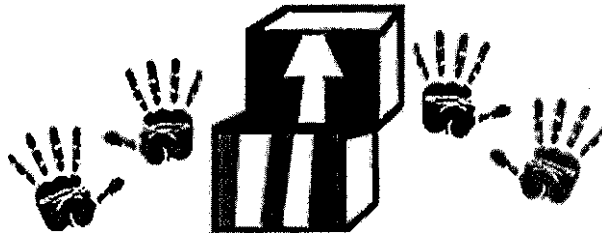


Bear River Head Start
Fiscal Policies & Procedures



Revised: 4/26

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Bear River Head Start

Financial Management System and Accounting Procedures

The financial management system and accounting procedures for BRHS follow the following authority:

1. Uniform administrative requirements, cost principles, and audit requirements for federal awards to non-federal entities in 45 CFR part 75.
2. HHS Grants Policy Statement.
3. Requirements on the Head Start Act as authorized on December 12, 2007.
4. Performance Standards in Head Start Program Regulations.
5. Additional, specified terms of any contracts with awarding agencies.
6. Any other federal, state or local laws or regulations which apply to BRHS e.g. Fair Labor Standards Act, Internal Revenue Code, state and local fire and health regulations, etc.
7. Written standards, policies, and procedures for BRHS which meet the financial and program requirements for private non-profit agencies are included in this and the following documents.

I. Description of Financial Management System

A. Accounting System & Procedures.

The accounting procedures are the methods used to implement the administrative and program requirements for Federal grantees, to maintain adequate internal controls, and to manage all funds received, no matter from what source, in a responsible and consistent manner. The accounting system and procedures provide for the accurate, current and complete disclosure of the financial results of each project or program administered by BRHS, both for federal funds and for private corporate funds.

The system includes:

1. Reporting on an accrual basis of accounting.
2. Effective cash receipt and cash disbursement policies (refer to cash receipts and cash disbursements section of this manual).
3. Written procedures relating to cost-sharing and in-kind donations (see separate section of this manual).
4. Effective procurement and purchasing policies in place (refer to procurement and purchasing policies section of this manual).
5. Records that identify adequately the source and application of funds.
6. Written procedures for determining the reasonableness, allocability, and allowability of costs (refer to separate section of this manual).
7. Accounting records that are supported by source documentation.

Accrual basis of accounting. BRHS follows the accrual basis for accounting and reporting. Under this method, revenues are recognized when they are measurable and available and expenditures are recorded when the related liability is incurred.

Records that identify source and application of funds. BRHS maintains financial records that identify adequately the source and application of all funds. These financial records include:

- a. Financial assistance awards (FAA)
- b. Cash receipt, grants receivable, and other receivable information.
- c. Cash disbursement records, e.g. invoices, bill statements, canceled checks, contracts, bank statements, etc.
- d. Payroll activity reports. .
- e. Mileage reimbursement reports.
- f. Interest.

BRHS processes and summarizes financial information using an accounting software package that includes modules for general ledger, payroll, and accounts payable. The chart of accounts identifies individual cost elements by grant and by object cost category/class. This facilitates reconciling cost classes to the project's approved budget in a timely manner, and to managing the funds on an ongoing basis to accomplish the objectives of the award during the project period.

Accounting records that are supported by source documentation.

The accounting records are supported by source documentation, e.g. invoices, bill statements, canceled checks, bank statements, payrolls, activity reports, contracts, purchase orders, and any other evidence associated with transactions. The accounting records show the sources of all program funds, both federal and non-federal. These records are organized to facilitate review by an auditor, the federal review team, or federal officer.

B. Budgets.

1. **Budget development** is the system of controlling and accounting for .funds begins with a budget, prior to a request for funding, or the expending of funds, a plan is prepared to identify the expected costs necessary to carry out the requirements of the planned program.

Elements of the budgetary process are:

- a) Participation by Policy Council and Budget Committee.** The Budget Committee is extensively and continuously involved in conjunction with the fiscal staff in both preparation of and monitoring of the budget. The Budget Committee typically meets on a monthly basis. The fiscal office reports to the Policy Council and Board each month and presents budget matters to them for approval.
- b) Participation by a qualified and competent Fiscal Staff, Director, and Program Management.** These groups are responsible for preparing the budget and receive continuing training in order to keep current with all applicable grant policies, prior approval requirements, allowability of costs, applicable regulations of other federal agencies, audit requirements, etc. The fiscal office and management report to the Policy Council and the Board of Trustees on a monthly basis.
- c) Analysis of the comprehensive community needs assessment.** BRHS conducts a comprehensive community needs assessment at least once over the five year grant period. Information from the community needs assessment is analyzed in order to plan the program focus and the program options to be implemented. Since needs change over time. BRHS also reviews and updates the community assessment annually. The update reflects any significant changes including increased availability of publicly funded pre-kindergarten (including an assessment of how the pre-kindergarten available in the community meets the needs of the parents and children served in the program, and whether it is offered for a full school day), rates of family and child homelessness, and significant shifts in community demographics and resources. These may or may not be officially written. These assessments are conducted by observations and interviews with parents, staff and community members. Information from these informal assessments provides timely information for planning expenditures to meet changing conditions within the overall requirements of the program objectives.
- d) Forecasting of costs.** Costs are forecasted to include sufficient funds in each category to meet the program objectives. Costs are assigned to the applicable grant, object category and program account. These budgeted costs become the basis for precluding incurring obligations in excess of total funds available.

- e) **Consultation with Federal Staff.** Budget preparation includes interaction with the federal staff. The oversight of the federal staff and the ongoing interaction with them assures the successful meeting of program objectives within the amount of funds available.
 - f) **Approving the budget.** After approval by the Budget Committee the proposed budget is presented to the Policy Council and Board of Trustees for discussion and approval. Approval by the Policy Council and Board of Trustees of the finalized budget is documented in writing.
2. **Comparison of outlays with budget amounts.** Using the system of budgetary controls in place, outlays are compared with budget amounts on a regular basis. The budget-to-actual reports provide a means to monitor and control the flow of funds in order to assure that costs are incurred as planned to meet the objectives of the award.
3. **Revisions of budget and program costs.** The budget plan is the financial expression of the project or program as approved during the award process. BRHS reports changes and requests prior to approval for program and plan revisions according to the requirements of 45 CFR Part 75.308. Prior written approval will be obtained for the following program or budget related reasons.
- a) Prior written approval for equipment will follow regulations 75.439.
 - b) Change the scope or the objective of the project or program, even if there is no associated budget revision, require written approval.
 - c) Any change in key personnel (i.e. Director, Fiscal Officer).
 - d) The sub awarding, transferring or contracting out of any work under the federal award. This provision does not apply to the acquisition of supplies, material, equipment or general support services.
 - e) Changes in the approved cost-sharing or matching provided by BRHS.

C. Federal Financial Reporting.

1. **FFR 425 Financial Status Report.** This report details the status of all funds for non-construction grants, including the amounts of grant award and program outlay. BRHS is required by HHS to submit the financial status report semi-annually and a final report. The report will be filed as required by the federal schedule.

2. **Internal Revenue Service Form 990.** BRHS files the IRS form 990 for organizations exempt income tax. BRHS is exempt from income tax because it is a 501(c) (3) organization (non-profit). This form is due by June 15 annually.
3. **Reporting on Real Property.** BRHS will submit reports at least annually on the status of real property in which the federal government retains an interest per requirements in 45 CFR Part 75.343.
4. **Tangible Personal Property.** BRHS will provide Tangible Personal Property Report SF-428 and SF-428B, and SF-428S if needed, no later than 90 days after the close of the project period.

D. Internal Controls and Safeguarding.

1. **Effective Control & Accountability.** BRHS maintains an effective control over and accountability for all funds, property and other assets. BRHS internal controls will comply with federal statutes, regulations, the terms and conditions of federal awards, and take reasonable measures to safeguard personally identifiable information or other information the awarding agency designates as sensitive regarding privacy and obligations of confidentiality. The controls include: budgetary controls, internal controls with clear separation of duties, safeguarding of confidential information, adequate safeguarding of assets, and mandatory disclosures.

- a) **Budgetary Controls.** The system of controlling and accounting for funds begins with a budget. A budget is the financial plan for carrying out the program over the fiscal year. Budgets are drawn up prior to the start of the fiscal year, approved by the Policy Council and the Board of Trustees, and submitted to the funding agency.

