

FINANCIAL PROCEDURES MANUAL

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HIGHLAND RIM ECONOMIC CORPORATION FINANCIAL
PROCEDURES MANUAL
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HIGHLAND RIM ECONOMIC CORPORATION FINANCIAL PROCEDURES MANUAL

I. GENERAL

1. Highland Rim Economic Corporation maintains written accounting procedures which provide for a financial management system which ensures budget management, control over current operations, and timely, accurate, current, and complete disclosure of financial matters. Accounting records are supported by source documentation, e.g., invoices, vouchers, bill statements, cancelled checks, etc.; transactions are posted in the accounting records in a consistent and timely manner; there is a clear separation of duties and responsibilities between individuals so that no one person has access to all financial operations, procedures, and records as appropriate or allowable in a small agency with limited staff; the financial records (chart of accounts) and individual cost elements are reconciled to the cost categories in each project's approved budget; budgetary controls are in place to preclude incurring obligations in excess of total funds available for the grant, the object class category, and the program account; and budgetary controls are in place to assure that obligations incurred for each program are allocable to that program. These procedures are in place to determine the allowability, allocability and reasonableness of costs.
2. The Board of Directors formulates financial policies, delegates administration of the financial policies to the administrative staff, and reviews operations and activities.
3. The Executive Director has responsibility for all operations and activities, including financial management.
4. The Director of Finance and Bookkeeper are responsible to the Executive Director for all financial operations.
5. The Head Start Director is responsible to the Executive Director.
6. The lines of authority on the agency's organization chart will be followed by all employees. There is a clear separation of duties and responsibilities between individuals so that no one person has access to all financial operations, procedures, and records as far as practicable in a small agency.

7. Current job descriptions will be maintained for all employees, indicating duties and responsibilities.
8. Financial duties and responsibilities must be separated so that no one employee has sole control over cash receipts, disbursements, payrolls, reconciliation of bank accounts, etc. as far as practicable in this agency.
9. Bookkeeping duties will be rotated among Finance Department employees, whenever possible.
10. All employees should take annual vacations in accordance with Personnel Policies.
11. A consolidated bank account will be maintained.
12. The financial staff will be bonded in accordance with funding source regulations.
13. All forms pertaining to financial operations will be completed in ink.
14. All grants/contracts will be disbursed in accordance with individual funding source requirements.
15. A financial audit will be completed on an annual basis.

II. CASH RECEIPTS (Includes Checks)

1. All cash and checks will be received by the Executive Director or designee and recorded in a cash receipts book.
2. All cash and checks will be immediately forwarded to the Director of Finance and/or appropriate Bookkeeper.
3. A deposit slip will be completed in duplicate by the Director of Finance or Bookkeeper. The deposit slip will include the source, account number, and amount of each receipt.
4. Documentation for all receipts (copy of check, letter, etc.) will be attached to the duplicate deposit slip.

5. All deposits will be made daily as designated by the Director of Finance.
6. The Director of Finance and/or Bookkeeper will record all cash receipts into the accounting records.
7. All receipts will be deposited intact.
8. All checks will be endorsed as follows:
Highland Rim Economic Corporation
For Deposit Only
Account Number
9. The Director of Finance or the Bookkeeper will compare no less than at the end of each month the cash receipts book to actual receipts/deposits posted to ensure that there are no discrepancies.
10. All checks/money orders/cashier's checks will be endorsed when received. (Amended 6-18-09)

III. CASH DISBURSEMENTS

CHECK AUTHORIZATIONS

1. All original invoices will be immediately forwarded to the Director of Finance and/or Bookkeeper for matching with a purchase order.
2. A purchase order will be prepared to serve as a check authorization for all disbursements except utility payments, rent payments, contracts, etc. and/or expenditures for which a voucher has been issued to a vendor.
3. The purchase order and all supporting documentation will have the approval of the Executive Director and/or Head Start Director and other approvals as necessary.
4. The approved purchase orders will be processed by the Bookkeeper for payment.

