

Gateway Area Development District

Fiscal Policies & Procedures
April 2018

Executive Committee Updated: April 20, 2018

Fiscal Policies and Procedures
Table of Contents

I. GENERAL STATEMENT OF PURPOSE	2
II. STATEMENT OF POLICY.....	2
III. RESPONSIBILITIES.....	3
IV. THE ACCOUNTING SYSTEM.....	4
V. ACCOUNTING PROCEDURES.....	6
VI. TRAVEL REIMBURSEMENT PROCEDURES.....	13
VII. COST ALLOCATION PLAN – INDIRECT COSTS – BUDGETS	15
VIII. GENERAL LEDGER/JOURNAL	18
1X. ACCOUNTING FOR INDEPENDENT PROJECTS and AFFILIATED ORGANIZATIONS.....	20
X. INVESTMENT POLICY.....	20
XI. BONDING REQUIREMENTS	21
XII. PROCUREMENT POLICY & PROCEDURES.....	21

GATEWAY AREA DEVELOPMENT DISTRICT (GADD) FISCAL POLICIES AND PROCEDURES

I. GENERAL STATEMENT OF PURPOSE

The purposes of this Policies & Procedures Manual are:

1. To clearly state the accounting and fiscal management policies and procedures of the GADD which are established to ensure that all assets are maintained, accounted for and utilized in accordance with federal, state and local funding source requirements and in the best interests of the GADD. (2 CFR Part 225, OMB Circulars A87, A102 and audited under A133 Auditing Standards)
2. To identify the systems and procedures whereby all financial transactions are executed, recorded, and accounted for in a manner consistent with generally accepted accounting principles.
3. To define budgeting and reporting standards which will ensure that accurate financial information is available to the GADD's Board of Directors and staff as well as to external funding sources.

This manual is not to be interpreted as a substitute for specific federal or state requirements, nor is it intended to override any such requirement. Due to the magnitude of tasks performed by various staff members, neither is this manual "all-inclusive"; rather it only incorporates GADD's primary fiscal aspects.

II. STATEMENT OF POLICY

The GADD shall establish and maintain a comprehensive accounting and fiscal management system in conformance with generally accepted accounting practices and procedures and with all applicable federal and state guidelines as they pertain to it. The GADD shall utilize a Cost Allocation Plan (CAP) which includes the individual services, programs and contracts of the GADD and the revenues and expenses allocable to each (See Section VII). The CAP will be prepared and submitted in conformance with the most comprehensive funding agencies. It includes a Shared Cost Service Center (i.e. an administrative cost center) which recaptures those salaries, burden, and other administrative costs that are normally recognized as indirect/unallocated. The Shared Cost Service is then recaptured by each program by as "other direct cost".

As a statement of policy for fraud prevention, no finance staff person will be allowed to work on company business off site, be at the office unattended or have access to the building during non- working hours.

III. RESPONSIBILITIES

The principal agents of the Gateway ADD for fiscal matters include: the Chairman of the Board of Directors, the Treasurer of the Board, the Executive Director, and the Finance Officers. These individuals shall be directly responsible to the ADD, ensuring that all funds are received, disbursed, and accounted for in conformance with the regulations of its various funding sources and in a manner consistent with the needs of the ADD the policies and directives as set forth by the Board. Specific responsibility for budgeting, accounting system design, implementation and supervision, financial reporting (both internal and external) and audits may be delegated by the Executive Director to other staff or upon Board authorization, to contractors.

1. **Budgets:** Generally, the Executive Director is responsible for the oversight and assistance in the preparation, amendment, and monitoring of all budgets for GADD programs but relies heavily on the Finance Officers' assistance. The Executive Director, in conjunction with the Finance Officers, thereto shall be responsible for the oversight and assistance in preparing the Cost Allocation Plan and any amendments. All other budget amendments related to specific programs, contract management or other ADD operations shall be reviewed by the Executive Director prior to submission to the Executive Committee, the Board of Directors or to funding sources and subsequent incorporation into the Cost Allocation Plan. (See Section VII).
2. **General Accounting Functions:** It is the responsibility of the Finance Officers, under the supervision of the Executive Director, to do the following in a timely fashion:
 - (a) Record all financial transactions on a routine basis and in conjunction with these policies and procedures;
 - (b) Pay all vendor invoices, bills, sub-grantee requests, etc. timely;
 - (c) Prepare and record on a timely basis all payroll and payroll related transactions;
 - (d) Prepare annual W2's and 1099's, in accordance with federal guidelines, and distribute to payee timely;
 - (e) Perform various reconciliations and provide to the Executive Director monthly summaries;
 - (f) Prepare financial statements for the Executive Director to present to the Board;
 - (g) Maintain routine communications relating to financial matters with all GADD vendors, employees, and funding sources to ensure that all disbursements and receipts are both accurate and timely;
 - (h) Monitor and review account balances for accuracy;

- (i) Ensure the GADD's computerized accounting system (Abila/Sage MIP software) accurately reflects the agency's financial status at all times.
 - (j) Serve as the primary contact for, and provide assistance with, the annual external audit.
 - (k) Perform other accounting or financial assistance as requested by the Executive Director.
3. **Cash Transactions:** It is a policy of the GADD that there shall be a clearly defined separation of duties between those individuals responsible for actually handling cash or having signatory powers on ADD accounts and those individuals responsible for the recording and accounting of funds. (*Refer to discussion of cash receipts and disbursements outlined in the Section V.*)
 4. **Reporting:** It is the responsibility of the Finance Officer to prepare and distribute to the GADD's designated individuals and agencies timely and accurately prepared financial reports.
 5. **Audits:** It is the responsibility of the Executive Director to procure audit services in conformance with GADD policy. The Executive Director and the Finance Officers shall be primarily responsible for working with the auditor(s) to ensure a timely and accurate audit. (See Section XII)

