Table of Primary Revisions

4/30/19
• Document initially approved by Board of Directors’ Executive Committee.

7/30/19
• Small purchase authority - updated Procurement section 300.701 to reflect the state increasing the authority from $20,000 to $30,000, along with applicable KRS 45A.385 in Appendix A.
• Construction contracts sealed bidding – updated KRS 45A.430 and 45A.435 in Appendix A whereby the state increased the required threshold from $25,000 to $100,000.
• Surplus property – added items (6) and (7) in KRS 45A.425 in Appendix A.

1/28/20
• Added clause to Section 300.503 prohibiting cash collected by the Senior Centers to be used in procuring items.
• Added Section 300.503(1) for Senior Center Cash – Fundraising.
• Added sentence to Section 300.506 (4) which prohibits Senior Centers from having a petty cash fund.
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300.100 General Statement of Purpose

The purposes of this Policies & Procedures Document 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. (Federal Register 2 CFR Part 225 Cost Principles for State, Local, and Indian Tribal Governments, and as audited under CFR Part 200 Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards).

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.

300.101 Disclaimer

This document 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 considered to be “all-inclusive”; rather it only incorporates GADD’s primary fiscal aspects.

300.200 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.

300.210 Cost Allocation Plan

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. The CAP will be prepared and submitted in conformity with the most comprehensive funding agencies. It includes a Shared Cost Service Center (i.e., an administrative cost center) which recaptures those salaries, burden or fringe benefits,
and other administrative costs that are normally recognized as indirect/unallocated. The Shared Cost Service is then recaptured by each program with personnel costs as “other direct cost”. The Executive Director, in conjunction with the Finance Office, thereto shall be responsible for the oversight of the Cost Allocation Plan and any amendments.

1. **Cost Allocation Plan (CAP):** The CAP, as required by the Kentucky Joint Funding Administration’s administrative handbook, delineates all individual services, programs, and contracts for the GADD in each fiscal year.

The GADD Budget (see Section 300.310), which is an integral part of the CAP 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. **Cost Allocation Policies:** 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 a 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 to program elements based on the amount of actual time (per bi-weekly timesheets) attributable to each program. In accordance with Executive Director’s direction, budgeted percentages per work element are developed throughout the fiscal year 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 annual leave days).

      Generally the Executive Director’s salary and the salaries of central administrative staff (i.e., Finance Office, Administration Coordinator, Office Manager, and IT staff) are the only salary costs charged to the indirect or shared cost pool, unless determined by the Executive Director as appropriate and necessary.

   b. **Employee Burden / Fringe Benefits:** All employee burden costs (i.e., FICA, Worker’s Compensation, Retirement Benefits, Unemployment Insurance, Health Insurances, etc.) follow the employee’s salary. They are charged directly to work elements based on gross salary costs charged to that same element. Any burden cost that cannot be identified to a specific element or employee, with an acceptable degree of accuracy, will be charged to the shared cost pool.

   c. **Consultants / Professional Services:** GADD’s external annual audit costs are charged to the indirect cost pool. Other consultant or professional costs will be charged to specific program areas the work relates.
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 on their timesheet.

g. Annual Leave Accrual/Allocation: At the end of each month, full-time employees’ annual leave accrued 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. This is done via an allocation process within the Abila accounting software.

h. Space Cost: Space costs (e.g., utilities, mortgage interest, insurance, depreciation.) and routine repair and maintenance costs are charged to the indirect cost pool, unless otherwise readily determinable to be exclusively for a specific work program.

Exception: The GADD Senior Centers incur these costs as matter of normal operations. Therefore these are directly contributable to only that Center and are charged to that Center’s program code.

i. Equipment Lease: Generally all office equipment (e.g., telephone equipment, computers and printers, copier) is charged to the indirect cost pool, unless otherwise readily determinable to be for a specific work program such as a Senior Center.

j. Telephone: Generally telephone usage expense is charged to indirect cost pool. A reasonable amount may be charged directly to other programs for their identifiable portion (e.g., the toll-free ADRC line or a Senior Center phone)

k. Supplies/Postage/Insurance: Any of these items which can be specifically identified with a particular program area, such as a Senior Center, 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.

3. Control Accounts/Direct Cost: In the process of recording actual costs or issuing vendor checks, some costs (e.g., equipment lease, rent, telephone usage) directly allocable to individual work elements may be initially recorded in the Abila accounting software in “Control Accounts”. Then later the Finance Office will determine how much of those individual line item costs are attributable to other work elements and spread the costs by journal entry.

4. Allocating Indirect or Shared Costs: Indirect (shared) costs are charged monthly to individual work elements based on the ratio of personnel costs charged directly to each element to total personnel cost. The Finance Office prepares a
spreadsheet to calculate this amount and allocates the appropriate share to each work element by journal entry.

300.300 Primary Responsibilities

The principal agents of the GADD for fiscal matters include:
1. the Board of Directors’ Executive Committee
2. the Executive Director, and
3. the Finance Office.

These individuals shall be directly responsible to the GADD, ensuring that all funds are received, disbursed, and accounted for in conformity with the regulations of its various funding sources and in a manner consistent with the needs of the GADD including 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.

300.310 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 Office’s assistance.

1. Preparation of Consolidated Budget: An internal agency-wide operating budget, for program elements identified in the Cost Allocation Plan (see Section 300.210) and any new programs recently added, shall be prepared by the Finance Offices prior to the start of each fiscal year. It shall be carefully reviewed with and approved by the Executive Director. The Executive Director will discuss it with the Board of Directors’ Executive Committee and then submit it to the full Board of Directors. The Board must approve the budget prior to the start of the upcoming fiscal year.

2. Budget amendments: The Finance Offices, in conjunction with the Executive Director’s input, maintains and monitors the agency-wide operating budget on a continual basis throughout the fiscal year, making changes as needed.

3. Aging Program Budgets: GADD receives the majority of its funding via Kentucky’s Department for Aging and Independent Living (DAIL). DAIL requires a detailed budget and narrative for each specific program for each award year.
   a. The Finance Office shall prepare all forms (initial or amendment) in conformity with DAIL’s prescribed format, requirements, and time frame.
   b. These shall be prepared in conjunction with the Aging Director’s and Executive Director’s input.
   c. The budgets shall include all anticipated revenue sources (including donations, local cash, and in-kind contributions) and all expected program
expenditures (e.g., personnel, travel, supplies, sub-provider costs, operational expenses).

  d. The Finance Office shall integrate these program budgets into the agency-wide consolidated budget.

4. **Other Program Budgets:** Various other detailed program or contract administration budgets are prepared by GADD on as-need basis, such as for potential new awards.

  a. The Finance Office, in conjunction with the GADD staff member responsible for a program, prepares budget estimates for both direct programmatic costs as well as GADD administrative costs.

  b. The proposed budget is shared with the Executive Director to ensure that it complements the agency’s overall operations. The Executive Director may elect to present it to the Board of Directors’ Executive Committee.

  c. If funded, the Finance Office shall integrate the program budget into the agency-wide consolidated budget.

The Executive Director and Finance Office shall keep the Board of Directors’ Executive Committee apprised of major budget changes throughout the fiscal year, particularly those that will influence the agency’s fund balance.

### 300.311 Special Purpose Governmental Entity (SPGE) Budget

The Commonwealth’s Department for Local Government (DLG) considers GADD to be a SPGE. SPGE’s have mandated financial disclosures. The Finance Office shall adhere to:

  1. Posting the beginning board-approved budget no later than 15 days (i.e., July 15th) after the start of the fiscal year.

  2. Posting budget amendments or line item transfers no later than the last day of the fiscal year.

  3. Posting budget year-end actuals no later than 60 days (September 1) after the close of the fiscal year.

  4. Submitting all required data via the DLG online portal in conformity with their requirements.

### 300.315 Financial Reporting to Management

At the beginning of each fiscal year, the Finance Office shall develop an agency-wide internal budget based upon expected or known revenue and expenses (see Section 300.310) that is reviewed with the Board of Directors’ Executive Committee and approved by the full Board of Directors. To keep the Executive Director and Board informed on GADD’s finances throughout the year, including any major or unexpected changes, the Finance Office shall:

  1. Each month, prepare a master “expended to date” report comparing YTD actual expenditures to budget by each program element along with a check listing for that month, and forward both to the Executive Director.
2. For GADD board meetings, prepare a:
   b. Revenue and Expense by Program report showing actual revenues received or accrued, and comparing YTD actual expenditures to the budget for each program or contract.
   c. Revenue and Expense report classified by each general ledger account (e.g., federal revenue, local revenue, salaries, travel, utilities).
   d. On quarterly basis, via email attachment, a YTD Vendor Activity Report generated by the Abila accounting software.
3. Upon request, prepare any other report requested by the Executive Director, program director, or Board member.

300.320 General Accounting Functions

It is the responsibility of the Finance Office, under the supervision of the Executive Director, to do the following in a timely fashion and in the prescribed format, as applicable:
1. Record all financial transactions on a routine basis and in conjunction with all applicable policies and procedures.
   Note: The Finance Office shall take precautionary steps to protect the confidentiality of records, such as locking each Finance Office’s door upon leaving for the day (or during a prolonged absence), locking the door to the office that houses prior year financial records, locking their computer station during lunch and meetings, etc.
2. Timely pay all vendor invoices, bills, sub-provider requests, etc. keeping the supporting documentation with the cash disbursement.
3. Establish new employees in the Abila accounting software (including setting up individualized chart of account and labor distribution codes) and creating him/her a Master Timesheet using the procedure established by the Executive Director.
   a. Finance makes request for timesheet folder to be created from a System Administrator. Finance will include employee’s name and who will require access to their folder.
   b. System Administrator creates folder and sets appropriate permissions.
   c. System Administrator checks permissions.
   d. System Administrator notifies Finance that folder has been created and permissions set.
   e. Finance will insert employee’s timesheet in the newly created folder.
4. Prepare and record on a timely basis all payroll and payroll related transactions.
5. Prepare annual W2’s and 1099’s, in accordance with federal guidelines, and distribute to payee within the required timeframe.
6. Perform various reconciliations and provide to the Executive Director monthly summaries.
7. Prepare financial statements to discuss with the Board of Directors’ Executive Committee and for the Executive Director to present to the full Board.
8. 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.
10. Ensure the GADD’s computerized accounting system (Abila MIP software) accurately reflects the agency’s financial status at all times.
11. Serve as the primary contact for, and provide assistance with, the annual external audit.
12. Perform other accounting or financial assistance as requested by the Executive Director.