CHECKS

5. The Bookkeeper will be responsible for all blank checks which will be kept under lock and key.

6. The Bookkeeper will key in the information necessary for the computer accounting software to generate a check based on the check authorization.
7. Two signatures will be required on all checks.
8. The Bookkeeper will stamp all invoices "Paid".
9. Check vouchers will be distributed as follows:
 - Original – Mailed to payee by administrative section;
 - Duplicate – The accounting software will generate a copy of the check showing the distribution codes and this copy will be filed in a binder numerically according to check number;
 - Triplicate – A copy will be made of the duplicate generated by the accounting software and this copy will be filed with the purchase order/invoice/contract.
10. If documentation is not attached to the check stub then the check stub will be clearly referenced to where the documentation can be located.
11. The Director of Finance and/or Bookkeeper will update the accounting records to current transactions after the processing of checks and/or the receipt of funds.
12. Voided checks will have "Void" boldly stamped or written in ink across the face of the check. The voided check will be kept in numerical sequence in the check register.
13. In no event will:
 - a. Checks be prepared unless these procedures are followed;
 - b. Checks be prepared from monthly statements or copies of invoices. Any exceptions must have approval of Executive Director;
 - c. Checks be used other than in chronological order;
 - d. Checks be prepared or signed in advance;
 - e. Checks be made out to "cash", "bearer", "Petty Cash", etc.
 - f. Checks be prepared on verbal authorization unless approved by the Executive Director.

BANK RECONCILIATIONS

14. Bank statements will be received directly, unopened, by the Bookkeeper unless otherwise approved by the Executive Director.
15. The person reconciling the bank statement will sign the completed reconciliation for the record and/or use the bank reconciliation program provided with the accounting software if operational or any other bank reconciliation measure acceptable to the auditing firm.
16. The reconciled bank balance will be compared to the Cash in Bank account in the general ledger and approved by the Director of Finance.

IV. PURCHASING

PURCHASE ORDERS

1. Purchase orders will be prepared in triplicate for all purchases after a review of the proposed procurement to determine need and possible alternatives. All procurement transactions, whether negotiated or advertised, and regardless of dollar value, will be conducted in a manner providing maximum open and free competition. Price comparisons or cost analysis is performed on all procurements not routinely purchased, however, purchases involving health and safety and require immediate attention are at the discretion of the Head Start Director and/or Executive Director.
2. Purchases of less than \$1,500 may be made at the discretion of the Executive Director without competitive quotations. The Director of Finance/Executive Director may delegate in writing approval for purchases under \$1,500 to a Program Director without competitive quotations.
3. Equipment to be purchased in excess of \$1,500 must be approved by the Director of Finance/Executive Director and the funding source if required by the funding source prior to purchase on the basis of three (3) quotations.
4. The Executive Director and/or Head Start Director must approve all purchase orders.
5. The individual signing or approving purchase orders must:
 - a. Determine if the expenditure is budgeted;

- b. Determine if funds are available for the expenditure;
 - c. Determine if the expenditure is allowable under the grant;
 - d. Determine if the expenditure is necessary to the program.
6. Approved purchase orders will be distributed as follows:
- a. Original – To vendor to authorize purchase. All purchases will be made only after required approvals.
 - b. Duplicate and Triplicate – Filed in a pending purchase order file in the Finance Department.
7. Disapproved purchase orders will be marked “Disapproved” and returned with a statement in writing as to the reason for disapproval.
8. Voided purchase orders will have “void” written boldly in ink across the face of the purchase order.

RECEIPTS OF PURCHASED ITEMS

9. The Executive Director, or other individual designated, will receive all purchase item(s) and indicate “received by”. The Executive Director or designee will code the invoice and forward the invoice to the Finance Department. If the invoice is not available, a duplicate should be obtained from the vendor and forwarded to the Finance Department for processing.
10. The Bookkeeper will compare the purchase order (duplicate) and receiving reports with the invoice. Goods and services will be received prior to payment in most instances. If there are no discrepancies, the Bookkeeper will enter the information into the computer for the processing of the check and attach all of the backup when the check is printed to the copy of the check retained by Highland Rim Economic Corporation. Files will be maintained for all purchases.

COMPETITIVE QUOTATIONS AND BIDS

11. All invitations for bids or requests for quotations will be based upon a clear and accurate description of the technical requirements for the material, product, or service to be purchased. Bid specifications should always be definite and as detailed as possible and contain clear specifications that do not contain features which unduly restrict competition. Positive efforts will be made by this agency to utilize

small business and minority and female owned business sources of supplies and services.

12. If two (2) quotations cannot be obtained by the individual preparing the purchase order, the reason shall be noted along with quotations received. Should special circumstances require the selection of a vendor who does not quote the lowest price, note the reason on the file copies of the purchase order. The purchase order shall be signed by the persons designated by the grantee.
13. In selecting a supplier, such as suppliers of institutional foods, where a wide variety of items are being purchased, and the lowest price on a few items is not always a major factor, such factors as reliability, service, quality of products, delivery, and customer satisfaction in handling adjustments should be considered.
14. All purchase order requests will be reviewed monthly by the Bookkeeper who will follow up on time or invoice which have not been received.
15. No purchase will be made for employees or others.
16. Any variances from procedures must be approved in writing by the Executive Director.
17. Positive efforts will be made to ensure that contractors comply with terms, conditions, and specifications of the contract or order and that assure adequate and timely follow up of all purchases. An assigned staff member will be responsible for follow-up of punch lists, time tables, etc. with contractors.
18. Contractors that develop or draft grant applications, contract specifications, statements of work, invitations for bids and/or requests for proposals are excluded from bidding for the procurement.