The budget is the means BRHS uses to plan the use and flow of funds and to plan for future projects. The budget system allows BRHS to make wise spending decisions and avoid facing the problems of lack of funds or excessive balances at the end of the fiscal year.

On a regular basis an expenditure report is prepared which reconciles the object cost category to the cost categories in the approved budget. These expenditure reports are presented to those charged with the management of the program and are used to review expenditures in each cost category throughout the year to preclude incurring obligations in excess of total funds available.

These reports are also used to monitor the flow of funds through the grant award to assure that obligations incurred for each grant award are allocable to the correct award. Expenditure reports which present total expenditures to date with the total of approved budgets from all funding sources are presented monthly to the Policy Council and to the Governing Board.

- b) Internal Controls.** Internal controls will comply with federal statutes, regulations and terms and conditions of the federal award. Compliance will be evaluated and monitored on an ongoing basis. 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. The system of internal control is closely examined each year by an independent auditor. The annual independent audit contains a separate report on the adequacy of the internal controls in place at BRHS. Prompt action will be taken if instances of noncompliance are identified through including noncompliance identified in audit findings.
 - c) Safeguards of personal information.** Controls will also be put in place to take reasonable measures to safeguard personally identifiable information or other information the awarding agency designates as sensitive regarding privacy and obligations of confidentiality. All such information is kept in secure locations, used only for official purposes by appropriate staff on a need to know basis.
 - d) Adequate Safeguarding of Assets.** BRHS maintains equipment and supplies records, and updates them on an ongoing basis. All equipment and supplies are kept in secure locations. It is the policy of BRHS that all funds, equipment and other assets are used solely for authorized purposes.
 - e) Mandatory Disclosures.** All violations of federal criminal law involving fraud, bribery, gratuity violations affecting the federal award must be disclosed, in a timely manner and in writing, to the Regional Office.
- 2. Audit.** BRHS is subject to audit requirements in 45 CFR Subpart F. An audit of financial operations and a review of internal controls are conducted each year by an independent auditor. The audit is required to be completed 120 days after year end, unless an extension is granted. The audit is performed under the direction of the Board of Trustees. The Board also directs correction of any adverse audit findings. Prompt action will be taken by BRHS if instances of noncompliance are identified through the audit. The auditor may not perform other functions for Bear River Head Start.

The audit has four general purposes:

- a) To determine whether the financial statements are presented fairly.
- b) To determine whether BRHS is complying with terms and conditions of the grant, including the applicable laws and regulations.
- c) To determine whether appropriate financial and administrative procedures and controls have been installed and are operating effectively.
- d) Audit is submitted to Single Audit Clearinghouse within nine months of fiscal year end.

3. Insurance and bonding. In accordance with Federal Regulations. BRHS maintains reasonable amounts of insurance including student accident, general liability, automobile (including collision, and liability for uninsured drivers), as well as property insurance (including fire and water damage and theft). BRHS bonds all individuals with the capacity to handle cash and the disbursement of program funds. BRHS also carries Board and Executive Director Liability insurance.

4. Ongoing Monitoring. In order to assure compliance with applicable federal requirements and performance expectations ongoing monitoring will cover each program, function or activity. BRHS conducts an annual self-assessment (including the Fiscal Office).

E. Program Income. Program income earned by BRHS is retained and used to further the project or program objectives. The program income is deducted from the total allowable costs of the project of program. The accounting records reflect the application of the program income to the applicable cost categories. When applicable, program income is reported on form FFR 425.

II. Property Standards.

Description of Property Standards: Property includes real property, equipment, intangible property, and debt instruments.

Property standards followed by BRHS are as follows:

A. Insurance. Insurance coverage is maintained for all property owned by BRHS. BRHS will obtain flood insurance if a facility is located in an area the National Flood Insurance Program defines as high risk. Physical damage or destruction insurance for each owned facility will cover full replacement value.

- B. Title.** Title to all property shall vest in Bear River Head Start, unless otherwise noted. Federally owned and exempt property should follow the guidelines in 45 CFR Part 75.318, and equipment transfer of title as discussed in 75.320(a).
- C. Real Property.** Any real property that is acquired, with federal funds, by BRHS, shall be used for the authorized purposes of the project for as long as it is needed. BRHS shall not encumber the property without written approval of the federal awarding agency. A Notice of Federal Interest will be completed for all real property that is acquired with federal funds. The Notice of Federal Interest will be filed with the property records in the appropriate jurisdiction and a copy will be submitted to the Regional Office. BRHS shall obtain written approval from the federal awarding agency for the use of real property in other federally sponsored projects when BRHS determines that the property is no longer needed for the purpose of the original property. When the real property is no longer needed, BRHS shall request disposition instructions from the federal awarding agency in accordance with the provisions in 45 CFR Part 75.318.

Any real property that is acquired with corporate funds shall be purchased, used, and disposed of under the direction of the Governing Board.

D. Equipment.

Equipment means tangible non-expendable personal property directly charged to the award, having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit. Title to equipment acquired under a federal award will vest upon acquisition with BRHS subject to conditions in 45 CFR Part 75.320.

Personal Property means property of any kind except real property. It may be tangible, having physical existence, or intangible, having no physical existence, such as copyrights, patents, or securities. Licensing agreements, as in the purchase of rights to the use of computer software, are not property.

Acquisition cost of equipment means the net invoice price of the equipment, including the cost of modifications, attachments, accessories, or auxiliary apparatus necessary to make the property usable for the purpose for which it was acquired. Other charges such as the cost of installation, transportation, taxes, duty, or protective in-transit insurance shall be excluded from the unit acquisition cost.

Prior written approval will follow regulation 1s in 45 CFR part 75.439.

- 1. Use of equipment.** BRHS shall use the equipment in the project or program for which it was acquired as long as needed, whether or not the project or program continues to be supported by federal funds, and shall not encumber the property without approval of the federal awarding agency. When no longer needed for the original project or program, BRHS shall use the equipment in connection with its other federally-sponsored activities in accordance with the provisions in 45 CFR Part 75.320(c).
- 2. Replacement equipment.** When acquiring replacement equipment, BRHS may use the equipment to be replaced as trade-in or sell the equipment and use the proceeds to offset the costs of the replacement equipment, subject to the approval of the federal awarding agency.
- 3. Equipment no longer needed.** When BRHS no longer needs the equipment, and the equipment exceeds \$5,000 current fair market value, the equipment may be used for other activities according to the standards in 45 CFR Part 75.320(e). Prior written approval is required for disposal of assets with a fair market value of greater than \$5,000. Items of equipment with a current per unit fair market value of \$5,000 or less may be retained, sold or otherwise disposed of with no further obligation to the HHS awarding agency per 45 CFR Part 75.320(e)(1).
- 4. Equipment records.** Equipment records shall be maintained accurately and shall include the following information per 45 CFR 75 Part 320:
 - a) Description of the equipment.
 - b) BRHS tag number.
 - c) Identification number to include manufacturer's serial number.
 - d) Source of funding for the property (including FAIN).
 - e) Whether title vests in BRHS or in the Federal Government.
 - f) Acquisition date.
 - g) Unit acquisition cost.
 - h) Percentage of federal participation in cost of equipment.
 - i) Location, use, and condition of equipment and the date the information was recorded.
 - j) Ultimate disposition data, including date of disposal and sale price, or the method used to determine current fair market value where BRHS compensates the federal awarding agency for its share.
- 5. Physical inventory.** A physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the difference. BRHS shall, in connection with the physical inventory, verify the existence,

current utilization, and continued need for the equipment.

6. **Control system.** A control system shall be in effect to ensure adequate safeguards to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft of equipment shall be investigated and fully documented. Control procedures are:
 - a) Maintain physical inventory, including serial numbers.
 - b) Equipment is tagged with BRHS property tags and logs of tagged items are maintained.
 - c) Keep property in secure areas.
 - d) Lock all buildings, classrooms, and storage areas when not in use.
 - e) Issue access keys only to authorized personnel.
 - f) Maintain inventory of keys.

7. **Maintenance System.** An adequate maintenance procedure shall be implemented to keep the equipment in good condition. BRHS performs preventive maintenance at regularly scheduled times to assure that equipment is in proper working order.

E. Supplies and Other Expendable Property.

Supplies mean all personal property excluding equipment, intangible property, and debt instruments. Material inventories are maintained on all such property at the Director's discretion. These inventories include classroom supplies, office supplies, computers, printers, shredders, paper products, etc. Supplies purchased with Federal funds shall not be used for non-federal programs without fair-value reimbursement or authorization by the award agency.

