li> </ul>	<ul style="list-style-type: none"> <li>Over \$150,000</li> <li>Formal advertising</li> <li>Publicly solicited bids</li> <li>Firm fixed price contract (lump sum or unit price)</li> <li>Preferred method for construction</li> <li>Lowest price</li> </ul>	<ul style="list-style-type: none"> <li>Over \$150,000</li> <li>Publicized RFP identifying evaluation factors</li> <li>Adequate number of qualified sources</li> <li>Written procedures for proposal evaluation and selection</li> <li>Price and other factors considered</li> </ul>	<ul style="list-style-type: none"> <li>Single source (only available)</li> <li>Public emergency</li> <li>Competitive sources determined inadequate</li> </ul>



ADMINISTRATION FOR CHILDREN & FAMILIES



NATIONAL CENTER ON Program Management and Fiscal Operations

pmfo@ecetta.info • <https://eclkc.ohs.acf.hhs.gov/hslc/tta-system/operations> • Tel: 888.874.5469

Note: The Head Start Reauthorization Act of 2007 requires that the governing board approve policies for approval of all major financial expenditure. Approval of significant expenditures should be determined by checking with each specific grant's rules and requirements of the grants that the agency holds when purchasing.

In addition to the above chart, the following additional procedures for "small purchases will be applied:

Amount of Purchase	Required Approvals	Required Solicitation	Required Documentation
\$1 - \$500	Classroom Staff/All Purchasers with approval of Directors/Department Managers or	(oral)	<ul style="list-style-type: none"> <li>Invoice/Receipt</li> </ul>

**FISCAL POLICIES & PROCEDURES – BURLINGTON COMMUNITY ACTION PARTNERSHIP, INC.**

	Coordinators, Fiscal		
\$501 - < \$4,999	Immediate Supervisor, and CFO	(oral, catalogue, and/or Internet)	<ul style="list-style-type: none"> <li>• Invoice/Receipt</li> </ul>
\$5,000 ≤ \$25,000	Initiator, Supervisor, CFO and CEO	2 written quotes minimum** (catalogue, Internet, and/or written)	<ul style="list-style-type: none"> <li>• Documentation of quotes received and how decision was made if lowest price not used.</li> <li>• Copy Bids</li> </ul>
\$25,001 ≤ \$100,000	Board of Trustees, CEO	2 written quotes minimum** (catalogue, Internet, and/or written)	<ul style="list-style-type: none"> <li>• Documentation of quotes received and how decision was made if lowest price not used.</li> <li>• Bids</li> </ul>
> \$100,000	CEO Board of Trustees	2 written quotes minimum** (Request for Bids or Request for Proposals required)	<ul style="list-style-type: none"> <li>• Copy of RFB or RFP</li> <li>• Proposal scoring grids or analysis including who participated in scoring</li> <li>• Proposal and contract of winning bidder</li> </ul>

\*Price comparisons can be done annually by contractors for quantity of similar products such as office & classroom supplies.

\*\*The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards states "bids must be solicited from an adequate number of known suppliers."

\*\*\*Purchasing procedures are not limited to the descriptions above, the CFO will evaluate purchases and may apply additional procedures as deemed appropriate.

The Chief Executive Officer is authorized to enter into any contract on behalf of BCAP.

These policies shall also apply to renewals of existing contracts.

Required Solicitation of Quotations from Contractors (45 CFR Part 75 Section 75.326-75.335 Procurement Standards)

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

- A clear and accurate description of the technical requirements for the material, product, or service to be procured. Descriptions shall not contain features, which unduly restrict competition. (2 CFR Part 215.44(a)(3)(i))
- Requirements, which the bidder/offeror must fulfill, and all other factors to be used in evaluating bids or proposals. (See the next section entitled "Evaluation of Alternative Contractors" for required criteria.) (2 CFR Part 215.44(a)(3)(ii)).
- Technical requirements in terms of functions to be performed or performance required, including the range of acceptable characteristics or minimum acceptable standards. (2 CFR Part 230.44(a)(3)(iii)).
- The specific features of "brand name or equal" descriptions that bidders are required to meet when appropriate. (2 CFR Part 215.44(a)(3)(iv)).

- The acceptance, to the extent practical and economically feasible, of products and services dimensioned in the metric system of measurement. (2 CFR Part 215.44(a)(3)(v)).
- Preference, to the extent practical, for products and services that conserve natural resources, protect the environment, and are energy efficient. (2 CFR Part 215344(a)(3)(vi)).
- Preference for recycled products pursuant to EPA guidelines. (2 CFR Part 215.16).
- 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.
- The date by which proposals are due.
- Required delivery or performance dates/schedules.
- Clear indications of the quantity(ies) requested and unit(s) of measure.

Per the DHHS Grants Policy Statement, RFPs funded all or in part by federal grants must include the source of the funds and the percentage of federal funds to be used in the purchase (GPS II-24). BCAP shall record this information on their inventory lists.