IV. THE ACCOUNTING SYSTEM

The formal books of entry for the GADD include the Financial Statements and the General Ledger (with all related sub-ledgers) which are fully integrated through the computerized accounting system – i.e. Abila/Sage MIP software. These (both hard and magnetic storage), along with all support schedules, source documentation (i.e. time sheets, invoices, purchase orders, deposit records, cancelled checks, approved budget documents, etc.) comprise the permanent financial records of the ADD. All such records become the financial records of the GADD and shall be filed in a safe location in a logical and organized format to ensure any or all accounting information is readily accessible to authorized GADD staff, directors and auditors. The GADD will maintain the General Ledger and audits permanently. Other financial records will be maintained in accordance with the Kentucky Department of Libraries and Archives record retention schedule applicable to the State's 15 Area Development Districts, unless a funding agency's requirements are more restrictive.

1. **Cash vs. Accrual:** Throughout the fiscal year, the majority of revenues and expenses (except those that are material) are recorded on a cash basis. Then as of June 30th of each fiscal year, the Finance Officer prepares adjusting entries to recognize

any revenues earned but not received and expenses incurred but not paid, that converts the annual financial statements to the required accrual basis.

2. **Chart of Accounts:** The chart of accounts consists of five major sections. A brief description of each major section follows:

Assets: All assets of the GADD, both current and long-term, including cash accounts, receivables, investments and fixed assets.

Liabilities: All current and long-term liabilities, including general trade accounts payable, withheld payroll taxes and other payroll related liabilities, short and long-term notes payable and all other liabilities of the GADD.

Fund Balance: The general unobligated fund balance of the ADD and any other restructured fund balances.

Revenues: All GADD revenue accounts generated from all sources. All revenues shall be specifically identifiable to the program or work element from which it was generated. They include both monies received directly by the ADD and revenue contributed by external parties as matching (i.e. in-kind, program income, local cash, etc.)

Expenses (Direct and Indirect):

Direct: Those expenses, which are specifically associated with a given program or work element, as budgeted and approved in the Cost Allocation Plan. All expense accounts shall be identifiable, with as much specificity as possible, by program or work as well as by type or nature of the expense.

Indirect Cost Pool or Shared Costs: Those expenses, per the Cost Allocation Plan, which cannot be easily and logically charged to a particular work element. All indirect costs shall be accumulated in the "Shared Cost" element and subsequently charged out per an approved formula to individual programs or work elements (excluding pass-through programs) which have direct personnel costs.

Contract Payments: All payments by the GADD to independent third parties for contracted services, such as the aging program's subgrantees. These expense accounts shall be identified with specificity as to program area and actual type of contract payment.

The Finance Officer is responsible for maintaining the chart of accounts, as well as routinely up-dating all other schedules and lists (i.e. employees, vendors, etc.) contained in the accounting system.

V. ACCOUNTING PROCEDURES

The following constitutes the GADD's formal accounting procedures:

1. Accounts Receivable:

- (a) *Preparation of Billings:* At the end of each billing cycle, as specified by the corresponding funding agency, the appropriate invoice shall be prepared for any revenues, contract income, or other reimbursements due to the ADD. Generally the Finance Officer is responsible for preparing all invoices in the agency-required format and for submitting such to the correct person or office along with any required support documentation.
- (b) *Review:* All invoices or billings are subject to review and approval, prior to submission to any third party, by the Executive Director.
- (c) *Accuracy and Timeliness:* It is the responsibility of the Finance Officer to ensure that all receivables are accurate; that appropriate documentation is attached to billing forms; that GADD's records reconcile with third party payer records; and that at fiscal year end, all revenue not yet received is properly recognized in the general ledger as Accounts Receivable.
- (d) *Filing:* The original invoice and documentation shall be sent to the appropriate agency or individual with a copy being maintained by the finance office. Upon request, a copy shall be forwarded to the staff person administering that specific program for filing with program files.

2. Cash Receipts:

- (a) *The mail:* As the Staff Assistant (or a designated back-up person) opens and date-stamps the mail, she shall log each check or cash payment onto an Excel "Incoming Check Log" spreadsheet. This shows such data as who the check was from, the amount, the date received, and to whom the Assistant routed the check. Then she shall make a copy of each check and forward such to the Executive Director.
- (b) *Routing:* The Staff Assistant delivers each check to the designated staff member responsible for preparing the bank deposit – by either handing it to him/her or by placing it in the member's desk in-box (*as checks should not be placed in the office general mailbox*).
- (c) *Deposits:* All deposits of GADD funds shall be made by a staff member not involved in that account's signatory process, in order to have a clear separation of duties. The Executive Director shall name such designees.
- (d) *Timeliness:* Funds shall be promptly deposited, via either using the bank's Remote Deposit Capture software or by physically taking (*not mailing*) it to the bank, within three (3) business days from

receipt of said funds. **No transfers will be made between or to another account without written approval from Executive Director.**