F. Property Trust Relationships.

Real property, equipment, and any other property acquired or improved with federal funds shall be held in trust by BRHS as trustee for the beneficiaries of the project or program under which the property was acquired or improved. When required by the awarding agency, BRHS shall record liens or other appropriate notices of record to indicate that personal or real property has been acquired or improved with federal funds and that use and disposition conditions apply to the property.

III. Procedure for determining Reasonableness, Allocability and Allowability of cost.

The BRHS procedure for assuring that all costs incurred for any program meet the tests of reasonableness, allocability, and allowability is:

- A. Only personnel who have received adequate training in cost principles and who have an understanding and knowledge of program requirements may authorize

expenditures.

- B.** Each authorized expenditure must meet the following tests as documented in 45 CFR part 75.

1. Reasonable costs.

A cost is reasonable if, in its nature or amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The cost is reasonable if, in the good-faith judgment of the decision maker, the expenditure is the most advantageous to the program or project and to the beneficiaries of the project given the facts and circumstances at the time.

The question of reasonableness of costs must be scrutinized with particular care. In determining the reasonableness of a given cost, consideration shall be given to:

- a)** Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the organization for the proper and efficient performance of the Federal award: or whether the cost is included in an approved work plan, or is included in the grant.
- b)** The restraints or requirements imposed by such factors as generally accepted sound business practices, arm's length bargaining, Federal and State laws and regulations, and terms and conditions of the award.
- c)** Market prices for comparable goods and services in the geographical area.
- d)** Whether the individuals concerned acted with prudence in the circumstances, considering their responsibilities to the organization, its members, employees, parents, the public at large, and the government.

2. Allocability of costs.

A cost is allocable to a particular Federal Award or other cost objective if the goods or services involved are chargeable or assignable to that

Federal award or cost objective relative to the benefits received. This standard is met if the cost:

- a) Is incurred specifically for the award.
- b) Benefits both the award and other projects and can be distributed in reasonable proportion to the benefits received using reasonable methods.
- c) Is necessary to the overall operation of the organization, for the method of cost allocation refer to the cost allocation plan.

3. Allowability of costs.

Allowability of costs is determined for BRHS in accordance with the cost principles applicable to non-profit organizations, which are referred to in 45 CFR part 75.420 - 75.475. In addition, allowability may be determined by reference to the codified regulations, and interpretive documents which apply to a nonprofit organization that are incorporated in fact or by reference into the written Financial Assistance Award and attachments that the awarding agency issues as a contract with BRHS.

Allowability of costs may also be determined by OMB, HHS, or regional, or national office memorandums, interpretations, or written instructions, which may not be specifically mentioned in the contract.

Allowable costs are also costs required to comply with Federal, State, or local statute or requirements to include but not be limited to Fair Labor Standards Act, Internal Revenue Code, State and local health and fire regulations, etc., and any other costs required to minimize risk or exposure of BRHS to lawsuit.

Instructions or interpretations as to policy, procedures, or methods presented by auditors, federal review team members, or federal staff, or others, which are not in written form and documented as to authoritative source, shall be strongly considered by BRHS. In matters which cannot be resolved by reference to the written authority, or by agreement between the parties; or in the case where there is a difference of interpretation about the applicability to BRHS of a certain interpretation. BRHS may prepare in writing its reasons for adopting a certain policy, or procedure or method, and may request a clarification in writing from the awarding agency before any changes in policy, procedure or method are made.

To be allowable under an award, costs must meet the following minimum criteria as set in 45 CFR part 75.403:

- a) Be specifically allowed, or not prohibited under 45 CFR part 75.420- 75.
- b) Be necessary and reasonable for the performance of the award and be allocable thereto under the 45 CFR part 75 cost principles.
- c) Conform to any limitations or exclusions set forth in 45 CFR part 75 or in the award as to types or amount of cost item.
- d) Be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the organization.
- e) Be accorded consistent treatment.
- f) Be determined in accordance with generally accepted accounting principles.
- g) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally financed program in either the current or a prior period.
- h) Be adequately documented.

4. **Bid and Proposal Costs.** These costs are the immediate costs of preparing bids, proposals, and applications for Federal and non-Federal awards or projects, including the development of data needed to support the bids, proposals, and applications. Bid and proposal costs as discussed at 45 CFR part 75.460 states that these costs of the current accounting period for both successful and unsuccessful bids are allowable as indirect costs. However, BRHS does not have an indirect cost rate and does not utilize indirect costs. Accordingly, it is the established practice of BRHS to record these costs as direct costs in the current accounting period.

IV. Cash Receipts

The safeguarding of cash and the proper recording of money received is an important element of internal controls. (Internal controls are the policies and procedures that are in place to preserve the assets from loss due to error or fraud. Internal controls also protect the employees against unwarranted allegations by fixing responsibility and reducing the chances for error). Policies and Procedures Governing Cash:

- A. A receipt shall be written for all monies received, whether by check or cash.
- B. All such monies shall be kept in a locked, secure place until deposited.
- C. Only authorized persons shall receive cash.
- D. Employees who handle cash should be bonded.
- E. The policies and procedures apply to all monies received, regardless of funding source, whether it is federal funds or corporate funds.
- F. Cashing of checks out of currency receipts is prohibited.

Bank Account:

Bear River Head Start maintains all funds in an FDIC insured and interest bearing account. The use of federal funds to cover the costs incurred by other funding streams is prohibited. Systems will be in place to allow BRHS to account for the receipt, obligation and expenditure of federal funds.

Federal Cash

Cash received from the Federal government for grant costs are deposited directly to the BRHS bank account via electronic transfer through the Federal Payment Management System.

Interest earned on federal funds is not treated as interest or program income, but is recorded as interest payable to the Government. The funds are accounted for to the Government through the quarterly FFR 425 report, and the Payment Management System.

Interest amounts up to \$500 per year are retained for administrative expenses. Any interest received greater than \$500 is remitted back to the awarding agency.

Advances of federal funds are deposited and maintained in insured accounts whenever possible.

Other funds which are deposited into the cash account: Checks from CACFP for USDA reimbursement (both Utah and Idaho), minimal amounts of cash received from parents for food, and other funds, as received.

Corporate Cash

Monies for fund-raising by parent groups or by staff are deposited in the corporate cash account.

The corporate cash includes funds received from non-federal sources such as: donations and contributions, contributions which are restricted as to use, interest earned on corporate funds, and United Way funds received.

Lock Boxes:

Lock boxes are maintained in the outlying areas and in the front office for the deposit of cash in small amounts. Amounts paid for lunches, supplies, etc. that are in cash, not checks are dropped in. The boxes are brought in to the main office periodically. The box is opened in the presence of the person bringing it in. the money counted, and a receipt issued.

General Procedure:

1. Incoming mail is opened and receipts are stamped "*received*" by fiscal staff.
2. Cash receipts are used and the customers' remittance data and other supports are attached.
3. The receipts are entered into the accounting system and compared to the deposits by the fiscal office.
4. Receipts are restrictively endorsed upon receipt and deposited intact on a regular basis.
5. Cash is secured in a locked drawer until it is deposited on a weekly basis.
6. Bank reconciliations are done on a regular basis by the Fiscal Bookkeeper and reviewed in the following manner:
 - a) The bank statement is received unopened from the bank by the Fiscal Assistant or Office Manager.
 - b) Canceled checks and deposits are compared to amounts recorded. Check sequence is monitored in the cash receipts/disbursements journal by the Fiscal Assistant.
 - c) Checks are scanned for proper signatures, endorsements, alterations, and VOIDS.
 - d) Any unusual items (i.e. NSF checks. outstanding checks over 90 days. bank charges. etc.) are investigated frequently.
 - e) A copy of the bank statement is reviewed by a member of the Board on a monthly basis.
 - f) Bank reconciliation is reviewed by the Fiscal Officer

V. Cash Disbursements/Accounts Payable

A. Policies for Safeguarding Cash:

1. All disbursements (excluding direct deposit payroll, insurance payroll taxes and petty cash) are made by check or company credit card.
2. Check stocks are pre-numbered and used in sequence.
3. Blank check stocks and company credit cards are kept in a locked and secure place with designated custodians.
4. Checks are made payable to specified payees and never to cash or bearer.
5. Checks which have been issued and subsequently voided are reviewed by the Fiscal Officer, mutilated and retained.
6. The voucher package, original checks, and check register are reviewed by a staff member from the Fiscal Office. The review is conducted by an individual separate from those that prepared and processed the invoices for payment, and does not have authorization to sign checks.

