

NESD HEAD START PROGRAM, INC. FINANCIAL POLICIES AND PROCEDURES

NESD Head Start Program, Inc. will utilize a computerized accounting system for all funds.

Subject: CASH RECEIPTS

PURPOSE

To establish the concepts and procedures to be followed in processing Cash Receipts Transactions.

GENERAL

Cash receipts transactions within grantee organizations can be conveniently classified into two general categories:

1. Electronic Funds Transfers
2. Other Cash Receipt Items

ELECTRONIC FUNDS TRANSFERS (EFT)

EFT is used to request funds for the Head Start Program. Funds can be requested through this process one time a day, which minimizes the time between transfer and disbursement of funds and avoids funds accumulating at the grantee level. The Payment Management System (PMS) is called Smartlink. Funds are requested by using a computer and logging onto the internet at <http://www.dpm.psc.gov>. Only the Agency Business Manager and the Executive Director have access to password, procedures, and account number for this transaction. Funds requested must be dispersed within 24 hours. Due to the sensitive nature of this information, written procedures are documented and available to the Executive Director and Business Manager.

OTHER CASH RECEIPT ITEMS

Cash receipt items not related to Electronic Funds Transfers include the following:

1. Grant Actions on a Treasury Check basis.
2. USDA funds granted through the State (only in cases when ACH-direct deposit is interrupted a paper check might be issued).
3. Other miscellaneous receipts of checks, money orders, currency, and coin.

The following sequence of activities should be followed to process other Cash Receipt Items:

1. The Office Assistant opens the mail and enters any cash receipts on a log.
2. The Executive Director prepares the bank deposit slip in duplicate and enters and receipts on a log.
3. The Executive Director arranges for delivery of monies and deposit slip to the bank.
4. The Business Manager records deposits through Journal entries on the computer using the copies of the checks, deposit slips and deposit receipts as the source documents.
5. The Business Manager holds the duplicate deposit slip.

All cash receipts should be deposited intact and, if possible, on a daily basis. The practice of making disbursements from undeposited funds is avoided because:

1. Such a practice generally constitutes a weakness of internal control over cash funds.
2. It could result in a failure to recognize such disbursements in the accounting records by inadvertently recording the residual amounts at net when they are deposited.

Subject: CASH DISBURSEMENTS

PURPOSE

To establish the concepts and procedures to be followed to process cash disbursement transactions.

GENERAL

The cash disbursements procedure is an extension of the accounts payable procedure. Disbursements from the operating funds general checking account are recorded as debits to “accounts payable” and credits to “cash”. Such disbursements can be made only when the related invoice or advance request has been properly approved.

PROCEDURE

Check control:

1. The Business Manager will be responsible for all blank checks which will be kept under lock and key.
2. In no event will:
 - a. Checks be prepared unless these procedures are followed.
 - b. Checks used other than in chronological order.
 - c. Checks be prepared or signed in advance
 - d. Checks be made out to “cash”, “bearer”, etc.
 - e. Checks be prepared on verbal authorization.

The following sequence of activities takes place in processing transactions related to disbursements from the checking account:

1. Business Manager prepares vouchers using information from Invoices / statements.
2. Business Manager inputs information into the computer from the voucher.
3. Executive Director authorizes preparation of check by signing voucher.
4. Business Manager selects invoices / vouchers (with attachments) to be paid from the invoice file.
5. Business Manager processes and prints 2-part checks. Spoiled or voided checks are marked “Void” in ink on the face, the signature and bank account number is cut out and the original and copy filed with the corresponding monthly bank statement.
6. Checks require two signatures, one may be of the Board President, Board Treasurer, or other Board Member designated by Board of Directors, the other must be of the Executive Director, or of the Education Manager in the absence of the Executive Director.
7. The Office Manager and Office Assistant insert the checks and necessary enclosures in envelopes and mail them.
8. Paid invoices are stamped paid and then filed.
9. Accounts Payable and Cash are automatically posted by the computer through the check processing procedure and the check register prepared.

10. The computer procedure to post expenses is initiated by the Business Manager.

Subject: ACCOUNTS PAYABLE

PURPOSE

To describe the concepts and procedures related to processing accounts payable transactions.