#### Extension of Due Dates and Receipt of Late Proposals

Solicitations shall provide for sufficient time to permit the preparation and submission of offers before the specified due date. However, an extension may be granted, at the discretion of the Chief Executive Officer, if a prospective bidder 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.

#### Procurement Grievance Procedures

Any bidder may file a grievance with BCAP following a competitive bidding process. Once a selection is made, bidders must be notified in writing of the results. The written communication to failed bidders must also inform them that they may have a right to appeal the decision. Information on the organization's appeal procedures must be made available to all prospective contractors and sub recipients upon request, including the name and address of a contact person.

#### Evaluation of Contractors

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

- Adequacy of the proposed methodology
- Skill and experience of key personnel
- Demonstrated experience
- Technical specifications designated by the department requesting proposals
- Compliance with administrative requirements of the request for proposal (format, due date, etc.)
- Contractor's financial stability
- Contractor's demonstrated commitment to the nonprofit sector
- Results of communications with references supplied by contractor
- Ability/commitment to meeting time deadlines
- Cost
- Minority- or women-owned business status of the contractor
- Other criteria (to be specified by the department requesting proposal)

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

Affirmative Consideration of Minority, Small Business, and Women-Owned Businesses (45 CFR Part 75 Section 75.330 Contracting with Small and Minority Businesses, Women's Business Enterprises, and Labor Surplus Area Firms)

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

- Ensure that small business, minority-owned firms, and women's business enterprises are used to the fullest extent practicable.
- Make information on forthcoming opportunities available and arrange time frames for purchases and contracts to encourage and facilitate participation by small business, minority-owned firms, and women's business enterprises.
- Consider in the contract process whether firms competing for larger contracts tend to subcontract with small businesses, minority-owned firms, and women's business enterprises.
- Encourage contracting with consortiums of small businesses, minority-owned firms, and women's business enterprises when a contract is too large for one of these firms to handle individually.
- Use the services and assistance, as appropriate, of such organizations as the Small Business Administration and the Department of Commerce's Minority Business Development Agency in the minority-owned firms and women's business enterprises.

Provisions Included in All Contracts (45 CFR Part 75 Section 75.335 Contract Provisions)

BCAP shall include the following provisions, as applicable, in all contracts charged to federal awards:

- Equal Employment Opportunity: All contracts shall contain a provision requiring compliance with E.O. 11246, "Equal Employment Opportunity," as amended by E.O. 11375, "Amending Executive Order 11246 Relating to Equal Employment Opportunity," and as supplemented by regulations at 41 CFR Part 60, "Office of Federal Contract Compliance Programs, Equal Employment Opportunity, Department of Labor."
- Copeland "Anti-Kickback" Act (18 U.S.C. 874 and 40 U.S.C. 276c): All contracts and sub grants in excess of \$2,000 for construction or repair awarded by BCAP and its sub-recipients shall contain a provision for compliance with the Copeland "Anti-Kickback" Act (18 U.S.C. 874), as supplemented by Department of Labor regulations 29 CFR part 3, "Contractors and Subcontractors on Public Building or Public Work Financed in Whole or in Part by Loans or Grants from the United States." This Act provides that each contractor or sub recipient shall be prohibited from inducing, by any means, any person employed in the construction, completion, or repair of public work, to give up any part of the compensation to which he or she is otherwise entitled. BCAP will report all suspected or reported violations to the federal awarding agency.
- Davis-Bacon Act, as amended (40 U.S.C. 276a to a-7): If included in the federal agency's grant program legislation, all construction contracts of more than \$2,000 awarded by BCAP and its sub-recipients shall include a provision for compliance with the Davis-Bacon Act (40 U.S.C. 276a to a-7) and as supplemented by Department of Labor regulations (29 CFR part 5, "Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction"). Under this Act, contractors are required to pay wages to laborers and mechanics at a rate not less than the minimum wages specified in a wage determination made by the

Secretary of Labor. In addition, contractors shall be required to pay wages not less than once a week. BCAP will place a copy of the current prevailing wage determination issued by the Department of Labor in each solicitation and the award of a contract shall be conditioned upon the acceptance of the wage determination. BCAP shall also obtain reports from contractors on a weekly basis in order to monitor compliance with the Davis-Bacon Act. BCAP shall report all suspected or reported violations to the federal awarding agency.