7. Support documentation accompanies checks when presented for signature.
8. All supporting documents are attached to the check stub at the time of signature to prevent duplicate payment.
9. All check signers are independent of:
 - a) Voucher preparation and approval for payment.
 - b) Check preparation, cashreceiving, and petty cash.
10. Disbursements are regularly compared with budgeted amounts.
11. Signing blank checks is forbidden.

B. Cash Disbursement Procedure:

1. The fiscal assistant receives the documented purchase packet with the authorized Purchase Order, Blue Slip or other authorizing document and matches it to the receiving information.
2. The vendor invoice is prepared for payment. The invoice is compared to the purchase packet for agreement of item description, quantity, and amount.
3. The account number is recorded and reviewed by the Fiscal Bookkeeper.
4. The invoices are entered into the accounting software by the Fiscal Assistant.
5. The checks are processed through the accounting software by the Fiscal Bookkeeper.
6. The check amounts and the invoices are compared for accuracy, and reviewed by a staff member from the Fiscal Office. The review is conducted by an individual separate from those that prepared and processed the invoices for payment, and does not have the authorization to sign checks.
7. The checks are to be signed by one authorized staff member and the fiscal officer. Staff authorized to sign checks have no access to the accounts payable system. If the fiscal officer is unavailable, two authorized staff members may sign the checks.
8. The checks are prepared for mailing or interoffice distribution by the Fiscal Bookkeeper and reviewed by the Fiscal Assistant and/or Fiscal Officer.
9. Check stubs are attached to the invoices and related documents.
10. Check stubs and attachments are filed in alphabetical order according to the vendor.

C. Procurement Cards (P-Cards) Policy

This procedure is to establish clear guidelines for the authorized use of Procurement Cards (P-Cards) by Bear River Head Start staff in order to ensure proper use of funds, prevent misuse, and maintain compliance with federal, state, and organizational regulations.

1. P-Cards will only be issued to approved staff who have a job-related need and have been approved by their supervisor and the Finance Department.
2. P-Cards may be used for:
 - a) Program-related supplies and materials
 - b) Pre-approved travel expenses
 - c) Emergency or time-sensitive purchases
 - d) Registration fees for trainings, conferences or certifications
3. P-Cards **may not** be used for:
 - a) Personal purchases of any kind
 - b) Alcohol, tobacco, or restricted items
 - c) Cash advances or gift cards
 - d) Fuel (unless authorized for program vehicle use)
 - e) Anything not approved by a supervisor with correct documentation
4. Individual card limits will be set and approved by the Executive Director. Each card limit is currently set to \$5,000.
5. It will be the responsibility of the authorized cardholder to monitor all transactions and monthly spending limits.

D. P-Card Procedures

To initiate a purchase on a P Card, staff will first fill out a blue slip describing what item(s) are needed. The blue slip will then be sent to a supervisor/coordinator to be signed and authorize that the items are compliant to federal, state and organizational regulations. The authorized card holder will then complete the transaction. It will be the responsibility of the card holder to collect proper documentation of the purchase and send everything directly to fiscal within 24 hours. Once proper documentation has been sent to the Fiscal department. They will then review and ensure that all transactions are compliant to organization and grant rules. Fiscal may reach out to cardholders for additional information or any questions or concerns.

1. Documentation to turn in will include:
 - a) Invoice/ receipt
 - b) Receiving confirmation/information (if applicable)
 - c) Signed blue slip

E. Procedure for requesting cash that minimize the time elapsing between the transfer of funds and the disbursement of check:

1. As per the check register, estimate the amount of funds that are needed to cover all checks to be written on federal funds as of a certain date.

2. Request the amount of funds required based upon the release date of the checks or date of direct deposit. The funds are expected to be available within one business day.
3. Release the checks or transmit direct deposit.
4. Funds must be expended as soon as it is administratively feasible after receipt of federal funds.
5. Draw downs and disbursements will be monitored on an ongoing basis.

BRHS projects cash flow needs in advance so as to avoid having excess funds in the checking account or being unable to meet obligations on time. Requests for federal funds are tied to actual, immediate cash requirements in carrying out the purposes of the programs. The timing and amount of advance payments will be as close as is administratively feasible to the actual disbursements. Requests for payments will be consolidated to cover anticipated cash needs for federal awards. Funds from program income, rebates, refunds, contract settlements, audit recovery and interest earned on such funds will be used before requesting additional payments.

F. Petty Cash

1. BRHS maintains petty cash funds on an imprest basis.
2. All petty cash funds are kept in a locked petty cash box or file cabinet. Only the petty cash custodian and the fiscal office will have keys to the petty cash box and drawer or cabinet.
3. Petty cash funds are segregated from other cash.
4. Petty cash funds will be maintained at a minimal level of funds.
5. Petty cash funds are used only to cover the costs as outlined in the petty cash procedure.
6. The petty cash custodian shall ensure that the petty cash documentation attached when payment is made.
7. At all times, the petty cash box will contain receipts and cash totaling the amount of the fund. The petty cash box and all receipts will be submitted to the Fiscal Office for reconciliation and refunding on a regular basis.
8. Petty cash fund reimbursement checks will be made out to "Employee Name - Petty Cash". All petty cash custodians are properly bonded.
9. The Fiscal Officer may conduct surprise counts of all petty cash funds.
10. Loans will not be made from petty cash funds.
11. Checks will not be cashed from petty cash funds.

VI. Procurement Policy. Description of Procurement Standards

The procurement policies and the purchasing procedures established by BRHS in the procurement of supplies and other expendable property, equipment, real property, and other services with federal and corporate funds are set forth in this section. For purposes of BRHS procurement the terms "contractor" and "vendor" may be used interchangeably.

A. Code of Conduct. The standards of conduct governing the performance of BRHS employees engaged in the selection, award and administration of contracts are:

1. No employee, officer, or agent shall participate in the selection, award, or administration of a contract supported by federal funds if a real or apparent conflict of interest would be involved. Such a conflict would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial interest in the firm considered for a contract.
2. The officers, employees, and agents of BRHS shall neither solicit nor accept gratuities, favors, or anything of monetary value from contractors, or parties to sub-agreements. However, BRHS may set standards for situations in which the financial interest is not substantial or the gift is an unsolicited item of nominal value. Items will be considered of a nominal value if they are under \$50 in value.
3. Disciplinary actions as provided in the Personnel Policies and Procedures may be applied for violations of the Procurement Code of Conduct by employees, officers, or agents of BRHS.
4. The Administration of BRHS will follow-up with the contractor to ensure conformance with the terms, conditions, and specifications of the contract. Any non-conformance by the contractor will be documented by BRHS.

B. Open and Free Competition. All procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, open and free competition.

1. BRHS shall be alert to organizational conflicts of interest as well as noncompetitive practices among contractors that may restrict or eliminate competition or otherwise restrain trade.
2. In order to ensure objective contractor performance and eliminate unfair competitive advantage, contractors that develop or draft specifications, requirements, statements of work, and invitations for bids and/or requests for proposals shall be excluded from competing for such procurements.
3. Procurement will be conducted in a manner that prohibits the use of statutorily or administratively imposed state or local geographical preferences in the evaluation of bids or proposals except where allowed in 45 CFR part 75.328.
4. Value engineering clauses in contracts will be considered in contracts for construction projects of sufficient size to offer reasonable opportunities for

cost reduction.

5. Awards shall be made to the bidder or offered whose bid or offer is responsive to the solicitation and is most advantageous to BRHS including price, quality, and other factors considered.
6. Solicitations shall clearly set forth all requirements that the bidder or offerer shall fulfill in order for the bid or offer to be evaluated.
7. Any and all bids may be rejected when it is in the interest of BRHS to do so.

C. Procurement Standards. Procurement standards provide that the following shall apply:

1. The purchase of unnecessary or duplicative items shall be avoided.
2. Consideration will be given to the consolidating or breaking out procurements to obtain a more economical purchase.
3. Where appropriate, an analysis is made of lease and purchase alternatives to determine which would be the most economical and practical procurement. Generally, the decision to lease or purchase equipment should be based on the most economical approach to the project considering the length of the project and the life expectancy of the equipment.
4. State contract pricing will be considered where appropriate.
5. Federal excess or surplus property will be considered where appropriate.
6. Solicitations for goods and services provide for all of the following:
 - a) A clear and accurate description of the technical requirements for the material, product or service to be procured. In competitive procurements, such a description shall not contain features that unduly restrict competition.
 - b) Requirements which the bidder/offeror must fulfill and all other factors to be used in evaluating bids or proposals.
 - c) A description, whenever practicable, of technical requirements in terms of functions to be performed or performance required, including the range of acceptable characteristics or minimum acceptable standards.
 - d) The specific features of "brand name or equal" descriptions that bidders are required to meet when such items are included in the solicitation.