GENERAL

Accounts payable procedures involve the receipt, control, classification, and preparation for payment of vendor's bills, advance requests, and other financial obligations of the organization. As is discussed in the Cash Disbursements Section of this manual, all cash disbursements are charged to "Accounts Payable" through the computer process.

ADVANCE REQUESTS

Advance requests are internally generated. They take the place of vendor's bills for disbursements for travel advances. In the procedures that follow, reference to vendor's bills should be construed to include Advance Requests.

PROCEDURE

The following sequence of activities takes place in processing accounts payable items.

1. Office Assistant opens the mail and date stamps vendor invoices to indicate date received.
2. Appropriate employee, Executive Director, Human Resource / Transportation Manager, or Business Manager receives vendor invoices, reviews to determine allowability, allocability, and reasonableness of cost and approves.
3. Business Manager receives approved vendor invoices / bills.
4. Business Manager proofs arithmetic accuracy of invoice footing and Extensions and matches to approved purchase order when necessary.

5. Business Manager prepares vouchers on all approved vendor invoices / bills received at least 2 working days before check processing indicating account classification for payment on every other Friday or as advised by the Executive Director.

Subject: OTHER CHECK REQUESTS

PURPOSE

To describe the concepts and procedures to be followed in the preparation and submission of Other Check Requests. The processing of check requests and the issuance of their related checks were previously covered.

GENERAL

Various forms are utilized as source documents in the preparation and issuance of checks when conventional documents (bills, invoices, etc.) are not available because of the nature of the transaction. Generally approved forms are used for items such as the following:

1. Employee travel advances. (Special form)
2. Payment of professional dues.
3. Payment of subscriptions for magazines, journals, etc.
4. Recurring rent or use payments. (Approved leases and Use Agreements).

Subject: PAYROLL – MASTER FILE MAINTENANCE

PURPOSE

To establish the concepts and procedures related to maintenance of payroll master files.

GENERAL

Maintenance of payroll master files involves activity in the following areas:

1. Employee Master Information.
2. New Hires.
3. Terminations.
4. Status Changes.
5. Employee Earnings and Deductions.
6. Cumulative Wage and Tax Information.
7. Vacation.
8. Sick Leave.
9. Federal Tax Tables, Schedules, or Rates.
10. Employee Classification – Exempt or Non-Exempt.

EMPLOYEE MASTER INFORMATION

All employee master file information necessary for payroll purposes for each employee is recorded in the Computer Master File. This file is established and maintained on a current basis by the Human Resource / Transportation Manager. Information required to establish this file and to record changes to it, originates from the following sources:

1. Personnel Action.
2. W-4 Forms.

3. Insurance Applications.
4. Properly executed and approved authorizations for miscellaneous payroll deductions.

NEW HIRES

An orientation packet is prepared for each new employee. This packet contains the following:

1. Criminal Record Declaration
2. US Department Of Justice Employment Eligibility Verification
3. Employee Hand Book
4. W-4 Form
5. Employee Certificate Of Health
6. Insurance applications
7. Other voluntary deduction forms
8. Information on the organization
9. Personnel Action
10. Permission to Screen for Reports of Abuse or Neglect and criminal background checks.
11. Direct Deposit Information

TERMINATIONS

In case of a resignation, the written resignation is received by the direct supervisor and forwarded to the Executive Director. Executive Director approves and forwards the resignation to the Human Resource / Transportation Manager for

processing. In the case of a termination, the procedure is as follows in the Employee Hand Book. The Executive Director informs the Human Resource / Transportation Manager of the termination for processing.

EMPLOYEE EARNINGS AND DEDUCTIONS
CUMULATIVE WAGE AND TAX INFORMATION
VACATION-SICK LEAVE-OVERTIME
FEDERAL TAX

The above information is maintained in software provided by Wells Fargo Payroll Services called Evolution. The Human Resource / Transportation Manager is responsible for maintaining current information in Evolution Software on a secure internet site.