300.330 Cash Transactions

It is the 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 GADD accounts, and those individuals responsible for the recording and accounting of funds. (See Sections 300.502 – 300.506)

300.340 External Reporting

It is the responsibility of the Finance Office to prepare and distribute to the GADD’s designated individuals and agencies timely and accurately prepared financial reports in the prescribed format.

300.350 Audits

It is the responsibility of the Executive Director to procure audit services in conformance with GADD policy. The Executive Director and the Finance Office shall be primarily responsible for working with the auditor(s) to ensure a timely and accurate audit.

300.351 SPGE Audit Requirement

The Commonwealth’s Department for Local Government (DLG) considers GADD to be a SPGE. SPGE’s have mandated financial disclosures. The Finance Office shall upload a PDF version of the GADD annual audit report to their online portal no later than 12 months after the close of the fiscal year.

300.400 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 MIP software. These (both hard and magnetic storage), along with all support schedules, source documentation (e.g., timesheets, invoices, purchase orders, deposit records, cancelled checks, approved budget documents) comprise the permanent financial records of the GADD. 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. 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.

300.410 Cash vs. Accrual

Throughout the fiscal year, the majority of revenues and expenses recorded on a cash basis.

Exception: The Finance Office elects to accrue some larger or one-time annual payments (such as insurances, audit fee, and debt-related interest) and spread the cost evenly over the twelve months, so not to negatively impact one particular month’s activity.

Timing: Sometimes it is necessary to accrue an expense or revenue temporarily, such as at month end, in order for the Abila accounting software to accurately reflect a program’s activity. This accrual is subsequently reversed the following month.

As of June 30th of each fiscal year, the Finance Office prepares adjusting entries to recognize any revenues earned but not received (i.e. Accounts Receivables) and expenses incurred but not paid (e.g., Accounts Payable, Accrued Payroll), that converts the annual financial statements to the required accrual basis.

300.420 General Ledger

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

1. Ensuring that all asset and liability accounts are routinely reconciled with third party sources.
2. Reconciling any control account with supporting ledgers and/or other documentation.
3. Ensuring that all revenues and expenses are recorded in the proper general ledger account, in the fiscal year to which the revenues and expenses relate, and to the program for which they correspond.
4. Reconciling all departmental revenue and expense accounts with all third party billings, invoices, statements, etc.

300.430 Chart of Accounts

The Finance Office is responsible for maintaining the chart of accounts within the general ledger, as well as routinely updating all other schedules and lists (e.g., employees, vendors) contained in the Abila accounting software. GADD’s chart of accounts consists of five major sections.
1. **Assets**: All assets of the GADD, both current and long-term, including cash accounts, receivables, investments and fixed assets.

2. **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.

3. **Fund Balance**: The total net position of the GADD.

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

5. **Expenses (Direct and Indirect)**:
   a. 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 of work as well as by type or nature of the expense.
   b. 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.

### 300.440 General Journal Entries

Journal entries shall be prepared by the Finance Office and entered into the General Ledger on as-needed basis. They include the following:

1. **Allocation of Shared Cost to specific programs or work elements**: This process shall be done at the end of each month, but may be more often if warranted.

2. **Allocation of employee-earned annual leave from control accounts to the corresponding individual work elements**: Full-time employees' annual leave monthly accrual amounts are calculated and entered as a Journal Voucher, followed by a subsequent allocation via the Abila accounting software.

3. **Accrual of any revenues or expenses not recorded through the cash receipts or check writing processes**: This is done as needed, but primarily during fiscal year end closing.

4. **Calculation of depreciation, recognizing any fixed asset additions or deletions**: This calculation is done at the end of each month via the Abila accounting software in accordance with GADD’s policy to depreciate non-consumable items with a cost exceeding $1,000 and having a useful life expectancy of three (3) years or more, excluding technology-related items.

5. **Allocating the usage of GADD owned vehicles to the program(s) for which the employee drove it**:
   a. The Office Manager shall maintain a log for each vehicle.
b. The employee using the car signs the car out when they get the keys, then completes the odometer readings and notes the related program code when the vehicle is returned.

6. 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.

300.500 Accounting Procedures

The GADD Finance Office shall develop and maintain a separate detailed in-depth document as a “Finance Procedure Manual” to assist personnel with regular tasks and duties. This manual shall incorporate the Fiscal Policies discussed in this document, as applicable.

300.501 Accounts Receivable

At the end of each billing cycle specified by the corresponding funding agency, the Finance Office shall prepare the appropriate invoice for any revenues, contract income, or other reimbursement due to the GADD. The billings shall be prepared in the agency-required format and submitted to the correct person or office along with any required support documentation, within the specified timeframe.

All invoices or billings are subject to review and approval, prior to submission to any third party, by the Executive Director.

300.502 Funds Received via the Mail

The Office Manager or designated back-up person, as the incoming mail is opened, shall log each check or cash payment onto an Excel “Incoming Receipts Log” spreadsheet. This shows such data as who the check was from, the amount, the date received, and to whom the Office Manager routed the check or cash. The Office Manager shall also make a copy of each check and maintain such to give the Executive Director at the end of each month.

1. **Routing:** The Office Manager 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).

2. **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.

3. **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 four (4) business days from receipt of said funds.

4. **Log Completion:** At month end, before the 10th of the following month, the Finance Office and other staff members shall update the “Incoming Receipts
Log” spreadsheet to reflect the date the funds were deposited, the amount, and the particular account into which the funds were placed. The Executive Director’s designee shall subsequently print a copy of the completed log for that month. The log, along with copies maintained by the Office Manager, is forwarded to the Executive Director for review and verification.

5. **Verification:** As part of the monthly bank reconciliation approval process, the Executive Director shall review the prior month’s “Incoming Receipts Log”. This review shall include comparing the log’s entries to photocopies made by the Office Manager 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 four (4) business days.

The Executive Director signs and routes the completed “Incoming Receipts Log” back to the staff members for their review and initials, ending with the Finance Office to maintain on file for auditor review purposes.

### 300.503 Senior Center Cash

Each of GADD’s six Senior Center facilities receives cash (currency or checks) daily from the participating seniors as a donation toward the aging programs.

All cash collected is to be remitted to GADD’s office accordance with this section. The Senior Center Director, nor any other employee or volunteer, is permitted to use cash-on-hand to procure items or services.

1. For congregate meals: As seniors come into one of the centers to have a meal, they have the opportunity to make a donation to the program. The Senior Center Director collects the money donated and counts it (preferably with one other person), noting a daily total on that day’s log. Then the Director shall place the cash and log in a sealed envelope, write the date and amount on the outside, and secure it inside a locked filing cabinet.

   Note: A locked donation box is located in each Center to collect funds contributed.

2. For home-delivered meals or transportation services: Seniors who receive a home delivered meal, or a senior for whom GADD has provided transportation, also has an opportunity to make a cash donation by giving money to the van driver. The van driver collects the money, places it an envelope, and gives it to the Senior Center Director upon returning to the Center. The Senior Center Director likewise counts the cash donated, notes the amount on the daily log, and places the money in a sealed enveloped inside a locked filing cabinet.

3. Each Senior Center Director sends the prior day’s cash collections to GADD’s Regional Kitchen. The Regional Kitchen manager places each of the other Senior Center’s sealed envelopes in a lock box.

4. Generally twice a week, a designated GADD representative will pick up all cash from the Regional Kitchen, place it inside a locked bank bag, and bring it to the
GADD Finance Office to secure from the public until such time the money can be counted and prepared for deposit.

5. The Finance Office gives the locked money bag to the Office Manager and a second designee who will unlock the bank bag together, remove all contents, verify and count the cash, and prepare corresponding bank deposit tickets.
   a. Both employees initial the bank deposit ticket.
   b. Two copies of the deposit ticket are made – one for the Finance Office and one for the Office Manager. The Office Manager logs the amounts on the Excel “Incoming Receipts Log” (see Section 300.502) in like manner as other incoming funds.
   c. The cash and original bank deposit tickets are placed inside a locked bank bag.

6. Another GADD employee will be asked to physically take the locked bag to the local bank. To ensure proper division of duties and safeguards, neither the Finance Office nor the two individuals counting the money shall be permitted to make the deposit.

7. GADD shall adhere to a four (4) business day timeframe starting from when the cash is picked up at Regional Kitchen until the cash is deposited into the bank.

300.503(1) Senior Center Cash – Fundraising

Each of GADD’s Senior Center facilities has the ability to raise money through arranged activities or special-requested donations, such as holiday dinners, yard sales, theme parties, etc. The funds raised can be used by the Center or its seniors to procure items/services that would not allowed by the state Department of Aging and Independent Living. The funds are deposited into a designated bank account that is administered by the Finance Office.

All funds (via cash or checks) collected is to be remitted to GADD’s office accordance with this section. The Senior Center Director, nor any other employee or volunteer, is permitted to use cash-on-hand to procure items or services.

As activities occur, the Senior Center Director counts the money raised or donated and places it in a separate sealed envelope (with a note on the outside as to amount and activity) and places it inside a locked filing cabinet. The funds are then routed to GADD, and ultimately the bank, in accordance with steps 3-7 outlined above in the Section 300.503.

300.504 Cash Payments

GADD discourages cash payments for services. However, if someone insists on paying with cash (currency or coin), they must bring it into the office. Staff members working in the field cannot accept cash payments.

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 ensure all donations are received and properly recorded by the Finance Office.

1. The GADD Office Manager, or the individual covering the reception area, will ask another staff member to join them. Both employees will count the cash and issue the individual a cash receipt. All three (3) parties shall sign the receipt.

2. The Office Manager logs the cash on the Excel spreadsheet in like manner as other funds (see Section 300.502) received with a copy of the receipt being given to the Executive Director at the end of the month.

3. The Office Manager will give the cash to the Finance Office (or other designated program staff member) for who will be responsible for depositing the cash within the required four (4) business days timeframe.