- e) The acceptance, to the extent practicable and economically feasible, of products and services dimensioned in the metric system of measurement.
 - f) Preference, to the extent practicable and economically feasible, of products and services that conserve natural resources and protect the environment and are energy efficient.
 - g) Preference, to the extent practicable and economically feasible, of equipment and products that are American made. (Public Law 103-333 the "Departments of Labor. Health and Human Services, and Education, and Related Agencies Appropriations Act. 1995" enacted September 30. 1994).
7. When issuing statements, press releases, requests for proposal, bid solicitations, and other documents describing projects or programs funded in whole or in part with federal money, such information shall state clearly:
- a) The percentage of the total costs of the program or project which will be financed with federal money.
 - b) The dollar amount of federal funds for the project or program.
 - c) The percentage and dollar amount of the total costs of the project or program that will be financed by non-governmental sources. (Section 508 of the Public Law).

D. Small, Minority, and Women-Owned Firms. It is a national policy to place a fair share of purchases with small, minority, and woman owned firms. Whenever possible, the following steps shall be taken:

1. Ensure that small, minority, and woman-owned business enterprises are used to the fullest extent possible.
2. Place these firms on bidder mailing lists.
3. Solicit these firms whenever they are potential sources of supplies, equipment, or services.
4. Where feasible, divide total requirements into smaller needs, and set delivery schedules that will encourage participation by these firms.
5. Consider whether firms competing for larger contracts intend to subcontract with small, minority, or woman-owned firms.

E. Procuring Instrument. The type of procuring instrument (purchase order, fixed price contracts, etc.) shall be determined for each procurement, but shall be appropriate for the particular procurement and for promoting the best interest of the program or project involved. The type of procuring instrument most often used is a purchase order.

- F. Responsible Contractors.** Contracts shall be made only with responsible contractors who possess the potential ability to perform successfully under the terms and conditions of the proposed procurement. Consideration shall be given to such matters as contractor integrity, record of past performance, financial and technical resources or accessibility to other necessary resources. In certain circumstances, contracts with certain parties are restricted by agencies' implementation of E.O.s 12549 and 12689, "Debarment and Suspension."
- G. Records.** BRHS shall maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract.
- H. Method of Procurement.** The method of procurement used shall be appropriate for the particular circumstance and for promoting the best interest of the program. Some form or price analysis to determine reasonableness, allowability and allocability shall be made for every procurement action. There are five methods of procurement:
- 1. Micro-Purchases.** The purchase of supplies or services using simplified acquisition procedures, the aggregate amount of which does not exceed the micro-purchase threshold of **\$10,000**. For purposes of this procedure aggregate will be considered as the amount per Purchase Order or other authorizing document. Micro-purchases may be awarded without soliciting competitive quotations if the price is considered reasonable. BRHS will, to the extent practicable, distribute these purchases among qualified suppliers if they offer comparable prices and meet the needs of the program.
 - 2. Small Purchase.** The purchase of services supplies and other property in excess of the micro-purchase limit and under the Simplified Acquisition Threshold of **\$250,000**. Price or rate quotations must be obtained from an adequate number of sources. For the purpose of this procedure "adequate" is normally defined as three sources. The price or rate quotations may be in writing, orally, vendor price list on website, or generated via online search engine.
 - 3. Sealed Bids.** Purchases in excess of the Simplified Acquisition Threshold of **\$250,000** for construction projects. Bids are publicly solicited and a firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. The sealed bid method is the preferred method for procuring construction, if the following conditions apply.

- a) In order for sealed bidding to be feasible, the following conditions should be present:
 - (1) A complete, adequate, and realistic specification or purchase description is available.
 - (2) Two or more responsible bidders are willing and able to compete effectively for the business.
 - (3) The procurement lends itself to a firm fixed price contract and the selection of the successful bidder can be made principally on the basis of price.
- b) If sealed bids are used, the following requirements apply:
 - (1) Bids must be solicited from an adequate number of known suppliers, providing them sufficient response time prior to the date set for opening the bids, for state, local, and tribal governments, the invitation for bids must be publicly advertised.
 - (2) The invitation for bids, which will include any specifications and pertinent attachments, must define the items or services in order for the bidder to properly respond.
 - (3) All bids will be opened at the time and place prescribed in the invitation for bids, for state, local, and tribal governments, the bids must be opened publicly.
 - (4) A firm fixed price contract award will be made in writing to the lowest responsive and responsible bidder. Where specified in bidding documents, factors such as discounts, transportation cost, and life cycle costs must be considered in determining which bid is lowest. Payment discounts will only be used to determine the low bid when prior experience indicates that such discounts are usually taken advantage of.
 - (5) Any or all bids may be rejected if there is a sound documented reason.

4. Competitive Proposal. Purchases in excess of the Simplified Acquisition Threshold of **\$250,000**. Conducted with more than one source submitting an offer and either a fixed price or cost-reimbursement contract will be awarded. Competitive Proposals will be used when conditions are not appropriate for a sealed bid. If this method is used, the following requirements apply:

- a) Requests for proposals must be publicized and identify all evaluation factors and their relative importance. Any response to publicized requests for proposals must be considered to the maximum extent practical.

- b) Proposals must be solicited from an adequate number of qualified sources.
- c) BRHS will have a written method for conducting technical evaluations of the proposals received and for selecting recipients.
- d) Contracts must be awarded to the responsible firm whose proposal is most advantageous to the program, with price and other factors considered.
- e) BRHS may use competitive proposal procedures for qualifications-based procurement of architectural/engineering (NE) professional services whereby competitors' qualifications are evaluated and the most qualified competitor is selected, subject to negotiation of fair and reasonable compensation. The method, where price is not used as a selection factor, can only be used in procurement of NE professional services. It cannot be used to purchase other types of services though NE firms are a potential source to perform the proposed effort.

5. Non-Competitive Proposals (Sole Source). Solicitation of a proposal from only one source and may be used when an item is available from a single source, an emergency will not permit a delay resulting from competitive solicitation, HHS expressly authorizes noncompetitive proposals in response to a written request, or after solicitation of a number of sources, competition is deemed inadequate (insufficient bidders / response). For purposes of this procedure emergencies will be defined as where equipment, materials, parts, and / or services are needed to protect the health, welfare, safety of children or staff, or protection of program property is involved. The reason for all sole source purchases will be documented in the file.

I. Purchase documentation. Some form of documentation shall be made for every purchase, including micro-purchases. Documentation for purchases include the following:

- 1. Authorization and cost analysis.** A qualified employee shall authorize every purchase. The person authorizing certifies that the cost incurred (the cost analysis) for the purchase is necessary, reasonable, and allocable. Every purchase must be authorized before the transaction occurs.
- 2. Price quotes or proposals.** When required, price quotes or proposals represent the price a supplier asks for a product or service in the competitive marketplace. The proposal may contain such additional factors as quality, availability or contractor support. When price quotes are used for the purchase decision, documentation includes the price, the contractor, and the reason for the purchase decision. Written documentation for price quotes includes written proposals, oral and

telephone quotes, catalog prices including discounts, etc. Documentation may include only written, only oral, or a combination.

J. Contract Provisions. All contracts awarded, including micro-purchases, shall contain the following provisions as applicable:

1. **Equal Employment Opportunity.** All contracts shall contain a provision requiring compliance with the E.E.O. Act.
2. **Davis-Bacon Act.** The Head Start Act requires that Agencies receiving Head Start funding be subject to the Davis-Bacon Act. For all construction contracts of more than **\$2,000** a provision shall be included for compliance with the Davis-Bacon Act. Under this Act, contractors shall be required to pay wages to laborers and mechanics at a rate not less than the minimum wages specified in a wage determination made by the Secretary of Labor. In addition, contractors shall be required to pay wages not less than once a week. BRHS shall place a copy of the prevailing wage determination issued by the Department of Labor in each solicitation and the award of a contract shall be conditioned upon the acceptance of the wage determination. **Copeland Anti-Kickback" Act.** All contracts and sub-grants awarded by recipients and subrecipients shall also include a provision for compliance with the Copeland "Anti-Kickback" Act. The Act provides that each contractor or sub-recipient shall be prohibited from inducing, by any means, any person employed in the construction, completion, or repair of public work, to give up any part of the compensation to which he is otherwise entitled. The recipient shall report all suspected or reported violations to the Federal awarding agency.
3. **Contract Work Hours and Safety Standards Act.** Where applicable, all contracts awarded by BRHS in excess of **\$100,000** for construction contracts or other contracts that involve the employment of mechanics or laborers shall include a provision for compliance with the Contract Work Hours and Safety Standards Act. Under section 102 of the Act, each contractor shall be required to compute the wages of every mechanic and laborer on the basis of a standard work week of 40 hours. Work in excess of the standard work week is permissible provided that the worker is compensated at a rate of not less than 1.5 times the basic rate of pay for all hours worked in excess of 40 hours in the work week. Section 107 of the Act is applicable to construction work and provides that no laborer or mechanic shall be required to work in surroundings or under working conditions that are unsanitary, hazardous or dangerous. These requirements do not apply to the purchases of supplies or materials or articles ordinarily available on the open market, or contracts for transportation or transmission of intelligence.