Subject: PAYROLL – PREPARATION

PURPOSE

To establish the procedures to be followed for preparation of a payroll:

1. Employee prepares a time sheet and activity report on a bi-weekly basis.
2. Employee forwards time sheet and activity report to the supervisor.
3. Supervisor reviews time sheet for accuracy, signs and dates for approval.
4. Supervisor forwards time sheet to the Human Resource / Transportation Manager.
5. Human Resource / Transportation Manager verifies accuracy of information on time sheet and computes salaries and wages by entering information into an excel spreadsheet. The time sheet is then stamped as verified and recorded.
6. Human Resource / Transportation Manager forwards time sheets to Executive Director for approval.
7. Executive Director reviews time sheets and approves with signature.
8. Executive Director forwards time sheet to the Human Resource / Transportation Manager for payroll processing.

9. Human Resource / Transportation Manager enters spreadsheet information into the computer and processes (forwards) payroll information to Wells Fargo Payroll Services. All payroll reports are printed and submitted to Business Manager who reviews and verifies reports for accuracy.
10. Wells Fargo Payroll Services issues direct deposit drafts to all employee bank accounts as determined by employees. (In some instances, a substitute may receive a check from Wells Fargo Bank.)
11. Check registers require two signatures, one may be of the Board President, Board Treasurer, or other Board Member as designated by Board of Directors, the other must be of the Executive Director, or of the Education Manager in the absence of the Executive Director.
12. The Human Resource / Transportation Manager receives employee check stubs from Wells Fargo and mails to employees for their records.
13. Net Payroll, tax liabilities, salaries and wages, deductions, and payroll fees are manually posted by the Business Manager into Southware's General Ledger from information gathered from detailed payroll reports.
14. The payroll journal entry is reviewed and approved by the Executive Director.
15. Business Manager and Human Resource / Transportation Manager each retain a copy of all payroll reports.

Subject: PAYROLL – REPORTS

PURPOSE

To identify the various payroll reports which are prepared.

PAYROLL REPORTS

Payroll reports required by various governmental authorities include, but are not necessarily limited to, the following:

1. Form 941: Employee's Quarterly Federal Tax Return.
2. Form W-2: Wage and Tax Statement (annually).

3. Form W-3: Reconciliation of Income Tax Withheld and Transmittal of Wage and Tax Statements (Form W-2) (annually).
4. Employer's Quarterly Contribution, Investment Fee, and Wage Report.

REPORT PREPARATION

Wells Fargo Payroll Services prepare the above reports and copies are forwarded to the Business Manager for review, filing purposes and monitoring of activities to insure that reports are being prepared in a timely manner, meeting all government deadlines.

Subject: TRAVEL EXPENSE CONTROL

PURPOSE

To describe the concepts and procedures to be followed in controlling travel expenses and processing travel expense items.

GENERAL

All agency payments for travel by employees, consultants and members of governing or administering boards must be authorized in advance and must be supported by properly approved invoices, if applicable. The mileage reimbursement rate is established by the governing board.

Less than first-class travel accommodations shall be used in all instances except when:

1. These accommodations do not exist or are not available within a reasonable time.
2. Less than first-class would result in higher overall cost because of required routing, time urgency, baggage differential or other factors.
3. Physical condition of the traveler or other extenuating circumstances require use of first-class travel accommodations.

An explanation of the reasons for traveling first-class must be shown as memorandum information submitted with the travel expense statement.

Travel is broadly divided into two types:

1. In-State
2. Out-of-State

PROCEDURES

In-State – In-State travel expenses are generally related to the use of private automobiles. If a personal automobile is being used by an individual for business purposes, that individual, if authorized, may claim reimbursement on a mileage basis.

The required travel form (Mileage and Miscellaneous Expense Sheet) claiming mileage reimbursement is submitted as of the last day of each month. Mileage cannot be accumulated month after month, as it is necessary to report the related expenses in the financial statements for the month in which the expenses were actually incurred. Failure to comply with this schedule may result in the disallowance of travel reimbursement at the discretion of management.

The following sequence of activities takes place in the process of claiming and being reimbursed for personal automobile mileage incurred in conducting official organization business.

1. The employee, throughout the month, if the personal automobile is used for official organization business, records the required information on the Mileage and Miscellaneous Expense Sheet at the time the mileage is incurred. The following information is recorded on this form:
 - a. Reason For Travel – Enter the purpose of the travel.
 - b. Date - The date on which the mileage is incurred.
 - c. Points Traveled – Record points of travel began, point visited and point at which travel ended.
 - d. Odometer Reading – Record the odometer reading just before embarking on trip and records the odometer reading after returning from the trip. Subtract the beginning odometer reading from the ending odometer reading and records the answer in the “Number of Miles” column.
 - e. Miscellaneous – Explanation of other expenses incurred (receipt required), enter amount in “Miscellaneous” section.
2. The employee, at the end of the month, completes the Mileage and Miscellaneous Expense Sheet. The following steps are taken to complete this form:
 - a. Calculates odometer readings and enters total in “Number of Miles” column.