300.505 Deposits

It is the responsibility of the Executive Director’s named designees to ensure that any funds received by the GADD are deposited into the appropriate bank account promptly, i.e., no later than close of the fourth (4th) business day.

1. Deposit Confirmation: The Finance Office or other designee shall obtain a bank confirmation for each deposit, such as a stamped deposit ticket or a software confirmation report. Any staff member taking a deposit to the bank shall 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 deposit and become part of GADD’s files.

2. 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 operational accounts (i.e., General Operating, Aging, and Local) while other staff members are responsible for specific program receipts (e.g., RLF, PDS, NHPLP). Bank activity must be recorded in GADD’s accounting software at least monthly (see Section 300.507 Bank Reconciliations).

3. Routine Reports/Journals/Ledger: For each operational bank account, at the end of the month the Finance Office shall print the General Ledger Activity Detail and a Cash Journal from the Abila accounting software. These reports shall be in hard copy format and filed in the corresponding notebook, identified as to the specific bank and account.

4. No transfers shall be made between or to another bank account without written pre-approval from Executive Director.

300.506 Cash Disbursements

All disbursements or checks from any GADD operational bank account shall be prepared by the Finance Office via the Abila accounting software. Other program-
related disbursements (e.g., RLF, NHPLP, PDS) are prepared by the designated staff member. All GADD checks are reviewed and signed by the Executive Director, in accordance with Board policy.

1. Disbursement Schedule: Generally, checks are written and disbursed based according to the following:
   a. Payroll checks are issued by direct deposit only. The bank has a two-business day processing cycle from the time it is requested by the Finance Office. Since payroll is usually processed on a Monday, the money is normally transferred into each employee’s bank account on Wednesday or Thursday. However to allow for processing or holiday delays, GADD has established the Friday following the pay period end as the guaranteed “pay-by” day.
   b. Staff members are to request travel reimbursements in accordance with the GADD document “Agency Travel Policies and Procedures. (see section 300.600) If not filed timely, the Executive Director reserves the right to delay or deny reimbursement.
   c. All vendor, contractor, or sub-provider checks are disbursed as needed, usually at least once a week. The Finance Office shall be cognizant of the Executive Director’s scheduled days or times in the office as it relates to the vendor’s due date, and ensure checks are prepared far enough in advance to obtain the required signature. The Finance Office shall also:
      i. Verify the mathematical accuracy of all invoices.
      ii. Verify applicable documentation authorizing the obligation of funds is attached to each invoice.
      iii. Ensure all expenditures are charged to the appropriate account and program.
      iv. Ensure the invoice is recorded in the correct fiscal year.
   d. Exceptions to this policy can be made when particular circumstances warrant it, contingent upon the Executive Director’s approval.

2. 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 GADD’s preferred practice to require a second approval from at least one member of the Board of Directors’ Executive Committee. The Finance Office shall email an unposted cash disbursement PDF report (created directly within the Abila accounting software) to the Board member asking for approval, and await a positive response prior to mailing the checks.
   a. Exception: A second approval is not required on payments (a) related to payroll withholdings or taxes and (b) to contractors or aging sub-providers for which the board has previously approved the corresponding contract.
   b. Automated payments: When vendors do not provide sufficient turn-around time on their billing cycle, the Finance Office may elect to pay the invoice via the agency credit card or an electronic check through GADD’s General Operating Fund bank account. This process avoids late fees and interruption of service.

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c. At month end, an unposted cash disbursement PDF report showing these transactions shall be sent to the designated Board of Directors’ Executive Committee member for review. The hardcopy documents of said disbursements are forwarded to the Executive Director for review. This policy can be revised in an emergency by the Board of Directors’ Executive Committee.

3. **Mailing of Checks:** The Office Manager will mail or distribute the checks to the payees, keeping a daily log of outgoing mail. The Office Manager shall scan GADD’s check-stub and support documentation before returning the hardcopies to the Finance Office for filing.

4. **Petty Cash:** At this time, GADD does not maintain a petty cash, but reserves the right to do so if necessary. The Executive Director, or named designee, may maintain a petty cash fund of no more than $200.00 as necessary for GADD’s main office location only. GADD’s Senior Centers are not authorized to have a petty cash fund.

   This fund shall be used for non-routine purchases requiring immediate payment, which arise from time to time. Petty cash shall always be kept in a secure location, with access limited to the Office Manager and the Executive Director, only. 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 Office Manager.

   Upon depletion of the petty cash fund, the Office Manager should request reimbursement by completing the applicable form indicating the amount of cash required to replenish the fund, and attaching all supporting documentation. This request shall be forwarded to the Executive Director for approval before the Finance Office records the expenditures and obtains new cash.

**300.507 Bank Reconciliations**

All GADD bank accounts are to be reconciled and approved on a monthly basis. 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.

These steps shall be taken to ensure separation of duties and internal controls.

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

2. The reconciling staff member shall promptly reconcile said bank account. If necessary, the reconciliation shall be forwarded to the Finance who will make
appropriate entries into the Abila accounting software to reflect that month’s activity (except for PDS which is a separate entity).

3. The Finance Office shall ensure the General Ledger cash account balances agree with the balance shown on the bank statements by placing an Abila printout of the account with the reconciliation. The completed reconciliation and general ledger printout is forwarded to the Executive Director.

4. The Executive Director shall review all documents and sign off on the reconciliation, returning the records to the original account keeper.

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

300.508 Payroll Transactions

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 Sunday at 12:00 AM, ends on a Saturday at 11:59 PM, and covers fourteen (14) calendar days.

1. Timesheets Required: No payroll checks shall be prepared unless current signed time sheets are submitted on a timely basis. The employee categorizes all hours as either working, holiday/bereavement/personal, sick, or annual leave. All working hours are further identified to a specific program or element.

2. Submission of Timesheets: Timesheets, signed by the employee, their supervisor, and the Executive Director, must be submitted to the Finance Office on the Monday following the pay period end or as otherwise requested by the Executive Director.

3. Preparation and Distribution: Upon receipt of approved signed timesheets, the Finance Office shall carefully process that period’s payroll, including having an Executive Director named designee double check the program labor distribution, through the computerized Abila accounting system and imports the file into the bank. (This process results in funds being direct deposited into the designated employee bank accounts.) The Finance Office either emails or gives each employee a Check Voucher that summarizes their gross pay, taxes, deductions, benefits, etc. as verification of the completed process.

4. Approval: The bank requires the Executive Director to approve an Automated Clearing House (ACH) File Transmittal Form showing the total amount to be transferred from GADD’s General Operating Fund bank account into each employee’s bank account(s). The Finance Office prepares it, 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 Office scans the approved form and emails such to the named bank representative(s).

5. **Employees Payroll Documents on File:** As verified by external auditors, it is the responsibility of Finance Office to ensure:
   a. That all employees have current W-4’s on file and that both the state and federal taxes are being withheld accordingly.
   b. 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 both in accordance with established GADD policies and in concurrence with the intent of the individual employee per written authorizations.
   c. That all employees are being paid the correct hourly or salaried rate per the most recent written authorization in each employee’s personnel file.
   d. Employee bank account information, for deposit of payroll, is in place.

6. **Annual Leave and Sick Leave Records:** The Executive Director shall designate a staff member (usually the Finance Office) to maintain a spreadsheet, consistent with guidelines set forth in the Employee Handbook, 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 MIP Payroll system and to the balances printed on the employee’s check stub. At fiscal year end, the Finance Office calculates GADD’s total annual leave liability and adjusts the general ledger accordingly.

7. **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 and is confirmed in writing.

8. **Payroll Tax Payments and Reports:** The Finance Office shall ensure that all federal, state, and local taxes withheld as well as any other mandated payroll related liability (e.g., unemployment insurance, workers compensation) 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 shall be routinely filed in clearly marked folders in the Finance Office.

9. **Routine Documentation:** The Finance Office 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. Electronic Fund Transfer of FICA and federal taxes withheld (each regular or supplemental pay period)
g. Kentucky Tax Information (each month)
h. CERS Retirement Information (each month)
i. Quarterly Wage Statement (each quarter) to each city or county
j. 941 Information (each quarter)
k. W-2’s (annually)

The Finance Office shall take precautionary steps to protect the confidentiality of payroll-related records, such as locking each of the Finance Office’s doors upon leaving for the day (or during a prolonged absence), locking the door to the office that houses prior year payroll records, limiting physical and computer access to timesheets, locking employee’s computer station during lunch and meetings, etc.

### 300.509 Employee Credit Cards

For convenience sake of purchasing, such as online transactions, GADD elects to use credit cards. Some relate to a specific vendor (e.g., SAMS Club) for which only the Executive Director or Office Manager are authorized to use. GADD has one consolidated group company business credit card (currently the Platinum Plus Business Card via Bank of America) that is issued in individual employee’s names.

1. Upon a request from the Executive Director, the Finance Office requests a card be issued in an employee’s name by calling the Business Card center.
2. The new card is given to the Office Manager to maintain. Only the Executive Director is allowed to carry agency credit cards at all times. All other cards shall be kept in the office as protection against accidental use for personal items or physical loss.
3. Each time an employee wishes to use their card, they sign it out from the Office Manager. The Office Manager is authorized to use their card for various routine purchases.
4. The card is returned to the Office Manager along with a receipt or other support documentation for the purchase.
5. The Office Manager keeps all receipts to the end of the month, then matches them to the monthly Business Card invoice ensuring there is a receipt for each individual transaction.
6. The invoice and attached receipts are forwarded to the Finance Office as support of the direct ACH payment from GADD’s General Operating Fund bank account.

As a matter of transparency, during each Board of Directors’ Executive Committee meeting, the Finance Office provides the recently processed credit card bills in hardcopy form. The hardcopies include the vendor invoice, any applicable summary schedule, and all original receipts. One member will review the documentation and sign-off on the disbursement.
300.510 Fuel Credit Cards

GADD elects to use a Fleet Universal credit card, via WEX Bank, for gasoline purchases for its agency-owned vehicles and for the Senior Center’s vans. This exempts the agency from certain taxes, resulting in a significant cost savings each month.