4. **Contracts over \$250,000.** All contracts with contractors over *\$250,000* shall require the contractor to certify in writing that it has not been suspended or debarred from doing business with any federal agency. (Alternatively BRHS may research potential contractors on the Excluded Party List at www.sam.gov).
5. **Cost-plus-a-percentage-of-costs.** BRHS shall not utilize the cost-plus-a-percentage-of-costs and percentage of construction cost methods of contracting.

K. Purchasing Procedures.

Purposes:

1. To ensure that materials and services are obtained in an effective manner.
2. To ensure that such materials and services are obtained in compliance with applicable Federal statutes and Executive orders.
3. To prevent unauthorized, unnecessary, or duplicative purchases by personnel.
4. To keep the total level of purchases within budgeted amounts.
5. To classify all purchases in a manner that facilitates budgetary, financial, and cost analysis reports. General Provisions are:
 - a) **Necessary Items.** Consideration shall be given to each item purchased to confirm that the item is necessary to the operation of the program.
 - b) **Authorized.** Purchases shall be authorized only by persons who have received training in cost principles and who understand program objectives, and who are familiar with the Procurement Policy. Purchases over current federal micro purchase threshold, currently \$10,000, must be approved by the Fiscal Office and authorized by the Program Director. The amount requiring approval will be adjusted to match federal micro purchase threshold.
 - c) **Necessary, Reasonable, and allowable.** Persons authorizing purchases certify that they understand the cost principles, and that the proposed purchase is necessary, reasonable, and allowable according to the requirements of the funded program. (See additional guidance in the Procedures for Determining Reasonableness, Allocability, and Allowability of Costs.)
 - d) **Purchase Request & Authorization.** Ordinarily purchases are initiated by use of a Purchase Order or Blue Slip. This Authorization is required for all purchases except:

(1) Telephone.

(2) Utilities.

(3) Parent expenditures require Family Services staff approval

(i.e. child care and mileage).

- (4)** Payments in accordance with signed contracts.
- (5)** Mileage.
- (6)** Insurance
- (7)** Payroll Liabilities.
- (8)** Employee immunizations, health testing and permits require approved voucher.

6. Purchase Procedure. The procedures for purchasing are described below:

- a)** A designated employee prepares a Purchase Order or Blue Slip or other authorization. A price analysis may be included.
- b)** An authorized employee signs the Purchase Order. The person authorizing certifies that the purchase is necessary, reasonable, allowable, and allocable. (This constitutes a Cost Analysis.) If the item needs fiscal review (fiscal review is initiated by the person authorizing the expenditure, or is requested by the Fiscal Officer, generally during the last quarter of the grant year), the request is countersigned by a designated person in the Fiscal Office.
- c)** For items requiring a Purchase Order, the completed Purchase Order is presented to the authorized signer i.e. Coordinator, Program Director. Purchase orders are kept sequentially numbered, kept locked and are checked out to authorized employees in sequential blocks. A pre-numbered Purchase Order is issued. The copies are distributed as follows:
 - (1) White copy:** Contractor
 - (2) Yellow copy:** Attached to supporting documentation and sent to the Fiscal Office to be held for matching to the invoice.
 - (3) Pink copy:** Filed numerically.
- d)** When the transaction is completed, an employee signs each purchase invoice or cash register receipt (such as food from the grocery store) that the items have been received.
- e)** When the contractor invoice is received, it is stamped as received and matched with the related purchase order and a receiving report by the fiscal office. If there is no receiving report, the Fiscal Assistant verifies by asking or by telephone that the goods or services were received.
- f)** The completed, documented packet is processed by the Fiscal Office.

VII. Cost Sharing, Matching and In-kind

All cost sharing or matching, including third party in-kind must meet all of the following criteria:

- A. Are verifiable from records of BRHS. Must be properly documented and recorded in the accounting records.
- B. Are not included as contributions for any other federally-assisted project or program. If a cost is related to two or more projects, it may be prorated between the projects involved.
- C. Are necessary and reasonable for proper and efficient accomplishment of project or program objectives.
- D. Must directly benefit and be specifically identifiable to the Head Start Program or activities.
- E. Are allowable under the applicable cost principles. Must be for costs that would be allowable if the agency were to pay for them with federal funds.
- F. Are not paid by the federal Government under another award, except where authorized by federal statute to be used for cost sharing or matching.
- G. Are provided for in the approved budget.
- H. Conform to the provisions of 45 CFR Part 75.
- I. In-kind contributions of an administrative nature shall be used in computing the 15% limitation of total administrative costs of the program.
- J. Can be goods or services donated for the applicable Program Year. Cash is not counted as in-kind. BRHS must wait to count in-kind until such cash has been used to cover an allowable expense.
- K. In-kind contributions must be documented and, to the extent feasible, supported by the same methods used internally by BRHS.
- L. Contributions and donations from BRHS to other entities are unallowable. Goods may be donated to local GoodWill as a method of disposal.

IRS Charitable Contribution Substantiation. Starting in 1994, Congress changed the law to require taxpayers who claim a deduction for a charitable contribution of cash or goods, but not personal services, of **\$250** to obtain a written acknowledgement from the organization accepting the donation. (See section 170(f)(8) of the Internal Revenue Code). A canceled check is not sufficient proof of a gift.

To acknowledge the gift, the charity must provide the donor with a written statement that includes the following information:

1. The amount of cash paid and a description of any property other than cash contributed.
2. Whether the charity provided any goods or services in consideration for the gift.

3. A description and good-faith estimate of the value of any goods or services provided by the charity in consideration for the gift.

BRHS provides a statement to be given to the donor for all cash or goods donated to BRHS with a value over **\$250**. The form, "*Statement Acknowledging Contribution of Cash or Goods*": is attached as an appendix to this part.

Types of Services Regarded as In-kind.

- a) **Salaries.** Rates for volunteers are consistent with the rate paid for similar work in the program. Parent time is generally valued at the minimum wage paid at the time of service in the organization.

Other volunteers may be valued at the appropriate experience level rate depending on the service rendered.

If the volunteer performs a service for which there is no similar paid work in the program, the rate shall be that paid by other employers in the Logan area.

When a third-party organization furnishes the services of an employee, these services will be valued at the employee's regular rate of pay plus the amount of fringe benefits, provided these services employ the same skills for which the employee is normally paid.

DOCUMENTATION

All time used as third-party in-kind matching must be adequately documented including the amount of time donated, the date, including year, volunteer name, and the service performed. In addition the reports must be signed by the volunteer, or by a responsible representative of the volunteer agency (if an agency is being represented), or by a responsible employee of BRHS having first-hand knowledge of the activities of the volunteer during the time period represented.

- b) **Supplies.** Supplies are valued at the fair market value at the time of donation. Supplies include:
 - (1) Classroom/home base supplies.
 - (2) Medical/dental supplies.

- (3) Literacy and books.
- (4) Social services supplies for the benefit of the child and to enhance the environment of the child (food, clothing, bedding, etc).
- (5) Social service supplies for the benefit of the family to include clothing, food, household items, etc., which may provide basic needs.

c) **Space.** Space for program use such as classroom space is valued at the fair rental value of comparable space in the same locality.