Procurement

19. All purchases for materials and services, excluding professional or technical services, shall follow the bid requirements:
20. Materials and services costing less than \$3,500.00

- a. Procurement of materials and services of an aggregate expenditure less than \$3,500.00 does not require competitive quotes; however, care shall be exercised to ensure value received on purchases without competitive quotes or may be at the discretion of Director of Finance/Executive Director.
21. Materials and services costing \$3,500.00 but less than \$10,000
- a. Procurement of materials and services of a single expenditure of more than \$3,500.00 but less than \$10,000.00 must be on the HREC vendor list.
22. Materials and services costing at least \$10,000.00 but less than \$150,000.
- a. Procurement of materials and services of an aggregate expenditure costing at least \$10,000.00 will require 2 quotes/bids; All procurements shall be conducted in a manner to provide maximum open and free competition.
23. Materials and services costing at least \$150,000 but less than \$250,000.
- a. Procurement of materials and services of an aggregate expenditure costing at least \$150,000.00 will require 2 sealed bids; All procurements shall be conducted in a manner to provide maximum open and free competition.
24. Materials and services costing \$ 250,000 or more.
- a. Procurement of materials and services of an aggregate expenditure costing at least \$250,000.00 will require 2 sealed bids and Board of Directors approval. All procurements shall be conducted in a manner to provide maximum open and free competition.
25. All procurements in excess of \$3,500 require detailed, written specifications.

Amount of Purchase	Required Approvals	Required Solicitation	Required Documentation
\$3,500 < \$9,999 Micro Purchase	<ul style="list-style-type: none"> • Dept. Director • Dir. of Finance • Executive Dir 	Must be on vendor list	<ul style="list-style-type: none"> • Estimated costs/Invoice
\$10,000 < \$149,999 Small purchase	<ul style="list-style-type: none"> • Dept. Director • Dir. of Finance • Executive Dir 	2 written quotes (Request for Bids or Request for Proposals)	<ul style="list-style-type: none"> • Copy of bid, RFB or RFP • Proposal scoring grids including who participated in the scoring • Proposal and contract of winning bid/proposal
\$150,000 < \$249,999 Sealed Bids	<ul style="list-style-type: none"> • Dept. Director • Dir. of Finance • Executive Dir. 	2 sealed bids (Request for Bids or Request for Proposals)	<ul style="list-style-type: none"> • Copy of RFB or RFP • Proposal scoring grids including who participated in the scoring • Proposal and contract of winning bid
>\$ 250,000 Competitive Proposal	<ul style="list-style-type: none"> • Dept. Director • Dir. of Finance • Executive Dir. • Board of Directors 	2 sealed bids (Request for Bids or Request for Proposals)	<ul style="list-style-type: none"> • Copy of RFB or RFP • Proposal scoring grids including who participated in the scoring • Proposal and contract of winning bid

Corporate Credit Cards

26. The Agency's Executive Director and other appropriate Program Directors/Manager will be allowed usage of a corporate credit card. To be eligible to use a corporate credit card, a Program Director/Manager must in the course of his/her duties, incur business expenses appropriately paid by a credit card for out of area travel/lodging.
27. The corporate credit card cannot be used to obtain cash advances, bank checks, traveler's checks, or electronic cash transfers for expenses or for personal expenses.
28. Misuse of the corporate credit card will result in cancellation of the card and withdrawal of corporate credit card privileges plus disciplinary action will be taken against the cardholder. Disciplinary action may include termination of employment.