- (e) *Log Completion:* At month end, before the 10th of the following month, the Finance Officer and other staff members shall update the "Incoming Check Log" spreadsheet to reflect the date the funds were deposited, the amount, and the particular account into which the funds were placed. The Staff Assistant then prints a copy of the log and forwards it to the Executive Director for review and verification.
- (f) *Verification:* As part of the monthly bank reconciliation approval process, the Executive Director shall also review the prior month's "Incoming Check Log". This review shall include comparing the log's entries to check photocopies made by the Assistant during that month, identifying each check on the corresponding bank account's statement or reconciliation, ensuring all funds are properly accounted for, and verifying all funds were deposited within the required 3 business days. The Routing form/Check Log that the Executive Director completes is then sent to all staff with the responsibility for deposits for their review and initials ending with the finance department for filing.
- (g) *Senior Center Cash:* A separate policy will be developed for the handling of the Senior Center donation cash and transactions.

3. **Cash Payments:**

- (a) *Receiving cash:* GADD discourages cash payments. However, if someone insists on paying with cash (currency or coin), they must bring it into the office. (For example, staff members working in the field cannot accept cash payments.) The GADD Staff Assistant, or whoever is manning the front desk, will ask another staff member to join them. Both employees will count the cash and issue the individual a cash receipt. All 3 parties will be required to sign the receipt.

Exception: As required by the Older Americans Act and the state Homecare Program, GADD's Aging Department staff must be able to accept cash donations from clients. If this were to occur, GADD will adhere to the state's approved procedures for handling and safeguarding said cash to ensure all donations are received and properly recorded by the Finance Office.

- (b) *Logging:* The Staff Assistant then logs it on the Excel spreadsheet in like manner as checks received with a copy of the receipt being given to the Executive Director.
- (c) *Depositing:* The Staff Assistant will give the cash to the Finance Officer (or other designated program staff member) who will prepare the cash for deposit.

4. **Deposits:** It is the responsibility of the Executive Director, or his/her designee to ensure that any funds received by the ADD are deposited into

the appropriate bank account promptly, i.e. no later than close of the third business day.

(a) *Deposit Confirmation:* The Finance Officer or other designee shall obtain a bank confirmation for each deposit, such as a stamped deposit ticket or a software confirmation report. The person making the deposit will place their initials on the deposit receipt form for easy tracking if necessary. Said confirmation is to be attached to any supporting documentation accompanying the check and become part of GADD's files.

(b) *Recording:* Deposits shall be routinely recorded on the books to ensure that the general ledger cash balances are current and accurate. Generally, the finance office is responsible for the 3 operational accounts (i.e. Aging, Local, and General Operating) while other staff members are responsible for specific program receipts (e.g., RLF, CDO, NHPLP, etc.). Bank activity must be recorded in GADD's accounting software at least monthly (*see item #7 below regarding bank reconciliations*).

(c) *Routine Reports/Journals/Ledger:* For each operational bank account, at the end of the month the Finance Officer shall print the General Ledger Activity Detail and a Cash Journal. These reports shall be in hard copy format and filed in the corresponding notebook, identified as to the specific bank and account.

5. Accounts Payable:

(a) *Purchase Orders:* Pursuant to the Procurement Policy of the GADD (See Section XII), prior to a special request for supplies, materials, equipment, etc., a standard ADD Purchase Order form shall be completed and approved by the Executive Director prior to execution. (This is not necessary for routine operational expenses such as utilities, equipment leases, dues, contracts, etc.) A copy will be maintained on file.

(b) *Routing:* The employee desiring to make a special purchase completes a standard Purchase Order form and forwards it to the Finance Officer. The Finance Officer verifies funding availability, assigns the purchase the correct account coding, and forwards it to the Executive Director for approval. The Executive Director approves or denies the request, and returns the Purchase Order to the initiating employee or staff member for further action.

(c) *Expenditure Authorizations:* In those instances where a purchase order has not been previously executed, it is the responsibility of the Executive Director to authorize or refuse payment of the particular invoice. The Staff Assistant date-stamps all invoices, bills, statements and other accounts payable documentation upon receipt.

(d) *Invoices:* All non-routine operational invoices shall be supported by the approved purchase order form or a separate Accounts Payable Distribution form.

- (e) *Recording Invoices:* All invoices or bills to be paid shall be recorded by the Finance Officer in GADD's books by using the Abila/Sage MIP software. The corresponding invoice is to be charged to the same fiscal year in which the goods were received or the services were rendered.
- (f) *Vendor ID:* Each Vendor with whom GADD transacts business will be assigned a separate vendor ID in the computerized accounting system.
- (g) *Verification of Accuracy:* Prior to payment, it is the responsibility of the Finance Officer to ensure the mathematical accuracy of all invoices; that applicable documentation authorizing the obligation of funds is attached to each invoice; that all expenditures are charged to the appropriate account and program; and that all invoices are recorded in the appropriate fiscal year.

6. **Cash Disbursements:** Generally, all disbursements or checks from any GADD operational bank account shall be prepared by the finance office. Other program-related checks (ex. RLF, Home, NHPLP, CDO, etc.) are prepared by the designated staff member. All GADD checks are reviewed and signed by the Executive Director, in accordance with board policy.