- b. Dates and signs the form; forwards to Executive Director.
3. Executive Director reviews, calculates, and performs final tallies then forwards to Business Manager.
4. Business Manager processes statement by preparing voucher for expense.
5. Executive Director approves voucher for payment.

Out-Of-State – General

All out-of-state travel requires board approval prior to the trip. The submission of a travel request provides management with information necessary to determine travel advance funding and travel details needed for Board approval.

Travel advances can be made up to, but not in excess of, the estimated cost of the trip to be made. When exact itinerary and cost information are unknown, travel advances should be based upon program's out-of-state travel rates.

There are two procedures associated with out-of-state travel:

1. Prior to trip.
2. After trip.

Out-Of-State – Prior to trip.

The following sequence of activities takes place when requesting out-of-state travel and a related travel advance, if necessary:

1. The employee / Board member prepares a Request for Travel Advance to request a desired out-of-state trip. The following information is recorded on this form:
 - a. Name / Address – name and address of employee/board member requesting a trip.
 - b. Position – employee / Board member title.
 - c. Date & Time Begin / Date and Time End – enter the date and time leaving workstation and projected date and time returning to workstation.
 - d. Points of Travel – enter the city and state from which the trip will begin. Enter the city and state of destination.

- e. Purpose of Trip / Advance – briefly outlines what function will be attended or organization visited and purpose of the trip (attach copies of agendas, etc.).
 - f. Estimated Expenses – enter airfare and/or mileage, per night hotel rate and tax, registration fee if any, the number of meals included in the registration fee, other as specified.
 - g. Date - date request completed.
 - h. Signature of Traveler – traveler signs the form after it has been filled out.
2. Employee / Board member forwards the completed request along with documents supporting the trip, i.e. agenda, meeting notice, to Supervisor.
 3. The Supervisor reviews the Request and determines whether or not the trip is justified in accordance with the organization’s goals and objectives as well as Federal rules and regulations.
 4. The Supervisor signs the travel request.
 5. The Supervisor forwards the Request to the Business Manager who determines the amount of the Advance.
 6. The maximum room rates and meal allowances are in accordance with state rates.
 7. The Business Manager forwards the completed Request to the Executive Director for approval.
 8. The Executive Director approves and forwards the completed Request to the Business Manager who then processes the advance request.

Out-Of-Program Area – After trip.

The following sequence of activities takes place in incurring expenses during the trip, reporting these expenses after the trip and settling financial matters with the Business Office.

1. The employee / Board member upon return from travel, completes the Travel Expense Statement. The following steps are taken to complete this form:
 - a. Name / Address – name and address of employee / Board member returning from trip.
 - b. Position – employee / Board member title.

- c. Advance Received / Amount – indicate if advance was received and amount of advance received if any.
 - d. Points of Travel – enter the city and state from which the trip began, points traveled and which the trip ended.
 - e. Departure Date & Time / Return Date & Time – enter the date and time leaving workstation and projected date and time returning to workstation.
 - f. Miscellaneous Expenses – enter specific expenses by date. Attach receipts to support costs of taxi, parking, etc. to be claimed.
 - g. No Advance Given – if no advance was given, briefly explain the trip and the need for the trip (attach agenda and receipts to support costs of rooms, etc.). If travel was by employee / Board member car, complete a “Mileage And Miscellaneous Expense” sheet. If travel was by commercial carrier attach copy of ticket. Should the employee / Board member choose an alternate form of transportation for personal reasons, the lesser of actual cost of alternate transportation versus agency approved transportation will be allowable. Enter number of meals and dates of meals included in registration.
 - h. Date – date statement was completed.
 - i. Signature of Traveler – traveler signs the form after it has been filled out.
2. The employee / Board member forwards the Travel Expense Statement with attachments to the Supervisor upon completion of travel.
 3. Supervisor reviews, signs and dates the Travel Expense Statement as approval and then forwards it to the Business Manager.
 4. The Business Manager reviews the Travel Expense Statement for accuracy, assures that only proper expenses are recorded, receipts are attached, and determines allowable meal allowance. Should the employee/board member choose to depart or return at a different time for personal reasons, expenses will be allowable based on the lessor of the agency approved schedule and the actual schedule.
 5. The Business Manager classifies the Travel Expense Statement into one of the following three categories:
 - a. Organization Owes Employee / Board Member – Treats the Travel Expense Statement as a check request.
 - b. Employee / Board Member Owes Organization – If the employee / Board member encloses payment for the amount due, treats the payment as a routine cash receipt. If an employee / Board member fails to enclose payment, follow up for payment. After payment received, Business Manager files Travel Expense Statement with advance voucher and documentation.