29. The corporate Region's Visa is for business travel expenses only. (ie, Hotel prepayments when required, airfare, and rental cars.)
30. Lost or stolen cards must be reported immediately to the Executive Director.
31. Company cards will be checked out at the HREC Central Office from the Director of Finance/Bookkeeper. Prior approval should be given by the Executive Director before a card is checked out.
32. Credit cards not requiring travel must be returned to the Director of Finance/Bookkeeper within three days. Failure to return card within three days could result in disciplinary action.
33. Responsibility for unauthorized charges made to the credit card while in the care of the employee rests with that employee. (Amended 09/15/16)

V. PAYROLL

1. A personnel change notice will be completed and must be approved by the Executive Director.
2. The Human Resource Coordinator and/or Director of Finance will be responsible for ensuring all new employees complete the following:
 - a. Form W-4, Employee Withholding Certificate;
 - b. Insurance Application Forms;
 - c. Employment Application;
 - d. Form I-9, Employment Eligibility Verification;
 - e. Authorization Agreement For Automatic Deposit
 - f. And Other Forms As Required.
3. An employee's hiring is not effective until the above items have been completed.

TIME SHEETS

4. Each employee will be responsible for completing a time sheet. Each employee will complete a leave request if they have taken leave. Leave without pay may not be taken until all annual and sick leave are taken.

- 5.
6. Completed time sheets signed by the employee and supervisor will be submitted to the Finance Department bi-weekly on Tuesdays.
7. Incomplete time sheets will be returned and the employee's paycheck will be issued on the next payroll if it is not completed and returned by the specified date for preparing the payroll.

PAYROLL WORKSHEET

7. The person designated will prepare the payroll earnings record if manual records are kept.
8. The Human Resource Coordinator will record the appropriate information on the personnel leave record sheets and file the time sheets as supporting documents to the payroll.
9. The Director of Finance and/or Human Resource Coordinator will enter the payroll data for the processing of payroll.
10. The Director of Finance or Executive Director will review the payroll before transmission of direct deposit information.
11. The Director of Finance or other designated employee of Highland Rim will be responsible for mailing of employee payroll checks which are not direct deposited due to malfunction of system.
12. The Director of Finance, Human Resource Coordinator, and/or Bookkeeper will ensure that the payroll is appropriately updated in current transactions after its completion.

PAYROLL TAXES

13. The Director of Finance, Human Resource Coordinator, and/or Bookkeeper will telephone the Electronic Funds Transfer Payment System (EFTPS) to authorize bank withdrawal of payroll taxes.
14. The Director of Finance, Human Resource Coordinator, and/or Bookkeeper will prepare payroll tax reports and the Executive Director will sign the payroll tax reports.

OVERTIME

15. Overtime must be justified to and approved in writing in advance by the Executive Director or the designated supervisor of the employee.

COMPENSATION LIMITATION

16. *No employee shall be paid in excess of the employee compensation limit established by federal regulations for Level II of the Executive Schedule (Amended 9-16-2010).*

VI. TRAVEL

1. All travel shall comply with the State of Tennessee Comprehensive Travel Regulations.
2. All out of area travel must be approved in advance.
3. The employee will complete the request for authorization of official travel.
4. The Executive Director will approve all out of area travel; disapproved requests will be returned to the employee and marked "disapproved".
5. Local travel statements must be submitted to the fiscal office no later than thirty (30) days after month's end to be considered for payment. Out of town travel expenditure statements must be submitted to the fiscal office no later than thirty (30) days after the last day of travel to be considered for payment. Out of town travel expenditure statements including any monies due must be submitted before a new travel request will be granted. Employees will forfeit their right to reimbursement if the above time lines are not followed.

TRAVEL ADVANCES

6. If a travel advance is requested the Bookkeeper will enter the information in the computer necessary to generate the check.
7. Check vouchers will be distributed as follows:
 - a. Original – Given to traveler;

- b. Duplicate – The accounting software will generate a copy of the check showing the distribution codes and this copy will be filed in a binder numerically according to check number.
 - c. Triplicate – A copy will be made of the duplicate generated by the accounting software and this copy will be filed with the employee's travel request.
8. The Bookkeeper will enter the check number and advance amount on the expense report form.
 9. If the advance exceeds the amount on the travel voucher, then the difference will be immediately paid by the employee, deposited in the appropriate bank account, the travel report and documentation attached to triplicate of the travel check, and filed numerically with the other travel checks.
 10. If the advance does not exceed the amount of the travel, then the number of the check which pays the balance will be noted on the request for authorization of official travel. Check voucher with the request form will be filed numerically with other travel checks.
 11. Each employee will prepare a report summarizing the results of out of town travel if requested by the Executive Director.
 12. Each employee involved in local travel will complete the mileage record on a daily basis.
 13. Mileage to and from residence will not be paid by the agency.
 14. The cost of meals will only be reimbursed when an employee is on out of town travel status out of the official agency area and overnight travel is required.
 15. At the end of the month, the mileage record will be totaled, signed by the employee, signed by the Executive Director or the employee's immediate supervisor, and submitted for payment.
 16. Reimbursement will be based upon actual mileage and approved rates. Receipts must be attached for lodging and common carrier traveling transportation. Receipts for meals are not required. Receipts for parking, taxi, etc. are readily available in most instances and should be attached.