- (a) **Disbursement Schedule:** Generally, checks are written and disbursed based on the following schedule:
 1. All Payroll checks are issued by direct deposit only. The disbursement date is established as the first Friday following the pay period end.
 2. Staff members are to request travel reimbursements by the 10th business day of the month following the month for which the travel occurred. If not filed timely, the Executive Director reserves the right to delay, deny reimbursement and or ask that the check be picked up by an employee.
 3. All vendor, contractor, or sub-grantee checks are disbursed as needed, but not less than semi-monthly.
 4. Exceptions to this policy can be made when particular circumstances warrant it, contingent upon the Executive Director's approval.

(b) **Disbursement/Approval of Checks:** The Executive Director reviews and approves all documentation supporting each check prior to signing. In addition, for disbursements from the General Operating Fund, it is the ADD's preferred practice to require a second approval from a designated Board member. The Finance Officer shall email a pending cash disbursement PDF report (created directly within the Sage software) to the Board member asking for approval, and await a positive response prior to mailing the checks.

Exception: A second approval is not required on payments (a) related to payroll withholdings or taxes and (b) to contractors or aging sub-grantees for which the board has previously approved the corresponding contract. If there are bills that do not have a 30 day turn-around time on their billing cycle then allowances can be made to pay them earlier or through a direct bill arrangement if necessary.

This policy can be revised in an emergency by the Executive Committee

- (c) *Mailing of Checks.* The Staff Assistant will mail or distribute the checks to the payees. GADD's check-stub and support documentation is forwarded to the finance office for filing.
- (d). *Petty Cash:* At this time GADD does not maintain a petty cash fund, but reserves the right to do so if necessary. The Executive Director or his/her designee may maintain a petty cash fund of no more than \$200.00, as necessary. This fund shall be used for non-routine purchases requiring immediate payment, which arise from time to time. Any disbursement over \$1.00 made from petty cash shall be documented with either an actual invoice or a written explanation signed by the Executive Director and passed on to the Executive Assistant. The Staff Assistant should likewise document reimbursements to the petty cash fund. Upon depletion of the petty cash fund, the Staff Assistant should request reimbursement from the Finance Officer by attaching all current documentation, indicating the amount of cash required to replenish the fund and signing the form. This will be reviewed by the Executive Director prior to payment. The request will be forwarded to the Finance Officer for processing. Petty cash shall always be kept in a secure location, with access limited to the Staff Assistant and the Executive Director, only.

7. **Bank Reconciliations:** All GADD bank accounts are to be reconciled and approved on a monthly basis, by the 15th of the following month. Due to the nature of these accounts, some are maintained by the finance office and others by a designated program staff member, referred to as the account keeper.

- (a) During the first few days of each month, the account keeper for each account (general operating, local, aging, CDO, RLF, NHPLP, construction, fundraising, etc.) shall forward the corresponding bank statement to the staff member responsible for reconciling that account - along with all supporting documents necessary to properly reconcile the prior month's activity.

- (b) The reconciling staff member shall promptly reconcile said bank account. If necessary, the reconciliation shall be forwarded to the Finance Officer who will make appropriate entries into the Abila/Sage accounting software to reflect that month's activity (except for CDO which is a separate entity.)
- (c) The Finance Officer shall ensure the General Ledger cash account balances agree to with the balance shown on the bank statements by placing a Sage printout of the account with the reconciliation. The completed reconciliation and general ledger printout is forwarded to the Executive Director.
- (d) The Executive Director shall review all documents and sign off on the reconciliation, returning the records to the original account keeper.
- (e) These steps are taken to ensure separation of duties and internal controls.

Old checks: Following banking rules on old outstanding checks, any check that is more than 6 months old without being cashed, is considered null and void. The Finance Officer will write these off and adjust GADD's general ledger accordingly.

8. Payroll Transactions

- (a) *Standard Payroll Period:* All employees, both full-time and part-time, of the GADD shall be paid on a bi-weekly basis. Each pay period starts on a Tuesday, ends on a Monday, and covers 10 business days.
- (b) *Time Sheets Required:* No payroll checks shall be prepared unless current signed time sheets are submitted on a timely basis. The employee categorizes all hours as working, holiday, sick, or vacation. All working hours are further identified to a specific program or element.
- (c) *Submission of Time Sheets:* Time sheets, signed by the employee and the Executive Director, must be submitted to the Finance Officer on the day following the pay period end or as otherwise requested by the Executive Director.
- (d) *Preparation & Distribution:* Upon receipt of approved signed timesheets, the Finance Officer carefully processes that period's payroll, after another designated staff person double checks the program distribution, through the computerized accounting system and imports the file into Whitaker Bank. *(This process results in funds being direct deposited into the designated employee bank accounts.)* The Finance Officer gives each employee a hardcopy Check Voucher or emails a copy to the employee, that summarizes their gross pay, taxes, deductions, benefits, etc. as verification of the completed process
- (e) *Approval:* Whitaker Bank requires the Executive Director to approve an ACH File Transmittal Form showing the total amount to

be transferred from GADD's GOF bank account into each employee's bank account(s). The Finance Officer prepares this, attaches a listing showing the net amount of pay each employee is receiving and to which personal bank account(s) it will be directed, and forwards them to the Executive Director. Once approved, the Finance Officer scans the approved form and emails to the named Bank representatives.