1. A fuel credit card is placed in a pouch on the key chain of each vehicle.
2. The Finance Office establishes a personalized code for each new employee who may be driving a GADD owned vehicle via the WEX Bank online service. This code is cancelled when the employee leaves.
   Exception: Each Senior Center is given a code for that facility for any designated driver to use.
3. For GADD’s location:
   a. Each time an employee drives a GADD vehicle, they shall fill it up on the way back to the office at a nearby station, using their assigned code, and obtaining a receipt.
      Exception: The Executive Director purchases gasoline for the Director’s vehicle on as-need basis, rather than by each trip.
   b. The employee shall sign the receipt and note what program it relates to (e.g., 100 Homecare, 010 Economic Development, 777 PDS) and give it to the Office Manager.
4. For Senior Centers:
   a. The driver fills up the van on as-need basis, using the facility assigned code.
   b. The driver gives the receipt to the Senior Center Director.
   c. The Senior Center Director promptly starts routing the receipts to GADD, (at least on a weekly basis) following established procedures.
5. The Office Manager keeps all receipts to the end of the month, and then matches them to the monthly WEX invoice ensuring there is a receipt for each individual transaction.
6. The invoice and attached receipts are forwarded to the Finance Office as support of the direct ACH payment from GADD’s General Operating Fund bank account.

To assure the Board of Directors’ Executive Committee these fuel purchases were incurred by an authorized employee and there is a corresponding receipt, as part of each Executive Committee meeting, the Finance Office provides the recently received WEX invoices in hardcopy form. This includes the vendor invoice, any applicable summary schedule, and all original receipts. One member will review the documentation and sign-off on the disbursement.

300.520 Backup Procedures

The following backup procedures shall be followed for all accounting data in the system.
1. At the end of each day, the Finance Office shall back up the accounting software (Abila/MIP) onto the server. The server has a RAID array consisting of 6 hard disks. If one disk fails, the others continue to work without any data loss.

2. GADD has two (2) external hard disks to which all agency data (including Abila) is backed up by a staff member designated by the Executive Director, usually the System Administrator. A backup is done each night at 5:30 PM to a single disk.

3. Every Friday afternoon, one disk is switched out with another disk and then is taken off site at the end of the day. It stays off-site until the following Friday when the disks are switched.

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.

300.600 Travel Reimbursement Procedures

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.

The Executive Director, in conjunction with the Finance Office and program directors, is responsible for monitoring travel expenditures to ensure their necessity, reasonableness, and fund availability according to the agency budget. The Finance Office shall ensure all travel expenses are charged against the same program or element for which the employee’s time is charged.

Employees shall adhere to GADD’s separate Board-approved document “Part 300.600 Agency Travel Policies and Procedures” in effect at the time of the travel.

Members of the GADD Board of Directors shall comply with the official “Gateway Area Development District’s Board Travel Policies” in effect on the date the board member travels.

300.700 Procurement Policies and 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 these Procurement Policies and Procedures. These policies shall apply to all purchasing without regard to the method of payment (i.e., check, credit card, or automated bank transaction).

Pre-approval: Any employee, except for the Executive Director and Office Manager, wishing to procure items shall obtain written pre-approval prior to procuring those items (i.e., supplies, materials, computer software, equipment, etc.) The approval shall obtain
both the Finance Office’s (that verifies sufficient budgets and assigns applicable program and expenditure codes) and the Executive Director’s approval. A copy of the written approval shall be maintained and submitted with subsequent bill.

1. Exception #1: This is not necessary for routine operational expenses such as utilities, telephone, equipment leases, dues, contracts, etc. including those incurred by a Senior Center.
2. Exception #2: General office supplies or materials customarily ordered by the Office Manager, including those necessary for the Senior Center operations, do not require prior approval.
3. Exception #3: Prior approval is not required for those expenditures given a predetermined budget amount, such as the Aging Programs' direct client expenses or PDS client supplies, for which there is a separate tracking mechanism.

In those instances where no proper prior approval was obtained, it is the discretion of the Executive Director to authorize or refuse payment of the particular invoice.

300.701 Procurement Policy

1. Authority: For purposes of administration of these policies and Kentucky Revised Statutes (KRS) KRS 45A “Kentucky Model Procurement Code”, the Executive Director may delegate this responsibility to another employee.

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

3. Purchasing: In all purchasing, the GADD shall comply with the Commonwealth's statutes stated in KRS 45A.345-460 (see Appendix A), the federal regulations stated in 2 CFR 200.317-326, and such others that 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:
   a. Micro-purchases: For purchases not exceeding one thousand dollars ($1,000), GADD may select a suitable vendor without competitive quotations as long as it considers the price to be reasonable. A single purchase shall not be artificially divided so as to constitute a micro-purchase under this authority.
   b. Small purchases: GADD shall adhere to the state’s small purchase authority of a fiscal year aggregate amount under $30,000 for goods or contracted services. For goods or services estimated between $1,000 and $30,000, GADD will obtain three (3) quotes from qualified sources.
      i. If there are not three qualified sources, GADD will document the reasons.
      ii. The Executive Director reserves the right to follow bidding procedures even though the expected cost lies within the agency’s small purchase authority. 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.

c. **Sealed bids or formal advertising:** If the conditions outlined in 2 CFR 200.320 (c) are present, GADD may solicit bids publicly resulting in a firm fixed price contract.

d. **Competitive proposals:** All purchases or contracts for goods or professional services in total or aggregate amounts of $30,000 or more shall be acquired as provided in KRS 45A.365 Competitive Sealed Bidding, KRS 45A.370 Competitive Negotiation, KRS 45A.375 Negotiations After Competitive Sealed Bidding or KRS 45A.380 Noncompetitive Negotiation. (see Appendix A)

  i. 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.

  ii. All solicitations shall incorporate a clear and accurate description of the technical requirements for the material, product, or service GADD desires to procure.

  iii. All solicitations shall identify the requirements which the offeror must fulfill and other factors used in evaluating the proposals.

  iv. GADD shall ensure there is sufficient sources to support maximum open and free competition.

e. **Noncompetitive proposals:** Pursuant to KRS 45A.380 Noncompetitive Negotiations, GADD may procure goods or services when a written determination is made that competition is not feasible. Common examples include when only a single (one) source exists within a reasonable geographical area, an emergency situation, purchase of perishable items or replacement parts, etc.

f. **State contract:** The Kentucky State Price Contract allows local units of government, including Area Development Districts, to purchase items listed on the State Price Contract. This essentially means that the state has gone through the bidding process and has awarded contracts to specific vendors for specific items. Even when buying on the State Price Contract, GADD should compare prices to other vendors as a means of ensuring the best available price.

**300.702 Conflict of Interest**

No bid for goods or services shall be considered under KRS 45A.365, KRS 45A.370 or KRS 45A.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 KRS 45A.340 (see Appendix C) regarding conflicts of public employees.
300.703 Consumable Supplies

Authorized by the Executive Director, the following practices shall be followed in the purchase of consumable items and miscellaneous office supplies wherein such purchases do not require application of competitive procedures provided in Section 300.701.

1. 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.

2. All requisitions, routine or special requests, are subject to review by the Executive Director to determined necessity and availability.

3. To reduce the number and frequency of orders, and to ensure unnecessary or duplicative items are acquired, the Office Manager shall maintain an office supply inventory in a designated area for commonly used items like folders, labels, pens, tape, staples, paper clips, etc. Any GADD employee may obtain items from this location.

4. For special requested purchases, the Office Manager may confer with the Executive Director to verify the feasibility of the request before proceeding with its procurement.

5. The Office Manager shall periodically solicit or compare price quotations for consumable goods of ordinary office supplies from those legitimate suppliers doing business within a reasonable market area, to ensure GADD continues to get the best prices.

6. GADD may maintain charge accounts with several competing suppliers for the purpose of making minor purchases on non-stocked items.

300.704 Records

GADD shall maintain records sufficient to detail the history of the procurement. This documentation shall include (as applicable) the rationale for the method of procurement used, selection of contract type, contractor selection or rejection, and basis for the contract price.

When the State Price contract is used, documentation shall show the purchase was completed on a valid State Price Contract along with the vendor’s identification number.

All documentation, records, and written materials required by these policies shall be maintained on the GADD server’s “shared” drive under the designated “Procurement Documents” folder. These records will be available, upon request, for public inspection, auditing, and record retention purposes. (see Section 300.520 Backup Procedures).

The Executive Director delegates this responsibility to each GADD departmental head.
300.705  Preferred Source

Acquisition of materials, supplies, and equipment through the Kentucky Surplus Property program, shall be used whenever possible and reasonable.

300.706  Procurement of Auditing Services

As an Area Development District, GADD shall comply with KRS 147A.117 (see Appendix B) regarding contracting with a certified public accountant. Each fiscal year, the Commonwealth’s Auditor of Public Accounts (APA) office always has first choice on auditing the GADD.

1. The Finance Office shall prepare and send a written request, signed by the Executive Director, to the APA to determine if that office wishes to conduct the audit. If there is no response within thirty (30) days, or if the APA office declines, then GADD shall proceed with its procurement.

2. GADD shall procure its annual independent audit via competitive negotiation (Request for Proposal or Request for Qualification) open to licensed Certified Public Accountants within Kentucky.
   a. The Board of Directors’ Executive Committee shall determine how many years each RFP remains valid without re-issuance – i.e., resulting in an initial award year plus optional periods thereafter.
   b. The APA office must decline (or not respond timely) before an external firm may continue auditing the optional periods.

3. The Finance Office is responsible for this process including, but not limited to, drafting the documents, developing a timeline, notifying potential firms, posting it on GADD’s website, responding to questions, etc.

4. A review committee (typically consisting of the Executive Director, the Finance Office, and at least one other person) shall review and score each response. The committee’s findings shall be shared with the Board of Directors’ Executive Committee, who will make the final determination of the successful firm based upon both qualifications and price.

300.707  Surplus Property

GADD may dispose of agency-owned property (i.e., non-consumable items) when the item is no longer needed, it is no longer functional, or becomes unsuitable for public use. In such an event, GADD will comply with KRS 45A.425 (see Appendix A).