- c. Travel Expense Equal Amount Advanced – No further action needed, Business Manager files Travel Expense Statement with advance voucher and documentation.

In order to simplify the payroll procedure, it is not anticipated that collection of amounts due to the organization as the result of travel advances will be processed as miscellaneous payroll deduction; however, such a procedure is feasible and may be used at the discretion of management.

Subject: BANK RECONCILIATION

PURPOSE

To establish procedures to be followed in performing the month end bank reconciliation.

PROCEDURE

The following sequence of activities takes place in reconciling the bank account:

1. The Office Assistant receives the bank statement unopened from the bank. Opens the bank statement and date stamps the date it was received on the statement forwards the statement to the Business Manager.
2. The bank statement is reconciled by the Business Manager using the procedure outlined in the SouthWare computer software manual and/or Card File Box.
3. The Business Manager prepares a monthly check reconciliation sheet and agrees the balance per bank statement with the balance in the general ledger.
4. The Board of Directors will verify this balance monthly.
5. The Executive Director reviews and approves the monthly bank reconciliation form upon completion by Business Manager for accuracy.

Subject: JOURNAL ENTRIES

PURPOSE

To describe the concepts and procedures followed in preparing and processing journal entries.

GENERAL

In addition to the normal routine transactions based upon documents originated outside the Business Office or resulting from the issuance of checks, it is necessary to generate a number of accounting entries internally. Such journal entries include, but are not necessarily limited to:

1. Recording Approval of Grants
2. In-Kind Contributions
3. Month-end Closing Entries
4. Year-end Closing Entries
5. Adjusting and Reclassification Entries
6. Smartlink cash deposits
7. Bi-Weekly Payrolls
8. Other Accruals

DESCRIPTION

1. The Business Manager prepares the journal entry by:
 - a. Assembling and attaching documentation necessary to support the entry to the form.
 - b. Describing the nature and purpose of the entry.
2. The Business Manager records the entry through the procedure outlined in the SouthWare computer manual.
3. The Director will verify the journal entries monthly and approve

Subject: NON-FEDERAL CONTRIBUTIONS (IN-KIND)

GENERAL

The Head Start Program is a federally funded program. For every dollar received from the federal government, Head Start programs are required to “match” the dollar with a non-federal share equal to 25 cents. This non-federal share is called “In-Kind” and it demonstrates to the federal government that local communities support the Head Start program. In-Kind is an integral part of the Head Start program. Without support from the local community, Head Start could not function or provide the types of services necessary to children and families.

To be accepted, all In-Kind shall meet the following criteria:

- 1) Verifiable from agency records
- 2) Are not included as contribution for any other federally-assisted project or program
- 3) Are necessary and reasonable for proper and efficient accomplishment of program objectives
- 4) Are allowable costs under cost principles
- 5) Are not paid by Federal Government under another award
- 6) Are provided for in the approved budget

Specifically, the contribution should be something of value to Head Start or something the program would pay for if it had not been donated. Donations that directly benefit the program and can be specifically identified with the program's goals or activities are In-Kind. Donations of time that would otherwise have been paid by the program are In-Kind. Any items donated must be relevant and actually used in the program.

In-Kind contributions may consist of the value of real property and equipment and the value of goods and services directly benefiting the program.