Donated space may include:

- (1) Space in Head Start Centers.
- (2) Space donated by school districts (appraised value).
- (3) Space in homes for teaching activities during the time the staff member is present or during the time the parent is involved in a structured activity as outlined in written plan. In-home space is valued at a certain dollar amount per hour, which is included in the Grant application for the applicable year.
- (4) Other space as provided by volunteers or the community.

d) **Land, Building, and Equipment.**

- (1) Land value is determined by the fair market value. The value of land should be included in the grant application.
- (2) Donated buildings are to be valued in accordance with 45 CFR Part 75.
- (3) The value should be included in the grant application, and prior approval received from the HHS granting office.
- (4) Equipment is valued at the fair market value at the time of donation.

e) **Professional Services.** Professional services are valued at the professional's regular hourly rate or at the rate charged to the community. Professional services include:

- (1) Doctors and dentists, mental health professionals.
 - (2) Professionals who provide training.
 - (3) Professionals who sit on the Governing Board, Policy Council or Advisory Councils.
 - (4) Other professionals who provide services as needed.
- NOTE: The differential reduced rate, when properly documented, received from professionals may be counted as in-kind.

- f) Fringe Benefits.** Fringe benefits include the cost of payroll taxes, retirement, health insurance, and any other benefits offered to employees. The value is the same percentage applied to the total volunteer salaries as the actual fringe benefits for the program year bear to the actual employee salaries paid or incurred. Fringe benefits of the value of personal and leave days are also added to the total fringe benefit amount on volunteer wages. The rate is the same percentage as the actual personal and leave days bear to the actual salaries of paid staff for the program year.

- g) Travel.** Travel for volunteers is valued at the BRHS established standard mileage rate in effect for the program year.

VIII. Payroll

Employee compensation must be reasonable in the extent that it is consistent for similar work within BRHS or the local labor market. No employee shall receive compensation at a rate exceeding executive level II compensation.

- A.** All time worked must be documented on a Time and Activity Report.
- B.** Time and Activity Reports are maintained for all employees, with reports rounded to the 1/4 hour.
- C.** Leave records are maintained for each employee.
- D.** Time and Activity Records are approved by the employee and the supervisor, who has first-hand knowledge of the time and activity performed.
- E.** All employees are paid by check or by direct deposit.
- F.** Employee Time and Activity Records are maintained in sufficient detail to allow the employee to allocate time each day, based upon his/her best estimate, to specific grants or contracts.
- G.** Charges for employee time are based on actual time records (not budget estimates).
- H.** Payrolls are recorded separately in the general ledger for each funding source, grant, or contract.
- I.** Mileage for staff travel is recorded on the time sheets and reimbursed each pay period.
- J.** COLA awards will be retroactive to the beginning of the award period, will become a permanent part of the employee's ongoing wage and will permanently increase the BRHS salary scale. COLA awards will be paid out to employees who were employed at the effective date of the COLA but have terminated employment with BRHS prior to notice of award. COLA awards will not be implemented until written approval from the awarding agency has been received.

- K. Payroll records and Time and Activity Reports will become part of the official records of BRHS.

IX. Timesheet Random Audit Procedure

In order to maintain integrity in employee timesheets, Bear River Head Start will conduct random audits on timesheets.

- A. Non-exempt employees will be required to keep a record of their time worked. The method of record keeping will be determined by the nature of their job and if they work primarily in an office / center or if they work primarily from an outside location such as their home.
 - i. Employees working primarily from an office or center will be required to sign-in and sign-out each day.
 - The sign-in / sign-out must be verified by either electronic means such as Child Plus or by a senior staff member.
 - ii. Employees working primarily from their home or a mix of home and office will be required to keep daily work logs to document their time worked and tasks accomplished.
 - The Coordinator over each staff position will determine the most accurate and effective way for time logs to be kept for each position
 - iii. Supervisors will use the sign in / sign out logs or daily work logs to verify the accuracy of employees' timesheets prior to signing them and turning them into the Fiscal Office for processing.
 - iv. The sign-in / sign-out logs and work logs will be retained by the supervisor. They should be kept in an available location so they can be accessed in a timely manner in the event of an audit.
- B. Exempt employees may be required by their supervisor to keep a work log based on the individual position.
- C. All employees must complete the time and activity log as part of completing their timesheet each pay period.
- D. BRHS Fiscal staff will choose two (2) timesheets at random each pay period. These timesheets will be audited to verify their accuracy to supporting documentation.
 - i. If the timesheet is for a non-exempt employee, Fiscal staff will contact the Coordinator over the staff whose timesheets were chosen for audit and request the sign in / sign out logs or daily work logs for that specific timesheet / pay period be turned into the Fiscal Office.

- The requested information will normally be turned into the Fiscal Office within two hours of the request.
 - The sign in / sign out logs or daily work logs will then be compared to the timesheet by the fiscal staff to verify that the source documents support the time on the timesheet and the documentation will be attached to the timesheet.
- ii. If the timesheet is for an exempt employee, Fiscal staff will contact the Coordinator over the staff whose timesheets were chosen for audit and that they verify in writing that the employee has met their job requirements for that timesheet / pay period.
- The requested information will normally be turned into the Fiscal Office within two hours of the request.
 - The Coordinator's verification will be attached to the timesheet.
- E.** If the documentation provided does not support the time listed on the timesheet, the Fiscal Officer will be notified and conduct a more in-depth audit of the timesheet and documentation. This may involve interviews with the Coordinator, supervisor and employee. More documentation may also be required as determined by the Fiscal Offices.
- F.** If a timecard issue has been confirmed, the Fiscal Officer will report the issue to the Executive Director and follow the Critical Fiscal Issues Procedure.

X. Administrative Costs

The costs of administering and developing a Head Start program are limited to 15% of the total approved costs of the program. BRHS follows the guidelines for implementing the 15% rule in 45 CFR Part 75, the Head Start Act, and applicable Performance Standards:

- A.** Total approved costs mean the sum of all costs of the Head Start Program approved for a given budget period by ACYF as indicated on the Financial Assistance Award.
- B.** Total approved costs consist of the federal share plus any approved non-federal share, including non-federal share above the statutory minimum.
- C.** Development and administrative costs mean those costs related to the overall management of the program. These costs can be in both the personnel and non-personnel categories.
- D.** Program costs mean costs directly related to the provision of program component services, component training, and transportation for staff, parents

and volunteers.

- E.** Dual costs mean costs that benefit both program and development and administrative functions. These costs are identified and an appropriate allocation is made of the portion of the costs that are for development and administration. Costs identified as development and administration: BRHS charges the costs of organization-wide management functions as administrative costs. These functions include planning, direction, budgeting, accounting, and auditing; and management of purchasing, property, payroll, and personnel. Development and administrative costs include, but are not limited to, the following: Salaries:

1. Director
2. Fiscal Officer
3. Fiscal Staff
4. Staff time related to Board matters
5. Community Relations
6. Janitor for Administrative Office

Volunteer time spent in carrying out administrative functions, including the time contributed by the Governing Board. Other development and administrative costs include expenses related to administrative functions. To the extent the following costs support the administration of the program, these costs are allocated to administration and development.

1. Fringe benefits
2. Travel
3. Fiscal Officer
4. Fiscal Staff
5. Staff time related to Board matters
6. Community relations
7. Janitor for administrative office

All costs not identified as development and administrative costs are charged as program costs.

XI. Cost Allocation

The term "*cost allocation*" is sometimes used by cost accountants to describe the allocation of costs to specified accounting categories. For purposes of cost allocation plans for Head Start grantees, cost allocation refers to the allocation of costs to various sources of funding, not to accounting categories.

- A. Accounting Classes.** BRHS receives its funding from Head Start and other children's programs. For this reason, the following discussion refers to the allocation of costs to accounting categories, and not to various sources of funding.

- B. Direct Cost.** Direct costs are those costs that can be identified specifically with a particular final cost objective, such as a federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. Costs incurred for the same purpose in like circumstances must be treated consistently.
- C. Cost Allocation Plan.** The procedures for allocating costs to accounting classes should be applied as much as is practicable. However, the base for proration of costs should be reevaluated for appropriateness to the cost being allocated. As a general rule, the Cost Allocation Plan should be the simplest, most straightforward way of allocating costs fairly between ACYF and other private, State-funded programs or other Federal sources.
- D. Allocation of Costs to Accounting Categories.** Bear River Head Start treats all costs as direct costs. Joint costs, such as salaries, rent, etc. are prorated individually to each accounting class and to each award, using a base most appropriate to the cost being prorated, i.e. number of children served, percentage of space occupied, percentage of total grant funding. Each joint cost is prorated using a base that accurately measures the benefits provided to each activity. The bases are to be supported by current data in the accounting records.