17. Incomplete or incorrect travel vouchers will be returned to the employee.
18. Travel advances will not be given for out of town travel if expenses are less than one hundred dollars.
19. The Director of Finance and/or Bookkeeper will verify the travel voucher, ascertain if there are any outstanding travel advances, and calculate the amount of the total travel reimbursement.
20. The Executive Director and/or Head Start Director will approve all travel reports.
21. Checks will be prepared in accordance with Section III Cash Disbursements Procedures 6 to 11.

VII. PARENT TRAVEL

1. The Head Start Director and/or Executive Director will approve the out of area travel request.
2. Head Start out of area overnight parent travel will be reimbursed at the rates established in the State of Tennessee Comprehensive Travel Regulations and/or CONUS (amended 6-24-10).
3. The individual incurring expenses while carrying out duties for the agency will complete and sign the Travel Expense Report or Automobile Mileage Report.
4. The report will be approved by the Program Director in charge of the meeting or activity.
5. The report will be verified by the Bookkeeper.
6. Checks will be prepared in accordance with Section III Cash Disbursements Procedures 6 to 11.

VIII. CONSULTANTS AND CONTRACT SERVICES

1. Consideration will be made of in-house capabilities to accomplish services before contracting for them.

2. Written contracts clearly defining work to be performed will be maintained for all consultant and contract services.
3. The qualifications of the consultant and reasonableness of fees will be considered in hiring consultants.
4. Consultant services will be paid for as work is performed.
5. The Head Start Director and Executive Director will approve proposed contracts.
6. The Board of Directors will approve any significant contracts.

A Standard Contract Form is to be used for all professional, technical, or contractual services for \$100 or more.

7. Provisions Included in All Contracts (2 CFR Part 215 Appendix A 200 Appendix II)
8. HREC includes all of the following provisions, as applicable, in all contracts charged to federal awards (including small purchases) with vendors and subgrants to grantees:
9. Contracts for more than the simplified acquisition threshold currently set at \$150,000, which is the inflation adjusted amount determined by the Civilian Agency Acquisition Council and the Defense Acquisition Regulations Council (Councils) as authorized by 41 U.S.C. 1908, must address administrative, contractual, or legal remedies in instances where contractors violate or breach contract terms, and provide for such sanctions and penalties as appropriate.
10. All contracts in excess of \$10,000 must address termination for cause and for convenience by the non-Federal entity including the manner by which it will be effected and the basis for settlement.
11. Equal Employment Opportunity: All contracts shall contain a provision requiring compliance with E.O. 11246, "Equal Employment Opportunity," as amended by E.O. 11375, "Amending Executive Order 11246 Relating to Equal Employment Opportunity," and as supplemented by regulations at 41 CFR Part 60, "Office of Federal

Contract Compliance Programs, Equal Employment Opportunity, Department of Labor.”

12. All contracts will be approved and signed by the Executive Director.

IX. PROPERTY

1. Equipment shall be defined *and capitalized* (amended 11-5-09) as all items (purchased, government excess, or donated) with a unit cost of \$5,000 (amended 11-5-09) or more (or any lesser amount as specified by the funding source) and a useful life of more than one year.
2. The Program Director will forward a copy of all invoices for the purchase of equipment to the Bookkeeper for payment.
3. The Bookkeeper will prepare a property inventory listing for all equipment, and assign an appropriate identification number. All new equipment will be properly marked with the agency name and the identifying number. Property records will include the following: description of the property, serial number, cost of equipment, current location, use, and condition of the equipment, and the date of acquisition. Highland Rim Economic Corporation will maintain records concerning the disposition data, including sale price, of equipment. The funding source and percentage of each programs grant dollars used will be as indicated in the accounting records of Highland Rim.

PHYSICAL INVENTORY

4. *The Director of Finance and/or (amended 9-16-10) the Bookkeeper will prepare a property inventory listing for insurance purposes of any equipment costing \$1,000 or more (amended 11-5-09).*
5. The Director of Finance and/or Bookkeeper will take a physical inventory of all equipment prior to the end of the program year every even year, indicating on the listing the condition and location of the equipment and insuring that all equipment is properly marked. Records will indicate the date the inventory was taken (amended 624-2010) *and will be signed by person completing inventory (amended 9-16-10).*

6. The Director of Finance and/or Bookkeeper will reconcile the physical inventory with the property inventory listing and the prior year's inventory. All discrepancies must be properly explained. All computers regardless of cost and/or other items deemed appropriate by the Executive Director will be included on the property inventory listing (amended 6-24-2010).
7. The grantee will retain title to all property.
8. The Executive Director will review the inventory.