- Contract Work Hours and Safety Standards Act (40 U.S.C. 327-333): [Where applicable] All contracts awarded by BCAP in excess of \$2,000 for construction contracts and in excess of \$2,500 for other contracts that involve the employment of mechanics or laborers shall include a provision for compliance with Sections 102 and 107 of the Contract Works Hours and Safety Standards Act (40 U.S.C. 327-333), as supplemented by Department of Labor regulations (29 CFR part 5). Under Section 102 of the Act, each contractor is required to compute wages of every mechanic and laborer on the basis of a standard workweek of 40 hours. Work in excess of the standard workweek 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 workweek. Section 107 of the Act is applicable to construction work and provides that no laborer or mechanic shall be required to work in surroundings or under working conditions that are unsanitary, hazardous, or dangerous. These requirements do not apply to the purchases of supplies or materials or articles ordinarily available on the open market, or contracts for transportation or transmission of intelligence.
- Rights to Inventions Made Under a Contract Agreement: Contracts or agreements for the performance of experimental, developmental, or research work shall provide for the rights of the Federal Government and the grantee in any resulting invention in accordance with 37 CFR part 401, "Rights to Inventions Made by Nonprofit Organizations and Small Business Firms Under Government Grant, Contracts and Cooperative Agreements," and any implementing regulations issued by the awarding agency.
- Clean Air Act (42 U.S.C. 7401 et seq.) and the Federal Water Pollution Control Act (33 U.S.C. 1251 et seq.), as amended: Contracts and subgrants of amounts in excess of \$100,000 shall contain a provision that requires the recipient to agree to comply with all applicable standards, orders, or regulations issued pursuant to the Clean Air Act (42 U.S.C. 7401 et seq.) and the Federal Water Pollution Control Act, as amended (33 U.S.C. 1251 et seq.). Violations shall be reported to the federal awarding agency and the Regional Office of the Environmental Protection Agency (EPA).
- Byrd Anti-Lobbying Amendment (31 U.S.C. 1352): For all contracts or sub grants of \$100,000 or more, BCAP shall obtain from the contractor or sub grantee 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, BCAP shall provide such certifications in all situations in which it acts as a sub recipient of a sub grant of \$100,000 or more.
- Debarment and Suspension (E.O.s 12549 and 12689): No contract shall be made to the parties listed on the General Services List of Parties Excluded from Federal Procurement or Non-procurement Programs in accordance with E.O.'s 12549 and 12689, "Debarment and Suspension." This list contains the names of parties debarred, suspended, or otherwise excluded by agencies, and contractors declared ineligible under statutory or regulatory authority other than E.O. 12549. Contractors with awards that exceed the federally-defined simplified acquisition threshold (\$100,000) shall provide the required certification regarding their exclusion status and that of their principal employees.

- Remedies: All contracts in excess of the small purchase threshold of \$100,000 [41 U.S.C. 403(11)] shall contain contractual provisions or conditions that allow for administrative, contractual, or legal remedies in instances in which a contractor violates or breaches the contract terms.
- Termination: All contracts in excess of the small purchase threshold of \$100,000 [41 U.S.C. 403(11)] shall contain suitable provisions for termination by BCAP, including the manner by which termination shall be effected and the basis for settlement. In addition, such contracts shall describe the conditions under which the contract may be terminated for default as well as conditions where the contract may be terminated due to circumstances beyond the control of the contractor.

Note: A list of excluded parties can be found at [www.epls.gov](http://www.epls.gov).

Solicitations for goods and services (requests for proposals) shall provide for all of the following:

- A clear and accurate description of the technical requirements for the material, product or service to be procured. In competitive procurement, such a description shall not contain features, which unduly restrict competition.
- Requirements which the bidder/offeror must fulfill and all other factors to be used in evaluating bids or proposals. A description, whenever practicable, of technical requirements in terms of functions to be performed or performance required, including the range of acceptable characteristic or minimum acceptable standards.
- The specific features of “brand name or equal” descriptions that bidders are required to meet when such items are included in the solicitations.
- The acceptance, to the extent practicable and economically feasible, of products and services dimensioned in the metric system of measurement.
- Preference, to the extent practicable and economically feasible, for products and services that conserve natural resources and protect the environment and are energy efficient.
- A description of the proper format, if any, in which proposals must be submitted, including the name of the grantee, person to whom proposals should be sent.
- The date by which proposals are due.
- Required delivery or performance dates/schedules.
- Clear indications of the quantity(ies) requested and the unit(s) of measure.

Note: If a program has more restrictive requirements for funding source approval, BCAP shall abide by that program’s guidelines as published.

#### Special Purchasing Conditions

##### Emergencies:

Where equipment, materials, parts, and/or services are needed, quotations will not be necessary if the health, welfare, safety, etc., of staff and protection of Organization property is involved.

##### Single Distributor/Source:

Sole source purchases shall be made only when the solicitation of multiple contractors is not feasible and one of the following conditions applies:

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

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

Note: Sole sourced procurements are those made without competition but do not relieve the organization from the requirement for price comparisons. Price comparisons without competition can be achieved by comparing the current price to amounts previously paid for similar goods or services, or asking peer organizations what they have paid in similar situations. Purchase documentation must show that good value was received for the money spent.

#### Cost Price Analysis

BCAP shall review and evaluate each element of cost to determine its reasonableness, allocability, and allowability. The price analysis shall be accomplished with a cost comparison of price quotations or through market price data and similar indicators.

#### Contractor Files and Required Documentation

The Fiscal Department shall create a contractor folder for each new entity from whom BCAP purchases goods or services.

The Fiscal Department shall mail 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 it in the postage-paid envelope provided. Completed and signed Forms W-9 or substitute documentation shall be filed in each vendor's 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.