Allocation measures are as follows:

1. Employees who spend time on more than one program record the time they spend working on specific programs on their time sheets according to the best estimate of the actual work performed. The reports reflect an after-the-fact determination of the actual activity for each employee. Employees who cannot effectively record their time spent on each program (ie. Executive Director, Fiscal, ERSEA) are allocated based on the number of children served.
2. Fringe benefits are applied according to the personnel costs charged to each category.
3. Supplies are charged directly to accounting categories when purchased. Supplies that cannot effectively be directly charged to each program (ie. General office supplies) are allocated based on the number of children served.
4. Space costs are allocated based on the number of square feet of space each program occupies.
5. Insurance is allocated to benefiting activities depending on the equipment, space, children, or people covered by the insurance.
6. Other joint costs are charged to programs based on the amounts used by each program and allocated on a per-child basis when applicable.

XII. Travel

- A.** All travel must be necessary, reasonable, authorized, and documented by the supervisor, Fiscal Office, and Program Director.
- B.** After all required documentation and authorizations are completed, the secretary will make the necessary arrangements using the most effective method, taking into account location of travel, times of travel, efficiency, and employee safety.
- C.** Travelers will receive the Federal Per Diem rates for meals and incidentals for all full travel days (75% per diem rates for day of departure and day of return).
- D.** Meals provided by conference or hotel will be deducted from Per Diem rates. No Per Diem will be issued for one-day travel.
- E.** Upon return from the trip, the traveler will remit all receipts (except meals and incidentals) to the Fiscal Office.
- F.** A minimum of 150 miles one-way must generally be traveled in order for hotel stays to be authorized.
 - 1.** In certain situations hotel stays may be authorized based on approval of management team during Coordinators meeting and documented on the appropriate form. The hotel stay must be reasonable and necessary in order to be approved. This approval should be obtained prior to travel. Consideration for approval will be based on the following:
 - a)** Multi-day training.
 - b)** Length of training at least 8 hours per day.
 - c)** Assignments to be completed outside of training hours.
 - d)** Beginning and ending times of training.
 - e)** Weather considerations. If a hotel stay is necessary due to weather conditions. It must be approved by the Coordinator and Director and documented properly.
 - 2.** All travel outside of the United States and Canada must be pre-authorized in writing by the Regional Office.
 - 3.** All per diem or other travel payments made to non-employees must be pre authorized in writing by the Regional Office.
 - 4.** Travel expenses for Board Members may be approved on a case-by-case basis depending on individual circumstances.
 - 5.** Temporary dependent care costs (as dependent is defined in 26 U.S.C. 152) above and beyond regular dependent care that results from travel to conferences may be authorized on a case by case basis, such costs must be authorized by the Director.
 - 6.** Costs for employee dependent travel is unallowable.

XIII. Record Retention

All records will be retained by BRHS for a period of seven years from date of last use, as listed below, to comply with Head Start, Federal, and State requirements. Unless required by Federal, State, local or tribal statute BRHS may restrict public access to BRHS records.

- A.** Personnel Files: date of termination

- B.** Children Files: date of exit from program
- C.** In-kind: end of fiscal year
- D.** Payroll records: end of fiscal year
- E.** Checks/Invoices: end of fiscal year

XIV. Employee Health and Welfare

BRHS will allow costs incurred for the improvement of working conditions, employer-employee relations, employee health, and employee performance. Costs may include, but not be limited to, items such as EAP services, holiday and end of year socials, employee wellness programs, refreshments at work related training, de Minimis holiday gift for employees, team building activities, recognition for length of service or job performance. Such costs will be allocated based on the BRHS cost allocation plan.

XV. Program Income

- A.** BRHS recognizes that it is encouraged to earn income to defray program costs where appropriate.
- B.** Proceeds from the sale of real property, equipment, or supplies, are not program income; such proceeds will be handled in accordance with the requirements of subpart D of 45 part, §§75.318, 75.320, and 75.321, or as specifically identified in Federal statutes, regulations, or the terms and conditions of the Federal award.
- C.** If the HHS awarding agency does not specify in its regulations or the terms and conditions of the Federal award, or give prior approval for how program income is to be used, one of the methods below shall be used.
 - 1. Deduction.** Ordinarily program income must be deducted from total allowable costs to determine the net allowable costs. Program income must be used for current costs unless the HHS awarding agency authorizes otherwise. Program income that the non-Federal entity did not anticipate at the time of the Federal award must be used to reduce the Federal award and non-Federal entity contributions rather than to increase the funds committed to the project.
 - 2. Addition.** With prior approval of the HHS awarding agency program income may be added to the Federal award by the Federal agency and the non-Federal entity. The program income must be used for the purposes and under the conditions of the Federal award.
 - 3. Cost sharing or matching.** With prior approval of the HHS awarding agency, program income may be used to meet the cost sharing or matching requirement of the Federal award. The amount of the Federal award remains the same.
 - 4. BRHS has no obligation to the HHS awarding agency** with respect to program income earned from license fees and royalties for copyrighted material, patents, patent applications, trademarks, and inventions made under a Federal award to which 37 CFR part 401, "Rights to Inventions Made by Nonprofit Organizations and Small Business Firms under

Government Awards, Contracts and Cooperative Agreements" is applicable.

XVI. Parent Reimbursement

Child care and mileage shall be reimbursed to members of Policy Council, Parent Committees, or parents filling other assignments for the time spent on:

- A.** Assigned duties.
- B.** Receiving training in order to properly performing the assigned duties.
- C.** Travel while on Head Start business or travel to and from Head Start.
- D.** Policy Council and Parent Committee meetings and workshops. The amount to be reimbursed shall be the amount of the actual cost up to \$2.00 per child 2 years of age and over per hour, and up to \$2.50 per child younger than 2 or children with a diagnosed disability. The requested reimbursement shall be the amount actually paid by the parent for the child care up to the allowed amount. Reimbursement shall be requested on the reimbursement forms provided by Head Start. Reimbursement shall be requested on the reimbursement forms provided by Head Start. Reimbursement for child care for periods extending more than one day will be pre-authorized on a case by case basis. Reimbursement may or may not be given to members of the child's immediate family on a case by case basis.

XVII. Fraud

- A.** In the event it is suspected that money has been obtained from Bear River Head Start / Bear River Early Head Start through fraudulent activities. The Fiscal Office will conduct an investigation to determine the severity of fraud and the amount of money paid out due to such activities.
- B.** If it is determined that fraud has occurred the Fiscal Officer and Director will be notified immediately.
- C.** If the amount paid due to fraud is less than \$1,000 the matter may be handled by Bear River Head Start / Bear River Early Head Start without contacting authorities. If the amount exceeds \$1,000 then authorities must be contacted.
- D.** If the amount is under \$1,000 then the payee will be contacted by the appropriate staff member and asked to return the funds to Bear River Head Start/ Bear River Early Head Start. A payment plan may be established. If payments are not received as set forth in the payment plan the matter will then be turned over to the proper authorities.
- E.** If the person perpetrating the fraud is a current or past Head Start parent, the Family Development Coordinator will work with the Fiscal Office and contact the person regarding the action to be taken.
- F.** If the person perpetrating the fraud is an employee the employee's supervisor and Director will be notified and the proper disciplinary steps will be taken.
- G.** If it is found that Federal Funds were used to pay any amounts obtained through perpetration of fraud, corporate funds will be immediately transferred to cover such amounts.
- H.** All violations of federal criminal law involving fraud, bribery, gratuity violations affecting the federal award must be disclosed, in a timely manner and in writing, to the Regional Office.

XVIII. Critical Fiscal Issues

- A.** The Fiscal Team monitors and supervises the day-to-day fiscal transactions. The Fiscal Team will communicate fiscal items of concern, which may need to be investigated to the Fiscal Officer. Identification of potential problems may come through review of payroll or accounts payable transactions, discussions with staff, and observation of daily activity as well as discussions during weekly Coordinator's meetings or monthly Budget Committee meetings.
- B.** The Fiscal Officer will review the potential issue and the impact to the program and communicate to the Executive Director the potential fiscal issue or concern.
- C.** Together the Fiscal Officer and Executive Director will decide the most appropriate action to be taken regarding the fiscal issue, which can include a change in policy, an employee write- up, an internal investigation, or an external investigation. Legal Council will be consulted, if necessary.
- D.** Concerns that rise to the level in which an investigation is needed will be reported to the Board with regular and ongoing status reports.
- E.** Any investigation that requires reporting to federal officials per Head Start performance standards or other federal regulations will immediately be reported to the grantor.