LOSS, DAMAGE, OR DESTRUCTION

9. Adequate safeguards will be in place to prevent loss, damage, theft, or destruction to property. The Executive Director or designated staff member will be immediately notified of all cases of loss, damage, theft, or destruction of non-expendable personal property and a fully documented investigation will follow. A police report, insurance claim, or other appropriate documentation will be required.

PURCHASE OF EQUIPMENT

10. An equipment requirements list will be prepared prior to the end of the program year compared to the inventory of equipment, and submitted with the refunding proposal.
11. All items of equipment costing \$500 or more will be approved by the Program Director/Director of Finance/Executive Director.
12. If the total cost of leasing equipment over a three year period or less exceeds the purchase price, the equipment should generally be purchased.
13. Only items of equipment necessary to the completion of a program will be purchased for that program.
14. The purchase of equipment will comply with the procedures in Section IV Purchasing.

DISPOSAL OF EQUIPMENT

Equipment which is no longer functional or is no longer needed will be disposed of in one of the following ways:

1. Advertisement placed in newspapers and sealed bids taken and highest bid accepted;
2. Taken to landfill for disposal;
3. Taken and disposed of by vendor delivering new equipment (amended 6-24-2010).

In no event will anyone take possession of equipment scheduled for disposal except through the sealed bid process (amended 6-24-2010). **No employee or related individual will be eligible to participate in this process.**

Equipment or supplies valued at less than \$5,000 may be sold at fair market value by advertising in various media or agency sale (amended 6-21-18).

X. LEASES

1. All leases will be approved and signed by the Executive Director.
2. Leases will correspond to program years whenever possible.
3. Copies of all leases will be immediately forwarded to the Director of Finance and Bookkeeper.

XI. INSURANCE

1. The Director of Finance will prepare a copy of insurance policies for the Executive Director.
2. Insurance policies will be maintained in insurance files by the Director of Finance.
3. Insurance policies will correspond to the program year whenever possible.
4. Insurance policies will be carefully reviewed by the Executive Director and Director of Finance before renewal.
5. Highland Rim Economic Corporation has secured and keeps in force during operation period adequate insurance coverage to protect against losses. Coverage includes student accident, general liability,

automobile (collision and liability for any vehicle used for program purposes), and fidelity bonding.

XII. TELEPHONE

1. Personal long distance calls will not be made on agency telephones by employees except in emergency situations. Fees for personal calls will be submitted to the Director of Finance for inclusion with payment of the telephone bill.

XIII. NON-FEDERAL IN-KIND CONTRIBUTIONS

1. The Program Director/Manager is responsible for the in-kind required of their program and is responsible for insuring that the in-kind costs charged to the grant are allowable, the valuation is fair and reasonable, the value and composition of the items in the non-federal share are in agreement with the approved budget, the non-federal share is charged to the appropriate budget period, and items acquired with project funds in previous years are not counted as part of the non-federal contribution in a subsequent budget period. The accounting records for the non-federal share contribution will be supported by the proper source documents indicating the receipt and valuation of the non-federal share.
2. In-kind will be received and recorded on a monthly basis.
3. The employee who receives the contribution will prepare the voucher for non-federal share requirements, have the donor sign the form, and sign and date the form. Volunteers will sign in and out. The services of volunteers, both skilled and unskilled, will be valued at allowable rates as indicated below or if not recorded below as recorded by the U. S. Department of Labor, Bureau of Labor Statistics, May 2015 Tennessee Occupational Employment and Wage Estimates which are kept on file by the Director of Finance. Employee volunteers will be limited to activities outside the scope of their paid employment. If rates are obtained at lower than the allowable rate, the difference between the obtained rate and the allowable rate may be claimed as an additional in-kind contribution. (Amended 06/16/16)
4. The vouchers for non-federal share will be approved by the Program Director/Manager. The vouchers will then be processed for approvals and recordings as required for "cash disbursements". The Bookkeeper will then process.