In-Kind contributions specific to this program include:

- 1.) Volunteer Time / Classroom Volunteers;
- 2.) Professional Services;
- 3.) Travel;
- 4.) Parent Activity;
- 5.) Space Donated;
- 6.) Utilities Donated;
- 7.) Supplies;
- 8.) Food.

Volunteer Time / Classroom Volunteers and Professional Services are services, which are not paid by the program. Each hour of volunteering may be counted. Professional persons and other skilled and unskilled persons may donate these hours.

For volunteer or professional services to be counted, the services would have to be otherwise purchased or provided by the program through its staff. These include baby-sitting while parents are at the Center or attending meetings pertaining to the Center or parent activities; doing projects at home for the Center; classroom help, kitchen help, playground help; repairs to the Center (building shelves, working on playground equipment, etc.); any parent activity is In-Kind.

Documentation of all In-Kind must include the signature of the volunteer indicating the date of service, hours served, the rate of pay and service performed. Head Start staff verifying the documentation must also sign the form.

Other examples of volunteer or professional services include:

- time served by Board and Policy Council members and parents in the classroom, Home Base or management activities. Board and Policy Council members should determine the valuation of their time for that specific program year. Each Board and Policy Council member's time is equal if serving as a Board or Policy Council member;
- Volunteer time at Centers and Home Base units are calculated at the current minimum wage;
- time spent by Center and Home Base parents working with their children if the activities are appropriate for Head Start;
- the use of the home of the child may be used for the actual time of the home visit and the specific time for the activities between parent and child;
- the costs of transportation can be used if it is impractical for the program to provide transportation. The cost to transport a child for medical services is In-Kind if the services are required under the Performance Standards. When the volunteer is being paid for mileage from the program, the mileage cannot be considered as In-Kind;
- time spent by parents to attend Center and Home Base parent meetings are allowed.

It is important to remember the value must be based on the nature of the service the volunteer provides. A dentist's donated services to a Head Start program may be based on regular fees or salary, assuming he / she is providing dental services to the children. If the dentist volunteers to do something else, the value of the time served should be based on the rate for that specific type of activity.

If a person donates the use of a building, that contribution should be valued at the fair rental rate determined by the donor and the Head Start program or a recent property appraisal.

Contributions of supplies shall be rated at the fair market value at the time of donation. Usually the donor applies a value to the items. Clothing can be counted as in-kind as long as the item is used for the children; food must be used in the Program (not sent home).

Completed In-Kind sheets are submitted to the central office at the end of each month for valuation by the In-Kind Recorder. Each Center, Home Base unit and office have a file for monthly In-Kind sheets.

An In-Kind report is compiled each month listing the total valuation of In-Kind for each Center, Home Base unit and office.

At the end of the program fiscal year (November 1 – October 31), the total In-Kind donated must meet or exceed the required amount for the grant match. At the end of the fiscal year, In-Kind may be higher or lower in individual line items than budgeted as long as the total dollar number meets or exceeds the required grant match.

Subject: ADMINISTRATIVE COST LIMIT

PURPOSE

To describe the concepts and procedures for determining and monitoring administrative costs.

GENERAL

Allowable costs for administering the Head Start program may not exceed 15 percent of the total approved costs of the program.

ADMINISTRATIVE COSTS

1. Costs classified as administrative costs are those costs related to the overall management of the program. These costs can be in both the personnel and non-personnel categories.
2. Costs of organization-wide management functions are charged as administrative costs. These functions include planning, coordination and direction; budgeting, accounting, and auditing; and management of purchasing, property, payroll and personnel.
3. Administrative costs include, but are not limited to, the salaries of the Executive Director, Human Resource / Transportation Manager, Business Manager, Office Manager and Office Assistant.
4. Other administrative costs include expenses related to administrative staff functions such as the costs allocated to fringe benefits, travel, per diem, transportation and training.

5. Administrative costs include expenses related to bookkeeping and payroll services, audits, and bonding; and, to the extent they support administrative functions and activities, the costs of insurance, supplies, copy machines, postage, and utilities, and occupying, operating and maintaining space.

REPORTING ADMINISTRATIVE COST

The Business Manager will figure the administrative costs on a monthly basis and report the status to the Policy Council, Board of Directors and Program Managers at year end.

Subject: FINANCIAL REPORTING

PURPOSE

To describe the financial reports prepared for grantee internal management purposes.