- (f) *Employees Payroll Documents on File:* As verified by the auditor, it is the responsibility of GADD to ensure:
1. That all employees have current W-4's on file and that state and federal taxes are being withheld accordingly.
 2. That signed authorizations for payroll deductions related to health insurance plans, retirement plans and any other deductions are on file and that deductions from individual checks are being made in accordance with established GADD policies and in concurrence with the intent of the individual employee as per written authorizations.
 3. That all employees are being paid the correct hourly or salaried rate as per the most recent written authorization in each employee's personnel file.
 4. Employee bank account information, for deposit of payroll, is in place.
- (f) *Vacation & Sick Leave Records:* The Executive Director shall designate a staff member(s) to maintain written records, consistent with guidelines set fourth in the Personnel Policies and Procedures Manual, for all annual and sick leave for each individual employee. These records (updated monthly and given to the Executive Director) shall specify how much leave was accrued, how much was used, and the balance left. Said balances shall also agree to Abila/Sage MIP Payroll system and to the balances printed on the employee's check stub. At fiscal year end, the Finance Officer calculates GADD's total vacation liability and adjusts the general ledger accordingly.
- (g) *Payroll Advances:* It is the policy of the GADD that there shall be no advances made to any employee on payroll amounts due unless determined a necessity by the Executive Director.
- (h) *Payroll Tax Payments & Reports:* The Finance Officer shall ensure that all federal, state and local taxes withheld as well as any other mandated payroll related liabilities (i.e.: unemployment insurance, workers compensation premiums, etc.) are deposited and/or accurately paid in a timely manner, and that all required reports, forms or other information are filed on a timely basis. Copies of all payroll related reports should be routinely filed in clearly marked folders in the finance office.

- (i) *Routine Reports/Journals/Ledgers:* The Finance Officer shall generate the following reports and file each one in a designated folder or notebook identified by report name:
- A. Signed timesheets (each pay period)
 - B. Check Vouchers (each pay period)
 - C. Labor Distribution list (each pay period)
 - D. Pre-Transfer Register (each pay period)
 - E. Any Employee Adjustment support documentation (each pay period)
 - F. Kentucky Tax Information (each month)
 - G. CERS Retirement Information (each month)
 - H. Quarterly Wage Statement (each quarter)
 - I. 941 Information (each quarter)
 - J. W-2's (annually)

9. **Backup Procedures:** The following backup procedures shall be followed for all accounting data in the system.

- (a). At the end of each day, the Finance Officer shall back up the accounting software (Abila/Sage MIP) onto the server. The server has a RAID 5 array consisting of 3 hard disks. In one disk fails, the other two continue to work without any data loss.
- (b). GADD has 2 external hard disks to which all agency data (including Abila/Sage) is backed up each night at 9:00 PM to a single disk. Every Friday morning, that disk is switched out with another disk and then is taken off site at the end of the day. In the case of the worst scenario, if the office building were to burn down on a Thursday night, only one week's data would be lost.

VI. TRAVEL REIMBURSEMENT PROCEDURES

The Executive Director, in conjunction with the finance officer and program directors, is responsible for monitoring travel expenditures to ensure their necessity, reasonableness, and fund availability according to the agency budget.

It is GADD policy and practice for employees to exercise moderation and discretion as to the appropriateness of any or all expenses for which reimbursement is requested. Employees shall follow GADD's internal "*Agency Travel Policies and Procedures*" document (issued by the Finance Officer and Executive Director) in effect at the time of the travel.

1. **Travel Advances:** In alignment with other ADD travel policies, GADD will only approve a travel advance in "extreme" cases that will be taken into consideration by the Executive Director.

Advances will only be allowable for mandatory trips, and will be approved or denied on a case-by-case basis. The approval will be at the sole discretion of the Executive Director who also reserves the right to limit the amount of funds advanced.

If an employee desires an advance, it may be obtained by submitting a written request to the Executive Director along with support for all costs and a full explanation of why he/she needs the advance. The Executive Director will approve or disapprove the request and so inform both the employee and the Finance Officer (if approved). This advance will be deducted from the next travel reimbursement made to the employee and the amount will not exceed more than ½ of the reimbursement expected. The calculation will be made by the finance department.

2. **Requests for Reimbursement:** Generally, employee business-related travel expenses will be reimbursed monthly. All requests for reimbursement shall be made on the standard form made available to all employees. Monthly requests for travel must be filled out in the prescribed manner, turned in by the 10th of the following month, be in accordance with the GADD's written policies, be signed by the employee, and be approved by the Executive Director.
3. **In State and Out of State Travel:** Any travel by GADD employees must be approved in advance by the Executive Director and will be charged to the related program(s). An employee shall request travel related to a conference, training, or other non-required travel in the GADD five-county area by submitting a Purchase Order in like manner as described in Section V.
4. **Travel Allowances:** There are no travel allowances other than permitted by the program's travel budget. Exceptions to this policy may be permitted if approved by the Board, generally in regards to high-cost destinations such as Washington, DC.
 - (a) *Receipts:* For any expense exceeding \$10.00 incurred while traveling, with the exception of privately owned mileage reimbursement and meals, employees must attach a receipt to their travel voucher.
 - (b) *Meals:* Generally, employees will not be reimbursed for meals eaten while traveling within the GADD five-county area. For meals eaten while traveling outside the GADD, expenses are limited to: the State per diem rate if traveling in State and the standard GSA (federal) rate for the designated city if out of State. An employee must have been outside the district for 12 hours or more to receive meal reimbursement and will be responsible for any applicable taxes, if there is no overnight stay.