XIV. BOOKS OF ORIGINAL ENTRY

1. The agency will utilize accounting software for accounting for all funds.
2. The Bookkeeper will update all receipts and disbursements daily.
3. The Bookkeeper and/or Director of Finance will prepare general journal entries, and the Director of Finance will approve all general journal entries.
4. Adequate documentation will be maintained to support all general journal entries.
5. At the end of the month, the Bookkeeper will insure that all information in the computer is updated and will generate a general ledger and trial balance.
6. Expense accounts in the general ledger will correspond to the budget in most instances.
7. The Director of Finance will review the general ledger, trial balance, and other accounting records at the end of each month.

XV. GRANTS AND CONTRACTS

1. Originals of all grants and contracts, after acceptance or approval will be immediately forwarded to the Director of Finance by the Executive Director.
2. The Director of Finance will carefully review each award to insure that all financial provisions will be complied with.
3. Each Program Director/Manager will maintain copies and carefully review each award to insure that all programmatic provisions will be complied with.
4. Original grant awards and contracts will be maintained by the Director of Finance and/or Bookkeeper.

XVI. BUDGETS

1. Financial budgets will be prepared by the Executive Director, Head Start Director, Head Start Operations Manager, Programs Director, Director of Finance, and Bookkeeper. (Amended 06/16/16)
2. Budgets will be submitted to the Director of Finance for review prior to submission to the Boards.
3. The Director of Finance will review adequacy then meet with Head Start Director, Bookkeeper, and Executive Director to discuss.
4. Policy Council/Board approval must be obtained prior to submission to funding source if possible or as required by funding source.
5. The Director of Finance and/or Bookkeeper will insure that budgets are on file for all grants and contracts.
6. Changes, or requested changes to budgets, will be approved by Policy Council if appropriate and/or Board of Directors and submitted to funding source for final approval. Requests for change which require prior grantor agency approval are submitted to the funding source for approval prior to making such changes.
7. Individual cost elements (e.g., salaries, supplies, etc.) for each project are identified in the budgets, the staff responsible for preparing the budgets keep current with all applicable grant policies (e.g., prior approval requirements, allowability of costs), and there is interaction with funding source staff in budget preparation as needed.

XVII. REPORTS

MONTHLY COST CATEGORY

1. Monthly financial reports by cost category will be prepared by the Bookkeeper or Director of Finance so that budgeted costs are compared to actual costs.
2. Monthly financial reports by cost category will be reviewed by the Director of Finance, Program Director, Executive Director, and Program Managers as applicable. This will allow for proper budget planning. These reports will be provided on a timely basis to aid in the administration of the programs in order to keep expenses within the budget, to accommodate feedback from users of the information, and in order to segregate the costs for each program. The Policy

Council will review the reports monthly and the Board of Directors will review the reports quarterly.

3. Training on reading the financial reports will be provided annually to the Policy Council/Governing Board.

REPORTS TO FUNDING SOURCES

4. The Bookkeeper and/or Director of Finance will prepare monthly and quarterly reports to funding sources based on the accounting records. The accounting staff can easily identify how the financial data from the accounting records is transferred to the financial reports, and documentation that supports the line items reported is maintained.
5. The Director of Finance and/or Bookkeeper will review and approve all reports to funding sources.
6. The Executive Director and/or Head Start Director will sign all reports to funding sources.
7. The Director of Finance and/or Bookkeeper will prepare and maintain on a current basis a listing of reports and due dates.
8. It will be the responsibility of the Director of Finance and/or Bookkeeper to insure that all reports are submitted on a timely basis.

XVIII. OCCUPANCY COSTS

1. If Highland Rim Economic Corporation owned any facilities used by an agency program during the budget period, only a depreciation or use allowance based upon the purchase price of the building would be charged.
2. Highland Rim will maintain documentation for any facility rented by a program to verify that charges are reasonable.
3. Highland Rim will insure that values are calculated appropriately for occupancy costs used as non-federal share. If Highland Rim does not own the building and rental costs are contributed, the values established are reasonable, and if a depreciation or use allowance (if Highland Rim owns the building) was used, charges are based upon actual cost or fair market value at the time the building was donated.

4. All contracts/agreements are reviewed by knowledgeable persons in order to determine if they are legally sound and in the best interests of the agency.
5. If renovations are included in a grant, such renovations are appropriate (i.e., qualify as renovation and not construction) and charged in accordance with the cost principles and/or appropriate guidance.

XIV. OTHER

MINUTES OF MEETINGS

1. Adequate minutes of all meetings of the Board of Directors will be prepared by the Executive Director or designated staff person.
2. The Director of Finance and Executive Director will receive and review a copy of minutes of the Executive Committee, the Board of Directors, and other appropriate committees.
3. The Director of Finance will note all items in the minutes relating to finance and take appropriate action.
4. Policy Council and Staff Meeting Minutes shall be maintained on file at the Head Start Central Office or the Highland Rim Economic Corporation Central Office as appropriate.