300.900  Accounting for Independent Projects and Affiliated Organizations

The GADD may monitor, administer, or manage one or more special projects on behalf of the District including but not limited to the following:
1. Special projects involving research or program implementation for special purpose non-profit corporations (e.g., Kentucky Housing Corporation, Center for Public Issues, Water and Wastewater Districts, District Health Department, Industrial Authorities).
2. Projects for local units of government (e.g., infrastructure development, economic development).
3. The Morgan County Tornado Relief Fund 501(c)(3).
4. The Gateway Participant Directed Services (PDS) program.
5. Other independent projects or programs of the GADD.

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 member is responsible. In all instances, the following shall apply:

1. Any GADD staff member 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.

300.910 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 corporation 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 funds available for investment and the appropriate type of investment in conformance with the policy outlined above.

300.920 Bonding Requirements
The Executive Director, and any other position directly involved with the handling of monies or securities of the GADD, shall be bonded at a reasonable amount determined by the Executive Director or GADD Board of Directors. Positions which typically handle minimal amounts of cash may be excluded due to the cost vs. benefit ratio.

Attachments:
- Appendix A – Applicable State Procurement Regulations
- Appendix B – Auditing Contract
- Appendix C – Conflicts of Interest

Board approved date __________ April 30, 2019
Board amended date __________ July 30, 2019
Board amended date __________ January 28, 2020
Appendix A – Applicable State Procurement Regulations

45A.100 Small purchases by state governmental bodies.
(1) Procurements may be made in accordance with small purchase administrative regulations promulgated by the secretary of the Finance and Administration Cabinet, pursuant to KRS Chapter 13A, as follows:
(a) Up to ten thousand dollars ($10,000) per project for construction and one thousand dollars ($1,000) for purchases by any state governmental body, except for those state administrative bodies specified in paragraph (b) of this subsection; and
(b) Up to forty thousand dollars ($40,000) per project for construction or purchases by the Finance and Administration Cabinet, state institutions of higher education, and the legislative branch of government.
(2) Procurement requirements shall not be artificially divided so as to constitute a small purchase under this section. Reverse auctions may be used for small purchase procurements. At least every two (2) years, the secretary shall review the prevailing costs of labor and materials and may make recommendations to the next regular session of the General Assembly for the revision of the then current maximum small purchase amount as justified by intervening changes in the cost of labor and materials.
(3) The secretary of the Finance and Administration Cabinet may grant to any state agency with a justifiable need a delegation of small purchasing authority which exceeds the agency's small purchase limit provided in subsection (1) of this section. Delegations of small purchasing authority shall be granted or revoked by the secretary of the Finance and Administration Cabinet, in accordance with administrative regulations promulgated by the cabinet pursuant to KRS Chapter 13A. These administrative regulations shall establish, at a minimum, the criteria for granting and revoking delegations of small purchasing authority, including the requesting agency's past compliance with purchasing regulations, the level of training of the agency's purchasing staff, and the extent to which the agency utilizes the Kentucky Automated Purchasing System. The administrative regulations may permit the secretary of the Finance and Administration Cabinet to delegate small purchase procurements up to the maximum amount specified in subsection (1)(b) of this section.

45A.345 Definitions for KRS 45A.343 to 45A.460.
As used in KRS 45A.343 to 45A.460, unless the context indicates otherwise:
(1) "Aggregate amount" means the total dollar amount during a fiscal year of items of a like nature, function, and use for which can reasonably be determined at the beginning of the fiscal year. Items the need for which could not reasonably be established in advance or which were unavailable because of a failure of delivery need not be included in the aggregate amount.
(2) "Capital cost avoidance" means moneys expended by a local public agency to pay for an energy conservation measure identified as a permanent equipment replacement and whose cost has been discounted by any additional energy and operation savings generated from other energy conservation measures identified in the guaranteed energy savings contract, except that for school districts capital cost avoidance shall also mean moneys expended by the district from one (1) or more of the following sources:
(a) General fund;
(b) Capital outlay allotment under KRS 157.420; and
(c) State and local funds from the Facilities Support Program of Kentucky under KRS 157.440.
(3) "Chief executive officer" means the mayor, county judge/executive, superintendent of schools, or the principal administrative officer of a local public agency, or the person designated by the chief executive officer or legislative body of the local public agency to perform the procurement function.
(4) "Construction" means the process of building, altering, repairing, or improving any public structure or building, or other public improvements of any kind to any public real property. It does not include the routine operation, routine repair, or routine maintenance of existing structures, buildings, or real property.
(5) "Contract" means all types of local public agency agreements, including grants and orders, for the purchase or disposal of supplies, services, construction, or any other item. It includes awards and notices of award; contracts of a fixed-price, cost, cost-plus-a-fixed-fee, or incentive type; contracts providing for the issuance of job or task orders; leases; letter contracts; and purchase orders. It also includes supplemental agreements with respect to any of the foregoing. It does not include labor contracts with employees of local public agencies.

(6) "Document" means any physical embodiment of information or ideas, regardless of form or characteristic, including electronic versions thereof.

(7) "Established catalogue price" means the price included in the most current catalogue, price list, schedule, or other form that:
   (a) Is regularly maintained by the manufacturer or vendor of an item; and
   (b) Is either published or otherwise available for inspection by customers; and
   (c) States prices at which sales are currently or were last made to a significant number of buyers constituting the general buying public for that item.

(8) "Evaluated bid price" means the dollar amount of a bid after bid price adjustments are made pursuant to objective measurable criteria, set forth in the invitation for bids, which affect the economy and effectiveness in the operation or use of the product, such as reliability, maintainability, useful life, residual value, and time of delivery, performance, or completion.

(9) "Invitation for bids" means all documents, whether attached or incorporated by reference, utilized for soliciting bids in accordance with the procedures set forth in KRS 45A.365.

(10) "The legislative body or governing board" means a council, commission, or other legislative body of a city, consolidated local government, or urban-county; a county fiscal court; board of education of a county or independent school district; board of directors of an area development district or special district; or board of any other local public agency.

(11) "Local public agency" means a city, county, urban-county, consolidated local government, school district, special district, or an agency formed by a combination of such agencies under KRS Chapter 79, or any department, board, commission, authority, office, or other sub-unit of a political subdivision which shall include the offices of the county clerk, county sheriff, county attorney, coroner, and jailer.

(12) "May" means permissive. However, the words "no person may . . ." mean that no person is required, authorized, or permitted to do the act prescribed.

(13) "Negotiation" means contracting by either the method set forth in KRS 45A.370, 45A.375, or 45A.380.

(14) "Noncompetitive negotiation" means informal negotiation with one (1) or more vendor, contractor, or individual without advertisement or notice.

(15) "Objective measurable criteria" means sufficient information in the invitation to bid as to weight and method of evaluation so that the evaluation may be determined with reasonable mathematical certainty. Criteria which are otherwise subjective, such as taste and appearance, may be established when appropriate.

(16) "Person" means any business, individual, union, committee, club, or other organization or group of individuals.

(17) "Procurement" means the purchasing, buying, renting, leasing, or otherwise obtaining any supplies, services, or construction. It also includes all functions that pertain to the obtaining of any public procurement, including description of requirements, selection, and solicitation of sources, preparation and award of contract, and all phases of contract administration.

(18) "Request for proposals" means all documents, whether attached or incorporated by reference, utilized for soliciting proposals in accordance with the procedures set forth in KRS 45A.370, 45A.375, 45A.380, or 45A.385.

(19) "Responsible bidder or offeror" means a person who has the capability in all respects to perform fully the contract requirements, and the integrity and reliability which will assure good faith performance.

(20) "Responsive bidder" means a person who has submitted a bid under KRS 45A.365 which conforms in all material respects to the invitation for bids, so that all bidders may stand on equal footing with respect to the method and timeliness of submission and as to the substance of any resulting contract.
"Reverse auction" means a real-time, structured bidding process, usually lasting less than one (1) hour, and taking place at a previously scheduled time and Internet location, during which multiple bidders, anonymous to each other, submit revised, lower bids to provide the solicited good or leased space.

"Services" means the rendering, by a contractor, of its time and effort rather than the furnishing of a specific end product other than reports which are merely incidental to the required performance of service. It does not include labor contracts with employees of local public agencies.

"Shall" means imperative.

"Specifications" means any description of a physical or functional characteristic of a supply, service, or construction item. It may include a description of any requirement for inspecting, testing, or preparing a supply, service, or construction item for delivery.

"Supplemental agreement" means any contract modification which is accomplished by the mutual action of the parties.

"Supplies" means all property, including but not limited to leases on real property, printing, and insurance, except land or a permanent interest in land.

"Energy conservation measure" means a training program or facility alteration designed to reduce energy consumption or operating costs, and may include one (1) or more of the following:
(a) Insulation of the building structure or systems within the building;
(b) Storm windows or doors, caulking or weatherstripping, multiglazed windows or doors, heat absorbing or heat reflective glazed and coated window or door systems, additional glazing, reductions in glass area, or other window and door system modifications that reduce energy consumption;
(c) Automated or computerized energy control systems;
(d) Heating, ventilating, or air conditioning system modifications or replacements;
(e) Replacement or modification of lighting fixtures to increase the energy efficiency of the lighting system without increasing the overall illumination of a facility, unless an increase in illumination is necessary to conform to the applicable state or local building code for the lighting system after the proposed modifications are made;
(f) Energy recovery systems;
(g) Cogeneration systems that produce steam or forms of energy such as heat, as well as electricity, for use primarily within a building or complex of buildings;
(h) Energy, water, or wastewater conservation measures that provide long-term operating cost reductions or billable revenue increases;
(i) Any life safety measures that provide long-term operating cost reductions;
(j) Water and wastewater conservation measures, including plumbing fixtures and infrastructure; Equipment upgrades that improve the accuracy of billable revenue generating systems; or
(l) Automated, electronic, or remotely controlled systems or measures that reduce direct personnel costs.

"Guaranteed energy savings contract" means a contract for the evaluation and recommendation of energy, water, and wastewater conservation measures and for implementation of one (1) or more of those measures. The contract shall provide that all payments, except obligations on termination of the contract before its expiration, are to be made over time and the savings are guaranteed to the extent necessary to make payments for the cost of the design, installation, and maintenance of energy, water, and wastewater conservation measures.