- (c) *Overnight Lodging:* Actual costs for single person accommodations. If Employees are traveling on ADD business they should make every effort to share rooms if at all possible and Employees should ascertain prior to traveling whether there are any hotels or motels, which allow discounts for GADD employees and that the lodging costs are reasonable for the area and follow the Federal rates if out of State.
- (d) *Transportation:* Employees should ascertain prior to traveling, which is the most economical and reasonable means for reaching their destination. If plane or train fares are necessary, prior approval of the Executive Director is required. Transportation expenses other than employees own automobile will be reimbursed at actual cost upon approval of Executive Director.
- (e) *Mileage Reimbursement:* Employees will be reimbursed for the use of their private vehicles while on GADD business at the state rate equal to that determined by the Commonwealth of Kentucky's Finance and Administration Cabinet's Office of the Controller (per 200 KAR 2:006) at the time of travel. Each quarter, this office reviews and, if warranted, adjusts the approved rate.
- (f) *Other Travel Expenses:* All other expenses incurred while traveling on GADD business (air fair, taxi fares, parking fees, registration fees, tips, etc.) shall be reimbursed on an actual cost basis with a receipt at the State mileage rate.
- (g) *Timesheets:* All travel expenses are to be charged against the same program or element for which the employee's time is charged. A copy of the employee's corresponding timesheet must be attached to verify proper coding.

VII. COST ALLOCATION PLAN – INDIRECT COSTS – BUDGETS

1. **Cost Allocation Plan:** The "Cost Allocation Plan" as per guidelines established in the Kentucky JFA Administrative Handbook, delineates all individual services, programs, and contracts for the ADD in each fiscal year.

The GADD Budget, which is an integral part of the Cost Allocation Plan, shall specify by program element all federal, state local, and other revenues, both JFA and non-JFA, projected for the fiscal year. Revenues and costs are subsequently classified and segregated by these named elements or programs. Costs are also identified by line item as either "Direct Costs" (i.e., specifically identifiable with a specific program element) or as "Indirect Costs" (i.e., cost shared by all services or programs).

2. **Preparation of Consolidated Budget:** An internal operating budget, for program elements identified in the Cost Allocation Plan, shall be prepared by the Finance Officer prior to the start of each fiscal year and be submitted to the Executive Director. The Executive Director will discuss it with the Finance Committee and will submit the budget to the Board of Directors for approval.

3. **Cost Allocation Policies:** Generally, it is the policy of the GADD to allocate both revenues and expenses to individual work elements or program areas whenever they are specifically identifiable with specific programs or when it is practical and realistic to allocate them by predetermined formula to specific programs. Cost allocation policies for individual budget line items are identified below:
 - (a) *Salaries:* The salaries of all employees, both professional and supportive, are charged directly into program elements based on the amount of actual time (per bi-weekly time sheets) attributable to each program. Budgeted percentages per work element are developed annually based on the portion of each individual's time spent in that element and by fund availability. The combined salary amounts from each work element, both JFA and non-JFA, will always equal each individual's total annual salary (excluding vacation days). Generally the Executive Director's salary and the salaries of central administrative staff (i.e., Finance Officer, Staff Assistant, Executive Assistant, and IT staff) are the only salary cost charged to the indirect or shared cost pool, unless determined by the Executive Director as appropriate and necessary.
 - (b) *Employee Burden:* All employee burden costs (e.g., FICA, Workman's Compensation, Retirement Benefits, Unemployment Insurance, Health Insurance, etc.) follow the employee's salary. They are charged directly to work elements based on gross salary costs charged to that same element.
 - (c) *Consultants / Professional Services:* Audit costs are charged to the indirect cost pool. Other consultant or professional costs will be charged to specific program areas if identifiable, or to the indirect cost pool if not.
 - (d) *Contracts:* Generally, contracts or sub-contracts, which GADD executes with third parties, can be identified with specific program elements, and consequently will be allocated to that program.

- (e) *Printing and Publications:* Generally, these costs will be allocated to the program area to which they relate. Printing and publication costs not specific to any particular program shall be charged to the indirect cost pool.
 - (f) *Travel:* Travel costs are charged directly to individual work elements corresponding to the same element as staff time is charged.
 - (g) *Vacation Accrual:* At the end of each month, vacation accrual expense is charged to individual work elements based on the amount of each individual's salary that was charged to that respective element for that month.
 - (h) *Space Cost:* Space costs and routine repair and maintenance costs are charged to the indirect cost pool, unless otherwise determined by the Executive Director to be exclusively for a specific work element.
 - (i) *Equipment Lease:* Generally, all office equipment (i.e., telephone equipment, computers and printers, copier postage machine, etc.) is charged to the indirect cost pool.
 - (j) *Telephone:* Generally, telephone usage expense is charged to indirect cost pool.
 - (k) *Supplies/Postage/Insurance:* Any of these items which can be specifically identified with a particular program area will be charged to that work element. Otherwise, these costs will be charged to the indirect cost pool.
 - (l) *Other Expenses:* Generally, any line item expense, which can be specified by program area, will be allocated to that work element. If not, it will be charged to the indirect cost pool.
4. **Control Accounts/Direct Cost:** It should be noted that, in the process of recording actual costs or issuing vendor checks, some costs (such as equipment lease, rent, telephone usage, etc.) directly allocable to individual work elements may be initially recorded in the books in "Control Accounts". Then later the Finance Officer determines how much of those individual line item costs are attributable to other work elements and spreads the costs by journal entry.
5. **Allocating Indirect or Shared Costs:** Likewise, indirect costs are charged monthly to individual work elements based on the ratio of salary and burden charged directly to each element to total salary and burden. The Finance Officer prepares a

spreadsheet to calculate this cost and spreads the appropriate share to each work element by journal entry.