GENERAL

The financial reports are the focal point of the grantee internal accounting system. They are the final product of the collection, classification and recording of financial transactions throughout the accounting period.

Financial statements are prepared on a monthly basis. They are issued on or before the second Tuesday of the month following that, which is under report.

There are many ways in which the financial reports are used such as:

1. To present the current financial position of the agency.
2. To report the results of operations for the period under report.
3. To measure actual performance in comparison to a budget.
4. To control operations.
5. To evaluate the effectiveness of responsible management personnel.
6. To report the status of funds.

FINANCIAL REPORTS

1. Expenses Compared to Budget Report – This report presents the result of operations for the period under report and year to date. It also compares the projected expenditures with actual.
2. This report is the basis used to prepare reports required by the funding sources, and for the Policy Council, Board of Directors and Program Managers.

ANALYSIS OF FINANCIAL REPORTS

The Business Manager will analyze the Expenses Compared to Budget Report on a monthly basis and present it to the Policy Council and Board of Directors.

Subject: FINANCIAL STATUS REPORTING (SF-425 Federal Financial Report)

GENERAL

The SF-425 is a reporting requirement by the US Department of Health and Human Services. The Business Manager will prepare the report according to the instructions included with the form. SF-425's are required semi-annually (i.e. 30 days after the end of the second and fourth quarter of each budget period, every six months), plus a final SF-425 within 90 days after the end of the budget year. This report must be completed and mailed to the Regional Grants Officer in Denver.

Subject: FEDERAL CASH TRANSACTION REPORTING (SF-425 or FFR)

GENERAL

The SF-425 or FFR is a reporting requirement by the US Department of Health and Human Services. The Business Manager will prepare the report according to the DHHS Manual for Recipients Financed Under the Payment Management System (PMS). The report will then be returned via Internet Electronic Federal Cash Transactions Report System. The address to access the Electronic report is <http://www.dpm.psc.gov>. This report is required quarterly on a calendar year. This is an information report utilized to reconcile draw-downs of federal funds and cash disbursements of our program on a quarterly basis.

Subject: IRS FORM 990

The Form 990 is a reporting requirement by the Internal Revenue Service for Non-Profit, tax-exempt organizations. This report is prepared and filed on an annual basis with a due date of March 15 for our year ending October 31st. This report is

prepared by the Auditors and Business Manager. The report provides information on our organization's mission, finances, and programs. It also provides information regarding compliance, governance, structure, procedures, conflict of interest, and activities. A copy of the report is presented to the Executive Director for review prior to submission and a copy of completed, filed return is provided to the Governing Board.

Subject: GRANT APPLICATION PROCESS

PURPOSE

To describe the procedure used in budgeting revenue and expenditures for the following periods and the procedure used for program planning.

PROCEDURE

1. An assessment of community strengths, needs and resources will be completed every three years and reviewed and updated annually.
2. Members from the Governing Board, Policy Council, Management Team and staff will formulate long-range program goals and short-term program and financial objectives that address the needs of children, families and staff identified in the community and program assessment.
3. The Management Team will prioritize the needs that have been determined in order of importance in case there are financial constraints.
4. The Management Team, Board of Directors, and Policy Council will develop a budget based on the program's funding level as stated in the "Letter of Intent to Fund," provided by the Department of Human Services, Administration for Children and Families in Denver and the program needs as identified and prioritized.
5. The 424, request for financial assistance, budget narrative and assurances if completed and,
 - submitted to the full Policy Council for final review and approval;
 - submitted to the full Grantee Board for final review and approval;
 - submitted to Grantor, ACF, Regional Office Denver, CO 90 days prior to November 1.

Subject: INVENTORY

PURPOSE

To describe the process and procedures of inventory control and record keeping.