"Qualified provider" means a person or business experienced in the design, implementation, and installation of energy, water, and wastewater conservation measures and is determined to be qualified by the local public agency. The qualified provider shall be responsible for and shall provide the local public agency with the following information regarding guaranteed energy, water, and wastewater savings contracts:
(a) Project design and specifications;
(b) Construction management;
(c) Construction;
(d) Commissioning;
(e) On-going services as required;
(f) Measurement and verification of savings for guaranteed energy, water, and wastewater savings contracts; and
(g) Annual reconciliation statements as provided in KRS 45A.352(8).

45A.355 Determinations -- Finality.
(1) Every determination required by this code shall be in writing and based upon written findings of the public official making the determination. These determinations and written findings shall be retained in the official contract file.
(2) The determinations required by KRS 45A.345 to 45A.460 shall be final and conclusive unless they are clearly erroneous, arbitrary, capricious, or contrary to law.

45A.360 Administrative regulations.
(1) A local public agency may adopt regulations, not inconsistent with KRS 45A.345 to 45A.460, governing the following:
   (a) Conditions and procedures for delegations of purchasing authority;
   (b) Prequalification, suspension, debarment, and reinstatement of prospective bidders;
   (c) Modification and termination of contracts;
   (d) Conditions and procedures for the purchase of perishables and items for resale;
   (e) Conditions, including emergencies, and procedures under which purchases may be made by means other than competitive sealed bids;
   (f) Rejection of bids, consideration of alternate bids, and waiver of informalities in offers;
   (g) Confidentiality of technical data and trade secrets information submitted by actual and prospective bidders or offerors;
   (h) Partial, progressive, and multiple awards;
   (i) Supervision of store rooms and inventories, including determination of appropriate stock levels and the management, transfer, sale, or other disposal of government-owned property;
   (j) Definitions and classes of contractual services and procedures for acquiring them;
   (k) Procedures for the verification and auditing of local public agency procurement records;
   (l) Annual reports from those vested with purchasing authority as may be deemed advisable in order to insure that the requirements of this chapter are complied with; and
   (m) Such other regulations as may be deemed advisable to carry out the purposes of KRS 45A.345 to 45A.460 or otherwise fulfill the local public agency's procurement responsibilities.
(2) All local public agency ordinances and regulations pertaining to procurement, whether promulgated under KRS 45A.345 to 45A.460 or otherwise, shall be maintained by the local public agency and shall be available to the public upon request at a cost not to exceed the cost of reproduction.
(3) Local school districts may adopt policies, not inconsistent with KRS 45A.345 to 45A.460, governing the conditions and procedures under which purchases of supplies may be made elsewhere. These policies shall include a provision that supplies purchased under this section shall meet any applicable contract specifications and not exceed two thousand five hundred dollars ($2,500).

45A.365 Competitive sealed bidding.
(1) All contracts or purchases shall be awarded by competitive sealed bidding, which may include the use of a reverse auction, except as otherwise provided by KRS 45A.370 to 45A.385 and for the purchase of wholesale electric power by municipal utilities as provided in KRS 96.901(1).
(2) The invitation for bids shall state that the award shall be made on the basis of the lowest bid price or the lowest evaluated bid price. If the latter is used, the objective measurable criteria to be utilized shall be set forth in the invitation for bids. The invitation for bids shall include the reciprocal preference for resident bidders described in KRS 45A.494.
(3) Adequate public notice of the invitation for bids and any reverse auction shall be given prior to the date set forth for the opening of bids. The notice may include posting on the Internet or publication in a newspaper of general circulation in the local jurisdiction at least seven (7) days before the date set for the opening of the bids and any reverse auction. Nothing in this section shall prohibit additional notice, posting, or publication, nor shall additional notification, posting, or publication extend the required notice period. The public notice shall include the time and place the bids will be opened and the time and place where the specifications may be obtained.

(4) The bids shall be opened publicly or entered through a reverse auction at the time and place designated in the invitation for bids. Each written or reverse auction bid, together with the name of the bidder, shall be recorded and be open to public inspection. Electronic bid opening and posting of the required information for public viewing shall satisfy the requirements of this subsection.

(5) A contract shall be awarded with reasonable promptness by written notice to the responsive and responsible bidder whose bid is either the lowest bid price or the lowest evaluated bid price after the application of any reciprocal preference for resident bidders required by KRS 45A.494.

(6) The local public agency may allow the withdrawal of a bid where there is a patent error on the face of the bid document, or where the bidder presents sufficient evidence, substantiated by bid worksheets, that the bid was based upon an error in the formulation of the bid price.

45A.370 Competitive negotiation.

(1) A local public agency may contract or purchase through competitive negotiation, which may include a reverse auction, upon a written finding that:

(a) Specifications cannot be made sufficiently specific to permit award on the basis of either the lowest bid price or the lowest evaluated bid price, including, but not limited to, contracts for experimental or developmental research work, or highly complex equipment which requires technical discussions, and other nonstandard supplies, services, or construction; or

(b) Sealed bidding is inappropriate because the available sources of supply are limited, the time and place of performance cannot be determined in advance, the price is regulated by law, or a fixed price contract is not applicable; or

(c) The bid prices received through sealed bidding are unresponsive or unreasonable as to all or part of the requirements, or are identical or appear to have been the result of collusion; provided each responsible bidder is notified of the intention to negotiate and is given a reasonable opportunity to negotiate, and the negotiated price is lower than the lowest rejected bid by any responsible bidder.

(2) Proposals shall be solicited through public notice pursuant to KRS 45A.365(3) or any other means which can be demonstrated to notify an adequate number of qualified sources to permit reasonable competition consistent with the nature and requirement of the procurement. The request for proposals shall indicate the factors to be considered in the evaluation, including the reciprocal preference for resident bidders required by KRS 45A.494, and the relative importance of each factor, and the procedures to be followed if a reverse auction is used in the procurement.

(3) Written or oral discussions shall be conducted with all responsible offerors who submit proposals determined in writing to be reasonably susceptible of being selected for award. Discussions shall not disclose any information derived from proposals submitted by competing offerors. Discussions need not be conducted:

(a) With respect to prices, where such prices are fixed by law, regulation, or reverse auction, except that consideration shall be given to competitive terms and conditions; or

(b) Where time of delivery or performance will not permit discussions; or

(c) Where it can be clearly demonstrated and documented from the existence of adequate competition or accurate prior cost experience with that particular supply, service, or construction item that acceptance of an initial offer without discussion would result in fair and reasonable prices and the request for proposal notifies all offerors of the possibility that award may be made on the basis of initial offers.

(4) If discussions pertaining to the revision of the specifications or quantities are held with any potential offeror, all other potential offerors shall be afforded an opportunity to take part in such discussions. A
request for proposals based on revised specifications or quantities shall be issued as promptly as possible, shall provide for an expeditious response to the revised requirements and shall be awarded upon the basis of the lowest bid price or lowest evaluated bid price after application of the reciprocal preference for resident bidders required by KRS 45A.494 submitted by any responsive and responsible offeror. No discussion shall be conducted with offerors after submission of revised proposals except for a compelling reason as determined in writing by the local public agency. The request for proposals shall state that an award is to be made without discussion except as herein provided.

(5) Award shall be made to the responsible offeror whose proposal is determined in writing to be the most advantageous to the local public agency based upon the evaluation factors set forth in the request for proposals and the reciprocal preference for resident bidders required by KRS 45A.494.

45A.375 Negotiations after competitive sealed bidding when all bids exceed available funds -- Action when no bids received.

(1) In the event that all bids submitted pursuant to competitive sealed bidding under KRS 45A.365 result in bid prices in excess of the funds available for the purchase, and the local public agency determines in writing:
(a) That there are no additional funds then available from any source so as to permit an award to the lowest responsive and responsible bidder; and
(b) The best interest of the local public agency will not permit the delay attendant to a resolicitation under revised specifications or revised quantities under competitive sealed bidding as provided in KRS 45A.365; then a negotiated award may be made as set forth in subsections (2) or (3) of this section.

(2) Where there is more than one (1) bidder, competitive negotiations pursuant to KRS 45A.370 shall be conducted with the three (3) (two (2) if there are only two (2)) bidders determined in writing by the local public agency to be the lowest responsive and responsible bidders to the competitive sealed bid invitation after application of the reciprocal preference for resident bidders required in KRS 45A.494. Such competitive negotiations shall be conducted under the following restrictions:
(a) If discussions pertaining to the revision of the specifications or quantities are held with any potential offeror, all other potential offerors shall be afforded an opportunity to take part in such discussions; and
(b) A request for proposals, based upon revised specifications or quantities, shall be issued as promptly as possible, shall provide for an expeditious response to the revised requirements, and shall be awarded upon the basis of the lowest bid price or lowest evaluated bid price submitted by any responsive and responsible offeror after application of the reciprocal preference for resident bidders required in KRS 45A.494. No discussion shall be conducted with offerors after submission of proposals except for a compelling reason as determined in writing by the local public agency. The request for proposals shall state that award is to be made without discussions except as herein provided.

(3) Where, after competitive sealed bidding, it is determined in writing that there is only one (1) responsive and responsible bidder, a noncompetitive negotiated award may be made with such bidder in accordance with KRS 45A.380.

(4) Where, after invitation for bids has been made in accordance with KRS 45A.365 and no bids have been received from responsive and responsible bidders, the local public agency may proceed to acquire the supplies, services, or construction by noncompetitive negotiations in accordance with KRS 45A.380.

45A.380 Noncompetitive negotiation.
A local public agency may contract or purchase through noncompetitive negotiation only when a written determination is made that competition is not feasible and it is further determined in writing by a designee of the local public agency that:
(1) An emergency exists which will cause public harm as a result of the delay in competitive procedures;
(2) There is a single source within a reasonable geographical area of the product or service to be procured;
(3) The contract is for the services of a licensed professional, such as attorney, physician, psychiatrist, psychologist, certified public accountant, registered nurse, or educational specialist; a technician such as a
plumber, electrician, carpenter, or mechanic; or an artist such as a sculptor, aesthetic painter, or musician, provided, however, that this provision shall not apply to architects or engineers providing construction management services rather than professional architect or engineer services;
(4) The contract is for the purchase of perishable items purchased on a weekly or more frequent basis, such as fresh fruits, vegetables, fish or meat;
(5) The contract is for replacement parts where the need cannot be reasonably anticipated and stockpiling is not feasible;
(6) The contract is for proprietary items for resale;
(7) In school districts the contract relates to an enterprise in which the buying or selling by students is a part of the educational experience;
(8) The contract or purchase is for expenditures made on authorized trips outside of the boundaries of the local public agency;
(9) The contract is for the purchase of supplies which are sold at public auction or by receiving sealed bids;
(10) The contract is for group life insurance, group health and accident insurance, group professional liability insurance, worker's compensation insurance, and unemployment insurance;
(11) The contract is for a sale of supplies at reduced prices that will afford a purchase at savings to the local public agency; or
(12) The contract is with a private real estate developer and contains a requirement:
(a) That the developer increase the size or otherwise improve the collection capacity of the sanitary sewer or storm water pipe serving the affected private real estate development; and
(b) That the local public agency pay only the proportional cost of increasing the size, or otherwise improving the collection capacity, of the sanitary sewer or storm water pipe over the original collection capacity.