6. **Other Program Budgets:** In addition to the consolidated internal on-going GADD budget maintained by the Finance Officer, various other detailed program and contract administration budgets are prepared by the Council on an annual basis. The following policies shall apply to all such budgets:
- (a) *Preparation of Budgets:* The GADD employee responsible for a program may be asked to prepare budget estimates for both direct programmatic costs as well as GADD administrative costs. The Executive Director, in conjunction with the Finance Officer, shall review the proposed budget for accuracy and to ensure that it complements the agency overall budget and then present it to the Executive Committee.
 - (b) *Integration with Consolidated Budget:* GADD administration costs shall be incorporated line item by line into the consolidated budget. Direct Program costs shall be summarized in the consolidated budget.
 - (c) *Approval of Budget:* After review by the Finance Officer, the program budget shall be submitted to the Executive Director who shall present it to the Board of Directors for approval.
 - (d) *Copies:* One copy of the approved budget shall be forwarded to the appropriate funding agency, one copy shall be kept by the Executive Director and one copy shall be kept by the Finance Officer.
 - (e) *Budget Amendments:* All budget amendments shall be subject to the same procedures outlined above for the original budget.

VIII. GENERAL LEDGER/JOURNAL

The Finance Officer is responsible for the maintenance of the General Ledger, including, but not limited to the following:

- (a) Updating the Chart of Accounts
- (b) Ensuring that all asset and liability accounts are routinely reconciled with third party sources.
- (c) Reconciling any control account with supporting ledgers and /or other documentation.
- (d) Ensuring that all revenues and expenses are recorded in the appropriate general ledger accounts and in the fiscal year to which the revenues and expenses relate.

- (e) Reconciling all departmental revenue and expense accounts with all third party billings, invoices, statements, etc.
1. **General Journal Entries:** Journal entries shall be prepared by the Finance Officer and entered into the General Ledger as follows:
- (a) Allocation of Shared Cost to specific programs or work elements
To be posted monthly; copy of spreadsheet for actual allocation to be maintained as support.
 - (b) Allocation of employee-earned vacation from control accounts to the corresponding individual work elements:
To be posted monthly; copy of spreadsheet for actual allocation to be maintained as support.
 - (c) Accrual of any revenues or expenses not recorded through the cash receipts or check writing processes:
To be prepared at fiscal year end; detail schedules to be maintained as support.
 - (d) Calculation of depreciation, recognizing any fixed asset additions or deletions:
To be posted monthly; copy of reports to be maintained as support – in accordance with GADD’s policy to depreciate non-consumable items with a useful life expectancy of three years or more
 - (e) Any other adjusting, reclassification or correcting entries which may be required from time to time in order to ensure that all general ledger accounts are current and accurate; to be posted as needed.
2. **Reconciling Budget to General Ledger:** At the beginning of each fiscal year, the Finance Officer shall develop an agency internal budget based upon expected or known revenue and expenses (both direct and indirect). These same revenues and expenses are identified in the Cost Allocation Plan. The budget is approved by the Executive Director. Subsequent changes to any budgeted line item may be made throughout the year as deemed necessary and in accordance with the Executive Director’s approval.

The Finance Officer:

- (a) Each month, prepares an “expended to date” report comparing YTD actual to budget by program element along with a check listing for that month, and forwards both to the Executive Director.
- (b) For GADD board meetings, prepares a:
 - 1. Balance Sheet
 - 2. Revenue and Expense report comparing YTD actual to budget for each program or contract.

3. Revenue and Expense report classified by general ledger account (i.e. grant revenue, salaries, travel, etc.)
- (c) Upon request, prepare any other report requested by the Executive Director or program director.

1X. ACCOUNTING FOR INDEPENDENT PROJECTS and AFFILIATED ORGANIZATIONS

The GADD may monitor, administer or manage one or more special projects on behalf of the Districts including but not limited to the following:

1. Special projects involving research or program implementation for special purpose non-profit corporations (such as Kentucky Housing Corporation, Center for Public Issues, Water and Waste Water Districts, District Health Dept, and Industrial Authorities etc.)
2. Projects for local units of government (infrastructure development, economic development projects);
3. Other independent projects or programs of the ADD.

Each such project or independent entity may require a separate accounting and reporting system, responsive to the requirements of its funding sources as well as its own Board of Directors or the appropriate local jurisdiction.

To the extent practical, the same accounting procedures and policies, as identified herein shall apply to all independent accounting systems for which any GADD staff is responsible. In all instances, the following shall apply:

1. Any GADD staff directing programs or projects, which requires an independent accounting, shall notify the Executive Director of same.
2. The responsible staff person, in conjunction with the Executive Director, shall determine the specific manner, procedures and policies for the financial administration of the particular program or project.

X. INVESTMENT POLICY

To the maximum extent possible, excess GADD funds shall be invested in fixed income securities to maximize yield consistent with security, liquidity, and the period of investments or in interest bearing checking accounts fully insured by the United States Government. Investments shall be limited to:

1. Direct obligations of the United States Treasury (U.S. Treasury bills or Notes);

2. Obligations of the United States Government agencies and corporations (Government National Mortgage Corporation, Federal National Mortgage Corporation, and other U.S. Government agencies and corporations obligations);

3. Certificates of deposits collateralized by direct obligations of the U.S. Treasury, direct obligations of the Commonwealth of Kentucky, or obligations of the United States agencies and corporations.