## **SECTION 21. INVENTORY**

INVENTORY (45 CFR Part 75 Section 75.316-75.323 Property Standards):

BCAP inventory policies and procedures are designed to emphasize the physical inventory of property and equipment, and the reconciliation of the property and equipment records. The Organization shall take a physical inventory of all property and equipment, and the results shall be reconciled with the property and equipment records at **least every two (2) years**. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the cause(s) of the difference. The recipient shall, in connection with the inventory, verify the existence, current utilization, and continued need for the property and/or the equipment.

Physical Counts (45 CFR Part 75 Section 75.320-75.323 Property Standards)

A physical count of inventory shall be performed at a minimum of every two (2) years. Any inventory items that appear damaged, obsolete, or otherwise unable to be sold shall be excluded from the counts. A detailed record of the physical count shall be kept by the individuals involved in taking the inventory.

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 BCAP 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.

Capitalization Policy

Physical assets acquired with unit costs in excess of \$5,000 shall be capitalized as property and equipment on the Organization's financial statements. Items with unit costs below this threshold shall be expensed in the year purchased.

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

Capitalized property and equipment additions shall be 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 shall be reported as expensed for grants if they were so budgeted in the grant application. However, for the Organization's financial statements, these assets shall 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 BCAP shall be capitalized as fixed assets on the financial statements. Contributed items with a market value of less than this threshold shall be expensed in the year contributed.

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

Equipment and Furniture Purchased with Federal Funds (45 CFR Part 75 Section 75.400 Cost Principles)

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

For purposes of federal award accounting and administration, equipment shall include all assets with a unit cost equal to the lesser of \$5,000 or the capitalization threshold utilized by BCAP 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:

- Adequate insurance coverage shall be maintained with respect to equipment and furniture charged to federal awards.
- 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, BCAP shall retain the equipment without any requirement for notifying the federal agency.
- If the remaining per unit fair market value is \$5,000 or more, BCAP shall gain a written understanding with the federal agency regarding disposition of the equipment. This understanding may involve returning the equipment to the federal agency, keeping the equipment and compensating the federal agency, or selling the equipment and remitting the proceeds, less allowable selling costs, to the federal agency.
- The CEO or Program 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.
- A physical inventory of all equipment purchased with federal funds shall be performed at least once every two (2) years. The results of the physical inventory shall be reconciled to the accounting records of and federal and state reports filed by BCAP.
- Any equipment that is owned by the Federal government and given to BCAP for use in a program shall be marked as such, and information from which one can calculate the percentage of Federal participation in the cost of the equipment shall be maintained in the fixed assets records.

Establishment and Maintenance of a Fixed Asset Listing

All capitalized property and equipment shall be recorded in the BCAP property log. This log shall include the following information with respect to each asset:

- Date of acquisition
- Cost
- Description (including color, model, and serial number or other identification number)
- Source of the equipment, including the federal award number, if applicable
- Whether the title vests in the Organization or the federal government
- Information to calculate the federal share of the cost of the equipment, if applicable

- Depreciation method
- Estimated useful life
- Location of the asset

A physical inventory of all assets capitalized under the preceding policies shall be taken on an annual basis by BCAP. This physical inventory shall be reconciled to the property log and adjustments shall be made as necessary. All adjustments resulting from this reconciliation shall be approved by the CFO and Chief Executive Officer.

Receipt of Newly Purchased Equipment and Furniture

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

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

Depreciation and Useful Lives (45 CFR Part 75 Section 75.436 Depreciation)

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

In the year of acquisition, depreciation shall be 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 fifteenth 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 CFO 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 Up to 10 years
- General office equipment 5 years
- Computer hardware and peripherals 3–5 years
- Computer software 2–3 years
- Leased assets Life of lease
- Leasehold improvements Remaining lease term
- Vehicles 10 years
- Buildings and improvements 15 – 30 years

Alternatively, at the direction of the CFO capitalized assets may be depreciated over useful lives expressed in terms of units of production or hours of service in place of the preceding useful lives expressed in terms of time.

For accounting and interim financial reporting purposes, depreciation expense shall be recorded on a monthly basis.

Changes in Estimated Useful Lives

If it becomes apparent that the useful life of a particular capitalized asset shall 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 shall be approved by the CFO.

When a change in estimated useful life is made, the new life shall be 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 4/5 of the asset's basis (accumulated depreciation at the end of year four) and 3/7 of the asset's basis (accumulated depreciation at the beginning of the year).

Repairs of Property and Equipment (45 CFR Part 75 Section 75.452 Maintenance and Repair Costs)

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.

Dispositions of Property and Equipment

If equipment is sold, scrapped, donated, or stolen, adjustments shall be made to the fixed asset listing and the BCAP property log. If money is received for the asset, then the difference between the money received and the "book value" (purchase price less depreciation) of the asset shall 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).

Disposal of Head Start equipment with a book value of over \$5,000, must be approved by the Office of Head Start (OHS). The OHS shall also make the determination if BCAP may consider the funds received as income or if the proceeds from the disposition must be reimbursed to the OHS.

Write-Offs of Property and Equipment

The Chief Executive Officer shall approve the disposal of all capitalized fixed assets that may be worn-out or obsolete. Property that is discovered to be missing or stolen shall be reported immediately to the CFO and the Chief Executive Officer. If not located, this property shall be written off the books with the proper notation specifying the reason.