45A.385 Small purchases by local public agencies.
The local public agency may use small purchase procedures for any contract for which a determination is made that the aggregate amount of the contract does not exceed thirty thousand dollars ($30,000) if small purchase procedures are in writing and available to the public.

45A.390 Cancellation.
An invitation for bid, a request for proposal or other solicitation may be canceled, or all bids or proposals may be rejected, if it is determined in writing that such action is in the best interest of the local public agency.

45A.395 Determination of responsibility -- Right of nondisclosure.
(1) A written determination of responsibility of a bidder or offeror shall be made, based on a reasonable inquiry conducted by the local public agency. The unreasonable failure of a bidder or offeror to promptly supply information upon request may be grounds for a determination of non-responsibility of such bidder or offeror.
(2) A written determination of responsibility of a bidder or offeror shall not be made until the bidder or offeror provides the local public agency with a sworn statement made under penalty of perjury that he has not knowingly violated any provision of the campaign finance laws of the Commonwealth and that the award of a contract to the bidder or offeror will not violate any provision of the campaign finance laws of the Commonwealth. "Knowingly" means, with respect to conduct or to a circumstance described by a statute defining an offense, that a person is aware or should have been aware that his conduct is of that nature or that the circumstance exists.
(3) Except as otherwise provided by law, information furnished by a bidder or offeror pursuant to this section may not be disclosed outside of the local public agency without prior written consent of the bidder or offeror.

45A.400 Prequalification of bidders and offerors.
Suppliers may be prequalified as responsible prospective contractors for particular types of supplies, services, and construction. No supplier shall be prequalified as a responsible prospective contractor until the supplier provides the local public agency with a sworn statement made under penalty of perjury that he has not knowingly violated any provision of the campaign finance laws of the Commonwealth and that the award of a contract to the supplier will not violate any provision of the campaign finance laws of the Commonwealth. "Knowingly" means, with respect to conduct or to a circumstance described by a statute defining an offense, that a person is aware or should have been aware that his conduct is of that nature or that the circumstance exists. Solicitation mailing lists of potential contractors of such supplies, services, and construction shall include, but shall not be limited to, such prequalified prospective contractors. Prequalification shall not foreclose a written determination:
(1) Between the time of bid opening or receipt of offers in the making of an award that a prequalified prospective contractor is not responsible; or
(2) That a prospective contractor who is not prequalified at the time of bid opening or receipt of offers is responsible.

45A.405 Cost or pricing data.
(1) A contractor shall submit cost or pricing data and shall certify that, to the best of his knowledge and belief, the cost or pricing data submitted was accurate, complete, and current as of a mutually determined specified date prior to the date of:
(a) Pricing of any negotiated contract where the total contract price is expected to exceed fifty thousand dollars ($50,000), or such lesser amount as may be prescribed by the local public agency; or
(b) Pricing of any change order or contract modification which is expected to exceed twenty-five thousand dollars ($25,000), or such lesser amount as may be prescribed by the local public agency.
(2) Any contract, change, or modification thereto under which a certificate is required shall contain a provision that the price to the local public agency, including profit or fee, shall be adjusted to exclude any significant sums by which the local public agency finds that such price was increased because the contractor-furnished cost or pricing data which, as of the date agreed upon between the parties, was inaccurate, incomplete, or not current.
(3) The requirement of this section need not be applied to contracts where the price negotiated is based on adequate price competition, established catalogue or market prices of commercial items sold in substantial quantities to the general public, prices set by law or regulation, or in exceptional cases where it is determined in writing that the requirements of this section may be waived, and the reasons for such waiver are enumerated in the determination.

45A.410 Inspection of contractor's place of business -- Audit of records.
(1) The local public agency may inspect the plant or place of business of a contractor or any subcontractor under any contract awarded or to be awarded by the local public agency.
(2) The local public agency may audit the books and records of any person who has submitted cost or pricing data under KRS 45A.405, at any time until the period of record retention as set forth in subsection (3) of this section shall have expired. The right to audit hereunder shall only extend to those books and records reasonably connected with cost or pricing data submitted under KRS 45A.420, and such books and records shall be maintained by the contractor or subcontractor for the period specified in subsection (3) of this section.
(3) The local public agency shall be entitled to audit the books and records of a contractor or any subcontractor under any negotiated contract or subcontract other than a firm fixed-price type contract, provided, however, that this subparagraph shall not limit the right to audit as set forth in subsection (2) of this section. Such books and records shall be maintained by the contractor for a period of five (5) years from the date of final payment under the prime contract and by the subcontractor for a period of five (5) years from the date of final payment under the subcontract.

45A.415 Specifications -- Items considered equal may be furnished -- Proprietary products.

(1) The local public agency shall use specifications which assure the maximum practicable competition to meet the agency's needs.

(2) Local public agencies shall ensure that every invitation for bids or request for proposals provides that an item equal to that named or described in the specifications may be furnished. The specifications may identify a sole brand in cases where, in the written opinion of the chief procurement officer, documented unique and valid conditions require compatibility, continuity, or conformity with established standards. An item shall be considered equal to the item named or described if, in the opinion of the owner and the design professional responsible for the specifications:

(a) It is at least equal in quality, durability, strength, design, and other criteria deemed appropriate;

(b) It will perform at least equally the function imposed by the general design for the public work being contracted for or the material being purchased; and

(c) It conforms substantially to the detailed requirements for the item in the specifications.

(3) A specification which describes a product which is proprietary to one (1) company may be used only when no other kind of specification is reasonably available to describe requirements.

45A.420 Cooperative purchasing -- Price agreements with Commonwealth.

(1) Any local public agency may enter into an agreement for cooperative purchasing with any other local public agency. When the contracting local public agency contracts for supplies, services or construction pursuant to KRS 45A.365, 45A.370, 45A.375, or 45A.380, all other parties to the agreement shall be deemed to have complied with the provisions of those sections.

(2) Nothing in KRS 45A.345 to 45A.990 shall deprive a local public agency from negotiating with vendors for supplies where such supplies are the subject of a price agreement with the Commonwealth of Kentucky provided, however, that no contract executed under this section would authorize a price higher than is contained in the price agreement with the Commonwealth of Kentucky for such specific supplies.

(3) Nothing in KRS 45A.345 to 45A.990 shall deprive a local school district from acquiring supplies outside of price agreements with the Commonwealth of Kentucky if the supplies meet the same specifications as the contract items and the supplies are purchased at a lower price than is contained in the price agreement with the Commonwealth of Kentucky for such specific supplies and the purchase does not exceed two thousand five hundred dollars ($2,500).

45A.425 Surplus or excess property.

(1) A local public agency may sell or otherwise dispose of any personal property which is not needed or has become unsuitable for public use, or which would be suitable, consistent with the public interest, for some other use.

(2) A written determination as to need of suitability of any personal property of the local public agency shall be made; and such determination shall fully describe the personal property; its intended use at the time of acquisition; the reasons why it is in the public interest to dispose of the item; and the method of disposition to be used.

(3) Surplus or excess personal property as described in this section may be transferred, with or without compensation, to another governmental agency; or it may be sold at public auction or by sealed bids in accordance with KRS 45A.365.
(4) In the event that a local public agency receives no bids for surplus or excess personal property, either at public auction or by sealed bid, such property may be disposed of, consistent with the public interest, in any manner deemed appropriate by the local public agency. In such instances, a written description of the property, the method of disposal, and the amount of compensation, if any, shall be made. Any compensation resulting from the disposal of surplus or excess personal property shall be transferred to the general fund of the local public agency.

(5) A local board of education may dispose of its surplus technology in accordance with KRS 160.335.

(6) As an alternative procedure to that set out in this section, a county may dispose of personal property pursuant to KRS 67.0802.

(7) Notwithstanding subsections (1) to (4) of this section, a city, urban-county government, or consolidated local government that has adopted KRS 45A.345 to 45A.460 may dispose of surplus property using the procedures in KRS 82.083.

45A.430 Bid bonds.

(1) Bidder security shall be required for all competitive sealed bidding for construction contracts when the price is estimated by the local public agency to exceed one hundred thousand dollars ($100,000). Bidder's security shall be a bond provided by a surety company authorized to do business in this Commonwealth, or the equivalent in cash, in a form satisfactory to the local public agency. Nothing herein prevents the requirement of such bonds on construction contracts under one hundred thousand dollars ($100,000) when the circumstances warrant.

(2) Bidder's security shall be in an amount equal to at least five percent (5%) of the amount of the bid.

(3) When the invitation for bids requires that bidder security be provided, noncompliance requires that the bid be rejected, provided, however, that the local public agency may set forth by regulation exceptions to this requirement in the event of substantial compliance.

(4) After the bids are opened, they shall be irrevocable for the period specified in the invitation for bids, provided that, if a bidder is permitted to withdraw his bid before award because of a mistake in the bid as allowed by law or regulation, no action shall be had against the bidder or the bidder's security.

45A.435 Contract performance and payment bonds.

(1) When a construction contract is awarded in an amount in excess of one hundred thousand dollars ($100,000), the following bonds shall be furnished to the local public agency, and shall become binding on the parties upon the award of the contract:

(a) A performance bond satisfactory to the local public agency executed by a surety company authorized to do business in this Commonwealth, or otherwise supplied, satisfactory to the local public agency, in an amount equal to one hundred percent (100%) of the contract price as it may be increased; and

(b) A payment bond satisfactory to the local public agency, executed by a surety company authorized to do business in this Commonwealth, or otherwise supplied, satisfactory to the local public agency, for the protection of all persons supplying labor and material to the contractor or his subcontractors for the performance of the work provided for in the contract. The bond shall be in an amount equal to one hundred percent (100%) of the original contract price.