PROCEDURE

1. The Office Assistant and purchaser enter purchasing information into the inventory record using purchase orders and vendor invoices. The records shall include the following information.
 - (i) A description of the equipment.
 - (ii) Manufacturer's serial number, model number, stock number, or other identification number.
 - (iii) Category in which the equipment is used (art, audio visual, block area, books-adult, books-child, dramatic play/house keeping, furniture, games, general, kitchen, large motor, manipulative, music, science, special need, vehicle, woodwork).
 - (iv) Source of the equipment, including the grant award number.
 - (v) Acquisition date.
 - (vi) Unit acquisition cost.
 - (vii) Location and condition of the equipment and the date the information was reported.
 - (viii) Ultimate disposition date.
 - (ix) "NESD Head Start Program" identification stickers or metal tags shall be placed on inventory items such as books, puzzles, furniture, computer equipment, etc. when practical.
2. In accordance with the NESD Head Start Program's Procurement Policies and Procedures, inventory items valued at more than \$5000 shall be considered equipment. The equipment will be documented and monitored by the Business Manager on the same inventory system but will be reviewed by auditors on an annual basis.

3. The staff shall take a physical inventory of items under \$5000 and the results reconciled with the equipment records on an annual basis. Any differences between quantities determined by the physical inspection and those shown in the equipment records shall be investigated to determine the causes of the difference. The recipient shall, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment.

Subject: CREDIT CARDS

PURPOSE

To describe the process and procedures of internal controls and record keeping regarding company credit cards.

Fuel Cards

Employees who are issued a staff vehicle are also issued fuel cards. The Human Resource / Transportation Manager will maintain a current list of cards issued to various employees. Any extra cards are kept in a locked / secured area by Human Resource / Transportation Manager. Employees are required to turn in all receipts with their monthly vehicle report. The Business Manager uses the receipts to reconcile fuel statements on a monthly basis.

Corp Bank Card

The agency has two corporate cards. The program card with a \$9000 spending limit is kept by the Business Manager in a locked and secured place. The second card with a \$1000 spending limit is carried by the Human Resource / Transportation Manager for small purchases while traveling in the program area for computer parts or online buying. The managers have access to the card on file in the event the Business Manager is absent. A purchase order must be issued when using these cards. The cards have limited usage but are utilized routinely for purchasing airline tickets through a travel agent, securing rooms at hotels, and internet or retail purchases when necessary. Purchases require prior approval from Executive Director or Business Manager.

Other Credit Cards

A select few businesses in the program area now require a store card for purchases (charge account). These credit cards are in the possession of the Business Manager and require prior approval from the Executive Director or Business Manager for purchases. These cards are also kept in a locked/secure place and a purchase order

must be issued for a purchase. The Business Manager reconciles the monthly statement with receipts.

Subject: RECORD RETENTION AND DESTRUCTION

PURPOSE

To describe the concepts and procedures related to storing and destroying company records.

GENERAL

This section sets forth federal requirements for record retention and access to records for awards. Financial records, supporting documents, statistical records and all other records pertinent to an award shall be retained for a period of three years from the date of submission of the annual financial report. Exceptions are as follows: If any litigation, claim, or audit is started before the expiration of the 3 year period, records shall be retained until litigation, claims, or audit findings involving the records have been resolved and final action taken. Records for real property and equipment acquired with Federal Funds shall be retained for 3 years after final disposition.

DESCRIPTION

The NESD Head Start Program has adopted the following financial records retention schedule:

DOCUMENT	RETENTION PERIOD	RESPONSIBLE PARTY
Grant Applications and Awards	7 years + current	Business Manager
SF-SAC Data Collection Form	7 years + current	Business Manager
Form 269 & Form 272	7 years + current	Business Manager
Form 990 & Audit Reports	Permanent	Business Manager
Form 1099 and 1096	7 years +current	Business Manager
Form W-2 and W-3	7 years +current	Business Manager
General Ledger and Trial Balance	7 years + current	Business Manager
Expense Compared to Budget Report	7 years + current	Business Manager
Purchase Orders, Accounts Payable Registers, and Paid Invoices	7 years + current	Business Manager
Bank Statements and Check Registers	7 years + current	Business Manager
Payroll Time Sheets and Payroll Distribution Reports	7 years + current	Business Manager
Insurance Policies	7 Years + current	Business Manager
Quarterly Payroll Tax Reports (941 and SUTA)	7 years + current	Business Manager
Employee Files	7 years + current	H/R Manager
Kid Files	3 years + current	Office Manager
In-Kind Contributions and Reports	3 years + current	Business Manager
Board Meeting Minutes	7 years + current	Executive Director
Policy Council Meeting Minutes	7 years + current	Executive Director
401-K Reports and Schedule 5500	7 years + current	Business Manager

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