PROGRAM INCOME

5. Donations of cash and non-program related income will be accounted for separately.

ACCOUNTS RECEIVABLE

6. Documentation will be maintained for accounts receivable.
7. Accounts receivable will be recorded and collected on a timely basis.

CONFIRMATION LETTERS

8. A letter confirming telephone conversations should be written to the funding source in all cases where telephone approval is received from a funding source.

FORM 990

9. The auditor will prepare Form 990, Return of Organization Exempt from Income Tax.
10. The Director of Finance will review and approve Form 990.
11. The Executive Director will sign Form 990.

MISCELLANEOUS

12. Interfund loans are prohibited.
13. As Highland Rim Economic Corporation operates a multi-funded program, the records adequately identify the other costs and reimbursement amounts for each program and assure that funds are used appropriately for all programs.
14. Audit deficiencies are addressed and corrective actions implemented as deemed appropriate.
15. Highland Rim Economic Corporation is not required to maintain grant funds in an interest-bearing account as a waiver has been obtained. If in the future Highland Rim Economic Corporation is required to maintain funds in an interest-bearing account, the agency will follow the guidelines established by the funding source for returning the interest or a portion thereof.
16. Highland Rim Economic Corporation has established a code of conduct for employees engaged in the award and administration of contracts which require that officers, employees, or agents of Highland Rim Economic Corporation shall not solicit nor accept gratuities, favors, or anything of monetary value from contractors or potential contractors. If it is determined that a violation has occurred, corrective action will be taken. The corrective action may include a reprimand, demotion, discharge, or other appropriate action.
17. Highland Rim Economic Corporation fiscal personnel assume responsibility for daily back-up of data loaded on the server. The following procedures outline the process for assuring that a back-up of data is maintained off site in the event of the destruction of the Highland Rim Economic Corporation Central Office. Each Monday

the Executive Director or Director of Finance will take from the premises of Highland Rim Economic Corporation Central Office the Friday back-up tape. The tape will be returned the following Monday and exchanged for the current Friday back-up tape. This process will ensure that data is available within a one-week time frame to reconstruct records of the agency should a catastrophic event occur. The back-up tapes for each remaining day of the week will be kept in a fire proof lock box maintained on-site.

18. **Records Retention/Destruction Policy: The following schedule will be utilized for the retention of records for Highland Rim Economic Corporation:**

- Grant/Program Records – See OMB Circular A-110.50 – 110.53 - Generally 3 Years;
- Petty Cash Vouchers, Physical Inventory – 3 Years;
- Internal Audit Reports – 3 Or More Years;
- Accounts Payable/Receivable, Expense Records, Inventory Records, Purchase Orders – 7 Years;
- Audit Reports, Financial Statements, Cash Books, Chart of Accounts, Depreciation Schedules, General Ledger, Tax Returns – Permanent;
- Bank Reconciliations, Duplicate Deposit Slips, Bank Statements – 3 Years;
- Canceled Checks (Routine) – 7 Years;
- Canceled Checks (Important, e.g., Taxes, Purchases of Property, Special Contracts) – Permanent;
- Board Minutes, Bylaws – Permanent;
- Employment Applications – 3 Years;
- Personnel Files (Terminated), Payroll Records, Time Documentation; Withholding Tax Statements – 7 Years;
- Retirement/Pension Records, Training Manuals – Permanent;
- Expired Insurance Policies – 3 Years;
- Current Accident Reports, Claims, Policies, Etc. – Permanent;
- Expired Contracts, Mortgages, Notes, Leases – 7 Years;
- In Effect Contracts, Mortgages, Notes, Leases, Patents, Copyrights, Trademarks – Permanent;
- Deeds, Mortgages, Bills of Sale, Property Appraisals, Property Records, Including Costs, Depreciation Reserves, Year-End Trial Balances, Depreciation Schedules, Blueprints, and Plans – Permanent;
- General/Routine Correspondence – 3 Years;
- Legal/Important Correspondence – Permanent

Destruction: Hardcopy of documents will be destroyed by shredding after they have been retained until the end of the Document Retention Schedule.

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19. Late Fees: Since late fees are an unallowable charge against grants, staff responsible for providing invoices, purchase orders, etc. to accomplish the prompt payment will be held accountable. Staff not providing the required documents in a timely manner may be reprimanded, demoted, suspended, or terminated. (Amended 9-1709)
20. Existing policies and procedures will be followed for ARRA funding. (Amended 9-17-09)