## **SECTION 22. PREPAID EXPENSES**

Prepaid expenses are payments made by BCAP to vendors or other contractors to cover certain periodic expenses before those expenses are incurred. Typical prepaid expenses consists of rents and insurance premiums paid to a lessor/insurer at the beginning of a period.

### **Accounting Treatment**

BCAP shall treat 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 shall be expensed as paid and not treated as prepaid expenses, regardless of the existence of a future benefit. Prepaid expenses with future benefits that expire within one year from the date of the financial statements shall be classified as current assets. Prepaid expenses that benefit future periods beyond one year from the financial statement date shall be classified as noncurrent assets.

### **Procedures**

As part of the account coding process performed during the processing of accounts payable, all incoming contractor 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 Fiscal 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 monthly closeout process.

## SECTION 23. LEASES

LEASES (45 CFR Part 75 Section 75.402 *Composition of Costs*; 45 CFR Part 75 Section 75.403 *Factors Affecting Allowability of Costs*):

BCAP leases refers to space the Organization leases from a third-party. BCAP shall not lease its own assets or space to one of its own programs. The Organization shall only charge its programs the actual costs of owning that asset or space (i.e. repairs and maintenance, insurance, etc.).

Note: The Depreciation Use Allowance does not apply to this scenario because the Organization cannot lease space to itself for its programs. The Depreciation Use Allowance is allowable for property the Organization owns.

### Classification of Leases

BCAP shall classify all leases in which the Organization is a lessee as either capital or operating leases. BCAP shall utilize the criteria described in Statement of Financial Accounting Standards No.13 (FAS 13/ FASB: Summary of Statement 13) 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:

- The lease transfers ownership to BCAP at the end of the lease term.
- The lease contains a bargain purchase option.
- The lease term is equal to 75% or more of the estimated economic life of the leased property.
- 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 BCAP incremental borrowing rate or, if known, the lessor's implicit rate).

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

BCAP shall assess the value of leases according to the requirements of 45 CFR Part 75 Section 75.404 *Reasonable Costs* as follows:

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

Rental arrangements shall be reviewed every three to five (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 BCAP 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, BCAP 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.

BCAP 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.

Scheduled Increases in Rent Payments

Leases with fixed (determinable amounts stated in the lease) increases in monthly rental payments shall be accounted for in a manner that results in an equal monthly rent expense being reported in each month over the entire initial lease term. Accordingly, monthly rent expense in the first year of such leases shall be greater than the monthly cash payment, with the difference being recorded as a liability. This liability shall be reduced in the later years of the lease when the monthly cash rent payment is less than the monthly rent expense. To the extent future rent increases are not determinable at the beginning of the lease (because they are based on inflation or other factors), the preceding policy shall not apply and monthly rent expense shall be equal to the monthly cash payment, except as noted below.

Rent Abatements and Lease Incentives

Abatements of monthly rent payments, cash incentives, and other lease incentives shall be accounted for in a manner that results in an equal amount of monthly rent expense over the term of the lease agreement (before considering the effects of inflation-based rent increases, which will increase rent expense over the term of a lease). As a result, incentives received up front or over the early months of a lease, shall be established as a liability in BCAP accounting records (as deferred lease incentives or some similar name). This liability shall be amortized as an offset (credit) to rent expense over the term of the lease agreement.

Changes in Lease Terms

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

## SECTION 24. FINANCIAL STATEMENTS

FINANCIAL STATEMENTS (45 CFR Part 75 Section 75.343 *Monitoring and Reporting Program Performance*; (45 CFR Part 75 Section 75.341 *Financial Reporting*):

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:

- **Statement of Financial Position** – Reflects assets, liabilities, and net assets of the Organization and classifies assets and liabilities as current or noncurrent/long-term and net assets by category (unrestricted, temporarily restricted, and/or permanently restricted).
- **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.
- **Statement of Cash Flows** – Reports the cash inflows and outflows of the Organization in three categories: operating activities, investing activities, and financing activities.
- **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).
- **Credit Card Expenditure Statement** – A detail listing of all credit card transactions for the reporting period.

### Frequency of Preparation

The objective of BCAP Fiscal Department shall be to prepare accurate financial statements in accordance with GAAP and distribute them in a timely and cost-effective manner. In meeting this responsibility, the following policies shall apply:

A standard set of accrual financial statements described in the preceding section shall be produced on a monthly basis by the date of the first board meeting following the end of the applicable month. The standard set of financial statements described in the preceding section shall be supplemented by the following schedules:

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

### Review and Distribution

All financial statements and supporting schedules shall be reviewed by the CFO and approved by the Chief Executive Officer prior to being issued by the Fiscal Department.

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

- Chief Executive Officer



- Program Director(s), Department Managers, and any other employees with budget-monitoring responsibilities
- Finance/Audit Committee
- Executive Committee
- Policy Council

Financial statements may include an additional supplemental schedule prepared or compiled by the CFO. The purpose of this schedule shall be to provide known explanations for material budget variances in accordance with BCAP budget monitoring policies described later in this manual (under the *Financial Management Policies* section).