(2) Nothing in this section shall be construed to limit the authority of the local public agency to require a performance bond or other security in addition to those bonds, or in circumstances other than specified in subsection (1) of this section, including, but not limited to, bonds for the payment of taxes and unemployment insurance premiums.

45A.440 Bond forms, filings, and copies.

(1) The local public agency may promulgate by regulation the form of the bonds required by KRS 45A.430 and 45A.435, or it may adopt the form established by the state under KRS 45A.180 to 45A.200.
(2) The local public agency shall furnish a certified copy of a bond to any person who requests such and pays the reasonable fee for that copy. The copy shall be prima facie evidence of the contents, execution, and delivery of the original.

45A.445 Definitions for terms used in KRS 45A.445 to 45A.460.
As used in KRS 45A.445 to 45A.460, unless the context indicates otherwise:
1. "Conspicuously" shall mean written in such special or distinctive format, print, or manner that a reasonable person against whom it is to operate ought to have noticed it.
2. "Confidential information" shall mean any information which is available to an employee only because of his status as an employee of the local public agency and is not a matter of public knowledge or available to the public on request.
3. "Debarment" shall mean the disqualification of a person to receive invitations for bids or requests for proposals, or the award of a contract by the local public agency for a specified period of time.
4. "Financial interest" shall mean:
   a. Ownership of any interest or involvement in any relationship from which, or as a result of which, a person has, within the past three (3) years, received or is presently or in the future entitled to receive more than one thousand dollars ($1,000) per year; or
   b. Ownership of more than a ten percent (10%) interest in any business; or
   c. Holding a position in a business such as an officer, director, trustee, partner, employee, or the like, or holding any position of management.
5. "Gratuity" shall mean a payment, loan, subscription, advance, deposit of money, services, or anything of more than fifty dollars ($50) value, present or promised, unless consideration of substantially equal or greater value is received.
6. "Immediate family" shall mean a spouse, children, grandchildren, parents, grandparents, brothers and sisters, and such other relatives as designated by the local public agency.
7. "Official responsibility" shall mean direct administrative or operating authority, whether intermediate or final, either exercisable alone or with others, either personally or through subordinates, to approve, disapprove, or otherwise direct local public agency actions.
8. "Suspension" shall mean the disqualification of any person to receive invitations for bids or requests for proposals, or to be awarded a contract by a local public agency for a temporary period, pending the completion of an investigation and any legal proceedings that may ensue.

45A.450 Statement of public policy.
1. Public employment is a public trust.
2. It is the policy and purpose of KRS 45A.345 to 45A.460 to promote and balance the object of protecting government integrity and of facilitating the recruitment and retention of personnel needed by local public agencies by prescribing essential restrictions against conflict of interest without creating unnecessary barriers to public service and by facilitating development of fair and competitive access to local public agency purchasing by responsible contractors.
3. Employees must discharge their duties and responsibilities fairly and impartially. They should also maintain a standard of conduct that will inspire public confidence in the integrity of the government of all local public agencies.

45A.455 Conflict of interest -- Gratuities and kickbacks -- Use of confidential information.
1. It shall be a breach of ethical standards for any employee with procurement authority to participate directly in any proceeding or application; request for ruling or other determination; claim or controversy; or other particular matter pertaining to any contract, or subcontract, and any solicitation or proposal therefor, in which to his knowledge:
   a. He, or any member of his immediate family has a financial interest therein; or
(b) A business or organization in which he or any member of his immediate family has a financial interest as an officer, director, trustee, partner, or employee, is a party; or
(c) Any other person, business, or organization with whom he or any member of his immediate family is negotiating or has an arrangement concerning prospective employment is a party. Direct or indirect participation shall include but not be limited to involvement through decision, approval, disapproval, recommendation, preparation of any part of a purchase request, influencing the content of any specification or purchase standard, rendering of advice, investigation, auditing, or in any other advisory capacity.
(2) It shall be a breach of ethical standards for any person to offer, give, or agree to give any employee or former employee, or for any employee or former employee to solicit, demand, accept, or agree to accept from another person, a gratuity or an offer of employment, in connection with any decision, approval, disapproval, recommendation, preparation of any part of a purchase request, influencing the content of any specification or purchase standard, rendering of advice, investigation, auditing, or in any other advisory capacity in any proceeding or application, request for ruling or other determination, claim or controversy, or other particular matter, pertaining to any contract or subcontract and any solicitation or proposal therefor.
(3) It is a breach of ethical standards for any payment, gratuity, or offer of employment to be made by or on behalf of a subcontractor under a contract to the prime contractor or higher tier subcontractor or any person associated therewith, as an inducement for the award of a subcontract or order.
(4) The prohibition against conflicts of interest and gratuities and kickbacks shall be conspicuously set forth in every local public agency written contract and solicitation therefor.
(5) It shall be a breach of ethical standards for any public employee or former employee knowingly to use confidential information for his actual or anticipated personal gain, or the actual or anticipated personal gain of any other person.

45A.460 Recovery of value of anything transferred or received in breach of ethical standards.
(1) The value of anything transferred or received in breach of the ethical standards of KRS 45A.345 to 45A.990 or regulations or rules issued thereunder by an employee or a nonemployee may be recovered from both the employee and the nonemployee.
(2) Upon a showing that a subcontractor made a kickback to a prime contractor or a higher tier subcontractor in connection with the award of a subcontract or order thereunder, it shall be conclusively presumed that the amount thereof was included in the price of the subcontract or order and ultimately borne by the local public agency and will be recoverable hereunder from the recipient. In addition, said value may also be recovered from the subcontractor making such kickbacks. Recovery from one (1) offending party shall not preclude recovery against other offending parties.
Appendix B – Auditing Contract

147A.117 Contract for audit by certified public accountant or firm instead of the Auditor of Public Accounts -- Conditions for.
(1) No area development district shall enter into any contract with a certified public accountant or firm to perform an audit unless the Auditor of Public Accounts has declined in writing to perform the audit or has failed to respond within thirty (30) days of receipt of a written request. The area development district shall furnish the Auditor of Public Accounts with a comprehensive statement of the scope and nature of the proposed audit. The actual expense of an audit performed by the Auditor of Public Accounts shall be billed to the audited area development district.
(2) Any contract with a certified public accountant or firm entered into as a result of the Auditor of Public Accounts either declining to perform the audit or failing to respond within thirty (30) days of receipt of a written request for an audit shall specify the following:
(a) That the certified public accountant shall forward a copy of the audit report and management letters to the Auditor of Public Accounts for review;
(b) That the Auditor of Public Accounts shall have the right to review the certified public accountant or firm's work papers before and after the release of the audit; and
(c) That after review of the certified public accountant or firm's work papers, should discrepancies be found, the Auditor of Public Accounts shall notify the audited entity of the discrepancies. If the certified public accountant or firm does not correct these discrepancies prior to the release of the audit, the Auditor of Public Accounts may conduct its own audit to verify the findings of the certified public accountant's report.
(3) If an audit verifying the findings of the certified public accountant or firm's report is conducted by the Auditor of Public Accounts, the actual expense of the audit shall be billed to the area development district.
Appendix C – Conflicts of Interest

45A.340 Conflicts of interest of public officers and employees.
(1) No officer or employee of the General Assembly, or officer or employee of an agency as defined in KRS 45A.335, shall knowingly receive or agree to receive, directly or indirectly, compensation for any services to be rendered, either by himself or another, in negotiations with the state or an agency for the purchase by the state or an agency of an interest in real property. This section shall not apply to appearances before any court, except that negotiations shall be prohibited as aforesaid at any time.
(2) No officer or employee of an agency or member of a state board or commission, may be in any manner interested, either directly or indirectly, in his own name or in the name of any other person, association, trust, or corporation, in any contract for the performance of any work in the making or letting or administration of which such officer or employee may be called upon to act or vote. No such officer or employee may represent, either as agent or otherwise, any person, association, trust, or corporation, with respect to any application or bid for any contract or work in regard to which such officer or employee may be called upon to act or vote. Nor may any such officer or employee take, solicit, or receive, either directly or indirectly, any money or other thing of value as a gift or bribe or means of influencing his vote or action in his official character. Any contract made and procured in violation hereof is void. For the purposes of this section the holding of less than five percent (5%) of the stock of a corporation is not considered an interest.
(3) No officer or employee of the General Assembly or officer or employee of any agency shall, for compensation, appear before an agency as an expert witness.
(4) No officer or employee of the General Assembly, or officer or employee of any agency, shall act as officer or agent for the Commonwealth or any agency in the transaction of any business with himself, or with any corporation, company, association, or firm in which he or his spouse has any interest greater than five percent (5%) of the total value thereof.
(5) No officer or employee of an agency or appointee shall knowingly himself or by his partners or through any corporation which he controls or in which he owns or controls more than ten percent (10%) of the stock, or by any other person for his use or benefit or on his account, undertake, execute, hold, or enjoy, in whole or in part, any contract, agreement, sale, or purchase of the value of twenty-five dollars ($25) or more, made, entered into, awarded or granted by any agency, unless said contract, agreement, sale or purchase:
(a) Was made or let after public notice and competitive bidding; or
(b) Results from the sale of a craft item to a state park if the employee is an interim state park employee designated as a craftsperson under KRS 148.257.
(6) No officer, employee, or appointee of an agency, including persons who serve without salary or other payment for their services, shall knowingly receive or agree to receive, directly or indirectly, compensation for any services rendered or to be rendered, either by himself or another, in any cause, proceeding, application, or other matter which is before said agency or before the department of state government in which said agency functions.
(7) No member of a board of trustees or regents shall have an interest in any contract with a state university unless such contract shall have been subjected to competitive bidding in compliance with KRS Chapter 45A, unless such trustee or regent shall have been the lowest bidder and unless such trustee or regent shall have first notified in writing the remaining members of the board, and to the newspaper having the largest circulation in the county in which the state university is located, of his intention to bid on such contract.