It is the joint responsibility of the Treasurer of the Board of Directors, the Chairman of the Board of Directors and the Executive Director to periodically evaluate the maximum amount of excess GADD funds available for investment and the appropriate type of investment in conformance with the policy outlined above.

XI. BONDING REQUIREMENTS

The Chairman and Treasurer of the Board of Directors as well as the Executive Director (and any other employee directly involved with the handling of monies or securities of the GADD) shall be bonded in the capital amount equal to the total annual budget of the Council.

XII. PROCUREMENT POLICY & PROCEDURES

In order to assure best utilization of available public resources, assure equity to vendors/providers, and effect compliance with applicable State and Federal regulations, GADD establishes and creates this Procurement Policy and Procedures.

1. Policy:

(a) *Authority:* For purposes of administration of these policies and KRS45A, the Executive Director may delegate this to another employee.

(b) *Scope:* The GADD shall obtain and/or acquire all goods and services required for its purposes pursuant to laws, regulations, and practices as referenced herein.

(c) *Purchasing:* In all purchasing, the GADD shall comply with KRS45A.345-460, OMB Circular A-102, and such other statutes or regulations as regulates public, governmental agencies. This policy shall be deemed to include any and all legislated or regulatory amendments made by the Commonwealth or the Federal Government. Briefly,

1. All purchases or contracts for goods or professional services in total or aggregate amounts of \$20,000 or more shall be acquired as provided in KRS45A.365, KRS45A.370, KRS45A.375 or KRS45A.380. The selection of

individuals or firms to provide professional services such as archaeologist, architect, attorney, certified public accountant, civil engineer, or other similar service provider, shall be subject to public advertisement and solicitation of statements of qualification pursuant to published criteria.

2. No bid for goods or services shall be considered under KRS45A.365, KRS45A.370 or KRS45A.375 when the Executive Director or any employee, officer or agent of the GADD and the supplier have a relationship creating a conflict of interest as described in KRS45A.344 (a), (b) or (c) (Please see section XII)
3. All purchases and contracts allowed under XI. The Executive Director, pursuant to the ADD's Fiscal Policies and Procedures, shall authorize sections 2 and 3 below.
4. Except as provided in XII, all purchases and contracts shall be paid by GADD check drafted and executed as herein set out.
5. The Executive Director, as provided above, may determine that bidding procedures provided for under 1.b shall be followed for certain purchases having a total or aggregate cost of more than \$500 but less than \$20,000. In such instances, the determination shall be made in writing and shall state: a) the likelihood of savings shall be greater than the cost and time delays of the bidding process; b) the taking of bids shall not discriminate against any possible supplier; and c) the goods or services to be purchased are of a single kind or class for which taking a bid is practicable.

2. **Consumable Supplies:** The following practices shall be followed in the purchase of consumable items and miscellaneous office supplies wherein such purchases do not require application of procedures as provided in 1.a.

- (a) All purchases shall be made in such manner as to afford the lowest cost for the highest combination of quality and quantity. All purchases shall be made in a manner assuring fair and equitable treatment to all potential suppliers.
- (b) All requisitions shall be reviewed by the Executive Director to determined necessity and availability. To assist in this review, a designated staff member will maintain an equipment and supplies inventory. "Appropriate" catalogues or price listings will be acquired as deemed necessary. For

purchases totaling or expecting to aggregate \$500 within one year, the Staff Assistant shall confer with the Executive Director to determine the best method of acquisition to apply.

- (c) The Staff Assistant shall periodically, and not less than annually, solicit price quotations for consumable goods of ordinary office supplies from those legitimate suppliers doing business within a reasonable market area. Such solicitation may be for a discount rate on the purchase of varied items. The terms of the solicitation, which may be done by telephone or mailed invitation, and the offer of the supplier shall be recorded on a single page. The Executive Director shall review the offers prior to the acceptance of any offer and shall note the date of his review on the page. Any supplier may review the record for purposes of ascertaining that his offer was fairly recorded and considered.
 - (d) GADD may maintain charge accounts with several competing suppliers for the purpose of making minor purchases on non-stocked items. The maintenance of such accounts may be justified because of (i) proximity, (ii) urgency of need, and/or (iii) discount rate so that the overall cost is not unreasonable. No purchases from such accounts may exceed \$25 in any one month unless the items purchased were obtained pursuant to (c) above.
3. **Records:** All documentation, records and written materials required by these policies, and such other statutes or regulations as noted above, shall be maintained in an appropriate place and manner. A copy of this policy and of the required reports shall be kept in such manner as to be available for public inspection.
 4. **Preferred Source:** Acquisition of materials, supplies, and equipment through the Kentucky Surplus Property program, shall be used whenever possible and reasonable.
 5. **Procurement of Auditing Services:** An external independent auditor will be selected by advertising for services. Reviewing the responses, checking to be sure that the firm responding meets all the requirements, i.e. firm is in good standing, references have audited other similar non-profits; have met the conflict of interest test (i.e. are not related to, a Board member or staff member, have never been a staff member, have never applied for, or have been turned down for a staff position at GADD) and are the lowest or best bidder, after the proper qualifications have been established.