#### **Budget Variance Analysis and Projections**

On a quarterly basis, financial statements distributed to Program Director(s) and Department Manager(s) with budgetary responsibilities shall be accompanied by a request for variance analysis and projections. Each Program Director and Department Manager shall prepare a report explaining the reasons for year-to-date variances from budget in excess of the greater of \$1,000 or five percent (5%) for each line item. In addition to explaining the reasons for such variances, Program Directors(s) and Department Manager(s) shall also provide a projection of the annual variance from budget or the steps that will be taken to avoid budget variances by year-end.

Budget variance reports prepared by Program Director(s) and Department Manager(s) shall be submitted to the CFO no later than 30 days after the end of each quarter and shall be reviewed by the Chief Executive Officer.

Department Director(s) and Program Directors(s) shall inform the CFO as soon as they become aware of variances in future periods that will exceed the amount of 5%. The Program Director(s) and Department Manager(s) and/or the CFO will, in consultation with the Chief Executive Officer, determine if awarding agency approval is required for any budget changes.

#### **Monthly Distribution**

On a monthly basis, the Finance/Audit Committee shall be provided with summary program and/or grant financial information. (The Head Start Policy Council shall be provided with the HS/EHS Financial Reports monthly.)

#### **Trend Analysis**

On an annual basis, in connection with the preparation of the preceding financial statements, the CFO shall prepare a five-year revenue and expense report in order to facilitate the analysis of financial trends experienced by the Organization. This report shall also include a five-year comparison of certain key operating ratios, based on the Organization's annual financial statements. This report shall be submitted to the Chief Executive Officer, the Finance/Audit Committee and the Executive Committee no later than 90 days after fiscal year-end.

Additionally, BCAP shall provide the following documents to the Board of Trustees and the Policy Council:

- Monthly financial statements, including credit card expenditures.
- Monthly program information summaries.
- Program enrollment reports, including attendance reports for children whose care is partially subsidized by another public agency.
- Monthly reports of meals and snacks provided through programs of the Department of Agriculture.

- The financial audit.
- The annual self-assessment, including any findings related to such assessment.
- The communitywide strategic planning and needs assessment of the Head Start agency, including any applicable updates.
- Communication and guidance from the Health and Human Services, Administration for Children and Families, Office of Head Start Secretary.
- Communications from the New Jersey Department of Human Services.
- OHS HS/EHS program information reports.

## **SECTION 25. PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS**

PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (45 CFR Part 75 Section 75.342 *Monitoring and Reporting Program Performance*; (45 CFR Part 75 Section 75.341 *Financial Reporting*):

BCAP shall maintain accounting records and prepare financial statements on a stand-alone basis, to facilitate financial management and preparation of reports and tax filings that must be prepared solely for the Organization. The Organization shall also prepare consolidated financial statements in order to fully comply with GAAP. When consolidated financial statements are prepared, a single set of financial statements shall be prepared that combines the assets, liabilities, net assets, revenues, expenses, gains and losses, and financial statement disclosures of multiple entities, with intercompany transactions eliminated.

The types of entities that BCAP is affiliated with that may result in the requirement to be consolidated with Organization's financial statements are:

- Other nonprofit organizations.
- Corporations in which BCAP has an ownership interest.
- Partnerships and LLCs.

BCAP shall prepare consolidated financial statements that include the accounts of other nonprofit organizations if the following conditions are met:

- BCAP has an economic interest, as defined in the AICPA's Statement of Position 94-3, in the other nonprofit organization.
- BCAP has control over the appointment of a majority of a fully constituted board of the other nonprofit organization (i.e., BCAP can appoint, approve, or reject the appointment of voting board members).

BCAP shall also prepare consolidated financial statements that include the accounts of another nonprofit organization if BCAP is the sole corporate member of the other nonprofit organization.

With respect to corporations that issue ownership interests, BCAP shall prepare consolidated financial statements that include the accounts of such corporations only if BCAP has a controlling financial interest in such corporation, as evidenced by ownership of a majority of the voting shares of stock in the corporation, and only control does not lie with another party as a result of bankruptcy or reorganization.

With respect to partnerships and LLCs, BCAP shall prepare consolidated financial statements that include the accounts of such entities if it holds a controlling financial interest in any of these entities, as usually evidenced by ownership interests.

In the case of limited partnerships in which BCAP is the sole general partner, the Organization shall prepare consolidated financial statements that include the accounts of such limited partnership, regardless of its percentage interest in the profits or losses of the partnership, if BCAP is deemed to have control over the limited partnership. BCAP, if it is the sole general partner, shall be considered to have control over the limited partnership, regardless of its percentage interest in the profits or losses of the limited partnership, unless the limited partners have one of the following rights, as determined by reviewing the partnership agreement:

- The substantive ability to dissolve the limited partnership or remove BCAP as the general partner without cause.
- Substantive participating rights, such as selecting, terminating, and setting compensation of management of the partnership or establishing operating and capital decisions of the partnership.

## **SECTION 26. GOVERNMENT RETURNS**

To legitimately conduct business, BCAP shall 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 BCAP include, but are not limited to, filing annual information returns with IRS, 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 amongst other such filings.

### **Filing of Returns**

The CFO shall be responsible for identifying all filing requirements and ensuring that BCAP is in compliance with all such requirements. The Organization shall file complete and accurate returns with all authorities and shall make all efforts to avoid filing misleading, inaccurate, or incomplete returns.

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

- **Form 990** – Annual information return of tax-exempt organizations, filed with IRS. Form 990 for BCAP is due on the fifteenth day (15<sup>th</sup>) of the fifth (5<sup>th</sup>) month following year-end. An automatic 3-month extension of time to file Form 990 may be obtained by filing Form 8868. Upon expiration of the first 3-month extension, a second 3-month extension may be requested using Form 8868.
- **Form 990-T** – Annual tax return to report BCAP unrelated trade or business activities (if any), filed with IRS. Form 990-T is due on the fifteenth (15<sup>th</sup>) day of the fifth (5<sup>th</sup>) month following year-end. An automatic 6-month extension of time to file Form 990-T may be obtained by filing Form 8868.
- **Form 5500** – Annual return for BCAP employee benefit plans. Form 5500 is due on the last day of the seventh month after the end of the plan year, but a 2½-month extension of time to file may be requested using Form 5558.
- **W-2s and 1099s** – 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<sup>st</sup> and to the federal government by February 28<sup>th</sup>. Generally, Form 1099 is required only if the organization has provided more than \$600 in compensation to an independent contractor during the calendar year.
- **Form 940** – Annual federal unemployment tax return filed with IRS, for all employers other than charitable organizations exempt from FUTA (but not necessarily state unemployment tax) under IRC section 501(c)(3), due January 31<sup>st</sup>.
- **Form 941** – Quarterly payroll tax return filed with IRS to report wages paid to employees and federal payroll taxes. Form 941 is due by the end of the month following the end of each quarter, or 10 days later if all payroll tax deposits have been made in a timely manner during the quarter.

BCAP fiscal year-end is September 31<sup>st</sup> and, if relevant due to Unrelated Business Tax Income (UBIT) tax year-end is December 31<sup>st</sup>. All annual tax and information returns of BCAP shall be filed on the accrual basis of reporting.

Federal and all applicable state payroll tax returns shall be prepared by the Organization's Payroll Administrator.

BCAP shall comply with all state payroll tax requirements by withholding and remitting payroll taxes to the state of residency of each BCAP employee.

### **Review of Form 990 by Board of Trustees**

A draft of BCAP annual Form 990 information return shall be reviewed and approved by the Board of Trustees prior to being filed with the Internal Revenue Service. This review and approval shall be documented with the signature of the Board of Trustees' President.

BCAP shall consider all tax laws, regulations and guidelines including the following:

### **State and Local Property, Sales, Use & Income Taxes**

BCAP shall monitor state and local tax laws in locations where the Organization conducts business to ensure that it is complying with all applicable tax laws. Organizations that qualify as tax-exempt charitable entities under Section 501(c)(3) of the Internal Revenue Code for income tax purposes may need to apply separately for exemptions from state and local property and/or sales tax in the various locations where they conduct business. As state and local tax rules vary widely from state to state.

### **State Charity Registrations**

Various states may require BCAP to register with them for two primary reasons: 1) if the Organization has an office, programs or owns real estate in that state and/or 2) if BCAP raises funds in the state.

BCAP could be required to register and file annual reports with other states if it conducts charitable solicitations within those states. States regulate fundraising through charitable solicitation laws. State reporting can involve two components – registration and an annual financial report. The registration may be a single initial filing or an annual filing which provides information about an organization's finances and budgets. The annual financial report generally covers operating results with an emphasis on fundraising.

Should BCAP conduct internet fundraising activities, those internet fundraising efforts could be considered charitable solicitations in various other states. BCAP shall examine the reach of its internet fundraising efforts and register to solicit funds in all applicable states. Some factors BCAP shall consider in determining whether internet fundraising efforts require registration in specific states are whether the campaigns specifically target individuals in a certain state and whether BCAP repeatedly receives contributions from a state on an ongoing or substantial basis.

### **Transactions with Interested Persons**

Exempt Organizations must disclose transactions with interested persons as part of the annual reporting requirements of Form 990, Part VI and Schedule L. The term *interested persons* intentionally has multiple definitions to reflect the different purposes and contexts for each Form, Part and Schedule. For example, Part I of Schedule L asks for the reporting of excess benefit transactions as defined by Code 4958 and its regulations. Accordingly, the *interested persons* who must be reported in Part I are disqualified persons as defined in IRC section 4958 and the regulations summarized in the Form 990 Glossary. In contrast, Part III of Schedule L asks for the reporting of grants or assistance benefiting a larger range of interested persons, including the Organization's current and former officers, directors, trustees, and key employees, family members thereof; grant selection committee members; substantial contributors and their employees; and 35% controlled entities of substantial contributors, grant selection committee members and current or former officers, directors, trustees and key employees. Parts II and IV have additional definitions of *interested persons* to whom those parts apply.

### **Identification of Interested Persons**

In connection with complying with requirements of the Internal Revenue Code and the Form 990 information return, BCAP shall identify all individuals and entities qualifying as *interested persons* as defined by the IRS:

- All current officers, directors, trustees, and key employees (individuals required to be listed on the Form 990).
- All former officers, directors, trustees, and key employees.
- Substantial contributors (a person required to be listed on Schedule B of the Form 990)
- Family members of any individual listed in 1, 2, or 3, defined as spouses, ancestors, brothers, sisters, children, grandchildren, great-grandchildren, and spouses of brothers, sisters, children, grandchildren, and great-grandchildren.
- A 35% controlled entity of any of the persons listed in 1, 2, or 3.

#### **Record of Transactions with Interested Persons**

The Organization shall maintain a record of all transactions and balances with interested persons for each fiscal year for the purposes of disclosure on the Form 990. This record shall be reviewed and approved by the CFO and provided to the Form 990 preparer.

#### **Unrelated Business Activities**

Tax-exempt organizations generally operate for charitable or other beneficial purposes. Most income that is received is exempt from tax under the IRC. Tax-exempt organizations are permitted to engage in income-producing activities that are considered to be unrelated to their exempt purposes. However, income from these activities may be taxable. BCAP shall identify, classify, allocate and report all unrelated business activities as required by the IRC.

#### **Identification and Classification**

BCAP shall properly identify and classify all 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 BCAP exempt purpose, the Organization's general ledger shall also provide accounts for expenses associated with each such unrelated business expense 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**

BCAP shall 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, BCAP shall not distribute copies of Form 990-T to anyone other than management of the Organization which includes the Board of Trustees.

BCAP shall also report taxable income from unrelated trade or business activities that are subject to state or local income or franchise taxes.

#### **Joint Ventures**

BCAP shall evaluate and negotiate the potential participation in joint ventures under Federal tax law to ensure that any proposed venture safeguards the Organization's tax-exempt status. For the purposes of this policy, a joint venture is defined as any joint ownership or contractual arrangement through which

there is an agreement to jointly undertake a specific business enterprise, investment or exempt purpose activity.

In order to adequately safeguard its tax-exempt status, BCAP shall negotiate transactions and arrangements so that it has sufficient control over the venture to ensure that the activity furthers the exempt purpose of the Organization and that all agreements are on terms that are arm's length or more favorable to the Organization. BCAP shall also require that the venture give priority to exempt purposes over maximizing profits and that the venture not engage in activities that would jeopardize BCAP exempt status.



## **SECTION 27. ANNUAL AUDIT**

ANNUAL AUDIT (45 CFR 1301.12 *Annual Audit of Head Start*; 45 CFR Part 75 *Subpart F- Audit Requirements Section 75.500- 45 CFR Part 75 Section 75.520*):

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

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

- Any time there is dissatisfaction with the service of the current firm.
- When a fresh perspective and new ideas are desired.
- Every five (5) years to ensure competitive pricing and a high quality of service (there is not a requirement to change auditors every five (5) years, but simply to reevaluate the selection).

**Note:** Per the Head Start Reauthorization Act, the governing body is ultimately responsible for establishing policies for the selection of the auditor and ensuring that the audit occurs.

### **Selecting an Auditor**

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

- The firm's reputation in the nonprofit community.
- The depth of the firm's understanding of and experience with not-for-profit organizations and federal reporting requirements of the OMB as well as the State of New Jersey reporting requirements.
- The firm's demonstrated ability to provide the services requested in a timely manner.
- The ability of firm personnel to communicate with Organization personnel in a professional and congenial manner.
- Firm background.
- Biographical information (resumes) of key firm member who will serve BCAP.
- Client references.
- Information about the firm's capabilities.
- Firm's approach to performing an audit.
- Copy of the firm's most recent quality/peer review report, including any accompanying letter of findings.
- Other resources available with the firm.
- Expected timing and completion of the audit.
- Expected delivery of reports.
- Cost estimate including estimated number of hours per staff member.
- Rate per hour for each auditor.
- Description of any incidental costs – e.g. travel, copying, printing, etc.
- Other information as appropriate.

In order to narrow down the proposals to the top selections, the CFO with collaboration from the Chief Executive Officer shall meet with the prospective engagement teams from each proposing firm to discuss their proposal. Copies of all proposals shall be forwarded to each member of the Finance/Audit Committee. After the CFO and Chief Executive Officer have narrowed down the field of prospective auditors to three (3) firms, final interviews of each firm shall be conducted by the Finance/Audit Committee, who shall make the final recommendation to the Board of Trustees for approval.

*FISCAL POLICIES & PROCEDURES – BURLINGTON COMMUNITY ACTION PARTNERSHIP, INC.*

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These Fiscal Policies & Procedures were revised and approved by the Board of Trustees on February 25, 2020.